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

# FORM 10-K

(Mark One)

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

For the fiscal year ended November 30, 2022
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)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, $0.01 par value per share** | **PRGS** | **The Nasdaq Stock Market LLC** |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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 | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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 May 31, 2022 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $2,068,000,000.

As of January 20, 2023, there were 43,345,287 common shares outstanding.

**Documents Incorporated By Reference**

The registrant incorporates by reference its definitive Proxy Statement with respect to its 2023 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of its fiscal year, into Part III of this Annual Report on Form 10-K.

**PROGRESS SOFTWARE CORPORATION**

**FORM 10-K**

**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022**

**INDEX**

**CAUTIONARY STATEMENTS**

This Form 10-K, and other information provided by us or statements made by our directors, officers or employees from time to time, may contain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. 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 forward-looking statements 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 as a result of various factors. Such factors are more fully described in Part I, Item 1A of this Form 10-K under the heading “Risk Factors”. 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 which we might face. We undertake no obligation to update any forward-looking statements that we make.

**PART I**

**Item 1. Business**

**Overview**

Progress Software Corporation ("Progress," the "Company," "we," "us," or "our") is the trusted provider of the best products to develop, deploy and manage high-impact business applications. We enable our customers to develop the applications and experiences they need, deploy where and how they want, and manage it all safely and securely. Progress helps customers drive faster cycles of innovation, fuel momentum and accelerate their path to success.

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 ("ISVs")); original equipment manufacturers ("OEMs"); and value-added resellers ("VARs"), systems integrators, and distributors.

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

**Strategic Plan and Operating Model**

The key tenets of our strategic plan and operating model are based on our Total Growth Strategy, the three-pillar approach focused on: investing and innovating in our current product portfolio, customer retention, and growth through accretive acquisition (“M&A”):

**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 focus on accretive acquisitions of businesses within the software infrastructure space, with products that appeal to both information technology ("IT") organizations and individual developers. Potential 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.; and in November 2021, we acquired Kemp Technologies. In addition, on January 3, 2023, we announced our entry into a definitive agreement with Vector Maven Holdings, Inc. and Vector Maven Holdings, L.P. to acquire MarkLogic Corporation ("MarkLogic"), a leader in managing complex data and metadata (subject to the satisfaction of the terms and conditions set forth in the definitive agreement).

In recent years, our total growth strategy, described above, has resulted in the rapid expansion of our product portfolio. As our portfolio evolves, we continuously evaluate our organization for additional synergies and efficiencies. In connection therewith, we are working to realign our go-to-market, product, and operational teams and to increase centralization of shared services and functions across our company. We believe that these changes will improve collaboration among the teams that develop, sell, and support our products; enhance our ability to integrate acquired businesses; and lead to greater system uniformity and increased operating efficiency.

**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.

In fiscal year 2022, we repurchased and retired 1.7 million shares of our common stock for $77.0 million. As of November 30, 2022, there was $78.0 million remaining under the share repurchase program authorized by our Board of Directors. On January 10, 2023, our Board of Directors increased our share repurchase authorization by $150.0 million, to an aggregate authorization of $228.0 million. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors, and the Board of Directors may choose to suspend, expand or discontinue the repurchase program at any time.

We began paying quarterly cash dividends of $0.125 per share of common stock to Progress stockholders in December 2016 and have paid quarterly dividends since that time. On September 23, 2022, our Board of Directors declared a quarterly dividend of $0.175 per share of common stock which was paid on December 15, 2022 to stockholders of record as of the close of business on December 1, 2022. On January 10, 2023, our Board of Directors declared a quarterly dividend of $0.175 per share of common stock that will be paid on March 15, 2023 to shareholders of record as of the close of business on March 1, 2023. Future declarations of dividends, if any, and the establishment of future record and payment dates are subject to the final determination of our Board of Directors.

As described above, 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.

We derive a significant portion of our revenue from international operations, which are primarily conducted in foreign currencies. As a result, changes in the value of these foreign currencies relative to the U.S. dollar have significantly impacted our results of operations and may impact our future results of operations. Since approximately one-third of our revenue is denominated in foreign currency, and given the recent volatility in the global economy, our revenue results in the fiscal year 2022 were impacted by fluctuations in foreign currency exchange rates.

## Our Products

With Progress, businesses can automate and optimize the process by which applications are developed, deployed and managed. This makes critical data and content more accessible and secure and technology teams more productive. We have a deep commitment to the developer community, both open source and commercial alike. Described below are some of the products that make up our comprehensive product portfolio.

*Progress OpenEdge:* An application development platform for running business-critical applications needing high-performance, high availability and flexible deployment options for extensibility, scalability, security and performance.

*Progress Chef:* DevOps/DevSecOps automation software to achieve secure, continuous delivery of critical applications and infrastructure.

*Progress Developer Tools:* The comprehensive software development tooling collection including .NET and JavaScript UI components for web, desktop and mobile applications, reporting and report management tools and automated testing and mocking tools.

*Progress Kemp LoadMaster*: Flexible application delivery and security product offering cloud-native, virtual and hardware load balancers.

*Progress MOVEit:* Managed File Transfer software for managing and controlling the movement of sensitive files, securing them both at-rest and in-transit, and ensuring strict adherence to compliance requirements.

*Progress DataDirect*: Secure data connectivity tools for Relational, NoSQL, Big Data and SaaS data sources.

*Progress WhatsUp Gold*: Network infrastructure monitoring software providing complete visibility of all network devices, servers, virtual machines, cloud and wireless environments to find and fix network problems.

*Progress Sitefinity:* Digital Experience Platform foundation, delivering intelligent, ROI-driving tools for marketers and an extensible platform for developers to create engaging, cross-channel digital experiences.

*Progress Flowmon*: Network security and visibility product with automated response across hybrid cloud ecosystems.

*Progress Corticon*: Decision automation platform to transform user experiences by streamlining and automating complex business rules—without having to code.

## Product Development

Most of our products have been developed by our internal product development staff or the internal staffs of acquired companies. We believe that the features and performance of our products are competitive with those of other available infrastructure software products and that none of the current versions of our products are approaching obsolescence. However, we have invested, and expect to continue to invest in new product development and enhancements of our current products to maintain our competitive position.

Our primary development offices are located in Burlington, Massachusetts; Morrisville, North Carolina; Alpharetta, Georgia; Madison, Wisconsin; Sofia, Bulgaria; Limerick, Ireland; Brno, Czech Republic; and Bengaluru and Hyderabad, India.

## Customers

We sell our products globally through several channels: directly to end users and indirectly through ISVs, OEMs, systems integrators, VARs and distributors. Sales of our products through our direct sales force have historically been to business managers or IT managers in corporations and governmental agencies. We also target developers who create business applications, from individuals to teams, within enterprises of all sizes.

We also sell our products through indirect channels, primarily ISVs. OEMs, and value-added resellers ("VARs"), who embed or add features to our products as part of an integrated solution. We use distributors and resellers, both internationally and domestically, in certain locations where we do not have a direct presence or where it is more economically or contractually feasible for us to do so. More than half of our license revenues are derived from these indirect channels.

*Independent Software Vendors*

Our ISVs cover a broad range of markets, offer an extensive library of business applications and are a source of recurring revenue. We have kept entry costs, consisting primarily of the initial purchase of development licenses, low to encourage a wide variety of ISVs to build applications. If an ISV succeeds in marketing its applications, we obtain recurring revenue as the ISV licenses our products to allow its application to be installed and used by customers. In recent years, a significantly increasing amount of our revenue from ISVs has been generated from ISVs who have chosen to enable their business applications under a software-as-a-service ("SaaS") platform.

*Original Equipment Manufacturers*

We enter into arrangements with OEMs in which the OEM embeds our products into its solutions, typically either software or technology devices. OEMs typically license the right to embed our products into their solutions and distribute those solutions for initial terms ranging from one to three years. Historically, most of our OEMs have renewed their agreements upon the expiration of the initial term. However, there is no assurance that they will continue to renew in the future. If any of our largest OEM customers were not to renew their agreements in the future, this could materially impact our DataDirect product line.

*Value Added Resellers, Systems Integrators and Distributors*

We enter into arrangements with VARs in which the VAR adds features or services to our products, then resells those products as an integrated product or complete "turn-key" solution. Systems Integrators typically have expertise in vertical or functional markets: they may resell our products by bundling them with their broader service offerings or refer sales opportunities to our direct sales force. Distributors resell our products, services and support within their territories.

No single customer or partner has accounted for more than 10% of our total revenue in any of our last three fiscal years.

## Sales and Marketing

We sell our products through our direct sales force and indirect channel partners. Our sales and field marketing groups are organized primarily by geographic region (i.e. North America, EMEA, Latin America, and Asia Pacific). We believe this structure allows us to maintain direct contact with our customers and support their diverse market requirements. Our international operations provide focused local sales, support and marketing efforts and are able to respond directly to changes in local conditions.

Sales personnel are responsible for developing new direct end user accounts, recruiting new indirect channel partners and new independent distributors, managing existing channel partner relationships and servicing existing customers. We actively seek to avoid conflict between the sales efforts of our ISVs and our own direct sales efforts. We use our inside sales teams to enhance our direct sales efforts and to generate new business and follow-on business from existing customers.

Our marketing personnel conduct a variety of marketing engagement programs designed to create demand for our products, enhance the market readiness of our products, raise the general awareness of our company and our products, generate leads for the sales organization and promote our various products. These programs include press relations, analyst relations, investor relations, digital/web marketing, marketing communications, participation in trade shows and industry conferences, and production of sales and marketing literature. We also hold and participate in global events, as well as regional user events in various locations throughout the world.

Our sales and marketing efforts with respect to certain products differ from our traditional sales and marketing efforts because the target markets are different. For these products, we have designed our marketing and sales model to be efficient for high volumes of lower-price transactions. Our marketing efforts focus on driving traffic to our websites and on generating high quality sales leads, in many cases, consisting of developer end users who download a free evaluation of our software. Our sales efforts then focus on converting these leads into paying customers through a high volume, short duration sales process. Of particular importance to our target market, we enable our customers to buy our products in a manner convenient to them, whether by purchase order, online with a credit card or through our channel partners.

## Customer Support

Our customer support staff provides telephone and Web-based support to end users, application developers and OEMs. Customers purchase maintenance services entitling them to software updates, technical support and technical bulletins. Maintenance is generally not required with those products sold under perpetual license agreements and is purchased at the customer's option. We provide support to customers primarily through our main regional customer support centers in Burlington, Massachusetts; Morrisville, North Carolina; Alpharetta, Georgia; Madison, Wisconsin; Limerick, Ireland; Rotterdam, The Netherlands; Brno, Czech Republic; Bengaluru, India; Hyderabad, India; Singapore; and Sofia, Bulgaria. Local technical support for specific products is provided in certain other countries as well.

## Professional Services

Our global professional services organization delivers business solutions for customers through a combination of products, consulting and education. Our consulting organization offers project management, implementation services, custom development, programming and other services. Our consulting organization also provides services to web-enable existing applications or to take advantage of the capabilities of new product releases. Our education organization offers numerous training options, from traditional instructor-led courses to advanced learning modules available via the web or on digital media.

Our services offerings include: application modernization; infrastructure automation; development operations; data management, managed database services; performance enhancements and tuning; and analytics/business intelligence.

## Competition

The software industry is intensely competitive. We experience significant competition from a variety of sources with respect to all of our products. We believe that certain competitive factors affect the market for our software products and services, which may include: (i) vendor and product reputation; (ii) product quality, performance and price; (iii) the availability of software products on multiple platforms; (iv) product scalability; (v) product integration with other enterprise applications; (vi) software functionality and features; (vii) software ease of use; (viii) the quality of professional services, customer support services and training; and (ix) the ability to address specific customer business problems. We believe the relative importance of each of these factors depends upon the concerns and needs of each specific customer.

We compete with multiple companies, some that have single or narrow solutions, and some that have a range of enterprise infrastructure solutions. Many of these vendors offer platform-as-a-service, application development, data integration and other tools in conjunction with their CRM, web services, operating systems, and relational database management systems. We compete with software vendors that offer their products under a proprietary software license model, and various other vendors that offer their solutions in an open-source licensing or freely available distribution model.

We do not believe that there is a dominant vendor in the infrastructure software markets in which we compete. However, some of our competitors have greater and/or more experienced financial, marketing or technical resources than we have, or may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the development, promotion and sale of their products than we are able. Increased competition could make it more difficult for us to maintain our revenue and market presence.

**Intellectual Property**

We rely on a combination of contractual provisions and copyright, patent, trademark and trade secret laws to protect our proprietary rights in our products. Except as described below with respect to our Chef products, we generally distribute our products under software license agreements that grant customers a perpetual nonexclusive license to use our products and contain terms and conditions prohibiting the unauthorized reproduction or transfer of our products. We also distribute our products through various channel partners, including ISVs, OEMs and systems integrators. We also license our products under term or subscription arrangements. In addition, we attempt to protect our trade secrets and other proprietary information through agreements with employees, consultants and channel partners. Although we intend to protect our rights vigorously, and do not intend to infringe upon the intellectual property rights of other parties, there is no assurance that these measures will be successful.

We seek to protect the source code of our products as trade secrets and as unpublished copyrighted works. We hold numerous patents covering portions of our products. We also have several patent applications for some of our other product technologies. Where possible, we seek to obtain protection of our product names and service offerings through trademark registration and other similar procedures throughout the world.

Our Chef offerings incorporate software components licensed to the general public under open source licenses. We obtain many components from software developed and released by contributors to independent open source components of our offerings. Open source licenses grant licensees broad permissions to use, copy, modify and redistribute our platform. As a result, open source development and licensing practices can limit the value of our software copyright assets.

We believe that due to the rapid pace of innovation within our industry, factors such as the technological and creative skills of our personnel are as important in establishing and maintaining a leadership position within the industry as are the various legal protections of our technology. In addition, we believe that the nature of our customers, the importance of our products to them and their need for continuing product support may reduce the risk of unauthorized reproduction, although no assurances can be made in this regard.

**Business Segment and Geographical 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 business 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. Refer to Note 15: Revenue Recognition and Note 19: Business Segments and International Operations to our Consolidated Financial Statements in Part II, Item 8 of this Form 10-K for information by geographic area.

**Human Capital**

As of November 30, 2022, we had 2,071 employees worldwide, including 664 in sales and marketing, 324 in customer support and services, 842 in product development and 241 in administration.

None of our U.S. employees are subject to a collective bargaining agreement. Employees in certain foreign jurisdictions are represented by local workers' councils and/or collective bargaining agreements as may be customary or required in those jurisdictions.

We believe that our future success largely depends upon our continued ability to attract and retain highly skilled employees. Therefore, we provide our employees with competitive compensation and benefits, opportunities for equity ownership, and development programs that enable continued learning and growth.

*Employee Engagement, Development and Training*

We invest significant resources to develop our in-house talent and deepen our employees' skill sets, both to strengthen our company and help further our employees' personal career goals. We empower our employees to drive their career aspirations and set personal development objectives in partnership with their managers. To strengthen these conversations, we train managers across the globe to partner with employees through career conversations and provide career development training for all employees so that they can successfully leverage the many tools in place to support them.

To match the location and learning specifics of our people, we combine various channels for personal and technical development: on-demand videos, webinars, classroom trainings, text-based resources, coaching, and more. We also believe strongly in fostering our employees' personal growth and offer programs like tuition reimbursement.

Our efforts to recruit and retain a diverse and inclusive workforce include providing competitive compensation and benefit packages worldwide and ensuring we listen to our employees. To that end, we regularly survey our employees to obtain their views and assess employee satisfaction. We use the views expressed in the surveys to influence our people strategy and policies. We also use employee survey information to gain insights into how and where we work.

*Flexible Work Approach*

The COVID-19 pandemic significantly changed the way employees think about where and how they work. For most of our employees, productivity is no longer tied to being in an office and collaboration can happen between people anywhere. Our view of our offices has evolved to places for collaboration and in-person interactions rather than the only places where productive work can occur. In 2021 we announced a modern approach to work that gives our employees more flexibility to choose where to work. Depending on their role, this means that employees can choose their office location, as well as continue to work from home some or all the time. We expect this flexible approach will help us recruit and retain employees.

*Inclusion and Diversity*

As a multicultural company serving a global community, we encourage a wide range of views and celebrate our diverse backgrounds. We are committed to creating a culture of innovation and inspiration, where employees feel a strong sense of community and pride in the company and the successes they have helped to achieve. We have an Inclusion and Diversity Advisory Committee, made up of a diverse group of Progress employees from around the globe with varying backgrounds, skill sets and viewpoints. This committee supports our Chief Inclusion and Diversity Officer in the formation and implementation of enterprise-wide Inclusion and Diversity initiatives and ensuring a clear Inclusion and Diversity vision is established and articulated in a way that is authentic for all Progress employees.

## Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website at www.progress.com as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission (the "SEC") at www.sec.gov. The information posted on our website is not incorporated into this Annual Report on Form 10-K.

**Item 1A. Risk Factors**

We operate in a rapidly changing environment that involves certain risks and uncertainties, some of which are beyond our control. The risks discussed below could materially affect our business, financial condition and future results. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may materially adversely affect our business, financial condition or operating results in the future.

**Risks Related to Our Ability to Grow Our Business**

***Technology and customer requirements evolve rapidly in our industry, and if we do not continue to develop new products and enhance our existing products in response to these changes, our business could be harmed.*** Ongoing enhancements to our product sets (both organically and through acquisitions) will be required to enable us to maintain our competitive position and the competitive position of our ISVs, distributors/resellers, and OEMs. We may not be successful in developing and marketing enhancements to our products on a timely basis, and any enhancements we develop may not adequately address the changing needs of the marketplace. Overlaying the risks associated with our existing products and enhancements are ongoing technological developments and rapid changes in customer and partner requirements. Our future success will depend upon our ability to develop, acquire and introduce new products in a timely manner that take advantage of technological advances and respond to new customer and partner requirements. We may not be successful in developing or acquiring new products incorporating new technology on a timely basis, and any new products we develop or acquire may not adequately address the changing needs of the marketplace or may not be accepted by the market. Failure to develop new products and product enhancements that meet market needs in a timely manner could have a material adverse effect on our business, financial condition and operating results.

***We are substantially dependent on our OpenEdge products.*** We derive a significant portion of our revenue from software license and maintenance revenue attributable to our OpenEdge product set, which in fiscal year 2022 accounted for approximately 42% of our aggregate revenue on a consolidated basis. Accordingly, our future results depend on continued market acceptance of OpenEdge. If consumer demand declines, or new technologies emerge that are superior to, or are more responsive to customer requirements than OpenEdge, such that we are unable to maintain OpenEdge's competitive position within its marketplace, our business, financial condition and operating results may be materially adversely affected.

***The segments of the software industry in which we participate are intensely competitive, and our inability to compete effectively could harm our business.*** We experience significant competition from a variety of sources with respect to the marketing and distribution of our products. Many of our competitors have greater financial, marketing or technical resources than we do and may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products than we can. Increased competition could make it more difficult for us to maintain our market presence or lead to downward pricing pressure. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties, thereby increasing their ability to deliver products that better address the needs of our prospective customers. Current and potential competitors may also be more successful than we are in having their products or technologies widely accepted. We may be unable to compete successfully against current and future competitors, and our failure to do so could have a material adverse effect on our business, prospects, financial condition and operating results.

***The value of our Chef software assets may be limited by open source development and licensing practices.*** Our Chef offerings incorporate software components licensed to the general public under open source licenses. We obtain many components from software developed and released by contributors to independent open source components of our offerings. One of the characteristics of open source software is that the governing license terms generally allow liberal modifications of the code and distribution to a wide group of companies and/or individuals. As a result, the marketplace for new products is intensely competitive and characterized by low barriers to entry because others could develop new software products or services based upon those open source programs that compete with existing open source software that we support and incorporate into our Chef products. New competitors possessing technological, marketing or other competitive advantages that develop their own open source software or hybrid proprietary and open source software offerings, may reduce the demand for, and putting price pressure on, our products enabling them to rapidly acquire market share, and limit the value of our software assets.

***We intend to make additional acquisitions of businesses, products or technologies that involve additional risks, which could disrupt our business or harm our financial condition, results of operations or cash flows.*** A key element of our strategy includes the acquisition of businesses that offer complementary products, services and technologies, augment our revenues and cash flows, and meet our strict financial and other criteria. We may not be able to identify suitable acquisition opportunities or consummate any such transactions. Even if an acquisition is successful, integration of a new business involves a number of risks that could have a material adverse effect on our business, financial condition, operating results or cash flows, including:

- difficulties of assimilating the operations and personnel, products or systems of acquired companies;
- our potential inability to realize the value of the acquired assets relative to the price paid;
- distraction of management from our ongoing businesses;
- potential product disruptions associated with the sale of the acquired business's products;
- the potential that an acquisition may not further our business strategy as we expected, may not result in revenue and cash flow growth to the degree we expected or at all, or may not achieve expected synergies;
- the possibility of incurring significant restructuring charges and amortization expense;
- the risk that an acquired company's cybersecurity may not have been sufficient and could cause a post-acquisition risk once integrated into our systems;
- risks related to the assumption of the acquired business's liabilities or any ongoing lawsuits;
- potential impairment to assets that we recorded as a part of an acquisition, including intangible assets and goodwill; and
- to the extent that we issue stock to pay for an acquisition, dilution to existing stockholders and decreased earnings per share.

Difficulties associated with any acquisitions we may pursue, and their integration may be complicated by factors such as:

- the size of the business or entity acquired;
- geographic and cultural differences;
- lack of experience operating in the industry or markets of the acquired business (e.g., satisfying the requirements of public-sector customers);
- potential loss of key employees and customers;
- the potential for deficiencies in internal controls at the acquired or combined business, including but not limited to with regard to any weaknesses or vulnerabilities in a target company's cybersecurity controls;
- performance problems with the acquired business's technology;
- exposure to unanticipated liabilities of the acquired business, including any cybersecurity issues;
- insufficient revenue to offset increased expenses associated with the acquisition; and
- adverse tax consequences.

In addition, if we fail to complete an announced acquisition (such as MarkLogic), our stock price could fall to the extent the price reflects an assumption that such acquisition will be completed, and we may incur significant unrecoverable costs. Further, the failure to consummate an acquisition may result in negative publicity and adversely impact our relationships with our customers, vendors and employees. We may become subject to legal proceedings relating to the acquisition and the integration of acquired businesses may not be successful. Failure to manage and successfully integrate acquired businesses, achieve anticipated levels of profitability of the acquired business, improve margins of the acquired businesses and products, or realize other anticipated benefits of an acquisition could materially harm our business, operating results and margins.

***If our goodwill or amortizable intangible assets become impaired, we may be required to record a significant charge to earnings.*** We acquire other companies and intangible assets and may not realize all the economic benefit from those acquisitions, which could cause an impairment of goodwill or intangibles. We review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We test goodwill for impairment at least annually. Factors that may cause a change in circumstances, indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable, include a decline in our stock price and market capitalization, reduced future cash flow estimates, and slower growth rates in industry segments in which we participate. We may be required to record a significant charge in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, negatively affecting our results of operations.

**Risks Related to the Operation of Our Business**

***Our realignment initiatives may disrupt our operations and we may not achieve the expected benefits from our efforts.*** We have restructured or made other adjustments to our workforce in response to management changes, product changes, performance issues, changes in strategy, acquisitions and other internal and external considerations; and we may undertake similar restructuring or realignment initiatives in the future. As described in *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Part II, Item 7 below, we are currently working to realign our go-to-market, product, and operational teams, as well as increase centralization of shared services and functions across our company. In the past, realignment initiatives have resulted in increased restructuring costs and have temporarily reduced productivity. Current and future realignment initiatives may be complex and could result in significant costs and expenses, which could negatively impact our reputation, financial condition, operating results and shareholder value. There can be no assurance that we can accomplish or implement all of the desired initiatives, or that the activities under those initiatives will result in the desired synergies or efficiencies. Furthermore, management has dedicated, and will continue to dedicate, significant time and effort to implementing such realignment initiatives. These efforts may divert management's focus and resources from our core business, other corporate initiatives, or strategic opportunities. We may also experience a loss of continuity, loss of accumulated knowledge, or inefficiency during transitional periods. Additionally, efforts related to the implementation of these initiatives could yield unintended consequences (e.g., adversely affecting our ability to execute on merger and acquisition objectives, confusion or distraction of our management and employees, reduced employee morale and retention, delaying the development and introduction of new products and technologies), which may negatively affect our business, sales, financial condition and results of operations.

***Our international operations expose us to additional risks, and changes in global economic and political conditions could adversely affect our international operations, our revenue and our net income.*** Approximately 43% of our total fiscal 2022 revenue, was generated from sales outside North America. Political and/or financial instability, oil price shocks and armed conflict in various regions of the world, including, but not limited to, Russia's invasion of Ukraine in February 2022, or increased cyber incidents as a result therefrom or otherwise, can lead to economic uncertainty and may adversely impact our business. Political instability may lead to significant, continuing volatility in global stock markets and currency exchange rate fluctuations. If customers' buying patterns, decision-making processes, timing of expected deliveries and timing of new projects unfavorably change due to economic or political conditions, there would be a material adverse effect on our business, financial condition and operating results.

Other potential risks inherent in our international business include:

- longer payment cycles;
- credit risk and higher levels of payment fraud;
- greater difficulties in accounts receivable collection;
- varying regulatory and legal requirements;
- compliance with international and local trade, labor and export control laws;
- restrictions on the transfer of funds;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, legal impediments and language and cultural differences;
- reduced or minimal protection of intellectual property rights in some countries;
- laws and business practices that favor local competitors or prohibit foreign ownership of certain businesses;
- changes in U.S. or foreign trade policies or practices that increase costs or restrict the distribution of products;
- seasonal reductions in business activity during the summer months in Europe and certain other parts of the world;
- economic instability in emerging markets; and
- potentially adverse tax consequences.

Any one or more of these factors could have a material adverse effect on our international operations, and, consequently, on our business, financial condition and operating results.

In addition, our business has been, and could in the future be, adversely affected by regional or global health crises, such as the COVID-19 pandemic. A significant outbreak of contagious diseases and other adverse public health developments, or the fear of such events that results in a widespread health crisis could adversely affect global supply chains and the economies and financial markets of many countries. Any prolonged economic disruption could affect demand for our products and services and adversely impact our results of operations and financial condition.

***If our security measures are breached, our products and services may be perceived as not being secure, customers may curtail or stop using our products and services, and we may incur significant legal and financial exposure. including but not limited to from loss of customer or company data, loss of customers or otherwise.*** Our products and services involve the storage and transmission of our customers' proprietary information and may be vulnerable to unauthorized access, computer viruses, cyber-attacks, distributed denial of service attacks and other disruptive problems. As disclosed on December 19, 2022, 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. During the investigation, we and our external advisors uncovered evidence of unauthorized access to our corporate network, including evidence that certain company data had been exfiltrated. As the investigation remains ongoing, we continue to assess the potential impact on our business, operations and financial results. As demonstrated by this cyber incident, due to the actions of outside parties, employee error, malfeasance, or otherwise, an unauthorized party may obtain access to our data or our customers' data, which could result in its theft, destruction, corruption or misappropriation and thus legal and financial exposure. Security risks in recent years have increased significantly given the increased sophistication and activities of hackers, organized crime, including state-sponsored organizations and nation-states, and other outside parties. Cyber threats are continuously evolving, increasing the difficulty of defending against them. Increased risks of such attacks and disruptions also exist due to the Russian invasion of Ukraine beginning in February 2022. While we have implemented security procedures and controls aimed at addressing these threats, our security measures could be compromised, could prove to be inadequate or could fail. Any security breach or unauthorized access 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. Breaches of our network could disrupt our internal systems and business applications, including services provided to our customers. Additionally, data breaches could compromise technical and proprietary information, harming our competitive position. We may need to spend significant capital or allocate significant resources to ensure effective ongoing protection against the threat of security breaches or to address security related concerns. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose customers. In addition, our insurance coverage may not be adequate to cover all costs related to cybersecurity incidents and the disruptions resulting from such events.

***If our products contain software defects or security flaws, it could harm our revenues and expose us to litigation.*** Our products, despite extensive testing and quality control, may contain defects or security flaws, especially when we first introduce them or when new versions are released. We may need to issue corrective releases of our software products to fix any defects or errors. Depending upon the severity of any such events, the detection and correction of any security flaws can be time consuming and costly. Errors in our software products could affect the ability of our products to work with other hardware or software products, delay the development or release of new products or new versions of products, adversely affect market acceptance of our products and expose us to potential litigation. If we experience errors or delays in releasing new products or new versions of products, such errors or delays could have a material adverse effect on our revenue.

***A failure of our information technology systems, including a cyber incident, could have a material adverse effect on our business.*** We rely on our technology infrastructure, and the technology infrastructure of third parties, for many functions, including selling our products, supporting our ISVs and other third-party channels, fulfilling orders and billing, and collecting and making payments. This technology infrastructure may be vulnerable to damage or interruption from natural disasters, power loss, telecommunication failures, terrorist attacks, the outbreak of wars or other armed conflicts, the escalation of hostilities, geopolitical tensions or trade wars, acts of terrorism or “ acts of God,” particularly involving geographies in which we or third parties on whom we depend have operations, computer intrusions or other similar cyber intrusions, vulnerabilities and viruses, software errors, computer denial-of-service attacks and other similar events. A significant number of the systems making up this infrastructure are not redundant, and our disaster recovery planning may not be sufficient for every eventuality. This technology infrastructure may fail or be vulnerable to damage or interruption because of actions by third parties or employee error or malfeasance. In addition, depending upon the severity of any such actions, we may not carry business interruption insurance sufficient to protect us from all losses that may result from interruptions in our services as a result of such technology infrastructure failures or provide us with the ability to cover all contingencies. Any interruption in the availability of our websites and on-line interactions with customers or partners may cause a reduction in customer or partner satisfaction levels, which in turn could cause additional claims, reduced revenue or loss of customers or partners. Despite any precautions we may take, these problems could result in, among other consequences, a loss, destruction, corruption or misappropriation of company or customer data, loss of confidence in the stability and reliability of our offerings, damage to our reputation, and legal liability, all of which may adversely affect our business, financial condition, operating results and cash flows.

