Q1'26 FINANCIAL RESULTS

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February 4, 2026

FORWARD LOOKING STATEMENTS

This presentation includes forward looking statements regarding PTC's future financial performance, strategic outlook and expectations, anticipated future operations, expected effects of strategic investments and initiatives, and share repurchase expectations. Because such statements deal with future events, actual results may differ materially from those projected in the forward-looking statements. Information about factors that could cause actual results to differ materially from those in the forward-looking statements can be found in the appendix to this presentation and in PTC's Annual Report on Form 10-K, Forms 10-Q and other filings with the U.S. Securities and Exchange Commission.

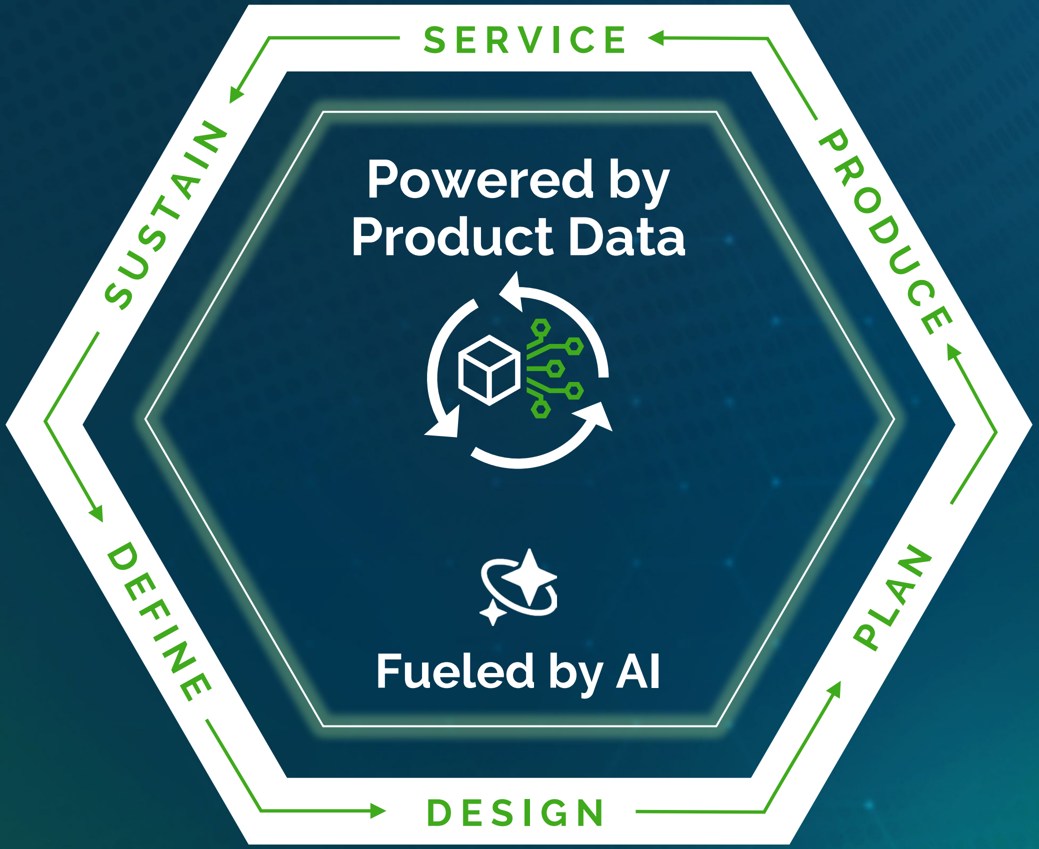
IMPORTANT INFORMATION ABOUT OPERATING AND NON-GAAP FINANCIAL MEASURES

This presentation includes supplemental operating and non-GAAP financial measures, targets and estimates. The non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles. The definitions of these items and reconciliations of non-GAAP financial measures to comparable GAAP measures are included in the appendix to this presentation.

NEIL BARUA, CEO

TRANSFORMING THE ENTERPRISE WITH THE INTELLIGENT PRODUCT LIFECYCLE

Connected
through Openness



Accelerated
by SaaS

JENNIFER DIRICO, CFO

SOLID ARR AND CASH FLOW RESULTS

ARR

$ in millions	Q1'26	Q1'25	YoY Change	Q1'26 Guidance
ARR as reported	$2,494	$2,205	13%	
Constant currency ARR excluding Kepware and ThingWorx at FY'26 Plan FX rates[1]	$2,341	$2,148	9.0%	8.5% to 9% growth
Constant currency ARR including Kepware and ThingWorx at FY'26 Plan FX rates[1]	$2,500	$2,307	8.4%	8% to 8.5% growth

CASH FLOW

$ in millions	Q1'26	Q1'25	YoY Change	Q1'26 Guidance
Operating cash flow	$270	$238	13%	$270 to $275
Free cash flow	$267	$236	13%	$265 to $270

- Q1'26 constant currency ARR results were at the high -end of our guidance ranges
- Q1'26 cash flow results included $10 million of cash outflows which are not expected to recur in future years, related to thedivestiture of Kepware and ThingWorx

[1] On a constant currency basis, using our FY'26 Plan foreign exchange rates (rates as of September 30, 2025) for all periods.

