

REFINITIV

# DELTA REPORT

## 10-Q

PRGS - PROGRESS SOFTWARE CORP /M

10-Q - FEBRUARY 29, 2024 COMPARED TO 10-Q - AUGUST 31, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS** 1046

■ CHANGES	184
■ DELETIONS	431
■ ADDITIONS	431

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **August 31, 2023** **February 29, 2024**  
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.  
Commission File Number: **0-19417**

**PROGRESS SOFTWARE CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

**04-2746201**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**15 Wayside Road, Suite 400**  
**Burlington, Massachusetts 01803**  
(Address of principal executive offices) (Zip code)

**(781) 280-4000**  
(Registrant's telephone number, including area code)

**Not applicable**

(Former name or former address, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>Common Stock, \$0.01 par value per share</b>	<b>PRGS</b>	<b>The Nasdaq Stock Market LLC</b>

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of **September 26, 2023** **March 26, 2024**, there were **43,565,346** **43,218,086** shares of the registrant's common stock, \$.01 par value per share, outstanding.

PROGRESS SOFTWARE CORPORATION  
FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED **AUGUST 31, 2023** **FEBRUARY 29, 2024**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements (Unaudited)**

**Condensed Consolidated Balance Sheets**

(In thousands, except share data)	(In thousands, except share data)	August 31, 2023	November 30, 2022	(In thousands, except share data)	February 29, 2024	November 30, 2023
<b>Assets</b>	<b>Assets</b>					
Current assets:	Current assets:					
Current assets:						
Current assets:						
Cash and cash equivalents	Cash and cash equivalents	\$ 137,999	\$ 256,277			

Accounts receivable (less allowances of \$985 and \$859, respectively)	99,726	97,834	
Cash and cash equivalents			
Cash and cash equivalents			
Accounts receivable (less allowances of \$1,311 and \$851, respectively)			
Unbilled receivables	Unbilled receivables	31,668	29,158
Other current assets	Other current assets	33,447	42,784
Total current assets	Total current assets	302,840	426,053
Long-term unbilled receivables	Long-term unbilled receivables	33,121	39,936
Property and equipment, net	Property and equipment, net	16,166	14,927
Intangible assets, net	Intangible assets, net	378,824	217,355
Goodwill	Goodwill	826,048	671,037
Right-of-use lease assets	Right-of-use lease assets	20,596	17,574
Deferred tax assets	Deferred tax assets	11,745	11,765
Other assets	Other assets	8,128	12,832
Total assets	Total assets	\$1,597,468	\$1,411,479
Liabilities and stockholders' equity	Liabilities and stockholders' equity		
Current liabilities:	Current liabilities:		
Current liabilities:			
Current portion of long-term debt, net			
Current portion of long-term debt, net			
Current portion of long-term debt, net	Current portion of long-term debt, net	\$ 11,390	\$ 6,234
Accounts payable	Accounts payable	8,729	9,282
Accrued compensation and related taxes	Accrued compensation and related taxes	41,606	42,467
Dividends payable to stockholders	Dividends payable to stockholders	8,354	8,115
Short-term operating lease liabilities	Short-term operating lease liabilities	10,088	7,471
Other accrued liabilities	Other accrued liabilities	24,935	16,765
Short-term deferred revenue, net	Short-term deferred revenue, net	219,601	227,670

Total current liabilities	Total current liabilities	324,703	318,004
Long-term debt, net	Long-term debt, net	389,388	259,220
Convertible senior notes, net	Convertible senior notes, net	354,246	352,625
Long-term operating lease liabilities	Long-term operating lease liabilities	15,086	15,041
Long-term deferred revenue, net	Long-term deferred revenue, net	60,167	54,770
Deferred tax liabilities	Deferred tax liabilities	4,240	4,628
Other noncurrent liabilities	Other noncurrent liabilities	4,592	8,687
Commitments and contingencies	Commitments and contingencies		Commitments and contingencies
Stockholders' equity:	Stockholders' equity:		
Preferred stock, \$0.01 par value; authorized, 10,000,000 shares; issued, none	Preferred stock, \$0.01 par value; authorized, 10,000,000 shares; issued, none	—	—
Common stock, \$0.01 par value; authorized, 200,000,000 shares; issued and outstanding, 43,565,346 shares in 2023 and 43,257,008 shares in 2022	Common stock, \$0.01 par value; authorized, 200,000,000 shares; issued and outstanding, 43,565,346 shares in 2023 and 43,257,008 shares in 2022	438	433
Preferred stock, \$0.01 par value; authorized, 10,000,000 shares; issued, none	Preferred stock, \$0.01 par value; authorized, 10,000,000 shares; issued, none		
Preferred stock, \$0.01 par value; authorized, 10,000,000 shares; issued, none	Preferred stock, \$0.01 par value; authorized, 10,000,000 shares; issued, none		
Common stock, \$0.01 par value; authorized, 200,000,000 shares; issued and outstanding, 43,689,037 shares in 2024 and 43,795,955 shares in 2023	Common stock, \$0.01 par value; authorized, 200,000,000 shares; issued and outstanding, 43,689,037 shares in 2024 and 43,795,955 shares in 2023		
Additional paid-in capital	Additional paid-in capital	361,062	331,650
Retained earnings	Retained earnings	115,133	101,656
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(31,587)	(35,235)
Total stockholders' equity	Total stockholders' equity	445,046	398,504
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$1,597,468	\$1,411,479

See notes to unaudited condensed consolidated financial statements.

### Condensed Consolidated Statements of Operations

		Three Months Ended		Nine Months Ended	
(In thousands, except per share data)	(In thousands, except per share data)	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
(In thousands, except per share data)					
(In thousands, except per share data)					
Revenue:					
Revenue:					
Revenue:	Revenue:				
Software licenses	Software licenses	\$ 50,544	\$ 47,618	\$ 164,519	\$ 135,182
Software licenses					
Software licenses					
Maintenance and services					
Maintenance and services					
Maintenance and services	Maintenance and services	124,448	103,599	352,950	309,704
Total revenue	Total revenue	174,992	151,217	517,469	444,886
Total revenue					
Total revenue					
Costs of revenue:					
Costs of revenue:					
Costs of revenue:	Costs of revenue:				
Cost of software licenses	Cost of software licenses	2,732	2,477	7,998	7,669
Cost of software licenses					
Cost of software licenses					
Cost of maintenance and services					
Cost of maintenance and services					
Cost of maintenance and services	Cost of maintenance and services	22,192	15,761	62,663	46,707
Amortization of acquired intangibles	Amortization of acquired intangibles	7,995	5,558	22,253	16,589
Amortization of acquired intangibles					
Amortization of acquired intangibles					
Total costs of revenue					
Total costs of revenue					
Total costs of revenue	Total costs of revenue	32,919	23,796	92,914	70,965
Gross profit	Gross profit	142,073	127,421	424,555	373,921
Gross profit					
Gross profit					
Operating expenses:					
Operating expenses:					
Operating expenses:	Operating expenses:				
Sales and marketing	Sales and marketing	38,612	34,595	112,513	100,768
Sales and marketing					
Sales and marketing					

Product development					
Product development					
Product development	Product development	33,138	28,650	98,396	85,966
General and administrative	General and administrative	20,791	20,141	61,046	56,339
General and administrative					
General and administrative					
Amortization of acquired intangibles					
Amortization of acquired intangibles					
Amortization of acquired intangibles	Amortization of acquired intangibles	17,668	11,716	48,825	35,330
Cyber incident and vulnerability response expenses, net	Cyber incident and vulnerability response expenses, net	951	—	5,126	—
Cyber incident and vulnerability response expenses, net					
Cyber incident and vulnerability response expenses, net					
Restructuring expenses					
Restructuring expenses	Restructuring expenses	843	130	6,230	784
Acquisition-related expenses	Acquisition-related expenses	699	168	4,433	3,816
Gain on sale of assets held for sale		—	—	—	(10,770)
Acquisition-related expenses					
Acquisition-related expenses					
Total operating expenses					
Total operating expenses					
Total operating expenses	Total operating expenses	112,702	95,400	336,569	272,233
Income from operations	Income from operations	29,371	32,021	87,986	101,688
Income from operations					
Income from operations					
Other (expense) income:					
Other (expense) income:					
Other (expense) income:	Other (expense) income:				
Interest expense	Interest expense	(8,532)	(4,009)	(22,894)	(11,368)
Interest expense					
Interest expense					
Interest income and other, net					
Interest income and other, net					
Interest income and other, net	Interest income and other, net	788	247	1,895	991
Foreign currency loss, net	Foreign currency loss, net	(675)	(577)	(1,502)	(832)
Foreign currency loss, net					
Foreign currency loss, net					
Total other expense, net					
Total other expense, net					

Total other expense, net	Total other expense, net	(8,419)	(4,339)	(22,501)	(11,209)
Income before income taxes	Income before income taxes	20,952	27,682	65,485	90,479
Income before income taxes					
Income before income taxes					
Provision for income taxes					
Provision for income taxes					
Provision for income taxes	Provision for income taxes	1,854	5,885	10,623	19,118
Net income	Net income	\$ 19,098	\$ 21,797	\$ 54,862	\$ 71,361
Net income					
Net income					
Earnings per share:					
Earnings per share:					
Earnings per share:	Earnings per share:				
Basic	Basic	\$ 0.44	\$ 0.50	\$ 1.27	\$ 1.64
Basic					
Basic					
Diluted					
Diluted					
Diluted	Diluted	\$ 0.42	\$ 0.50	\$ 1.23	\$ 1.61
Weighted average shares outstanding:	Weighted average shares outstanding:				
Weighted average shares outstanding:					
Weighted average shares outstanding:					
Basic	Basic	43,452	43,211	43,365	43,589
Basic					
Basic					
Diluted					
Diluted					
Diluted	Diluted	44,981	43,935	44,543	44,299
Cash dividends declared per common share	Cash dividends declared per common share	\$ 0.175	\$ 0.175	\$ 0.525	\$ 0.525
Cash dividends declared per common share					
Cash dividends declared per common share					

See notes to unaudited condensed consolidated financial statements.

#### Condensed Consolidated Statements of Comprehensive Income

		Three Months Ended		Nine Months Ended	
		Three Months Ended			
		Three Months Ended			
		Three Months Ended			
(In thousands)					
(In thousands)					
(In thousands)	(In thousands)	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
Net income	Net income	\$ 19,098	\$ 21,797	\$ 54,862	\$ 71,361
Other comprehensive income (loss), net of tax:					
Net income					
Net income					

Other comprehensive (loss) income, net of tax:					
Other comprehensive (loss) income, net of tax:					
Other comprehensive (loss) income, net of tax:					
Foreign currency translation adjustments	Foreign currency translation adjustments	1,667	(7,632)	5,124	(10,955)
Unrealized (loss) gain on hedging activity, net of tax benefit of \$170 and \$465 for the three and nine month periods ended August 31, 2023, respectively and net of tax provision of \$377 and \$1,542 for the three and nine month periods ended August 31, 2022, respectively	(537)	1,191	(1,476)	4,882	
Unrealized loss on investments, net of tax benefit of \$0 for both the three and nine month periods ended August 31, 2023, respectively and net of tax of \$0 and a tax benefit of \$4 for the three and nine month periods ended August 31, 2022, respectively	—	(1)	—	—	(13)
Total other comprehensive income (loss), net of tax	1,130	(6,442)	3,648	3,648	(6,086)
Foreign currency translation adjustments					
Foreign currency translation adjustments					
Unrealized loss on hedging activity, net of tax benefit of \$218 and \$45 for the first quarter of 2024 and 2023, respectively					
Unrealized loss on hedging activity, net of tax benefit of \$218 and \$45 for the first quarter of 2024 and 2023, respectively					
Unrealized loss on hedging activity, net of tax benefit of \$218 and \$45 for the first quarter of 2024 and 2023, respectively					
Unrealized loss on investments, net of tax provision of \$4 for the first quarter of 2023					
Unrealized loss on investments, net of tax provision of \$4 for the first quarter of 2023					
Unrealized loss on investments, net of tax provision of \$4 for the first quarter of 2023					
Total other comprehensive (loss) income, net of tax					
Total other comprehensive (loss) income, net of tax					
Total other comprehensive (loss) income, net of tax					
Comprehensive income	Comprehensive income	\$ 20,228	\$ 15,355	\$ 58,510	\$ 65,275
Comprehensive income					
Comprehensive income					

See notes to unaudited condensed consolidated financial statements.

#### Condensed Consolidated Statements of Stockholders' Equity

Nine Months Ended August 31, 2023										Three Months Ended February 29, 2024							
		Common Stock		Additional		Other		Total		Common Stock		Additional		Accumulated Other Comprehensive Stockholders' Equity		Total	
				Paid-In Capital		Retained Earnings		Comprehensive Loss				Paid-In Capital		Retained Earnings		Comprehensive Loss	
Three Months Ended February 28, 2024																	
		Common Stock								Common Stock							
		Number of Shares		Additional Paid-In Capital		Retained Earnings		Comprehensive Loss		Stockholders' Equity		Additional Paid-In Capital		Retained Earnings		Comprehensive Loss	
		(in thousands)		(in thousands)													
	Balance, December 1, 2022	43,257		\$ 433													
	Balance, December 1, 2023																
	Balance, December 1, 2023																
	Issuance of stock under employee stock purchase plan	Issuance of stock under employee stock purchase plan		212		3		7,766		—		—		7,769			
	Exercise of stock options	Exercise of stock options		400		4		12,157		—		—		12,161			
	Vesting of restricted stock units and release of deferred stock units	Vesting of restricted stock units and release of deferred stock units		378		4		(4)		—		—		—			
	Withholding tax payments related to net issuance of RSUs	Withholding tax payments related to net issuance of RSUs		(147)		(1)		(8,100)		—		—		(8,101)			
	Stock-based compensation	Stock-based compensation		—		—		30,111		—		—		30,111			
	Dividends declared	Dividends declared		—		—		(23,908)		—		(23,908)					
	Treasury stock repurchases and retirements	Treasury stock repurchases and retirements		(535)		(5)		(12,518)		(17,477)		—		(30,000)			
	Net income	Net income		—		—		54,862		—		54,862					
	Other comprehensive income	—		—		—		—		3,648		3,648					
	Balance, August 31, 2023	43,565		\$ 438		\$361,062		\$115,133		\$ (31,587)		\$ 445,046					
	Other comprehensive loss																
	Balance, February 29, 2024																

Three Months Ended August 31, 2023

(in thousands)	Common Stock			Accumulated Other Total Stockholders' Equity		
	Number of Shares	Amount	Paid-In Capital	Retained Earnings	Comprehensive Loss	Stockholders' Equity
Balance, June 1, 2023	43,358	\$ 436	\$ 347,101	\$ 103,995	\$ (32,717)	\$ 418,815
Issuance of stock under employee stock purchase plan	67	1	2,498	—	—	2,499
Exercise of stock options	140	1	1,391	—	—	1,392
Stock-based compensation	—	—	10,072	—	—	10,072
Dividends declared	—	—	—	(7,960)	—	(7,960)
Net income	—	—	—	19,098	—	19,098
Other comprehensive loss	—	—	—	—	1,130	1,130
Balance, August 31, 2023	<b>43,565</b>	<b>\$ 438</b>	<b>\$ 361,062</b>	<b>\$ 115,133</b>	<b>\$ (31,587)</b>	<b>\$ 445,046</b>

(in thousands)	Nine Months Ended August 31, 2022					
	Common Stock			Accumulated Other Total Stockholders' Equity		
Number of Shares	Amount	Paid-In Capital	Retained Earnings	Comprehensive Loss	Stockholders' Equity	
Balance, December 1, 2021	44,146	\$ 441	\$ 354,235	\$ 90,256	\$ (32,443)	\$ 412,489
Cumulative effect of adoption of ASU 2020-06	—	—	(47,456)	4,893	—	(42,563)
Issuance of stock under employee stock purchase plan	246	2	7,235	—	—	7,237
Exercise of stock options	78	1	2,878	—	—	2,879
Vesting of restricted stock units and release of deferred stock units	188	2	(2)	—	—	—
Withholding tax payments related to net issuance of RSUs	—	—	(5,405)	—	—	(5,405)
Stock-based compensation	—	—	26,110	—	—	26,110
Dividends declared	—	—	—	(23,525)	—	(23,525)
Treasury stock repurchases and retirements	(1,660)	(16)	(19,036)	(56,472)	—	(75,524)
Net income	—	—	—	71,361	—	71,361
Other comprehensive income	—	—	—	—	(6,086)	(6,086)
Balance, August 31, 2022	<b>42,998</b>	<b>\$ 430</b>	<b>\$ 318,559</b>	<b>\$ 86,513</b>	<b>\$ (38,529)</b>	<b>\$ 366,973</b>

(in thousands)	Three Months Ended August 31, 2022					
	Common Stock		Accumulated Other Total		Stockholders' Equity	
	Paid-In Capital	Retained Earnings	Comprehensive Loss	Stockholders' Equity	Common Stock	Additional Paid-In Capital
Three Months Ended August 31, 2022	\$ 435	\$ 103,995	\$ (32,717)	<b>\$ 115,133</b>	Common Stock	\$ 435
Three Months Ended February 28, 2023	\$ 436	\$ 103,995	\$ (32,717)	<b>\$ 115,133</b>	\$ 436	\$ 436
Common Stock	Number of Shares	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Total Stockholders' Equity	Common Stock
Balance, June 1, 2022	43,454	\$ 435	\$ 347,101	\$ 103,995	\$ (32,717)	\$ 418,815
Balance, December 1, 2022	—	—	—	—	—	—
Balance, December 1, 2022	—	—	—	—	—	—
Balance, December 1, 2022	—	—	—	—	—	—
Issuance of stock under employee stock purchase plan	68	—	2,024	—	2,024	—

Exercise of stock options	Exercise of stock options	18	—	643	—	—	643
Vesting of restricted stock units and release of deferred stock units							
Withholding tax payments related to net issuance of RSUs							
Stock-based compensation	Stock-based compensation	—	—	8,639	—	—	8,639
Dividends declared	Dividends declared	—	—	—	(7,783)	—	(7,783)
Treasury stock repurchases and retirements	Treasury stock repurchases and retirements	(542)	(5)	(2,660)	(21,386)	—	(24,051)
Net income	Net income	—	—	—	21,797	—	21,797
Other comprehensive loss		—	—	—	—	(6,442)	(6,442)
Balance, August 31, 2022		42,998	\$ 430	\$318,559	\$86,513	\$ (38,529)	\$ 366,973
Other comprehensive income							
Balance, February 28, 2023							

