



PROS Holdings Q4 2018

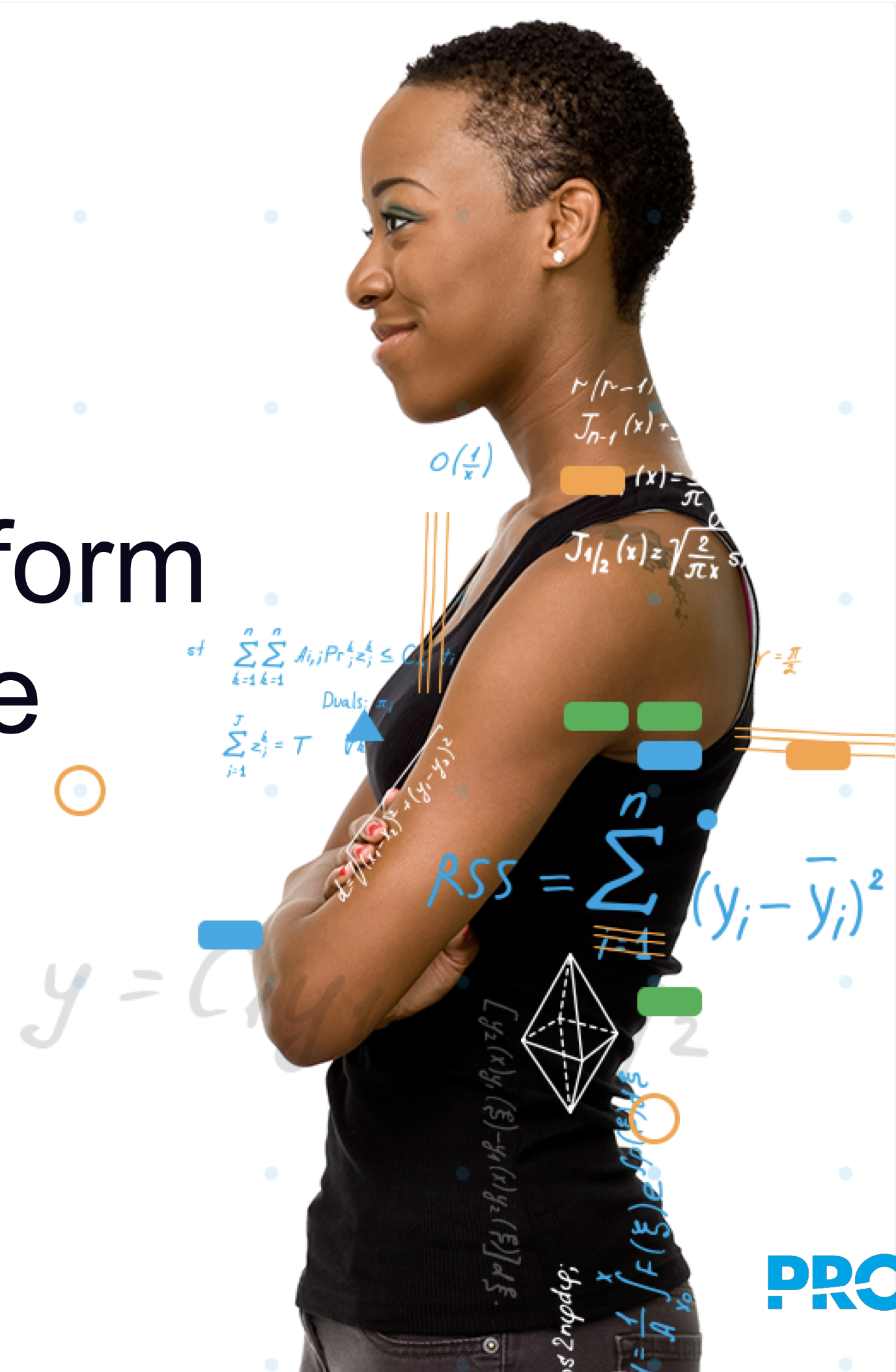
Disclaimer / Forward-Looking Statements

Included in this presentation are forward-looking statements including, but not limited to, those related to earnings, addressable market and other financial projections. These predictions, estimates, and other forward-looking statements involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied in this presentation. We refer you to the documents we file with the Securities and Exchange Commission, which identify and discuss important factors that could cause actual results to differ materially from those discussed in these forward-looking statements. All statements included in these materials are based upon information known as of the date hereof, and PROS Holdings assumes no obligation to update any such statements, except as required by law.

This presentation includes certain supplemental non-GAAP financial measures, that we believe are useful to investors as useful tools for assessing the comparability between periods as well as company by company. These non-GAAP financial measures should be considered in addition to, but not as a substitute for, our financial information and results prepared in accordance with U.S. GAAP included in our periodic filings made with the SEC. Further information relevant to the interpretation of non-GAAP financial measures, and reconciliations of these non-GAAP financial measures to the most comparable GAAP measures, may be found in the Appendix to this presentation.

