



DIGITAL TRANSFORMS PHYSICAL

# Q3'22 FINANCIAL RESULTS

## Investor Relations



July 27, 2022



## FORWARD LOOKING STATEMENTS

This presentation includes forward looking statements regarding PTC's future financial performance, strategic outlook and expectations, anticipated future operations, and expected effects of strategic investments and initiatives. Because such statements deal with future events, actual results may differ materially from those projected in the forward-looking statements. Information about 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, targets and estimates. 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.

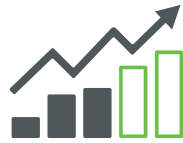


# **Q3'22 HIGHLIGHTS**

**JIM HEPPELMANN – PRESIDENT & CEO**

# STRONG Q3'22 FINANCIAL RESULTS

## Top Line



### ARR in Q3

- \$1.54 billion, up 9% YoY
- \$1.63 billion constant currency, up 16% YoY
- \$1.61 billion organic constant currency (excluding Codebeamer), up 15% YoY
- Broad-based strength across all product groups and geographic regions

## Bottom Line



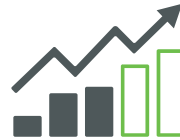
### Cash Flow in Q3

- \$117 million cash from operations, up 33% YoY
- \$112 million free cash flow, up 33% YoY
- \$132 million adjusted free cash flow, up 23% YoY
- Operational changes continue to generate the positive results we expect

# STRONG Q3'22 BOOKINGS PERFORMANCE

Strength in both Digital Thread and Velocity, driven by demand for digital transformation and SaaS

## Top Line

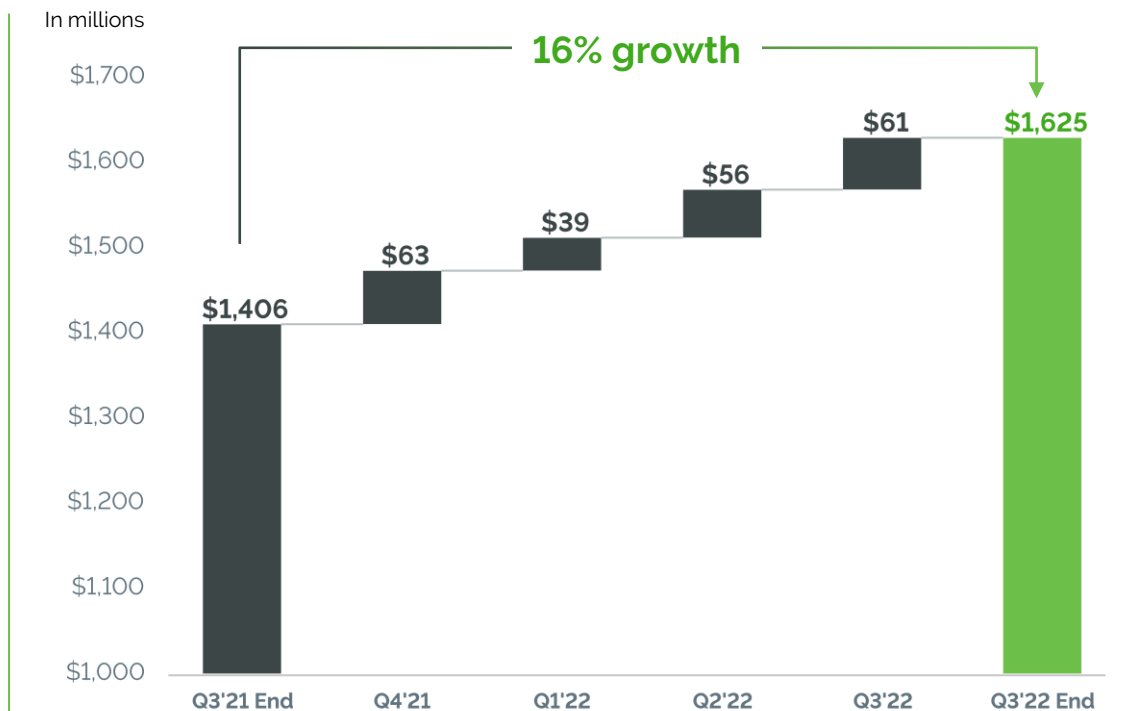


## Bookings

- High-20s % organic constant currency bookings growth YoY
- Digital Thread strength led by Core (CAD and PLM) and FSG, with strong growth in the Americas and in Europe
- Velocity strength led by Arena, with strong growth in the Americas and in Europe