***Catastrophic events, including but not limited to cyber events, may disrupt our business.*** We rely on our network infrastructure and enterprise applications, internal technology systems and website for our development, marketing, operations, support and sales activities. In addition, we rely on third-party hosted services, and we do not control the operation of third-party data center facilities, which increases our vulnerability. A disruption, infiltration or failure of these systems or third-party hosted services in the event of a major earthquake, fire, flood, tsunami or other weather event, power loss, telecommunications failure, software or hardware malfunctions, pandemics (including the COVID-19 pandemic or other future pandemics), cyber-attack or other similar interruptions to our business, war (including the Russian invasion of Ukraine), terrorist attack or other catastrophic event that our disaster recovery plans do not adequately address, could cause system interruptions, reputational harm, loss of intellectual property, delays in our product development, lengthy interruptions in our services, breaches of data security and loss, destruction, misappropriation or corruption of critical company or customer data. A catastrophic event including a cyber event a war or an act of terrorism that results in the loss, destruction, misappropriation, corruption or disruption of any of our data, our customer’s data or our data centers or our critical business or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be adversely affected, and the adverse effects of any such catastrophic event would be exacerbated if experienced at the same time as another unexpected and adverse event.

***Adverse developments in our relationships with certain third parties or within the business of such third parties could harm our revenues and results of operations.*** We recognize a substantial portion of our revenue from sales made through third parties, including our ISVs, distributors/resellers, and OEMs, and our future results depend in large part upon our continued successful distribution of our products through these channels. The activities of these third parties are not within our direct control. Our failure to manage our relationships with these third parties effectively could impair the success of our sales, marketing and support activities. A reduction in the sales efforts, technical capabilities or financial viability of these parties, a misalignment of interest between us and them, or a termination of our relationship with a major ISV, distributor/reseller, or OEM could have a negative effect on our sales and financial results. Any adverse effect on any of our ISV's, distributors'/resellers', or OEMs’ businesses related to competition, pricing and other factors could also have a material adverse effect on our business, financial condition and operating results.

***Our customers and partners may delay payment or fail to pay us in accordance with the terms of their agreements, necessitating action by us to compel payment.*** If customers or partners delay payment or fail to pay us under the terms of our agreements, 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. Furthermore, 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.

***We rely on the experience and expertise of our skilled employees, and must continue to attract and retain qualified technical, marketing and managerial personnel in order to succeed.*** Our future success will depend in large part upon our ability to attract and retain highly skilled technical, managerial, sales and marketing personnel. There is significant competition for such personnel in the software industry. We may not continue to be successful in attracting and retaining the personnel we require to develop new and enhanced products and to continue to grow and operate profitably.

## Risks Related to Laws and Regulations

***We are subject to risks associated with compliance with laws and regulations globally, which may harm our business.*** We are a global company subject to varied and complex laws, regulations and customs, both domestically and internationally. These laws and regulations relate to a number of aspects of our business, including trade protection, import and export control, data and transaction processing security, payment card industry data security standards, records management, user-generated content hosted on websites we operate, data privacy or related privacy practices, data residency, corporate governance, anti-trust and competition, employee and third-party complaints, anti-corruption, gift policies, conflicts of interest, securities regulations and other regulatory requirements affecting trade and investment. The application of these laws and regulations to our business is often unclear and may at times conflict on a domestic or international basis. For example, in many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by U.S. regulations applicable to us, including the Foreign Corrupt Practices Act. We cannot provide assurance that our employees, contractors, agents and business partners will not take actions in violation of our internal policies or U.S. laws. Compliance with these laws and regulations may involve significant costs or require changes in our business practices that result in reduced revenue and profitability. Non-compliance could also result in fines, damages, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business, and damage to our reputation.

In response to the Russian invasion of Ukraine, new sanctions have been imposed by the U.S., Canada, the United Kingdom, the European Union, and other countries and companies and organizations against officials, individuals, regions, and industries in Russia and Ukraine. Although we have policies and procedures in place designed to ensure compliance with applicable sanctions, our employees, contractors, and agents may take actions in violation of such policies and applicable law and ultimately we could be held responsible. If we are held responsible for a violation of U.S. sanctions laws, we may be subject to various penalties, any of which could have a material adverse effect on our business, financial condition or results of operations.

***Our business practices with respect to the collection, use and management of personal information could give rise to operational interruption, liabilities or reputational harm as a result of governmental regulation, legal requirements or industry standards relating to consumer privacy and data protection.*** As regulatory focus on privacy issues continues to increase and worldwide laws and regulations concerning the handling of personal information expand and become more complex, potential risks related to data collection and use within our business will intensify. For example, on July 16, 2020, the Court of Justice of the European Union invalidated the E.U.-U.S. Privacy Shield, a system for complying with EU data protection requirements when transferring personal data from the European Economic Area ("EEA") to the U.S. Other data transfer mechanisms remain intact, although still subject to considerable scrutiny by certain member states and their Data Protection Authorities. On October 7, 2022, President Biden signed an executive order implementing the E.U.-U.S. Data Privacy Framework, which is intended to replace the original E.U.-U.S. Privacy Shield, and on December 13, 2022, the European Commission initiated a process to adopt an adequacy decision for this new framework. However, European companies will not be able to rely on the framework for sharing data with certified companies in the U.S. unless and until a final decision is published. As a result, we may experience reluctance or refusal by current or prospective European customers to use our products, and we may find it necessary or desirable to make further changes to our handling of personal data of EEA residents. The regulatory environment applicable to the handling of EEA residents' personal data, which is governed by the General Data Protection Regulation of 2018 (“GDPR”), may cause us to assume additional liabilities or incur additional costs, and could result in our business, operating results and financial condition being harmed. Additionally, we and our customers may face a risk of enforcement actions by data protection authorities in the EEA relating to personal data transfers to us and by us from the EEA. Any such enforcement actions could result in substantial costs and diversion of resources, distract management and technical personnel and negatively affect our business, operating results and financial condition.

In addition, governmental entities in the U.S. and other countries have enacted or are considering enacting legislation or regulations, or may in the near future interpret existing legislation or regulations, in a manner that could significantly impact our ability and the ability of our customers and data partners to collect, augment, analyze, use, transfer and share personal and other information that is integral to certain services we provide. For example, the California Privacy Rights Act (which amends the California Consumer Privacy Act) took effect on January 1, 2023; Virginia, Colorado, Utah and Connecticut also have privacy laws taking effect in 2023 (and other state legislatures are considering varying privacy laws and regulations); and several privacy bills are under congressional review at the federal level.

Changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as healthcare data or other personal information, could greatly increase our cost of providing our products and services or even prevent us from offering certain services in jurisdictions that we operate. Regulators globally are also imposing greater monetary fines for privacy violations (e.g., non-compliance with the GDPR may result in monetary penalties of up to 4% of worldwide revenue). Additionally, public perception and standards related to the privacy of personal information can shift rapidly, in ways that may affect our reputation or influence regulators to enact regulations and laws that may limit our ability to provide certain products. Any failure, or perceived failure, by us to comply with U.S. federal, state, or international laws and regulations, including laws and regulations regulating privacy, data security, or consumer protection, or other policies, public perception, standards, self-regulatory requirements or legal obligations, could result in lost or restricted business, proceedings, actions or fines brought against us or levied by governmental entities or others, or could adversely affect our business and harm our reputation.

***We could incur substantial cost in protecting our proprietary software technology and if we fail to protect our technology, we could incur material harm to our business.*** We rely principally on a combination of contract provisions and copyright, trademark, patent and trade secret laws to protect our proprietary technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Policing unauthorized use of our products is difficult. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This litigation could result in substantial costs and diversion of resources, whether or not we ultimately prevail on the merits. The steps we take to protect our proprietary rights may be inadequate to prevent misappropriation of our technology; moreover, others could independently develop similar technology.

***We could be subject to claims that we infringe intellectual property rights of others, which could harm our business, financial condition, results of operations or cash flows.*** Third parties could assert infringement claims in the future with respect to our products and technology, and such claims might be successful. Litigation relating to any such claims could result in substantial costs and diversion of resources, whether or not we ultimately prevail on the merits. Any such litigation could also result in our being prohibited from selling one or more of our products, unanticipated royalty payments, reluctance by potential customers to purchase our products, or liability to our customers and could have a material adverse effect on our business, financial condition, operating results and cash flows.

***Changes in accounting principles and guidance, or their interpretation or implementation, may materially adversely affect our reported results of operations or financial position.*** We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) These principles are subject to interpretation by the SEC and various bodies formed to create and interpret appropriate accounting principles and guidance. A change in these principles or guidance, or in their interpretations, may have a significant effect on our reported results, as well as our processes and related controls.

***We may have exposure to additional tax liabilities.*** As a multinational corporation, we are subject to income taxes in the U.S. and various foreign jurisdictions. Significant judgment is required in determining our global provision for income taxes and other tax liabilities. In the ordinary course of a global business, there are many intercompany transactions and calculations where the ultimate tax determination is uncertain. Our income tax returns are routinely subject to audits by tax authorities. Although we regularly assess the likelihood of adverse outcomes resulting from these examinations to determine our tax estimates, a final determination of tax audits that is inconsistent with such assessments or tax disputes could have an adverse effect on our financial condition, results of operations and cash flows.

We are also subject to non-income taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes in the U.S. and various foreign jurisdictions. We are regularly under audit by tax authorities with respect to these non-income taxes and may have exposure to additional non-income tax liabilities, which could have an adverse effect on our results of operations, financial condition and cash flows.

In addition, our future effective tax rates could be favorably or unfavorably affected by changes in tax rates, changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws or their interpretation. Such changes could have a material adverse impact on our financial results.

***Contracting with government entities exposes us to additional risks inherent in the government procurement process.*** We provide products and services, directly and indirectly, to a variety of government entities, both domestically and internationally. Risks associated with licensing and selling products and services to government entities include more extended sales and collection cycles, varying governmental budgeting processes and adherence to complex procurement regulations and other government-specific and contractual requirements, including with respect to ongoing compliance. We may be subject to audits and investigations relating to our government contracts and any violations could result in various civil and criminal penalties and administrative sanctions, including termination of contracts for default or for the convenience of the government, payment of fines, and suspension or debarment from future government business, as well as harm to our reputation and financial results. These risks will increase if we successfully complete the acquisition of MarkLogic, which will increase the amount and variety of government entities that we contract with.

**Risks Related to Financial Performance or General Economic Conditions**

***Weakness in the U.S. and international economies may result in fewer sales of our products and may otherwise harm our business.*** We are subject to risks arising from adverse changes in global economic conditions, especially those in the U.S., Europe and Latin America. If global economic conditions weaken, credit markets tighten and/or financial markets become unstable, customers may delay, reduce or forego technology purchases, both directly and through our ISVs, resellers/distributors and OEMs. This could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies and increased price competition. Further, deteriorating economic conditions could adversely affect our customers and their ability to pay amounts owed to us (see *Our customers and partners may delay payment or fail to pay us in accordance with the terms of their agreements, necessitating action by us to compel payment*). The U.S. and other international economies continue to experience inflationary pressures, which may increase our expenses (including the cost of labor), negatively affect credit and securities markets generally, and further impact customer demand for our products and their ability to make payments. Any of these events would likely harm our business, results of operations, financial condition or cash flows.

***We are currently operating in a period of economic uncertainty and capital markets disruption due to various geopolitical and macro-economic factors, which may materially adversely affect our business, financial condition, and results of operations.*** U.S. and global markets are continuing to experience volatility and disruption following among other things the escalation of geopolitical tensions in February 2022 with Russia's invasion of Ukraine. The overall macro global economy, including the ongoing military conflict in Ukraine is highly unpredictable and has already led to market disruptions, including volatile capital markets, higher interest rates and debt capital costs, diminished liquidity and credit availability, declines in consumer confidence and discretionary spending, as well as supply chain disruptions and increases in costs of certain raw materials and transportation, which have in turn contributed to global inflationary pressures. These and related actions, responses, and consequences may contribute to world-wide economic downturns. In addition, prolonged unrest, military activities, or broad-based sanctions could have a material adverse effect on our operations and business outlook. Given our meaningful reliance on revenue generated outside of North America (which constituted 43% of our total revenue in fiscal 2022) and our reliance on revenue generated in EMEA (which constituted 35% of our total revenue in fiscal 2022), disruption of commercial activities in these regions may materially adversely affect our financial condition and results of operations. Russia's invasion of Ukraine has also elevated the risk of cyber-attacks on U.S. and global companies, and as discussed elsewhere herein, any such cyber-attack could similarly impact or disrupt our commercial activities. Although we cannot predict what the impacts may be, our global operations and reliance on interconnected technology increase the risk to our operations. The extent and duration of the conflict in Ukraine, geopolitical tensions, inflationary pressures and resulting market disruptions are impossible to predict but could be substantial.

***Fluctuations in foreign currency exchange rates or interest rates have had, and could continue to have, an adverse impact on our financial condition and results of operations.*** Changes in the value of foreign currencies relative to the U.S. dollar and related changes in interest rates have adversely affected our results of operations and financial position and could continue to do so. In recent periods, as the value of the U.S. dollar has strengthened in comparison to certain foreign currencies (particularly in EMEA), our reported international revenue has been reduced because foreign currencies translate into fewer U.S. dollars. As approximately one-third of our revenue is denominated in foreign currencies, these exchange rate fluctuations have impacted, and we expect will continue to impact, our revenue results. Please see *Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7* for additional information. We seek to reduce our exposure to fluctuations in exchange rates by entering into foreign exchange forward contracts to hedge certain actual and forecasted transactions of selected currencies (mainly in Europe, Brazil, India and Australia); however, our currency hedging transactions may not be effective in reducing the adverse impact of fluctuations in foreign currency exchange rates. Further, as geopolitical volatility around the world increases, there is increasing risk of the imposition of exchange or price controls, or other restrictions on the conversion of foreign currencies, which could have a material adverse effect on our business.

***Revenue forecasting is uncertain, and the failure to meet our forecasts could result in a decline in our stock price.*** Our revenues, particularly new software license revenues or economic impacts from M&A activities, are difficult to forecast. We use a pipeline system to forecast revenues and trends in our business. Our pipeline estimates may prove to be unreliable either in a particular quarter or over a longer period of time, in part because the conversion rate of the pipeline into contracts can be difficult to estimate and requires management judgment. A variation in the conversion rate could cause us to plan or budget incorrectly and result in a material adverse impact on our business or our planned results of operations. Furthermore, most of our expenses are relatively fixed, including costs of personnel and facilities. Thus, an unexpected reduction in our revenue, or failure to achieve the anticipated rate of growth or realize synergies from M&A activity, would have a material adverse effect on our profitability. If our operating results do not meet our publicly stated guidance or the expectations of investors or analysts, our stock price may decline.

***Our revenue and quarterly results may fluctuate, which could adversely affect our stock price.*** We have experienced, and may in the future experience, significant fluctuations in our quarterly operating results that may be caused by many factors. These factors include:

- changes in demand for our products;
- introduction, enhancement or announcement of products by us or our competitors;

- market acceptance of our new products, including acquired products;
- the growth rates of certain market segments in which we compete;
- size and timing of significant orders;
- a high percentage of our revenue is generated in the third month of each fiscal quarter and any failure to receive, complete or process orders at the end of any quarter could cause us to fall short of our revenue targets;
- budgeting cycles of customers;
- mix of distribution channels;
- mix of products and services sold;
- mix of international and North American revenues;
- fluctuations in currency exchange rates;
- changes in the level of operating expenses, including unforeseen expenses incurred in connection with items such as cyber security instances;
- changes in management;
- restructuring programs;
- changes in our sales force;
- completion or announcement of acquisitions by us or our competitors;
- integration of acquired businesses or inability to realize expected synergies;
- customer order deferrals in anticipation of new products announced by us or our competitors;
- general economic conditions in regions in which we conduct business; and
- other factors such as political or social unrest, terrorist attacks, other hostilities, natural disasters, cyber-attacks, and potential public health crises, such as pandemics.

***Our common stock price may continue to be volatile, which could result in losses for investors.*** The market price of our common stock, like that of other technology companies, is volatile and is subject to wide fluctuations in response to quarterly variations in operating results, announcements of technological innovations or new products by us or our competitors, changes in financial estimates by securities analysts or other events or factors. Our stock price may also be affected by broader market trends unrelated to our performance. As a result, purchasers of our common stock may be unable at any given time to sell their shares at or above the price they paid for them.

**Risks Related to our Indebtedness and Convertible Senior Notes**

***Our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations.*** As of November 30, 2022, we had approximately $618 million of consolidated indebtedness. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our security holders and our business, results of operations and financial condition by, among other things:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes;
- limiting our flexibility to plan for, or react to, changes in our business;
- diluting the interests of our existing stockholders as a result of issuing shares of our common stock upon conversion of our Convertible Senior Notes with an aggregate principal amount of $325 million, due April 15, 2026 (the "Notes"); and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our current or future indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our current or future indebtedness, including the Notes, and our cash needs may increase in the future. In addition, our credit facility contains, and any future indebtedness that we may incur may contain, financial and other restrictive covenants that limit our ability to operate our business, raise capital or make payments under our other indebtedness. If we fail to comply with these covenants or to make payments under our indebtedness when due, then we would be in default under that indebtedness, which could, in turn, result in that and our other indebtedness becoming immediately payable in full.

***We are required to comply with certain financial and operating covenants under our credit facility and to make scheduled debt payments as they become due; any failure to comply with those covenants or to make scheduled payments could cause amounts borrowed under the facility to become immediately due and payable or prevent us from borrowing under the facility.*** In January 2022, we entered into an amended and restated credit agreement, which provides for a $275.0 million term loan and a $300.0 million revolving loan (which may be increased by an additional $260.0 million if the existing or additional lenders are willing to make such increased commitments). This facility matures in January 2027, at which time any amounts outstanding will be due and payable in full. We may wish to borrow additional amounts under the facility in the future to support our operations, including for strategic acquisitions and share repurchases.

We are required to comply with specified financial and operating covenants and to make scheduled repayments of our term loan, which may limit our ability to operate our business as we otherwise might operate it. Our failure to comply with any of these covenants or to meet any payment obligations under the facility could result in an event of default which, if not cured or waived, would result in any amounts outstanding, including any accrued interest and unpaid fees, becoming immediately due and payable. We might not have sufficient working capital or liquidity to satisfy any repayment obligations in the event of an acceleration of those obligations. In addition, if we are not in compliance with the financial and operating covenants at the time we wish to borrow funds, we will be unable to borrow funds.

***We may be required to repay the Credit Agreement prior to the stated maturity date, if the springing maturity feature is triggered.*** On January 25, 2022, we entered into an amended and restated credit agreement (the "Credit Agreement"), which provides for a $275.0 million secured term loan and a $300.0 million secured revolving line of credit. The Credit Agreement has a stated maturity date of January 25, 2027, but includes a springing maturity feature that will cause the stated maturity date to spring ahead to the date that is 181 days prior to the maturity date of our Notes subject to certain conditions as set forth in the Credit Agreement, including the repayment of the Notes, the refinancing of the Notes including a maturity date that is at least 181 days after January 25, 2027 and compliance with a liquidity test when all amounts outstanding will be due and payable in full. If such springing maturity feature is triggered, we will be required to pay all amounts outstanding under the credit facility sooner than they would otherwise be due, we may not have sufficient funds available to pay such amounts at that time, and we may not be able to raise additional funds to pay such amounts on a timely basis, on terms we find acceptable, or at all.

***The capped call transactions may affect the value of our common stock.*** In connection with the issuance of the Notes, we entered into capped call transactions with certain financial institutions (“option counterparties”). The capped call transactions are generally expected to reduce the potential dilution to our common stock upon any conversion of the Notes and/or offset any cash payments we are 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. From time to time, the option counterparties that are parties to the capped call transactions or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the Notes. This activity could cause a decrease in the market price of our common stock.

***The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.*** Noteholders may require us to repurchase their Notes following a fundamental change at a cash repurchase price generally equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any. In addition all conversions of Notes will be settled partially or entirely in cash. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the Notes or pay the cash amounts due upon conversion. In addition, applicable law, regulatory authorities and the agreements governing our other indebtedness may restrict our ability to repurchase the Notes or pay the cash amounts due upon conversion. Our failure to repurchase Notes or to pay the cash amounts due upon conversion when required will constitute a default under the indenture governing the terms of the Notes. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness, which may result in that other indebtedness becoming immediately payable in full. If the repayment of such other indebtedness were to be accelerated after any applicable notice or grace periods, then we may not have sufficient funds to repay that indebtedness and repurchase the Notes or make cash payments upon their conversion.

***We are subject to counterparty risk with respect to the capped call transactions, and the capped call may not operate as planned.*** The option counterparties are financial institutions, and we are subject to the risk that any or all of them might default under the capped call transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Global economic conditions have from time to time resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the capped call transactions with such option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price subject to the cap and in the volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the option counterparties.

***Provisions in the indenture could delay or prevent an otherwise beneficial takeover of us.*** Certain provisions in the Notes and the indenture could make a third party attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a fundamental change, then Noteholders will have the right to require us to repurchase their Notes for cash. In addition, if a takeover constitutes a make-whole fundamental change, then we may be required to temporarily increase the conversion rate. In either case, and in other cases, our obligations under the Notes and the indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, including in a transaction that Noteholders or holders of our common stock may view as favorable.

***Conversion of the Notes may dilute the ownership interest of existing stockholders.*** The conversion of some or all of the Notes will dilute the ownership interests of existing stockholders to the extent we deliver shares of our common stock upon conversion of any of the Notes. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could be used to satisfy short positions, or anticipated conversion of the Notes into shares of our common stock could depress the price of our common stock.

**Item 1B. Unresolved Staff Comments**

As of the date of this report, we do not have any open comments from the SEC related to our financial statements or periodic filings.

**Item 2. Properties**

During fiscal year 2022, we sold our corporate headquarters in Bedford, Massachusetts and moved to an existing leased office space in Burlington, Massachusetts. We lease our headquarters facility, which includes administrative, sales, support, marketing, product development and distribution functions, in one building totaling approximately 33,000 square feet in Burlington, Massachusetts.

We also maintain offices for administrative, sales, support, marketing, product development and/or distribution purposes in leased facilities in various other locations in North America, including Morrisville, North Carolina, and Alpharetta, Georgia and outside North America, including Sofia, Bulgaria, Limerick, Ireland, Brno, Czech Republic, Bengaluru and Hyderabad, India, and Rotterdam, the Netherlands. The terms of our leases generally range from one to fifteen years.

Beginning in March 2020, our employees across all geographic regions shifted to working from home due to the COVID-19 pandemic. In early 2021, we reopened our offices in locations where it was permissible to do so, but most of our employees continued to work from home. Our focus remains on promoting employee health and safety, so we are not requiring employees to return to the office at this time. At the end of fiscal year 2021, we adopted an approach to work that gives our employees more flexibility to choose where to work. Depending on their role, this means that employees can choose their office location, as well as continue to work from home some or all the time. As of November 30, 2022, we have not terminated any significant lease arrangements. We believe our facilities are adequate for the conduct of our business.

**Item 3. Legal Proceedings**

We are subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material effect on our consolidated financial position, results of operations or cash flows.

**Item 4. Mine Safety Disclosures**

Not applicable.

**PART II**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

**Market and Stockholders**

Our common stock trades on the NASDAQ Global Select Market under the symbol "PRGS".

As of December 31, 2022, our common stock was held by approximately 128 stockholders of record. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

**Unregistered Sales of Equity Securities and Use of Proceeds**

All issuances of unregistered securities during fiscal year 2022, if any, have previously been disclosed in filings with the SEC.

**Recent Sales of Unregistered Equity Securities**

All issuances of unregistered securities during fiscal year 2022, if any, have previously been disclosed in filings with the SEC.

**Stock Repurchases and Dividends**

Repurchases of our common stock by month in the fourth quarter of fiscal year 2022 were as follows:

| 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 |
|---|---|---|---|---|
| September 2022 | — | $ — | — | $ 79,476 |
| October 2022 | 33,856 | 44.79 | 33,856 | 77,959 |
| November 2022 | — | — | — | 77,959 |
| Total | 33,856 | $ 44.79 | 33,856 | $ 77,959 |

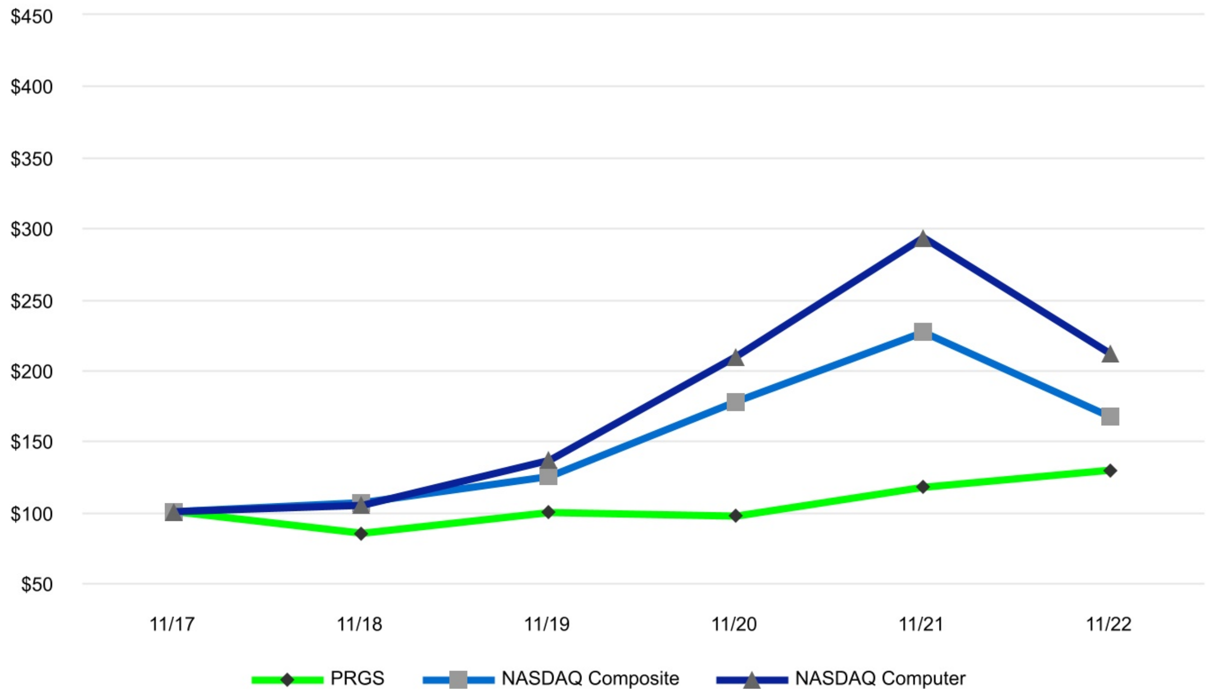
On January 10, 2023, our Board of Directors increased our share repurchase authorization by $150.0 million, to an aggregate authorization of $228.0 million. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors, and the Board of Directors may choose to suspend, expand or discontinue the repurchase program at any time.

We have declared aggregate per share quarterly cash dividends totaling $0.70, $0.70 and $0.67 for the years ended November 30, 2022, November 30, 2021 and November 30, 2020, respectively. We paid aggregate cash dividends totaling $31.1 million, $31.6 million and $29.9 million for the years ended November 30, 2022, November 30, 2021 and November 30, 2020, respectively. Our Board of Directors may choose to suspend, decrease, or discontinue utilizing dividends as part of our capital allocation strategy at any time, particularly, if doing so, may advance our accretive M&A strategy.

**Stock Performance Graph and Cumulative Total Return**

The graph below compares the cumulative total stockholder return on our common stock with the cumulative total return on the NASDAQ Composite Index and the NASDAQ Computer Index for each of the last five fiscal years ended November 30, 2022, assuming an investment of $100 at the beginning of such period and the reinvestment of any dividends.

**Comparison of 5 Year Cumulative Total Return[1]**
**Among Progress Software Corporation, the NASDAQ Composite Index and the NASDAQ Computer Index**




[1] $100 invested on November 30, 2017 in stock or index, including reinvestment of dividends.

| November 30, | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Progress Software Corporation | $ 100.00 | $ 85.05 | $ 99.49 | $ 97.00 | $ 117.20 | $ 128.98 |
| NASDAQ Composite | 100.00 | 106.64 | 124.64 | 177.46 | 226.04 | 166.83 |
| NASDAQ Computer | 100.00 | 104.71 | 135.95 | 208.91 | 293.19 | 210.78 |

**Item 6. [Reserved]**

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of operations and financial condition of Progress Software Corporation. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying Notes to Financial Statements (Part II, Item 8 of this Form 10-K). This section generally discusses the results of our operations for the year ended November 30, 2022 compared to the year ended November 30, 2021. For a discussion of the year ended November 30, 2021 compared to the year ended November 30, 2020, please refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended November 30, 2021, as amended.