#### Condensed Consolidated Statements of Cash Flows

(In thousands)	(In thousands)	Nine Months Ended		Three Months Ended		February 28, 2023
		August	August	February 29, 2024		
		31, 2023	31, 2022	(In thousands)		
Cash flows from operating activities:	Cash flows from operating activities:					
Net income	Net income	\$ 54,862	\$ 71,361			
Net income						
Net income						
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization of property and equipment						
Depreciation and amortization of property and equipment						

Depreciation and amortization of property and equipment	Depreciation and amortization of property and equipment	4,690	3,682
Amortization of acquired intangibles and other	Amortization of acquired intangibles and other	71,121	52,545
Amortization of debt discount and issuance costs on Notes	Amortization of debt discount and issuance costs on Notes	1,621	1,595
Stock-based compensation	Stock-based compensation	30,111	26,110
Non-cash lease expense	Non-cash lease expense	6,958	5,919
<b>Gain on sale of assets held for sale</b>		—	(10,770)
Deferred income taxes	Deferred income taxes	(18,521)	(286)
Credit losses and other sales allowances	Credit losses and other sales allowances	472	710
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:		
Accounts receivable	Accounts receivable		
Accounts receivable	Accounts receivable	31,478	2,858
Other assets	Other assets	14,294	11,174
Inventories	Inventories	2,209	(1,264)
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	(14,027)	(10,055)
Lease liabilities	Lease liabilities	(7,860)	(6,481)
Income taxes payable	Income taxes payable	2,362	(748)
Deferred revenue, net	Deferred revenue, net	(39,011)	5,673
Net cash flows from operating activities	Net cash flows from operating activities	140,759	152,023
<b>Cash flows (used in) from investing activities:</b>			
Cash flows used in investing activities:			
Purchases of investments			
Purchases of investments			
Purchases of investments	Purchases of investments	(15,262)	—

Sales and maturities of investments	Sales and maturities of investments	15,700	1,200
Purchases of property and equipment	Purchases of property and equipment	(3,181)	(3,086)
Payments for acquisitions, net of cash acquired	Payments for acquisitions, net of cash acquired	(355,250)	—
Proceeds from sale of long-lived assets, net		—	25,998
Other investing activities		—	134
Net cash flows (used in) from investing activities		(357,993)	24,246
Cash flows from (used in) financing activities:			
Net cash flows used in investing activities			
Net cash flows used in investing activities			
Net cash flows used in investing activities			
Cash flows (used in) from financing activities:			
Proceeds from stock-based compensation plans			
Proceeds from stock-based compensation plans			
Proceeds from stock-based compensation plans	Proceeds from stock-based compensation plans	20,373	10,384
Payments for taxes related to net share settlements of equity awards	Payments for taxes related to net share settlements of equity awards	(8,101)	(5,405)
Repurchases of common stock	Repurchases of common stock	(30,000)	(75,524)
Dividend payments to stockholders	Dividend payments to stockholders	(23,669)	(23,351)
Proceeds from the issuance of debt	Proceeds from the issuance of debt	195,000	7,474
Repayment of revolving line of credit	Repayment of revolving line of credit	(55,000)	—
Principal payment on term loan	Principal payment on term loan	(5,157)	(5,154)
Payment of debt issuance costs		—	(1,957)
Net cash flows from (used in) financing activities		93,446	(93,533)
Net cash flows (used in) from financing activities			
Net cash flows (used in) from financing activities			
Net cash flows (used in) from financing activities			
Effect of exchange rate changes on cash and cash equivalents	Effect of exchange rate changes on cash and cash equivalents	5,510	(14,027)
Net (decrease) increase in cash and cash equivalents		(118,278)	68,709

Net increase (decrease) in cash and cash equivalents	
Cash and cash equivalents, beginning of period	Cash and cash equivalents, beginning of period <u>256,277</u> <u>155,406</u>
Cash and cash equivalents, end of period	Cash and cash equivalents, end of period <u>\$137,999</u> <u>\$224,115</u>

#### Condensed Consolidated Statements of Cash Flows, continued

		Nine Months Ended		
		August 31, 2023	August 31, 2022	
		Three Months Ended		Three Months Ended
Supplemental	Supplemental disclosure:	February 29, 2024	February 29, 2024	February 28, 2023
Cash paid for income taxes, net of refunds of \$924 in 2023 and \$920 in 2022		\$14,640	\$ 8,954	
Cash paid for income taxes, net of refunds of \$856 in 2024 and \$264 in 2023				
Cash paid for income taxes, net of refunds of \$856 in 2024 and \$264 in 2023				
Cash paid for income taxes, net of refunds of \$856 in 2024 and \$264 in 2023				
Cash paid for interest	Cash paid for interest	\$17,630	\$ 5,470	
Non-cash investing and financing activities:	Non-cash investing and financing activities:			
Total fair value of restricted stock awards, restricted stock units and deferred stock units on date vested		\$23,077	\$18,204	
Dividends declared and unpaid	Dividends declared and unpaid	\$ 8,354	\$ 8,099	
Dividends declared and unpaid				
Dividends declared and unpaid				

See notes to unaudited condensed consolidated financial statements.

#### Notes to Condensed Consolidated Financial Statements

##### Note 1: Basis of Presentation

**Company Overview** - Progress Software Corporation ("Progress," the "Company," "we," "us," or "our") provides enterprise software products for the development, deployment and management of high-impact applications.

Our products are generally sold as perpetual licenses, but certain products also use term licensing models and our cloud-based offerings use a subscription-based model. More than half of our worldwide license revenue is realized through relationships with indirect channel partners, principally independent software vendors, original equipment manufacturers, distributors and value-added resellers. Independent software vendors develop and market applications using our technology and resell our products in conjunction with sales of their own products that incorporate our technology. Original equipment manufacturers are companies that embed our products into their own software products or devices. Value-added resellers are companies that add features or services to our product, then resell it as an integrated product or complete "turn-key" solution.

We operate in North America, Latin America, Europe, the Middle East and Africa ("EMEA"), and Asia and Australia ("Asia Pacific"), through local subsidiaries as well as independent distributors.

**Basis of Presentation and Significant Accounting Policies** - We prepared the accompanying unaudited condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements and these unaudited financial statements should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2022 November 30, 2023, as filed with the SEC on January 27, 2023 January 26, 2024 (our "2022" "2023 Annual Report").

We made no material changes in the application of our significant accounting policies that were disclosed in our 2022 2023 Annual Report. We have prepared the accompanying unaudited condensed consolidated financial statements on the same basis as the audited financial statements included in our 2022 2023 Annual Report, and these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full fiscal year.

#### Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an on-going basis, management evaluates its estimates and records changes in estimates in the period in which they become known. These estimates are based on historical data and experience, as well as various other assumptions that management believes to be reasonable under the circumstances. The most significant estimates relate to revenue recognition and business combinations. Actual results could differ from those estimates.

#### Recent Accounting Pronouncements

##### Recently Adopted Issued Accounting Pronouncements

###### Reference Rate Reform

###### Not Yet Adopted

In March 2020, December 2023, the FASB issued Accounting Standards Update No. 2020-04, 2023-09, *Reference Rate Reform Income Taxes (Topic 848) 740: Facilitation of the Effects of Reference Rate Reform on Financial Reporting* Improvements to Income Tax Disclosures ("ASU 2020-04" 2023-09"), as amended in December 2022 by Accounting Standards Update No. 2022-06. Reference Rate Reform (Topic 848): Deferral ASU 2023-09 is intended to improve the transparency and decision usefulness of income tax disclosures, primarily related to the Sunset Date of Topic 848 ("rate reconciliation and income taxes paid information. ASU 2022-06"). ASU 2020-04 provides guidance to alleviate 2023-09 is effective for the burden in accounting for reference rate reform by allowing certain expedients and exceptions in applying GAAP to contracts, hedging relationships and other transactions impacted by reference rate reform. The provisions apply only to those transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued due to reference rate reform. The Company adopted ASU 2020-04 in June 2023, in connection beginning with the amendment of its interest rate swap agreement to implement certain changes in the reference rate from LIBOR to the Secured Overnight Financing Rate ("SOFR"). annual period ending November 30, 2026, allowing for adoption on a prospective basis or a retrospective option. Early adoption is permitted. The application adoption of this expedient preserves the cash flow hedge designation of the interest rate swaps standard only impacts disclosures and presentation consistent with past presentation and did is not expected to have a material impact on our the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280)*. The amendments in this update expand segment disclosure requirements, including new segment disclosure requirements for entities with a single reportable segment among other disclosure requirements. This update is effective for the Company in the consolidated financial statements for the year ending November 30, 2025, and interim periods beginning after December 1, 2025. The adoption of this standard only impacts disclosures and is not expected to have a material impact on the Company's consolidated financial statements.

###### Note 2: Cash and Cash Equivalents

A summary of our cash and cash equivalents at August 31, 2023 February 29, 2024 is as follows (in thousands):

Amortized		Cost	Unrealized Gains	Unrealized Losses	Fair Value
Basis					
Amortized					
Cash	Cost				
Money market funds	Basis				
Cash	\$137,889	\$ —	\$ —	\$ 137,889	
Money market funds	110	—	—	110	
Total	Total	\$137,999	\$ —	\$ —	\$137,999

A summary of our cash and cash equivalents at **November 30, 2022** **November 30, 2023** is as follows (in thousands):

Amortized Cost					
	Basis	Unrealized Gains	Unrealized Losses	Fair Value	
Cash	\$ 229,023	\$ —	\$ —	\$ 229,023	
Money market funds	27,254	—	—	27,254	
Total	\$ 256,277	\$ —	\$ —	\$ 256,277	

Amortized Cost					
	Basis	Unrealized Gains	Unrealized Losses	Fair Value	
Cash	\$ 126,958	\$ —	\$ —	\$ 126,958	

There were no debt securities by contractual maturity due after one year as of **August 31, 2023** **February 29, 2024**.

### Note 3: Derivative Instruments

#### Cash Flow Hedge

On July 9, 2019, we entered into an interest rate swap contract with an initial notional amount of \$150.0 million to manage the variability of cash flows associated with approximately one-half of our variable rate debt. The contract matures on April 30, 2024 and requires periodic interest rate settlements. Under **this** **our** interest rate swap contract, we receive a floating rate based on the greater of 1-month **LIBOR** **SOFR** or 0.00%, and pay a fixed rate of 1.855% on the outstanding notional amount. **In June 2023, the interest rate swap agreement was amended to implement certain changes in the reference rate from LIBOR to SOFR.**

We have designated the interest rate swap as a cash flow hedge and assess the hedge effectiveness both at the onset of the hedge and at regular intervals throughout the life of the derivative. To the extent that the interest rate swap is highly effective in offsetting the variability of the hedged cash flows, changes in the fair value of the derivative are included as a component of other comprehensive loss on our condensed consolidated balance sheets. Although we **have** determined at the onset of the hedge that the interest rate swap will be a highly effective hedge throughout the term of the contract, any portion of the fair value swap subsequently determined to be ineffective will be recognized in earnings. As of **August 31, 2023** **February 29, 2024**, the fair value of the hedge was a gain of **\$2.5** **\$0.6** million, which was included in other current assets on our condensed consolidated balance sheets. The net amount of accumulated other comprehensive loss reclassified to interest expense during the **nine** **three** months ended **August 31, 2023** **February 29, 2024** and **August 31, 2022** **February 28, 2023** was a decrease of **\$2.6** **\$0.9** million and **an increase of \$1.1** **\$0.7** million, respectively.

The following table presents our interest rate swap contract where the notional amount **reflects the quarterly amortization of the interest rate swap, which** is equal to approximately one-half of the corresponding reduction in the balance of our term **loan** as we make scheduled principal payments. **loan**. The fair value of the derivative represents the discounted value of the expected future discounted cash flows for the interest rate swap, based on the **amortization** **payment** schedule and the current forward curve for the remaining term of the contract, as of the date of each reporting period (in thousands):

	August 31, 2023		November 30, 2022	
	Notional Value	Fair Value	Notional Value	Fair Value
			\$ 107,813	\$ 2,466
Interest rate swap contracts designated as cash flow hedges	\$ 120,000	\$ 4,407		

	February 29, 2024	November 30, 2023
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	Notional Value	Fair Value		Notional Value	Fair Value
Interest rate swap contracts designated as cash flow hedges	\$ 98,438	\$ 587		\$ 103,125	\$ 1,495

#### Forward Contracts

We generally use forward contracts that are not designated as hedging instruments to hedge economically the impact of the variability in exchange rates on intercompany accounts receivable and loans receivable denominated in certain foreign currencies. We generally do not hedge the net assets of our international subsidiaries.

All forward contracts are recorded at fair value in other current assets, other assets, other accrued liabilities, or other noncurrent liabilities on the condensed consolidated balance sheets at the end of each reporting period and generally expire between 30 days and 2 years from the date the contract was entered. At August 31, 2023, \$2.4 million and \$0.2 million February 29, 2024 \$2.8 million was recorded in other accrued liabilities and other current assets, respectively, on our condensed consolidated balance sheets. At November 30, 2022 November 30, 2023, \$3.1 million and \$0.1 million were \$2.5 million was recorded in other noncurrent accrued liabilities and other current assets, respectively, on our condensed consolidated balance sheets.

In the three and nine months ended August 31, 2023 February 29, 2024, realized and unrealized gains losses of \$1.1 million and \$2.7 million, respectively, \$0.6 million from our forward contracts were recognized in foreign currency loss, net, on our condensed consolidated statements of operations. In the three and nine months ended August 31, 2022 February 28, 2023, realized and unrealized losses gains of \$5.4 million and \$9.0 million, respectively, \$0.5 million from our forward contracts were recognized in foreign currency loss, net, on our condensed consolidated statements of operations. These gains and losses were substantially offset by realized and unrealized gains and losses in the offsetting positions.

The table below details outstanding foreign currency forward contracts where the notional amount is determined using contract exchange rates (in thousands):

Forward contracts to sell U.S. dollars	August 31, 2023		November 30, 2022		February 29, 2024		November 30, 2023	
			Notional Value	Fair Value	Notional Value	Fair Value	Notional Value	Fair Value
	Forward contracts							
to sell U.S. dollars	\$ 87,349	\$ (2,254)	\$ 74,578	\$ (2,995)				
Forward contracts to purchase U.S. dollars	1,243	(2)	544	(5)				
Total	<u>\$ 88,592</u>	<u>\$ (2,256)</u>	<u>\$ 75,122</u>	<u>\$ (3,000)</u>				

#### Note 4: Fair Value Measurements

##### Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table details the fair value measurements within the fair value hierarchy of our financial assets and liabilities at August 31, 2023 February 29, 2024 (in thousands):

Assets	Assets	Fair Value Measurements Using				Fair Value Measurements Using		
		Total Fair Value	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
		Value						
Money market funds	Money market funds	\$ 110	\$ 110	\$ —	\$ —			
Interest rate swap	Interest rate swap	2,466	—	2,466	—			

Liabilities	Liabilities
Foreign exchange derivatives	Foreign exchange derivatives \$ (2,256) \$ — \$(2,256) \$ —
Foreign exchange derivatives	Foreign exchange derivatives
Foreign exchange derivatives	Foreign exchange derivatives

The following table details the fair value measurements within the fair value hierarchy of our financial assets and liabilities at **November 30, 2022** **November 30, 2023** (in thousands):

		Fair Value Measurements Using				Fair Value Measurements Using	
		Measurements Using			Total Fair Value		
		Total Fair Value	Level 1	Level 2			
Assets	Assets					Level 1	Level 2
Money market funds	Money market funds	\$27,254	\$27,254	\$ —	\$ —		Level 3
Interest rate swap	Interest rate swap						
Interest rate swap	Interest rate swap	4,407	—	4,407	—		
Liabilities	Liabilities						
Foreign exchange derivatives	Foreign exchange derivatives	\$ (3,000)	\$ —	\$(3,000)	\$ —		
Foreign exchange derivatives	Foreign exchange derivatives						
Foreign exchange derivatives	Foreign exchange derivatives						

When developing fair value estimates, we maximize the use of observable inputs and minimize the use of unobservable inputs. When available, we use quoted market prices to measure fair value. The valuation technique used to measure fair value for our Level 1 and Level 2 assets is a market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets. If market prices are not available, the fair value measurement is based on models that use primarily market-based parameters including yield curves, volatilities, credit ratings and currency rates.

#### Assets and Liabilities Not Carried at Fair Value

##### Fair Value of the Convertible Senior Notes

The fair value of our Convertible Senior Notes, with a carrying value of **\$354.2 million** **\$355.3 million** and **\$352.6 million** **\$354.8 million**, was **\$411.8 million** **\$378.0 million** and **\$376.0 million** **\$377.1 million** as of **August 31, 2023** **February 29, 2024** and **November 30, 2022** **November 30, 2023**, respectively. The fair value was determined based on the quoted price in an over-the-counter market on the last trading day of the reporting period and classified within Level 1 in the fair value hierarchy.

##### Fair Value of Other Long-term Debt

The fair value of the borrowing outstanding detail in Note 7 approximates the carrying value of the debt due to variable rates that are applicable and no significant change in our credit ratings.

##### Fair Value of Other Financial Assets and Liabilities

The carrying amounts of other financial assets and liabilities including cash, accounts receivable, unbilled accounts receivable, accounts payable, and accrued liabilities approximate their respective fair values because of the relatively short period of time between their origination and their expected realization or settlement.

#### Note 5: Intangible Assets and Goodwill

##### Intangible Assets

Intangible assets are comprised of the following significant classes (in thousands):

		August 31, 2023			November 30, 2022						November 30, 2023		
		February 29, 2024						February 29, 2024			November 30, 2023		
		Gross Carrying Amount	Accumulated Amortization	Net Value	Gross Carrying Amount	Accumulated Amortization	Net Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased	Purchased												
technology	technology	\$280,000	\$ (173,129)	\$ 106,871	\$212,700	\$ (150,877)	\$ 61,823						
Customer-related	Customer-related	457,608	(205,298)	252,310	306,308	(162,341)	143,967						
Trademarks and trade names	Trademarks and trade names	50,111	(30,468)	19,643	37,611	(26,046)	11,565						
Non-compete agreement		—	—	—	2,000	(2,000)	—						
Total	Total	\$787,719	\$ (408,895)	\$378,824	\$558,619	\$ (341,264)	\$217,355						
Total													
Total													

In the three first quarter of fiscal years 2024 and nine months ended August 31, 2023, amortization expense related to intangible assets was \$25.7 million \$25.2 million and \$71.1 million, respectively. In the three and nine months ended August 31, 2022, amortization expense related to intangible assets was \$17.3 million and \$51.9 million \$19.9 million, respectively.