Our Vision

To be the dynamic AI platform
powering commerce in the
digital economy





Business Overview

PROS at a Glance



\$197mm

2018
Total Revenue



95%+

2018 Customer Gross
Revenue Retention Rate



57%

2018 Subscription
Revenue Growth



81%

Recurring Revenue
as a % of 2018 Total Revenue



\$30B+

Total Estimated
Addressable Market



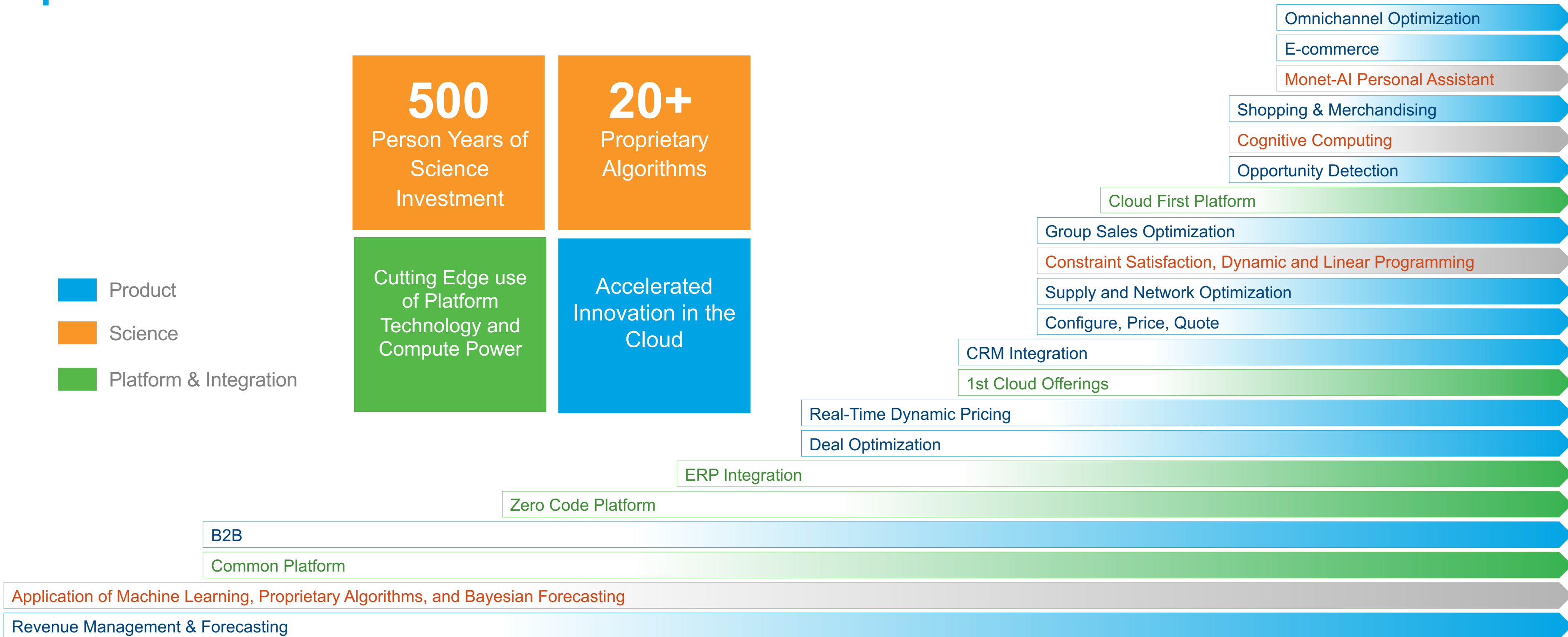
~1Tn

Transactions
processed annually

Our Heritage of Innovation and Execution

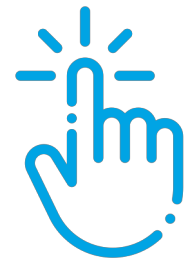
- Product
- Science
- Platform & Integration

<p>500 Person Years of Science Investment</p>	<p>20+ Proprietary Algorithms</p>
<p>Cutting Edge use of Platform Technology and Compute Power</p>	<p>Accelerated Innovation in the Cloud</p>



B2B and B2C Expectations are Converging

Customer Expectations
Across Channels



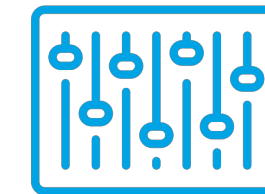
Simple



Personalized



Consistent



Configurable

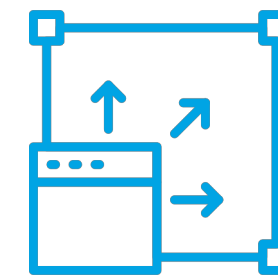
Channel Fluidity



What It Takes To Achieve
The Top Level Across All Channels



Sophistication



Scale

Powered By
AI

The Digital Economy has Brought About an Inflection Point

Historical Commerce Challenges:



Lack of customer insights, preferences and buying patterns



Negotiated pricing with limited transparency



Complex quoting process with little visibility



Labor intensive

Today's market has trained us to **expect more...**



74%

of **B2B buyers** prefer to buy online when they have decided what to buy



68%

prefer to conduct research online as opposed to with a sales rep

...and modern data science is finally able to **deliver at scale:**



AI uses vast user-data to **influence choices**



Enables **predictive suggestions** and price intelligence

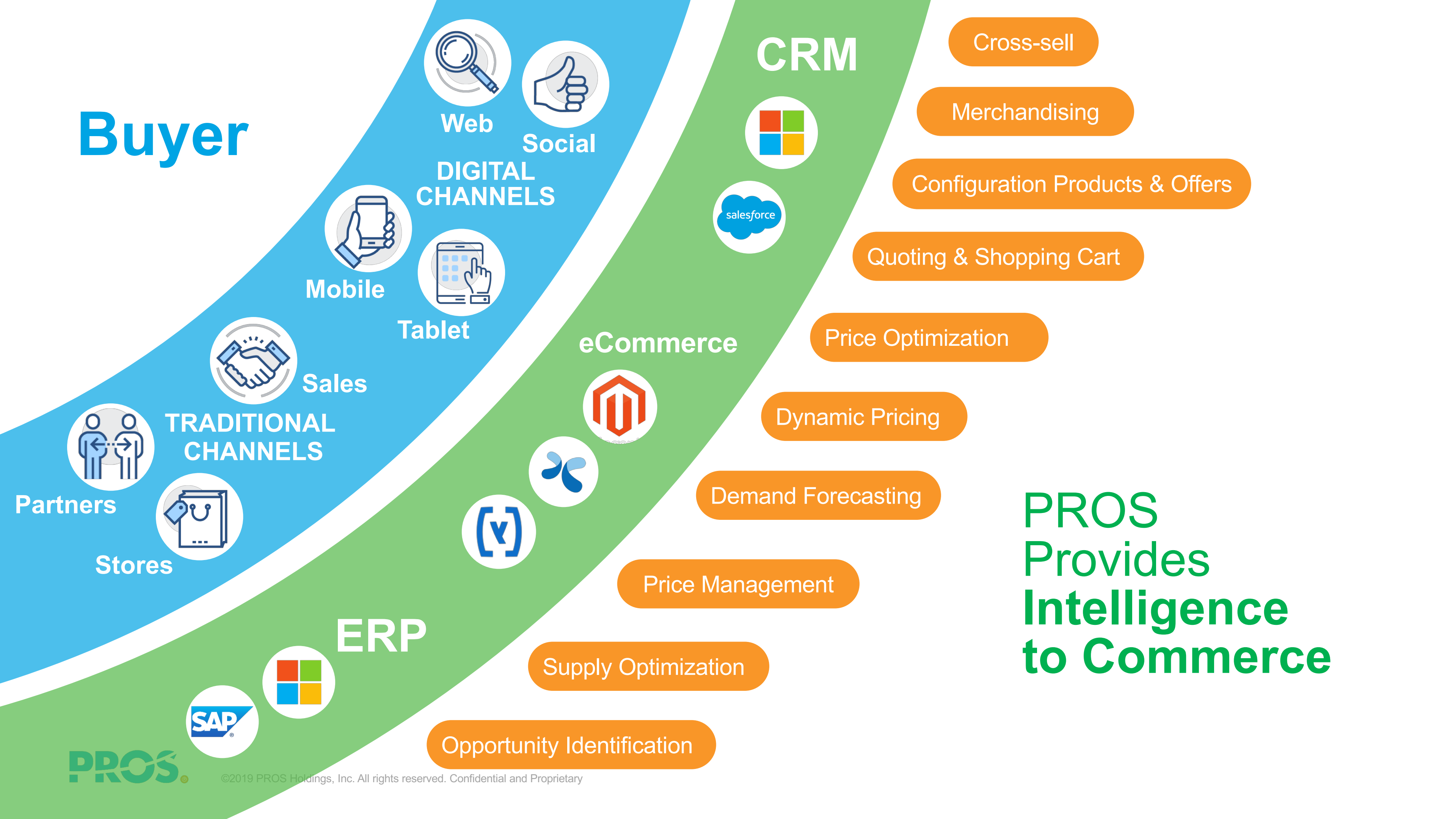


Results in a **better informed marketplace**



PROS' Solutions
Power Companies to
Compete and Win
in Today's Digital Economy

Buyer



Web Social
DIGITAL CHANNELS

Mobile Tablet

Partners Stores
TRADITIONAL CHANNELS

eCommerce

ERP

Cross-sell

Merchandising

Configuration Products & Offers

Quoting & Shopping Cart

Price Optimization

Dynamic Pricing

Demand Forecasting

Price Management

Supply Optimization

Opportunity Identification

CRM

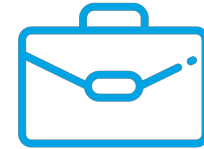
PROS Provides Intelligence to Commerce

...With Powerful, Flexible, Self-Learning AI

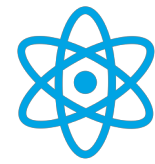
Cross-industry capabilities



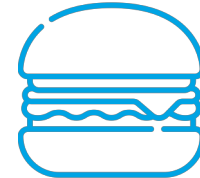
Automotive & Industrial



B2B Services



Chemicals & Energy



Food & Consumables



Healthcare



Technology



Travel

Without manual intervention

Understands a user's context

Personalizes and adapts

Predicts, prescribes, and automates

Learns from data and actions

Improves continuously



Monet™

PROS Artificial Intelligence Analyst

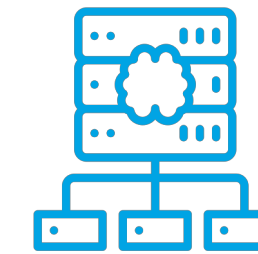
Enables users to make better decisions based on:



All the information available

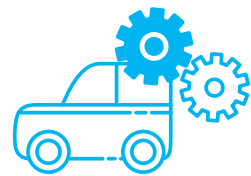


Computational power of the cloud



Machine learning and other algorithms

We Power Commerce for Leading Enterprises Across Industries



Automotive & Industrial

1 of top 3
global heavy
equipment
manufacturer

2 of top 4
U.S. auto parts
companies



B2B Services

2 of top 7
sanitary services
companies

1 of top 3
European insurance
companies

2 of top 3
U.S. car rental
companies



Chemicals & Energy

1 of top 3
chemicals
companies

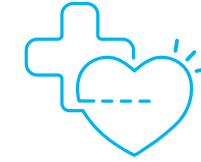
2 of top 7
global oil and
gas companies



Food & Consumables

1 of top 3
privately held
companies in U.S.

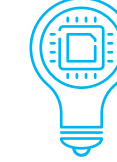
1 of top 3
paper producing
companies



Healthcare

2 of top 5
global pharma
companies

3 of top 10
global medical device
companies



Technology

1 of top 4
software companies

1 of top 5
U.S. electronics
components
distributors



Travel

16 out of 20
of the best global
airlines

1 of top 3
global railway
companies

Select Customers



PROS drives Tangible Results for Customers

HP Inc.

\$400 million

19% revenue improvement,
resulting in **\$400 million**
incremental revenue

Fonterra

~\$80 million
average per year

“We've improved the value of
optimization by somewhere
around **\$20 million dollars**
per quarter”

Greyhound

2-3%

2-3% lift compared
to control groups

PROS' TAM is Massive, Global, and Growing

\$30B+ Underpenetrated, addressable market⁽¹⁾

\$9B Strategic Industries and Geographies **+** **\$21B** Emerging Industries and Geographies