**Forward-Looking Statements**

*Certain statements below about anticipated results and our products and markets are forward-looking statements that are based on our current plans and assumptions. Important information about the bases for these plans and assumptions and factors that may cause our actual results to differ materially from these statements is contained below and in Part I, Item 1A. "Risk Factors" of this Annual Report on Form 10-K.*

**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.

**Overview**

Progress Software Corporation ("Progress," the "Company," "we," "us," or "our") is the trusted provider of the best products to develop, deploy and manage high-impact business applications. We enable our customers to develop the applications and experiences they need, deploy where and how they want, and manage it all safely and securely. Progress helps customers drive faster cycles of innovation, fuel momentum and accelerate their path to success.

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 providing the platform 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 in order to more efficiently 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.; and in November 2021, we acquired Kemp Technologies. These acquisitions met our strict financial criteria. In addition, on January 3, 2023, we announced our entry into a definitive agreement with Vector Maven Holdings, Inc. and Vector Maven Holdings, L.P. to acquire MarkLogic, a leader in managing complex data and metadata (subject to the satisfaction of the terms and conditions set forth in the definitive agreement).

In recent years, our total growth strategy described above has resulted in the rapid expansion of our product portfolio. As our portfolio evolves, we continuously evaluate our organization for additional synergies and efficiencies. Therefore, we are working to realign our go-to-market, product, and operational teams and to increase centralization of shared services and functions across our company. We believe that these changes will improve collaboration among the teams that develop, sell, and support our products; enhance our ability to integrate acquired businesses; and lead to greater system uniformity and increased operating efficiency.

**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.

In fiscal year 2022, we repurchased and retired 1.7 million shares of our common stock for $77.0 million. As of November 30, 2022, there was $78.0 million remaining under the share repurchase program authorized by our Board of Directors. On January 10, 2023, our Board of Directors increased our total share repurchase authorization by $150.0 million, to an aggregate authorization of $228.0 million. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors, and the Board of Directors may choose to suspend, expand or discontinue the repurchase program at any time.

We began paying quarterly cash dividends of $0.125 per share of common stock to Progress stockholders in December 2016 and increased the quarterly cash dividend annually in fiscal years 2017, 2018 and 2019. On September 22, 2020, our Board of Directors approved an additional increase of 6% to our quarterly cash dividend from $0.165 to $0.175 and declared a quarterly dividend of $0.175 per share of common stock. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination of our Board of Directors.

As described above, we expect to continue to pursue acquisitions meeting our financial criteria and 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 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.

We derive a significant portion of our revenue from international operations, which are primarily conducted in foreign currencies. As a result, changes in the value of these foreign currencies relative to the U.S. dollar have significantly impacted our results of operations and may impact our future results of operations. Since approximately one-third of our revenue is denominated in foreign currency, and given the recent volatility in the global economy, our revenue results in fiscal year 2021 and 2022 were impacted by fluctuations in foreign currency exchange rates.

**Results of Operations**

**Fiscal Year 2022 Compared to Fiscal Year 2021**

*Revenue*

| | Fiscal Year Ended | | Percentage Change | |
|---|---|---|---|---|
| *(In thousands)* | November 30, 2022 | November 30, 2021 | As Reported | Constant Currency |
| Revenue | $ 602,013 | $ 531,313 | 13 % | 16 % |

The increase in revenue in fiscal year 2022 was driven by the acquisition of Kemp, which closed during the fourth quarter of fiscal year 2021, and increases in our OpenEdge, DevTools, Sitefinity, and Corticon product offerings. These increases were partially offset by the negative impact of foreign exchange on license and maintenance revenue in our EMEA region. Changes in prices from fiscal year 2021 to 2022 did not have a significant impact on our revenue.

*Software License Revenue*

| | Fiscal Year Ended | | Percentage Change | |
|---|---|---|---|---|
| *(In thousands)* | November 30, 2022 | November 30, 2021 | As Reported | Constant Currency |
| License | $ 188,336 | $ 156,590 | 20 % | 24 % |
| *As a percentage of total revenue* | *31 %* | *29 %* | | |

Software license revenue increased in fiscal year 2022 primarily due to the acquisition of Kemp, as well as increases in license sales in our DataDirect and Corticon product offerings, which was partially offset by the negative impact of foreign exchange.

*Maintenance and Services Revenue*

| *(In thousands)* | Fiscal Year Ended November 30, 2022 | Fiscal Year Ended November 30, 2021 | Percentage Change As Reported | Percentage Change Constant Currency |
|---|---|---|---|---|
| Maintenance | $ 362,335 | $ 325,863 | 11 % | 14 % |
| *As a percentage of total revenue* | *60 %* | *61 %* | | |
| Professional services | $ 51,342 | $ 48,860 | 5 % | 7 % |
| *As a percentage of total revenue* | *9 %* | *10 %* | | |
| Total maintenance and services revenue | $ 413,677 | $ 374,723 | 10 % | 13 % |
| *As a percentage of total revenue* | *69 %* | *71 %* | | |

Maintenance revenue increased in fiscal year 2022 primarily due to the acquisition of Kemp, as well as an increase in maintenance revenue from our Chef, Ipswitch and DevTools product offerings, partially offset by the negative impact of foreign exchange in our EMEA region. Professional services revenue increased primarily due to increased services revenue from our Sitefinity, Ipswitch, and DevTools product offerings.

*Revenue by Region*

| *(In thousands)* | Fiscal Year Ended November 30, 2022 | Fiscal Year Ended November 30, 2021 | Percentage Change As Reported | Percentage Change Constant Currency |
|---|---|---|---|---|
| North America | $ 341,154 | $ 317,814 | 7 % | 7 % |
| *As a percentage of total revenue* | *57 %* | *60 %* | | |
| EMEA | $ 207,707 | $ 169,335 | 23 % | 32 % |
| *As a percentage of total revenue* | *35 %* | *32 %* | | |
| Latin America | $ 18,053 | $ 17,036 | 6 % | 4 % |
| *As a percentage of total revenue* | *3 %* | *3 %* | | |
| Asia Pacific | $ 35,099 | $ 27,128 | 29 % | 33 % |
| *As a percentage of total revenue* | *5 %* | *5 %* | | |

Total revenue generated in North America increased $23.3 million, and total revenue generated outside North America increased $47.4 million, in fiscal year 2022. The increases in North America and EMEA were primarily due to the acquisition of Kemp and increases in license revenue from our DataDirect product offerings and maintenance revenue from our Ipswitch product offerings. Revenue from Latin America increased due to the acquisition of Kemp, and an increase in Sitefinity license and maintenance revenue. Revenue from Asia Pacific increased due to the acquisition of Kemp as well as increases in our OpenEdge, DevTools, and Sitefinity product offerings.

Total revenue generated in markets outside North America represented 43% of total revenue in fiscal year 2022 compared to 40% of total revenue in the same period last year. If exchange rates had remained constant in fiscal year 2022 as compared to the exchange rates in effect in fiscal year 2021, total revenue generated in markets outside North America would have been 45% of total revenue.

*Cost of Software Licenses*

| *(In thousands)* | Fiscal Year Ended November 30, 2022 | Fiscal Year Ended November 30, 2021 | Change | |
|---|---|---|---|---|
| Cost of software licenses | $ 10,243 | $ 5,271 | $ 4,972 | 94 % |
| *As a percentage of software license revenue* | *5 %* | *3 %* | | |
| *As a percentage of total revenue* | *2 %* | *1 %* | | |

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. The year over year increase is due to our acquisition of Kemp in the fourth quarter of fiscal year 2021.

*Cost of Maintenance and Services*

| *(In thousands)* | Fiscal Year Ended November 30, 2022 | November 30, 2021 | Change | |
|---|---|---|---|---|
| Cost of maintenance and services | $ 62,177 | $ 58,242 | $ 3,935 | 7 % |
| *As a percentage of maintenance and services revenue* | *15 %* | *16 %* | | |
| *As a percentage of total revenue* | *10 %* | *11 %* | | |
| Components of cost of maintenance and services: | | | | |
| Personnel Related Costs | $ 44,049 | $ 40,015 | $ 4,034 | 10 % |
| Contractors and Outside Services | 12,286 | 13,087 | (801) | (6)% |
| Hosting and Other | 5,842 | 5,140 | 702 | 14 % |
| Total cost of maintenance and services | $ 62,177 | $ 58,242 | $ 3,935 | 7 % |

Cost of maintenance and services consists primarily of costs of providing customer support, consulting, and education. Cost of maintenance and services increased primarily due to higher personnel and hosting related costs resulting from the acquisition of Kemp, offset by decreased contractors and outside services costs.

*Amortization of Acquired Intangibles*

| *(In thousands)* | Fiscal Year Ended November 30, 2022 | November 30, 2021 | % Change |
|---|---|---|---|
| Amortization of acquired intangibles | $ 22,076 | $ 14,936 | 48 % |
| *As a percentage of total revenue* | *4 %* | *3 %* | |

Amortization of acquired intangibles included in costs of revenue primarily represents the amortization of the value assigned to technology-related intangible assets obtained in business combinations. The year over year increase was due to the addition of Kemp acquired intangibles.

*Gross Profit*

| *(In thousands)* | Fiscal Year Ended November 30, 2022 | November 30, 2021 | % Change |
|---|---|---|---|
| Gross profit | $ 507,517 | $ 452,864 | 12 % |
| *As a percentage of total revenue* | *84 %* | *85 %* | |

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

*Sales and Marketing*

| *(In thousands)* | Fiscal Year Ended November 30, 2022 | November 30, 2021 | Change | |
|---|---|---|---|---|
| Sales and marketing | $ 140,760 | $ 125,890 | $ 14,870 | 12 % |
| *As a percentage of total revenue* | *23 %* | *24 %* | | |
| Components of sales and marketing: | | | | |
| Personnel related costs | $ 119,350 | $ 107,335 | $ 12,015 | 11 % |
| Contractors and outside services | 3,156 | 3,079 | 77 | 3 % |
| Marketing programs and other | 18,254 | 15,476 | 2,778 | 18 % |
| Total sales and marketing | $ 140,760 | $ 125,890 | $ 14,870 | 12 % |

Sales and marketing expenses increased in fiscal year 2022 primarily due to increased personnel related costs associated with our acquisition of Kemp, as well as increases in marketing and sales events costs.

*Product Development*

| *(In thousands)* | Fiscal Year Ended November 30, 2022 | November 30, 2021 | Change | |
|---|---|---|---|---|
| Product development | $ 114,568 | $ 103,338 | $ 11,230 | 11 % |
| *As a percentage of total revenue* | *19 %* | *19 %* | | |
| Components of product development costs: | | | | |
| Personnel related costs | $ 111,009 | $ 98,747 | $ 12,262 | 12 % |
| Contractors and outside services | 2,699 | 3,504 | (805) | (23)% |
| Other product development costs | 860 | 1,087 | (227) | (21)% |
| Total product developments costs | $ 114,568 | $ 103,338 | $ 11,230 | 11 % |

Product development expenses increased in fiscal year 2022 primarily due to increased personnel related costs associated with our acquisition of Kemp, partially offset by decreased contractors and outside services costs and other product development costs.

*General and Administrative*

| *(In thousands)* | Fiscal Year Ended November 30, 2022 | November 30, 2021 | Change | |
|---|---|---|---|---|
| General and administrative | $ 77,876 | $ 65,128 | $ 12,748 | 20 % |
| *As a percentage of total revenue* | *13 %* | *12 %* | | |
| Components of general and administrative: | | | | |
| Personnel Related Costs | $ 61,330 | $ 51,601 | $ 9,729 | 19 % |
| Contractors and Outside Services | 9,763 | 9,299 | 464 | 5 % |
| Other general and administrative costs | 6,783 | 4,228 | 2,555 | 60 % |
| Total cost of general and administrative | $ 77,876 | $ 65,128 | $ 12,748 | 20 % |

General and administrative expenses include the costs of our finance, human resources, legal, information systems and administrative departments. General and administrative expenses increased in fiscal year 2022 primarily due to higher personnel related costs associated with our acquisition of Kemp, as well as increases in contractors and outside services and other general and administrative costs.

*Amortization of Intangibles*

| *(In thousands)* | Fiscal Year Ended November 30, 2022 | November 30, 2021 | % Change |
|---|---|---|---|
| Amortization of intangibles | $ 46,868 | $ 31,996 | 46 % |
| *As a percentage of total revenue* | *8 %* | *6 %* | |

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 acquired intangibles increased in fiscal year 2022 due to the addition of Kemp acquired intangibles, as discussed above.

*Restructuring Expenses*

| *(In thousands)* | Fiscal Year Ended November 30, 2022 | November 30, 2021 | % Change |
|---|---|---|---|
| Restructuring expenses | $ 879 | $ 6,308 | (86)% |
| *As a percentage of total revenue* | *— %* | *1 %* | |

Restructuring expenses recorded in fiscal year 2022 primarily relate to the restructuring activities that occurred in fiscal years 2021 and 2020. See Note 16: Restructuring to our Consolidated Financial Statements in Part II, Item 8 of this Form 10-K for additional details, including types of expenses incurred and the timing of future expenses and cash payments.

*Acquisition-Related Expenses*

| (In thousands) | Fiscal Year Ended November 30, 2022 | Fiscal Year Ended November 30, 2021 | % Change |
|---|---|---|---|
| Acquisition-related expenses | $ 4,603 | $ 4,102 | 12 % |
| *As a percentage of total revenue* | *1 %* | *1 %* | |

Acquisition-related costs are expensed as incurred and include those costs incurred as a result of a business combination. These costs primarily consist of professional services fees, including third-party legal and valuation-related fees, as well as retention fees. Acquisition-related expenses in fiscal year 2022 were primarily related to our pursuit of other acquisition opportunities. Acquisition-related expenses in fiscal year 2021 were primarily related to the acquisition of Kemp, as well as our pursuit of other acquisition opportunities.

*Cyber Incident*

| (In thousands) | Fiscal Year Ended November 30, 2022 | Fiscal Year Ended November 30, 2021 | % Change |
|---|---|---|---|
| Cyber incident | $ 602 | $ — | * |
| *As a percentage of total revenue* | *— %* | *— %* | |

*Not meaningful

As previously disclosed on December 19, 2022, 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. Cyber incident costs relate to the engagement of external cybersecurity experts and other incident response professionals.

*Gain on Sale of Assets Held for Sale*

| (In thousands) | Fiscal Year Ended November 30, 2022 | Fiscal Year Ended November 30, 2021 | % 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) | Fiscal Year Ended November 30, 2022 | Fiscal Year Ended November 30, 2021 | % Change |
|---|---|---|---|
| Income from operations | $ 132,131 | $ 116,102 | 14 % |
| *As a percentage of total revenue* | *22 %* | *22 %* | |

Income from operations increased year over year due to an increase in revenue, offset by increases in costs of revenue and operating expenses as shown above.

*Other (Expense) Income*

| (In thousands) | Fiscal Year Ended November 30, 2022 | Fiscal Year Ended November 30, 2021 | % Change |
|---|---|---|---|
| Interest expense | $ (15,790) | $ (20,045) | (21)% |
| Interest income and other, net | 1,414 | 777 | 82 % |
| Foreign currency loss, net | (500) | (1,300) | (62)% |
| Total other expense, net | $ (14,876) | $ (20,568) | (28)% |
| *As a percentage of total revenue* | *(2)%* | *(4)%* | |

Total other expense, net, decreased in fiscal year 2022 due to decreased interest expense on our convertible senior notes resulting from the adoption of ASU 2020-06. Refer to Note 1, Basis of Presentation for further details on the impact of adoption. The decrease in interest expense on our convertible senior notes was partially offset by increased interest expense on our term loan, which was amended in the first quarter of fiscal year 2022. Refer to Note 9: Debt, for further details on the impact of the amendment. Interest income and other, net, was higher in fiscal year 2022, resulting from the recognition of grant income during the first quarter of the year. Foreign currency loss decreased year over year.

*Provision for Income Taxes*

| (In thousands) | Fiscal Year Ended November 30, 2022 | Fiscal Year Ended November 30, 2021 | % Change |
|---|---|---|---|
| Provision for income taxes | $ 22,186 | $ 17,114 | 30 % |
| *As a percentage of total revenue* | *4 %* | *3 %* | |

Our effective income tax rate was 19% and 18% for fiscal years 2022 and 2021 respectively. The primary reason for the increase in the effective rate was due to the jurisdictional mix of profits.

*Net Income*

| (In thousands) | Fiscal Year Ended November 30, 2022 | Fiscal Year Ended November 30, 2021 | % Change |
|---|---|---|---|
| Net income | $ 95,069 | $ 78,420 | 21 % |
| *As a percentage of total revenue* | *16 %* | *15 %* | |

**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 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. 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, public cloud 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 annual 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 $497.0 million and $480.0 million as of November 30, 2022 and 2021, respectively, which is an increase of 3.5% year-over-year. The growth in ARR was driven by multiple products including OpenEdge, DataDirect, Sitefinity, Chef, DevTools and FileTransfer.

***Net Dollar Retention Rate***

We calculate net dollar 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 dollar retention rate. Net dollar retention rate is not calculated in accordance with GAAP.

Our net dollar retention rates have generally ranged between 98% and 101% for all periods presented. Our high net dollar retention rates illustrate our predictable and durable top line performance.

**Liquidity and Capital Resources**

*Cash, Cash Equivalents and Short-Term Investments*

| *(In thousands)* | November 30, 2022 | November 30, 2021 |
|---|---|---|
| Cash and cash equivalents | $ 256,277 | $ 155,406 |
| Short-term investments | — | 1,967 |
| Total cash, cash equivalents and short-term investments | $ 256,277 | $ 157,373 |

The increase in cash, cash equivalents and short-term investments of $98.9 million from the end of fiscal year 2021 was primarily due to cash inflows from operations of $192.2 million, proceeds from the sale of long-lived assets of $26.0 million, $8.3 million in cash received from the issuance of common stock, and proceeds from the issuance of debt of $7.5 million. These cash inflows were offset by repurchases of common stock of $77.0 million, dividend payments of $31.1 million, the effect of exchange rates on cash of $11.9 million, payments of debt obligations of $6.9 million, purchases of property and equipment of $6.1 million, and payments of issuance costs for long-term debt of $2.3 million. Except as described below, there are no limitations on our ability to access our cash, cash equivalents and short-term investments.

Cash, cash equivalents and short-term investments held by our foreign subsidiaries were $51.8 million and $36.8 million at November 30, 2022 and 2021, respectively. Foreign cash includes unremitted foreign earnings, which are invested indefinitely outside of the U.S. As such, they are 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 the repatriation of earnings would have a material adverse impact on our liquidity.

*Share Repurchases*

In fiscal years 2022 and 2021, we repurchased and retired 1.7 million shares of our common stock for $77.0 million and 0.8 million shares of our common stock for $35.0 million, respectively. In fiscal year 2020, we repurchased and retired 1.4 million shares of our common stock for $60.0 million. As of November 30, 2022, there was $78.0 million remaining under the current share repurchase authorization. On January 10, 2023, our Board of Directors increased our share repurchase authorization by $150.0 million, to an aggregate authorization of $228.0 million. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors, and the Board of Directors may choose to suspend, expand, or discontinue the repurchase program at any time.

*Dividends*

We began paying quarterly cash dividends of $0.125 per share of common stock to Progress stockholders in December 2016 and have paid quarterly dividends since that time. On September 23, 2022, our Board of Directors declared a quarterly dividend of $0.175 per share of common stock that was paid on December 15, 2022 to stockholders of record as of the close of business on December 1, 2022. On January 10, 2023, our Board of Directors declared a quarterly dividend of $0.175 per share of common stock that will be paid on March 15, 2023 to shareholders of record as of the close of business on March 1, 2023. We have paid aggregate cash dividends totaling $31.1 million, $31.6 million and $29.9 million for the years ended November 30, 2022, November 30, 2021 and November 30, 2020, respectively. 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*

During the fourth quarter of fiscal year 2020, we restructured our operations in connection with the acquisition of Chef. This restructuring resulted in a reduction in redundant positions, primarily within administrative functions of Chef. For the fiscal years ended November 30, 2022, 2021, and 2020, we incurred expenses of $0.4 million, $4.1 million and $3.9 million, respectively, relating to this restructuring. The expenses are recorded as restructuring expenses in the consolidated statements of operations. We expect to incur additional expenses as part of this action related to facility closures as we consolidate offices in various locations during fiscal year 2023, but we do not expect these costs to be material. Cash disbursements for expenses incurred to date under this restructuring are expected to be made through fiscal year 2027. Accordingly, the balance of the restructuring reserve of $3.9 million is included in short-term and long-term lease liabilities on the consolidated balance sheet at November 30, 2022.

During the fourth quarter of fiscal year 2021, we restructured our operations in connection with the acquisition of Kemp. This restructuring resulted in a reduction in redundant positions, primarily within administrative functions of Kemp. For the fiscal years ended November 30, 2022 and 2021, we incurred expenses of $0.5 million and $2.0 million, respectively, relating to this restructuring. The expenses are recorded as restructuring expenses in the consolidated statements of operations. We expect to incur additional expenses as part of this action related to employee costs, but we do not expect these costs to be material. Minimal cash disbursements for expenses incurred to date under this restructuring are expected to be made through fiscal year 2023. Accordingly, the minimal balance of the restructuring reserve is included in other accrued liabilities on the consolidated balance sheet at November 30, 2022.

*Credit Facility*

On January 25, 2022, we entered into the Credit Agreement providing for a $275.0 million secured term loan and a $300.0 million secured revolving credit facility. The Credit Agreement matures on the earlier of (i) January 25, 2027 and (ii) the date that is 181 days prior to the maturity date of our Notes (defined below) subject to certain conditions. The revolving credit facility does not require amortization of principal. The term loan requires repayment of principal at the end of each fiscal quarter, beginning with the fiscal quarter ending February 28, 2022. The first eight payments are in the principal amount of $1.7 million each, the following four payments are in the principal amount of $3.4 million each, the following eight payments are in the principal amount of $5.2 million each and the last payment is of the remaining principal amount. Any amounts outstanding under the term loan thereafter would be due on the maturity date. The term loan may be prepaid before maturity in whole or in part at our option without penalty or premium.

Revolving loans may be borrowed, repaid, and reborrowed until January 25, 2027, at which time all amounts outstanding must be repaid. As of November 30, 2022, there were no outstanding amounts under the revolving line of credit and $2.3 million of letters of credit.

The Credit Agreement contains customary affirmative and negative covenants, 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 and a consolidated total net leverage ratio. Additionally, the Credit Agreement includes customary events of default, that in event of, could result in the acceleration of the obligations under the Credit Agreement. We are in compliance with all financial covenants as of November 30, 2022. See Note 9: Debt for further discussion.

*Convertible Senior Notes*

In April 2021, we issued, in a private placement, Convertible Senior Notes with an aggregate principal amount of $325 million, due April 15, 2026, unless earlier repurchased, redeemed or converted (the "Notes"). There are no required principal payments prior to the maturity of the Notes. In addition, the Company also granted the initial purchasers of the Notes an option to purchase up to an additional $50.0 million aggregate principal amount of the Notes, for settlement within a 13-day period beginning on, and including, April 13, 2021, of which $35 million of additional Notes were purchased for total proceeds of $360 million. The Notes bear interest at an annual rate of 1%, payable semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2021. See Note 9: Debt for further discussion.

*Cash Flows from Operating Activities*

| (In thousands) | Fiscal Year Ended November 30, 2022 | November 30, 2021 | November 30, 2020 |
|---|---|---|---|
| Net income | $ 95,069 | $ 78,420 | $ 79,722 |
| Non-cash reconciling items included in net income | 104,121 | 100,666 | 64,534 |
| Changes in operating assets and liabilities | (7,030) | (556) | 591 |
| Net cash flows from operating activities | $ 192,160 | $ 178,530 | $ 144,847 |

The increase in cash generated from operations in fiscal year 2022 as compared to fiscal year 2021 was primarily due to increased collections resulting from the acquisition of Kemp, as well as particularly strong collections generated from the rest of the business, partially offset by higher compensation related payments as compared to the same period in 2021. The increase in non-cash reconciling items included in net income primarily relates to the increase in amortization of intangibles due to the recent acquisition of Kemp.

Our gross accounts receivable as of November 30, 2022 decreased by $1.8 million from the end of fiscal year 2021. Days sales outstanding ("DSO") in accounts receivable increased to 62 days at the end of fiscal year 2022 compared to 60 days at the end of fiscal year 2021, due to the timing of billings and collections. In addition, our net deferred revenue as of November 30, 2022 increased by $30.1 million from the end of fiscal year 2021.

The significant changes in operating assets and liabilities in fiscal year 2021 as compared to fiscal year 2020 were primarily due to a decrease in accounts receivable and unbilled receivables. There weren't any significant non-cash reconciling items included in net income in fiscal year 2021 or 2020. In addition, our gross accounts receivable as of November 30, 2021 increased by $15.1 million from the end of fiscal year 2020, which was primarily due to the acquisition of Kemp. DSO in accounts receivable increased to 60 days at the end of fiscal year 2021 compared to 54 days at the end of fiscal year 2020.

*Cash Flows from (used in) Investing Activities*

| (In thousands) | Fiscal Year Ended November 30, 2022 | November 30, 2021 | November 30, 2020 |
|---|---|---|---|
| Net investment activity | $ 1,950 | $ 5,950 | $ 11,392 |
| Purchases of property and equipment | (6,090) | (4,654) | (6,517) |
| Proceeds from sale of long-lived assets, net | 25,998 | — | 889 |
| Decrease in escrow receivable and other | 134 | 2,330 | — |
| Payments for acquisitions, net of cash acquired | — | (253,961) | (213,057) |
| Net cash flows from (used in) investing activities | $ 21,992 | $ (250,335) | $ (207,293) |

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, as well as the timing of acquisitions and divestitures. In fiscal year 2022 we received $26.0 million net proceeds from the sale of long-lived assets. Cash used in investing activities was impacted by the acquisition of Kemp for a net cash amount of $254.0 million, and Chef for a net cash amount of $213.1 million, in fiscal years 2021 and 2020, respectively. In addition, we purchased $6.1 million of property and equipment in fiscal year 2022, as compared to $4.7 million in fiscal year 2021, and $6.5 million in fiscal year 2020. We also sold $0.9 million of intangible assets in the fourth quarter of fiscal year 2020.

*Cash Flows (used in) from Financing Activities*

| *(In thousands)* | Fiscal Year Ended November 30, 2022 | November 30, 2021 | November 30, 2020 |
|---|---|---|---|
| Proceeds from stock-based compensation plans | $ 16,165 | $ 15,033 | $ 11,099 |
| Repurchases of common stock | (77,041) | (35,000) | (60,000) |
| Dividend payment to stockholders | (31,063) | (31,561) | (29,900) |
| Proceeds from issuance of convertible senior notes, net of issuance costs of $9.9 million | — | 350,100 | — |
| Purchase of capped calls | — | (43,056) | — |
| Proceeds from the issuance of debt, net of payments of principal and debt issuance costs | (1,660) | (118,217) | 87,212 |
| Other financing activities | (7,824) | (5,186) | (5,331) |
| Net cash flows (used in) from financing activities | $ (101,423) | $ 132,113 | $ 3,080 |

During fiscal year 2022, we received $16.2 million from the exercise of stock options and the issuance of shares under our employee stock purchase plan as compared to $15.0 million in fiscal year 2021 and $11.1 million in fiscal year 2020. In addition, we made dividend payments of $31.1 million to our stockholders in fiscal year 2022, as compared to dividend payments of $31.6 million and $29.9 million in fiscal years 2021 and 2020, respectively. Most significantly, in the second quarter of fiscal year 2021, we received $349.2 million in net proceeds from the issuance of convertible senior notes and paid $43.1 million to purchase capped calls in connection with the convertible note offering. We received proceeds from the issuance of debt of $7.5 million in fiscal year 2022 and $98.5 million in fiscal year 2020. The debt proceeds were offset by payments on our long-term debt of $6.9 million in fiscal year 2022 compared to $117.3 million in fiscal year 2021 (including a $98.5 million repayment on the revolving line of credit), and $11.3 million in fiscal year 2020. In addition, we repurchased $77.0 million of our common stock under our share repurchase plan in fiscal year 2022, compared to $35.0 million in fiscal year 2021, and $60.0 million in fiscal year 2020.

*Indemnification Obligations*

We include standard intellectual property indemnification provisions in our licensing agreements in the ordinary course of business. Pursuant to our product license agreements, we will indemnify, hold harmless, and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally business partners or customers, in connection with certain patent, copyright or other intellectual property infringement claims by third parties with respect to our products. Other agreements with our customers provide indemnification for claims relating to property damage or personal injury resulting from the performance of services by us or our subcontractors. Historically, our costs to defend lawsuits or settle claims relating to such indemnity agreements have been insignificant. Accordingly, the estimated fair value of these indemnification provisions is immaterial.

*Liquidity Outlook*

Cash from operations in fiscal year 2023 could be affected by various risks and uncertainties, including, but not limited to, the effects of various risks detailed in Part I, Item 1A titled "Risk Factors" which have led to increased disruption and volatility in capital markets and credit markets that could adversely affect our liquidity and capital resources. 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.

On January 3, 2023, we entered into a definitive agreement to acquire MarkLogic for approximately $355 million, subject to certain working capital and other adjustments. We expect to fund the acquisition through a combination of approximately $155.0 million of existing cash resources and by drawing down approximately $200.0 million from our existing revolving credit facility. The acquisition is currently expected to close in early 2023, subject to obtaining regulatory approvals and satisfaction of other customary closing conditions set forth in the definitive agreement. See Item 8, Note 20: Subsequent Events for further discussion.

**Critical Accounting Estimates**

Management's discussion and analysis of financial condition and results of operations are based on 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 we believe are reasonable under the circumstances.