FY'26 AND Q2'26 GUIDANCE

$ in millions except per share amounts % rounded to the nearest half	FY'26 Previous Guidance	FY'26 Guidance	FY'26 YoY Growth Guidance	Q2'26 Guidance
Constant currency ARR, excluding Kepware and ThingWorx, at FY'26 Plan FX rates[1]	7.5% to 9.5% growth	7.5% to 9.5% growth	7.5% to 9.5%	8% to 8.5% growth
Constant currency ARR, including Kepware and ThingWorx at FY'26 Plan FX rates[1]	7% to 9% growth	7% to 9% growth	7% to 9%	7.5% to 8% growth
Operating cash flow	~$1,030	~$1,030[3]	~19%	$315 to $320[3]
Free cash flow[2]	~$1,000	~$1,000[3, 5]	~17%	$310 to $315[3]
Revenue	$2,650 to $2,915	$2,675 to $2,940	-2% to 7%	$710 to $770
Earnings per share	$4.37 to $6.87	$4.42 to $6.93[4]	-27% to 14%	$1.25 to $1.87[4]
Non-GAAP earnings per share[2]	$6.49 to $8.95	$6.69 to $9.15	-16% to 15%	$1.93 to $2.54

Guidance for cash flow, revenue, and EPS reflects our business as currently constituted and does not take into account the effect of the Kepware and ThingWorx divestiture, except for costs already incurred in Q1'26 and expected in Q2'26. We still expect approximately $160 million of divestiture-related expense payments and cash taxes in FY'26 in connection with the closing of the transaction, which are not expected to recur in future years. We will update our FY'26 guidance in conjunction with the closing of the transaction.

Over the mid-term, we expect free cash flow to grow faster than ARR, with non-GAAP operating expenses expected to grow at roughly half the rate of ARR

[1] On a constant currency basis, using our FY'26 Plan foreign exchange rates (rates as of September 30, 2025) for all periods.
[2] Refer to the non-GAAP to GAAP reconciliation tables on slide 26.
[3] Cash flow guidance includes $10 million of outflows related to the Kepware and ThingWorx transaction already paid in Q1'26 and an additional approximately $5 million of outflows expected in Q2'26, which are not expected to recur in future years.
[4] GAAP EPS guidance includes $11 million of expenses related to the Kepware and ThingWorx transaction already recognized in Q1'26 and an additional approximately $10 million of expenses expected in Q2'26, which are not expected to recur in future years.
[5] FY'26 free cash flow guidance includes approximately $20 million of capital expenditures which are not expected to recur in future years, related to moving a major R&D center to a new office.

Q&A

THANK YOU

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APPENDIX

APPENDIX: FY'26 GUIDANCE INCLUDES THE FOLLOWING ASSUMPTIONS

- The guidance assumptions below reflect our business as currently constituted and do not take into account the effect of the Kepware and ThingWorx divestiture, except for costs already incurred in Q1'26 and expected in Q2'26. We still expect approximately $160 million of divestiture-related expense payments and cash taxes in FY'26 in connection with the closing of the transaction, which are not expected to recur in future years. We will update our FY'26 guidance in conjunction with the closing of the transaction.
- We provide ARR guidance on a constant currency basis, using our FY'26 Plan foreign exchange rates (rates as of September 30, 2025) for all periods.
- We expect churn to remain low.
- For cash flow, due to largely similar invoicing seasonality and timing of expenses, and consistent with the past 5 years, we expect the majority of our collections to occur in the first half of our fiscal year and for fiscal Q4 to be our lowest cash flow generation quarter.
- Compared to FY'25, given our FY'26 ARR guidance range, FY'26 GAAP operating expenses are expected to increase approximately 5%, primarily due to investments to drive future growth and factoring in Kepware and ThingWorx divestiture-related expenses of $11 million in Q1'26 and an additional approximately $10 million in Q2'26. FY'26 non-GAAP operating expenses are expected to increase approximately 4%, primarily due to investments to drive future growth.
- Capital expenditures are expected to be approximately $30 million, with approximately $20 million of capital expenditures in FY'26 that are not expected to recur in future years, related to moving a major R&D center to a new office.
- Cash interest payments are expected to be approximately $50 million to $70 million.
- Cash tax payments are expected to be approximately $130 million to $150 million.
- GAAP and non-GAAP tax rates are expected to be approximately 20% to 25%.
- GAAP P&L results are expected to include the items below, totaling approximately $331 million to $361 million, as well as their related tax effects:
  - approximately $230 million to $260 million related to stock-based compensation,
  - approximately $80 million related to amortization of acquired intangible assets,
  - approximately $20 million related to acquisition and transaction-related charges, of which $11 million was already recognized in Q1'26 and approximately $10 million is expected in Q2'26, and
  - approximately $1 million related to non-operating charges.
- In Q2'26, we intend to repurchase approximately $250 million of common stock and expect a decrease in fully diluted shares to approximately 119 million shares, compared to 121 million shares in Q2'25.
- In the second half of FY'26, we intend to repurchase between $150 million and $250 million of common stock per quarter. In addition, we continue to expect net after-tax proceeds of approximately $365 million from the Kepware and ThingWorx transaction, which we expect to use for incremental shares repurchases in FY'26. In total, we expect to repurchase approximately $1.115 billion to $1.315 billion of our shares in FY'26.

APPENDIX: FY'26 ILLUSTRATIVE CONSTANT CURRENCY ARR MODEL

What does PTC need to deliver to achieve our constant currency ARR guidance?

PTC excluding Kepware and ThingWorx Using FX rates as of September 30, 2025 $ in millions	Actual FY'25	What you need to believe FY'26
Beginning ARR	$ 2,123	$ 2,319
Ending ARR	**2,319**	**2,514**
Annual net ARR growth	**$ 196**	**$ 195**

PTC including Kepware and ThingWorx Using FX rates as of September 30, 2025 $ in millions	Actual FY'25	What you need to believe FY'26
Beginning ARR	$ 2,285	$ 2,478
Ending ARR	**2,478**	**2,673**
Annual net ARR growth	**$ 194**	**$ 195**

- Using FX rates as of September 30, 2025 for all periods
- We expect churn to remain low
- To hit the midpoint of our guidance ranges of 7.5% to 9.5% YoY growth excluding Kepware and ThingWorx, and 7% to 9% YoY growth including Kepware and ThingWorx, we need $195 million of net ARR growth in FY'26

APPENDIX: Q2'26 ILLUSTRATIVE CONSTANT CURRENCY ARR MODEL

What does PTC need to deliver to achieve our constant currency ARR guidance?