Future amortization expense for intangible assets as of August 31, 2023 February 29, 2024, is as follows (in thousands):

Remainder of 2023		\$ 25,391
2024		88,934
Remainder of 2024		
2025	2025	78,424
2026	2026	69,368
2027	2027	44,598
2028		
Thereafter	Thereafter	72,109
Total	Total	\$ 378,824

## Goodwill

Changes in the carrying amount of goodwill in the nine three months ended August 31, 2023 February 29, 2024 are as follows (in thousands):

Balance, December 1, 2022	December 1, 2023	\$ 671,037	832,101
Additions <sup>(1)</sup>		155,014	700
Translation adjustments		(3)5	
Balance, August 31, 2023	February 29, 2024	\$ 826,048	832,806

(1) The additions to goodwill during fiscal year 2023 2024 are related to the acquisition of MarkLogic in February 2023. See Note 6: Business Combinations for additional information.

## Note 6: Business Combinations

### MarkLogic Acquisition

On February 7, 2023, we completed the acquisition of the parent company of MarkLogic Corporation ("MarkLogic"), pursuant to the Stock Purchase Agreement (the "Purchase Agreement"), dated as of January 3, 2023. The acquisition was completed for a base purchase price of \$355.0 million (subject to certain customary adjustments)

in cash.

The acquisition consideration for MarkLogic has been **preliminarily** allocated to MarkLogic's **tangible assets, identifiable intangible assets, and assumed liabilities** based on their estimated fair values. The **preliminary fair value estimates** **excess of total consideration over the net tangible assets, acquired** are based upon **preliminary calculations** **identifiable intangible assets, and valuations**, and those estimates and assumptions are subject to change. **assumed liabilities** was recorded as we obtain additional information for those estimates during **goodwill**.

During the quarter ended February 29, 2024, the measurement period (up to one year from the acquisition date), **adjustments were completed**, which resulted in a \$0.7 million increase in **goodwill**. The purchase price allocation is now complete.

The allocation of the purchase price is as follows (in thousands):

	Initial Purchase Price	Measurement Period	Adjusted Purchase	Life
	Allocation	Adjustments	Price Allocation	
Net working capital	\$ 49,477	\$ (1,063)	\$ 48,414	
Property, plant and equipment	723	—	723	
Purchased technology	67,600	(300)	67,300	7 years
Trade name	12,500	—	12,500	7 years
Customer relationships	162,200	(10,900)	151,300	7 years
Other assets, including long-term unbilled receivables	6,172	(1,401)	4,771	
Deferred taxes	(17,441)	(957)	(18,398)	
Deferred revenue	(33,116)	—	(33,116)	
Goodwill	140,964	14,050	155,014	
Net assets acquired	\$ 389,079	\$ (571)	\$ 388,508	

	Purchase Price	
	Allocation	Life
Net working capital	\$ 46,335	
Property, plant and equipment	723	
Purchased technology	67,300	7 years
Trade name	12,500	7 years
Customer relationships	152,300	7 years
Other assets, including long-term unbilled receivables	4,477	
Deferred taxes	(24,478)	
Deferred revenue	(32,418)	
Goodwill	161,770	
Net assets acquired	\$ 388,509	

The fair value of the intangible assets was estimated using the income approach in which the after-tax cash flows are discounted to present value. The cash flows are based on estimates used to value the acquisition, and the discount rates applied were benchmarked with reference to the implied rate of return from the transaction model as well as the weighted average cost of capital. The valuation assumptions take into consideration our estimates of customer attrition, technology obsolescence, and revenue growth projections.

**Tangible assets acquired and assumed liabilities were recorded at fair value.** We determined the acquisition date deferred revenue **balance** **balances** based on our assessment of the individual contracts acquired. A significant portion of the deferred revenue **is expected to be** **was** recognized in the 12 months following the acquisition.

We recorded the excess of the purchase price over the identified tangible and intangible assets as **goodwill**. We believe that the investment value of the future enhancement of our product and solution offerings created as a result of this acquisition has principally contributed to a purchase price that resulted in the recognition of **\$155.0** **\$161.8** million of **goodwill**, which is not deductible for tax purposes.

Acquisition-related transaction costs (e.g., legal, due diligence, valuation, and other professional fees) and certain acquisition restructuring and related charges are not included as a component of consideration transferred but are required to be expensed as incurred. **During the three and nine months ended August 31, 2023, we incurred approximately \$0.6 million and \$4.1 million, respectively, of acquisition-related costs, which are included in acquisition-related expenses on our consolidated statement of operations.**

The amount of revenue of MarkLogic included in our condensed consolidated statement of operations during the three and nine months ended August 31, 2023, February 29, 2024 was approximately \$20.4 million and \$50.7 million, respectively. \$31.7 million. The amount of revenue of MarkLogic included in our condensed consolidated statement of operations during the three months ended February 28, 2023 was not material. We determined that disclosing the amount of MarkLogic related earnings included in the condensed consolidated statement of operations is impracticable, as certain operations of MarkLogic were integrated into the operations of the Company from the date of acquisition.

#### Pro Forma Information

The following pro forma financial information presents the combined results of operations of Progress and MarkLogic as if the acquisition had occurred on December 1, 2021, after giving effect to certain pro forma adjustments. The pro forma adjustments reflected herein include only those adjustments that are directly attributable to the MarkLogic acquisition and factually supportable. These pro forma adjustments include: (i) a net increase in amortization expense to record amortization expense relating to the \$231.1 million of acquired identifiable intangible assets, (ii) an increase in interest expense to record interest for the period presented as a result of drawing down our revolving line of credit in connection with the acquisition, and (iii) the income tax effect of the adjustments made at the statutory tax rate of the U.S. (approximately 24.5%).

The pro forma financial information does not reflect any adjustments for anticipated expense savings resulting from the acquisition and is not necessarily indicative of the operating results that would have actually occurred had the transaction been consummated on December 1, 2021.

	Pro Forma Three Months Ended August 31, 2022 February 28, 2023	
<i>(in thousands, except per share data)</i>		
Revenue	\$	174,676 203,076
Net income	\$	16,141 32,888
Net income per basic share	\$	0.37 0.76
Net income per diluted share	\$	0.37 0.74

	Pro Forma Nine Months Ended August 31, 2023		Pro Forma Nine Months Ended August 31, 2022	
<i>(in thousands, except per share data)</i>				
Revenue	\$	556,319	\$	511,609
Net income	\$	64,094	\$	48,516
Net income per basic share	\$	1.48	\$	1.11
Net income per diluted share	\$	1.44	\$	1.10

#### Note 7: Debt

As of August 31, 2023, future maturities 2024, the Company refinanced its debt by issuing 2030 Convertible Senior Notes (described below) and used the proceeds to pay off the outstanding balance of the Company's long-term debt were as follows:

<i>(in thousands)</i>	Revolving Line of				Total
	2026 Notes	Credit	Term Loan		
Remainder of 2023	\$ —	\$ —	\$ 1,719	\$ —	\$ 1,719
2024	—	—	13,750		13,750
2025	—	—	20,625		20,625
2026	360,000	—	20,625		380,625
2027	—	140,000	206,250		346,250
Total face value of long-term debt	360,000	140,000	262,969		762,969
Unamortized discount and issuance costs	(5,754)	—	(2,191)		(7,945)
Less current portion of long-term debt, net	—	—	(11,390)		(11,390)
Long-term debt	\$ 354,246	\$ 140,000	\$ 249,388	\$ —	\$ 743,634

The term loan and revolving line of credit under our previous credit agreement. We also entered into an amended and restated credit facility. Accordingly, we classified the balance of the term loan on the balance sheet as long-term as of February 29, 2024.

#### Notes Payable

##### 2030 Convertible Senior Notes

On March 1, 2024, the Company issued, in a private placement, Convertible Senior Notes with an aggregate principal amount of \$450 million, due March 1, 2030 (the "2030 Convertible Notes"), unless earlier repurchased, redeemed or converted. The proceeds from the 2030 Convertible Notes were used in part to enter into the 2024 Capped Call Transactions (described below), working capital, and other general corporate purposes, including paying off the existing term loan and revolving line of credit. There are no required principal payments prior to the maturity of the 2030 Convertible Notes. The 2030 Convertible Notes bear interest at an annual rate of 3.5%, payable semi-annually in arrears on September 1 and March 1 of each year, beginning on September 1, 2024. The Company incurred approximately \$12.2 million in issuance costs for the issuance of the 2030 Convertible Notes.

#### **Conversion Rights**

Before November 1, 2029, Noteholders may convert their 2030 Convertible Notes in the following circumstances:

- During any fiscal quarter commencing after the fiscal quarter ending on May 31, 2024, if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price for each of at least twenty trading days (whether or not consecutive) during the thirty consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter; or
- During the five consecutive business days immediately after any ten consecutive trading day period (the "Measurement Period"), if the trading price per \$1,000 principal amount of Notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price per share of Company's common stock on such trading day and the conversion rate on such trading day; or
- Upon the occurrence of distributions on the Company's common stock, which distribution per share of common stock has a value exceeding 10% of the last reported sale price per share on the trading day immediately before the date such distribution is announced; or
- Upon the occurrence of certain corporate events or if the Company calls such Notes for redemption, then the Noteholder of any Note may convert such Note.

From and after November 1, 2029, Noteholders may convert their 2030 Convertible Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. The Company will satisfy its conversion obligations by paying cash up to the aggregate principal amount of 2030 Convertible Notes to be converted, by issuing shares of its common stock or a combination of cash and shares of its common stock, at its election. The initial conversion rate is 14.7622 shares of common stock per \$1,000 principal amount of the 2030 Convertible Notes, representing an initial conversion price of approximately \$67.74 per share of common stock. The conversion rate will be adjusted upon the occurrence of certain events, including spin-offs, tender offers, exchange offers, make-whole fundamental change and certain stockholder distributions.

#### **Repurchase Rights**

On or after March 5, 2027, and on or before the 60th scheduled trading day immediately before the maturity date, the Company may redeem for cash all or part of the 2030 Convertible Notes, subject to partial redemption limitation, at a repurchase price equal to the principal amount, plus accrued and unpaid interest, if the last reported sale price per share of the Company's common stock exceeded 130% of the conversion price on (1) each of at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides a redemption notice and (2) the trading day immediately before the date the Company sends such notice. Pursuant to the partial redemption limitation, the Company may not elect to redeem less than all of the outstanding 2030 Convertible Notes unless at least \$100.0 million aggregate principal amount of 2030 Convertible Notes are outstanding and not subject to redemption as of the time it sends the related redemption notice.

If certain corporate events that constitute a "fundamental change" (as described below) occur at any time, holders may, subject to certain exceptions, require the Company to purchase their 2030 Convertible Notes in whole or in part for cash at a price equal to the principal amount of the 2030 Convertible Notes to be repurchased, plus accrued and unpaid interest, to, but excluding, the fundamental change repurchase date. A fundamental change relates to events such as business combination transactions involving the Company, shareholder approval of liquidation or dissolution of the Company, and certain de-listing events with respect to the Company's common stock.

#### **2024 Capped Call Transactions**

On February 27, 2024, in connection with the pricing of the 2030 Convertible Notes, the Company entered into privately negotiated capped call transactions ("2024 Capped Call Transactions"). The 2024 Capped Call Transactions cover approximately 6.6 million shares (representing the number of shares of common stock initially underlying the Notes) of the Company's common stock. The 2024 Capped Call Transactions are generally expected to reduce potential dilution to our common stock upon any conversion of 2030 Convertible Notes and/or offset any potential cash payments the Company is required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap. The cap price of the 2024 Capped Call Transactions will initially be \$92.98 per share of common stock, which represents a premium of 75% over the last reported sale price of the common stock of \$53.13 per share on February 27, 2024, and is subject to certain adjustments under the terms of the 2024 Capped Call Transactions. The cost of the purchased capped calls of \$42.2 million was recorded as a reduction to additional paid-in-capital upon settlement in March 2024.

#### **Credit Facility**

On March 7, 2024, the Company entered into an amended and restated credit agreement (the "Credit Agreement") with certain lenders, which provides a \$900.0 million secured revolving credit facility. The revolving credit facility may be made available in U.S. Dollars and certain other currencies and may be increased, and new term that ends loan commitments may be entered into, by up to an additional \$260.0 million if the existing or additional lenders are willing to make such increased commitments. The

revolving credit facility has sublimits for swing line loans up to \$25.0 million and for the issuance of standby letters of credit in a face amount up to \$25.0 million. We expect to use the revolving credit facility for general corporate purposes.

Interest rates for the revolving credit facility are determined by reference to a Term Benchmark Rate or a base rate at our option and would range from 1.50% to 3.00% above the Term Benchmark Rate for Term Benchmark-based borrowings or from 0.50% to 2.00% above the defined base rate for base rate borrowings, in each case based upon our consolidated total net leverage ratio. Additionally, we may borrow certain foreign currencies at rates set in the same range above the respective Term Benchmark Rates for those currencies, based on January 25, 2027, our consolidated total net leverage ratio. A quarterly commitment fee on the undrawn portion of the revolving credit facility is required, ranging from 0.150% to 0.400% per annum, based upon our consolidated total net leverage ratio.

The credit facility matures on March 7, 2029. The revolving credit facility does not require amortization of principal. Revolving loans may be borrowed, repaid and reborrowed until the maturity date, at which time all amounts outstanding must be repaid. Accrued interest on the loans is payable quarterly in arrears.

Costs incurred to obtain our long-term debt of \$6.0 million, along with \$0.9 million of unamortized debt issuance costs related to the previous credit agreement, will be recorded as debt issuance costs and amortized over the term of the debt agreement using the effective interest method. Further, unamortized debt issuance costs related to the repaid term loan will be expensed in accordance with the accounting for a debt extinguishment.

We are the sole borrower under the credit facility and our obligations under the Credit Agreement are guaranteed by each of our material domestic subsidiaries and are secured by substantially all of our assets and each of our material domestic subsidiaries. The Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict our ability to, among other things, grant liens, make investments, make acquisitions, incur indebtedness, merge or consolidate, dispose of assets, pay dividends or make distributions, repurchase stock, change the nature of the business, enter into certain transactions with affiliates and enter into burdensome agreements, in each case subject to customary exceptions for a credit facility of this size and type. We are also required to maintain compliance with a consolidated interest charge coverage ratio, a consolidated senior secured net leverage ratio and a consolidated total net leverage ratio.

#### Note 8: Common Stock Repurchases

In January 2023, our Board of Directors increased the share repurchase authorization by \$150.0 million, to an aggregate authorization of \$228.0 million. In the three months ended August 31, 2023, we did not repurchase February 29, 2024 and retire any shares of our common stock. In the three months ended August 31, 2022 February 28, 2023, we repurchased and retired 0.5 million 0.4 million shares for \$24.1 million. In the nine months ended August 31, 2023 \$22.5 million and August 31, 2022, we repurchased and retired 0.5 million 0.3 million shares for \$30.0 million and 1.7 million shares for \$75.5 million \$15.0 million, respectively. The shares were repurchased in both periods as part of our Board of Directors authorized share repurchase program. As of August 31, 2023 February 29, 2024, there was \$198.0 million \$171.5 million remaining under the current authorization.

On March 1, 2024, the Company repurchased and retired 0.4 million shares for \$25.0 million.

#### Note 9: Stock-Based Compensation

Stock-based compensation expense reflects the fair value of stock-based awards less the present value of expected dividends when applicable, measured at the grant date and recognized over the relevant service period. We estimate the fair value of each stock-based award on the measurement date using either the current market price of the stock, the Black-Scholes option valuation model, or the Monte Carlo Simulation valuation model.

In 2021, 2022 and 2023, we granted performance-based restricted stock units that include two performance metrics under our Long-Term Incentive Plan ("LTIP") where the performance measurement period is three years. Vesting of the LTIP awards on the 2021, 2022 and 2023 plans are based on the following: (i) 25% is based on our level of attainment of specified TSR targets relative to the percentage appreciation of a specified index of companies for the respective three-year periods, and (ii) 75% is based on achievement of a three-year cumulative operating income target. In order to estimate the fair value of such awards, we used a Monte Carlo Simulation valuation model for the market condition portion of the award, and used the closing price of our common stock on the date of grant for the portion related to the performance condition.

The Black-Scholes and Monte Carlo Simulation valuation models incorporate assumptions as to stock price volatility, the expected life of options or awards, a risk-free interest rate and dividend yield. We recognize stock-based compensation expense related to options and restricted stock units on a straight-line basis over the service period of the award, which is generally four 4 or 5 years for options and three 3 or 4 years for restricted stock units, and adjust the expense each period for actual forfeitures. We recognize stock-based compensation expense related to performance stock units and our employee stock purchase plan using an accelerated attribution method.

In 2022, 2023 and 2024, we granted performance-based restricted stock units that include two performance metrics under our Long-Term Incentive Plan ("LTIP") where the performance measurement period is three years. Vesting of the LTIP awards on the 2022, 2023 and 2024 plans are based on the following: (i) 75% is based on achievement of a three-year cumulative operating income, and (ii) 25% is based on our level of attainment of specified TSR targets relative to the percentage appreciation of a specified index of companies for the respective three-year periods. The vesting of LTIP awards is also subject to continued employment of the grantees through the performance period, except in the event of a qualifying termination. In order to estimate the fair value of such awards, we used a Monte Carlo Simulation valuation model for the market condition portion of the award and used the closing price of our common stock on the date of grant, less the present value of expected dividends when applicable, for the portion related to the performance condition.

The following table provides the classification of stock-based compensation as reflected on our condensed consolidated statements of operations (in thousands):

		Three Months Ended		Nine Months Ended	
		August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
Cost of maintenance and services	Cost of maintenance and services	\$ 797	\$ 527	\$ 2,146	\$ 1,410
Cost of maintenance and services					
Sales and marketing					
Sales and marketing					
Sales and marketing	Sales and marketing	1,763	1,331	5,027	3,423
Product development	Product development	3,065	2,586	9,112	7,548
Product development					
Product development					
General and administrative					
General and administrative					
General and administrative	General and administrative	4,447	4,195	13,826	13,729
Total stock-based compensation	Total stock-based compensation	\$ 10,072	\$ 8,639	\$ 30,111	\$ 26,110
Total stock-based compensation					
Total stock-based compensation					

#### Note 10: Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated balances of other comprehensive loss during the **nine** three months ended **August 31, 2023** **February 29, 2024** (in thousands):

	Foreign Currency Translation Adjustment	Unrealized Losses on Investments	Unrealized Gain (Losses) on Hedging Activity	Accumulated Other Comprehensive Loss
Balance, December 1, 2022	\$ (38,523)	\$ (61)	\$ 3,349	\$ (35,235)
Other comprehensive income (loss) before reclassifications, net of tax	5,124	—	(1,476)	3,648
Balance, August 31, 2023	\$ (33,399)	\$ (61)	\$ 1,873	\$ (31,587)

	Foreign Currency Translation Adjustment	Unrealized Losses on Investments	Unrealized Gain (Losses) on Hedging Activity	Accumulated Other Comprehensive Loss
Balance, December 1, 2023	\$ (33,234)	\$ (61)	\$ 1,135	\$ (32,160)
Other comprehensive loss before reclassifications, net of tax	(1,546)	—	(690)	(2,236)
Balance, February 29, 2024	\$ (34,780)	\$ (61)	\$ 445	\$ (34,396)

The tax effect on accumulated unrealized gains (losses) on hedging activity and unrealized losses on investments was a tax provision of **\$0.7** **\$0.2** million and **\$1.1** million **\$0.4** million as of **August 31, 2023** **February 29, 2024** and **November 30, 2022** **November 30, 2023**, respectively.