We are not aware of any specific event or circumstance that would require updates to our estimates or judgments or require us to revise the carrying value of our assets or liabilities as of the date of filing of this Annual Report on Form 10-K with the SEC. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

We have identified the following critical accounting estimates that require the use of significant judgments and estimates in the preparation of our consolidated financial statements.

***Revenue Recognition***

Our contracts with customers typically include promises to license one or more products and services to a customer. Determining whether products and services are distinct performance obligations that should be accounted for separately requires significant judgment. Significant judgment is also required to determine the stand-alone selling price ("SSP") of each distinct performance obligation. Our licenses are sold as perpetual or term licenses, and the arrangements typically contain various combinations of maintenance and services, which are generally accounted for as separate performance obligations. We use the residual approach to allocate the transaction price to our software license performance obligations because, due to the pricing of our licenses being highly variable, they do not have an observable SSP.

Maintenance revenue is recognized ratably over the contract period. The SSP of maintenance services is a percentage of the net selling price of the related software license. Professional services revenue is generally recognized as the services are delivered to the customer. We apply the practical expedient of recognizing revenue upon invoicing for time and materials-based arrangements. The SSP of services is based upon observable prices in similar transactions using the hourly rates sold in stand-alone services transactions. Services are either sold on a time and materials basis or prepaid upfront. Revenue related to software-as-a-service ("SaaS") offerings is recognized ratably over the contract period. The SSP of SaaS performance obligations is determined based upon observable prices in stand-alone SaaS transactions.

We also consider whether an arrangement has any discounts, material rights, or specified future upgrades that may represent additional performance obligations, although we do not have a history of offering these elements.

***Business Combinations***

We allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The estimates used to value the net assets acquired are based in part on historical experience and information obtained from the management of the acquired company. We generally value the identifiable intangible assets acquired using a discounted cash flow model. The significant estimates used in valuing certain of the intangible assets include, but are not limited to: future expected cash flows of the asset, discount rates to determine the present value of the future cash flows, attrition rates of customers, and expected technology life cycles. We also estimate the useful lives of the intangible assets based on the expected period over which we anticipate generating economic benefit from the asset.

Our estimates of fair value are based on assumptions believed to be reasonable at that time. If management made different estimates or judgments, material differences in the fair values of the net assets acquired may result.

**Recent Accounting Pronouncements**

Refer to Note 1: Nature of Business and Summary of Significant Accounting Policies to our Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to a variety of risks, including changes in interest rates affecting the return on our investments and borrowing activities and foreign currency fluctuations. We have established policies and procedures to manage our exposure to fluctuations in interest rates and foreign currency exchange rates.

*Interest Rate Risk*

Exposure to interest rate risk is related to changing interest rates under our Credit Agreement, which are variable and determined by reference to a term benchmark rate or a base rate at our option. The rates range from 1.00% to 2.00% above the term benchmark rate or from 0.00% to 1.00% above the defined base rate for base rate borrowings, in each case based upon our 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. The outstanding balance of the term loan as of November 30, 2022 was $268.1 million.

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 interest rate swap contract, we receive a floating rate based on the greater of 1-month LIBOR or 0.00% and pay a fixed rate of 1.855% on the outstanding notional amount. As of November 30, 2022, the notional value of the hedge was $120.0 million. As of November 30, 2022, the fair value of the hedge was a gain of $4.4 million and was included in other assets on our consolidated balance sheets.

| | November 30, 2022 | | November 30, 2021 | |
|---|---|---|---|---|
| | Notional Value | Fair Value | Notional Value | Fair Value |
| Interest rate swap contracts designated as cash flow hedges | $ 120,000 | $ 4,407 | $ 133,125 | $ (3,078) |

*Foreign Currency Risk*

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 consolidated balance sheets at the end of each reporting period and expire between 30 days and 2 years from the date the contract was entered. In fiscal year 2022, realized and unrealized losses of $7.7 million from our forward contracts were recognized in foreign currency loss, net on the consolidated statements of operations. These losses were substantially offset by realized and unrealized gains and losses on the offsetting positions.

Foreign currency translation exposure from a 10% movement of currency exchange rates would have a material impact on our reported revenue and net income. Based on a hypothetical 10% adverse movement in all foreign currency exchange rates, our revenue would be adversely affected by approximately 3%, or $17 million, and our net income would be adversely affected by approximately 6%, or $6 million (excluding any offsetting positive impact from our ongoing hedging programs), although the actual effects may differ materially from the hypothetical analysis.

The table below details outstanding foreign currency forward contracts at November 30, 2022 and 2021 where the notional amount is determined using contract exchange rates (in thousands):

| | November 30, 2022 | | November 30, 2021 | |
|---|---|---|---|---|
| | Notional Value | Fair Value | Notional Value | Fair Value |
| Forward contracts to sell U.S. dollars | $ 74,578 | $ (2,995) | $ 79,777 | $ (371) |
| Forward contracts to purchase U.S. dollars | 544 | (5) | 119 | (1) |
| Total | $ 75,122 | $ (3,000) | $ 79,896 | $ (372) |

## Item 8. Financial Statements and Supplementary Data

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Progress Software Corporation

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Progress Software Corporation and subsidiaries (the "Company") as of November 30, 2022 and 2021, the related consolidated statements of operation, comprehensive income, stockholders' equity, and cash flows, for each of the three years in the period ended November 30, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended November 30, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of November 30, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 27, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company changed its method of accounting for convertible debt effective December 1, 2021 due to the adoption of ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, using the modified retrospective adoption method.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### Revenue recognition - Refer to Note 1 to the financial statements

### Critical Audit Matter Description

The Company derives revenue from multiple sources, including software licenses, maintenance and services. Frequently, the customer arrangements provide software licenses combined with maintenance and therefore including multiple performance obligations under ASC 606, Revenue from Contracts with Customer. The identification of performance obligations of the arrangement, particularly for more complex customer arrangements, requires a detailed analysis of the contractual terms and application of more complex accounting guidance. In addition, the allocation of the transaction price to each performance obligations within an arrangement (license, maintenance, and services) and the timing of revenue recognition, requires the application of management judgment. Revenue arrangements with higher contract values frequently require more complex management judgments.

Given the accounting complexity and the management judgment necessary to identify performance obligations in the arrangement and determine the timing and allocation of revenue in arrangements with multiple performance obligations, auditing revenue recognition for such arrangements required a high degree of auditor judgment and an increased extent of effort.

**How the Critical Audit Matter Was Addressed in the Audit**

Our audit procedures related to the recognition of revenue from multiple-performance-obligation arrangements included the following, among others:

- We tested the effectiveness of controls over revenue recognition, including those over the identification of performance obligations included in the transaction, the allocation of transaction price to these performance obligations, the timing of revenue recognition.
- We evaluated the Company's accounting policies in the context of the applicable accounting standards.
- We evaluated the appropriateness and consistency of the methods and assumptions used by management to determine the standalone selling price of delivered and undelivered performance obligations of the arrangement.
- We selected a sample of revenue arrangements, including those arrangements that we considered individually significant, and performed the following procedures:
  - We obtained and read the contracts and related contract documentation.
  - We evaluated whether the management properly identified the contract terms of the arrangements and tested management's application of the Company's policies.
  - We tested management's identification of the performance obligations.
  - We tested the measurement of the arrangement consideration expected to be received.
  - We tested whether the Company appropriately allocated the transaction price to the performance obligations, based on the estimated stand-alone selling prices.
  - We tested whether the consideration allocated to each performance obligation was recognized in the correct accounting period.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
January 27, 2023

We have served as the Company's auditor since 1990.

**PROGRESS SOFTWARE CORPORATION**
**Consolidated Balance Sheets**

| *(In thousands, except share data)* | November 30, 2022 | November 30, 2021 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 256,277 | $ 155,406 |
| Short-term investments | — | 1,967 |
| Total cash, cash equivalents and short-term investments | 256,277 | 157,373 |
| Accounts receivable (less allowances of $859 in 2022 and $634 in 2021) | 97,834 | 99,815 |
| Unbilled receivables and contract assets, net | 29,158 | 25,816 |
| Other current assets | 42,784 | 39,549 |
| Assets held for sale | — | 15,255 |
| Total current assets | 426,053 | 337,808 |
| Long-term unbilled receivables and contract assets, net | 39,936 | 17,464 |
| Property and equipment, net | 14,927 | 14,345 |
| Intangible assets, net | 217,355 | 287,185 |
| Goodwill | 671,037 | 671,152 |
| Right-of-use lease assets | 17,574 | 25,253 |
| Deferred tax assets | 11,765 | 1,415 |
| Other assets | 12,832 | 8,915 |
| Total assets | $ 1,411,479 | $ 1,363,537 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Current portion of long-term debt, net | $ 6,234 | $ 25,767 |
| Accounts payable | 9,282 | 9,683 |
| Accrued compensation and related taxes | 42,467 | 47,116 |
| Dividends payable to stockholders | 8,115 | 7,925 |
| Short-term operating lease liabilities | 7,471 | 7,926 |
| Other accrued liabilities | 16,765 | 19,491 |
| Short-term deferred revenue, net | 227,670 | 205,021 |
| Total current liabilities | 318,004 | 322,929 |
| Long-term debt, net | 259,220 | 239,992 |
| Convertible senior notes, net | 352,625 | 294,535 |
| Long-term operating lease liabilities | 15,041 | 23,130 |
| Long-term deferred revenue, net | 54,770 | 47,359 |
| Deferred tax liabilities | 4,628 | 14,163 |
| Other noncurrent liabilities | 8,687 | 8,940 |
| Commitments and contingencies (Note 11) | | |
| Stockholders' equity: | | |
| Preferred stock, $0.01 par value; authorized, 10,000,000 shares; issued, none | — | — |
| Common stock, $0.01 par value, and additional paid-in capital; authorized, 200,000,000 shares; issued and outstanding, 43,257,008 shares in 2022 and 44,146,193 shares in 2021 | 433 | 441 |
| Additional paid-in capital | 331,650 | 354,235 |
| Retained earnings | 101,656 | 90,256 |
| Accumulated other comprehensive loss | (35,235) | (32,443) |
| Total stockholders' equity | 398,504 | 412,489 |
| Total liabilities and stockholders' equity | $ 1,411,479 | $ 1,363,537 |

See notes to consolidated financial statements.

**PROGRESS SOFTWARE CORPORATION**
**Consolidated Statements of Operations**

| *(In thousands, except per share data)* | Fiscal Year Ended November 30, 2022 | Fiscal Year Ended November 30, 2021 | Fiscal Year Ended November 30, 2020 |
|---|---|---|---|
| Revenue: | | | |
| Software licenses | $ 188,336 | $ 156,590 | $ 115,249 |
| Maintenance and services | 413,677 | 374,723 | 326,901 |
| Total revenue | 602,013 | 531,313 | 442,150 |
| Costs of revenue: | | | |
| Cost of software licenses | 10,243 | 5,271 | 4,473 |
| Cost of maintenance and services | 62,177 | 58,242 | 49,744 |
| Amortization of acquired intangibles | 22,076 | 14,936 | 7,897 |
| Total costs of revenue | 94,496 | 78,449 | 62,114 |
| Gross profit | 507,517 | 452,864 | 380,036 |
| Operating expenses: | | | |
| Sales and marketing | 140,760 | 125,890 | 100,113 |
| Product development | 114,568 | 103,338 | 88,599 |
| General and administrative | 77,876 | 65,128 | 54,004 |
| Amortization of acquired intangibles | 46,868 | 31,996 | 20,049 |
| Restructuring expenses | 879 | 6,308 | 5,906 |
| Acquisition-related expenses | 4,603 | 4,102 | 3,637 |
| Cyber incident | 602 | — | — |
| Gain on sale of assets held for sale | (10,770) | — | — |
| Total operating expenses | 375,386 | 336,762 | 272,308 |
| Income from operations | 132,131 | 116,102 | 107,728 |
| Other (expense) income: | | | |
| Interest expense | (15,790) | (20,045) | (10,170) |
| Interest income and other, net | 1,414 | 777 | 1,495 |
| Foreign currency loss, net | (500) | (1,300) | (2,418) |
| Total other expense, net | (14,876) | (20,568) | (11,093) |
| Income before income taxes | 117,255 | 95,534 | 96,635 |
| Provision for income taxes | 22,186 | 17,114 | 16,913 |
| Net income | $ 95,069 | $ 78,420 | $ 79,722 |
| Earnings per share: | | | |
| Basic | $ 2.19 | $ 1.79 | $ 1.78 |
| Diluted | $ 2.15 | $ 1.76 | $ 1.76 |
| Weighted average shares outstanding: | | | |
| Basic | 43,475 | 43,916 | 44,886 |
| Diluted | 44,247 | 44,620 | 45,321 |
| Cash dividends declared per common share | $ 0.70 | $ 0.70 | $ 0.67 |

See notes to consolidated financial statements.

**PROGRESS SOFTWARE CORPORATION**
**Consolidated Statements of Comprehensive Income**

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2022 | November 30, 2021 | November 30, 2020 |
| Net income | $ 95,069 | $ 78,420 | $ 79,722 |
| Other comprehensive (loss) income, net of tax: | | | |
| Foreign currency translation adjustments | (8,468) | (2,439) | 777 |
| Unrealized gain (loss) on hedging activity, net of tax provision of $1,797 and $940 in 2022 and 2021, respectively, and a tax benefit of $1,176 in 2020 | 5,688 | 2,837 | (3,625) |
| Unrealized (loss) gain on investments, net of tax benefit of $4 and $20 in 2022 and 2021, respectively, and a tax provision of $32 in 2020 | (12) | (63) | 44 |
| Total other comprehensive (loss) income, net of tax | (2,792) | 335 | (2,804) |
| Comprehensive income | $ 92,277 | $ 78,755 | $ 76,918 |

See notes to consolidated financial statements.

**PROGRESS SOFTWARE CORPORATION**
**Consolidated Statements of Stockholders' Equity**

| *(in thousands)* | Common Stock: Number of Shares | Common Stock: Amount | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| Balance, November 30, 2019 | 45,037 | $ 450 | $ 295,503 | $ 64,303 | $ (29,974) | $ 330,282 |
| Issuance of stock under employee stock purchase plan | 237 | 2 | 6,604 | — | — | 6,606 |
| Exercise of stock options | 137 | 1 | 4,360 | — | — | 4,361 |
| Vesting of restricted stock units and release of deferred stock units | 416 | 4 | (4) | — | — | — |
| Withholding tax payments related to net issuance of restricted stock units | (140) | (1) | (5,330) | — | — | (5,331) |
| Stock-based compensation | — | — | 23,482 | — | — | 23,482 |
| Dividends declared | — | — | — | (30,305) | — | (30,305) |
| Treasury stock repurchases and retirements | (1,446) | (14) | (18,813) | (41,173) | — | (60,000) |
| Net income | — | — | — | 79,722 | — | 79,722 |
| Other comprehensive loss | — | — | — | — | (2,804) | (2,804) |
| Balance, November 30, 2020 | 44,241 | $ 442 | $ 305,802 | $ 72,547 | $ (32,778) | $ 346,013 |
| Issuance of stock under employee stock purchase plan | 277 | 3 | 7,815 | — | — | 7,818 |
| Exercise of stock options | 195 | 2 | 6,995 | — | — | 6,997 |
| Vesting of restricted stock units and release of deferred stock units | 342 | 3 | (3) | — | — | — |
| Withholding tax payments related to net issuance of restricted stock units | (112) | (1) | (5,185) | — | — | (5,186) |
| Stock-based compensation | — | — | 29,724 | — | — | 29,724 |
| Equity component of Notes, net of issuance costs and tax | — | | 47,456 | | | 47,456 |
| Purchase of capped calls, net of tax | — | — | (32,507) | — | — | (32,507) |
| Dividends declared | — | — | — | (31,581) | — | (31,581) |
| Treasury stock repurchases and retirements | (797) | (8) | (5,862) | (29,130) | — | (35,000) |
| Net income | — | — | — | 78,420 | — | 78,420 |
| Other comprehensive income | — | — | — | — | 335 | 335 |
| Balance, November 30, 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 | 301 | 3 | 9,201 | — | — | 9,204 |
| Exercise of stock options | 174 | 2 | 6,783 | — | — | 6,785 |
| Vesting of restricted stock units and release of deferred stock units | 448 | 5 | (5) | — | — | — |
| Withholding tax payments related to net issuance of restricted stock units | (117) | (1) | (8,487) | — | — | (8,488) |
| Stock-based compensation | — | — | 37,094 | — | — | 37,094 |
| Dividends declared | — | — | — | (31,253) | — | (31,253) |
| Treasury stock repurchases and retirements | (1,695) | (17) | (19,715) | (57,309) | — | (77,041) |
| Net income | — | — | — | 95,069 | — | 95,069 |
| Other comprehensive loss | — | — | — | — | (2,792) | (2,792) |
| Balance, November 30, 2022 | 43,257 | $ 433 | $ 331,650 | $ 101,656 | $ (35,235) | $ 398,504 |

See notes to consolidated financial statements.

**PROGRESS SOFTWARE CORPORATION**
**Consolidated Statements of Cash Flows**

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2022 | November 30, 2021 | November 30, 2020 |
| Cash flows from operating activities: | | | |
| Net income | $ 95,069 | $ 78,420 | $ 79,722 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization of property and equipment | 5,002 | 5,477 | 6,144 |
| Amortization of acquired intangibles and other | 69,730 | 47,507 | 28,621 |
| Amortization of debt discount and issuance costs on Notes | 2,112 | 8,195 | — |
| Stock-based compensation | 37,094 | 29,724 | 23,482 |
| Non-cash lease expense | 7,781 | 10,946 | 8,609 |
| Loss on disposal of long-lived assets, net | — | 7 | 1,025 |
| Gain on sale of assets held for sale | (10,770) | — | — |
| Deferred income taxes | (7,602) | (908) | (2,622) |
| Allowances for bad debt and sales credits | 774 | (282) | 164 |
| Gain on sale of intangible assets | — | — | (889) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable and unbilled receivables | (27,254) | (10,998) | 10,682 |
| Other assets | (2,214) | (15,105) | 1,561 |
| Inventories | (1,556) | 245 | — |
| Accounts payable and accrued liabilities | (3,583) | 5,486 | (4,974) |
| Lease liabilities | (8,571) | (8,406) | (8,101) |
| Income taxes payable | (120) | (2,251) | 3 |
| Deferred revenue, net | 36,268 | 30,473 | 1,420 |
| Net cash flows from operating activities | 192,160 | 178,530 | 144,847 |
| Cash flows from (used in) investing activities: | | | |
| Purchases of investments | — | — | (5,009) |
| Sales and maturities of investments | 1,950 | 5,950 | 16,401 |
| Purchases of property and equipment | (6,090) | (4,654) | (6,517) |
| Payments for acquisitions, net of cash acquired | — | (253,961) | (213,057) |
| Proceeds from sale of long-lived assets, net | 25,998 | — | 889 |
| Decrease in escrow receivable and other | 134 | 2,330 | — |
| Net cash flows from (used in) investing activities | 21,992 | (250,335) | (207,293) |
| Cash flows (used in) from financing activities: | | | |
| Proceeds from stock-based compensation plans | 16,165 | 15,033 | 11,099 |
| Payments for taxes related to net share settlements of equity awards | (7,824) | (5,186) | (5,331) |
| Repurchases of common stock | (77,041) | (35,000) | (60,000) |
| Proceeds from issuance of senior convertible notes, net of issuance costs of $9.9 million | — | 350,100 | — |
| Purchase of capped calls | — | (43,056) | — |
| Dividend payments to stockholders | (31,063) | (31,561) | (29,900) |
| Proceeds from the issuance of debt | 7,475 | — | 98,500 |
| Payment of principal on long-term debt | (6,873) | (117,313) | (11,288) |
| Payment of issuance costs for long-term debt | (2,262) | (904) | — |
| Net cash flows (used in) from financing activities | (101,423) | 132,113 | 3,080 |
| Effect of exchange rate changes on cash | (11,858) | (2,892) | 3,097 |
| Net increase in cash and cash equivalents | 100,871 | 57,416 | (56,269) |
| Cash and cash equivalents, beginning of year | 155,406 | 97,990 | 154,259 |
| Cash and cash equivalents, end of year | $ 256,277 | $ 155,406 | $ 97,990 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Supplemental disclosure: | | | | | | |
| Cash paid for income taxes, net of refunds of $968 in 2022, $894 in 2021 and $724 in 2020 | $ | 28,680 | $ | 25,915 | $ | 16,107 |
| Cash paid for interest | $ | 8,572 | $ | 8,537 | $ | 9,175 |
| Non-cash investing and financing activities: | | | | | | |
| Total fair value of restricted stock awards, restricted stock units and deferred stock units on date vested | $ | 27,626 | $ | 18,102 | $ | 17,046 |
| Dividends declared | $ | 8,115 | $ | 7,925 | $ | 7,904 |

See notes to consolidated financial statements.

**PROGRESS SOFTWARE CORPORATION**
**Notes to Consolidated Financial Statements**

## Note 1: Nature of Business and Summary of Significant Accounting Policies

### The Company

Progress Software Corporation ("Progress," the "Company," "we," "us," or "our") is dedicated to propelling business forward in a technology-driven world. Progress helps customers drive faster cycles of innovation, fuel momentum and accelerate their path to success. As the trusted provider of the best products to develop, deploy and manage high-impact applications, Progress enables customers to develop the applications and experiences the need, deploy where and how they want and manage it all safely and securely.

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 ("ISVs"), original equipment manufacturers ("OEMs"), distributors and value-added resellers. ISVs develop and market applications using our technology and resell our products in conjunction with sales of their own products that incorporate our technology. OEMs 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.

### Accounting Principles

We prepare our consolidated financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States of America ("GAAP").

### Basis of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries (all of which are wholly owned). We eliminate all intercompany balances and transactions.

### Use of Estimates

The preparation of consolidated 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: the timing and amount of revenue recognition, including the determination of the nature and timing of the satisfaction of performance obligations, the standalone selling price of performance obligations, and the transaction price allocated to performance obligations; the realization of tax assets and estimates of tax liabilities; fair values of investments in marketable securities; assets held for sale; intangible assets and goodwill valuations; the recognition and disclosure of contingent liabilities; the collectability of accounts receivable; and assumptions used to determine the fair value of stock-based compensation. Actual results could differ from those estimates.

### Foreign Currency Translation

The functional currency of most of our foreign subsidiaries is the local currency in which the subsidiary operates. For foreign operations where the local currency is considered to be the functional currency, we translate assets and liabilities into U.S. dollars at the exchange rate on the balance sheet date. We translate income and expense items at average rates of exchange prevailing during each period. We accumulate translation adjustments in accumulated other comprehensive loss, a component of stockholders’ equity.

For foreign operations where the U.S. dollar is considered to be the functional currency, we remeasure monetary assets and liabilities into U.S. dollars at the exchange rate on the balance sheet date and non-monetary assets and liabilities are remeasured into U.S. dollars at historical exchange rates. We translate income and expense items at average rates of exchange prevailing during each period. We recognize remeasurement adjustments currently as a component of foreign currency loss, net in the statements of operations.

Transaction gains or losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in foreign currency loss, net in the statements of operations as incurred.

**Cash Equivalents and Investments**

Cash equivalents include short-term, highly liquid investments purchased with remaining maturities of three months or less. As of November 30, 2022, all of our cash equivalents were invested in money market funds.

We classify investments, state and municipal bond obligations, U.S. treasury and government agency bonds, and corporate bonds and notes, as investments available-for-sale, which are stated at fair value. We include aggregate unrealized holding gains and losses, net of taxes, on available-for-sale securities as a component of accumulated other comprehensive loss in stockholders' equity. We include realized gains and losses in interest income and other, net on the consolidated statements of operations.

We monitor our investment portfolio for impairment on a periodic basis. Fair value is calculated based on publicly available market information. If the cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, credit quality of debt instrument issuers, and the extent to which the fair value is less than cost. To determine credit losses, we employ a systematic methodology that considers available quantitative and qualitative evidence. In addition, we consider specific adverse conditions related to the financial health of, and business outlook for, the investee. If we have plans to sell the security or it is more likely than not that we will be required to sell the security before recovery, then a decline in fair value below cost is recorded as an impairment charge in other (expense) income, net and a new cost basis in the investment is established. If market, industry, and/or investee conditions deteriorate, we may incur future impairments.

**Allowances for Doubtful Accounts and Sales Credit Memos**

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. We establish this allowance using estimates that we make based on factors such as the composition of the accounts receivable aging, historical bad debts, changes in payment patterns, changes to customer creditworthiness and current economic trends.

We also record an allowance for estimates of potential sales credit memos. This allowance is determined based on an analysis of historical credit memos issued and current economic trends, and is recorded as a reduction of revenue.

A summary of activity in the allowance for doubtful accounts is as follows (in thousands):

| | November 30, 2022 | November 30, 2021 | November 30, 2020 |
|---|---|---|---|
| Beginning balance | $ 552 | $ 886 | $ 667 |
| Charge to costs and expenses | 493 | 58 | 429 |
| Write-offs and other | (302) | (408) | (169) |
| Translation adjustments | (3) | 16 | (41) |
| Ending balance | $ 740 | $ 552 | $ 886 |

**Concentrations of Credit Risk**

Our financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments, derivative instruments and trade receivables. We have cash investment policies which, among other things, limit investments to investment-grade securities. We hold our cash and cash equivalents, investments and derivative instrument contracts with high quality financial institutions and we monitor the credit ratings of those institutions. We perform ongoing credit evaluations of our customers, and the risk with respect to trade receivables is further mitigated by the diversity, both by geography and by industry, of the customer base. No single customer represented more than 10% of consolidated accounts receivable or revenue in fiscal years 2022, 2021 or 2020.

**Fair Value of Financial Instruments**

The carrying amount of our cash and cash equivalents, accounts receivable, accounts payable and long-term debt approximates fair value due to the short-term nature or market interest rates of these items. We base the fair value of short-term investments on quoted market prices or other relevant information generated by market transactions involving identical or comparable assets. We measure and record derivative financial instruments at fair value. See Note 4: Fair Value Measurements for further discussion of financial instruments that are carried at fair value on a recurring and nonrecurring basis.

**Derivative Instruments**

We record all derivatives on the consolidated balance sheets at fair value. We use derivative instruments to manage exposures to fluctuations in the value of foreign currencies, which exist as part of our ongoing business operations.

*Cash Flow Hedge*

We entered into an interest rate swap contract in July 2019 to manage the variability of cash flows associated with approximately one-half of our variable rate debt. We have designated the interest rate swap as a cash flow hedge and we assessed the hedge's 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 consolidated balance sheets. Although we 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.

*Forward Contracts*

Certain assets and forecasted transactions are exposed to foreign currency risk. Our objective for holding derivatives is to eliminate or reduce the impact of these exposures. We periodically monitor our foreign currency exposures to enhance the overall economic effectiveness of our foreign currency hedge positions. Principal currencies hedged include the euro, British pound, Brazilian real, Indian rupee, and Australian dollar. We do not enter into derivative instruments for speculative purposes, nor do we hold or issue any derivative instruments for trading purposes.

We enter into certain derivative instruments that do not qualify for hedge accounting and are not designated as hedges. Although these derivatives do not qualify for hedge accounting, we believe that such instruments are closely correlated with the underlying exposure, thus managing the associated risk. The gains or losses from changes in the fair value of such derivative instruments that are not accounted for as hedges are recognized in earnings in foreign currency loss, net in the consolidated statements of operations.

**Inventories**

Inventories consist of hardware and related component parts and are recorded at the lower of cost, as determined by the first-in, first-out method, or net realizable value. The Company reduces inventory to net realizable value based on excess and obsolete inventories determined primarily by historical usage and forecasted demand. If our review indicates a reduction in utility below carrying value, we reduce our inventory to a new cost basis through a charge to costs of revenue. At November 30, 2022 and 2021, the Company had no reserve for excess and obsolete inventories.

**Property and Equipment**

We record property and equipment at cost. We record property and equipment purchased in business combinations at fair value, which is then treated as the cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the useful lives of the assets. Useful lives by major asset class are as follows: computer equipment and software, 3 to 7 years and furniture and fixtures, 5 to 7 years. Repairs and maintenance costs are expensed as incurred.

Property and equipment is classified as held for sale when it meets the held for sale criteria of Accounting Standards Codification Topic 360, *Property, Plant, and Equipment* and is measured at the lower of the carrying value or the fair value less cost to sell. Losses resulting from this measurement are recognized in the period in which the held for sale criteria are met while gains are not recognized until the date of sale. Once designated as held for sale, we stop recording depreciation expense on the asset. We assess the fair value less cost to sell of long-lived assets held for sale at each reporting period until it no longer meets this classification.

**Goodwill, Intangible Assets, and Long-Lived Assets**

*Goodwill*

Goodwill is the amount by which the cost of acquired net assets in a business combination exceeded the fair value of net identifiable assets on the date of purchase. The Company has a single reporting unit. We evaluate goodwill and other intangible assets with indefinite useful lives, if any, for impairment annually or on an interim basis when events and circumstances arise that indicate impairment may have occurred. Factors that could indicate that an impairment may exist include significant underperformance relative to plan or long-term projections, significant changes in business strategy, significant negative industry or economic trends or a significant decline in our stock price for a sustained period of time.

The Company performed a quantitative assessment as of October 31, 2022 and 2021 and concluded that there was no impairment since it was not more likely than not that the fair value of its reporting unit was less than its carrying value. We estimated the fair value of our reporting unit based on our market capitalization. We did not recognize any goodwill impairment charges during fiscal years 2022, 2021 or 2020.