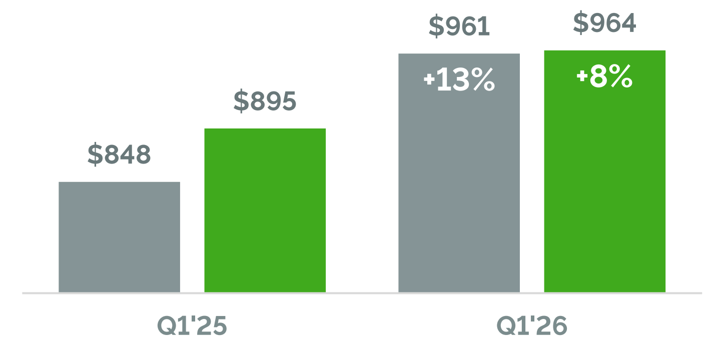
PTC excluding Kepware and ThingWorx Using FX rates as of September 30, 2025 $ in millions	Actual Q1'25	Actual Q2'25	Actual Q3'25	Actual Q4'25	Actual Q1'26	What you need to believe Q2'26
Beginning ARR	$ 2,123	$ 2,148	$ 2,200	$ 2,244	$ 2,319	$ 2,341
Ending ARR	**2,148**	**2,200**	**2,244**	**2,319**	**2,341**	**2,376 to 2,391**
Sequential net ARR growth	**$ 25**	**$ 52**	**$ 44**	**$ 75**	**$ 22**	**$ 35 to 50**

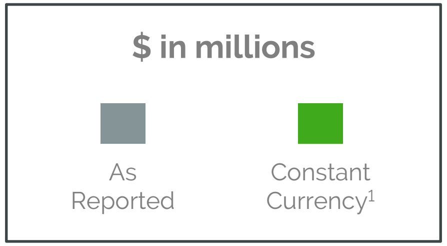
PTC including Kepware and ThingWorx Using FX rates as of September 30, 2025 $ in millions	Actual Q1'25	Actual Q2'25	Actual Q3'25	Actual Q4'25	Actual Q1'26	What you need to believe Q2'26
Beginning ARR	$ 2,285	$ 2,307	$ 2,358	$ 2,404	$ 2,478	$ 2,500
Ending ARR	**2,307**	**2,358**	**2,404**	**2,478**	**2,500**	**2,535 to 2,550**
Sequential net ARR growth	**$ 22**	**$ 51**	**$ 46**	**$ 74**	**$ 22**	**$ 35 to 50**

- Using FX rates as of September 30, 2025 for all periods
- We expect churn to remain low
- To hit our guidance ranges of 8% to 8.5% YoY growth excluding Kepware andThingWorx, and 7.5% to 8% YoY growth including Kepware and ThingWorx, we need $35 million to $50 million of sequential net ARR growth in Q2'26

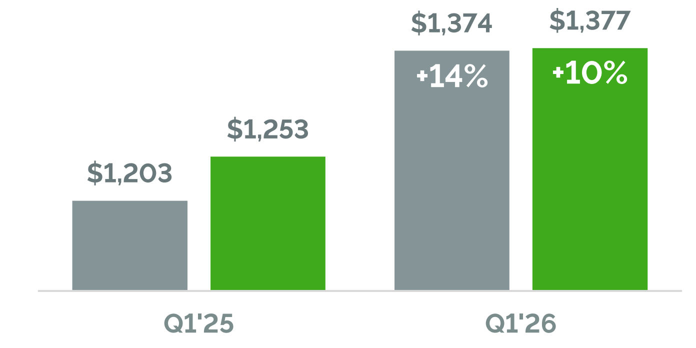
APPENDIX: ARR BY PRODUCT GROUP AND GEOGRAPHIC REGION EXCLUDING KEPWARE AND THINGWORX

CAD: Product data authoring software

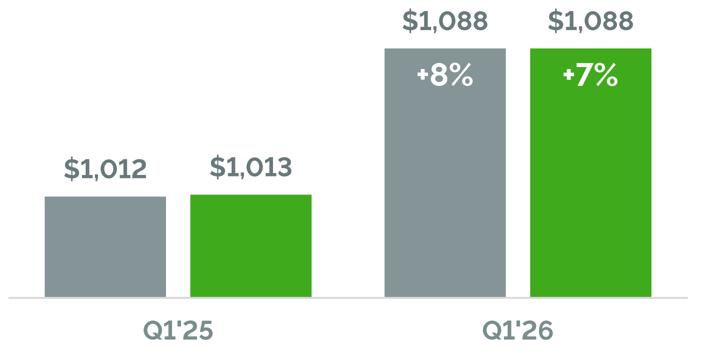




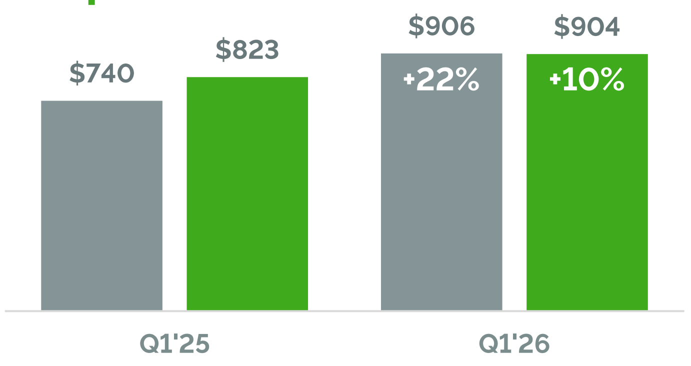
PLM: Product data management and process orchestration software