# OUR BUSINESS MODEL: ARR AND BOOKINGS DYNAMICS

## Q3'22 Constant Currency ARR Growth YoY



## Illustrative ARR Scenarios

In millions	ARR (Illustrative)	Growth
<b>Base case</b>		
ARR beginning of year	\$1,500	
Bookings	\$300	
Churn	(\$100)	
ARR end of year	\$1,700	13%
<b>Like 2009 Great Recession</b>		
ARR beginning of year	\$1,500	
<b>Bookings down 30% for 4 quarters</b>	<b>\$210</b>	
Churn	(\$100)	
ARR end of year	\$1,610	7%
<b>Like 2020 Pandemic Recession</b>		
ARR beginning of year	\$1,500	
<b>Bookings down 30% for 2 quarters</b>	<b>\$255</b>	
Churn	(\$100)	
ARR end of year	\$1,655	10%

ARR is resilient, since growth is a rolling 4-quarter metric

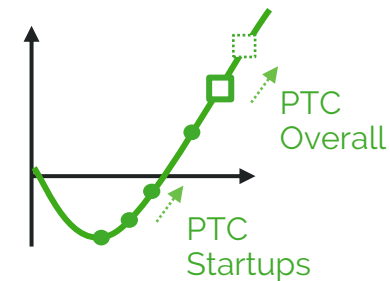
# MARGIN OPPORTUNITY IS EXPANDING

## Organizational optimization produces near-term expansion



- Change in Customer Success reduces inefficiency while improving customer service
- Combining R&D, Cloud Operations, and Tech Support drives SaaSification
- Expect FY'22 operating expenses to go up low-to-mid single digits at mid-point of 13% - 15% constant currency ARR growth guidance
- Continue to expect contribution margin expansion as disclosed at Investor Day

## J-Curve businesses are scaling into profitability over the mid-term



- Velocity: Arena is profitable, Onshape at maximum burn rate now but improving with scale
- Digital Thread Growth: Portfolio shifts drive IoT and AR to profitability near term and better aligns to growth opportunity
- Expect all "J-curve" business to continue to improve profitability with scale, thereby helping to drive PTC's overall margins

# STRONG ARR PERFORMANCE ACROSS GEOGRAPHIES

## Americas<sup>1</sup>

Strength across all product groups, including double-digit growth in Digital Thread – Core and mid-20s % growth in Velocity

## Europe<sup>1</sup>

Strength across all product groups, including double-digit growth in Digital Thread (Core, FSG, and Growth) and Velocity

## APAC<sup>1</sup>

Led by strong double-digit growth in Digital Thread – Core

**14%** growth  
**14%** growth CC<sup>1</sup>

**5%** growth  
**17%** growth CC<sup>1</sup>

**4%** growth  
**16%** growth CC<sup>1</sup>

**Q3'22 compared to Q3'21**

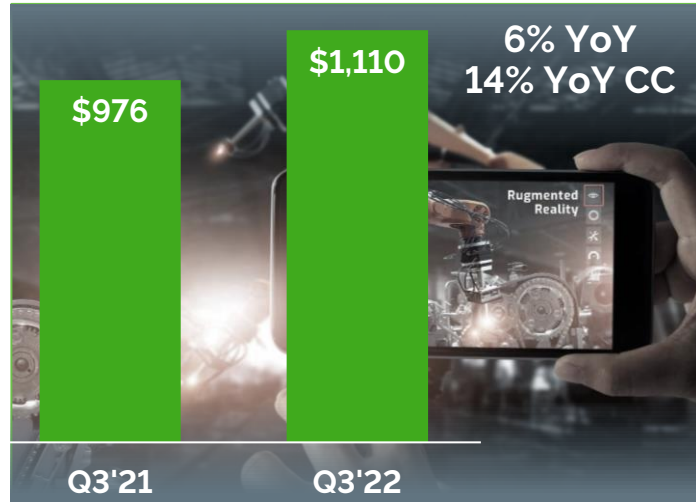
<sup>1</sup>constant currency



# DIGITAL THREAD ARR PERFORMANCE<sup>1</sup>

In millions  
(constant currency)