#### Note 11: Revenue Recognition

##### Timing of Revenue Recognition

Our revenues are derived from licensing our products, and from related services, which consist of maintenance, hosting services, and consulting and education. Information relating to revenue from external customers by revenue type is as follows (in thousands):

	Three Months Ended	Nine Months Ended
	Three Months Ended	
	Three Months Ended	

Three Months Ended								
(In thousands)								
(In thousands)		(In thousands)		August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022	
Performance obligations transferred at a point in time:		Performance obligations transferred at a point in time:						
Performance obligations transferred at a point in time:		Performance obligations transferred at a point in time:						
Software licenses		Software licenses		\$ 50,544	\$ 47,618	\$ 164,519	\$ 135,182	
Performance obligations transferred over time:		Performance obligations transferred over time:						
Performance obligations transferred over time:		Performance obligations transferred over time:						
Maintenance		Maintenance		105,164	91,043	299,917	272,337	
Services		Services		19,284	12,556	53,033	37,367	
Services		Services						
Total revenue		Total revenue		\$ 174,992	\$ 151,217	\$ 517,469	\$ 444,886	
Total revenue		Total revenue						

#### Geographic Revenue

In the following table, revenue attributed to North America includes sales to customers in the U.S. and sales to certain multinational organizations. Revenue from EMEA, Latin America and the Asia Pacific region includes sales to customers in each region plus sales from the U.S. to distributors in these regions. Information relating to revenue from external customers from different geographical areas is as follows (in thousands):

Three Months Ended									Nine Months Ended			
Three Months Ended									Three Months Ended			
Three Months Ended									Three Months Ended			
(In thousands)												
(In thousands)												
(In thousands)	(In thousands)	August 31, 2023		August 31, 2022		August 31, 2023		August 31, 2022				
North America	North America	\$ 101,923		\$ 84,826		\$ 306,483		\$ 248,313				
North America												
North America												
EMEA												
EMEA												
EMEA	EMEA	56,779		52,670		166,369		156,006				
Latin America	Latin America	6,318		4,577		15,297		13,138				
Latin America												
Latin America												
Asia Pacific												
Asia Pacific												

Asia Pacific	Asia Pacific	9,972	9,144	29,320	27,429
Total revenue	Total revenue	\$ 174,992	\$ 151,217	\$ 517,469	\$ 444,886
Total revenue					

No single customer, partner, or country outside the U.S. has accounted for more than 10% of our total revenue for the three and nine months ended **August 31, 2023** **February 29, 2024** and **August 31, 2022** **February 28, 2023**.

#### Contract Balances

##### Unbilled Receivables and Contract Assets

As of **August 31, 2023** **February 29, 2024**, billing of our long-term unbilled receivables is expected to occur as follows (in thousands):

2024		\$ 7,491
2025	2025	16,058
2026	2026	9,569
2027	2027	3
Total	Total	\$ 33,121
Total		
Total		

Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. We did not have any net contract assets as of **August 31, 2023** **February 29, 2024** or **November 30, 2022** **November 30, 2023**.

#### Deferred Revenue

Deferred revenue expected to be recognized as revenue more than one year subsequent to the balance sheet date is included in long-term liabilities on the **condensed** consolidated balance sheets. Our deferred revenue balance is primarily made up of deferred maintenance.

As of **August 31, 2023** **February 29, 2024**, the changes in net deferred revenue were as follows (in thousands):

Balance, <b>December 1, 2022</b> <b>December 1, 2023</b>	\$ 282,440	295,036
Billings and other	\$ 514,797	185,782
Revenue recognized		(517,469) (184,685)
Balance, <b>August 31, 2023</b> <b>February 29, 2024</b>	\$ 279,768	296,133

As of **August 31, 2023** **February 29, 2024**, transaction price allocated to remaining performance obligations was **\$288** **\$348** million. We expect to recognize approximately **77%** **75%** of the revenue within the next year and the remainder thereafter.

#### Deferred Contract Costs

Certain of our sales incentive programs meet the requirements to be capitalized. Depending upon the sales incentive program and the related revenue arrangement, such capitalized costs are amortized over the longer of (i) the product life, which is generally three to five years; or (ii) the term of the related revenue contract. We determined that a three to five year product life represents the period of benefit that we receive from these incremental costs based on both qualitative and quantitative factors, which include customer contracts, industry norms, and product upgrades. Total deferred contract costs were **\$8.0** **\$7.0** million and **\$8.8 million** **\$7.6 million** as of **August 31, 2023** **February 29, 2024** and **November 30, 2022** **November 30, 2023**, respectively, and are included in other current assets and other assets on our **condensed** consolidated balance sheets. Amortization of deferred contract costs is included in sales and marketing expense on our **condensed** consolidated statement of operations and was minimal in all periods presented.

#### Note 12: Restructuring Charges

The following table provides a summary of activity for our restructuring actions (in thousands):

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2022	\$ 3,870	\$ 30	\$ 3,900

		Excess Facilities and Other Costs		Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2023						
Costs incurred	Costs incurred	644	5,586	6,230		
Cash disbursements	Cash disbursements	(1,146)	(3,836)	(4,982)		
Translation and other adjustments	Translation and other adjustments	—	19	19		
Balance, August 31, 2023		\$ 3,368	\$ 1,799	\$ 5,167		
Balance, February 29, 2024						

During fiscal year 2023, we restructured our operations. In the three months ended February 29, 2024, costs incurred primarily related to a facility closure in connection with the acquisition and subsequent integration restructuring action from the first fiscal quarter of MarkLogic, which resulted in a reduction in redundant positions, primarily within administrative functions. Cash disbursements for expenses incurred to date under this restructuring are expected to be made through fiscal year 2023. We do not expect to incur additional material expenses as part of these actions related to employee costs and facility closures during fiscal year 2024, but we do not expect these costs to be material. this action.

#### Note 13: Earnings per share

We compute basic earnings per share using the weighted average number of common shares outstanding. We compute diluted earnings per share using the weighted average number of common shares outstanding plus the effect of outstanding dilutive stock options, restricted stock units and deferred stock units, using the treasury stock method. The following table sets forth the calculation of basic and diluted earnings per share on an interim basis (in thousands, except per share data):

		Three Months Ended		Nine Months Ended	
		August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
Net income	Net income	\$ 19,098	\$ 21,797	\$ 54,862	\$ 71,361
Net income					
Net income					
Weighted average shares outstanding	Weighted average shares outstanding	43,452	43,211	43,365	43,589
Weighted average shares outstanding					
Weighted average shares outstanding					
Basic earnings per common share					
Basic earnings per common share					
Basic earnings per common share	Basic earnings per common share	\$ 0.44	\$ 0.50	\$ 1.27	\$ 1.64
Diluted earnings per common share:	Diluted earnings per common share:				
Diluted earnings per common share:					
Net income					
Net income					
Net income	Net income	\$ 19,098	\$ 21,797	\$ 54,862	\$ 71,361

Weighted average shares outstanding	Weighted average shares outstanding	43,452	43,211	43,365	43,589
Weighted average shares outstanding					
Weighted average shares outstanding					
Effect of dilution from common stock equivalents	Effect of dilution from common stock equivalents	1,353	724	1,178	710
Effect of dilution from if-converted Convertible Senior Notes		176	—	—	—
Effect of dilution from common stock equivalents					
Effect of dilution from common stock equivalents					
Diluted weighted average shares outstanding					
Diluted weighted average shares outstanding					
Diluted weighted average shares outstanding	Diluted weighted average shares outstanding	44,981	43,935	44,543	44,299
Diluted earnings per share	Diluted earnings per share	\$ 0.42	\$ 0.50	\$ 1.23	\$ 1.61
Diluted earnings per share					
Diluted earnings per share					

We excluded stock awards representing approximately 252,000 714,000 and 286,000 340,000 shares of common stock from the calculation of diluted earnings per share in the three and nine months ended August 31, 2023, respectively, as these awards were anti-dilutive. We excluded stock awards representing approximately 1,777,000 February 29, 2024 and 1,739,000 shares of common stock from the calculation of diluted earnings per share in the three and nine months ended August 31, 2022 February 28, 2023, respectively, as these awards were anti-dilutive.

The dilutive impact of the Notes on our calculation of diluted earnings per share is considered using the if-converted method. However, because the principal amount of the Notes must be settled in cash, the dilutive impact of applying the if-converted method is limited to the in-the-money portion, if any, of the Notes. During the three months ended August 31, 2023 February 29, 2024, the average daily closing price of the Company's common stock was greater than the conversion price for we did not include the Notes outstanding as of August 31, 2023. Therefore, for this period, the Company applied the if-converted method for calculating in our diluted earnings per common share. During share calculation because the nine months ended August 31, 2023, conversion feature in the average daily closing price Notes was out of the Company's common stock was less than the conversion price for the Notes. Therefore, for this period, the Notes had no impact on the computation of diluted earnings per common share. money.

#### Note 14: Segment Information

Operating segments are components of an enterprise that engage in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker ("CODM") in deciding how to allocate resources and assess performance. Our CODM is our Chief Executive Officer.

We operate as one operating segment: software products to develop, deploy, and manage high-impact applications. Our CODM evaluates financial information on a consolidated basis. As we operate as one operating segment, the required financial segment information can be found in the condensed consolidated financial statements.

#### Note 15: Cyber Related Matters

##### November 2022 Cyber Incident

Following the detection of irregular activity on certain portions of our corporate network, we engaged outside cybersecurity experts and other incident response professionals to conduct a forensic investigation and assess the extent and scope of the cyber incident. Costs for this cyber incident were primarily related to the engagement of external cybersecurity experts and other incident response professionals. We did not incur any meaningful additional costs related to this cyber incident for as the investigation is closed. We incurred expenses of \$2.7 million related to this incident during the three months ended August 31, 2023 February 28, 2023. For the nine months ended August 31, 2023, we incurred \$4.2 million of costs related to this cyber incident. Costs are provided net of received and expected insurance

recoveries of approximately \$3.0 million, which was recognized during the first quarter of fiscal year 2023. The timing of recognizing insurance recoveries may differ from the timing of recognizing the associated expenses.

#### MOVEit Vulnerability

As previously reported, on the evening of May 28, 2023, our MOVEit technical support team received an initial customer support call indicating unusual activity within their MOVEit Transfer instance. An investigative team was mobilized and, on May 30, 2023, the investigative team discovered a zero-day vulnerability in MOVEit Transfer (including our cloud-hosted version of MOVEit Transfer known as MOVEit Cloud). A "zero-day vulnerability" is a vulnerability that has been publicly disclosed (e.g., by an independent researcher or threat actor) before the software vendor has an opportunity to patch it. The investigative team determined the zero-day vulnerability (the "MOVEit Vulnerability") could provide for unauthorized escalated privileges and access to the customer's underlying environment in both MOVEit Transfer (the on-premise version) and MOVEit Cloud (a cloud-hosted version of MOVEit Transfer that we deploy in both (i) a public cloud format, as well as (ii) for a small group of customers, in customer-dedicated cloud instances that are hosted, separate and apart from the public instances of our MOVEit Cloud platform).

We will continue to assess the potential impact of the MOVEit Vulnerability on our business, operations, and financial results. MOVEit Transfer and MOVEit Cloud represented less than 4% in aggregate of our revenue for the ~~nine~~ three months ended ~~August 31, 2023~~ February 29, 2024.

#### Litigation and Governmental Investigations

As of the date of the issuance of the financial statements, (i) we have received formal letters from ~~23~~ 35 customers and others that claim to have been impacted by the MOVEit Vulnerability, some of which have indicated that they intend to seek indemnification from us related to the MOVEit Vulnerability, (ii) we have received a letter from an insurer providing for notice of a subrogation claim (where the insurer is seeking recovery for all expenses incurred in connection with the MOVEit Vulnerability), ~~which has resulted in the filing of a lawsuit in the District of Massachusetts, and (iii) we are party to 58~~ approximately 127 class action lawsuits filed by individuals who claim to have been impacted by the exfiltration of data from the environments of our MOVEit Transfer customers, ~~(on October 4, 2023, which the Judicial Panel on Multidistrict Litigation issued an order consolidating litigation relating transferred to the MOVEit Vulnerability where we are a party in the United States District Court, District of Massachusetts)~~ Massachusetts for coordinated and consolidated proceedings.

We have also been cooperating with ~~with~~; (i) several inquiries from domestic and foreign data privacy regulators (as further described hereafter); (ii) several inquiries and two formal investigations from several state attorneys general as well as (as further described hereafter); (iii) a formal investigation from: (i) investigation from a U.S. federal law enforcement agency (as of the date of the filing of this report, the law enforcement investigation that we are cooperating with is not an enforcement action or formal governmental investigation of which we have been told that we are a target); and (ii) (iv) a formal investigation from the SEC (as further described hereafter).

On October 2, 2023, Progress received a subpoena from the SEC seeking various documents and information relating to the MOVEit Vulnerability. As described in the cover letter accompanying the subpoena, at this stage, the SEC investigation is a fact-finding inquiry, the investigation does not mean that Progress or anyone else has violated federal securities laws, and the investigation does not mean that the SEC has a negative opinion of any person, entity, or security. Progress ~~intends to cooperate~~ is cooperating fully with the SEC in its investigation.

On December 21, 2023, Progress received a preservation notice from the Federal Trade Commission (the "FTC"), but has not otherwise received a request for information nor is Progress aware of any formal FTC investigation.

On January 18, 2024, Progress received a subpoena from the Office of the Attorney General for the District of Columbia seeking various documents and information relating to the MOVEit Vulnerability. At this stage, the investigation is a fact-finding inquiry, and the investigation does not mean that Progress or anyone else has violated applicable laws. Progress is cooperating fully with the Office of the Attorney General for the District of Columbia in its investigation.

On February 9, 2024, Progress received a subpoena from the Office of the Attorney General for the State of New Jersey seeking various documents and information relating to the MOVEit Vulnerability. At this stage, the investigation is a fact-finding inquiry, and the investigation does not mean that Progress or anyone else has violated applicable laws. Progress is cooperating fully with the Office of the Attorney General for the State of New Jersey in its investigation.

On November 3, 2023, the United Kingdom's Information Commissioner's Office informed Progress that based upon the information provided, the Commissioner's Office determined that regulatory action against Progress was not required in relation to the MOVEit Vulnerability. Additionally, on March 14, 2024, the Office of the Australian Information Commissioner's Office informed Progress that it has closed its file investigating the MOVEit Vulnerability.

#### Expenses Incurred and Future Costs

For the three ~~and nine~~ months ended ~~August 31, 2023~~ February 29, 2024, we incurred \$1.0 million of costs related to the MOVEit Vulnerability. The costs recognized are net of received and expected insurance recoveries of approximately ~~\$1.9 million, which was recognized during the third quarter of fiscal year 2023~~ \$0.8 million. The timing of recognizing insurance recoveries may differ from the timing of recognizing the associated expenses. We expect to incur investigation, legal and professional services expenses associated with the MOVEit Vulnerability in future periods. We will recognize these expenses as services are received, net of ~~received and expected~~ insurance recoveries. While a loss from these matters is ~~reasonably~~ possible, we cannot reasonably estimate a range of possible losses at this time, particularly while the foregoing matters remain ongoing. Furthermore, with respect to the litigation, the proceedings remain in the early stages, alleged damages have not been specified, there is uncertainty as to the likelihood of a class or classes being certified or the ultimate size of any class if certified, and there are significant factual and legal issues to be resolved. Also, each of the governmental inquiries and investigations mentioned above could result in adverse judgements, settlements, fines, penalties, or other resolutions, the amount, scope and timing of which could be material, but which we are currently unable to predict. Therefore, we have not recorded a loss contingency liability for the MOVEit Vulnerability as of ~~August 31, 2023~~ February 29, 2024.

In addition, we may accelerate or make additional investments in our information technology systems, infrastructure, software products or networks following the MOVEit Vulnerability, however, we currently do not expect such amounts to be material to any fiscal period.

#### Insurance Coverage

During the period when the November 2022 cyber incident and the MOVEit Vulnerability occurred, we maintained \$15.0 million of cybersecurity insurance coverage, which is expected to reduce our exposure to expenses and liabilities arising from these events. As of August 31, 2023 February 29, 2024, we have recorded approximately ~~\$4.9~~ \$7.0 million in insurance recoveries, of which ~~\$3.0~~ \$2.5 million was related to the November 2022 cyber incident and ~~\$1.9~~ \$4.5 million was related to the May 2023 MOVEit Vulnerability, providing us with ~~\$10.1~~ \$8.0 million of additional cybersecurity insurance coverage (which is subject to a \$0.5 million retention per claim). We will pursue recoveries to the maximum extent available under our insurance policies.

#### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

##### Cautionary Note Regarding Forward-Looking Statements

This Form 10-Q may contain information that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended; Section 21E of the Securities Exchange Act of 1934, as amended; and the Private Securities Litigation Reform Act of 1995. Whenever we use words such as "believe," "may," "could," "would," "might," "should," "expect," "intend," "plan," "estimate," "target," "anticipate" and negatives and derivatives of these or similar expressions, or when we make statements concerning future financial results, product offerings or other events that have not yet occurred, we are making forward-looking statements. These forward-looking statements are based upon our present intent, beliefs or expectations, but are not guaranteed to occur and may not occur. Actual future results may differ materially from those contained in or implied by our forward-looking statements due to various factors which are more fully described in Part I, Item 1A. Risk Factors in our 2022 2023 Annual Report as well as the risk factors described in Part II, Item 1A of this Report on Form 10-Q. Although we have sought to identify the most significant risks to our business, we cannot predict whether, or to what extent, any of such risks may be realized. We also cannot assure you that we have identified all possible issues that we might face. We undertake no obligation to update any forward-looking statements that we make.