\$2.4B Automotive & Industrial

\$1.0B B2B Services

\$1.6B Food & Consumables

\$800mm Technology

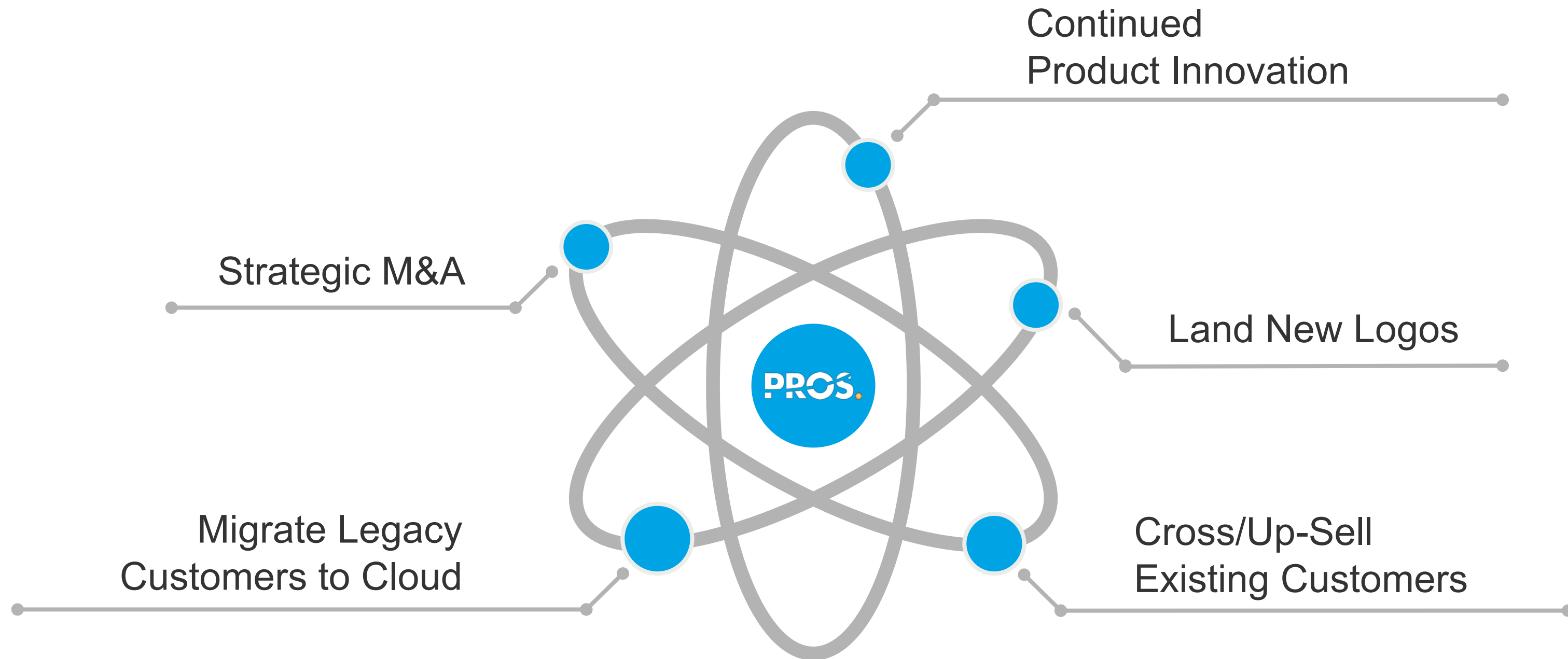
\$1.3B Healthcare

\$700mm Chemicals & Energy

\$1.2B Travel

Note: (1) Estimated TAM represents our global total revenue and market opportunity and does not represent the actual market opportunity that we may target or ultimately service or otherwise derive revenue from. Our estimate of TAM may be revised in the future depending on a variety of factors, including competitive dynamics, our sales efforts, customer needs, industry shifts and other economic factors.

Numerous Vectors for Growth



Summary: Business Highlights

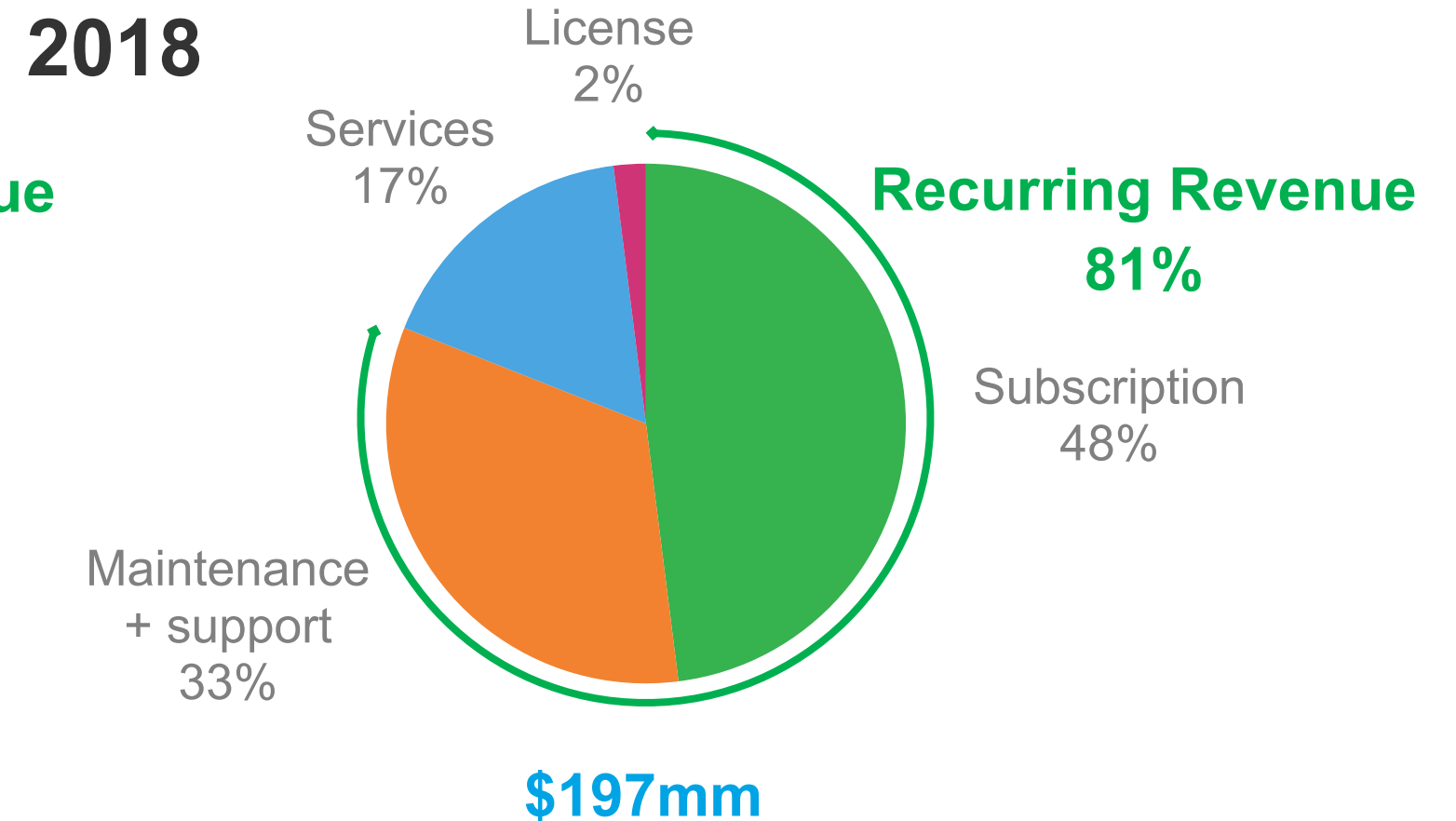
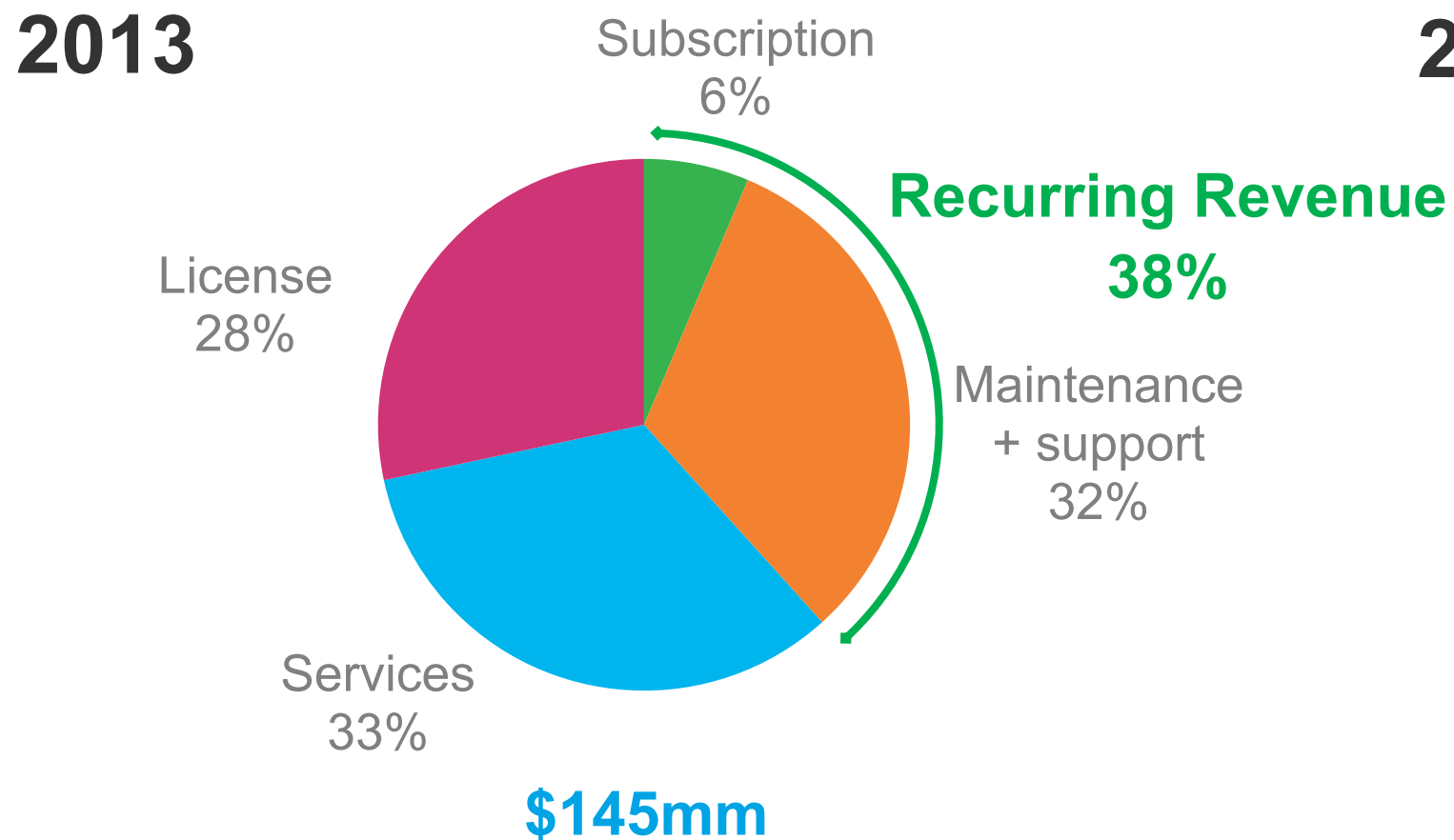
- Leading end-to-end AI platform powering digital commerce
- We believe the massive market opportunity is at an inflection point
- Real-time, mission critical solutions delivering powerful customer ROI
- Loyal customer base consisting of leading blue-chip companies
- Deep competitive moat built through 30 years of AI leadership
- Rapidly growing, highly visible subscription revenue
- Strong culture of innovation and execution