## Core



- CAD and PLM both grew in the double-digits, and continued to take market share
- Strong growth across all 3 geographic regions
- 19<sup>th</sup> consecutive quarter of double-digit ARR growth in Digital Thread – Core

## Growth



- ARR growth near “2 handle”
- Multi-million \$ Digital Performance Management (DPM) deal landed
- Particularly strong growth in Europe
- Increased focus on cross-selling into our core customer base

## FSG



- Organic constant currency growth of 9% YoY (excluding Codebeamer ARR of \$16M)
- Strong customer demand, as Retail PLM, Arbortext, ALM, and Servigistics all performed well
- Strong growth in all 3 geographic regions, particularly in Europe

<sup>1</sup> Amounts shown and discussed on this slide are on a constant currency basis; slide 19 shows constant currency and reported ARR

# FSG: CODEBEAMER IS OFF TO A STRONG START



**codebeamer**  
a ptc technology

- Best-in-class ALM (Application Lifecycle Management) capability and usability
- High demand in regulated industries, including automotive and medical devices
- Targeting Digital Thread revenue and cost synergies
- Expect FSG to sustain mid-single digit constant currency ARR growth



**BOSCH**



Vestas is the global leader in sustainable energy solutions. Every day, Vestas' 29,000 employees help create a better world by designing, manufacturing, deploying, and servicing wind energy and hybrid projects all over the world.

# VESTAS

## Challenge

With more than 154 GW of wind turbines in 87 countries, Vestas has installed more wind power than anyone else.

Vestas needs to manage the growing challenge of product complexity, while driving improvements in product and process quality.

## Solution

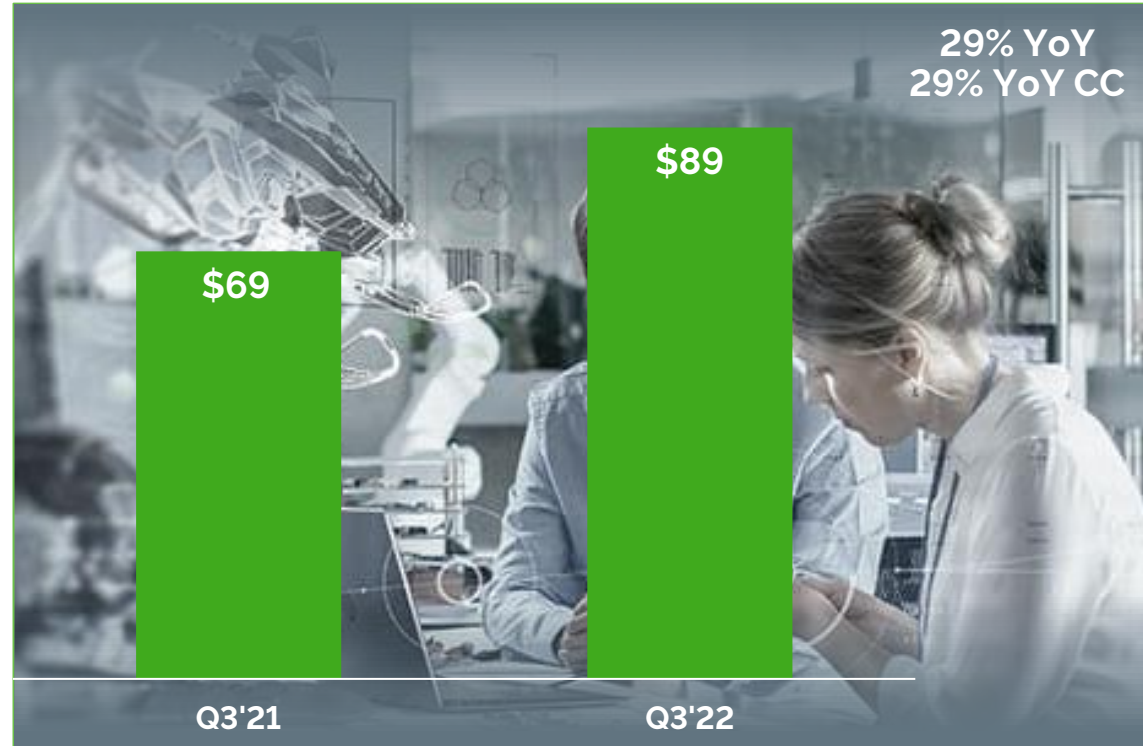
Vestas is leveraging PTC's **Digital Thread** offerings across CAD, PLM and IoT. The digital thread starts in engineering, where Vestas has established a strong PLM foundation for enterprise governance and traceability. Vestas is on a journey to a unified, closed-loop flow of product and process information.