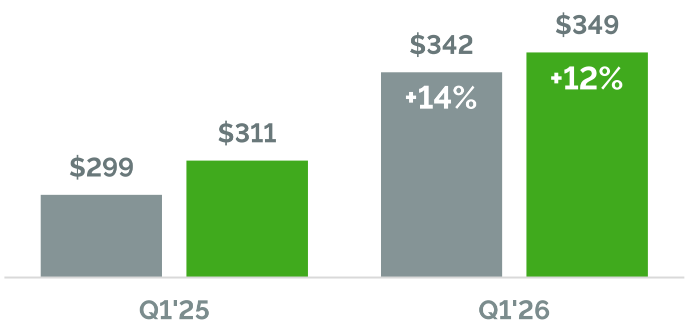
Americas



Europe



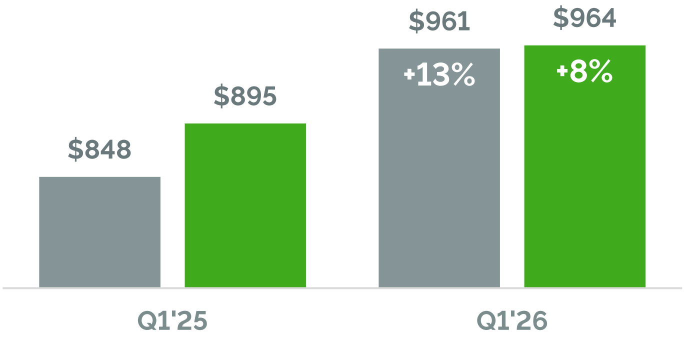
APAC



[1] On a constant currency basis, using our FY'26 Plan foreign exchange rates (rates as of September 30, 2025) for all periods.

APPENDIX: ARR BY PRODUCT GROUP AND GEOGRAPHIC REGION INCLUDING KEPWARE AND THINGWORX

CAD: Product data authoring software

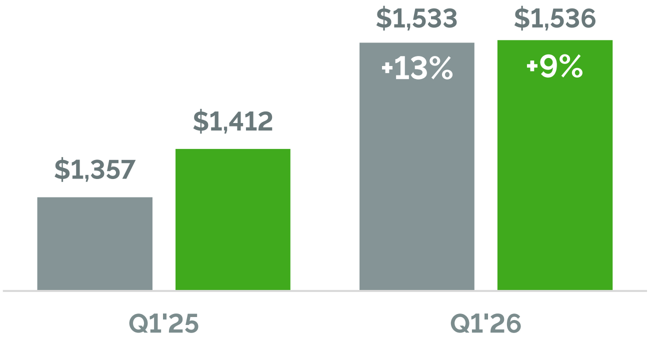


$ in millions

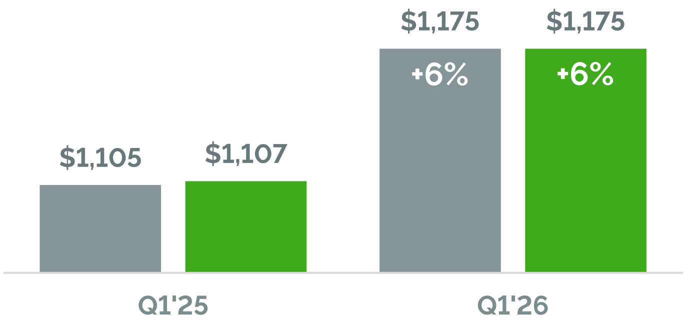
As Reported

Constant Currency[1]

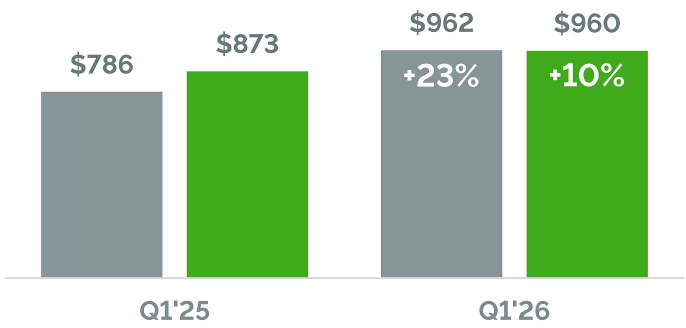
PLM: Product data management and process orchestration software



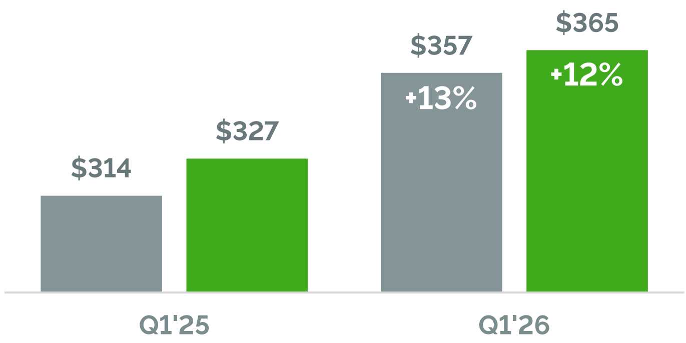
Americas



Europe



APAC



[1] On a constant currency basis, using our FY'26 Plan foreign exchange rates (rates as of September 30, 2025) for all periods.

