

PTC Inc.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended	
	January 2, 2016	January 3, 2015
Revenue:		
Subscription	\$ 22,176	\$ 14,223
Support	171,756	181,629
Total recurring software	193,932	195,852
Perpetual license	47,763	64,748
Total software	241,695	260,600
Professional services	49,322	64,842
Total revenue	291,017	325,442
Cost of revenue:		
Cost of software revenue ⁽¹⁾	36,814	34,725
Cost of professional services revenue ⁽¹⁾	43,333	58,217
Total cost of revenue	80,147	92,942
Gross margin	210,870	232,500
Operating expenses:		
Sales and marketing ⁽¹⁾	82,429	89,484
Research and development ⁽¹⁾	57,669	61,097
General and administrative ⁽¹⁾	40,167	35,130
Amortization of acquired intangible assets	8,350	9,413
Restructuring charges	37,147	(255)
Total operating expenses	225,762	194,869
Operating income (loss)	(14,892)	37,631
Other expense, net	(6,253)	(3,224)
Income (loss) before income taxes	(21,145)	34,407
Provision (benefit) for income taxes	4,347	4,123
Net income (loss)	\$ (25,492)	\$ 30,284
Earnings (loss) per share:		
Basic	\$ (0.22)	\$ 0.26
Weighted average shares outstanding	114,151	115,341
Diluted	\$ (0.22)	\$ 0.26
Weighted average shares outstanding	114,151	117,027

(1) The amounts in the tables above include stock-based compensation as follows:

	Three Months Ended	
	January 2, 2016	January 3, 2015
Cost of software revenue	\$ 1,905	\$ 918
Cost of professional services revenue	1,451	1,689
Sales and marketing	4,282	3,201
Research and development	2,513	3,086
General and administrative	13,038	2,348
Total stock-based compensation	\$ 23,189	\$ 11,242

PTC Inc.
NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS (UNAUDITED)
(in thousands, except per share data)

	Three Months Ended	
	January 2, 2016	January 3, 2015
GAAP revenue	\$ 291,017	\$ 325,442
Fair value adjustment of acquired deferred subscription revenue	188	682
Fair value adjustment of acquired deferred support revenue	-	465
Fair value adjustment of acquired deferred services revenue	309	257
Non-GAAP revenue	<u>\$ 291,514</u>	<u>\$ 326,846</u>
GAAP gross margin	\$ 210,870	\$ 232,500
Fair value adjustment of acquired deferred revenue	497	1,404
Fair value adjustment to deferred services cost	(132)	(106)
Stock-based compensation	3,356	2,607
Amortization of acquired intangible assets included in cost of software revenue	5,127	4,767
Non-GAAP gross margin	<u>\$ 219,718</u>	<u>\$ 241,172</u>
GAAP operating income (loss)	\$ (14,892)	\$ 37,631
Fair value adjustment of acquired deferred revenue	497	1,404
Fair value adjustment to deferred services cost	(132)	(106)
Stock-based compensation	23,189	11,242
Amortization of acquired intangible assets included in cost of software revenue	5,127	4,767
Amortization of acquired intangible assets	8,350	9,413
Acquisition-related charges included in general and administrative costs	1,207	4,033
US pension plan termination-related costs	-	1,684
Restructuring charges	37,147	(255)
Non-GAAP operating income ⁽²⁾	<u>\$ 60,493</u>	<u>\$ 69,813</u>
GAAP net income (loss)	\$ (25,492)	\$ 30,284
Fair value adjustment of acquired deferred revenue	497	1,404
Fair value adjustment to deferred services cost	(132)	(106)
Stock-based compensation	23,189	11,242
Amortization of acquired intangible assets included in cost of software revenue	5,127	4,767
Amortization of acquired intangible assets	8,350	9,413
Acquisition-related charges included in general and administrative costs	1,207	4,033
US pension plan termination-related costs	-	1,684
Restructuring charges	37,147	(255)
Non-operating credit facility refinancing costs	2,359	-
Income tax adjustments ⁽³⁾	4,930	(3,486)
Non-GAAP net income	<u>\$ 57,182</u>	<u>\$ 58,980</u>
GAAP diluted earnings (loss) per share	\$ (0.22)	\$ 0.26
Fair value of acquired deferred revenue	-	0.01
Stock-based compensation	0.20	0.10
Amortization of acquired intangibles	0.12	0.12
Acquisition-related charges	0.01	0.03
US pension plan termination-related costs	-	0.01
Restructuring charges	0.32	-
Non-operating credit facility refinancing costs	0.02	-
Income tax adjustments	0.04	(0.03)
Non-GAAP diluted earnings per share	<u>\$ 0.50</u>	<u>\$ 0.50</u>
GAAP diluted weighted average shares outstanding	114,151	117,027
Dilutive effect of stock based compensation plans	1,088	-
Non-GAAP diluted weighted average shares outstanding	<u>115,239</u>	<u>117,027</u>