## Impact

- The end-to-end configuration management capabilities of **Creo**, **Windchill**, and **ThingWorx** enable Vestas to keep engineering and manufacturing in sync, while eliminating manual handoffs and redundant work. This is helping Vestas to drive a step-function improvement in product and process quality.
- Vestas is also driving closed-loop innovation. As Vestas develops their best-in-class wind power solutions, they are now using data from connected wind turbines in the field to verify their simulation models and generate insights to improve product and process quality.

# VELOCITY ARR PERFORMANCE<sup>1</sup>

In millions (constant  
currency)



- Cloud-native, pure-SaaS, CAD/PLM market leader
- Low-40s % Onshape ARR growth driven by upsell/expansions and improved churn rate
- Mid-20s % Arena ARR growth driven by upsell/expansions, new logos, and improved churn rate
- Particularly strong growth in Europe for both Arena and Onshape

<sup>1</sup> Amounts shown and discussed on this slide are on a constant currency basis; slide 19 shows constant currency and reported ARR



Wavemaker Labs is a product development accelerator, composed of a diverse team of innovators, builders and entrepreneurs, focused on developing advanced technologies that deliver impact-driven solutions for practical use in robotics, automation and mobility.



# WAVEMAKER LABS

## Challenge

Wavemaker Labs needed an integrated SaaS CAD and PLM solution to improve concurrent engineering across multiple portfolio companies.

## Solution

The **Onshape CAD** and **Arena PLM** solutions enable the Wavemaker Labs team to design more quickly and efficiently, and manage the entire product lifecycle seamlessly from end to end.

## Impact

- The Onshape and Arena cloud-native solutions drive improved reliability and scalability, while reducing capital expenses and operating costs.
- Better understanding of CAD user efficiency and engagement through Onshape's unique analytics and reporting capabilities.
- The integrated Onshape and Arena solution will:
  - Accelerate new product introduction and continuous improvement with traceability and accuracy.
  - Enable Engineering, Supply Chain, and Manufacturing to collaborate on product information, including 3D designs, throughout the product lifecycle.

# UPCOMING INVESTOR EVENTS

**November 17, 2022**

## **FY'23 Investor Day (virtual)**

- Focused on financial plan for FY'23 and beyond

**May 15 – 16, 2023**

## **LiveWorx (in-person in Boston)**

- Focused on strategy and customers
- Large global event with customers, partners, investors, and employees
- Dedicated investor track, featuring keynotes, investor sessions, and opportunities to interact directly with management, customers, and partners

# WRAP UP

## STRONG PORTFOLIO AND STRATEGY

Portfolio of products is unique and compelling

Portfolio and Strategy align well to customer demand

## STRONG EXECUTION

Strong YTD results

Forecasted to be our 5th consecutive year of double-digit constant currency ARR growth