APPENDIX: BALANCE SHEET AND SHARE REPURCHASES

Balance sheet

$ in millions	Q1'26		Q4'25		Change	
Cash and cash equivalents	**$**	**210**	**$**	**184**	**$**	**25**
Senior notes with a fixed interest rate of 4.0% as of Q1'26		500		500		-
Term loan with a variable interest rate of 5.1% as of Q1'26		463		469		(6)
$1,250 revolving credit facility with a variable interest rate of 5.4% as of Q1'26		238		231		6
Total debt with a weighted average interest rate of 4.7% as of Q1'26	**$**	**1,200**	**$**	**1,200**	**$**	**-**
Unamortized debt issuance costs related to senior notes		(2)		(3)		0
Debt, net of deferred issuance costs	**$**	**1,198**	**$**	**1,197**	**$**	**0**

- Debt/EBITDA ratio at the end of Q1'26 was 0.9x
- In Q1'26, we generated free cash flow of $267 million and used $200 million of cash to repurchase shares of PTC common stock

$2 billion share repurchase authorization through FY'27

- Given the consistency and predictability of free cash flow generation, we aim to maintain a low cash balance and expect to return excess cash to shareholders via share repurchases
- In Q2'26, we intend to repurchase approximately $250 million of common stock and expect a decrease in fully diluted shares to approximately 119 million shares, compared to 121 million shares in Q2'25.
- In the second half of FY'26, we intend to repurchase between $150 million and $250 million of common stock per quarter. In addition, we continue to expect net after-tax proceeds of approximately $365 million from the Kepware and ThingWorx transaction, which we expect to use for incremental shares repurchases in FY'26. In total, we expect to repurchase approximately $1.115 billion to $1.315 billion of our shares in FY'26.

APPENDIX: FX IMPACT ON ARR

Excluding Kepware and ThingWorx Using FX rates as of September 30, 2025 (FY'26 Plan FX rates)	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26 Guidance Midpoint	FY'26 Guidance Midpoint
Ending ARR on a constant currency basis	$ 2,148	$ 2,200	$ 2,244	$ 2,319	$ 2,341	$ 2,384	$ 2,514

Excluding Kepware and ThingWorx As reported	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26[1]	Q2'26 Implied Guidance Midpoint[2]	FY'26 Implied Guidance Midpoint[3]
Ending ARR	$ 2,051	$ 2,135	$ 2,255	$ 2,319	$ 2,335	$ 2,378	$ 2,507
Impact of FX fluctuations embedded in ARR as reported	$ (96)	$ (64)	$ 11	$ (0)	$ (6)	$ (6)	$ (7)

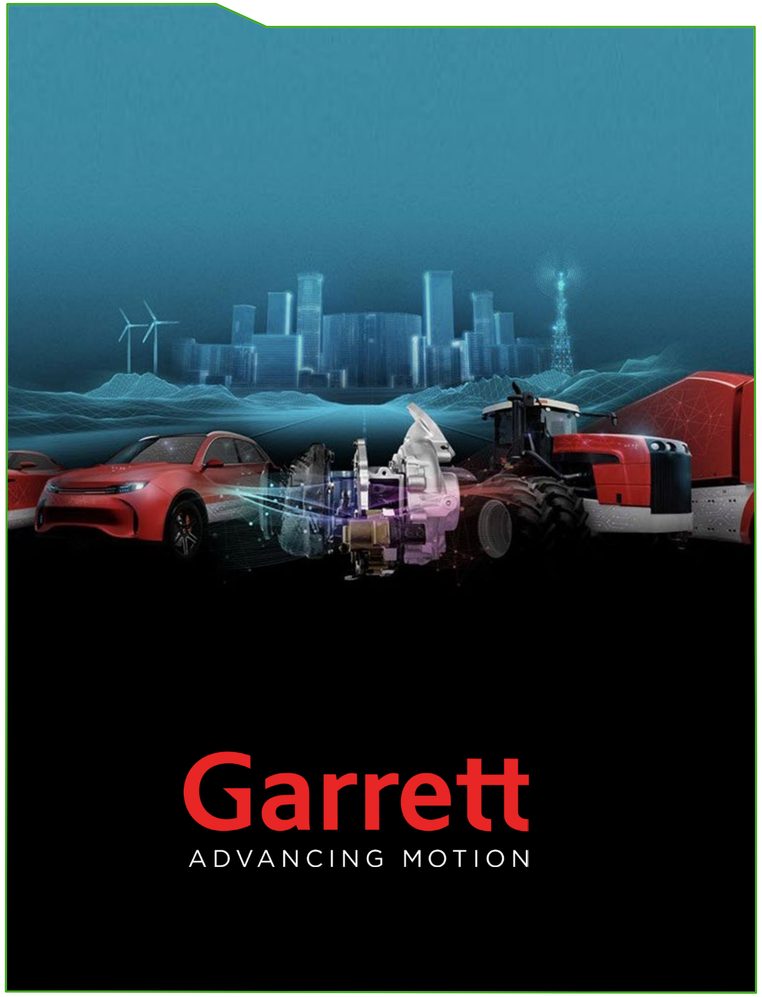
Including Kepware and ThingWorx Using FX rates as of September 30, 2025 (FY'26 Plan FX rates)	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26 Guidance Midpoint	FY'26 Guidance Midpoint
Ending ARR on a constant currency basis	$ 2,307	$ 2,358	$ 2,404	$ 2,478	$ 2,500	$ 2,543	$ 2,673

Including Kepware and ThingWorx As reported	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26[1]	Q2'26 Implied Guidance Midpoint[2]	FY'26 Implied Guidance Midpoint[3]
Ending ARR	$ 2,205	$ 2,290	$ 2,416	$ 2,478	$ 2,494	$ 2,536	$ 2,667
Impact of FX fluctuations embedded in ARR as reported	$ (102)	$ (68)	$ 12	$ (0)	$ (6)	$ (6)	$ (7)

We report constant currency ARR to help investors understand and assess our business performance excluding FX volatility

[1] At end of Q1'26 FX rates, our Q1'26 as reported ARR was $6 million lower than our constant currency results.
[2] At end of Q1'26 FX rates, our Q2'26 as reported ARR guidance midpoint would be lower by approximately $6 million, compared to our constant currency guidance.
[3] At end of Q1'26 FX rates, our FY'26 as reported ARR guidance midpoint would be lower by approximately $7 million, compared to our constant currency guidance.