Financial Overview

Then vs. Now

Revenue



YoY Subscription revenue growth

2%

57%

Sales motion

Upfront perpetual license / maintenance

95% of all software bookings (#) in the cloud
Land-and-Expand

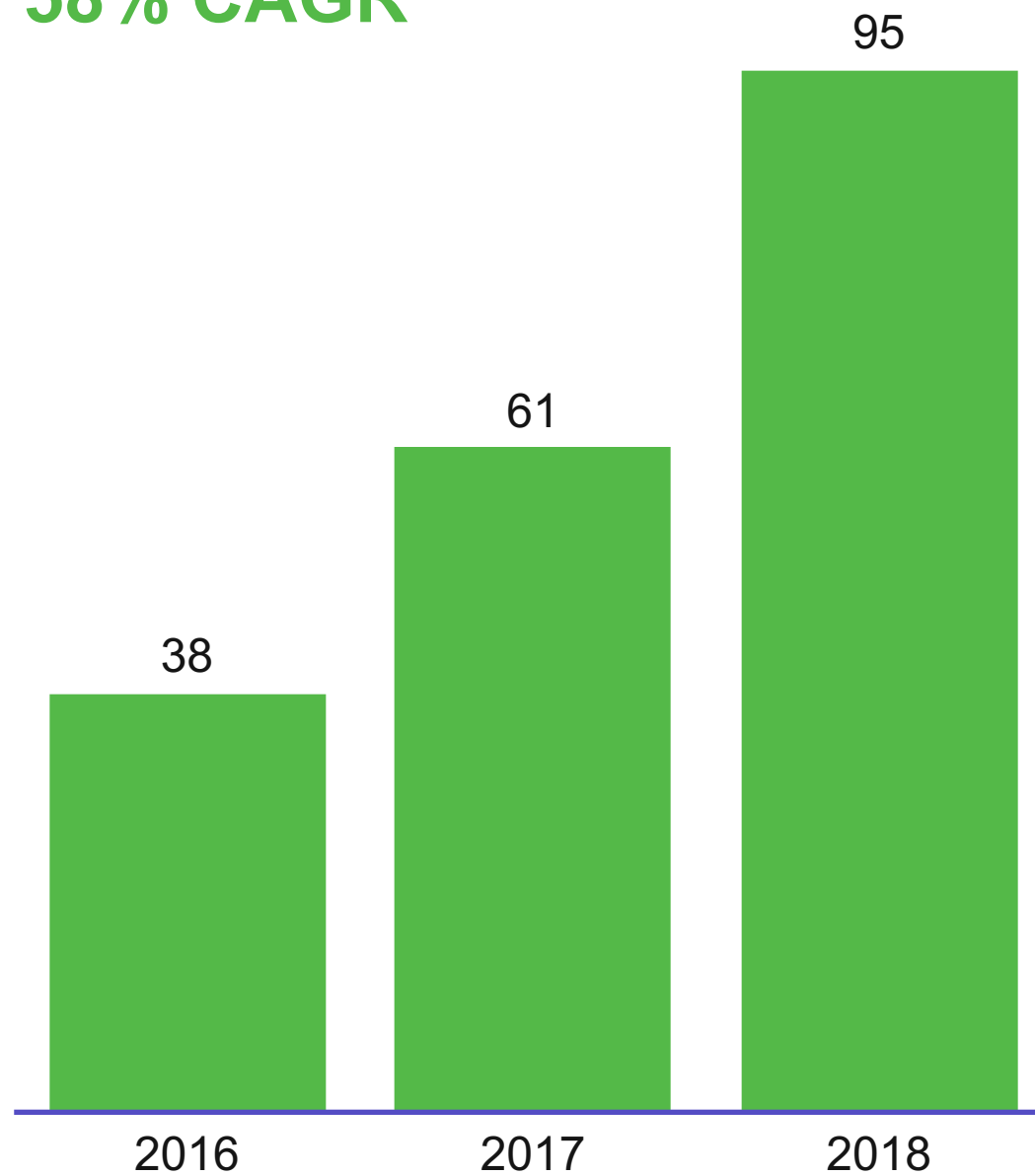
Implementation cycle (B2B)