## PROFITABILITY EXPANSION

Optimized SaaS operational model

Internal resourcing shifts

J-curve businesses continue to scale

Cautious on hiring

## POSITIONED TO DRIVE STRONG GROWTH

Business model, market position, and execution support continued growth

Highly resilient model with SaaS tailwinds



PTC has never been in a better position to create shareholder value



# **Q3'22 FINANCIAL REVIEW**

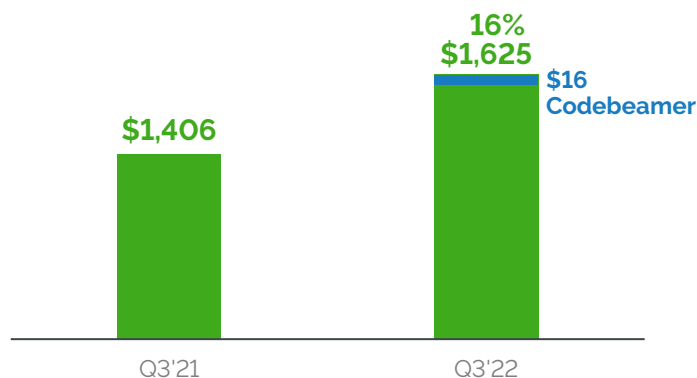
## **KRISTIAN TALVITIE – EVP & CFO**



# Q3'22 RESULTS VS PRIOR YEAR

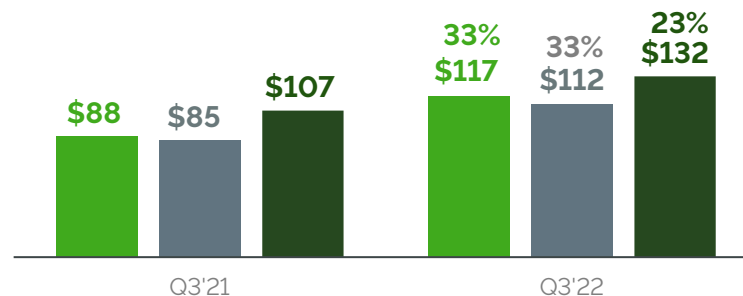
In millions

## Constant Currency ARR

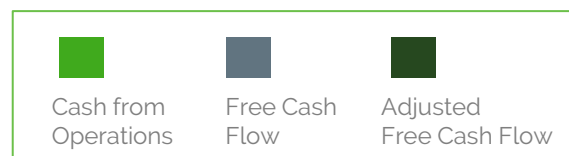


- ARR growth of 9%, 16% constant currency
- \$81M FX headwind in Q3'22
- Organic ARR growth of 8%, 15% constant currency (excluding Codebeamer)
- ARR at the end of Q3'22 includes a \$4 million reduction associated with discontinuing our business operations in Russia in Q2'22

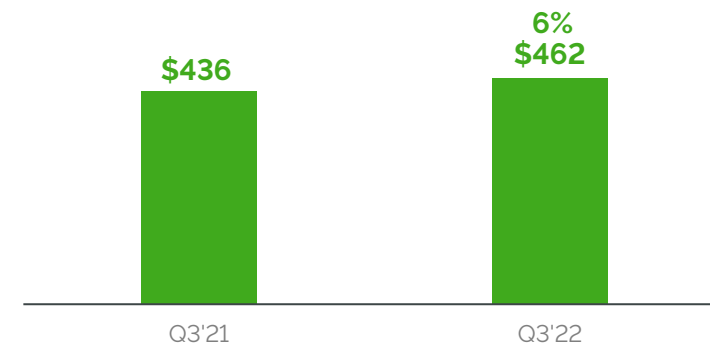
## Cash Flow<sup>1</sup>



- Cash flow performance reflects continued operational execution, despite FX headwinds
- Free cash flow is primarily a function of ARR rather than revenue



## Revenue



- Revenue growth of 6%, 12% constant currency
- While every \$1 of ARR becomes \$1 of revenue, the timing of revenue recognition for on-premise subscription revenue under ASC 606 can vary significantly, impacting reported revenue and growth rates
- Due to the impact of ASC606 on revenue, we believe ARR is the best metric to evaluate PTC's top line performance and Adjusted Free Cash Flow is the best metric to evaluate PTC's bottom-line performance

<sup>1</sup> Refer to the Non-GAAP Reconciliation Table on slide 28

# BALANCE SHEET AND SHARE REPURCHASES

## Strong balance sheet as of June 30, 2022

- Cash and cash equivalents of \$322 million
- Gross borrowings of \$1.434 billion with an aggregate interest rate of 3.5%
  - \$1.0 billion of senior notes with an aggregate interest rate of 3.8%
  - \$434 million drawn on revolving credit facility with a variable interest rate of 2.7%