(2) Operating margin impact of non-GAAP adjustments:

	Three Months Ended	
	January 2, 2016	January 3, 2015
GAAP operating margin	-5.1%	11.6%
Fair value of acquired deferred revenue	0.2%	0.4%
Fair value adjustment to deferred services cost	0.0%	0.0%
Stock-based compensation	8.0%	3.5%
Amortization of acquired intangibles	4.6%	4.4%
Acquisition-related charges	0.4%	1.2%
US pension plan termination-related costs	0.0%	0.5%
Restructuring charges	12.8%	-0.1%
Non-GAAP operating margin	<u>20.8%</u>	<u>21.4%</u>

(3) Income tax adjustments for the three months ended January 2, 2016 and January 3, 2015 reflect the tax effects of non-GAAP adjustments which are calculated by applying the applicable tax rate by jurisdiction to the non-GAAP adjustments listed above. We have recorded a full valuation allowance against our U.S. net deferred tax assets and a valuation allowance against net deferred tax assets in a foreign jurisdiction. As the U.S. and the foreign jurisdiction are profitable on a non-GAAP basis, the 2016 and 2015 non-GAAP tax provisions are being calculated assuming there is no valuation allowance in these jurisdictions. Additionally, our non-GAAP tax provision for the three months ended January 2, 2016 excludes a \$1.6 million tax provision related to a legal settlement accrual.

PTC Inc.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	<u>January 2, 2016</u>	<u>September 30, 2015</u>
ASSETS		
Cash and cash equivalents	\$ 296,797	\$ 273,417
Accounts receivable, net	161,402	197,275
Property and equipment, net	60,878	65,162
Goodwill and acquired intangible assets, net	1,403,900	1,360,342
Other assets	292,916	313,717
Total assets	<u>\$ 2,215,893</u>	<u>\$ 2,209,913</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deferred revenue	\$ 389,266	\$ 386,850
Borrowings under credit facility	718,125	668,125
Other liabilities	274,165	294,767
Stockholders' equity	834,337	860,171
Total liabilities and stockholders' equity	<u>\$ 2,215,893</u>	<u>\$ 2,209,913</u>

PTC Inc.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended	
	January 2, 2016	January 3, 2015
Cash flows from operating activities:		
Net income (loss)	\$ (25,492)	\$ 30,284
Stock-based compensation	23,189	11,242
Depreciation and amortization	20,613	21,237
Accounts receivable	35,219	25,800
Accounts payable and accruals	11,975	(50,918)
Deferred revenue	1,262	(8,776)
Income taxes	(3,355)	(2,953)
Excess tax benefits from stock-based awards	(56)	(163)
Other	(2,101)	(12,121)
Net cash provided by operating activities ⁽⁴⁾	<u>61,254</u>	<u>13,632</u>
Capital expenditures	(4,185)	(7,947)
Acquisitions of businesses, net of cash acquired ⁽⁵⁾	(64,780)	180
Proceeds (payments) on debt, net	50,000	(6,250)
Proceeds from issuance of common stock	1	3
Payments of withholding taxes in connection with vesting of stock-based awards	(14,833)	(21,669)
Excess tax benefits from stock-based awards	56	163
Other financing & investing activities	(2,300)	(1,000)
Foreign exchange impact on cash	(1,833)	(9,714)
Net change in cash and cash equivalents	23,380	(32,602)
Cash and cash equivalents, beginning of period	273,417	293,654
Cash and cash equivalents, end of period	<u>\$ 296,797</u>	<u>\$ 261,052</u>

(4) The three months ended January 3, 2015 includes \$10 million of voluntary contribution funding payments to pension

(5) We acquired Vuforia on November 3, 2015 for \$65 million (net of cash acquired).