6-9 months

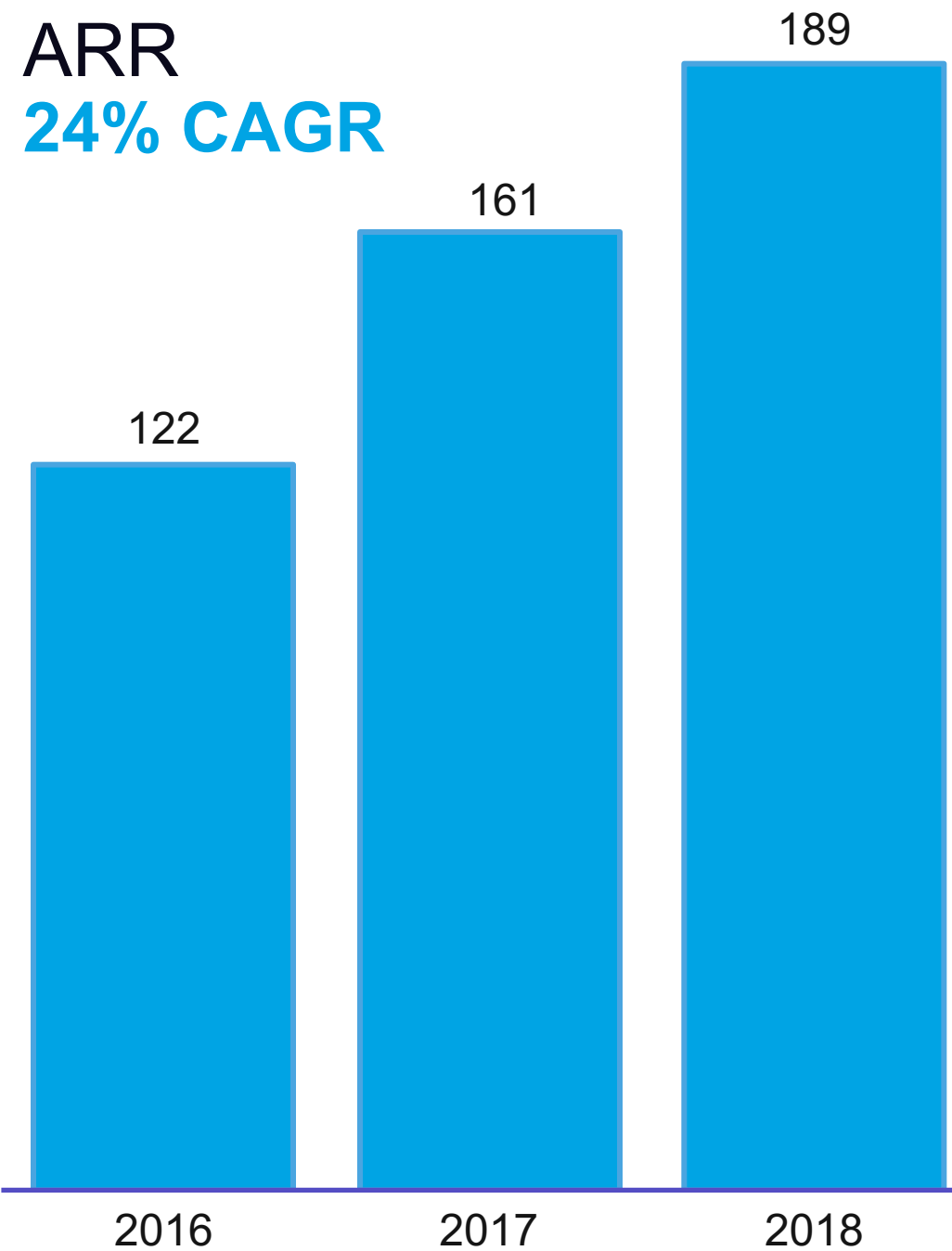
1 – 4 months

Strong and Consistent Cloud Growth Trajectory (\$mm)