*Intangible Assets and Long-Lived Assets*

Intangible assets are comprised of purchased technology, customer-related assets, and trademarks and trade names acquired through business combinations. All of our intangible assets are amortized using the straight-line method over their estimated useful life. Refer to Note 8: Business Combinations for further information.

We periodically review long-lived assets (primarily property and equipment) and intangible assets with finite lives for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of those assets are no longer appropriate. We base each impairment test on a comparison of the undiscounted cash flows to the carrying value of the asset or asset group. If impairment is indicated, we write down the asset to its estimated fair value based on a discounted cash flow analysis.

We did not recognize any intangible asset impairment charges during fiscal years 2022, 2021 and 2020.

**Comprehensive (Loss) Income**

The components of comprehensive loss include, in addition to net income, foreign currency translation adjustments and unrealized gains and losses on investments and hedging activity.

Accumulated other comprehensive loss by components, net of tax (in thousands):

| | Foreign Currency Translation Adjustment | Unrealized Gains (Losses) on Investments | Unrealized (Losses) Gains on Hedging Activity | Total |
|---|---|---|---|---|
| Balance, December 1, 2020 | $ (27,616) | $ 14 | $ (5,176) | $ (32,778) |
| Other comprehensive (loss) income | (2,439) | (63) | 2,837 | 335 |
| Balance, December 1, 2021 | $ (30,055) | $ (49) | $ (2,339) | $ (32,443) |
| Other comprehensive (loss) income | (8,468) | (12) | 5,688 | (2,792) |
| Balance, November 30, 2022 | $ (38,523) | $ (61) | $ 3,349 | $ (35,235) |

The tax effect on accumulated unrealized (losses) gains on hedging activity and unrealized gains (losses) on investments was a tax provision of $1.1 million as of November 30, 2022, and a tax benefit of $0.7 million and $1.6 million as of November 30, 2021, and November 30, 2020, respectively.

**Revenue Recognition**

***Revenue Policy***

We derive our revenue primarily from software licenses and maintenance and services. Our license arrangements generally contain multiple performance obligations, including software maintenance services. Revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. When an arrangement contains multiple performance obligations, we account for individual performance obligations separately if they are distinct. We recognize revenue through the application of the following steps: (i) identification of the contract(s) with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to performance obligations in the contract; and (v) recognition of revenue when or as we satisfy the performance obligations. Sales taxes collected from customers and remitted to government authorities are excluded from revenue and we do not license our software with a right of return.

*Software Licenses*

Software licenses are on-premise or cloud-based and fully functional when made available to the customer. As the customer can use and benefit from the license on its own, on-premise software licenses represent distinct performance obligations. Revenue is recognized upfront at the point in time when control is transferred, which is defined as the point in time when the client can use and benefit from the license. Our licenses are sold as perpetual or term licenses, and the arrangements typically contain various combinations of maintenance and services, which are generally accounted for as separate performance obligations. We use the residual approach to allocate the transaction price to our software license performance obligations because, due to the pricing of our licenses being highly variable, they do not have an observable stand-alone selling price ("SSP"). As required, we evaluate the residual approach estimate compared to all available observable data in order to conclude the estimate is representative of its SSP.

Perpetual licenses are generally invoiced upon execution of the contract and payable within 30 days. Term licenses are generally invoiced in advance on an annual basis over the term of the arrangement, which is typically one to three years. Any difference between the revenue recognized and the amount invoiced to the customer is recognized on our consolidated balance sheets as unbilled receivables until the customer is invoiced, at which point the amount is reclassified to accounts receivable.

*Maintenance*

Maintenance revenue is made up of technical support, bug fixes, and when-and-if available unspecified software upgrades. As these maintenance services are considered to be a series of distinct services that are substantially the same and have the same duration and measure of progress, we have concluded that they represent one combined performance obligation. Revenue is recognized ratably over the contract period. The SSP of maintenance services is a percentage of the net selling price of the related software license, which has remained within a tight range and is consistent with the stand-alone pricing of subsequent maintenance renewals.

Maintenance services are generally invoiced in advance on an annual basis over the term of the arrangement, which is typically one to three years.

*Services*

Services revenue primarily includes consulting and customer education services. In general, services are distinct performance obligations. Services revenue is generally recognized as the services are delivered to the customer. We apply the practical expedient of recognizing revenue upon invoicing for time and materials-based arrangements as the invoiced amount corresponds to the value of the services provided. The SSP of services is based upon observable prices in similar transactions using the hourly rates sold in stand-alone services transactions. Services are either sold on a time and materials basis or prepaid upfront.

We also offer products via a software-as-a-service ("SaaS") model, which is a subscription-based model. Our customers can use hosted software over the contract period without taking possession of it and the cloud services are available to them throughout the entire term, even if they do not use the service. Revenue related to SaaS offerings is recognized ratably over the contract period. The SSP of SaaS performance obligations is determined based upon observable prices in stand-alone SaaS transactions. SaaS arrangements are generally invoiced in advance on a monthly, quarterly, or annual basis over the term of the arrangement, which is typically one to three years.

*Arrangements with Multiple Performance Obligations*

When an arrangement contains multiple performance obligations, we account for individual performance obligations separately if they are distinct. We allocate the transaction price to each performance obligation in a contract based on its relative SSP. Although we do not have a history of offering these elements, prior to allocating the transaction price to each performance obligation, we consider whether the arrangement has any discounts, material rights, or specified future upgrades that may represent additional performance obligations. Determining whether products and services are distinct performance obligations and the determination of the SSP may require significant judgment.

**Advertising Costs**

Advertising costs are expensed as incurred and were $1.1 million, $0.9 million, and $0.5 million in fiscal years 2022, 2021, and 2020, respectively.

**Warranty Costs**

We make periodic provisions for expected warranty costs. Historically, warranty costs have been insignificant.

**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. 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 4 or 5 years for options and 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.

**Cyber Incident Costs**

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. Cyber incident costs relate to the engagement of external cybersecurity experts and other incident response professionals. We incurred $0.6 million of cyber incident costs for the fiscal year ended November 30, 2022.

**Acquisition-Related Costs**

Acquisition-related costs are expensed as incurred and include those costs incurred as a result of a business combination. These costs primarily consist of professional services fees, including third-party legal and valuation-related fees, as well as retention fees and earn-out payments treated as compensation expense. We incurred $4.6 million, $4.1 million, and $3.6 million of acquisition-related costs, which are included in acquisition-related expenses in our consolidated statement of operations, for the fiscal years ended November 30, 2022, November 30, 2021, and November 30, 2020, respectively.

**Restructuring Charges**

Our restructuring charges are comprised primarily of costs related to property abandonment, including future lease commitments, net of any sublease income, and associated leasehold improvements; and employee termination costs related to headcount reductions. We recognize and measure restructuring liabilities initially at fair value when the liability is incurred. We incurred $0.9 million, $6.3 million, and $5.9 million of restructuring related costs, which are included in restructuring expenses in our consolidated statement of operations, for the fiscal years ended November 30, 2022, November 30, 2021, and November 30, 2020, respectively.

**Income Taxes**

We provide for deferred income taxes resulting from temporary differences between financial and taxable income. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized.

We recognize and measure uncertain tax positions taken or expected to be taken in a tax return utilizing a two-step approach. We first determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is that we measure the tax benefit as the largest amount that is more likely than not to be realized upon ultimate settlement. We recognize interest and penalties related to uncertain tax positions in our provision for income taxes on our consolidated statements of operations.

## Recent Accounting Pronouncements

### *Recently Adopted Accounting Pronouncements*

*Convertible Debt*

On December 1, 2021, we early adopted Accounting Standards Update No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06") on a modified retrospective basis. Under ASU 2020-06, we no longer separate the convertible senior notes into liability and equity components. We recognized the cumulative effect of initially applying this new standard as of December 1, 2021 as an adjustment to the December 1, 2021 opening balance of retained earnings. The conversion option that was previously accounted for in equity under the cash conversion model was recombined into the convertible debt outstanding, and as a result, additional paid in capital and the related unamortized debt discount on the convertible senior notes were reduced. The removal of the remaining debt discount recorded for this previous separation has the effect of increasing our net debt balance. We recorded a $47.5 million decrease to additional paid-in capital, a $56.0 million decrease to debt discount, a $4.9 million increase to retained earnings, and a $13.4 million decrease to long-term deferred tax liabilities. There was no impact to the Company's statements of cash flows as the result of the adoption of ASU 2020-06. The prior period consolidated financial statements have not been retrospectively adjusted and continue to be reported under the accounting standards in effect for those periods.

The adoption of ASU 2020-06 reduced non-cash interest expense in the current year and in future periods due to the de-recognition of the debt discount associated with the bifurcated components of our Notes. As a result of the adoption of this guidance, interest expense decreased by $11.5 million. For the fiscal year ending November 30, 2022, total interest expense for the Notes was $5.7 million. The new standard requires the use of the "if-converted" method to calculate the diluted earnings per common share.

### *Recently Issued Accounting Pronouncements Not Yet Adopted*

*Reference Rate Reform*

In March 2020, the FASB issued Accounting Standards Update No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"), as amended in December 2022 by Accounting Standards Update No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* ("ASU 2022-06"). ASU 2020-04 provides guidance to alleviate 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 LIBOR or another reference rate expected to be discontinued due to reference rate reform. Adoption of the provisions of ASU 2020-04 are optional and are effective from March 12, 2020 through December 31, 2024, as amended by ASU 2022-06. As of November 30, 2022, we have not adopted any expedients and exceptions under ASU 2020-04. We will continue to evaluate the impact of ASU 2020-04 on our consolidated financial statements.

## Note 2: Cash, Cash Equivalents and Investments

A summary of our cash and cash equivalents at November 30, 2022 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 |

A summary of our cash, cash equivalents and available-for-sale investments at November 30, 2021 is as follows (in thousands):

| | Amortized Cost Basis | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Cash | $ 130,371 | $ — | $ — | $ 130,371 |
| Money market funds | 25,035 | — | — | 25,035 |
| U.S. treasury bonds | 748 | 9 | — | 757 |
| Corporate bonds | 1,203 | 7 | — | 1,210 |
| Total | $ 157,357 | $ 16 | $ — | $ 157,373 |

Such amounts are classified on our consolidated balance sheets as follows (in thousands):

| | November 30, 2022 | | November 30, 2021 | |
|---|---|---|---|---|
| | Cash and Equivalents | Short-Term Investments | Cash and Equivalents | Short-Term Investments |
| Cash | $ 229,023 | $ — | $ 130,371 | $ — |
| Money market funds | 27,254 | — | 25,035 | — |
| U.S. treasury bonds | — | — | — | 757 |
| Corporate bonds | — | — | — | 1,210 |
| Total | $ 256,277 | $ — | $ 155,406 | $ 1,967 |

There were no debt securities by contractual maturity due after one year as of November 30, 2022. The fair value of debt securities by contractual maturity due in one year or less was $2.0 million as of November 30, 2021.

We did not hold any investments with continuous unrealized losses as of November 30, 2022 or November 30, 2021.

**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 interest rate swap contract, we receive a floating rate based on the greater of 1-month LIBOR or 0.00% and pay a fixed rate of 1.855% on the outstanding notional amount.

We have designated the interest rate swap as a cash flow hedge and assessed 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 consolidated balance sheets. Although we 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 November 30, 2022 and November 30, 2021, the fair value of the hedge was a gain of $4.4 million and a loss of $3.1 million, respectively, and was included in other assets and other noncurrent liabilities, respectively, on our consolidated balance sheets. The net amount of accumulated other comprehensive loss reclassified to interest expense during fiscal years 2022 and 2021 was an increase of $0.7 million and $2.5 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 our scheduled principal payments. 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 schedule and the current forward curve for the remaining term of the contract, as of the date of each reporting period (in thousands):

| | November 30, 2022 | | November 30, 2021 | |
|---|---|---|---|---|
| | Notional Value | Fair Value | Notional Value | Fair Value |
| Interest rate swap contracts designated as cash flow hedges | $ 120,000 | $ 4,407 | $ 133,125 | $ (3,078) |

**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 on the consolidated balance sheets at the end of each reporting period and expire between 30 days and 2 years from the date the contract was entered. At November 30, 2022, $3.1 million and $0.1 million were recorded in other noncurrent liabilities and other current assets, respectively, on the consolidated balance sheets. At November 30, 2021, $0.3 million and $0.1 million were recorded in other noncurrent liabilities and other accrued liabilities, respectively, on the consolidated balance sheets.

In fiscal years 2022 and 2021, realized and unrealized losses of $7.7 million and $2.1 million, respectively, from our forward contracts were recognized in foreign currency loss, net on the consolidated statement of operations. In fiscal year 2020, realized and unrealized gains of $1.7 million from our forward contracts were recognized in foreign currency loss, net on the consolidated statements of operations. These gains and losses were substantially offset by realized and unrealized losses and gains on the offsetting positions.

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

| | November 30, 2022 | | November 30, 2021 | |
|---|---|---|---|---|
| | Notional Value | Fair Value | Notional Value | Fair Value |
| Forward contracts to sell U.S. dollars | $ 74,578 | $ (2,995) | $ 79,777 | $ (371) |
| Forward contracts to purchase U.S. dollars | 544 | (5) | 119 | (1) |
| Total | $ 75,122 | $ (3,000) | $ 79,896 | $ (372) |

**Note 4: Fair Value Measurements**

**Recurring Fair Value Measurements**

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

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

The following table details the fair value measurements within the fair value hierarchy of our financial assets and liabilities at November 30, 2021 (in thousands):

| | Total Fair Value | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| *Assets* | | | | |
| Money market funds | $ 25,035 | $ 25,035 | $ — | $ — |
| U.S. treasury bonds | 757 | — | 757 | — |
| Corporate bonds | 1,210 | — | 1,210 | — |
| *Liabilities* | | | | |
| Foreign exchange derivatives | (372) | — | (372) | — |
| Interest rate swap | $ (3,078) | $ — | $ (3,078) | $ — |

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. In certain cases where market rate assumptions are not available, we are required to make judgments about assumptions market participants would use to estimate the fair value of a financial instrument.

**Fair Value of the Convertible Senior Notes**

The fair value of the Company's Notes, as defined in Note 9: Debt, inclusive of the conversion feature embedded in the Notes, was $376.0 million as of November 30, 2022 and $372.1 million as of November 30, 2021. The fair value was determined based on the Notes' 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. See Note 9: Debt for additional information.

**Note 5: Inventories**

The components of inventories were as follows (in thousands):

| | November 30, 2022 | November 30, 2021 |
|---|---|---|
| Finished goods | $ 2,409 | $ 1,631 |
| Purchased parts and fabricated assemblies | 2,634 | 1,920 |
| Total | $ 5,043 | $ 3,551 |

At November 30, 2022 and November 30, 2021, the inventories balances of $5.0 million and $3.6 million, respectively, were recorded in other current assets on the consolidated balance sheets.

**Note 6: Property and Equipment**

Property and equipment consists of the following (in thousands):

| | November 30, 2022 | November 30, 2021 |
|---|---|---|
| Computer equipment and software | $ 42,672 | $ 45,774 |
| Land, buildings and leasehold improvements | 8,771 | 8,023 |
| Furniture and fixtures | 3,582 | 3,539 |
| Capitalized software development costs | 276 | 276 |
| Property and equipment, gross | 55,301 | 57,612 |
| Less accumulated depreciation and amortization | (40,374) | (43,267) |
| Property and equipment, net | $ 14,927 | $ 14,345 |

Depreciation and amortization expense related to property and equipment was $5.0 million, $5.5 million, and $6.1 million for the years ended November 30, 2022, 2021, and 2020, respectively.

## Note 7: Intangible Assets and Goodwill

### Intangible Assets

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

| | November 30, 2022 | | | November 30, 2021 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Book Value | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| Purchased technology | $ 212,700 | $ (150,877) | $ 61,823 | $ 212,700 | $ (128,797) | $ 83,903 |
| Customer-related | 306,308 | (162,341) | 143,967 | 306,308 | (119,357) | 186,951 |
| Trademarks and trade names | 37,611 | (26,046) | 11,565 | 37,611 | (21,556) | 16,055 |
| Non-compete agreement | 2,000 | (2,000) | — | 2,000 | (1,724) | 276 |
| Total | $ 558,619 | $ (341,264) | $ 217,355 | $ 558,619 | $ (271,434) | $ 287,185 |

We amortize intangible assets assuming no expected residual value. Amortization expense related to these intangible assets was $68.9 million, $46.9 million, and $27.9 million in fiscal years 2022, 2021, and 2020, respectively.

Future amortization expense for intangible assets as of November 30, 2022 is as follows (in thousands):

| | |
|---|---|
| 2023 | $ 68,895 |
| 2024 | 56,079 |
| 2025 | 45,569 |
| 2026 | 36,098 |
| 2027 | 10,714 |
| Total | $ 217,355 |

### Goodwill

Changes in the carrying amount of goodwill for fiscal years 2022 and 2021 are as follows (in thousands):

| | November 30, 2022 | November 30, 2021 |
|---|---|---|
| Balance, beginning of year | $ 671,152 | $ 491,726 |
| Measurement Period Adjustments[1] | (88) | (77) |
| Additions[2] | — | 179,521 |
| Translation Adjustments | (27) | (18) |
| Balance, end of year | $ 671,037 | $ 671,152 |

[1] Represents final measurement period adjustments related to our Kemp acquisition. Refer to Note 8: Business Combinations for further information.
[2] The additions to goodwill during fiscal year 2021 are related to the acquisition of Kemp in November 2021. Refer to Note 8: Business Combinations for further information.

We assess the impairment of goodwill on an annual basis and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

During fiscal year 2022, we performed a quantitative assessment as of October 31, 2022 and concluded that there was no impairment since it was not more likely than not that the fair value of our reporting unit was less than its carrying value. We did not recognize any goodwill impairment charges during fiscal years 2022, 2021, or 2020.

## Note 8: Business Combinations

### Kemp Acquisition

On November 1, 2021, we completed the acquisition of the parent company of Kemp Technologies, Inc. (“Kemp”). The acquisition was completed for a base purchase price of $258.0 million (subject to certain customary adjustments) in cash.

The acquisition consideration for Kemp has been allocated to Kemp's tangible assets, identifiable intangible assets, and assumed liabilities based on their estimated fair values. The excess of the total consideration over the tangible assets, identifiable intangible assets, and assumed liabilities was recorded as goodwill.

We recorded measurement period adjustments in accordance with FASB's guidance regarding business combinations in the first and fourth quarters of fiscal year 2022 based on our valuation and purchase price allocation procedures. The measurement period adjustments were completed during the fourth quarter of fiscal year 2022.

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

| | Initial Purchase Price Allocation | Measurement Period Adjustments | Final Purchase Price Allocation | Life |
|---|---|---|---|---|
| Net working capital | $ 27,075 | $ (425) | $ 26,650 | |
| Property, plant and equipment | 803 | (8) | 795 | |
| Purchased technology | 39,400 | — | 39,400 | 5 years |
| Trade name | 7,200 | — | 7,200 | 5 years |
| Customer relationships | 75,500 | — | 75,500 | 5 years |
| Other assets | 170 | 27 | 197 | |
| Other noncurrent liabilities | (604) | (800) | (1,404) | |
| Deferred taxes | (23,187) | 1,160 | (22,027) | |
| Deferred revenue | (29,997) | — | (29,997) | |
| Goodwill | 179,521 | (88) | 179,433 | |
| Net assets acquired | $ 275,881 | $ (134) | $ 275,747 | |

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. Based on the preliminary valuation, the acquired intangible assets are comprised of customer relationships of approximately $75.5 million, existing technology of approximately $39.4 million, and trade names of approximately $7.2 million.

Tangible assets acquired and assumed liabilities were recorded at fair value. We determined the acquisition date deferred revenue balance based on our assessment of the individual contracts acquired. A significant portion of the deferred revenue 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 $179.4 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 fiscal year ended November 30, 2022, we incurred approximately $0.9 million of acquisition-related costs, which are included in acquisition-related expenses on our consolidated statement of operations.

We determined that disclosing the amount of Kemp related earnings included in the consolidated statements of operations is impracticable, as certain operations of Kemp 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 Kemp as if the acquisition had occurred on December 1, 2019, after giving effect to certain pro forma adjustments. The pro forma adjustments reflected herein include only those adjustments that are directly attributable to the Kemp acquisition and factually supportable. These pro forma adjustments include: (i) an increase in revenue from Kemp as a result of the application of Topic 606 to recognize and measure contract assets and contract liabilities in the business combination, (ii) a net increase in amortization expense to record amortization expense relating to the $122.1 million of acquired identifiable intangible assets, (iii) a decrease in interest expense to remove the interest expense associated with Kemp's debt obligations, and (iv) 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, 2019. These results are prepared in accordance with ASC 606.

| *(In thousands, except per share data)* | Pro Forma Fiscal Year Ended November 30, 2021 | Pro Forma Fiscal Year Ended November 30, 2020 |
|---|---|---|
| Revenue | $ 590,133 | $ 490,229 |
| Net income | $ 75,612 | $ 65,360 |
| Net income per basic share | $ 1.72 | $ 1.46 |
| Net income per diluted share | $ 1.69 | $ 1.44 |

**Chef Acquisition**

On October 5, 2020, we completed the acquisition of Chef Software Inc. ("Chef"). The acquisition was completed for a base purchase price of $220.0 million (subject to certain customary adjustments) in cash. We funded the acquisition through a combination of existing cash resources and by drawing down $98.5 million from our existing revolving credit facility. Refer to Note 9: Debt for further information.

The acquisition consideration for Chef has been allocated to Chef's tangible assets, identifiable intangible assets, and assumed liabilities based on their estimated fair values. The excess of the total consideration over the tangible assets, identifiable intangible assets, and assumed liabilities was recorded as goodwill.

We recorded measurement period adjustments in accordance with FASB's guidance regarding business combinations in the third and fourth quarters of fiscal year 2021 based on our valuation and purchase price allocation procedures. The measurement period adjustments were completed during the fourth quarter of fiscal year 2021.

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

| | Initial Purchase Price Allocation | Measurement Period Adjustments | Final Purchase Price Allocation | Life |
|---|---|---|---|---|
| Net working capital | $ 52,330 | $ 147 | $ 52,477 | |
| Property, plant and equipment | 498 | — | 498 | |
| Purchased technology | 38,300 | — | 38,300 | 5 years |
| Trade name | 5,700 | — | 5,700 | 5 years |
| Customer relationships | 97,300 | — | 97,300 | 7 years |
| Other assets | 122 | — | 122 | |
| Other noncurrent liabilities | (841) | — | (841) | |
| Lease liabilities, net | (1,810) | — | (1,810) | |
| Deferred taxes | (7,817) | 126 | (7,691) | |
| Deferred revenue | (12,525) | — | (12,525) | |
| Goodwill | 59,858 | (273) | 59,585 | |
| Net assets acquired | $ 231,115 | $ — | $ 231,115 | |

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. The valuation of the assumed deferred revenue was based on our contractual commitment to provide post-contract customer support to Chef customers and future contractual performance obligations under existing hosting arrangements. The fair value of this assumed liability was based on the estimated cost plus a reasonable margin to fulfill these service obligations. A significant portion of the deferred revenue 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 $59.6 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 fiscal year ended November 30, 2022, we incurred approximately $0.2 million of acquisition-related costs, which are included in acquisition-related expenses on our consolidated statement of operations.

The operations of Chef are included in our operating results from the date of acquisition. We determined that disclosing the amount of Chef related earnings included in the consolidated statements of operations is impracticable, as certain operations of Chef 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 Chef as if the acquisition had occurred on December 1, 2018, after giving effect to certain pro forma adjustments. The pro forma adjustments reflected herein include only those adjustments that are directly attributable to the Chef acquisition and factually supportable. These pro forma adjustments include (i) a decrease in revenue from Chef due to the beginning balance of deferred revenue being adjusted to reflect the fair value of the acquired balance, (ii) a net increase in amortization expense to record amortization expense for the $141.3 million of acquired identifiable intangible assets, (iii) an increase in interest expense to record interest for the period presented as a result of drawing down our revolving credit facility in connection with the acquisition, and (iv) 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, 2018. These results are prepared in accordance with ASC 606.

| *(In thousands, except per share data)* | Pro Forma Fiscal Year Ended November 30, 2020 | |
|---|---|---|
| Revenue | $ | 497,700 |
| Net income | $ | 61,952 |
| Net income per basic share | $ | 1.38 |
| Net income per diluted share | $ | 1.37 |

**Note 9: Debt**

As of November 30, 2022, future maturities of the Company's long-term debt were as follows:

| *(In thousands)* | 2026 Notes | Revolving Credit Facility | Total |
|---|---|---|---|
| 2023 | $ — | $ 6,875 | $ 6,875 |
| 2024 | — | 13,750 | 13,750 |
| 2025 | — | 20,625 | 20,625 |
| 2026 | 360,000 | 20,625 | 380,625 |
| 2027 | — | 206,250 | 206,250 |
| Total face value of long-term debt | 360,000 | 268,125 | 628,125 |
| Unamortized discount and issuance costs | (7,375) | (2,671) | (10,046) |
| Less current portion of long-term debt, net | — | (6,234) | (6,234) |
| Long-term debt | $ 352,625 | $ 259,220 | $ 611,845 |

**Notes Payable**

***Convertible Senior Notes***

In April 2021, the Company issued, in a private placement, Convertible Senior Notes (the "Notes") with an aggregate principal amount of $325 million, due April 15, 2026, unless earlier repurchased, redeemed or converted. There are no required principal payments prior to the maturity of the Notes. In addition, the Company also granted the initial purchasers of the Notes an option to purchase up to an additional $50.0 million aggregate principal amount of the Notes, for settlement within a 13-day period beginning on, and including, April 13, 2021, of which $35 million of additional Notes were purchased for total proceeds of $360 million. The Notes bear interest at an annual rate of 1%, payable semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2021. The Company incurred approximately $10.8 million in issuance costs for the issuance of the Convertible Notes. During the twelve months ended November 30, 2022, the Company did not enter into any new or amended agreements.

***Conversion Rights***

Before January 15, 2026, Noteholders may convert their Notes in the following circumstances:

- During any fiscal quarter (and only during such fiscal quarter) commencing after the fiscal quarter ending on May 31, 2021, 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;
- 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 certain corporate events or distributions on the Company’s common stock, or if the Company calls such Notes for redemption, then the Noteholder of any Note may convert such Note at any time before the close of business on the business day immediately before the related redemption date.

From and after January 15, 2026, Noteholders may convert their 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 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 17.4525 shares of common stock per $1,000 principal amount of the Notes, representing an initial conversion price of approximately $57.30 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 April 20, 2024, and on or before the 50th scheduled trading day immediately before the maturity date, the Company may redeem for cash all or part of the Notes, subject to the partial redemption limitation, at a repurchase price equal to 100% of 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 Notes unless at least $100.0 million aggregate principal amount of 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 Notes in whole or in part for cash at a price equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. A fundamental change relates to events such as business combination transactions involving the Company and certain de-listing events with respect to the Company's common stock.

***Capped Call Transactions***

On April 8, 2021, in connection with the pricing of the Notes, the Company entered into privately negotiated capped call transactions ("Capped Call Transactions") with one or more of the initial purchasers and/or their respective affiliates and/or other financial institutions. The Capped Call Transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Notes, approximately 6.3 million shares (representing the number of shares of common stock initially underlying the Notes) of the Company's common stock. The Capped Call Transactions are generally expected to reduce potential dilution to our common stock upon any conversion of 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 Capped Call Transactions will initially be $89.88 per share of common stock, which represents a premium of 100% over the last reported sale price of the common stock of $44.94 per share on April 8, 2021, and is subject to certain adjustments under the terms of the Capped Call Transactions. The cost of the purchased capped calls of $43.1 million was recorded as a reduction to additional paid-in-capital.

We elected to integrate the capped call options with the applicable Notes for federal income tax purposes pursuant to applicable U.S. Treasury Regulations. Accordingly, the $43.1 million gross cost of the purchased capped calls will be deductible for income tax purposes as original discount interest over the term of the Notes.

***Accounting for the Notes***

The Company adopted ASU 2020-06 using the modified retrospective approach on December 1, 2021. Under ASU 2020-06, we no longer separate the Notes into liability and equity components. We recognized the cumulative effect of applying this new standard as of December 1, 2021.

In accounting for the transaction, prior to the adoption of ASU 2020-06, the Notes were separated into liability and equity components.

- The initial carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated conversion feature. The excess of the Notes' principal amount over the initial carrying amount of the liability component, referred to as the debt discount, was amortized as interest expense over the Notes' contractual term.

| *(In thousands)* | November 30, 2021 |
|---|---|
| Principal | $ 360,000 |
| Conversion option allocated to equity | (64,800) |
| Unamortized discount | (665) |
| Net carrying amount of the liability component | $ 294,535 |

- The equity component, which represented the difference between the gross proceeds and the initial liability component, was recorded as an increase to additional paid-in capital and was not remeasured.

| *(In thousands)* | | November 30, 2021 |
|---|---|---|
| Conversion options[1] | $ | 62,855 |
| Capped call | | (43,056) |
| Net carrying amount of the equity component | $ | 19,799 |

[1]Net of issuance costs

Upon adoption of ASU 2020-06 on December 1, 2021, the Company reversed the separation of the debt and equity components and accounted for the Notes wholly as debt. The Company also reversed the amortization of the debt discount that was due to the equity component, with a cumulative adjustment to retained earnings on the adoption date. Further, the Company reversed the allocation of the issuance costs to the equity component and accounted for the entire amount as debt issuance cost that will be amortized as interest expense over the remaining term at an effective interest rate of 1.63% with a cumulative adjustment to retained earnings on the adoption date.