## Debt/EBITDA ratio less than 3x

## Share repurchase program

- Completed repurchases of \$125 million in FY'22
- Our long-term goal, assuming our Debt/EBITDA ratio is below 3x, is to return approximately 50% of our free cash flow to shareholders via share repurchases, while also taking into consideration the interest rate environment and strategic opportunities

# FX DYNAMICS: IMPACT TO ARR

	FY'21				FY'22			
<u>ARR by Product Group (Constant Currency)</u>	Qtr Ended				Qtr Ended			
Using FX rates as of September 30, 2021	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep Guidance Midpoint
(in millions)								
<b>ARR by Product Group:</b>								
Digital Thread - Core	\$ 940	\$ 956	\$ 976	\$ 1,013	\$ 1,041	\$ 1,079	\$ 1,110	
Digital Thread - Growth	174	180	180	193	198	207	214	
Digital Thread - FSG	178	180	181	190	190	195	213	
Digital Thread (Total)	\$ 1,292	\$ 1,315	\$ 1,337	\$ 1,396	\$ 1,429	\$ 1,481	\$ 1,537	
Velocity	10	65	69	73	78	83	89	
Ending ARR	\$ 1,302	\$ 1,380	\$ 1,406	\$ 1,468	\$ 1,507	\$ 1,564	\$ 1,625	\$ 1,675

	FY'21				FY'22			
<u>ARR by Product Group (as Reported)</u>	Qtr Ended				Qtr Ended			
	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep Midpoint <sup>1</sup>
(in millions)								
<b>ARR by Product Group:</b>								
Digital Thread - Core	\$ 967	\$ 960	\$ 986	\$ 1,013	\$ 1,033	\$ 1,055	\$ 1,047	
Digital Thread - Growth	177	181	181	193	197	204	205	
Digital Thread - FSG	182	180	183	190	189	191	203	
Digital Thread (Total)	\$ 1,326	\$ 1,321	\$ 1,350	\$ 1,396	\$ 1,418	\$ 1,450	\$ 1,456	
Velocity	10	65	69	73	78	83	88	
Ending ARR	\$ 1,336	\$ 1,386	\$ 1,418	\$ 1,468	\$ 1,496	\$ 1,532	\$ 1,544	\$ 1,590

<sup>1</sup> At end of Q3'22 FX rates, FY'22 ARR would be lower by approximately \$85 million, compared to our constant currency guidance

# FX DYNAMICS: ARR SENSITIVITY TO EUR/USD AND USD/YEN

In millions	End of Q3'22
ARR base	\$1,544
Estimated impact of \$0.10 change in EUR/USD rate	\$38
Estimated impact of 10 Yen change in USD/JPY rate	\$8

## As of the end of Q3'22

- Approximately 50% of our ARR is transacted in USD
- Approximately 25% of our ARR is transacted in EUR
- Slightly more than 5% of our ARR is transacted in JPY
- Also, we transact in 10+ additional currencies

# FINANCIAL IMPACT OF CODEBEAMER AND DXP SERVICES



**Constant Currency ARR:** \$16 million increase in Q3'22, due to Codebeamer

**Free Cash Flow:** Expected to be immaterial in FY'22 and accretive in FY'23

# FY'22 AND Q4'22 GUIDANCE<sup>1</sup>

In millions except percentages	FY'22 Previous Guidance	FY'22 Guidance	FY'22 YoY Growth Guidance	Q4'22 Guidance
ARR at Constant Currency <sup>2</sup>	\$1,640 - \$1,665	\$1,660 - \$1,690	13% - 15%	\$1,660 - \$1,690
Cash from Operations	~\$430	~\$430	~17%	~\$35
Free Cash Flow	~\$405	~\$410	~19%	~\$25
Adjusted Free Cash Flow	~\$455	~\$465	~19%	~\$30
Revenue	\$1,905 - \$1,975	\$1,900 - \$1,950	5% - 8%	

- **FY'22 Constant Currency ARR guidance raised**, despite Russia exit in Q2'22
  - Codebeamer ~\$16 million of ARR in Q3'22
- **FY'22 FCF and Adjusted FCF guidance raised**, despite FX headwinds and Russia exit in Q2'22
- **FY'22 Revenue guidance reduced**, due to FX headwinds