##### Overview

Progress provides enterprise software products for the development, deployment and management of high-impact business applications.

The key tenets of our strategic plan and operating model are as follows:

**Be the Trusted Provider of the Best Products to Develop, Deploy and Manage High Impact Applications.** A key element of our strategy is centered on building and maintaining the best products and tools enterprises need to build, deploy, and manage modern, strategic business applications. We offer these products and tools to both new customers and partners, as well as our existing partner and customer ecosystems.

**Focus on Customer and Partner Retention to Drive Recurring Revenue and Profitability.** Our organizational philosophy and operating principles focus primarily on customer and partner retention and success, and a streamlined operating approach to drive predictable and stable recurring revenue and high levels of profitability.

**Follow a Total Growth Strategy through Accretive M&A.** We are pursuing a total growth strategy driven by accretive acquisitions of businesses within the infrastructure software space, with products that appeal to both IT organizations and individual developers. These acquisitions must meet strict financial and other criteria, which help further our goal to provide significant stockholder returns by providing scale and increased cash flows. In April 2019, we acquired Ipswitch, Inc.; in October 2020, we acquired Chef Software, Inc.; in November 2021, we acquired Kemp Technologies; and in February 2023, we acquired MarkLogic. These acquisitions met our strict financial criteria.

**Employ a Multi-Faceted Capital Allocation Strategy.** Our capital allocation policy emphasizes accretive M&A, which allows us to expand our business and drive significant stockholder returns. We also utilize dividends and share repurchases to return capital to stockholders. We intend to continue to repurchase our shares in sufficient quantities to offset dilution from our equity plans and to continue to return a portion of our annual cash flows from operations to stockholders in the form of dividends.

We expect to continue to pursue acquisitions meeting our financial criteria that are designed to expand our business and drive significant stockholder returns. As a result, our expected uses of cash could change, our cash position could be reduced, and we may incur additional debt obligations to the extent we complete additional acquisitions. However, we currently believe that existing cash balances, together with funds generated from operations and amounts available under our Credit Facility, will be sufficient to finance our operations and meet our foreseeable cash requirements, including quarterly cash dividends and stock repurchases to Progress stockholders, as applicable, through at least the next twelve months.

##### Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. We make estimates and assumptions in the preparation of our consolidated financial statements that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions

that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates. The most significant estimates relate to revenue recognition, loss contingencies and the MOVEit Vulnerability, and business combinations. For further information regarding the application of these and other accounting policies, see Note 11: Basis of Presentation to our Consolidated Financial Statements in Item 8 of our 2022 Annual Report. There have been no significant changes to our critical accounting policies and estimates since our 2022 Annual Report.

#### Use of Constant Currency

Revenue from our international operations has historically represented a substantial portion of our total revenue. As a result, our revenue results have been impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates. For example, if the local currencies of our foreign subsidiaries strengthen, our consolidated results stated in U.S. dollars are positively impacted.

As exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of revenue growth rates on a constant currency basis enhances the understanding of our revenue results and evaluation of our performance in comparison to prior periods. The constant currency information presented is calculated by translating current period results using prior period weighted average foreign currency exchange rates. These results should be considered in addition to, not as a substitute for, results reported in accordance with GAAP.

#### Results of Operations

##### Revenue

(In thousands)	Three Months Ended						% Change	
			August 31, 2023		August 31, 2022		As Reported	Constant Currency
	Revenue	\$ 174,992	Revenue	\$ 151,217	16 %	14 %		
(In thousands)	Nine Months Ended	August 31, 2023	August 31, 2022	As Reported	Constant Currency	(In thousands)	Three Months Ended	% Change
Revenue	Revenue	\$ 517,469	\$ 444,886	16 %	16 %	Revenue	February 29, 2024	February 28, 2023
							As Reported	Constant Currency
							12 %	12 %

Total revenue increased as compared to the same period last year primarily due to our acquisition of MarkLogic in February 2023, as well as increases in our OpenEdge and Kemp product offerings. In offering. MarkLogic revenue represents \$26.7 million of the third fiscal increase as the current period includes activity for the full quarter, whereas the prior period only included the month of February 2023. These increases were partially offset by a decrease in our DataDirect and Chef product offerings. In offering as a result of the first nine months timing of fiscal year 2023, there was also an increase in our DataDirect, Sitefinity, DevTools, and Chef product offerings. renewals on multiyear subscription contracts.

##### Software License Revenue

(In thousands)	Three Months Ended						% Change	
			August 31, 2023		August 31, 2022		As Reported	Constant Currency
	Software licenses	\$ 50,544	Software licenses	\$ 47,618	6 %	4 %		
As a percentage of total revenue		29 %		31 %				
(In thousands)	Nine Months Ended	August 31, 2023	August 31, 2022	As Reported	Constant Currency	(In thousands)	Three Months Ended	% Change
Software licenses	Software licenses	\$ 164,519	\$ 135,182	22 %	22 %	Software licenses	February 29, 2024	February 28, 2023
As a percentage of total revenue	As a percentage of total revenue	32 %	30 %				As Reported	Constant Currency
							11 %	11 %

Software license revenue increased by \$6.5 million as compared to the same period last year primarily due to our acquisition of MarkLogic in February 2023, as well as increases in our OpenEdge and Kemp product offerings. In which accounts for \$15.4 million of the third fiscal quarter, these increases were partially increase. The increase is offset by decreases a decline in our DataDirect and Chef product offerings. In revenue driven by the first nine months timing of fiscal year 2023, there was also an increase in our DataDirect product offerings, multi-year subscription renewals.

##### Maintenance and Services Revenue

(In thousands)	Three Months Ended		% Change	
	August 31, 2023	August 31, 2022	As Reported	Constant Currency
Maintenance	\$ 105,164	\$ 91,043	16 %	14 %
As a percentage of total revenue	60 %	60 %		
Services	19,284	12,556	54 %	52 %
As a percentage of total revenue	11 %	9 %		
Total maintenance and services revenue	\$ 124,448	\$ 103,599	20 %	19 %
As a percentage of total revenue	71 %	69 %		

(In thousands)	Nine Months Ended			% Change		(In thousands)	Three Months Ended		% Change		
	August 31,		August 31,	Constant			February 29,		February 28, 2023	As Reported	
	2023	2022	As Reported	Currency	2024		2023	As Reported	10 %	Constant Currency	
Maintenance	Maintenance	\$ 299,917	\$ 272,337	10 %	10 %	Maintenance	\$ 102,025	\$ 92,513	10 %	10 %	
As a percentage of total revenue	As a percentage of total revenue	58 %	61 %								
Services	Services	53,033	37,367	42 %	42 %						
Services	Services						18,560	14,145	31 %	31 %	
As a percentage of total revenue	As a percentage of total revenue	10 %	9 %								
Total maintenance and services revenue	Total maintenance and services revenue	\$ 352,950	\$ 309,704	14 %	14 %						
Total maintenance and services revenue	Total maintenance and services revenue						\$ 120,585	\$ 106,658	13 %	12 %	
As a percentage of total revenue	As a percentage of total revenue	68 %	70 %								

Maintenance revenue increased by \$9.5 million as compared to the same period last year primarily due to our acquisition of MarkLogic in February 2023, as well as increases in our OpenEdge and Chef product offerings. Services revenue increased by \$4.4 million as compared to the same period last year primarily due to increased services revenue from our acquisition of MarkLogic, partially offset by a decrease in our Chef product offerings. The maintenance increase in the third quarter of fiscal year 2023 was also due to the positive impact of foreign exchange in our EMEA region. The maintenance increase in the first nine months of fiscal year 2023 was partially offset by a decrease in our Kemp product offerings. The services increase in the first nine months of fiscal year 2023 was also due to increases in our Sitefinity and DevTools product offerings. MarkLogic.

#### Revenue by Region

(In thousands)	Three Months Ended		% Change	
	August 31, 2023	August 31, 2022	As Reported	Constant Currency
North America	\$ 101,923	\$ 84,826	20 %	20 %
As a percentage of total revenue	58 %	56 %		
Europe, the Middle East and Africa ("EMEA")	\$ 56,779	\$ 52,670	8 %	4 %
As a percentage of total revenue	32 %	35 %		
Latin America	\$ 6,318	\$ 4,577	38 %	32 %

As a percentage of total revenue										4 %	3 %		
Asia Pacific										\$ 9,972	\$ 9,144	9 %	10 %
As a percentage of total revenue										6 %	6 %		
(In thousands)	(In thousands)	Nine Months Ended		% Change		Three Months Ended				% Change			
		August 31, 2023	August 31, 2022	As Reported	Constant Currency	(In thousands)	February 29, 2024	February 28, 2023	As Reported	As Reported	Constant Currency		
North America	North America	\$306,483	\$248,313	23 %	23 %	North America	\$ 107,282	\$ 98,828	9	9 %	9 %		
As a percentage of total revenue	As a percentage of total revenue	59 %	56 %										
Europe, the Middle East and Africa ("EMEA")	Europe, the Middle East and Africa ("EMEA")	\$166,369	\$156,006	7 %	7 %								
Europe, the Middle East and Africa ("EMEA")	Europe, the Middle East and Africa ("EMEA")						\$ 63,087	\$ 53,405	18 %	18 %	17 %		
As a percentage of total revenue	As a percentage of total revenue	32 %	35 %										
Latin America	Latin America												
Latin America	Latin America	\$ 15,297	\$ 13,138	16 %	14 %	\$ 4,668	\$ 4,189	11	11 %	8 %	8 %		
As a percentage of total revenue	As a percentage of total revenue	3 %	3 %										
Asia Pacific	Asia Pacific	\$ 29,320	\$ 27,429	7 %	8 %								
Asia Pacific	Asia Pacific						\$ 9,648	\$ 7,804	24 %	24 %	25 %		
As a percentage of total revenue	As a percentage of total revenue	6 %	6 %										

Total revenue generated in North America increased \$17.1 million and \$58.2 million in the third first quarter and first nine months of fiscal year 2023, respectively. The increase was primarily due to our acquisition of MarkLogic and increased revenue from our OpenEdge product offerings, partially offset by decreases in our DataDirect and Chef product offerings. The increases in revenue over both periods in EMEA was primarily due to our acquisition of MarkLogic, and increased revenue from our OpenEdge and Kemp DataDirect product offerings, offerings, and a positive impact from foreign exchange in our EMEA region. The increases in both periods in revenue in Latin America were primarily due to increases in our OpenEdge product offerings. The increases in revenue generated in Asia Pacific in both periods were due to increases in our Chef Kemp, MarkLogic, and Kemp Chef product offerings.

In the first nine three months of fiscal year 2024 revenue generated in markets outside North America represented 42% of total revenue on an actual and constant currency basis. In the first three months of fiscal year 2023 revenue generated in markets outside North America represented 41% of total revenue on an actual 40% and constant

currency basis. In the first nine months of fiscal year 2022 revenue generated in markets outside North America represented 44% 42% of total revenue on an actual and a constant currency basis, respectively.

#### Cost of Software Licenses

(In thousands)	(In thousands)	Three Months Ended			Nine Months Ended			
		August 31, 2023	August 31, 2022	Change	August 31, 2023	August 31, 2022	Change	
(In thousands)								
(In thousands)								
Cost of software licenses	Cost of software licenses	\$ 2,732	\$ 2,477	\$ 255	10 %	\$ 7,998	\$ 7,669	
As a percentage of software license revenue	As a percentage of software license revenue	5 %	5 %			5 %	6 %	
As a percentage of software license revenue								
As a percentage of software license revenue								
As a percentage of total revenue	As a percentage of total revenue	2 %	2 %			2 %	2 %	
As a percentage of total revenue								
As a percentage of total revenue								

Cost of software licenses consists primarily of costs of inventories, royalties, electronic software distribution, duplication, and packaging. Cost of software licenses as a percentage of software license revenue varies from period to period depending upon the relative product mix.

#### Cost of Maintenance and Services

(In thousands)	(In thousands)	Three Months Ended			Nine Months Ended			
		August 31, 2023	August 31, 2022	Change	August 31, 2023	August 31, 2022	Change	
(In thousands)								
(In thousands)								
Cost of maintenance and services	Cost of maintenance and services	\$ 22,192	\$ 15,761	\$ 6,431	41 %	\$ 62,663	\$ 46,707	
As a percentage of maintenance and services revenue	As a percentage of maintenance and services revenue	18 %	15 %			18 %	15 %	
As a percentage of maintenance and services revenue								
As a percentage of maintenance and services revenue								

As a percentage of total revenue											
As a percentage of total revenue											
As a percentage of total revenue	As a percentage of total revenue	13 %	10 %					12 %	10 %		
Components of cost of maintenance and services:	Components of cost of maintenance and services:										
Components of cost of maintenance and services:	Components of cost of maintenance and services:										
Components of cost of maintenance and services:	Components of cost of maintenance and services:										
Personnel related costs	Personnel related costs										
Personnel related costs	Personnel related costs	\$ 16,578	\$ 11,338	\$ 5,240	46 %	\$ 46,367	\$ 33,175	\$ 13,192	40 %		
Contractors and outside services	Contractors and outside services	3,650	2,956	694	23 %	10,467	9,178	1,289	14 %		
Contractors and outside services	Contractors and outside services										
Contractors and outside services	Contractors and outside services										
Hosting and other	Hosting and other	1,964	1,467	497	34 %	5,829	4,354	1,475	34 %		
Total cost of maintenance and services	Total cost of maintenance and services	\$ 22,192	\$ 15,761	\$ 6,431	41 %	\$ 62,663	\$ 46,707	\$ 15,956	34 %		
Total cost of maintenance and services	Total cost of maintenance and services										
Total cost of maintenance and services	Total cost of maintenance and services										

Cost of maintenance and services consists primarily of costs of providing customer support, consulting, and education. The increases in all periods were primarily due to increased headcount, personnel related costs, contractor and outside services costs, and hosting costs resulting from our acquisition of MarkLogic.

#### Amortization of Intangibles

(In thousands)	(In thousands)	Three Months Ended			Nine Months Ended			
		August 31, 2023	August 31, 2022	% Change	August 31, 2023	August 31, 2022	% Change	
(In thousands)								
(In thousands)								
Amortization of intangibles	Amortization of intangibles							
Amortization of intangibles	Amortization of intangibles	\$ 7,995	\$ 5,558	44 %	\$ 22,253	\$ 16,589	34 %	
As a percentage of total revenue	As a percentage of total revenue	5 %	4 %		4 %	4 %		
As a percentage of total revenue								
As a percentage of total revenue								

Amortization of intangibles included in costs of revenue primarily represents the amortization of the value assigned to technology-related intangible assets obtained in business combinations. The **increases in all periods are year over year** is due to the acquisition of MarkLogic.

#### Gross Profit

(In thousands)	(In thousands)	Three Months Ended			Nine Months Ended			
		August 31, 2023	August 31, 2022	% Change	August 31, 2023	August 31, 2022	% Change	
<i>(In thousands)</i>								
<i>(In thousands)</i>								
<b>Gross profit</b>								
<b>Gross profit</b>	<b>Gross profit</b>	\$ 142,073	\$ 127,421	11 %	\$ 424,555	\$ 373,921	14 %	
As a percentage of total revenue	As a percentage of total revenue	81 %	84 %		82 %	84 %		
<i>As a percentage of total revenue</i>								
<i>As a percentage of total revenue</i>								

Our gross profit increased **in all periods primarily** due to the increases in revenue, offset by the increases in costs of software licenses, costs of maintenance and services and the amortization of intangibles, each as described above.

#### Sales and Marketing

(In thousands)	(In thousands)	Three Months Ended			Nine Months Ended			
		August 31, 2023	August 31, 2022	Change	August 31, 2023	August 31, 2022	Change	
<i>(In thousands)</i>								
<i>(In thousands)</i>								
<b>Sales and marketing</b>								
<b>Sales and marketing</b>	<b>Sales and marketing</b>	\$ 38,612	\$ 34,595	\$ 4,017 12 %	\$ 112,513	\$ 100,768	\$ 11,745 12 %	
As a percentage of total revenue	As a percentage of total revenue	22 %	23 %		22 %	23 %		
<i>As a percentage of total revenue</i>								
<i>As a percentage of total revenue</i>								
<b>Components of sales and marketing:</b>								
Components of sales and marketing:	Components of sales and marketing:							
Personnel related costs	Personnel related costs	\$ 33,919	\$ 29,994	\$ 3,925 13 %	\$ 98,243	\$ 86,145	\$ 12,098 14 %	
Personnel related costs	Personnel related costs							
Contractors and outside services	Contractors and outside services							
Contractors and outside services	Contractors and outside services							

Contractors and outside services	Contractors and outside services	785	592	193	33 %	2,990	2,171	819	38 %
Marketing programs and other	Marketing programs and other	3,908	4,009	(101)	(3) %	11,280	12,452	(1,172)	(9) %
Marketing programs and other	Marketing programs and other								
Total sales and marketing	Total sales and marketing	\$ 38,612	\$ 34,595	\$ 4,017	12 %	\$ 112,513	\$ 100,768	\$ 11,745	12 %
Total sales and marketing	Total sales and marketing								

Sales and marketing expenses increased primarily due to increased personnel related costs associated with our acquisition of MarkLogic, as well as increases in all periods marketing and sales events costs, partially offset by decreases in contractors and outside services costs.

#### Product Development

(In thousands)	Three Months Ended		
	February 29, 2024	February 28, 2023	Change
Product development costs	\$ 34,988	\$ 30,438	\$ 4,550 15 %
As a percentage of total revenue	19 %	19 %	
Components of product development costs:			
Personnel related costs	\$ 33,596	\$ 29,603	\$ 3,993 13 %
Contractors and outside services	1,082	673	409 61 %
Other product development costs	310	162	148 91 %
Total product development costs	\$ 34,988	\$ 30,438	\$ 4,550 15 %

Product development expenses increased primarily due to increased personnel related costs associated with our acquisition of MarkLogic, as well as increases in contractors and outside services costs partially offset by decreases in marketing and sales events costs.

#### Product Development

(In thousands)	Three Months Ended			Nine Months Ended		
	August 31, 2023	August 31, 2022	Change	August 31, 2023	August 31, 2022	Change
Product development costs	\$ 33,138	\$ 28,650	\$ 4,488 16 %	\$ 98,396	\$ 85,966	\$ 12,430 14 %
As a percentage of total revenue	19 %	19 %		19 %	19 %	
Components of product development costs:						
Personnel related costs	\$ 31,528	\$ 28,044	\$ 3,484 12 %	\$ 94,647	\$ 83,277	\$ 11,370 14 %
Contractors and outside services	1,376	275	1,101 400 %	3,166	1,989	1,177 59 %
Other product development costs	234	331	(97) (29)%	583	700	(117) (17)%
Total product development costs	\$ 33,138	\$ 28,650	\$ 4,488 16 %	\$ 98,396	\$ 85,966	\$ 12,430 14 %

Product development expenses increased in all periods primarily due to increased personnel related costs associated with our acquisition of MarkLogic, as well as an increase in contractors and outside services costs, partially offset by decreases in other product development costs.