Net carrying amount of the Notes:

| *(In thousands)* | | November 30, 2022 |
|---|---|---|
| Principal | $ | 360,000 |
| Unamortized discount | | (7,375) |
| | $ | 352,625 |

| | Fiscal Year Ended | | | |
|---|---|---|---|---|
| *(In thousands)* | November 30, 2022 | | November 30, 2021 | |
| Contractual interest expense (1% coupon) | $ | 3,600 | $ | 2,280 |
| Amortization of debt discount and issuance costs[1] | | 2,112 | | 8,195 |
| | $ | 5,712 | $ | 10,475 |

[1]After the adoption of ASU 2020-06, the effective interest rate for the Notes was 1.63%. Prior to adoption of ASU 2020-06, the effective interest rate for the Notes was 5.71%.

**Credit Facility**

On January 25, 2022, the Company entered into the Credit Agreement, which provides for a $275.0 million secured term loan and a $300.0 million secured revolving line of credit. The revolving line of credit may be increased, and new term loan commitments may be entered into, if the existing or additional lenders are willing to make such increased commitments. The revolving line of credit 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. This new credit facility replaces our prior secured credit facility dated April 30, 2019.

The amount of the term loan outstanding under our prior secured credit facility was incorporated into the amended and restated credit facility.

Interest rates for the Credit Agreement are determined by reference to a term benchmark rate or a base rate at our option and would range from 1.00% to 2.00% above the term benchmark rate or would range from 0.00% to 1.00% above the defined base rate for base rate borrowings, in each case based upon our 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 our leverage ratio. We will incur a quarterly commitment fee on the undrawn portion of the revolving credit facility, ranging from 0.125% to 0.275% per annum, based on our leverage ratio. The average interest rate of the credit facility during the fiscal year ended November 30, 2022 was 2.85% and the interest rate as of November 30, 2022 was 5.69%.

The credit facility matures on the earlier of (i) January 25, 2027, and (ii) the date that is 181 days prior to the maturity date of our Notes subject to certain conditions as set forth in the Credit Agreement, including the repayment of the Notes, the refinancing of the Notes including a maturity date that is at least 181 days after January 25, 2027 and compliance with a liquidity test when all amounts outstanding will be due and payable in full. The revolving line of credit does not require amortization of principal. The outstanding balance of the term loan as of November 30, 2022 was $268.1 million, with $6.9 million due in the next 12 months. The term loan requires repayment of principal at the end of each fiscal quarter, beginning with the fiscal quarter ended February 28, 2022. The principal repayment amounts are in accordance with the following schedule: (i) eight payments of $1.7 million each, (ii) four payments of $3.4 million each, (iii) eight payments of $5.2 million each, and (iv) the last payment is of the remaining principal amount. Any amounts outstanding under the term loan thereafter would be due on the maturity date. The term loan may be prepaid before maturity in whole or in part at our option without penalty or premium. As of November 30, 2022, the carrying value of the term loan approximates the fair value, based on Level 2 inputs (observable market prices in less than active markets), as the interest rate is variable over the selected interest period and is similar to current rates at which we can borrow funds.

Costs incurred to obtain our long-term debt of $3.2 million, including $1.1 million of unamortized debt issuance costs related to the previous credit agreement, are recorded as debt issuance costs as a direct deduction from the carrying value of the long-term debt liability on our consolidated balance sheets as of November 30, 2022. These costs are being amortized over the term of the Credit Agreement using the effective interest rate method. Amortization expense related to the debt issuance costs was $0.6 million for the fiscal years ended November 30, 2022, 2021 and 2020 and is recorded in interest expense on our consolidated statements of operations.

Revolving loans may be borrowed, repaid, and reborrowed until January 25, 2027, at which time all amounts outstanding must be repaid. As of November 30, 2022, there were no outstanding amounts under the revolving line of credit and $2.1 million of letters of credit.

We are the sole borrower under the credit facility. 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 such material domestic subsidiaries, as well as 100% of the capital stock of our domestic subsidiaries and 65% of the capital stock of our first-tier foreign subsidiaries, in each case, subject to certain exceptions as described in the Credit Agreement. Future material domestic subsidiaries will be required to guaranty our obligations under the Credit Agreement, and to grant security interests in substantially all of their assets to secure such obligations. The Credit Agreement generally prohibits, with certain exceptions, any other liens on our assets and the assets of our subsidiaries, subject to certain exceptions as described in the Credit Agreement.

The Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict us and our subsidiaries' 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 its 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 and a consolidated total net leverage ratio.

The Credit Agreement includes customary events of default that include, among other things, non-payment defaults, covenant defaults, inaccuracy of representations and warranties, cross default to material indebtedness, bankruptcy and insolvency defaults, material judgment defaults, ERISA defaults and a change of control default. The occurrence of an event of default could result in the acceleration of the obligations under the amended credit agreement. We are in compliance with these financial covenants as of November 30, 2022.

**Note 10: Leases**

The Company has operating leases for administrative, product development, and sales and marketing facilities, vehicles, and equipment under various non-cancelable lease agreements. The Company's leases have remaining lease terms ranging from 1 year to 7 years. The Company's lease terms may include options to extend or terminate the lease where it is reasonably certain that the Company will exercise those options. The Company considers several economic factors when making the determination as to whether the Company will exercise options to extend or terminate the lease, including but not limited to, the significance of leasehold improvements incurred in the office space, the difficulty in replacing the asset, underlying contractual obligations, or specific characteristics unique to a particular lease. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Consideration in the contract is comprised of any fixed payments and variable payments that depend on an index or rate. Payments in the Company's operating lease arrangements primarily consist of base office rent. The Company makes variable payments on certain of its leases related to taxes, insurance, common area maintenance, and utilities, among other things.

The components of operating lease cost for the years ended November 30, 2022, 2021 and 2020 were as follows (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2022 | November 30, 2021 | November 30, 2020 |
| Lease costs under long-term operating leases | $ 7,079 | $ 7,867 | $ 7,605 |
| Lease costs under short-term operating leases | 71 | 32 | 426 |
| Variable lease cost under short-term and long-term operating leases[1] | 282 | 434 | 325 |
| Operating lease right-of-use asset impairment | — | 3,057 | 1,189 |
| Total operating lease cost | $ 7,432 | $ 11,390 | $ 9,545 |

[1] Lease costs that are not fixed at lease commencement.

The table below presents supplemental cash flow information related to leases during the years ended November 30, 2022, 2021 and 2020 (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2022 | November 30, 2021 | November 30, 2020 |
| Cash paid for leases | $ 8,571 | $ 8,406 | $ 8,101 |
| Right-of-use assets recognized for new leases and amendments (non-cash) | $ 451 | $ 3,222 | $ 8,532 |

Weighted average remaining lease term in years and weighted average discount rate are as follows:

| | November 30, 2022 | November 30, 2021 |
|---|---|---|
| Weighted average remaining lease term in years | 3.33 | 4.15 |
| Weighted average discount rate | 2.6 % | 2.6 % |

Future payments under non-cancellable leases at November 30, 2022 are as follows (in thousands):

| | |
|---|---|
| 2023 | $ 7,985 |
| 2024 | 7,561 |
| 2025 | 4,931 |
| 2026 | 1,799 |
| 2027 | 1,183 |
| Thereafter | 112 |
| Total lease payments | 23,571 |
| Less imputed interest[1] | (1,059) |
| Present value of lease liabilities | $ 22,512 |

[1] Lease liabilities are measured at the present value of the remaining lease payments using a discount rate determined at lease commencement unless the discount rate is updated as a result of a lease reassessment event.

Our operating lease arrangements are subject to customary renewal and base rental fee escalation clauses. Total rent expense, net of sublease income which is insignificant, under operating lease arrangements was approximately $8.7 million, $9.3 million and $9.6 million in fiscal years 2022, 2021 and 2020, respectively.

**Note 11: Commitments and Contingencies**

**Guarantees and Indemnification Obligations**

We include standard intellectual property indemnification provisions in our licensing agreements in the ordinary course of business. Pursuant to our product license agreements, we will indemnify, hold harmless, and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally business partners or customers, in connection with certain patent, copyright or other intellectual property infringement claims by third parties with respect to our products. Other agreements with our customers provide indemnification for claims relating to property damage or personal injury resulting from the performance of services by us or our subcontractors. Historically, our costs to defend lawsuits or settle claims relating to such indemnity agreements have been insignificant. Accordingly, the estimated fair value of these indemnification provisions is immaterial.

**Legal Proceedings**

We are subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these other legal matters will have a material effect on our financial position, results of operations or cash flows.

**Note 12: Stockholders' Equity**

**Preferred Stock**

Our Board of Directors is authorized to establish one or more series of preferred stock and to fix and determine the number and conditions of preferred shares, including dividend rates, redemption and/or conversion provisions, if any, preferences and voting rights. As of November 30, 2022, there was no preferred stock issued or outstanding.

**Common Stock**

We have 200,000,000 shares of authorized common stock, $0.01 par value per share, of which 43,257,008 were issued and outstanding at November 30, 2022.

There were 292,991 deferred stock units ("DSUs") outstanding at November 30, 2022. Each DSU represents one share of our common stock and all DSU grants have been made to non-employee members of our Board of Directors. DSUs do not have voting rights and can only be converted into common stock when the recipient ceases to be a member of the Board of Directors or a change in control of the Company occurs.

*Common Stock Repurchases*

In fiscal years 2022, 2021, and 2020, we repurchased and retired 1.7 million, 0.8 million and 1.4 million shares of our common stock for $77.0 million, $35.0 million and $60.0 million, respectively, under this current authorization. As of November 30, 2022, there was $78.0 million remaining under the current authorization. On January 10, 2023, our Board of Directors increased our share repurchase authorization by $150.0 million, to an aggregate authorization of $228.0 million.

**Note 13: Stock-Based Compensation**

We currently have one stockholder-approved stock plan from which we can issue stock-based awards, which was approved by our stockholders in fiscal year 2008 and most recently amended and approved by stockholders in May 2021 ("2008 Plan"). The 2008 Plan permits the granting of stock awards to officers, members of the Board of Directors, employees and consultants. Awards under the 2008 Plan may include nonqualified stock options, incentive stock options, grants of conditioned or restricted stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals, deferred stock units and stock appreciation rights. In May 2021, stockholders of the Company approved an amendment to the 2008 Plan to add 4,500,000 shares to the plan. A total of 4,719,864 shares were available for issuance as of November 30, 2022.

We have previously adopted two stock plans for which the approval of stockholders was not required: the 2002 Nonqualified Stock Plan ("2002 Plan") and the 2004 Inducement Stock Plan ("2004 Plan"). The 2002 Plan permits the granting of stock awards to non-executive officer employees and consultants. Executive officers and members of the Board of Directors are not eligible for awards under the 2002 Plan. Awards under the 2002 Plan may include nonqualified stock options, grants of conditioned or restricted stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights. A total of 56,093 shares were available for issuance under the 2002 Plan as of November 30, 2022. Additional shares cannot be added to the 2002 Plan without stockholder approval.

The 2004 Plan is reserved for persons to whom we may issue securities as an inducement to become employed by us pursuant to the rules and regulations of the NASDAQ Stock Market. Awards under the 2004 Plan may include nonqualified stock options, grants of conditioned or restricted stock, unrestricted grants of stock, grants of stock contingent upon the attainment of performance goals and stock appreciation rights. A total of 466,716 shares were available for issuance under the 2004 Plan as of November 30, 2022. Additional shares cannot be added to the 2002 Plan without stockholder approval.

Under all of our plans, the awards granted generally begin to vest within one year of the grant.

A summary of stock option activity under all the plans is as follows:

| | Shares (in thousands) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value[1] (in thousands) |
|---|---|---|---|---|
| Options outstanding, December 1, 2021 | 2,015 | $ 40.67 | | |
| Granted | 823 | 44.30 | | |
| Exercised | (174) | 39.04 | | |
| Canceled | (184) | 44.18 | | |
| Options outstanding, November 30, 2022 | 2,480 | $ 41.73 | 4.3 | $ 27,609 |
| Exercisable, November 30, 2022 | 1,244 | $ 40.00 | 3.1 | $ 15,986 |
| Vested or expected to vest, November 30, 2022 | 2,480 | $ 41.73 | 4.3 | $ 27,609 |

(1) The aggregate intrinsic value was calculated based on the difference between the closing price of our stock on November 30, 2022 and the exercise prices for all options outstanding.

A summary of restricted stock units' activity is as follows (in thousands, except per share data):

| | Number of Shares | Weighted Average Fair Value |
|---|---|---|
| Restricted stock units outstanding, December 1, 2021 | 878 | $ 43.06 |
| Granted | 778 | 44.24 |
| Issued | (466) | 41.04 |
| Canceled | (139) | 44.52 |
| Restricted stock units outstanding, November 30, 2022 | 1,051 | $ 44.80 |

Each restricted stock unit represents one share of common stock. The restricted stock units generally vest semi-annually over a three-year period. Performance-based restricted stock units are subject to multi-year performance criteria aligned with our business plan and are earned only to the extent the performance criteria are achieved.

The fair value of outright stock awards, restricted stock units and DSUs is equal to the closing price of our common stock on the date of grant, less the present value of expected dividends when applicable. Beginning in fiscal year 2020, restricted stock units have forfeitable dividend equivalent rights equal to the dividend paid on our common stock.

During the first quarter of fiscal years 2020, 2021, and 2022, we granted performance-based restricted stock units that include two performance metrics under a Long-Term Incentive Plan ("LTIP") where the performance measurement period is three years. Vesting of the LTIP awards for the 2020 plan is based on the following: (i) 50% is based on achievement of a three-year cumulative performance condition (operating income), and (ii) 50% is based on our level of attainment of specified total stockholder return ("TSR") targets relative to the percentage appreciation of a specified index of companies for the respective three-year periods. For the 2021 and 2022 plans, the vesting terms were changed to 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 1991 Employee Stock Purchase Plan was most recently amended and approved by stockholders in May 2021 ("ESPP") and permits eligible employees to purchase up to an aggregate of 10,250,000 shares of our common stock through accumulated payroll deductions. The ESPP has a 27-month offering period comprised of nine three-month purchase periods. The purchase price of the stock is equal to 85% of the lesser of the market value of such shares at the beginning of a 27-month offering period or the end of each three-month segment within such offering period. If the market price at any of the nine purchase periods is less than the market price on the first date of the 27-month offering period, subsequent to the purchase, the offering period is canceled and the employee is entered into a new 27-month offering period with the then current market price as the new base price. We issued 301,000 shares, 277,000 shares, and 237,000 shares with weighted average purchase prices of $30.59, $28.20, and $27.86 per share, respectively, in fiscal years 2022, 2021, and 2020, respectively. At November 30, 2022, approximately 386,000 shares were available and reserved for issuance under the ESPP.

We estimated the fair value of stock options and ESPP awards granted in fiscal years 2022, 2021, and 2020 on the measurement dates using the Black-Scholes option valuation model, and LTIP awards using the Monte Carlo Simulation valuation model, with the following weighted average assumptions:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2022 | November 30, 2021 | November 30, 2020 |
| Stock options: | | | |
| Expected volatility | 31.0 % | 30.0 % | 29.0 % |
| Risk-free interest rate | 1.9 % | 0.5 % | 1.1 % |
| Expected life (in years) | 4.8 | 4.8 | 4.8 |
| Expected dividend yield | 1.6 % | 1.6 % | 1.6 % |
| Employee stock purchase plan: | | | |
| Expected volatility | 31.8 % | 33.1 % | 38.2 % |
| Risk-free interest rate | 2.4 % | 0.1 % | 0.2 % |
| Expected life (in years) | 1.2 | 1.3 | 1.3 |
| Expected dividend yield | 1.5 % | 1.5 % | 2.0 % |
| Long-term incentive plan: | | | |
| Expected volatility | 35.1 % | 36.3 % | 34.7 % |
| Risk-free interest rate | 1.3 % | 0.2 % | 1.1 % |
| Expected life (in years) | 2.9 | 2.8 | 2.8 |
| Expected dividend yield | — % | — % | — % |

For each stock option award, the expected life in years is based on historical exercise patterns and post-vesting termination behavior. Expected volatility is based on historical volatility of our stock, and the risk-free interest rate is based on the U.S. Treasury yield curve for the period that is commensurate with the expected life at the time of grant. The expected annual dividend yield is based on the weighted-average of the dividend yield assumptions used for options granted during the applicable period.

For each ESPP award, the expected life in years is based on the period of time between the beginning of the offering period and the date of purchase, plus an additional holding period of three months. Expected volatility is based on historical volatility of our stock, and the risk-free interest rate is based on the U.S. Treasury yield curve in effect at each purchase period. The expected annual dividend yield is based on the weighted-average of the dividend yield assumptions used for options granted during the applicable period.

Based on the above assumptions, the weighted average estimated fair value of stock options granted in fiscal years 2022, 2021, and 2020 was $10.95, $9.46, and $9.59 per share, respectively. We amortize the estimated fair value of stock options to expense over the vesting period using the straight-line method. The weighted average estimated fair value for shares issued under our ESPP in fiscal years 2022, 2021, and 2020 was $11.01, $11.59, and $8.73 per share, respectively. We amortize the estimated fair value of shares issued under the ESPP to expense over the vesting period using a graded vesting model.

Total unrecognized stock-based compensation expense, net of expected forfeitures, related to unvested stock options and unvested restricted stock awards amounted to $45.8 million at November 30, 2022. These costs are expected to be recognized over a weighted average period of two years.

The following additional activity occurred under our plans (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2022 | November 30, 2021 | November 30, 2020 |
| Total intrinsic value of stock options on date exercised | $ 1,717 | $ 2,523 | $ 1,340 |
| Total fair value of deferred stock units on date vested | 2,029 | 2,084 | 1,547 |
| Total fair value of restricted stock units on date vested | 25,597 | 16,018 | 15,499 |

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

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2022 | November 30, 2021 | November 30, 2020 |
| Cost of maintenance and services | $ 1,969 | $ 1,561 | $ 1,336 |
| Sales and marketing | 4,884 | 6,055 | 4,462 |
| Product development | 10,326 | 8,104 | 7,286 |
| General and administrative | 19,915 | 14,004 | 10,398 |
| Total stock-based compensation | $ 37,094 | $ 29,724 | $ 23,482 |
| Income tax benefit included in the provision for income taxes | $ 6,344 | $ 5,281 | $ 4,541 |

**Note 14: Retirement Plan**

We maintain a retirement plan covering all U.S. employees under Section 401(k) of the Internal Revenue Code. Company contributions to the plan are at the discretion of the Board of Directors and totaled approximately $3.3 million, $4.0 million and $3.6 million for fiscal years 2022, 2021 and 2020, respectively.

**Note 15: 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:

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2022 | November 30, 2021 | November 30, 2020 |
| Performance obligations transferred at a point in time: | | | |
| Software licenses | $ 188,336 | $ 156,590 | $ 115,249 |
| Performance obligations transferred over time: | | | |
| Maintenance | 362,335 | 325,863 | 288,887 |
| Services | 51,342 | 48,860 | 38,014 |
| Total revenue | $ 602,013 | $ 531,313 | $ 442,150 |

## Geographic Revenue

In the following table, revenue attributed to the United States includes sales to customers in the U.S. and sales to certain multinational organizations. Revenue from Canada, 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:

| | Fiscal Year Ended | | |
|---|---|---|---|
| *(In thousands)* | November 30, 2022 | November 30, 2021 | November 30, 2020 |
| United States | $ 310,917 | $ 294,947 | $ 240,717 |
| Canada | 30,237 | 22,867 | 20,281 |
| EMEA | 207,707 | 169,335 | 143,754 |
| Latin America | 18,053 | 17,036 | 14,574 |
| Asia Pacific | 35,099 | 27,128 | 22,824 |
| Total revenue | $ 602,013 | $ 531,313 | $ 442,150 |

No single customer, partner, or country outside of the U.S. has accounted for more than 10% of our consolidated revenue in any year presented.

## Contract Balances

### *Unbilled Receivables and Contract Assets*

The timing of revenue recognition may differ from the timing of customer billing. When revenue is recognized prior to billing and the right to the amount due from customers is conditioned only on the passage of time, we record an unbilled receivable on our consolidated balance sheets. Our multi-year term license arrangements, which are typically billed annually, result in revenue recognition in advance of billing and the recognition of unbilled receivables.

As of November 30, 2022, billing of our long-term unbilled receivables is expected to occur as follows (in thousands):

| | |
|---|---|
| 2024 | $ 17,594 |
| 2025 | 12,860 |
| 2026 | 9,482 |
| Total | $ 39,936 |

Contract assets arise when revenue is recognized in excess of billings and the right to the amount due from customers is conditioned on something other than the passage of time, such as the completion of a related performance obligation. 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 November 30, 2022 and $5.0 million as of November 30, 2021. These amounts are included in unbilled receivables and contract assets, net or long-term unbilled receivables and contract assets, net on our consolidated balance sheets.

### *Deferred Revenue*

Deferred revenue is recorded when revenue is recognized subsequent to customer invoicing. Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. 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 consolidated balance sheets. Our net deferred revenue balance is primarily made up of deferred maintenance.

As of November 30, 2022, the changes in net deferred revenue were as follows (in thousands):

| | |
|---|---|
| Balance, December 1, 2021 | $ 252,380 |
| Billings and other | 632,073 |
| Revenue recognized | 602,013 |
| Balance, November 30, 2022 | $ 282,440 |

Transaction price allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. As of November 30, 2022, transaction price allocated to remaining performance obligations was $295.0 million. We expect to recognize approximately 81% of the revenue within the next year and the remainder thereafter.

**Deferred Contract Costs**

Deferred contract costs, which include certain sales incentive programs, are incremental and recoverable costs of obtaining a contract with a customer. Incremental costs of obtaining a contract with a customer are recognized as an asset if the expected benefit of those costs is longer than one year. We have applied the practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. These costs include a large majority of our sales incentive programs as we have determined that annual compensation is commensurate with annual sales activities.

Certain of our sales incentive programs do 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 $8.8 million, $7.9 million, and $2.5 million as of November 30, 2022, 2021, and 2020, respectively, and are included in other current assets and other assets on our consolidated balance sheets. Amortization of deferred contract costs is included in sales and marketing expense on our consolidated statement of operations and was minimal in all periods presented.

**Note 16: Restructuring**

The following table provides a summary of activity for all of the restructuring actions, with material actions detailed further below (in thousands):

| | Excess Facilities and Other Costs | Employee Severance and Related Benefits | Total |
|---|---|---|---|
| Balance, December 1, 2019 | $ 196 | $ 2,007 | $ 2,203 |
| Costs incurred | 1,812 | 4,094 | 5,906 |
| Cash disbursements | (1,569) | (2,554) | (4,123) |
| Translation adjustments and other | (18) | 5 | (13) |
| Balance, November 30, 2020 | $ 421 | $ 3,552 | $ 3,973 |
| Costs incurred | 3,518 | 2,790 | 6,308 |
| Cash disbursements | (1,072) | (4,447) | (5,519) |
| Translation adjustments and other | 1,616 | (6) | 1,610 |
| Balance, November 30, 2021 | $ 4,483 | $ 1,889 | $ 6,372 |
| Costs incurred | 414 | 465 | 879 |
| Cash disbursements | (1,027) | (2,321) | (3,348) |
| Translation adjustments and other | — | (3) | (3) |
| Balance, November 30, 2022 | $ 3,870 | $ 30 | $ 3,900 |

**2021 Restructurings**

During the fourth quarter of fiscal year 2021, we restructured our operations in connection with the acquisition of Kemp. Refer to Note 8: Business Combinations for further discussion. This restructuring resulted in a reduction in redundant positions, primarily within the administrative functions of Kemp.

For the fiscal years ended November 30, 2022 and November 30, 2021, we incurred expenses of $0.5 million and $2.0 million, respectively, related to this restructuring. The expenses are recorded as restructuring expenses in the consolidated statements of operations.

| | Excess Facilities and Other Costs | Employee Severance and Related Benefits | Total |
|---|---|---|---|
| Balance, December 1, 2020 | $ — | $ — | $ — |
| Costs incurred | — | 1,965 | 1,965 |
| Cash disbursements | — | (69) | (69) |
| Translation adjustments and other | — | (14) | (14) |
| Balance, November 30, 2021 | $ — | $ 1,882 | $ 1,882 |
| Costs incurred | — | 465 | 465 |
| Cash disbursements | — | (2,314) | (2,314) |
| Translation adjustments and other | — | (3) | (3) |
| Balance, November 30, 2022 | $ — | $ 30 | $ 30 |

Minimal cash disbursements for expenses incurred to date under this restructuring are expected to be made through fiscal year 2023. Accordingly, the minimal balance of the restructuring reserve is included in other accrued liabilities on the consolidated balance sheet at November 30, 2022.

We do not expect to incur additional material expenses as part of this action during fiscal year 2023.

**2020 Restructurings**

During the fourth quarter of fiscal year 2020, we restructured our operations in connection with the acquisition of Chef. Refer to Note 8: Business Combinations for further discussion. This restructuring resulted in a reduction in redundant positions, primarily within the administrative functions of Chef.

For the fiscal years ended November 30, 2022, 2021 and 2020, we incurred expenses of $0.4 million, $4.1 million and $3.9 million, respectively, related to this restructuring. The expenses are recorded as restructuring expenses in the consolidated statements of operations.

A summary of activity for this restructuring action is as follows (in thousands):

| | Excess Facilities and Other Costs | Employee Severance and Related Benefits | Total |
|---|---|---|---|
| Balance, December 1, 2019 | $ — | $ — | $ — |
| Costs incurred | — | 3,947 | 3,947 |
| Cash disbursements | — | (429) | (429) |
| Translation adjustments and other | — | 5 | 5 |
| Balance, November 30, 2020 | $ — | $ 3,523 | $ 3,523 |
| Costs incurred | 3,323 | 826 | 4,149 |
| Cash disbursements | (455) | (4,350) | (4,805) |
| Translation adjustments and other | 1,615 | 8 | 1,623 |
| Balance, November 30, 2021 | $ 4,483 | $ 7 | $ 4,490 |
| Costs incurred | 414 | — | 414 |
| Cash disbursements | (1,027) | (7) | (1,034) |
| Balance, November 30, 2022 | $ 3,870 | $ — | $ 3,870 |

Cash disbursements for expenses incurred to date under this restructuring are expected to be made through fiscal year 2027. Accordingly, the balance of the restructuring reserve of $3.9 million is included in short-term and long-term lease liabilities on the consolidated balance sheet at November 30, 2022.

We expect to incur additional expenses as part of this action related to facility closures as we consolidate offices in various locations during fiscal year 2023, but we do not expect these costs to be material.

**Note 17: Income Taxes**

The components of income before income taxes are as follows (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2022 | November 30, 2021 | November 30, 2020 |
| U.S. | $ 103,917 | $ 80,508 | $ 83,279 |
| Foreign | 13,338 | 15,026 | 13,356 |
| Total | $ 117,255 | $ 95,534 | $ 96,635 |

The provision for income taxes is comprised of the following (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2022 | November 30, 2021 | November 30, 2020 |
| Current: | | | |
| Federal | $ 20,118 | $ 11,964 | $ 12,294 |
| State | 5,039 | 2,602 | 3,871 |
| Foreign | 4,631 | 3,456 | 3,370 |
| Total current | 29,788 | 18,022 | 19,535 |
| Deferred | | | |
| Federal | (4,683) | 366 | (1,613) |
| State | (1,537) | (1,110) | (969) |
| Foreign | (1,382) | (164) | (40) |
| Total deferred | (7,602) | (908) | (2,622) |
| Total | $ 22,186 | $ 17,114 | $ 16,913 |

A reconciliation of the income taxes incurred at the U.S. Federal statutory rate compared to the effective tax rate is as follows (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2022 | November 30, 2021 | November 30, 2020 |
| Tax at U.S. Federal statutory rate | $ 24,624 | $ 20,062 | $ 20,293 |
| Foreign rate differences | 475 | 193 | (200) |
| Effects of foreign operations included in U.S. Federal provision | 401 | (112) | (167) |
| State income taxes, net | 2,424 | 1,215 | 2,087 |
| Research credits | (1,268) | (410) | (905) |
| Tax-exempt interest | — | — | (3) |
| Nondeductible stock-based compensation | 2,725 | 1,548 | 422 |
| Meals and entertainment | 185 | 61 | 162 |
| Compensation subject to 162(m) | 878 | 346 | 324 |
| Uncertain tax positions and tax settlements | (163) | 89 | 245 |
| Net excess tax benefit or detriment from stock-based compensation plans | (266) | (11) | 61 |
| Global intangible low tax inclusion | 17 | 606 | (307) |
| Foreign derived intangible deduction | (7,769) | (6,386) | (5,297) |
| Other | (77) | (87) | 198 |
| Total | $ 22,186 | $ 17,114 | $ 16,913 |

The effective income tax rate is based on the income for the year, the composition of the income in different countries, changes related to valuation allowances and adjustments, if any, for the potential tax consequences or benefits of audits or other tax contingencies. In fiscal year 2022, our aggregate effective income tax rate in foreign jurisdictions is not materially different than our effective income tax rate in the United States. Our effective tax rate differed from the statutory U.S. Federal income tax rate primarily due to the net effects of the foreign derived intangible income (FDII) regime. In fiscal years 2021 and 2020 our aggregate effective income tax rate in foreign jurisdictions was lower than our effective income tax rate in the United States. A significant portion of income before provision for income taxes from foreign operations has been earned by subsidiaries with statutory income tax rates lower than the statutory U.S. Federal income tax rate.