APPENDIX: GARRETT TRANSFORMING NEW PRODUCT DEVELOPMENT WITH WINDCHILL+ AND CODEBEAMER+



windchill+™ codebeamer+™

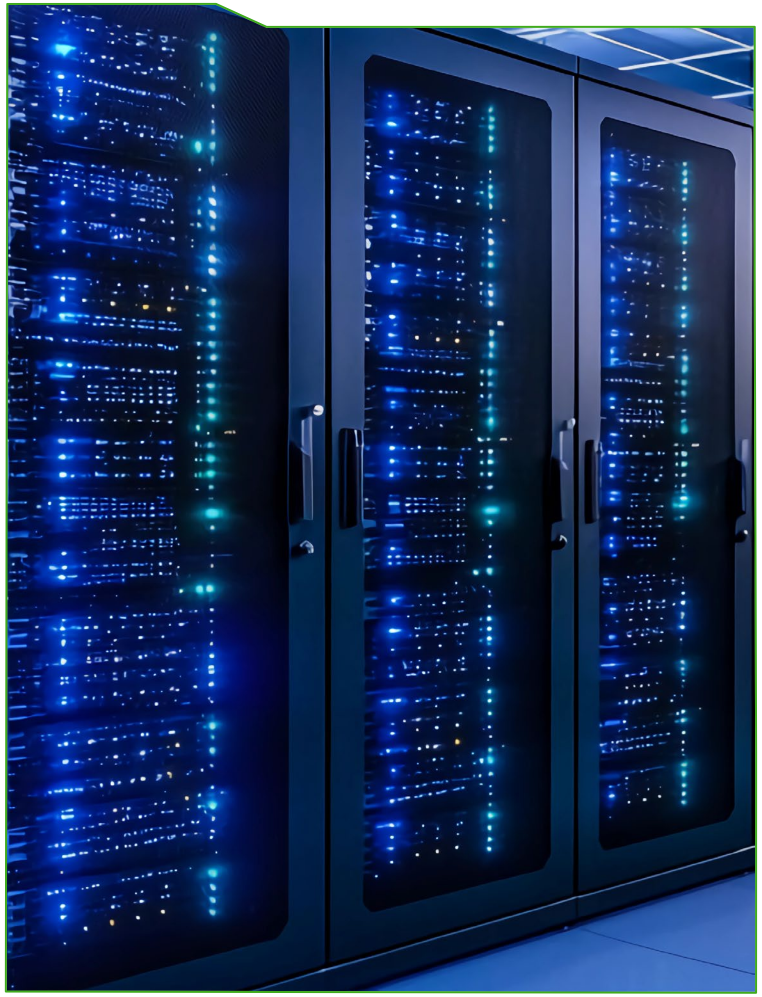
Goal

- Garrett Motion's mission is to enable the transportation industry to advance motion through unique, differentiated innovations. **Garrett Motion is transforming its new product development processes with a cloud-based strategy**. **They are focused on establishing a strong product data foundation so they can accelerate their adoption of AI.**

Solution and Impact

- **Garrett Motion decided to partner with PTC to replace legacy solutions and unify their product development and IT landscape on an AI-ready SaaS architecture.**
- Building on their successful use of the Onshape cloud-native computer-aided design (CAD) and product data management (PDM) platform, Garrett Motion decided to replace legacy solutions with Windchill+ Software as a Service (SaaS) product lifecycle management (PLM) and Codebeamer+ SaaS application lifecycle management (ALM).
- **Expanding to Windchill+ and Codebeamer+ will enable Garrett Motion to unify key engineering disciplines and broaden product data access** to software and hardware requirements, bills of material, product configurations, and much more.
- By adopting a unified approach to engineering and leveraging AI together with a strong product data foundation, Garrett Motion expects to drive **differentiated value for their customers by accelerating product innovation and time to market.**

APPENDIX: STANDARDIZING ON CREO, WINDCHILL, AND SERVICEMAX AT AN INDUSTRIAL COMPANY



creo® windchill® servicemax®

Goal

- This customer is a global leader in energy management solutions with over 100,000 employees and over 150 manufacturing facilities. **They are focused on establishing a strong product data foundation and a unified engineering approach, so they can leverage AI to accelerate innovation, productivity, and time to market.**

Solution and Impact

- This company decided to move from a decentralized engineering environment that was not integrated with manufacturing, to **a cohesive approach that enables concurrent engineering and provides a strong product data foundation for AI.**
- Following a multi-year assessment, they determined that Creo, Windchill, and ServiceMax best met their needs to unify their complex global operations across engineering, manufacturing, and services. Moving forward, this customer is:
  - **Converging multiple legacy PLM systems to Windchill to establish a strong product data foundation,**
  - **Expanding their use of Windchill to manufacturing to enable concurrent engineering** for workflows related to Bill of Materials (BoM) management,
  - **Unifying their services and engineering operations with connected tools**, and
  - **Expanding their use of Creo as their exclusive CAD solution.**

APPENDIX: WINDCHILL+ COMPETITIVE DISPLACEMENT AT AN INDUSTRIAL COMPANY

Goal

- This customer is an electrical and utility solutions provider that provides a broad range of products for residential, commercial, industrial, and utility markets. They are focused on. **accelerating time to market for new products and improving productivity by establishing a strong product data foundation and streamlining key engineering and manufacturing processes.**