#### General and Administrative

(In thousands)	(In thousands)	Three Months Ended			Nine Months Ended		
		August 31, 2023	August 31, 2022	Change	August 31, 2023	August 31, 2022	Change
(In thousands)	(In thousands)						
(In thousands)							

General and administrative											
General and administrative											
General and administrative	General and administrative	\$ 20,791	\$ 20,141	\$ 650	3 %	\$ 61,046	\$ 56,339	\$ 4,707	8 %		
As a percentage of total revenue	As a percentage of total revenue	12 %	13 %				12 %	13 %			
As a percentage of total revenue											
As a percentage of total revenue											
Components of general and administrative:											
Components of general and administrative:											
Components of general and administrative:	Components of general and administrative:										
Personnel related costs	Personnel related costs	\$ 15,871	\$ 14,798	\$ 1,073	7 %	\$ 49,146	\$ 44,600	\$ 4,546	10 %		
Personnel related costs											
Personnel related costs											
Contractors and outside services											
Contractors and outside services											
Contractors and outside services	Contractors and outside services	3,592	2,152	1,440	67 %	9,271	6,481	2,790	43 %		
Other general and administrative costs	Other general and administrative costs	1,328	3,191	(1,863)	(58) %	2,629	5,258	(2,629)	(50) %		
Other general and administrative costs											
Other general and administrative costs											
Total cost of general and administrative	Total cost of general and administrative	\$ 20,791	\$ 20,141	\$ 650	3 %	\$ 61,046	\$ 56,339	\$ 4,707	8 %		
Total cost of general and administrative											
Total cost of general and administrative											

General and administrative expenses include the costs of our finance, human resources, legal, information systems and administrative departments. General and administrative expenses increased in all periods primarily due to higher personnel costs, associated with our acquisition of MarkLogic, as well as an increase in contractors and outside services costs partially offset by a decrease in other general and administrative costs.

#### Amortization of Intangibles

(In thousands)	(In thousands)	Three Months Ended			Nine Months Ended			
		August 31, 2023	August 31, 2022	% Change	August 31, 2023	August 31, 2022	% Change	
(In thousands)								
(In thousands)								
Amortization of intangibles								
Amortization of intangibles								
Amortization of intangibles	Amortization of intangibles	\$ 17,668	\$ 11,716	51 %	\$ 48,825	\$ 35,330	38 %	

As a percentage of total revenue	As a percentage of total revenue	10 %	8 %	9 %	8 %
<b>As a percentage of total revenue</b>					
<b>As a percentage of total revenue</b>					

Amortization of intangibles included in operating expenses primarily represents the amortization of value assigned to intangible assets obtained in business combinations other than assets identified as purchased technology. Amortization of intangibles increased due to the addition of MarkLogic intangible assets, as discussed above.

#### *Cyber Incident and Vulnerability Response Expenses, Net*

(In thousands)	Three Months Ended			Nine Months Ended		
	August 31, 2023	August 31, 2022	% Change	August 31, 2023	August 31, 2022	% Change
Cyber incident and vulnerability response expenses, net	\$ 951	\$ —	* — %	\$ 5,126	\$ —	* — %
<b>As a percentage of total revenue</b>	1 %	— %	— %	1 %	— %	— %
<i>*not meaningful</i>						
(In thousands)	Three Months Ended					
	February 29, 2024	February 28, 2023	% Change			
Cyber incident and vulnerability response expenses, net	\$ 987	\$ 2,692	(63)%			
<b>As a percentage of total revenue</b>	1 %	2 %	— %			

As previously disclosed, following (i) the detection of irregular activity on certain portions of our corporate network that was disclosed on December 19, 2022, and (ii) the discovery of the MOVEit Vulnerability that was disclosed on June 5, 2023, in each instance, we engaged outside cybersecurity experts and other incident response professionals to conduct a forensic investigation and assess the extent and scope of these matters. Cyber incident and MOVEit Vulnerability costs relate to the engagement of external cybersecurity experts and other incident response professionals and are net of received and expected insurance recoveries.

#### *Restructuring Expenses*

(In thousands)	Three Months Ended			Nine Months Ended		
	August 31, 2023	August 31, 2022	% Change	August 31, 2023	August 31, 2022	% Change
Restructuring expenses	\$ 843	\$ 130	* — %	\$ 6,230	\$ 784	* — %
<b>As a percentage of total revenue</b>	— %	— %	— %	1 %	— %	— %
<i>*not meaningful</i>						
(In thousands)	Three Months Ended					
	February 29, 2024	February 28, 2023	% Change			
Restructuring expenses	\$ 2,349	\$ 1,397	68 %			
<b>As a percentage of total revenue</b>	1 %	1 %	— %			

Restructuring expenses recorded in the **third** first quarter of fiscal year 2024 relate to a facility closure in connection with the restructuring action from the **first** fiscal quarter and of 2023. Restructuring expenses recorded in the **first** nine months quarter of fiscal year 2023 relate to the restructuring activities that occurred in the **first** and **fourth** quarters of fiscal years 2023 and 2020, respectively, resulting headcount reduction from the acquisitions of MarkLogic and Chef, respectively. Restructuring expenses recorded in the **third** quarter of fiscal year 2022 are comprised mostly of costs related to the acquisition of Kemp and the Chef restructuring action of 2020. See the Liquidity and Capital Resources section of this Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations. **same action.**

#### *Acquisition-Related Expenses*

(In thousands)	Three Months Ended			Nine Months Ended		
	August 31, 2023	August 31, 2022	% Change	August 31, 2023	August 31, 2022	% Change
Acquisition-related expenses	\$ 699	\$ 168	* — %	\$ 4,433	\$ 3,816	16 %
<b>As a percentage of total revenue</b>	— %	— %	— %	1 %	1 %	1 %
<i>*not meaningful</i>						
(In thousands)	Three Months Ended					
	February 29, 2024	February 28, 2023	% Change			

Acquisition-related expenses	\$ 702	\$ 1,743	(60)%
As a percentage of total revenue	— %	1 %	

Acquisition-related costs are expensed as incurred and include those costs incurred as a result of a business combination. These costs consist of professional service fees, including third-party legal and valuation-related fees. Acquisition-related expenses increased due in the first quarter of fiscal year 2024 were primarily related to our pursuit of other acquisition of MarkLogic opportunities. Acquisition-related expenses in the same periods of fiscal year 2022 2023 were primarily related to our pursuit of other acquisition opportunities, as well as the acquisition of Kemp, MarkLogic.

#### Gain on Sale of Assets Held for Sale

(In thousands)	Three Months Ended			Nine Months Ended		
	August 31, 2023	August 31, 2022	% Change	August 31, 2023	August 31, 2022	% Change
Gain on sale of assets held for sale	\$ —	\$ —	—	\$ —	\$ (10,770)	—
As a percentage of total revenue	— %	— %		— %	2 %	

\*not meaningful

In the second quarter of fiscal year 2022, we sold corporate land and building assets previously reported as assets held for sale on our consolidated balance sheet. As the sale price less cost to sell was greater than the carrying value of these assets we recognized a net gain on the sale of approximately \$10.8 million in the second quarter of fiscal year 2022.

#### Income from Operations

(In thousands)	(In thousands)	Three Months Ended			Nine Months Ended			
		August 31, 2023	August 31, 2022	% Change	August 31, 2023	August 31, 2022	% Change	
(In thousands)								
(In thousands)								
Income from operations	Income from operations	\$ 29,371	\$ 32,021	(8) %	\$ 87,986	\$ 101,688	(13) %	
As a percentage of total revenue	As a percentage of total revenue	17 %	21 %		17 %	23 %		
As a percentage of total revenue								
As a percentage of total revenue								

Income from operations decreased in the third first quarter and first nine months of fiscal year 2023 2024 due to an increase in costs of revenue and operating expenses, offset by increased revenue, as shown above.

#### Other (Expense) Income, Net

(In thousands)	(In thousands)	Three Months Ended			Nine Months Ended			
		August 31, 2023	August 31, 2022	% Change	August 31, 2023	August 31, 2022	% Change	
(In thousands)								
(In thousands)								
Interest expense	Interest expense	\$ (8,532)	\$ (4,009)	113 %	\$ (22,894)	\$ (11,368)	101 %	
Interest income and other, net	Interest income and other, net	788	247	219 %	1,895	991	91 %	

Interest income and other, net								
Interest income and other, net								
Foreign currency loss, net								
Foreign currency loss, net								
Foreign currency loss, net	Foreign currency loss, net	(675)	(577)	17 %	(1,502)	(832)	81 %	
Total other expense, net	Total other expense, net	\$ (8,419)	\$ (4,339)	94 %	\$ (22,501)	\$ (11,209)	101 %	
Total other expense, net								
Total other expense, net								
As a percentage of total revenue	As a percentage of total revenue	(5) %	(3) %		(4) %	(3) %		
As a percentage of total revenue								
As a percentage of total revenue								

Other expense, net, increased in both periods shown primarily due to increased interest expense on our term loan and our revolving line of credit, which we drew on to fund part of our acquisition of MarkLogic. We expect our annual interest expense to decrease for the remainder of 2024 due to the reduced contractual interest rate on the 2030 convertible notes, which were used to finance the term loan and the borrowings outstanding under the revolver. Interest income and other, net, increased due was higher in fiscal year 2024, resulting from higher interest rates on our invested cash balance. We expect interest income to our acquisition of MarkLogic, continue growing during fiscal year 2024. Foreign currency loss increased in all periods shown, year over year due to rate volatility and timing of intercompany and hedge settlement activities.

#### Provision for Income Taxes

(In thousands)	(In thousands)	Three Months Ended			Nine Months Ended		
		August 31, 2023	August 31, 2022	% Change	August 31, 2023	August 31, 2022	% Change
(In thousands)	(In thousands)						
Provision for income taxes	Provision for income taxes						
Provision for income taxes	Provision for income taxes	\$ 1,854	\$ 5,885	(68) %	\$ 10,623	\$ 19,118	(44) %
As a percentage of income before income taxes	As a percentage of income before income taxes	9 %	21 %		16 %	21 %	
As a percentage of income before income taxes							
As a percentage of income before income taxes							

Our effective tax rate was 9% and 16% for the three and nine months ended August 31, 2023, respectively 18% and 21% for both in the three first fiscal quarter of 2024 and nine months ended August 31, 2022, 2023, respectively. The primary reason for the decrease in the effective rate was due to discrete tax benefits related to stock-based compensation and the impacts statute of Notice 2023-55, which was issued by limitations expiring on uncertain tax positions in the Internal Revenue Service during July 2023 and provides temporary relief for taxpayers in determining whether a foreign tax is eligible for a foreign tax credit under Sections 901 and 903 first fiscal quarter of the Internal Revenue Code. 2024. There were no significant discrete tax items in the three or nine months ended August 31, 2022, first fiscal quarter of 2023.

#### Net Income

(In thousands)	(In thousands)	Three Months Ended			Nine Months Ended		
		August 31, 2023	August 31, 2022	% Change	August 31, 2023	August 31, 2022	% Change

(In thousands)											
(In thousands)											
Net income											
Net income											
Net income	Net income	\$ 19,098		\$ 21,797		(12) %	\$ 54,862		\$ 71,361		(23) %
As a percentage of total revenue	As a percentage of total revenue	11 %		14 %			11 %		16 %		
As a percentage of total revenue											
As a percentage of total revenue											

#### Select Performance Metrics:

Management evaluates our financial performance using a number of financial and operating metrics. These metrics are periodically reviewed and revised to reflect changes in our business.

##### **Annual Annualized Recurring Revenue (ARR)**

We are providing an ARR performance metric to help investors better understand and assess the performance of our business because our mix of revenue generated from recurring sources has increased in recent years and comprises the vast majority of our total revenue. ARR represents the annualized contract value for all active and contractually binding term-based contracts at the end of a period. ARR includes maintenance, software upgrade rights, both public and dedicated cloud instances and on-premises subscription-based transactions and managed services. ARR mitigates fluctuations due to seasonality, contract term and the sales mix of subscriptions for term-based licenses and SaaS. ARR is not calculated in accordance with GAAP. ARR does not have any standardized meaning and is therefore unlikely to be comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenue and deferred revenue and is not intended to be combined with or to replace either of those items. ARR is not a forecast and the active contracts at the end of a reporting period used in calculating ARR may or may not be extended or renewed by our customers.

We define ARR as the annualized recurring revenue of term-based contracts from all customers at a point in time. We calculate ARR by taking monthly recurring revenue, or MRR, and multiplying it by 12. MRR for each month is calculated by aggregating, for all customers during that month, monthly revenue from committed contractual amounts, additional usage and monthly subscriptions. The calculation is done at constant currency using the current year budgeted exchange rates for all periods presented.

Our ARR was \$577.0 million and \$488.0 million as of August 31, 2023 February 29, 2024 and 2022, February 28, 2023, respectively, which is an increase of 18% remaining constant year-over-year. The growth in our ARR is primarily driven by the acquisition of MarkLogic.

##### **Net Retention Rate**

We calculate net retention rate as of a period end by starting with the ARR from the cohort of all customers as of 12 months prior to such period end ("Prior Period ARR"). We then calculate the ARR from these same customers as of the current period end ("Current Period ARR"). Current Period ARR includes any expansion and is net of contraction or attrition over the last 12 months but excludes ARR from new customers in the current period. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the net retention rate. Net retention rate is not calculated in accordance with GAAP.

Our net retention rates have generally ranged between 100% 99% and 102% for all periods presented. Our high net retention rates illustrate our predictable and durable top line performance.

##### **Liquidity and Capital Resources**

###### **Cash and Cash Equivalents**

	August 31, 2023	November 30, 2022	(In thousands)	February 29, 2024	November 30, 2023
Cash and cash equivalents	\$137,999	\$256,277			

The decrease in cash and cash equivalents of \$118.3 million \$6.3 million from the end of fiscal year 2022 2023 was due to cash inflows from operations of \$70.5 million, \$1.7 million in cash received from the issuance of common stock. These cash inflows were offset by cash outflows of \$355.3 million \$30.0 million for cash paid for

acquisitions, net of cash acquired, the repayment of the revolving line of credit, of \$55.0 million, repurchases of common stock of \$30.0 million \$22.5 million, dividend payments of \$23.7 million \$8.2 million, payments of debt obligations of \$5.2 million \$3.4 million, the effect of exchange rates on cash of \$1.5 million, and purchases of property and equipment of \$3.2 million. These cash outflows were offset by proceeds from the issuance of debt of \$195.0 million to partially fund the acquisition of MarkLogic, cash inflows from operations of \$140.8 million, \$12.3 million in cash received from the issuance of common stock, and the effect of exchange rates on cash of \$5.5 million \$0.3 million. Except as described below, there are no limitations on our ability to access our cash and cash equivalents.

As of **August 31, 2023** **February 29, 2024**, \$84.4 million \$73.0 million of our cash and cash equivalents was held by our foreign subsidiaries. Foreign cash includes unremitted foreign earnings, which are invested indefinitely outside of the U.S. As such, the foreign cash is not available to fund our domestic operations. If we were to repatriate these earnings, we may be subject to income tax withholding in certain tax jurisdictions and a portion of the repatriated earnings may be subject to U.S. income tax. However, we do not anticipate that this would have a material adverse impact on our liquidity.

#### Share Repurchase Program

In January 2023, our Board of Directors increased our share repurchase authorization by \$150 million, to an aggregate authorization of \$228.0 million. In the **nine** **three** months ended **August 31, 2023** **February 29, 2024** and **August 31, 2022** **February 28, 2023**, we repurchased and retired **0.5 million** **0.4 million** shares for **\$30.0 million** \$22.5 million and **1.7 million** 0.3 million shares for **\$75.5** \$15.0 million, respectively. The shares were repurchased in both periods as part of our Board of Directors authorized share repurchase program. As of **August 31, 2023** **February 29, 2024**, there was **\$198.0 million** \$171.5 million remaining under the current authorization.

On March 1, 2024, the Company repurchased and retired 0.4 million shares for \$25.0 million.

#### Dividends

On **September 20, 2023** **March 19, 2024**, our Board of Directors declared a quarterly dividend of \$0.175 per share of common stock, which will be paid on **December 15, 2023** **June 17, 2024** to stockholders of record as of the close of business on **December 1, 2023** **June 3, 2024**. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination of our Board of Directors.

#### Restructuring Activities

See Note **12** **12**: Restructuring Charges to the condensed consolidated financial statements.

#### Long-term Debt and Credit Facility

See Note **7** **7**: Debt to the condensed consolidated financial statements.

#### Cash Flows From Operating Activities

(In thousands)	(In thousands)	Nine Months Ended		Three Months Ended		
		August 31, 2023	August 31, 2022	(In thousands)	February 29, 2024	February 28, 2023
Net income	Net income	\$ 54,862	\$ 71,361			
Non-cash reconciling items included in net income	Non-cash reconciling items included in net income	96,452	79,505			
Changes in operating assets and liabilities	Changes in operating assets and liabilities	(10,555)	1,157			
Net cash flows from operating activities	Net cash flows from operating activities	\$140,759	\$152,023			

In the first **nine** **three** months of fiscal year **2023**, **2024**, operating cash flows decreased as a result of higher operating expenses, increased due to the acquisition of MarkLogic, higher interest expense on debt, and an increase in cash paid for income taxes, as compared to the same period in 2022, partially offset by higher billings and

collections. Our gross accounts receivable as of **August 31, 2023** **February 29, 2024**, decreased by **\$2.0 million** **\$36.6 million** from the end of fiscal year 2022 and our 2023. **Our** days sales outstanding (DSO) in accounts receivable increased to **49** **50** days from **48** **42** days in the **third** **first** fiscal quarter of **2022** **2023** due to the timing of **billings** and **collections**, **billings**.