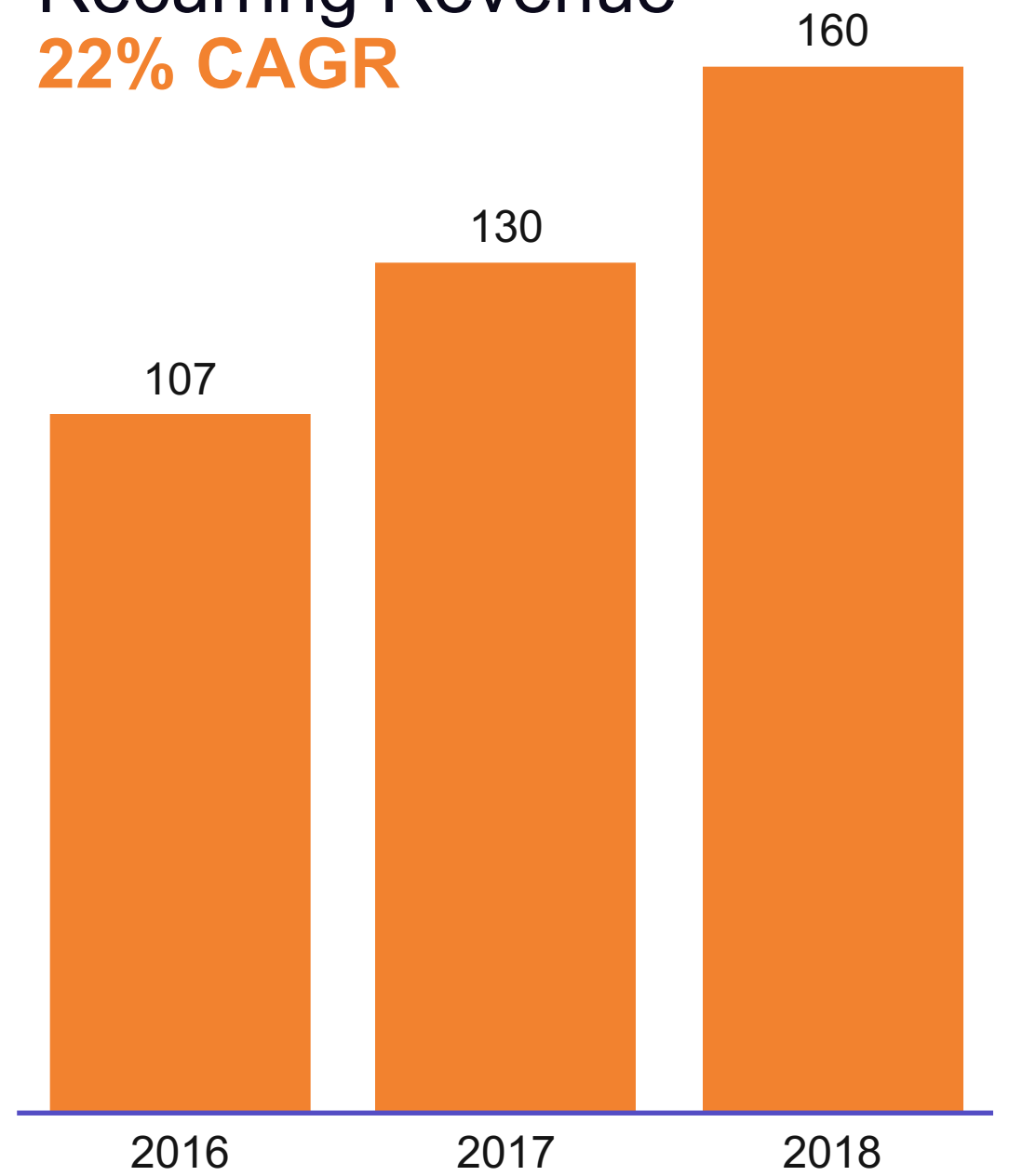
Subscription Revenue 58% CAGR



ARR 24% CAGR



Recurring Revenue 22% CAGR



Note: ARR is one of PROS key performance metrics and should be viewed independently of revenue or other similar GAAP measure. ARR is defined, as of a specific date, as contracted recurring revenue, including contracts with a future start date, together with annualized overage fees incurred above contracted minimum transactions, and excluding perpetual and term license agreements recognized as license revenue in accordance with GAAP. Estimated ARR does not represent actual market or revenue opportunity, and such estimates may be revised in the future depending on a variety of factors, including competitive dynamics, our sales efforts, customer needs, industry shifts and other economic factors.

Fourth Quarter Earnings Recap

4Q-18 Financial Results

\$mm (except per share)	4Q-18	4Q-17	Delta	4Q-18 Guidance at midpoint	Delta
Total Revenue	52.6	46.3	+14%	50.5	+4%
Subscription Revenue	28.3	19.1	+48%	26.50	+7%
Adjusted EBITDA	(2.0)	(4.9)	+59%	(4.5)	+56%
Free Cash Flow	14.1	3.6	+287%	na	na
Non-GAAP Loss Per Share	\$(0.06)	\$(0.13)	+54%	\$(0.13)	+54%

¹ For a reconciliation of GAAP to Non-GAAP metrics refer to the appendix

Efficient Expansion

Top line velocity...

40%+

YoY Increase
in B2B deal volume
'18 vs '17

...Compounded by Margin Improvement

862 bps

Quarterly
Subscription Margin
YoY improvement

Path Toward Long-Term Model

Business Model to Provide Operating Leverage (Non-GAAP¹)

	2016	2017	2018	Long-Term Targets
Total Revenue Growth	(11%)	10%	17%	20% or better
Recurring Revenue as a % of Total Revenue	70%	77%	81%	Up to 90%
Recurring Gross Margin	73%	72%	74%	Approximately 75%
Operating Expense as a % of Total Revenue	88%	84%	74%	Low 50%'s range
Free Cash Flow Margin	(16%)	(17%)	(0%)	Approximately 20%

¹ For a reconciliation of GAAP to Non-GAAP metrics refer to the appendix



Summary: Financial Highlights

- High Visibility Business Model with Increasingly Recurring Revenue
- Accelerating Top Line Growth Driven by Subscription Revenue
- Industry Leading Retention Rates
- Strong Operating Leverage in the Business and Improving FCF Profile
- Consistent Performance and Execution on Guidance

Leadership Team Executing on the Opportunity



Andres Reiner

President & CEO

25+ years in enterprise technology including 19 years at PROS



Stefan Schulz

Chief Financial Officer

20+ years in enterprise technology including PROS, BMC, Lawson, & Digital River



Tom Dzierzk

EVP of Worldwide Sales

25+ years in enterprise technology including PROS, JDA & NICE



Celia Fleischaker

Chief Marketing Officer

20+ years in enterprise technology including PROS & Epicor



Wagner Williams

Chief People Officer

15 years at PROS in HR, Professional Services, and International Operations



Michael Jahoda

SVP, Professional Services

Nearly 4 years at PROS, 13+ years at Accenture in Pricing & Strategy



Rob Reiner

Chief Technology Officer

20+ years in enterprise technology including PROS, BMC & NetIQ



Damian Olthoff

General Counsel and Secretary

15+ years in corporate law including 7 years at PROS



Jill Sawatzky

VP, Customer Success

20+ years customer-focused IT experience including Citrix & IBM

Helping People and Companies Outperform

We are OWNERS

We look for every opportunity to *create a better PROS and a better experience for our customers*—and we hold ourselves *accountable*.

We are INNOVATORS

We think creatively to find *new paths to success* – for our people, our customers, and our business.

We CARE

We put *people first*... our customers, our employees, our partners, and our community. It's how our company was started, and how we'll always run it.