Solution and Impact

- Previously, this customer did not have a centralized system for product data management or product configuration management, and relied on manual processes for workflows between engineering and manufacturing. To accelerate their speed of innovation, they decided to step up their focus on digital transformation across engineering and manufacturing.
- After a thorough evaluation of competitive offerings, this customer decided to **standardize on Windchill+ SaaS PLM as their trusted source of real-time product data. They will use their Windchill+ system for integrated Bill of Materials (BOM) management across both engineering and manufacturing.**
- In addition, this customer will use Windchill+ to **significantly improve design reuse across their global engineering teams, and they expect substantial cost efficiencies, as well as faster time to market.**

windchill+™

APPENDIX: WINDCHILL COMPETITIVE DISPLACEMENT AT A MEDICAL TECHNOLOGY COMPANY

Goal

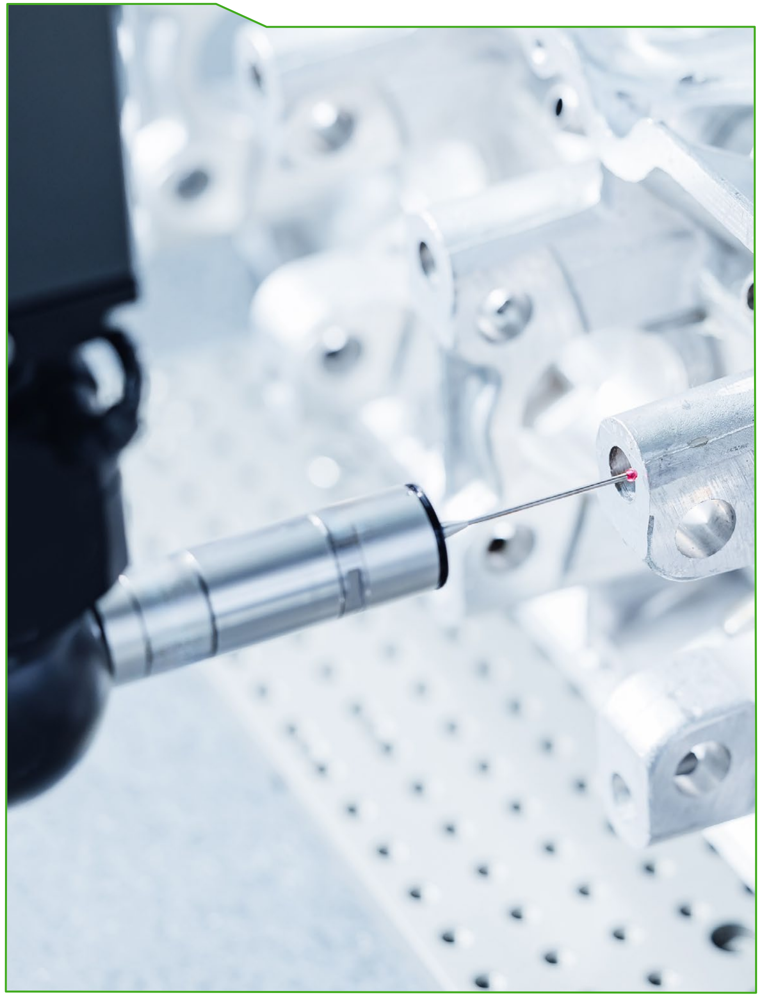
- This leading medical device manufacturer has over 30,000 employees and a global presence, operating in more than 150 countries. Their range of medical products and equipment is extensive – supporting catheter-based treatments, cardiac surgery, drug delivery, diabetes management, dialysis, transfusion, cell therapy, and more. They are focused on **accelerating innovation and time to market for new products by prioritizing their product data foundation and streamlining key engineering and manufacturing processes.**

Solution and Impact

- Previously, this customer's product data was siloed across multiple disconnected applications, and high levels of manual data processing and rework were required. To accelerate their speed of innovation, they decided to step up their focus on digital transformation across engineering and manufacturing.
- **This customer is standardizing on Windchill PLM as their trusted source of real-time product data. They will use their Windchill system for integrated Bill of Materials (BOM) management across both engineering and manufacturing.**
- They have also decided to leverage **Windchill's world-class quality management capabilities**, enabling a streamlined system and the displacement of their legacy PLM vendor and legacy Quality Management System (QMS) vendor.

windchill®

APPENDIX: UNIFYING ENGINEERING AND SERVICES WITH SERVICEMAX CROSS-SELL AT AN INDUSTRIAL COMPANY



Goal

- This customer is a global leader in innovative solutions for measurement, testing, and process control. They have embarked on a **comprehensive digital transformation**, starting with their core engineering workflows, by **standardizing on Creo for CAD and Windchill for PLM and displacing their previous vendors.**
- They are now focused on **improving customer satisfaction and unlocking new revenue streams by unifying their services and engineering operations with connected tools.** This customer has decided to **deploy ServiceMax Service Lifecycle Management (SLM) and expand their use of Creo and Windchill, creating an integrated product data foundation.**

Solution and Impact

- Effective cross-selling of PTC's unique portfolio was a key part of this deal.
- This customer previously utilized multiple disconnected tools, siloed data, and manually-intensive processes in their services operations. By moving to **a connected system of record across services and engineering**, they expect to:
  - **Enable new proactive maintenance strategies** that drive reductions in unplanned downtime and faster issue resolution, **unlocking aftermarket revenue growth.**
  - **Enhance feedback loops and collaboration between services and engineering to improve efficiency and customer satisfaction in field services and accelerate product innovation.**