#### Cash Flows (Used in) From Used in Investing Activities

(In thousands)	Nine Months Ended		Three Months Ended	
	August 31, 2023		February 29, 2024	February 28, 2023
	(In thousands)	(In thousands)		
Net investment activity	Net investment activity	\$ 438	\$ 1,200	
Purchases of property and equipment	Purchases of property and equipment	(3,181)	(3,086)	
Payments for acquisitions, net of cash acquired	Payments for acquisitions, net of cash acquired	(355,250)	—	
Proceeds from sale of long-lived assets, net		—	25,998	
Other investing activities		—	134	
Net cash flows (used in) from investing activities		<u><u>\$ (357,993)</u></u>	<u><u>\$ 24,246</u></u>	
Net cash flows used in investing activities				
Net cash flows used in investing activities				
Net cash flows used in investing activities				

Net cash outflows and inflows of our net investment activity are generally a result of the timing of our purchases and maturities of securities, which are classified as cash equivalents or short-term securities. In the first **nine** **three** months of fiscal year 2024, we purchased **\$0.3 million** of property and equipment. In the first quarter of fiscal year 2023 we had payments for acquisitions net of cash acquired of **\$355.3 million**. We also purchased **\$3.2 million** **\$355.8 million**, and **\$0.4 million** of purchases of property and equipment **equipment**.

#### Cash Flows (Used in) From Financing Activities

(In thousands)	Three Months Ended	
	February 29, 2024	February 28, 2023
Proceeds from stock-based compensation plans	\$ 7,583	\$ 9,357
Repurchases of common stock	(22,500)	(15,000)
Proceeds from the issuance of debt	—	195,000
Repayment of revolving line of credit	(30,000)	—
Principal payment on term loan	(3,437)	(1,719)
Dividend payments to stockholders	(8,171)	(8,023)
Other financing activities	(5,890)	(4,817)
Net cash flows (used in) from financing activities	<u><u>\$ (62,415)</u></u>	<u><u>\$ 174,798</u></u>

We received **\$7.6 million** from the exercise of stock options and the issuance of shares under our employee stock purchase plan as compared to **\$9.4 million** in the first **nine** **three** months of fiscal year 2023, as compared to **\$3.1 million** in 2023. During the first **nine** **three** months of fiscal year 2022. In the second quarter of fiscal year 2022 **2024**, we received **\$26.0 million** net did not receive any proceeds from the **sale** issuance of long-lived assets.

#### Cash Flows From (Used in) Financing Activities

(In thousands)	Nine Months Ended	
	August 31, 2023	August 31, 2022
Proceeds from stock-based compensation plans	\$ 20,373	\$ 10,384
Repurchases of common stock	(30,000)	(75,524)
Proceeds from the issuance of debt	195,000	7,474
Payment of debt issuance costs	—	(1,957)
Repayment of revolving line of credit	(55,000)	—
Principal payment on term loan	(5,157)	(5,154)
Dividend payments to stockholders	(23,669)	(23,351)
Other financing activities	(8,101)	(5,405)
Net cash flows from (used in) financing activities	\$ 93,446	\$ (93,533)

During debt, while in the first nine months of same period in fiscal year 2023 we received \$195.0 million in net proceeds from the issuance of debt to partially fund the acquisition of MarkLogic. During the first nine months of fiscal year 2022, we received \$7.5 million in net proceeds from the issuance of debt in connection with our amended term loan. We received \$20.4 million from the exercise of stock options and the issuance of shares under our employee stock purchase plan as compared to \$10.4 million in the first nine months of fiscal year 2022. Further, we repurchased \$30.0 million \$22.5 million of our common stock under our share repurchase plan compared to \$75.5 million \$15.0 million in the same period of the prior year. We also made payments on our long-term debt of \$60.2 million \$33.4 million (including a \$55.0 million \$30.0 million repayment on the revolving line of credit) in the first nine three months of fiscal year 2023 2024 and \$5.2 million \$1.7 million in the same period in 2022, 2023. Finally, we made dividend payments of \$23.7 million \$8.2 million to our stockholders during the first nine three months of fiscal year 2023 2024 and \$23.4 million \$8.0 million in the first nine three months of fiscal year 2022, 2023.

#### Liquidity Outlook

Cash from operations in fiscal year 2023 2024 could be affected by various risks and uncertainties, including, but not limited to, the effects of various risks detailed in Part I, Item 1A. Risk Factors in our 2022 2023 Annual Report which have led to increased disruption and volatility in capital markets and credit markets that could adversely affect our liquidity and capital resources in the future. However, based on our current business plan, we believe that existing cash balances, together with funds generated from operations and amounts available under our Credit Facility, will be sufficient to finance our operations and meet our foreseeable cash requirements through at least the next twelve months. We do not contemplate a need for any foreign repatriation of the earnings which are deemed invested indefinitely outside of the U.S. Our foreseeable cash needs include capital expenditures, acquisitions, debt repayments, quarterly cash dividends, share repurchases, lease commitments, restructuring obligations and other long-term obligations.

#### Legal and Other Regulatory Matters

See discussion below in *Recent Developments: MOVEit Vulnerability* for a discussion of the legal proceedings related to the MOVEit Vulnerability.

#### Recent Accounting Pronouncements

Refer to Note 1 - Nature of Business and Basis of Presentation (Part I, Item 1 of this Form 10-Q) for further discussion.

#### Recent Developments: MOVEit Vulnerability

##### Description of Event

As disclosed via a Form 8-K filed on June 5, 2023, previously reported, on the evening of May 28, 2023 (Eastern Time), our MOVEit technical support team received an initial customer support call indicating unusual activity within their MOVEit Transfer instance. An investigative team was mobilized and, on May 30, 2023, the investigative team discovered a zero-day vulnerability in MOVEit Transfer (including our cloud-hosted version of MOVEit Transfer known as MOVEit Cloud). A “zero-day vulnerability” is a vulnerability that has been publicly disclosed (e.g., by an independent researcher or threat actor) before the software vendor has an opportunity to patch it. The investigative team determined the zero-day vulnerability (the “MOVEit Vulnerability”) could provide for unauthorized escalated privileges and access to the customer’s underlying environment in both MOVEit Transfer (the on-premise version) and MOVEit Cloud (a cloud-hosted version of MOVEit Transfer that we deploy in both (i) a public cloud format, as well as (ii) for a small group of customers, in customer-dedicated cloud instances that are hosted, separate and apart from the public instances of our MOVEit Cloud platform). We promptly took down MOVEit Cloud for further investigation and notified all then-known current and former MOVEit Transfer and MOVEit Cloud customers in order to apprise them of the MOVEit Vulnerability and alert them to immediate remedial actions. In parallel, our team developed a patch for all supported versions of MOVEit Transfer and MOVEit Cloud, which was released on May 31, 2023, and allowed for the restoration of MOVEit Cloud that same day.

MOVEit Transfer is a secure file-transfer software that is installed by customers on-premise and does not have any on-going telemetry after installation that allows us to track, among other things, a customer’s product usage, deployed version, file transfer activity (including any data that is transferred by or stored within the customer’s

MOVEit Transfer instance), or whether the customer has applied any security patches or bug fixes to their MOVEit Transfer instance. However, certain MOVEit Transfer customers have reported that malicious threat actors have exploited the MOVEit Vulnerability to obtain access to their environments and portions of their sensitive customer data.

Furthermore, we currently have not seen any evidence that sensitive customer data has been exfiltrated from the public MOVEit Cloud instances. For a small group of customers, we provide dedicated MOVEit Cloud instances that are hosted, for each such customer, separate and apart from the public instances of our MOVEit Cloud platform. Two of our dedicated MOVEit Cloud customers have reported that malicious threat actors have exploited the MOVEit Vulnerability to obtain access to their dedicated MOVEit Cloud environment. As of the date of the filing of this report on Form 10-Q, one such customer has confirmed that no sensitive data was compromised and the other has reported that certain personally identifiable information was exfiltrated.

Since our disclosures regarding the MOVEit Vulnerability, various third-parties have been actively scrutinizing MOVEit Transfer and MOVEit Cloud, leading to the discovery and our prompt patching of additional vulnerabilities. We are currently not aware of any evidence that these additional vulnerabilities were exploited by malicious threat actors prior to creating patches to address them and making those patches available to our MOVEit Transfer customers and applying those patches to the MOVEit Cloud environments – both the public and dedicated cloud instances.

Progress has remained fully operational at all times before and after the discovery of the MOVEit Vulnerability and, as of the time of the filing of this report on Form 10-Q, has not uncovered evidence of unauthorized activity in Progress' corporate environment or impact to products beyond MOVEit Transfer and MOVEit Cloud related to this attack. MOVEit Transfer and MOVEit Cloud represented less than 4% in aggregate of the Company's revenue for the nine months ended August 31, 2023.

Progress engaged outside cybersecurity experts and other incident response professionals to conduct a forensic investigation and assess the extent and scope of the MOVEit Vulnerability. The Company (i) has and is continuing to implement a series of additional security and related measures aimed at addressing the MOVEit Vulnerability and subsequently discovered vulnerabilities and further strengthening the overall security of our MOVEit applications, (ii) has engaged outside legal counsel to conduct a thorough independent investigation of the MOVEit Vulnerability, and (iii) has engaged with federal law enforcement and other federal agencies with respect to the MOVEit Vulnerability. As our fact-gathering investigation and litigation response continues, we will continue to assess the potential impact of the MOVEit Vulnerability on our business, operations, and financial results.

#### *Expenses Incurred and Amounts Accrued*

For the three and nine months ended August 31, 2023, we incurred \$1.0 million of costs related to the MOVEit Vulnerability. Costs are provided net of received and expected insurance recoveries of approximately \$1.9 million, which was recognized during the third quarter of fiscal year 2023. The timing of recognizing insurance recoveries may differ from the timing of recognizing the associated expenses.

#### *Future Costs*

We expect are subject to incur investigation, legal and professional services expenses associated with the MOVEit Vulnerability in future periods. We will recognize these expenses as services are received, net of received and expected insurance recoveries. Our financial liability arising from any of the foregoing will depend on many factors, including limitations contained within our customer contracts, the amount of private litigation and the number and extent of formal government governmental investigations into the matter, therefore it is not possible at this time to estimate the quantitative impact of any such liability with any reasonable degree of certainty.

#### *Insurance Coverage*

During the period when the November 2022 cyber incident and the MOVEit Vulnerability occurred, we maintained \$15.0 million of cybersecurity insurance coverage, which is expected to reduce our exposure to expenses and liabilities arising from these events. As of August 31, 2023, we have recorded approximately \$4.9 million in insurance recoveries, of which, \$3.0 million was related to the November 2022 cyber incident and \$1.9 million was related to the MOVEit Vulnerability, providing us with \$10.1 million of additional cybersecurity insurance coverage (which is subject to a \$0.5 million retention per claim). We will pursue recoveries to the maximum extent available under our insurance policies.

#### *Future Capital Investments*

In addition, we may accelerate or make additional investments in our information technology systems, but we are unable to estimate such investments because the nature and scope has not yet been determined. We currently do not expect such amounts to be material to any fiscal period.

#### *Effect on Sales and Customer Loyalty*

The MOVEit Vulnerability may adversely affect our future performance and financial results. Customer confidence in Progress may also be impacted by the MOVEit Vulnerability. Through our response speed and transparent communications, we are committed to, and actively engaged in, activities to restore any loss in customer confidence. However, we currently cannot predict the length or extent of any ongoing impact to sales.

#### *Litigation and Governmental Investigations*

As of the date of the filing of this report on Form 10-Q, (i) we have received formal letters from 23 customers and others that claim to have been impacted by the MOVEit Vulnerability, some of which have indicated that they intend to seek indemnification from us related to the MOVEit Vulnerability, (ii) we have received a letter from an insurer

providing notice of a subrogation claim (where the insurer is seeking recovery for all expenses incurred in connection with the MOVEit Vulnerability), and (iii) we are party to 58 class action lawsuits filed by individuals who claim to have been impacted by exfiltration of data from the environments of our MOVEit Transfer customers (on October 4, 2023, the Judicial Panel on Multidistrict Litigation issued an order consolidating litigation relating to the MOVEit Vulnerability where we are a party in the United States District Court, District of Massachusetts).

We have also been cooperating with several inquiries from domestic and foreign data privacy regulators, inquiries from several state attorneys general, as well as formal investigations from: (i) a U.S. federal law enforcement agency (as of the date of the filing of this report, the law enforcement investigation that we are cooperating with is not an enforcement action or formal governmental investigation of which we have been told that we are a target), incurred expenses and (ii) the SEC (as further described hereafter). On October 2, 2023, Progress received a subpoena from the SEC seeking various documents will incur future costs. We expect our exposure to such expenses and information relating liabilities to the MOVEit Vulnerability. As described in the cover letter accompanying the subpoena, at this stage, the SEC investigation is a fact-finding inquiry, the investigation does not mean that Progress or anyone else has violated federal securities laws, and the investigation does not mean that the SEC has a negative opinion of any person, entity, or security. Progress intends to cooperate fully with the SEC in its investigation. be reduced by insurance.

Such claims and investigations may have an adverse effect on how we operate our business and our results of operations, and in the future, we may be subject Please refer to additional governmental or regulatory investigations, as well as additional litigation or indemnification claims. While a loss from these matters is possible, we cannot reasonably estimate a range of possible losses at this time, particularly while the foregoing matters are pending and our fact-gathering investigation into the matter is ongoing. Furthermore, with respect Note 15: Cyber Related Matters to the litigation, the proceedings remain in the early stages, alleged damages have not been specified, there is uncertainty as to the likelihood of a class or classes being certified or the ultimate size of any class if certified, and there are significant factual and legal issues to be resolved. Also, each of the governmental inquiries and investigations mentioned above could result in adverse judgements, settlements, fines, penalties, or other resolutions, the amount, scope and timing of which could be material, but which we are currently unable to predict. As such, we have not recorded a loss contingency liability for litigation, claims and governmental investigations in the second quarter. See Note 15 to Consolidated Financial Statements included in Item 1, Financial Statements. Statements for additional details and updates regarding the MOVEit Vulnerability.

## Recent Accounting Pronouncements

Refer to Note 1: Basis of Presentation (Part I, Item 1 of this Form 10-Q) for further discussion.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the first nine three months of fiscal year 2023, 2024, with the exception of drawing down (and subsequent repayments) repayments on our revolving line of credit and changes to our debt as described in Note 7, 7: Debt, there were no significant changes to our quantitative and qualitative disclosures about market risk. Please refer to Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk included in our 2022 2023 Annual Report, for a more complete discussion of the market risks we encounter.

## Item 4. Controls and Procedures

### (a) Evaluation of disclosure controls and procedures

Our management maintains disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act") that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), as appropriate, to allow for timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed in the reports filed or submitted by us under the Exchange Act was recorded, processed, summarized and reported within the requisite time periods and that such information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

**The Company acquired MarkLogic on February 7, 2023. Management excluded MarkLogic from its assessment of the effectiveness of the Company's disclosure controls as of August 31, 2023. MarkLogic represented, in aggregate, approximately 15% of the Company's total consolidated assets (excluding goodwill and intangibles) and approximately 12% of total consolidated revenues, as of and for the three months ended August 31, 2023.**

### (b) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended August 31, 2023 February 29, 2024 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

Please see *Management's Discussion and Analysis of Operations* refer to Note 15: *Cyber Related Matters to the Consolidated Financial Condition and Results of Operations* included in Part I, Item 2 – Recent Developments: **MOVEit Vulnerability**, *Financial Statements* for a discussion of legal proceedings related to the MOVEit Vulnerability.

#### Item 1A. Risk Factors

We operate in a rapidly changing environment that involves certain risks and uncertainties, some of which are beyond our control. In addition to the **updated risk factors** information provided below, in this report, please refer to Part I, Item 1A. Risk Factors in our **2022** **2023** Annual Report for a more complete discussion regarding certain factors that could materially affect our business, financial condition or future results.

**If our products contain software defects or security flaws, it could harm our revenues by causing us to lose customers and could increase our liabilities by exposing us to costly governmental investigations or litigation. For example, the exploitation of the zero-day MOVEit Vulnerability in May 2023 has resulted in government inquiries, two formal government investigations, and private litigation.** Our products, despite extensive testing and quality control, may, and at times do, contain defects, vulnerabilities or security flaws. In the ordinary course of business, we may need to issue corrective releases of our software products to fix any defects, vulnerabilities, or security flaws. Depending upon the severity of any such matters, the detection and correction of such matters can be time consuming and costly. If any such issues are exploited by malicious threat actors, we could experience, among other things, material adverse impact to our revenues due to loss of customers and increased liabilities due to costly governmental investigations or litigation. In addition, any such matters could affect the ability of our products to work with hardware or other software products, delay the development or release of new products or new versions of products (due to a reallocation of our internal resources), and/or adversely affect market acceptance of our products, all of which could have a material adverse effect on our operating results and cash flows. For example, we recently released patches for vulnerabilities affecting WS\_FTP, one of our file-transfer products that is deployed on-premise in our customers' environments. Notwithstanding our efforts to promptly patch such vulnerabilities and encourage customers to deploy the patch as quickly as possible, we do not have telemetry into our WS\_FTP customers' environments or control over their patching activity, and there have been reports of exploitation of these vulnerabilities following the release of our security patches. We continue to monitor the situation and assess the potential impact of the WS\_FTP vulnerabilities on our business, operations, and financial results. As of August 31, 2023, WS\_FTP accounted for less than 1% of our annual gross revenue.

As disclosed via a Form 8-K filed on June 5, 2023, on the evening of May 28, 2023 (Eastern Time), our MOVEit technical support team received an initial customer support call indicating unusual activity within their MOVEit Transfer instance. An investigative team was mobilized and, on May 30, 2023, the investigative team discovered a zero-day vulnerability in MOVEit Transfer (including our cloud-hosted version of MOVEit Transfer known as MOVEit Cloud). The investigative team determined the zero-day vulnerability (the "MOVEit Vulnerability") could provide for unauthorized escalated privileges and access to the customer's underlying environment in both MOVEit Transfer (the on-premise version) and MOVEit Cloud (a cloud-hosted version of MOVEit Transfer that we deploy in both (i) a public cloud format, as well as (ii) for a small group of customers, in customer-dedicated cloud instances that are hosted, separate and apart from the public instances of our MOVEit Cloud platform). We promptly took down MOVEit Cloud for further investigation and notified all then-known current and former MOVEit Transfer and MOVEit Cloud customers in order to apprise them of the MOVEit Vulnerability and alert them to immediate remedial actions. In parallel, our team developed a patch for all supported versions of MOVEit Transfer and MOVEit Cloud, which was released on May 31, 2023, and allowed for the restoration of MOVEit Cloud that same day.

MOVEit Transfer is a secure file-transfer software that is installed by customers on-premise and does not have any on-going telemetry after installation that allows us to track, among other things, a customer's product usage, deployed version, file transfer activity (including any data that is transferred by or stored within the customer's MOVEit Transfer instance), or whether the customer has applied any security patches or bug fixes to their MOVEit Transfer instance. However, certain MOVEit Transfer customers have reported that malicious threat actors have exploited the MOVEit Vulnerability to obtain access to their environments and portions of their sensitive customer data.

