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

FORM 8-K

Current Report
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 10, 2024

PEGASYSTEMS INC.

(Exact name of Registrant as specified in its charter)

Massachusetts	1-11859	04-2787865
(State or other jurisdiction of incorporation)	*(Commission File Number)*	*(IRS Employer Identification No.)*

One Main Street, Cambridge, MA 02142
(Address of principal executive offices, including zip code)

(617) 374-9600
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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, $.01 par value per share	PEGA	NASDAQ Global Select Market

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

ITEM 7.01 REGULATION FD DISCLOSURE

On June 10, 2024, Pegasystems Inc. (the “Company”) will present to investors. A copy of the financial information to be presented is attached as Exhibit 99.1.

The information in this Form 8-K and the Exhibit attached hereto are furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

Exhibit No.	Description
99.1	Investor Presentation
104	Cover Page Interactive Data File (formatted as Inline XBRL)

SIGNATURE

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

Pegasystems Inc.

Dated: June 10, 2024

By: /s/ KENNETH STILLWELL

Kenneth Stillwell
Chief Operating Officer and Chief Financial Officer
(Principal Financial Officer)

Investor Session 2024

June 10, 2024

NASDAQ: PEGA
pegainvestorrelations@pega.com

© Pegasystems Inc.

Safe Harbor Statement

Certain statements in this presentation may be "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Words such as expects, anticipates, intends, plans, believes, will, could, should, estimates, may, targets, strategies, intends to, projects, forecasts, guidance, likely, and usually or variations of such words and other similar expressions identify forward-looking statements. These statements represent our views only as of the date the statement was made and are based on current expectations and assumptions.

Factors that could cause the Company's results to differ materially from those expressed in forward-looking statements are contained in the Company's press release announcing its Q1 2024 results and in the Company's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2023 and other recent filings with the SEC.

Investors are cautioned not to place undue reliance on such forward-looking statements, and there are no assurances that the results included in such statements will be achieved. Although subsequent events may cause our view to change, except as required by applicable law, we do not undertake and expressly disclaim any obligation to publicly update or revise these forward-looking statements, whether as the result of new information, future events, or otherwise. Any forward-looking statements in this presentation represent our views as of June 10, 2024.

Non-GAAP Financial Measures

Our non-GAAP financial measures should only be read in conjunction with our consolidated financial statements prepared in accordance with GAAP. We believe that these measures help investors understand our core operating results and prospects, which is consistent with how management measures and forecasts our performance without the effect of often one-time charges and other items outside our normal operations. They are not a substitute for financial measures prepared under U.S. GAAP. Constant currency measures are calculated by applying the Q1 2023 foreign exchange rates to all periods shown. Reconciliations of GAAP and non-GAAP measures are in the Company's press release announcing its Q1 2024 results and at the end of this presentation.

Additional Notes

This presentation may contain industry market data, industry forecasts, and other statistical information. Such information was obtained from publicly available information, industry publications, and other third-party sources, and the Company makes no representations as to the accuracy of such information. The Company has not independently verified any such information. Certain information in this presentation is based upon management forecasts and reflects prevailing conditions and management's views as of the date of this presentation, all of which are subject to change.

© Pegasystems Inc.

Finance

Ken Stillwell

COO & CFO

© Pegasystems Inc.

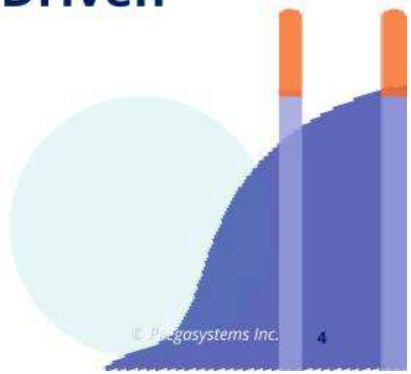
Financial Outlook

Massive Market Opportunity

Subscription Journey

Recurring Model

"Rule of 40" Driven



© Pegasystems Inc.

Pursuing a Massive Market Opportunity in Platform & CRM

Source: IDC Worldwide ICT Spending Guide (Feb. 2024)

© Pegasystems Inc.

Pega is a Recurring Cash Flow Business

From...

- Perpetual
- Less Predictable
- Lagging Growth & Margins

To...