## Reconciliation of Cash from Operations to Adjusted Free Cash Flow

In millions	FY'22 Previous Guidance	FY'22 Guidance	Q4'22 Guidance
Cash from Operations	~\$430	~\$430	~\$35
Capex	(~\$25)	(~\$20)	(~\$10)
Free Cash Flow	~\$405	~\$410	~\$25
Restructuring payments	\$40 to \$45	\$40 to \$45	~\$5
Acquisition and transaction-related payments	~\$5	~\$10	~\$0
Adjusted Free Cash Flow	~\$455	~\$465	~\$30

<sup>1</sup> Our FY'22 guidance now reflects the expected operating results of the Codebeamer business and the effect of the DXP transaction, as well as the impact of business combination accounting, incremental interest expense, and all transaction-related charges

<sup>2</sup> On a constant currency basis, using our FY'22 Plan foreign exchange rates (rates as of September 30, 2021) for all periods

# FY'22 ILLUSTRATIVE CONSTANT CURRENCY ARR MODEL

What does PTC need to deliver to achieve the midpoint of constant currency ARR guidance?

in millions	Actual Q1'21	Actual Q2'21	Actual Q3'21	Actual Q4'21	Actual Q1'22	Actual Q2'22	Actual Q3'22	What you need to believe Q4'22
Beginning ARR	1,258	1,302	1,380	1,406	1,468	1,507	1,564	1,625
Sequential ARR growth	44	78	26	63	39	56	62	50
Sequential ARR growth %	3.5%	6.0%	1.8%	4.5%	2.6%	3.7%	3.9%	3.1%
<b>Ending ARR</b>	<b>1,302</b>	<b>1,380</b>	<b>1,406</b>	<b>1,468</b>	<b>1,507</b>	<b>1,564</b>	<b>1,625</b>	<b>1,675</b>
Sequential ARR growth	44	78	26	63	39	56	62	50
Acquisition ARR <sup>1</sup>		(54)					(16)	
<b>Organic sequential ARR growth</b>	<b>44</b>	<b>24</b>	<b>26</b>	<b>63</b>	<b>39</b>	<b>56</b>	<b>45</b>	<b>50</b>

- FY'22 Ending ARR modelled at the midpoint of our updated guidance range
- On an organic basis, we added \$47M more ARR in the first 9 months of FY'22, compared to the first 9 months of FY'21
- To hit the midpoint of guidance for FY'22, we need to add \$50M of organic ARR in Q4'22 (\$13M less, compared to Q4'21)

<sup>1</sup> Arena in Q2'21 and Codebeamer in Q3'22

# FY'22 AND Q4'22 GUIDANCE ASSUMPTIONS

- We provide ARR guidance on a constant currency basis, using our FY'22 Plan foreign exchange rates (rates as of September 30, 2021) for all periods. Unfavorable changes in foreign exchange rates have been a headwind to our reported ARR. At end of Q3'22 foreign exchange rates, FY'22 ARR would be lower by approximately \$85 million, compared to our constant currency guidance (previously \$34 million, based on foreign exchange rates as of the end of Q2'22).
- We expect FY'22 organic churn, excluding the impact of our exit from Russia, to improve by approximately 150 basis points (previously 100 basis points) over FY'21.
- Due to invoicing seasonality, the majority of our collections occur in the first half of our fiscal year. Q4 is our lowest cash flow generation quarter.
- Our operating costs are expected to increase in FY'22 due to hiring, increased SaaS investments, merit increases that took effect in Q3'22, and the acquisition of the Codebeamer business in Q3'22 (updated). At the mid-point of ARR guidance, we expect FY'22 GAAP operating expenses to increase approximately 4% to 5% (previously 3% to 4%) and non-GAAP operating expenses to increase approximately 2% to 3% over FY'21.
- FY'22 GAAP P&L results are expected to include the items outlined below, totaling \$281 million to \$291 million (previously \$293 million to \$308 million), as well as their related tax effects:
  - \$170 million to \$180 million (previously \$160 million to \$170 million) of stock-based compensation expense
  - \$61 million (previously \$58 million) of intangible asset amortization expense
  - \$37 million (previously \$35 million to \$40 million) of restructuring charges
  - \$11 million (previously approximately \$5 million) of acquisition and transaction-related charges
  - \$32 million (previously \$35 million) of FY'22 net realized losses from the sale of investments
  - \$30 million gain associated with the sale of a portion of our PLM service business (new)
- Related to restructuring, for FY'22 we expect:
  - P&L charges of \$37 million (previously \$35 to \$40 million), which have been incurred in the first nine months of FY'22.
  - Cash outflows for restructuring payments of \$40 to \$45 million, of which \$38 million was paid in the first nine months of FY'22. Restructuring payments in FY'22 include \$5 million related to prior period actions, primarily the relocation of our headquarters in FY'19.
- Our FY'22 GAAP tax rate is expected to be approximately 20% and our non-GAAP tax rate is expected to be approximately 19%.
- FY'22 capital expenditures are expected to be approximately \$20 million (previously \$25 million).
- Our long-term goal, assuming our Debt/EBITDA ratio is below 3x, is to return approximately 50% of our free cash flow to shareholders via share repurchases, while also taking into consideration the interest rate environment and strategic opportunities (updated).