The components of deferred tax assets and liabilities are as follows (in thousands):

| | November 30, 2022 | November 30, 2021 |
|---|---|---|
| Deferred tax assets: | | |
| Accounts receivable | $ 191 | $ 143 |
| Accrued compensation | 3,884 | 4,407 |
| Accrued liabilities and other | 1,352 | 2,898 |
| Deferred revenue | 12,461 | 8,081 |
| Stock-based compensation | 8,030 | 6,401 |
| Original issue discount | 7,169 | 9,132 |
| Tax credit and loss carryforwards | 27,809 | 35,376 |
| Operating lease liabilities | 4,082 | 5,257 |
| Gross deferred tax assets | 64,978 | 71,695 |
| Valuation allowance | (6,275) | (7,315) |
| Total deferred tax assets | 58,703 | 64,380 |
| Deferred tax liabilities: | | |
| Goodwill | (23,745) | (21,867) |
| Right-of-use lease assets | (2,938) | (3,925) |
| Deferred revenue | — | (1,483) |
| Depreciation and amortization | (20,875) | (34,532) |
| Prepaid expenses | (4,008) | (1,906) |
| Notes payable | — | (13,415) |
| Total deferred tax liabilities | (51,566) | (77,128) |
| Total | $ 7,137 | $ (12,748) |

The valuation allowance primarily applies to net operating loss carryforwards and unutilized tax credits in foreign jurisdictions under conditions where realization is not more likely than not. The $1 million decrease in the valuation allowance during fiscal year 2022 primarily relates to losses in a foreign subsidiary that have expired prior to utilization.

At November 30, 2022, we have federal and foreign net operating loss carryforwards of $96.9 million expiring on various dates through 2036 and $19.4 million that do not expire. In addition, we have state net operating loss carryforwards of $48.9 million expiring on various dates through 2044 and a minimal amount that does not expire. At November 30, 2022, we have state tax credit carryforwards of approximately $3.6 million expiring on various dates through 2037 and $2.4 million that may be carried forward indefinitely. In addition, we have federal tax credit carryforwards of approximately $5.9 million expiring on various dates through 2039.

It is our intention to indefinitely reinvest the earnings of our non-U.S. subsidiaries. We have not provided for U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries, which totaled $106.6 million as of November 30, 2022, as these earnings have been indefinitely reinvested. It is not practicable to determine the amount of the unrecognized deferred tax liability if the undistributed earnings were to be repatriated due to the complexity of the income tax laws and regulations. These earnings could be subject to non-U.S. withholding taxes and other federal, state and/or foreign taxes if they were remitted to the U.S.

As of November 30, 2022, the total amount of unrecognized tax benefits was $5.3 million, of which $1.3 million was recorded in other noncurrent liabilities on the consolidated balance sheet and $4.0 million of deferred tax assets, principally related to U.S net operating loss carry-forwards and federal and state research and development tax credits, have not been recorded.

A reconciliation of the balance of our unrecognized tax benefits is as follows (in thousands):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2022 | November 30, 2021 | November 30, 2020 |
| Balance, beginning of year | $ 5,471 | $ 6,219 | $ 4,993 |
| Tax positions related to current period | — | 71 | — |
| Tax positions related to a prior period | — | (820) | 539 |
| Tax positions acquired | — | 439 | 1,596 |
| Settlements with tax authorities | (45) | (168) | (12) |
| Lapses due to expiration of the statute of limitations | (150) | (270) | (897) |
| Balance, end of year | $ 5,276 | $ 5,471 | $ 6,219 |

If recognized, all amounts of unrecognized tax benefits would affect the effective tax rate.

We recognize interest and penalties related to uncertain tax positions as a component of our provision for income taxes. In fiscal year 2022 there was a minimal amount of estimated interest and penalties recorded in the provision for income taxes. In fiscal year 2021 a net expense of $0.8 million was recorded to the provision for income taxes related to estimated interest and penalties. In fiscal year 2020 there was a minimal amount of estimated interest and penalties recorded in the provision for income taxes. We have accrued $1.3 million and $1.2 million of estimated interest and penalties at November 30, 2022 and 2021, respectively. We do not expect any significant changes to the amount of unrecognized tax benefits in the next twelve months.

Our federal income tax returns have been examined or are closed by statute for all years prior to fiscal year 2019. Our state income tax returns have been examined or are closed by statute for all years prior to fiscal year 2018, and we are no longer subject to audit for those periods.

Tax authorities for certain non-U.S. jurisdictions are also examining tax returns and the Company does not expect the results of these examinations to be material to our consolidated balance sheets, cash flows or statements of income. With some exceptions, we are generally no longer subject to tax examinations in non-U.S. jurisdictions for years prior to fiscal year 2017.

**Note 18: 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 from continuing operations (in thousands, expect per share data):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | November 30, 2022 | November 30, 2021 | November 30, 2020 |
| Net income | $ 95,069 | $ 78,420 | $ 79,722 |
| Weighted average shares outstanding | 43,475 | 43,916 | 44,886 |
| Basic earnings per common share | $ 2.19 | $ 1.79 | $ 1.78 |
| | | | |
| Diluted earnings per common share: | | | |
| Net income | $ 95,069 | $ 78,420 | $ 79,722 |
| Weighted average shares outstanding | 43,475 | 43,916 | 44,886 |
| Effect of dilution from common stock equivalents | 772 | 704 | 435 |
| Diluted weighted average shares outstanding | 44,247 | 44,620 | 45,321 |
| Diluted earnings per share | $ 2.15 | $ 1.76 | $ 1.76 |

We excluded stock awards representing approximately 1,751,000 shares, 1,232,000 shares, and 1,268,000 shares of common stock from the calculation of diluted earnings per share in the fiscal years ended November 30, 2022, 2021 and 2020, respectively, because these awards were anti-dilutive.

As a result of our adoption of ASU 2020-06 on December 1, 2021, 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 fiscal year ended November 30, 2022, we did not include the Notes in our diluted earnings per share calculation because the conversion feature in the Notes was out of the money. For periods prior to our December 1, 2021 adoption of ASU 2020-06, we applied the treasury stock method to account for the dilutive impact of the Notes for diluted earnings per share purposes.

**Note 19: Business Segments and International Operations**

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.

Long-lived assets totaled $7.6 million, $22.1 million and $22.8 million in the U.S. and $7.3 million, $7.5 million and $7.0 million outside of the U.S. at the end of fiscal years 2022, 2021, and 2020, respectively. During the fiscal year ended November 30, 2022, two countries outside of the U.S. accounted for more than 10% of our consolidated long-lived assets, and no individual country outside of the U.S. accounted for more than 10% of our consolidated long-lived assets in 2021 and 2020.

**Note 20: Subsequent Events**

On January 3, 2023, we entered into a definitive agreement with Vector Maven Holdings, Inc. and Vector Maven Holdings, L.P., subject to the satisfaction of the terms and conditions set forth in the definitive agreement, to acquire MarkLogic, a leader in managing complex data and metadata. Upon closing of the proposed transaction, MarkLogic is expected to enhance Progress' commitment to delivering the best products to develop, deploy and manage high-impact applications by providing a unified enterprise-grade semantic data platform that empowers customers to derive value from complex data. The acquisition is currently expected to close in early 2023, subject to obtaining regulatory approvals and satisfaction of other customary closing conditions set forth in the definitive agreement. At closing, we will acquire all of the outstanding equity interests of Vector Maven Holdings, Inc. from Vector Maven Holdings, L.P. for an aggregate purchase price of approximately $355 million, subject to certain working capital and customary other adjustments, to be paid in cash.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. 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 the 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.

**(b) Management’s Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of November 30, 2022. Our assessment was based on the framework in the updated *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment we believe that as of November 30, 2022, our internal control over financial reporting is effective based on those criteria.

Deloitte & Touche LLP, our independent registered public accounting firm, which audited our consolidated financial statements, has issued an attestation report on our internal control over financial reporting, which is included in this Item 9A below.

**(c) Changes in Internal Control over Financial Reporting**

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated our “internal control over financial reporting” as defined in Exchange Act Rule 13a-15(f) to determine whether any changes in our internal control over financial reporting occurred during the fiscal quarter ended November 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there were no changes in our internal control over financial reporting during the fiscal quarter ended November 30, 2022 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

**(d) Report of independent registered public accounting firm**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the stockholders and the Board of Directors of Progress Software Corporation

**Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of Progress Software Corporation and subsidiaries (the "Company") as of November 30, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended November 30, 2022, of the Company and our report dated January 27, 2023, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's adoption of ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
January 27, 2023

### Item 9B. Other Information

Not applicable.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

This information will be contained in our definitive proxy statement for the 2023 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

### Item 11. Executive Compensation

This information will be contained in our definitive proxy statement for the 2023 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

This information will be contained in our definitive proxy statement for the 2023 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

This information will be contained in our definitive proxy statement for the 2023 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

### Item 14. Principal Accounting Fees and Services

This information will be contained in our definitive proxy statement for the 2023 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein by reference.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

**(a) Documents Filed as Part of this Annual Report on Form 10-K**

1. Financial Statements (included in Part II, Item 8 of this Annual Report on Form 10-K):



2. Financial Statement Schedules

Financial statement schedules are omitted as they are either not required or the information is otherwise included in the consolidated financial statements.

**(b) Exhibits**

Documents listed below, except for documents followed by parenthetical numbers, are being filed as exhibits. Documents followed by parenthetical numbers are not being filed herewith and, pursuant to Rule 12b-32 of the General Rules and Regulations promulgated by the SEC under the Exchange Act, reference is made to such documents as previously filed as exhibits with the SEC. Our file number under the Exchange Act is 0-19417.

| | |
|---|---|
| 2.1* | Stock Purchase Agreement, dated March 28, 2019, by and among Progress Software Corporation, Ipswitch, Inc. and Roger Greene (1) |
| 2.2* | Agreement and Plan of Merger, dated September 4, 2020, by and among Progress Software Corporation, Go Big Transitory Subsidiary, Inc., Chef Software Inc. and Shareholder Representative Services LLC (2) |
| 2.3 | Stock Purchase Agreement, dated September 23, 2021, by and among Progress Software Corporation, MPC Kappa Holdings, Inc., the Sellers named therein and the Seller Representative (3) |
| 2.4 | Stock Purchase Agreement, dated January 3, 2023, between Progress Software Corporation, Vector Maven Holdings, Inc., and Vector Maven Holdings, L.P. (4) |
| 2.5 | Plan of Domestication (5) |
| 3.1 | Certificate of Conversion from Non-Delaware Corporation to Delaware Corporation (6) |
| 3.2 | Certificate of Incorporation (7) |
| 3.2.1 | Certificate of Correction to Certification of Incorporation (8) |
| 3.3 | Amended and Restated By-Laws, as amended March 19, 2019 (9) |
| 4.1 | Specimen certificate for the Common Stock (10) |
| 4.2 | Description of Registered Securities (11) |
| 4.3 | Indenture, dated as of April 13, 2021, between Progress Software Corporation and U.S. Bank, National Association, as trustee (12) |
| 4.4 | Form of 1.00% Convertible Senior Note due 2026 (included as Exhibit A in Exhibit 4.3) (12) |
| 10.1** | 2002 Nonqualified Stock Plan, as amended and restated (13) |
| 10.2** | 2004 Inducement Stock Plan, as amended and restated (14) |
| 10.3** | Progress Software Corporation 1991 Employee Stock Purchase Plan, as amended and restated (15) |
| 10.4** | Progress Software Corporation 2008 Stock Option and Incentive Plan, as amended and restated (16) |
| 10.5** | Form of Notice of Grant of Stock Options and Grant Agreement under the Progress Software Corporation 2008 Stock Option and Incentive Plan (17) |
| 10.6** | Progress Software Corporation Corporate Executive Bonus Plan (18) |
| 10.7** | Form of Performance-Based Stock Unit Agreement under the Amended and Restated Progress Software Corporation 2008 Stock Option and Incentive Plan |

| | |
|---|---|
| 10.8** | Form of Deferred Stock Unit Agreement under the Progress Software Corporation 2008 Stock Option and Incentive Plan (19) |
| 10.9** | Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under the Progress Software Corporation 2008 Stock Option and Incentive Plan (Initial Grant) (20) |
| 10.10** | Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under the Progress Software Corporation 2008 Stock Option and Incentive Plan (Annual Grant) (21) |
| 10.11** | Form of Restricted Stock Unit Agreement under the Progress Software Corporation 2008 Stock Option and Incentive Plan (22) |
| 10.12** | Employment Agreement, dated October 10, 2016, by and between Progress Software Corporation and Yogesh Gupta (23) |
| 10.13** | Employee Retention and Motivation Agreement, dated as of October 10, 2016, by and between Progress Software Corporation and Yogesh Gupta (24) |
| 10.14** | Employment Agreement, dated January 16, 2020, by and between Progress Software Corporation and Anthony Folger (25) |
| 10.15 | Form of Employee Retention and Motivation Agreement (Amended and Restated as of January 9, 2023) |
| 10.16 | Form of Termination Letter (Executive Officers) (26) |
| 10.17 | Form of Separation Agreement and Release (Executive Officers) (27) |
| 10.18 | Form of Capped Call Confirmation (28) |
| 10.19* | Third Amended and Restated Credit Agreement, dated as of January 25, 2022, by and among Progress Software Corporation, each of the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo Bank, N.A. and Citizens Bank, N.A., as Syndication Agents, and Bank of America, N.A., Citibank, N.A., PNC Bank, National Association, Silicon Valley Bank and TD Bank, N.A., as Documentation Agents, and JPMorgan Chase Bank, N.A., as Sole Bookrunner and Sole Lead Arranger (29) |
| 21.1 | List of Subsidiaries of the Registrant |
| 23.1 | Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm |
| 31.1 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Yogesh Gupta |
| 31.2 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Anthony Folger |
| 32.1 | Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101*** | The following materials from Progress Software Corporation's Annual Report on Form 10-K for the year ended November 30, 2022, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of November 30, 2022 and 2021, (ii) Consolidated Statements of Income for the years ended November 30, 2022, 2021 and 2020, (iii) Consolidated Statements of Comprehensive Income for the years ended November 30, 2022, 2021 and 2020, (iv) Consolidated Statements of Stockholders' Equity for the years ended November 30, 2022, 2021 and 2020, and (v) Consolidated Statements of Cash Flows for the years ended November 30, 2022, 2021 and 2020. |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

(1) Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on April 1, 2019.
(2) Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on September 9, 2020.
(3) Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed of September 27, 2021.
(4) Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on January 3, 2023.
(5) Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on May 14, 2015.
(6) Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on May 14, 2015.
(7) Incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed on May 14, 2015.
(8) Incorporated by reference to Exhibit 3.2.1 to our Annual Report on Form 10-K for the year ended November 30, 2015.
(9) Incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q for the quarter ended May 31, 2019.
(10) Incorporated by reference to Exhibit 4.1 to our Annual Report on Form 10-K for the year ended November 30, 2011.
(11) Incorporated by reference to Exhibit 4.2 to our Annual Report on Form 10-K for the year ended November 30, 2019.
(12) Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on April 13, 2021.
(13) Incorporated by reference to Exhibit 10.5 to our Annual Report on Form 10-K for the year ended November 30, 2015.
(14) Incorporated by reference to Exhibit 10.6 to our Annual Report on Form 10-K for the year ended November 30, 2015.
(15) Incorporated by reference to Appendix B to our definitive Proxy Statement filed April 14, 2021.
(16) Incorporated by reference to Appendix A to our definitive Proxy Statement filed April 14, 2021.
(17) Incorporated by reference to Exhibit 10.9 to our Annual Report on Form 10-K for the year ended November 30, 2013.
(18) Incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K for the year ended November 30, 2012.
(19) Incorporated by reference to Exhibit 10.12 to our Annual Report on Form 10-K for the year ended November 30, 2013.
(20) Incorporated by reference to Exhibit 10.13 to our Annual Report on Form 10-K for the year ended November 30, 2013.
(21) Incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K for the year ended November 30, 2013.
(22) Incorporated by reference to Exhibit 10.15 to our Annual Report on Form 10-K for the year ended November 30, 2014.
(23) Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on October 14, 2016.
(24) Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on October 14, 2016.
(25) Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on January 17, 2020.
(26) Incorporated by reference to Exhibit 10.21 to our Annual Report on Form 10-K for the year ended November 30, 2019.
(27) Incorporated by reference to Exhibit 10.22 to our Annual Report on Form 10-K for the year ended November 30, 2019.

(28) Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on April 13, 2021.
(29) Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on January 27, 2022.

* Certain schedules and exhibits have been omitted from this Exhibit pursuant to Item 601(a)(5) of Regulation S-K. Progress Software Corporation will furnish a copy of any omitted schedule or exhibit to the U.S. Securities and Exchange Commission or its staff upon request.

** Management contract or compensatory plan or arrangement in which an executive officer or director of Progress Software Corporation participates.

*** Pursuant to Rule 406T of Regulations S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

**(c) Financial Statement Schedules**

All schedules are omitted because they are not applicable or the required information is shown on the financial statements or notes hereto.

**Item 16. Form 10-K Summary**

Not applicable.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 27th day of January 2023.

PROGRESS SOFTWARE CORPORATION

By: /s/ YOGESH K. GUPTA
Yogesh K. Gupta
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ YOGESH K. GUPTA<br>Yogesh K. Gupta | President and Chief Executive Officer<br>(Principal Executive Officer) | January 27, 2023 |
| /s/ ANTHONY FOLGER<br>Anthony Folger | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) | January 27, 2023 |
| /s/ DOMENIC LOCOCO<br>Domenic LoCoco | Chief Accounting Officer<br>(Principal Accounting Officer) | January 27, 2023 |
| /s/ JOHN R. EGAN<br>John R. Egan | Non-Executive Chairman | January 27, 2023 |
| /s/ PAUL T. DACIER<br>Paul T. Dacier | Director | January 27, 2023 |
| /s/ RAINER GAWLICK<br>Rainer Gawlick | Director | January 27, 2023 |
| /s/ CHARLES F. KANE<br>Charles F. Kane | Director | January 27, 2023 |
| /s/ SAMSKRITI KING<br>Samskriti King | Director | January 27, 2023 |
| /s/ DAVID A. KRALL<br>David A. Krall | Director | January 27, 2023 |
| /s/ ANGELA TUCCI<br>Angela Tucci | Director | January 27, 2023 |
| /s/ VIVIAN VITALE<br>Vivian Vitale | Director | January 27, 2023 |

**Exhibit 10.7**

**PROGRESS SOFTWARE CORPORATION**
**Performance-Based Stock Unit Agreement**
**Under The**
**Amended and Restated Progress Software Corporation**
**2008 Stock Option and Incentive Plan**

**Name of Grantee**:

This Notice of Award of Performance-Based Stock Units ("Notice") evidences the award of performance-based stock units (each, a "PSU," and collectively, the "PSUs") of Progress Software Corporation, a Delaware corporation (the "Company"), that have been granted to you pursuant to the Amended and Restated Progress Software Corporation 2008 Stock Option and Incentive Plan (the "Plan") and conditioned upon your agreement to the terms and conditions of the attached Performance-Based Stock Unit Agreement (the "Agreement"). This Notice constitutes part of and is subject to the terms and provisions of the Agreement and the Plan, which are incorporated by reference herein. Each PSU is equivalent in value to one share of the Company's Stock and represents the Company's commitment to issue one share of the Company's Stock at a future date, subject to the terms of the Agreement and the Plan. The PSUs are credited to a separate account maintained for you on the books and records of the Company (the "Account"). All amounts credited to the Account will continue for all purposes to be part of the general assets of the Company. Capitalized terms not explicitly defined herein shall have the meaning set forth in the Plan or Award Agreement.

<u>Grant Date</u>:

<u>Performance Measurement Period</u>:

<u>Target Number of PSUs</u>:

<u>Maximum Number of PSUs</u>:

<u>Vesting Date</u>:

<u>Vesting Schedule</u>: All of the PSUs are nonvested and forfeitable as of the Grant Date. Subject to the terms of the Agreement, so long as your Service is continuous from the Grant Date through the applicable date upon which the Vesting Date is scheduled to occur, the number of PSUs vested will be based on the Performance Goals as stated in Exhibit A. In the event your Service is terminated (A) due to death or Disability or (B) without Cause or due to your Involuntary Termination following a Change in Control, you will become vested as set forth in Section 3 of the Agreement.

| Progress Software Corporation. | Date |
|---|---|

I acknowledge that I have carefully read the Agreement and the prospectus for the Plan. I agree to be bound by all of the provisions set forth in those documents. I also consent to electronic delivery of all notices or other information with respect to the PSUs or the Company.

| Signature of Grantee | Date |
|---|---|
| | |

**PROGRESS SOFTWARE CORPORATION**

**Amended and Restated Progress Software Corporation**
**2008 Stock Option and Incentive Plan**

**Terms and Conditions of Performance-Based Stock Units**

1. Award. Each performance-based stock unit ("PSU") granted pursuant to this award (this "Award") represents a promise by the Company to issue to the individual whose name appears on the Notice (the "Grantee") one share of Common Stock of the Company (the "Stock") for each such PSU, subject to the restrictions and conditions set forth below, including Exhibit A hereto, the Notice to which these Terms and Conditions are attached and the Amended and Restated Progress Software Corporation 2008 Option and Incentive Plan (the "Plan"). Terms used but not otherwise defined herein have the meaning ascribed to such terms in the Plan.

2. Defined Terms. For purposes of this Award the following terms shall have the following meanings:

(a) "Cause" shall mean, as determined by the Board, (i) any act of dishonesty taken by the Grantee in connection with his or her responsibilities as an employee and intended to result in substantial personal enrichment of the Grantee (including but not limited to any acts of fraud, serious dereliction of fiduciary obligation, and embezzlement or misappropriation of funds, regardless of whether the embezzlement or misappropriation involves funds or assets of the Company or a third party), (ii) the conviction of a felony, plea of guilty or nolo contendere, to a felony charge or any criminal act involving moral turpitude, or participation in criminal activity which, if prosecuted, would qualify as a felony or crime involving moral turpitude, (iii) a willful act by the Grantee which constitutes gross misconduct and which is injurious to the Company or reasonably likely to result in harm to the Company or to bring the Company into disrepute, (iv) an unauthorized disclosure of confidential information belonging to the Company, or entrusted to the Company by a client, customer, or other third party, (v) reporting to work or a work-related function under the influence of drugs or alcohol (other than prescription medicine or other medically-related drugs to the extent that they are taken in accordance with their directions) during the performance of Grantee's duties to the Company, (vi) a material violation of any Company rule, regulation or policy, or (vii) a refusal to substantially perform Grantee's duties to the Company.

(b) "Change in Control" shall mean the occurrence of any of the following events:

(A) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total voting power represented by the Company's then outstanding voting securities, whether by tender offer, or otherwise; or

(B) A change in the composition of the Company's Board of Directors, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the Agreement Date, or (B) are elected, or nominated for election, to the Board of Directors with the affirmative votes of at least a majority of the directors of the Company as of the Grant Date set forth in the Notice of Award of Performance-Based Stock Unit, at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

(C) The consummation of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately prior thereto representing less than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation.

(D) The liquidation of the Company; or the sale or disposition by the Company of all or substantially all of the Company's assets.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to the Award (or any portion of the Award) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in subsection (A), (B), (C) or (D) above with respect to the Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

The Compensation Committee shall have full and final authority, which shall be exercised in its sole discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control is a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

(c) "Disability" shall mean that the Grantee has been unable to perform his or her duties as an employee of the Company as the result of incapacity due to physical or mental illness, and such inability, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Grantee or the Grantee's legal representative (such agreement as to acceptability not to be unreasonably withheld).

(d) "Involuntary Termination" shall mean (i) without the Grantee's express written consent, the assignment to the Grantee of any duties or the significant reduction of the Grantee's duties, either of which is materially inconsistent with the Grantee's position with the Company and responsibilities in effect immediately prior to such assignment, or the removal of the Grantee from such position and responsibilities, which is not effected for Disability or for Cause; (ii) a material reduction by the Company in the base compensation of the Grantee as in effect immediately prior to such reduction; (iii) the relocation of the Grantee to a facility or a location more than fifty (50) miles from the Grantee's then present location, without the Grantee's express written consent;. An Involuntary Termination shall be effective upon written notice by the Grantee describing in appropriate detail the conduct alleged to constitute an Involuntary Termination within ninety (90) days of its occurrence (or, if such Involuntary Termination occurred as a result of more than one event set forth in this subparagraph (d), within ninety (90) days following the earliest of such events). The failure by the Grantee to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination shall not waive any right of the Grantee hereunder or preclude the Grantee from asserting such fact or circumstance in enforcing his or her rights hereunder. The Company will have thirty (30) days following such notice to cure the conduct alleged to constitute an Involuntary Termination and the Grantee must resign within thirty (30) days of the expiration of the Company's cure period.

(e) "Service" shall mean Grantee's employment, service as a non-executive director, or other service relationship with the Company and its Subsidiaries. Grantee's Service will be considered to have ceased with the Company and its Subsidiaries if, immediately after a sale, merger, or other corporate transaction, the trade, business, or entity with which Grantee is employed or otherwise has a service relationship is not Progress Software Corporation or its successor or a Subsidiary of Progress Software Corporation or its successor.

3. Vesting of PSUs. The PSUs will be earned, vest and become non-forfeitable in whole, in part, or not at all, on the Vesting Date set forth in the Notice.

   If Grantee's employment terminates prior to the Vesting Date for any reason other than Grantee's death or Disability, Grantee shall forfeit all right, title and interest in and to the PSUs as of the date of such termination. In addition, any PSUs that fail to vest in accordance with the terms of this Award will be forfeited and reconveyed to the Company without further consideration or any act or action by Grantee.

   If the Grantee's employment is terminated by reason of his or her death or Disability, then the PSUs will be vested and converted to Stock based on actual performance through the Performance Measurement Period which shall be considered the Vesting Date and shares of Stock will be delivered pursuant to Section 5.

   Upon a Change in Control of the Company, the following shall occur:

   (a) If the PSUs are assumed or continued following a Change in Control, the Compensation Committee shall determine the actual number of PSUs that are eligible to be earned based on the greater of (i) actual attainment of the Performance Goals as set forth in Exhibit A as of the effective date of the Change in Control (as if the Change in Control was the last day of the Performance Measurement Period) or (ii) the Target Number of PSUs as set forth in the Notice. Any such PSUs shall not be deemed vested and earned until the conclusion of the original Performance Measurement Period, subject to the continued employment of the Grantee through such Vesting Date, and shares of Stock shall be issued for the earned and vested PSUs on the Settlement Date, subject to paragraph (b) of this Section 3. For example, if a Change in Control occurs during the 12$^{th}$ month of the Performance Measurement Period, after the Compensation Committee has determined the number of PSUs that are eligible to be earned as of the effective date of the Change in Control, the PSUs shall not be deemed fully vested and earned until the end of the 36$^{th}$ month of the original Performance Measurement Period so long as the Grantee is continuously employed with the Company through such date, subject to paragraph (b) of this Section 3.

   (b) If the PSUs are assumed or continued following a Change in Control, in the event that subsequent to a Change in Control, an Involuntary Termination occurs or the Company terminates Grantee’s Service for any reason other than Cause, all outstanding PSUs held by such Grantee shall immediately vest and become settled within 10 days thereafter in the amount equal to the number of PSUs that the Compensation Committee determined earned as of the effective date of the Change in Control.

   (c) If as a result of a Change in Control, the surviving corporation (or its ultimate parent) does not agree to assume or continue the PSUs, then immediately prior to the effective time of the Change in Control, the PSUs shall become 100% vested and earned in such amounts as if the applicable Performance Goals for the unexpired Performance Measurement Period had been achieved at target and the Target Number of PSUs shall be settled immediately prior to the effective time of the Change in Control which shall be deemed the Settlement Date for purposes of this Agreement.

4. Restrictions. Until such time as a PSU vests and the underlying share of Stock is issued to the Grantee, the Grantee shall have no voting rights and, subject to the following sentence, no rights to any dividends or other distributions with respect to such underlying share of Stock. Each PSU granted shall accrue dividend equivalent rights in an amount equal to the per-share dividend declared by the Company on shares of Stock at such times as such dividends are declared by the Company; provided, that, such dividend equivalent rights shall be settled in cash only upon vesting of the PSU as set forth in Paragraph 6 below.

5. Delivery of Shares of Stock. Subject to tax withholding as provided in Paragraph 9 below, upon the vesting of a PSU, the Grantee shall receive one share of Stock for such PSU. However, if a scheduled issuance date falls on a Saturday, Sunday or federal holiday, such issuance date shall instead fall on the next following day that the principal executive offices of the Company are open for business. Shares of Stock acquired pursuant to this Award shall, at the Company’s option, be represented either by paper stock certificates issued and delivered to the Grantee by the Company or by electronic book entries in the Grantee’s Stock Plan Administrator account. The shares of Stock shall be delivered as soon as practicable after the Vesting Date; provided that in no event shall any payment be made later

than March 15th of the year following the last day of the Performance Measurement Period (the “Settlement Date”).

6. Dividend Equivalent Rights. If and when cash dividends or other cash distributions are paid with respect to shares of Stock while PSUs are outstanding, the dollar amount of such dividends or distributions with respect to the number of shares of Stock then underlying the PSUs will be credited by the Company to an account for Grantee and shall be accumulated without interest (“Dividend Equivalent Rights”) until the Settlement Date. Dividend Equivalent Rights credited to Grantee’s account with respect to earned and vested PSUs shall be distributed to Grantee in cash on the Settlement Date for such PSUs. Grantee shall have no right to Dividend Equivalent Rights accumulated with respect to PSUs that are forfeited, and any such unearned Dividend Equivalent Rights will be reconveyed to the Company without further consideration or any act or action by Grantee.