Appendix

GAAP to Non-GAAP Reconciliation

	Three Months Ended December 31,		Quarter over Quarter % change	Year Ended December 31,		Year over Year % change
	2018	2017		2018	2017	
GAAP gross profit	\$ 33,155	\$ 28,197	18 %	\$ 119,845	\$ 100,250	20 %
Non-GAAP adjustments:						
New headquarters noncash rent expense	48	—		48	—	
Amortization of acquisition-related intangibles	1,077	1,280		4,624	3,297	
Share-based compensation	396	402		1,721	1,971	
Non-GAAP gross profit	<u>\$ 34,676</u>	<u>\$ 29,879</u>	16 %	<u>\$ 126,238</u>	<u>\$ 105,518</u>	20 %
Non-GAAP gross margin	65.9 %	64.5 %		64.1 %	62.5 %	
GAAP loss from operations	\$ (9,609)	\$ (12,815)	(25)%	\$ (49,215)	\$ (64,943)	(24)%
Non-GAAP adjustments:						
Acquisition-related expenses	—	107		95	720	
New headquarters noncash rent expense	185	—		185	—	
Amortization of acquisition-related intangibles	1,694	2,112		7,396	5,174	
Share-based compensation	5,098	5,131		21,453	22,796	
Total Non-GAAP adjustments	<u>6,977</u>	<u>7,350</u>		<u>29,129</u>	<u>28,690</u>	
Non-GAAP loss from operations	<u>\$ (2,632)</u>	<u>\$ (5,465)</u>	(52)%	<u>\$ (20,086)</u>	<u>\$ (36,253)</u>	(45)%
Non-GAAP loss from operations % of total revenue	(5.0)%	(11.8)%		(10.2)%	(21.5)%	
GAAP net loss	\$ (12,760)	\$ (16,980)	(25)%	\$ (64,246)	\$ (77,926)	(18)%
Non-GAAP adjustments:						
Total Non-GAAP adjustments affecting loss from operations	6,977	7,350		29,129	28,690	
Amortization of debt discount and issuance costs	3,065	2,891		11,986	9,228	
Tax impact related to non-GAAP adjustments	617	2,486		5,244	14,498	
Non-GAAP net loss	<u>\$ (2,101)</u>	<u>\$ (4,253)</u>	(51)%	<u>\$ (17,887)</u>	<u>\$ (25,510)</u>	(30)%
Non-GAAP diluted loss per share	\$ (0.06)	\$ (0.13)		\$ (0.52)	\$ (0.81)	
Shares used in computing non-GAAP loss per share	37,154	31,927		34,465	31,627	

GAAP to Non-GAAP Reconciliation

	Three Months Ended December 31,		Quarter over Quarter % change	Year Ended December 31,		Year over Year % change
	2017	2016		2017	2016	
GAAP gross profit	\$ 28,197	\$ 23,974	18%	\$ 100,250	\$ 89,923	11%
Non-GAAP adjustments:						
Amortization of acquisition-related intangibles	1,280	481		3,297	1,957	
Share-based compensation	402	547		1,971	2,267	
Non-GAAP gross profit	\$ 29,879	\$ 25,002	20%	\$ 105,518	\$ 94,147	12%
Non-GAAP gross margin	64.5%	62.6%		62.5%	61.4%	
GAAP loss from operations	\$ (12,815)	\$ (16,258)	(21)%	\$ (64,943)	\$ (65,398)	(1)%
Non-GAAP adjustments:						
Acquisition-related expenses	107	—		720	—	
Amortization of acquisition-related intangibles	2,112	683		5,174	2,971	
Severance	—	—		—	1,070	
Share-based compensation	5,131	6,021		22,796	20,466	
Total Non-GAAP adjustments	7,350	6,704		28,690	24,507	
Non-GAAP loss from operations	\$ (5,465)	\$ (9,554)	(43)%	\$ (36,253)	\$ (40,891)	(11)%
Non-GAAP loss from operations % of total revenue	(11.8)%	(23.9)%		(21.5)%	(26.7)%	
GAAP net loss	\$ (16,980)	\$ (18,513)	(8)%	\$ (77,926)	\$ (75,225)	4%
Non-GAAP adjustments:						
Total Non-GAAP adjustments affecting loss from operations	7,350	6,704		28,690	24,507	
Amortization of debt discount and issuance costs	2,891	1,653		9,228	6,439	
Tax impact related to non-GAAP adjustments	2,486	3,643		14,498	16,241	
Non-GAAP net loss	\$ (4,253)	\$ (6,513)	(35)%	\$ (25,510)	\$ (28,038)	(9)%
Non-GAAP diluted loss per share	\$ (0.13)	\$ (0.21)		\$ (0.81)	\$ (0.92)	
Shares used in computing non-GAAP loss per share	31,927	30,557		31,627	30,395	

GAAP to Non-GAAP Reconciliation

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Adjusted EBITDA				
GAAP Loss from Operations	\$ (9,609)	\$ (12,815)	\$ (49,215)	\$ (64,943)
Acquisition-related expenses	—	107	95	720
Amortization of acquisition-related intangibles	1,694	2,112	7,396	5,174
New headquarters noncash rent expense	185	—	185	—
Share-based compensation	5,098	5,131	21,453	22,796
Depreciation and other amortization	1,576	1,372	5,659	5,357
Capitalized internal-use software development costs	(927)	(801)	(4,613)	(2,797)
Adjusted EBITDA	\$ (1,983)	\$ (4,894)	\$ (19,040)	\$ (33,693)
Free Cash Flow				
Net cash provided by (used in) operating activities	\$ 15,188	\$ 4,535	\$ 5,703	\$ (25,313)
Purchase of property and equipment	(69)	(51)	(1,475)	(1,286)
Purchase of intangible asset	(125)	(50)	(125)	(125)
Capitalized internal-use software development costs	(927)	(801)	(4,613)	(2,797)
Free Cash Flow	\$ 14,067	\$ 3,633	\$ (510)	\$ (29,521)

GAAP to Non-GAAP Reconciliation

	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
Adjusted EBITDA				
GAAP Loss from Operations	\$ (12,815)	\$ (16,258)	\$ (64,943)	\$ (65,398)
Acquisition-related expenses	107	—	720	—
Amortization of acquisition-related intangibles	2,112	683	5,174	2,971
Severance	—	—	—	1,070
Share-based compensation	5,131	6,021	22,796	20,466
Depreciation	1,372	1,428	5,357	6,536
Capitalized internal-use software development costs	(801)	(479)	(2,797)	(1,048)
Adjusted EBITDA	\$ (4,894)	\$ (8,605)	\$ (33,693)	\$ (35,403)
Free Cash Flow				
Net cash provided by (used in) operating activities	\$ 4,535	\$ (7,186)	\$ (25,313)	\$ (14,345)
Purchase of property and equipment	(51)	(717)	(1,286)	(7,241)
Purchase of intangible asset	(50)	(1,625)	(125)	(1,625)
Capitalized internal-use software development costs	(801)	(479)	(2,797)	(1,048)
Free Cash Flow	\$ 3,633	\$ (10,007)	\$ (29,521)	\$ (24,259)