# FORWARD-LOOKING STATEMENTS

Statements in this press release that are not historic facts, including statements about our future financial and growth expectations and targets, 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, the effects of the Russia/Ukraine conflict, and inflation, 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; our transactions with Intland Software and ITC Infotech may not have the expected effects on our business or results of operations; our strategic initiatives and investments, including our restructuring and our accelerated investments in our transition to SaaS, may not deliver the results when or as we expect; we may be unable to generate sufficient operating cash flow to repay amounts under our credit facility 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; and foreign exchange rates may differ materially from those 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.

# OPERATING MEASURES

**ARR:** We provide an ARR (Annual Run Rate) operating measure to help investors understand and assess the performance of our business as a SaaS and on-premise subscription company. 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.

**Organic Constant Currency ARR:** We provide an organic constant currency ARR measure to help investors understand and assess the performance of our business without the effect of ARR (other than insignificant amounts) from acquisitions in the comparative period and foreign exchange rate fluctuations.

Because our ARR 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.

**Churn:** We provide churn measures to enable investors to understand and assess our customer contract retention. Churn represents the difference between the ARR amount for all subscription software, cloud, SaaS, and support contracts ended within a reporting period and the annualized renewal transactions started within a reporting period, as of the end of the reporting period.

# NON-GAAP FINANCIAL 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; certain non-operating charges and credits; 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 24 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2021. In FY'21, we incurred tax expense related to a South Korean tax matter which is excluded from our non-GAAP financial measures as it is related to prior periods and not included in management's view of results for comparative purposes. We also recorded a tax benefit in FY'21 related to the release of our U.S. valuation allowance as a result of the Arena acquisition and our conclusion that it is now more likely than not that we will realize the majority of our deferred tax assets in the U.S. 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 and Adjusted Free Cash Flow:** PTC provides information on free cash flow and adjusted 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. Free cash flow is cash provided by (used in) operations net of capital expenditures. Adjusted free cash flow is free cash flow net of restructuring payments, acquisition and transaction-related payments, and non-ordinary course tax-related payments or receipts. Free cash flow and adjusted free cash flow are not measures of cash available for discretionary expenditures.

**Constant Currency (CC):** We present CC information to provide a framework for assessing how our underlying business performed excluding the effects of foreign currency rate fluctuations. To present CC information, FY'22 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, 2021, rather than the actual exchange rates in effect during that period.

# NON-GAAP RECONCILIATION

In millions	Q3'22	Q3'21
Cash from Operations	\$116.8	\$88.0
Capex	(\$4.5)	(\$3.4)
Free Cash Flow	\$112.3	\$84.6
Restructuring payments	\$10.2	\$2.0
Transaction-related payments	\$9.7	\$3.8
Non-ordinary course tax payments	-	\$16.9
Adjusted Free Cash Flow	\$132.1	\$107.3



DIGITAL TRANSFORMS PHYSICAL

# THANK YOU

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