7. Transferability. This Award is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. The PSUs (and any accrued Dividend Equivalent Rights) may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated or be made subject to any lien, obligation, or liability of Grantee to any other party other than the Company and any such attempt to transfer the PSUs will not be honored.

8. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Award shall be subject to and governed by all the terms and conditions of the Plan. Copies of the Plan are available on the Company’s intranet site or upon request. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Award, the provisions of the Plan shall be controlling and determinative.

9. Tax Withholding Requirements. There may be tax consequences to the award of, the Dividend Equivalent Rights accrued with respect to, or the vesting of any portion of, the PSUs, depending upon the circumstances and country of citizenship of the Grantee. In particular, upon the vesting of any portion of the PSUs, the Company may be required to withhold taxes based on the value of the Stock underlying such PSUs on the Vesting Date and/or Settlement Date, as applicable. The Grantee is advised to consult with a competent tax advisor for additional information about any such tax consequences. The Company has the authority and the right to deduct or withhold, or require Grantee to remit to the employer, an amount sufficient to satisfy federal, state, and local taxes (including Grantee’s FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of the vesting or settlement of the PSUs or Dividend Equivalent Rights. The withholding requirement may be satisfied, in whole or in part, at the election of the Company’s corporate secretary (the “Secretary”), by withholding from the settlement of the PSUs shares of Stock having a fair market value on the date of withholding equal to the minimum amount (and not any greater amount) required to be withheld for tax purposes, all in accordance with such procedures as the Secretary establishes. The obligations of the Company under this Award will be conditional on such payment or arrangements, and the Company will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Grantee.

10. Cessation of Vesting. All vesting with respect to the PSUs shall cease immediately upon the termination, whether by the Company or by the Grantee, of the Grantee’s Service with the Company or a Subsidiary for any reason, with or without cause, voluntary or involuntary subject to Section 3.

11. Adjustments. In the event of any adjustments in outstanding shares of Stock as provided in the Plan, the number and class of PSUs and Dividend Equivalent Rights or other securities to which the Grantee shall be entitled pursuant to this Agreement shall be appropriately adjusted or changed to reflect such change, provided that any such additional PSUs or Dividend Equivalent Rights or additional or different shares or securities shall remain subject to the restrictions in this Agreement.

12. Unfunded Obligation. The PSUs are an unfunded obligation of the Company, and as a holder of PSUs, the Grantee will be considered an unsecured creditor of the Company with respect to the Company’s obligation, if any, to issue shares or other property pursuant to this Agreement. Nothing contained in this Agreement, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between the Grantee and the Company or any other person.

13. Limitation of Rights. The PSUs do not confer to Grantee or Grantee's executors or administrators any rights of a stockholder of the Company unless and until shares of Stock are in fact issued to such

person in connection with the PSUs. Nothing in this Award shall interfere with or limit in any way the right of the Company to terminate Grantee's employment at any time, nor confer upon Grantee any right to continue in employment of the Company.

14. Successors in Interest. This Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, reorganization, purchase of stock or assets, or otherwise, all or substantially all of the Company's assets and business. This Agreement shall inure to the benefit of the Grantee's legal representatives. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be final, binding and conclusive upon the Grantee's heirs, executors, administrators and successors.

15. Modification of Agreement. This Agreement may be modified, amended, suspended or terminated, and any terms or conditions may be waived, but only by a written instrument executed by the Company; provided that no such action may be taken which adversely affects the rights of the Grantee, except to the extent such action is required by statute, or rules and regulations promulgated thereunder, or as otherwise permitted hereunder.

16. Clawback The Grantee's rights with respect to this Award shall in all events be subject to (a) all rights that the Company may have under any Company written clawback or recoupment policy or other written agreement or arrangement with the Participant and (b) all rights and obligations that the Company may have regarding the clawback of "incentive-based compensation" under Section 10D of the Exchange Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and any applicable rules and regulations promulgated thereunder from time to time by the U.S. Securities and Exchange Commission in effect on the Grant Date or thereafter.

17. Compliance with Section 409A of the Code. This Award is intended to comply with the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4) of the Code. However, if this award fails to satisfy the requirements of the short-term deferral rule and is otherwise not exempt from, and therefore deemed to be deferred compensation subject to, Section 409A, and if the Grantee is a "Specified Employee" (within the meaning set forth Section 409A(a)(2)(B)(i)) as of the date of the Grantee's separation from service (within the meaning of Treasury Regulation Section 1.409A-1(h) of the Code), then the issuance of any shares of Stock that would otherwise be made upon the date of the separation from service or within the first six months thereafter will not be made on the originally scheduled dates and will instead be issued in a lump sum on the date that is six months and one day after the date of the separation from service, with the balance of the shares of Stock issued thereafter in accordance with the original issuance schedule set forth in this Agreement, but if and only if such delay in the issuance of the shares of Stock is necessary to avoid the imposition of taxation on the Participant in respect of the Stock under Section 409A.

## EXHIBIT A

The PSUs, if any, will be earned and will become fully vested, in whole or in part, on the Vesting Date set forth in the Notice of Award of Performance Based Stock Units, based on the Company's attainment of one or both of the Performance Goals set forth below, subject to Grantee's continued Service with the Company through the conclusion of the Performance Measurement Period, except as set forth in the Agreement.

75% of the PSUs shall be earned based on the achievement of Cumulative non-GAAP operating income, as determined by the Compensation Committee in its sole discretion, as follows:

| **Performance Level** | **Cumulative non-GAAP operating income** | **% of 75% of the Target PSU Earned** |
|---|---|---|
| Below Threshold | Less than $[ ]M | 0% |
| Threshold | $[ ]M | 100% |
| Interim | $[ ]M | 150% |
| Maximum | $[ ]M | 200% |
| If Threshold Performance Level achieved, Awards interpolated on a linear basis for performance within stated Performance Levels | | |

Dollar amounts are in millions using budgeted exchange rates. If the Company's operating margin (Cumulative non-GAAP operating income/revenues) in any of the three annual periods in the Performance Measurement Period is below 35%, the number of PSUs earned shall be 0.

The Compensation Committee may adjust the Cumulative non-GAAP operating income for any year during the Performance Measurement Period, to recognize (1) the effect of accounting changes in accordance with generally accepted accounting principles, and (2) acquisitions or dispositions during the Performance Measurement Period.

25% of the PSUs shall be earned based on Company's TSR Percentile Rank Relative to its Peer Group, as determined by the Compensation Committee in its sole discretion, as follows:

| **Performance Level** | **TSR Percentile Rank Relative to Peer Group** | **% of 25% of the Target PSU Earned** |
|---|---|---|
| Below Threshold | Less than 35$^{th}$ Percentile | 0% |
| Threshold | 35$^{th}$ Percentile | 50% |
| Target | 55$^{th}$ Percentile | 100% |
| Interim | 75$^{th}$ Percentile | 150% |
| Maximum | 90$^{th}$ Percentile | 200% (Maximum) |
| If Threshold Performance Level achieved, Awards interpolated on a linear basis for performance within stated Performance Levels | | |

Notwithstanding anything to the contrary contained herein, if the Company's TSR for the Performance Measurement Period is negative, any PSUs earned shall be capped at 100%.

The definitions and calculation of the Company's Percentile Rank Relative to its Peer Group shall be as follows:

(a) <u>TSR</u> means a company's total shareholder return, calculated based on the stock price appreciation during the Performance Measurement Period plus the value of dividends paid on such stock during the Performance Measurement Period (which shall be deemed to have been reinvested in the underlying company's stock).

(b) Percentile Rank Relative to Peer Group means the percentile ranking of the Company with the constituents of the Peer Group with respect to TSR, which is (Ending Stock Price – Beginning Stock Price + Dividends Paid) / Beginning Stock Price as follows:

Where "Beginning Stock Price" means the daily average closing price of one share of common stock for the thirty trading days prior to the first day of the Performance Measurement Period;

Where "Ending Stock Price" means the daily average closing price of one share of common stock for the thirty trading days prior to and including the last day of the Performance Measurement Period;

Where "Dividends" means the total of all cash dividends paid on one share of common stock during the stock price calculation period, assumed to be reinvested in additional shares of common stock on the ex-dividend date.

(c) Peer Group means the S&P Software and Services Select Industry Index defined as of the first day of the Performance Measurement Period.

(d) Relative Total Shareholder Return or Relative TSR means the Company's TSR relative to the TSR of the Peer Group. Following the calculation of the TSR of the Company and each company in the Peer Group for the Performance Measurement Period, the Company and each Company in the Peer Group will be ranked in order of maximum to minimum according to their respective TSR for the Performance Measurement Period. After this ranking, the percentile performance of the Company relative to the Peer Group will be determined as follows:

$$P = 1 - \frac{R - 1}{N - 1}$$

Where: "P" represents the percentile performance, which will be rounded, if necessary, to the nearest whole percentile by application of standard scientific rounding conventions.

"N" represents the number of companies in the Peer Group, plus one (i.e., the Company).

"R" represents the Company's ranking versus the Peer Group.

***Example:*** If there are 1000 Peer companies in the Peer Group, and the Company ranked 501st out of 1001 (i.e., 1000 Peer companies, plus the Company), the performance would be at the 50th percentile: .50 = 1 – ((501-1)/(1001-1)).

(e) The Compensation Committee shall make the following adjustments to the calculation of the Relative Total Shareholder Return or the composition of the Peer Group during the Performance Measurement Period as follows: (1) if a member of the Peer Group is acquired by or merges with another company outside the Peer Group, or during the Performance Measurement Period announces that it will be acquired by or merged with another company outside the Peer Group, then the surviving entity or acquired Peer Group company will be removed from the Peer Group for the entire Performance Measurement Period; (2) if a member of the Peer Group sells, spins-off, or disposes of a portion of its business, then such Peer Group company will remain in the Peer Group for the Performance Measurement Period unless such disposition(s) results in the disposition of more than 50% of such company's total assets during the Performance Measurement Period, in which case it will be removed from the Peer Group for the entire Performance Measurement Period; (3) if a member of the Peer Group acquires another company, the acquiring Peer Group company will remain in the Peer Group for the entire Performance Measurement Period; (4) if a member of the Peer Group is delisted on all major stock exchanges, such delisted company will remain in the Peer Group positioned at one level below the lowest performing non-delisted Peer Group company. In the case of multiple delistings, the delisted companies will be positioned below the non-delisted companies in reverse chronological order by delisting date for the entire Performance Measurement Period; (5) to the extent that the Company and/or any member of the Peer Group splits its stock or declares a distribution of shares, such company's total shareholder return performance will be appropriately adjusted for the stock split or share distribution so as not to give an advantage or disadvantage to such company by comparison to the other companies; (6) members of the Peer Group that file for bankruptcy, liquidation or reorganization during the Performance Measurement Period will remain in the Peer Group and with an assumed total shareholder return of – 100%; (7) in the event of a merger, acquisition or business combination transaction of a member of the Peer Group with or by another member of the Peer Group, the surviving entity shall remain a member of the Peer Group; and (8) the Compensation Committee shall have the authority to make other appropriate adjustments in response to a change in circumstances that results in a member of the Peer Group no longer satisfying the criteria for which such member was originally selected.

**Exhibit 10.15**

**EMPLOYEE RETENTION AND MOTIVATION AGREEMENT**
**(Amended and Restated as of January 9, 2023)**

This agreement (the “Agreement”) is effective as of __________ (the “Agreement Date”) by and between ___________ (the “Covered Person”) and Progress Software Corporation, a Delaware corporation (the “Company”).

**R E C I T A L S**

A. The Covered Person is being retained as an employee or officer of the Company in a role that is important to the continued conduct of the Company’s business and operations.

B. The Board of Directors of the Company (the “Board”) has determined that it is in the best interest of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of the Covered Person, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

C. The Board believes that it is imperative to provide the Covered Person with certain benefits following a Change of Control and certain severance benefits upon the Covered Person’s termination of employment following a Change of Control.

D. In order to accomplish the foregoing objectives, the Board has directed the Company, upon execution of the Agreement by the Covered Person, to commit to the terms provided herein.

E. The Covered Party accepts the terms of the Agreement.

F. Certain capitalized terms used in this Agreement are defined in Section 4 below.

In consideration of the mutual covenants herein contained and in consideration of the continuing employment of the Covered Person by the Company, the parties agree as follows:

1. Term of Employment. The Company and the Covered Person acknowledge that the Covered Person’s employment is at will, as defined under applicable law, except as may otherwise be provided under the terms of any written employment agreement between the Company and the Covered Person, that is signed on behalf of the Company now or hereafter in effect. If the Covered Person’s employment terminates for any reason, the Covered Person shall not be entitled to any payments, benefits, damages, awards or compensation (collectively, “recompense”) other than the maximum recompense as provided by one of the following, without a duplication of benefits: (i) this Agreement, or (ii) any written employment agreement then in effect between the Covered Person and the Company, or (iii) the Company’s existing severance guidelines and benefit plans which are in effect at the time of termination, or (iv) applicable statutory provisions. The provisions of this Agreement shall terminate upon the date that all obligations of the parties hereunder have been satisfied.

2. Change of Control Benefits

(a) Treatment of Outstanding Options and Restricted Equity. Notwithstanding any provision to the contrary in the Company's equity plans, effective immediately upon a Change of Control, unless the outstanding stock options and shares of restricted stock or restricted units held by the Covered Person under the Company's equity plans on the date of the Change of Control are continued by the Company or assumed by its successor entity, all such outstanding stock options and shares of restricted stock or restricted units held by the Covered Person which were granted and remain outstanding prior to the date of the Change of Control under the Company's equity plans shall instead become fully vested (with performance-based equity vested at the percentage as set forth in the applicable award agreement), nonforfeitable and not subject to any restrictions as of the date of the Change of Control. If such outstanding stock options and shares of restricted stock or restricted units (including performance-based equity) held by the Covered Person are continued by the Company or assumed by its successor entity, then vesting shall continue in its usual course subject to the terms of the applicable award agreement.

(b) Payment of Management Bonus. Effective immediately upon a Change of Control, the Covered Person's annual management bonus shall be fixed at the Covered Person's target bonus level as in effect immediately prior to the Change of Control and the Covered Person shall be paid a pro-rated portion of such bonus, as of the date of the Change of Control. Any payment to which the Covered Person is entitled pursuant to this section shall be paid in a lump sum within thirty (30) days of the Change of Control.

3. Severance Benefits

(a) Termination Following a Change of Control. If the Covered Person's employment terminates in connection with or within twelve (12) months immediately following a Change of Control, then, subject to Section 5 below, the Covered Person shall be entitled to receive severance benefits as follows:

(i) Involuntary Termination. If the Covered Person's employment is terminated as a result of Involuntary Termination, then, subject to the Covered Person executing a general release in favor of the Company, the Covered Person shall be entitled to receive a lump sum severance payment in an amount equal to eighteen (18) months of the Covered Person's annual Target Compensation; and in addition, for a period of eighteen (18) months after such termination (the "COBRA Payment Period"), the Company shall be obligated to provide the Covered Person with continued participation in medical, dental, vision, and life insurance benefits that are substantially equivalent to the Covered Person's benefits that were in effect immediately prior to the Change of Control (the "COBRA premiums"). In addition, outstanding stock options and shares of restricted stock or restricted units held by the Covered Person granted prior to the date of such termination under the Company's equity plans which would otherwise become fully vested, nonforfeitable and not subject to any restrictions following the date of such termination shall instead become fully vested, nonforfeitable and not subject to restrictions as of the date of such termination. Any severance payments to which the Covered Person is entitled pursuant to this section shall be paid in a lump sum within sixty (60) days of the effective date of the Covered Person's termination. For purposes of this Paragraph 3(a)(i), the term "Target Compensation" shall mean the highest amount of Target Compensation applicable to the Covered Person from the period of time immediately prior to the Change of Control through the effective date of the Covered Person's termination. Notwithstanding the foregoing, if the Company determines, in its sole discretion, that the payment of the COBRA premiums would result in a violation of the nondiscrimination rules of Section 105(h)(2) of the Internal Revenue Code of 1986, as amended (the "Code") or any statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then in lieu of providing the COBRA premiums, the Company, in its sole discretion, may elect to instead pay Covered

Person on the first day of each month of the COBRA Payment Period, a fully taxable cash payment equal to the COBRA premiums for that month, subject to applicable tax withholdings, for the remainder of the COBRA Payment Period.

(ii) Voluntary Resignation. If the Covered Person's employment terminates by reason of the Covered Person's voluntary resignation (and is not an Involuntary Termination), then the Covered Person shall not be entitled to receive any severance payments or other benefits except for such benefits (if any) as may then be established under the Company's then existing severance guidelines and benefit plans at the time of such termination.

(iii) Disability; Death. If the Company terminates the Covered Person's employment as a result of the Covered Person's Disability, or such Covered Person's employment is terminated due to the death of the Covered Person, then the Covered Person shall not be entitled to receive any severance payments or other benefits except for those (if any) as may then be established under the Company's then existing severance guidelines, benefit plans, and applicable equity grant award at the time of such Disability or death.

(iv) Termination for Cause. If the Company terminates the Covered Person' employment for Cause, then the Covered Person shall not be entitled to receive any severance payments or other benefits following the date of such termination, and the Company shall have no obligation to provide for the continuation of any health and medical benefit or life insurance plans existing on the date of such termination, other than as required by law.

(b) Termination Other than Following a Change of Control. If the Covered Person's employment is terminated for any reason either prior to the occurrence of a Change of Control or more than twelve (12) months following a Change of Control, then the Covered Person shall be entitled to receive severance and any other benefits only as provide under any written agreement with the Company or its successor or as may then be established under the Company's or successor's existing severance guidelines and benefit plans at the time of such termination.

4. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) "Change of Control" shall mean the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities, whether by tender offer, or otherwise; or

(ii) A change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the Agreement Date, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the directors of the Company as of the Agreement Date, at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

(iii) The consummation of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately prior thereto representing less than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation.

(iv) The liquidation of the Company; or the sale or disposition by the Company of all or substantially all of the Company's assets.

(b) "Involuntary Termination" shall mean (i) without the Covered Person's express written consent, the assignment to the Covered Person of any duties or the significant reduction of the Covered Person's duties, either of which is materially inconsistent with the Covered Person's position with the Company and responsibilities in effect immediately prior to such assignment, or the removal of the Covered Person from such position and responsibilities, which is not effected for Disability or for Cause; (ii) a material reduction by the Company in the base compensation of the Covered Person as in effect immediately prior to such reduction; (iv) the relocation of the Covered Person to a facility or a location more than fifty (50) miles from the Covered Person's then present location, without the Covered Person's express written consent; (v) any purported termination of the Covered Person by the Company which is not effected for death, Disability or for Cause; or (vi) the Company materially breaches this Agreement. An Involuntary Termination shall be effective subject to the notice provisions set forth in Section 7(b).

(c) "Cause" shall mean, as determined by the Board, (i) any act of dishonesty taken by the Covered Person in connection with his or her responsibilities as an employee and intended to result in substantial personal enrichment of the Covered Person (including but not limited to any acts of fraud, serious dereliction of fiduciary obligation, and embezzlement or misappropriation of funds, regardless of whether the embezzlement or misappropriation involves funds or assets of the Company or a third party), (ii) the conviction of a felony, , plea of guilty or nolo contendere, to a felony charge or any criminal act involving moral turpitude, or participation in criminal activity which, if prosecuted, would qualify as a felony or crime involving moral turpitude, (iii) a willful act by the Covered Person which constitutes gross misconduct and which is injurious to the Company or reasonably likely to result in harm to the Company or to bring the Company into disrepute, (iv) an unauthorized disclosure of confidential information belonging to the Company, or entrusted to the Company by a client, customer, or other third party, (v) reporting to work or a work-related function under the influence of drugs or alcohol (other than prescription medicine or other medically-related drugs to the extent that they are taken in accordance with their directions) during the performance of Grantee's duties to the Company, (vi) a material violation of any Company rule, regulation or policy,, and (vii) a refusal to substantially perform the Covered Person's duties to the Company.

(d) "Disability" shall mean that the Covered Person has been unable to perform his or her duties as an employee of the Company as the result of incapacity due to physical or mental illness, and such inability, at least twenty-six (26) weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Covered Person or the Covered Person's legal representative (such agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least thirty (30) days' written notice by the Company of its intention to terminate the Covered Person's employment.

(e) "Target Compensation" shall mean the total of all fixed base salary and variable bonus cash compensation due a Covered Person based upon one hundred percent (100%) attainment of performance levels.

5. Section 280G.

(a) In General. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to the Covered Person (i) constitute "parachute payments" within the meaning of Section 280G of the Code and (ii) but for this Section 5, would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Covered Person's severance benefits under Section 3(a)(i) shall be either:

(i) delivered in full, or

(ii) delivered as to such lesser extent which would result in no portion of such severance benefits subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by the Covered Person on an after tax basis, of the greatest amount of severance payments and benefits, notwithstanding that all or some portion of such severance payments and benefits may be taxable under Section 4999 of the Code. Unless the Company and the Covered Person otherwise agree in writing, any determination required under this Section 5 shall be made in writing in good faith by the accounting firm serving as the Company's independent public accountants immediately prior to the Change of Control (the "Accountants") in good faith consultation with the Covered Person. In the event of a reduction in benefits hereunder, such benefits shall be reduced in the following order: (a) cash payments not subject to Section 409A of the Code; (b) cash payments subject to Section 409A of the Code; (c) equity compensation; and (d) non-cash forms of benefits. To the extent any payment is to be made over time, then the payment shall be reduced in reverse chronological order. For purposes of making the calculations required by this Section 5, the Accountants may make reasonable assumptions and approximations concerning the application taxes and may rely on reasonable good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Covered Person shall furnish to the Accountants such information and documents as the Accountants may reasonable request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 5.

(b) Overpayments; Underpayments. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accountants hereunder, it is possible that amounts will have been paid or distributed by the Company to or for the benefit of Covered Person pursuant to this Agreement which should not have been so paid or distributed (an "Overpayment") or that additional amounts which will have not been paid or distributed by the Company to or for the benefit of Covered Person pursuant to this Agreement which should have been so paid or distributed (an "Underpayment"), in each case consistent with the calculation of the reduced amount as set forth in Section 5. In the event that the Accountants, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or Covered Person which the Accountants believes has a high probability of success determines that an Overpayment has been made, Covered Person shall pay any such Overpayment to the Company together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no amount shall be payable by Covered Person to the Company if and to the extent such payment would not either reduce the amount on which Covered Person is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accountants, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be paid promptly (and in no event later than 60 days following the date on which the Underpayment is determined) by the Company to or for the benefit of Covered Person together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code.

6. Successors

(a) Company's Successors Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) or to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this subsection (a) which becomes bound by the terms of this Agreement by operation of law.

(b) Covered Person's Successors The terms of this Agreement and all rights of the Covered Person's hereunder shall inure to the benefit of, and be enforceable by, the Covered Person's personal or legal representatives, executors, administrators, successors, heirs, distributes, devisees and legatees.

7. Notice

(a) General Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Covered Person, mailed notices shall be addressed to him or her at the home address which he or she most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its General Counsel.

(b) Notice by Covered Person of Involuntary Termination by the Company In the event the Covered Person determines that an Involuntary Termination has occurred in connection with or at any time within 12 months immediately following a Change of Control, the Covered Person shall give written notice that such Involuntary Termination has occurred as set forth in this Section 7(b). Such notice shall be delivered by the Covered Person to the Company in accordance with Section 7(a) of this Agreement within ninety (90) days following the date on which such Involuntary Termination has occurred (or, if such Involuntary Termination occurred as a result of more than one event set forth in Section 4(b), within ninety (90) days following the earliest of such events), shall indicate the specific provision or provisions in this Agreement upon which the Covered Person relied to make such determination and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for such determination. The failure by the Covered Person to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination shall not waive any right of the

Covered Person hereunder or preclude the Covered Person from asserting such fact or circumstance in enforcing his or her rights hereunder. The Company will have thirty (30) days following such notice to cure the conduct alleged to constitute an Involuntary Termination and the Covered Person must resign within thirty (30) days of the expiration of the Company's cure period.

8. Section 409A. This Agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), including the exceptions thereto, and shall be construed and administered in accordance with such intent. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement in connection with a termination of employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Covered Person on account of non-compliance with Section 409A.

Notwithstanding anything in this Agreement to the contrary, if at the time of the Covered Person's separation from service (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), the Covered Person is considered a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, and if any payment that the Covered Person becomes entitled to under this Agreement is considered deferred compensation subject to Section 409A of the Code, then such deferred compensation shall be payable (without interest) the earlier of (A) six months after the Covered Person's date of termination, (B) the Covered Person's death. The parties agree that this Agreement may be amended, as reasonably requested by either party and as may be necessary to comply fully with or be exempt from Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party.

9. Miscellaneous Provisions

(a) Clawback The Covered Person's rights with respect to this Agreement shall in all events be subject to (a) all rights that the Company may have under any Company written clawback or recoupment policy or other written agreement or arrangement with the Participant and (b) all rights and obligations that the Company may have regarding the clawback of "incentive-based compensation" under Section 10D of the Exchange Act, the Dodd-Frank Wall Street Reform, and Consumer Protection Act of 2010 and any applicable rules and regulations promulgated thereunder from time to time by the U.S. Securities and Exchange Commission in effect on the Grant Date or thereafter.

(b) No Duty to Mitigate The Covered Person shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that the Covered Person may receive from any other source.

(c) Waiver No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed in writing and signed by the Covered Person and by an authorized officer of the Company (other than the Covered Person). No waiver by either party of any breach of, or compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision of the same condition or provision at another time.

(d) Entire Agreement Except as herein contained, this Agreement contains the entire understanding between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings, inducements, and conditions, express or implied, oral or written, which shall no longer have any force of effect. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement between the parties in writing.

(e) Choice of Law The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts.

(f) Severability The invalidity or enforceability of any provisions or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) Arbitration Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by final and binding arbitration in Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. In the event the Covered Person prevails in an action or proceeding brought to enforce the terms of this Agreement or to enforce and collect on any non-de minimis judgment entered pursuant to this Agreement, the Covered Person shall be entitled to recover all costs and reasonable attorney's fees.

(h) No Assignment of Benefits The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection (g) shall be void.

(i) Employment Taxes Subject to Section 5, all payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(j) Assignment by Company The Company may assign its rights under this Agreement to an affiliate and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that no assignment shall be made if the net worth of the assignee is less than the net worth of the Company at the time of the assignment. In the case of any such assignment, the term "Company" when used in a section of the Agreement shall mean the corporation that actually employs the Covered Person.

(k) Counterparts This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the date first above written.

Progress Software Corporation

By:________________________________________ By:______________________________________

Exhibit 21.1

**Subsidiaries of Progress Software Corporation**

| Jurisdiction | Name |
|---|---|
| North America | |
| California | Savvion, Inc. |
| Canada | Progress Software Corporation of Canada Ltd. |
| Delaware | Progress Software International LLC |
| Delaware | Progress Software Global Corporation |
| Delaware | Progress Software Denmark A/S |
| Delaware | Progress Software Germany GmbH |
| | |
| EMEA | |
| Austria | Progress Software GesmbH |
| Belgium | Progress Software NV |
| Bulgaria | Progress Software EAD |
| Bulgaria | Trident Acquisition EAD |
| Czech Republic | Flowmon Networks, A.S. |
| Denmark | Progress Software A/S |
| Finland | Progress Software Oy |
| France | Progress Software S.A.S. |
| Germany | Progress Software GmbH |
| Ireland | Progress Software Technologies Limited |
| Ireland | SPK Acquisitions Limited |
| Italy | Progress Software Italy S.r.l. |
| Netherlands | Progress Software B.V. |
| Netherlands | Progress Software Europe B.V. |
| Norway | Progress Software A/S |
| Poland | Progress Software Sp. z.o o. |
| South Africa | Progress Software (Pty) Ltd |
| Spain | Progress Software S.L. |
| Sweden | Progress Software Svenska AB |
| Switzerland | Progress Software AG |
| United Kingdom | Apama (UK) Limited |
| United Kingdom | Trident Acquisition Limited |
| United Kingdom | Progress Software Limited |
| | |
| Latin America | |
| Brazil | Progress Software do Brasil Ltda. |
| | |
| Asia Pacific | |
| Australia | Progress Software Pty. Ltd. |
| China | Progress (Shanghai) Software System Company Limited |
| Hong Kong | Progress Software Corporation Limited |
| India | Progress Software Development Private Limited |
| India | Progress Software Solutions India Private Limited |
| India | Kemp Technologies India Private Limited |
| Japan | Progress Software Japan KK |
| Singapore | Progress Software Corporation (S) Pte. Ltd. |
| Singapore | Kemp Technologies Pte. Ltd |

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-80559, 333-41401, 333-41393, 033-50654, 033-96320, 333-41403, 333-80571, 333-98035, 333-101239, 333-122962, 333-146233, 333-150555, 333-236096, and 333-257519 on Form S-8 and No. 333-133724 on Form S-3 of our reports dated January 27, 2023, relating to the financial statements of Progress Software Corporation, and the effectiveness of Progress Software Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Progress Software Corporation for the year ended November 30, 2022.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
January 27, 2023

**Exhibit 31.1**

**CERTIFICATION**

I, Yogesh K. Gupta, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: January 27, 2023

/s/ YOGESH K. GUPTA

Yogesh K. Gupta

President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION**

I, Anthony Folger, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: January 27, 2023

/s/ ANTHONY FOLGER

Anthony Folger

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

**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 Annual Report on Form 10-K of Progress Software Corporation (the Company) for the year ended November 30, 2022, 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, 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 | /s/ ANTHONY FOLGER |
| President and Chief Executive Officer | Chief Financial Officer |
| Date: January 27, 2023 | Date: January 27, 2023 |