We currently have not seen any evidence that sensitive customer data has been exfiltrated from the public MOVEit Cloud instances. For a small group of customers, we provide dedicated MOVEit Cloud instances that are hosted, for each such customer, separate and apart from the public instances of our MOVEit Cloud platform. Two of our dedicated MOVEit Cloud customers have reported that malicious threat actors have exploited the MOVEit Vulnerability to obtain access to their dedicated MOVEit Cloud environment. As of the date of the filing of this report on Form 10-Q, one such customer has confirmed that no sensitive data was compromised and the other has reported that certain personally identifiable information was exfiltrated.

These events have led to several inquiries from domestic and foreign data privacy regulators; inquiries from several state attorneys general; formal investigations from: (i) a U.S. federal law enforcement agency (as of the date of the filing of this report, the law enforcement investigation that we are cooperating with is not an enforcement action or formal governmental investigation of which we have been told that we are a target), and (ii) the SEC (as further described hereafter); and private litigation; all of which could have adverse impacts on our business and operations and the results thereof. More specifically, as of the date of the filing of this report on Form 10-Q, (i) we have received formal letters from 23 customers and others that claim to have been impacted by the MOVEit Vulnerability, some of which have indicated that they intend to seek indemnification from us related to the MOVEit Vulnerability, (ii) we have received a letter from an insurer providing notice of a subrogation claim (where the insurer is seeking recovery for all expenses incurred in connection with the MOVEit Vulnerability), and (iii) we are party to 58 class action lawsuits filed by individuals who claim to have been impacted by exfiltration of data from the environments of our MOVEit Transfer customers (on October 4, 2023, the Judicial Panel on Multidistrict Litigation issued an order consolidating litigation relating to the MOVEit Vulnerability where we are a party in the United States District Court, District of Massachusetts).

On October 2, 2023, Progress received a subpoena from the SEC seeking various documents and information relating to the MOVEit Vulnerability. As described in the cover letter accompanying the subpoena, at this stage, the SEC investigation is a fact-finding inquiry, the investigation does not mean that Progress or anyone else has violated federal securities laws, and the investigation does not mean that the SEC has a negative opinion of any person, entity, or security. Progress intends to cooperate fully with the SEC in its investigation.

Such claims and investigations may have an adverse effect on how we operate our business and our results of operations, and in the future, we may be subject to additional governmental or regulatory investigations, as well as additional litigation or indemnification claims. Following the discovery of the MOVEit Vulnerability and the various remedial actions described here, we have discovered and patched additional vulnerabilities within the MOVEit Transfer and MOVEit Cloud platforms. While we are currently not aware of any evidence that these additional vulnerabilities were exploited by malicious threat actors, we cannot guarantee that we have or will uncover and/or address all vulnerabilities within the MOVEit platform or any of our other products prior to exploitation by threat actors.

Our financial liability arising from any of the foregoing will depend on many factors, including the extent to which governmental entities investigate the matter and limitations contained within our customer contracts; therefore, we are unable at this time to estimate the quantitative impact of any such liability with any reasonable degree of certainty. As our fact-gathering investigation and litigation response continues, we will continue to assess the potential impact of the MOVEit Vulnerability on our business, operations, and financial results. Also, each of the governmental inquiries and investigations mentioned above could result in adverse judgements, settlements, fines, penalties, or other resolutions, the amount, scope and timing of which could be material, but which we are currently unable to predict.

***Our customers and partners may seek refunds, delay implementation timelines, delay payment, fail to pay us in accordance with the terms of their agreements, or terminate use of our products, all of which can have an adverse effect on us.*** If customers or partners seek refunds, delay implementation of our products, delay payment, fail to pay us under the terms of our agreements, or terminate use of our products, we may be adversely affected both from the inability to collect amounts due and the cost of enforcing the terms of our contracts (including litigation related thereto). For example, as of the date of the filing of this report on Form 10-Q, 23 customers and others that claim to have been impacted by the MOVEit Vulnerability have indicated that they intend to seek indemnification from us related to the MOVEit Vulnerability and it is possible that, in connection therewith, they may delay payment under the terms of their contracts. Other MOVEit Transfer and MOVEit Cloud customers have sought refunds or delayed implementation timelines. As the scope of the impact of the MOVEit Vulnerability becomes more clear, additional customers may attempt to seek refunds, delay product implementation, withhold payments, or cease using the MOVEit product line entirely.

In addition, in the ordinary course of business, some of our customers and partners may seek bankruptcy protection or other similar relief and fail to pay amounts due to us, or pay those amounts more slowly, either of which could adversely affect our operating results, financial position and cash flow.

***Our business could be damaged, and we could be subject to liability, in the event of any unauthorized access to our data or our customers' data, including through privacy and data security breaches, such as or in addition to the MOVEit Vulnerability.*** The use of certain of our products, including MOVEit Cloud, involves the transmission or storage of third-party data in our environment, some of which may be considered personally identifiable, confidential, or sensitive. In the ordinary course of business, we face security threats from malicious threat actors that could obtain unauthorized access to our systems, infrastructure, products, and networks. We anticipate that these threats will continue to grow in scope and complexity over time.

For example, once we discovered the MOVEit Vulnerability on May 30, 2023, we (i) promptly took down MOVEit Cloud for investigation, and (ii) notified all then-known current and former MOVEit Transfer and MOVEit Cloud customers in order to apprise them of the MOVEit Vulnerability and alert them to immediate remedial actions. In parallel, our team developed a patch for all supported versions of MOVEit Transfer and MOVEit Cloud, which was released on May 31, 2023 and allowed for the restoration of MOVEit Cloud that same day. While we believe that our actions have, and will continue to, reduce the likelihood of similar vulnerabilities occurring in the future in our MOVEit product line, malicious threat actors might use techniques to exploit other zero-day vulnerabilities or use other means that we are unable to defend against, in order to compromise and infiltrate our systems, infrastructure, networks, and products, including, but not limited to, MOVEit or other products. In addition, MOVEit Transfer is a secure file-transfer software that is installed by customers on-premise and does not have any on-going telemetry after installation that allows us to track, among other things, a customer's product usage, deployed version, file transfer activity (including any data that is transferred by or stored within the customer's MOVEit Transfer instance), or whether the customer has applied any security patches or bug fixes to their MOVEit Transfer instance.

While we devote a significant amount of resources to cyber security related matters in the operation of our business, we may fail to detect the existence of a breach and be unable to prevent unauthorized access to user and company content across our systems, infrastructure, products, and networks. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and are often not recognized until launched against a target. They may originate from less regulated or remote areas around the world, or from state-sponsored actors. If our security measures are breached, we may suffer reputational damage, our products may be perceived as insecure, and we may lose existing customers, or fail to attract and retain new customers.

In addition to internal resources, we frequently rely on third parties when deploying our cybersecurity related infrastructure, and in doing so, may be exposed to security risks outside of our direct control. In connection therewith, we rely on outside vendors and contractors to perform certain services necessary for the operation and testing of certain of our products, and they may fail to adequately secure our platform or discover vulnerabilities in our products.

While we have implemented security procedures and controls aimed at addressing these threats and patching vulnerabilities, our security measures could be compromised and our attempts to implement security measures and patch vulnerabilities could prove to be inadequate or could fail. Any such failure could result in significant legal and financial exposure, increased costs to defend litigation, indemnity and other contractual obligations, government fines and penalties, damage to our reputation and our brand, and a loss of confidence in the security of our products and services that could potentially have an adverse effect on our business and results of operations. In addition, our insurance coverage may not be adequate to cover all costs related to cybersecurity incidents or the exploitation of vulnerabilities as well as the disruptions and liabilities resulting from such events.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### (c) Stock Repurchases

Information related to the repurchases of our common stock by month in the **third** **first** quarter of fiscal year **2023** **2024** is as follows (in thousands, except per share and share data):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs <sup>(1)</sup>
	—	\$ —	—	\$ 197,959
June 2023	—	\$ —	—	\$ 197,959
July 2023	—	\$ —	—	\$ 197,959
August 2023	—	\$ —	—	\$ 197,959
<b>Total</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ 197,959</b>

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs <sup>(1)</sup>
	—	\$ —	—	\$ 193,998
December 2023	—	\$ —	—	\$ 193,998
January 2024	—	\$ —	—	\$ 193,998
February 2024	393,740	\$ 57.12	393,740	\$ 171,498
<b>Total</b>	<b>393,740</b>	<b>\$ 57.12</b>	<b>393,740</b>	<b>\$ 171,498</b>

(1) On January 10, 2023, our Board of Directors increased the share repurchase authorization by 150.0 million, to an aggregate authorization of \$228.0 million. As of **August 31, 2023** **February 29, 2024**, there was **\$198.0 million** **\$171.5 million** remaining under this authorization.

## Item 5. Other Information

### (c) Insider Adoption or Termination of Trading Arrangements

During the **third** **first** quarter of fiscal year **2023** **2024**, none of our directors or officers informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408, except as described in the table below:

Name and Title	Character of Trading Arrangement <sup>1</sup>	Date Adopted	Duration <sup>2</sup>	Aggregate Number of Shares of Common Stock to be Sold Pursuant to Trading Arrangement
<b>Yogesh Gupta, John Ainsworth, President EVP &amp; GM, Application and CEO Data Platform</b>	Rule 10b5-1 Trading Arrangement	February 13, 2024	August 11, 2023 October 15, 13, 2024	Up to 153,836 30,631
<b>Domenic LoCoco, Loren Jarrett, SVP, Chief Accounting Officer EVP &amp; GM, Digital Experience</b>	Rule 10b5-1 Trading Arrangement	August 9, 2023	December 1, February 6, 2024 February 28, 2025	16,318 21,701
<b>Ian Pitt, Kathryn Kulikoski, EVP &amp; Chief Information People Officer</b>	Rule 10b5-1 Trading Arrangement	August 18, 2023	August 30, February 14, 2024 December 31, 2024	Up to 11,119 9,368
<b>Sundar Subramanian, YuFan Stephanie Wang, EVP &amp; GM, Infrastructure Management Chief Legal Officer</b>	Rule 10b5-1 Trading Arrangement	August 9, 2023	November 15, February 5, 2024 October 31, 2024	22,189 Up to 4,097

1. Except as indicated by footnote, each trading arrangement marked as a "Rule 10b5-1 Trading Arrangement" is intended to satisfy the affirmative defense of Rule 10b5-1(c), as amended (the "Rule").

2. Except as indicated by footnote, each trading arrangement permits transactions through and including the earlier to occur of (a) the completion of all sales or (b) the date listed in the table. Each trading arrangement marked as a "Rule 10b5-1 Trading Arrangement" only permits transactions upon expiration of the applicable mandatory cooling-off period under the Rule.

3. Includes: (i) 48,202 7,248 shares of our common stock; and (ii) 2,120 employee stock options expected to be exercised via same-day sale.

4. Includes all common stock, net of shares withheld to cover tax withholding obligations, to be issued upon the anticipated vesting of a maximum of 105,634 Performance Stock Units ("PSUs").

4. Includes: (i) 1,036 shares of our common stock; and (ii) 15,282 employee stock options expected to be exercised via same-day sale.

5. Includes: (i) 3,806 shares of our common stock; (ii) 50% of the common stock, net of shares withheld to cover tax withholding obligations, to be issued upon the anticipated vesting of a maximum of 9,770 PSUs; (iii) 584 shares of common stock expected to be purchased under the Company's Employee Stock Purchase Plan; and (iv) all common stock, net of shares withheld to cover tax withholding obligations, to be issued upon the anticipated vesting of 1,844 4,097 restricted stock units.

## Item 6. Exhibits

The following exhibits are filed or furnished as part of this Quarterly Report on Form 10-Q:

Exhibit No.	Description
4.1	<a href="#">Indenture, dated as of March 1, 2024, between Progress Software Corporation and U.S. Bank Trust Company, National Association, as trustee. (1)</a>
4.2	Form of 3.50% Convertible Senior Note due 2030 (included as Exhibit A in <a href="#">Exhibit 4.1</a> ) (2)
10.1*†	<a href="#">Compensation Program for Non-Employee Directors</a>
10.2	<a href="#">Form of Capped Call Confirmation (3)</a>
10.3	<a href="#">Fourth Amended and Restated Credit Agreement, dated as of March 7, 2024, by and among Progress Software Corporation, each of the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A., Citibank, N.A. and Wells Fargo Bank, N.A., as Syndication Agents, Citizens Bank, N.A., PNC Bank, National Association, Silicon Valley Bank, a division of First-Citizens Bank &amp; Trust Company, and TD Bank, N.A., as Documentation Agents, and JPMorgan Chase Bank, N.A., BofA Securities, Inc., Citibank, N.A. and Wells Fargo Securities, LLC, as Joint Bookrunners and Joint Lead Arrangers (4)</a>
31.1*	<a href="#">Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act – Yogesh K. Gupta</a>
31.2*	<a href="#">Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act – Anthony Folger</a>
32.1**	<a href="#">Certification Pursuant to Section 906 of the Sarbanes-Oxley Act</a>
101*	The following materials from Progress Software Corporation's Quarterly Report on Form 10-Q for the three and nine months ended <a href="#">August 31, 2023</a> <a href="#">February 29, 2024</a> , formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of <a href="#">August 31, 2023</a> <a href="#">February 29, 2024</a> and <a href="#">November 30, 2022</a> <a href="#">November 30, 2023</a> ; (ii) Condensed Consolidated Statements of Income for the three and nine months ended <a href="#">August 31, 2023</a> <a href="#">February 29, 2024</a> and <a href="#">2022</a> ; <a href="#">February 28, 2023</a> ; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended <a href="#">August 31, 2023</a> <a href="#">February 29, 2024</a> and <a href="#">2022</a> ; <a href="#">February 28, 2023</a> ; (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended <a href="#">August 31, 2023</a> <a href="#">February 29, 2024</a> and <a href="#">2022</a> ; <a href="#">February 28, 2023</a> ; (v) Condensed Consolidated Statements of Cash Flows for the three and nine months ended <a href="#">August 31, 2023</a> <a href="#">February 29, 2024</a> and <a href="#">2022</a> ; <a href="#">February 28, 2023</a> ; and (vi) Notes to Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(1) Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on March 1, 2024.

(2) Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on March 1, 2024.

(3) Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on March 1, 2024.

(4) Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on March 8, 2024.

\* Filed herewith

\*\* Furnished herewith

† Indicates management compensatory plan, contract or arrangement

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PROGRESS SOFTWARE CORPORATION  
(Registrant)

Dated: **October 10, 2023** April 8, 2024

/s/ YOGESH K. GUPTA

Yogesh K. Gupta  
President and Chief Executive Officer  
(Principal Executive Officer)

Dated: **October 10, 2023** April 8, 2024

/s/ ANTHONY FOLGER

Anthony Folger  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

Dated: **October 10, 2023** April 8, 2024

/s/ DOMENIC LOCOCO

Domenic LoCoco  
Senior Vice President and Chief Accounting Officer  
(Principal Accounting Officer)

**4135**

**PROGRESS SOFTWARE CORPORATION  
COMPENSATION PROGRAM  
FOR NON-EMPLOYEE DIRECTORS**

**A. Amounts of Annual Compensation**

- Annual Board Retainer (cash): \$50,000
- Additional Annual Non-Executive Chairman Retainer (cash): \$75,000
- Committee fees (cash):
  - Audit Committee: \$25,000 for Chair  
\$20,000 for Members
  - Nominating and Corporate Governance Committee: \$12,500 for Chair  
\$10,000 for Members
  - Compensation Committee: \$25,000 for Chair  
\$15,000 for Members
  - M&A Committee: \$25,000 for Chair  
\$15,000 for Members

**Annual Equity Component:**

- \$225,000 to be delivered in one installment (as set forth below under "Timing"), consisting of either one-year Deferred Stock Units ("DSUs") or one-year Restricted Stock Units ("RSUs") at the option of each director.
- The number of DSUs or RSUs to be issued will be determined by dividing \$225,000 by the fair market value of Company common stock on the date of issuance. DSUs and RSUs will vest in a single installment on the date of the next year's Annual Meeting, subject to continued service on the Board thru such date, with full acceleration upon a change in control.
- DSUs and RSUs will accrue dividends on the same basis as Company common stock and will be reinvested in additional DSUs or RSUs, respectively.
- DSUs, together with dividends credited on those DSUs, will be settled upon a Director's separation from service from the Board of Directors or change in control, if earlier, and not upon vesting. At such time, DSUs will be paid out in the form of Company common stock. RSUs, together with dividends credited to those RSUs, will be paid out in the form of common stock upon vesting.

**Timing:**

- Annual fiscal year cash compensation will be paid in one installment at the Compensation Committee meeting in June, or such other date as determined by the Compensation Committee. Annual DSUs and RSUs will be granted at the Compensation Committee in June, or such other date as determined by the Compensation Committee.
- Amounts paid will be pro-rated for partial year service, with a fractional month of service rounded to a whole month. A Director who joins the Board other than on the first day of the fiscal year will be paid a pro-rated amount of the annual fiscal year compensation. The same proration rule will also apply to any partial year service on any committee.

**B. Stock Retention Guidelines**

All non-employee Directors must hold a number of shares of the Corporation's common stock having a fair market value equal to at least five times the Annual Cash Retainer, which for purposes of this requirement shall include vested DSUs and unvested RSUs. Directors have five years to attain this guideline from the date of election to the Board.

**C. Miscellaneous**

Employee Directors shall not be entitled to participate in the Director Compensation Plan.

2

**Exhibit 31.1**

**CERTIFICATION**

I, Yogesh K. Gupta, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Progress Software Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure control and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **October 10, 2023** **April 8, 2024**

/s/ YOGESH K. GUPTA

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Yogesh K. Gupta  
President and Chief Executive Officer  
(Principal Executive Officer)

1

**Exhibit 31.2**

#### **CERTIFICATION**

I, Anthony Folger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Progress Software Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure control and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **October 10, 2023** April 8, 2024

/s/ ANTHONY FOLGER

Anthony Folger  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

1

**Exhibit 32.1**

**Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Progress Software Corporation (the Company) for the three months ended **August 31, 2023** February 29, 2024, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned, Yogesh K. Gupta, President and Chief Executive Officer, and Anthony Folger, Executive Vice President and Chief Financial Officer, of the Company, certifies, to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ YOGESH K. GUPTA

President and Chief Executive Officer

Date: **October 10, 2023** April 8, 2024

/s/ ANTHONY FOLGER

Executive Vice President and Chief Financial Officer

Date: **October 10, 2023** April 8, 2024

#### DISCLAIMER

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