servicemax® creo® windchill®

FORWARD-LOOKING STATEMENTS

Statements in this document that are not historic facts, including statements about our future operating, financial and growth expectations, potential stock repurchases, the expected timing of closing the sale of the Kepware and ThingWorx businesses (the "divestiture"), and expected drivers of customer adoption of our solutions, are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected. These risks include: the macroeconomic and/or global manufacturing climates may not improve or may deteriorate due to, among other factors, the effects of import tariffs, threats of additional and reciprocal import tariffs, global trade and geopolitical tensions and uncertainty, volatile foreign exchange rates, high interest rates or increases in interest rates, inflation, and tightening of credit standards and availability, any of which could cause customers to delay or reduce purchases of new software, adopt competing software solutions, reduce the number of subscriptions they carry, or delay payments to us, which would adversely affect our ARR (Annual Run Rate) and/or financial results and cash flow and growth; our investments in our software solutions, including the integration of artificial intelligence (AI) capabilities into our software solutions, may not drive expansion of those solutions and/or generate the ARR and/or cash flow we expect if customers are slower to adopt those solutions than we expect or if they adopt competing solutions; customers may not build the product data foundations essential for the AI-driven transformation of their business when or as we expect, which could adversely affect our ARR and/or financial results and cash flow and growth; our go-to-market realignment and related initiatives may not generate the ARR and/or financial results or cash flow when or as we expect; the divestiture may not be consummated when or as we expect if, among other factors, regulatory approvals under applicable laws and regulations are not received when or as we expect, or if other closing conditions are not satisfied when or as we expect or are waived; the divestiture may disrupt our business to a greater extent than we expect; other uses of cash or our credit facility limits could limit or preclude the return of excess cash and the net proceeds of the divestiture to shareholders by way of share repurchases, or could change the amount and timing of any share repurchases; and foreign exchange rates may differ materially from those we expect. In addition, our assumptions concerning our future GAAP and non-GAAP effective income tax rates are based on estimates and other factors that could change, including changes to tax laws in the U.S. and other countries and the geographic mix of our revenue, expenses, and profits. Other risks and uncertainties that could cause actual results to differ materially from those projected are described from time to time in reports we file with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other filings with the U.S. Securities and Exchange Commission.

OPERATING MEASURE

ARR: ARR (Annual Run Rate) represents the annualized value of our portfolio of active subscription software, SaaS, hosting, and support contracts as of the end of the reporting period. We calculate ARR as follows:

- We consider a contract to be active when the product or service contractual term commences (the "start date") until the right to use the product or service ends (the "expiration date"). Even if the contract with the customer is executed before the start date, the contract will not count toward ARR until the customer right to receive the benefit of the products or services has commenced.
- For contracts that include annual values that change over time, we include in ARR only the annualized value of components of the contract that are considered active as of the date of the ARR calculation. We do not include any future committed increases in the contract value as of the date of the ARR calculation.
- As ARR includes only contracts that are active at the end of the reporting period, ARR does not reflect assumptions or estimates regarding future contract renewals or non-renewals.
- Active contracts are annualized by dividing the total active contract value by the contract duration in days (expiration date minus start date), then multiplying that by 365 days (or 366 days for leap years).

We believe ARR is a valuable operating measure to assess the health of a subscription business because it is aligned with the amount that we invoice the customer on an annual basis. We generally invoice customers annually for the current year of the contract. A customer with a one-year contract will typically be invoiced for the total value of the contract at the beginning of the contractual term, while a customer with a multi-year contract will be invoiced for each annual period at the beginning of each year of the contract.

ARR increases by the annualized value of active contracts that commence in a reporting period and decreases by the annualized value of contracts that expire in the reporting period.

As ARR is not annualized recurring revenue, it is not calculated based on or unearned revenue and is not affected by variability in the timing of revenue under ASC 606, particularly for on-premises license subscriptions where a substantial portion of the total value of the contract is as revenue at a point in time upon the later of when the software is made available, or the subscription term commences.

ARR should be viewed independently of and unearned revenue and is not intended to be combined with, or to replace, either of those items. Investors should consider our ARR operating measure only in conjunction with our GAAP financial results.

NON-GAAP FINANCIAL MEASURES

We provide supplemental non-GAAP financial measures to our financial results. We use these non-GAAP financial measures, and we believe that they assist our investors, to make period-to-period comparisons of our operating performance because they provide a view of our operating results without items that are not, in our view, indicative of our operating results. These non-GAAP financial measures should not be construed as an alternative to GAAP results as the items excluded from the non-GAAP financial measures often have a material impact on our operating results, certain of those items are recurring, and others often recur. Management uses, and investors should consider, our non-GAAP financial measures only in conjunction with our GAAP results.

Non-GAAP operating expense, non-GAAP operating margin, non-GAAP gross profit, non-GAAP gross margin, non-GAAP net income and non-GAAP EPS exclude the effect of the following items: stock-based compensation; amortization of acquired intangible assets; acquisition and transaction-related charges included in general and administrative expenses; impairment and other charges (credits), net; non-operating charges (credits), net shown in the reconciliation provided; and income tax adjustments. Additional information about the items we exclude from our non-GAAP financial measures and the reasons we exclude them can be found in “Non-GAAP Financial Measures” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2025.

Free Cash Flow: We provide information on free cash flow to enable investors to assess our ability to generate cash without incurring additional external financings and to evaluate our performance against our announced long-term goals and intent to return excess cash to shareholders via stock repurchases. Free cash flow is cash provided by (used in) operations net of capital expenditures. Free cash flow is not a measure of cash available for discretionary expenditures.

Constant Currency (CC): We present CC information to provide a framework for assessing how our underlying business performed excluding the effects of foreign currency rate fluctuations. To present CC information, FY’26 and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the foreign exchange rate as of September 30, 2025, rather than the actual exchange rates in effect during that period.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP

Free Cash Flow

In millions	Q1'25	Q1'26	Q2'26 Guidance	FY'26 Guidance
Operating Cash Flow	$238	$270	$315 to $320	~$1,030
Capital expenditures	($3)	($2)	~($5)	~($30)
Free cash flow	$236	$267	$310 to $315	~$1,000

Diluted Earnings per Share: GAAP vs. Non-GAAP

In millions	Q1'26	Q2'26 Guidance	FY'26 Guidance
GAAP diluted earnings per share	$1.39	$1.25 to $1.87	$4.42 to $6.93
Stock-based compensation	$0.48	$0.66 to $0.59	$2.18 to $1.93
Amortization of acquired intangible assets	$0.17	~$0.17	~$0.67
Acquisition and transaction-related charges	$0.09	~$0.08	~$0.17
Non-operating charges	$0.01	~$0.00	~$0.01
Income tax adjustments	($0.21)	($0.23) to ($0.17)	($0.76) to ($0.56)
Non-GAAP diluted earnings per share	$1.92	$1.93 to $2.54	$6.69 to $9.15