- **Recurring**
- **More Predictable**
- **Rule of 40 Driven**

SUBSCRIPTION TRANSITION TIMELINE

2017 → 2023

© Pegasystems Inc.

Subscription Revenue Increased from 56% to 84%

Note: Other includes consulting and perpetual license revenue. In 2017, perpetual license revenue represented 34% of other revenue. By 2023, perpetual license revenue represented only 4% of other revenue.

PEGA

© Pegasystems Inc.

ACV Growth

ACV growth rate

Free Cash Flow

Free cash flow margin

© Pegasystems Inc.

Key Success Metrics:

01

Annual Contract Value (ACV) Growth

02

Free Cash Flow

Note: ACV represents the annualized value of our active contracts as of the measurement date. The contract's total value is divided by its duration in years to calculate ACV. ACV is a performance measure that we believe provides useful information to our management and investors.

© Pegasystems Inc.

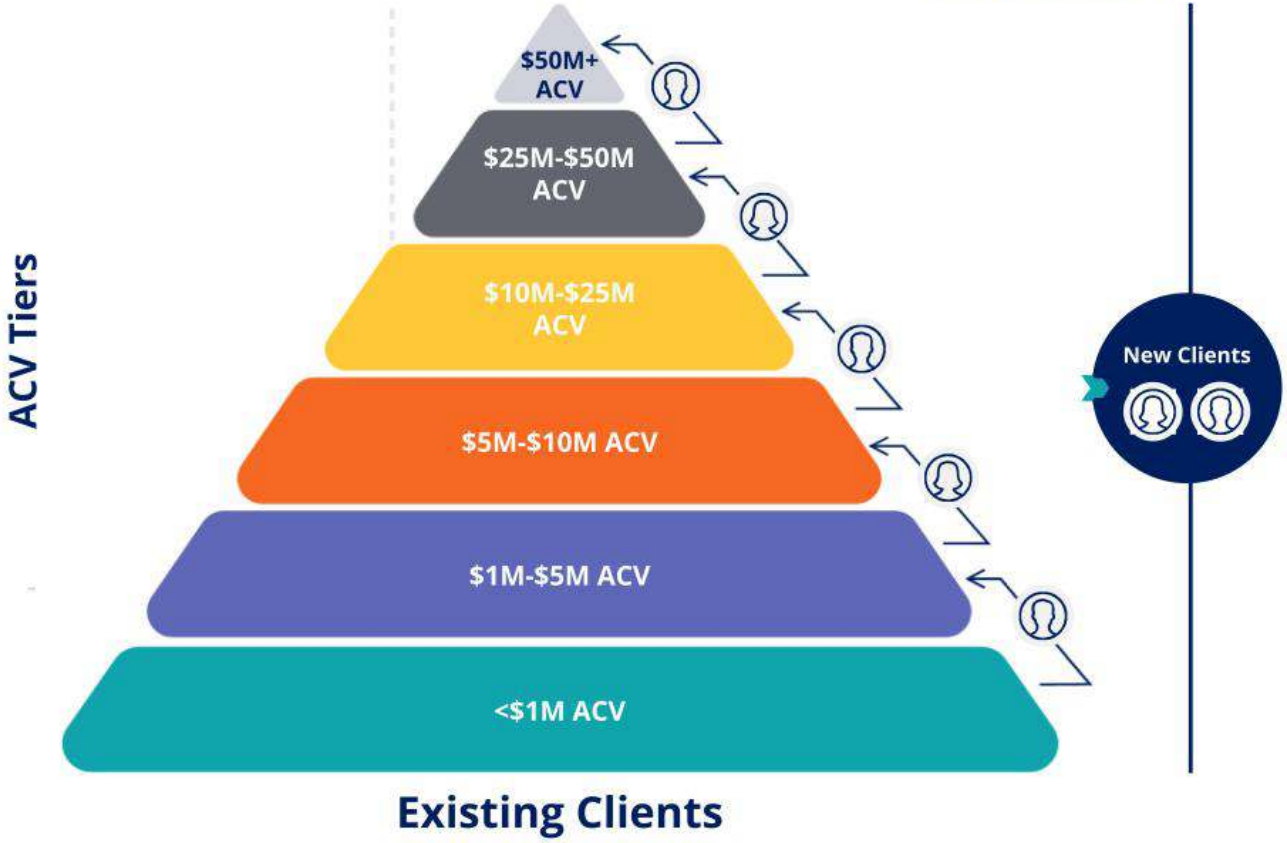
ACV Growth Drivers

Move clients up the ACV pyramid

- Subscription transition
- Grow existing clients

Targeted new logos

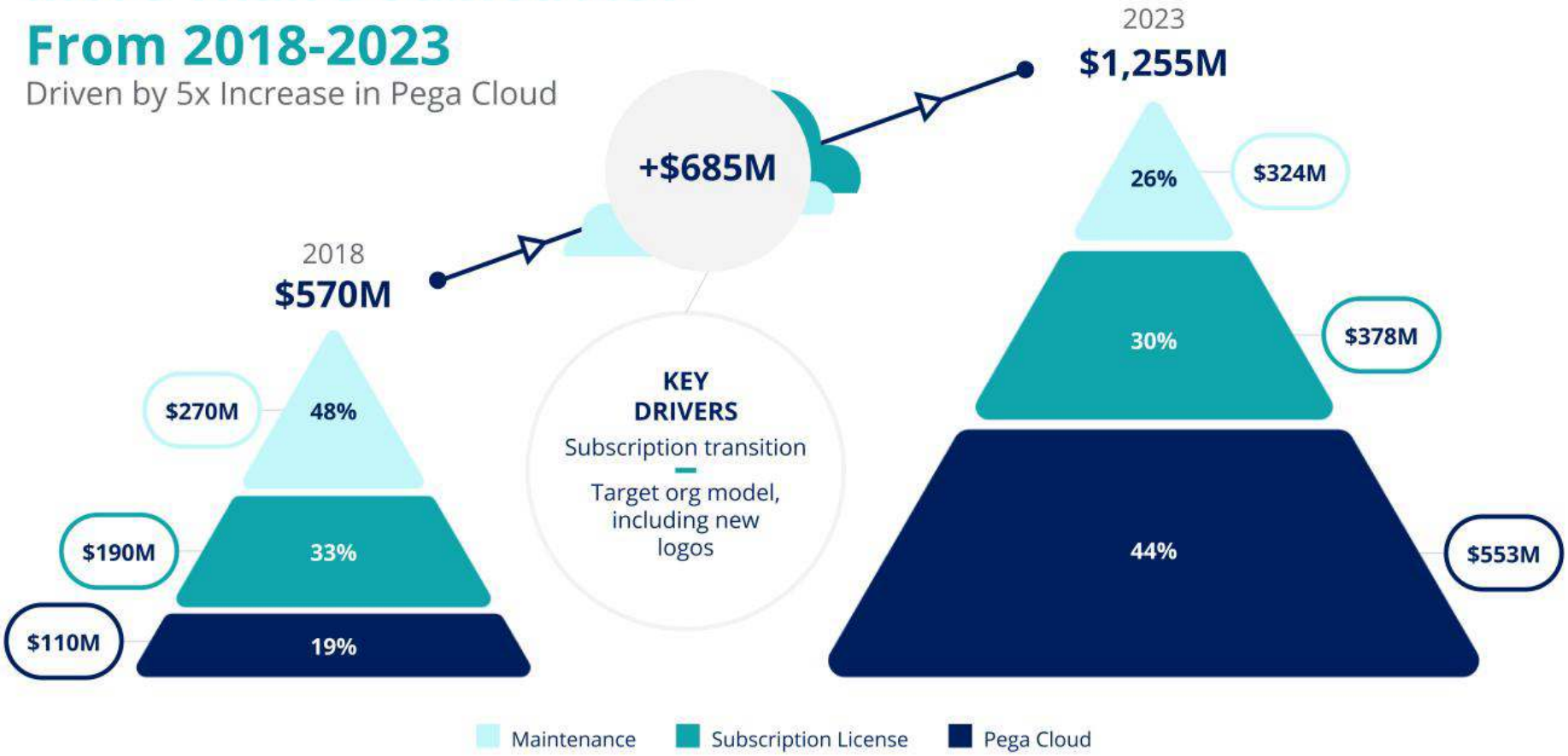
- Win new clients through target account model



© Pegasystems Inc.

More Than Doubled ACV From 2018-2023

Driven by 5x Increase in Pega Cloud

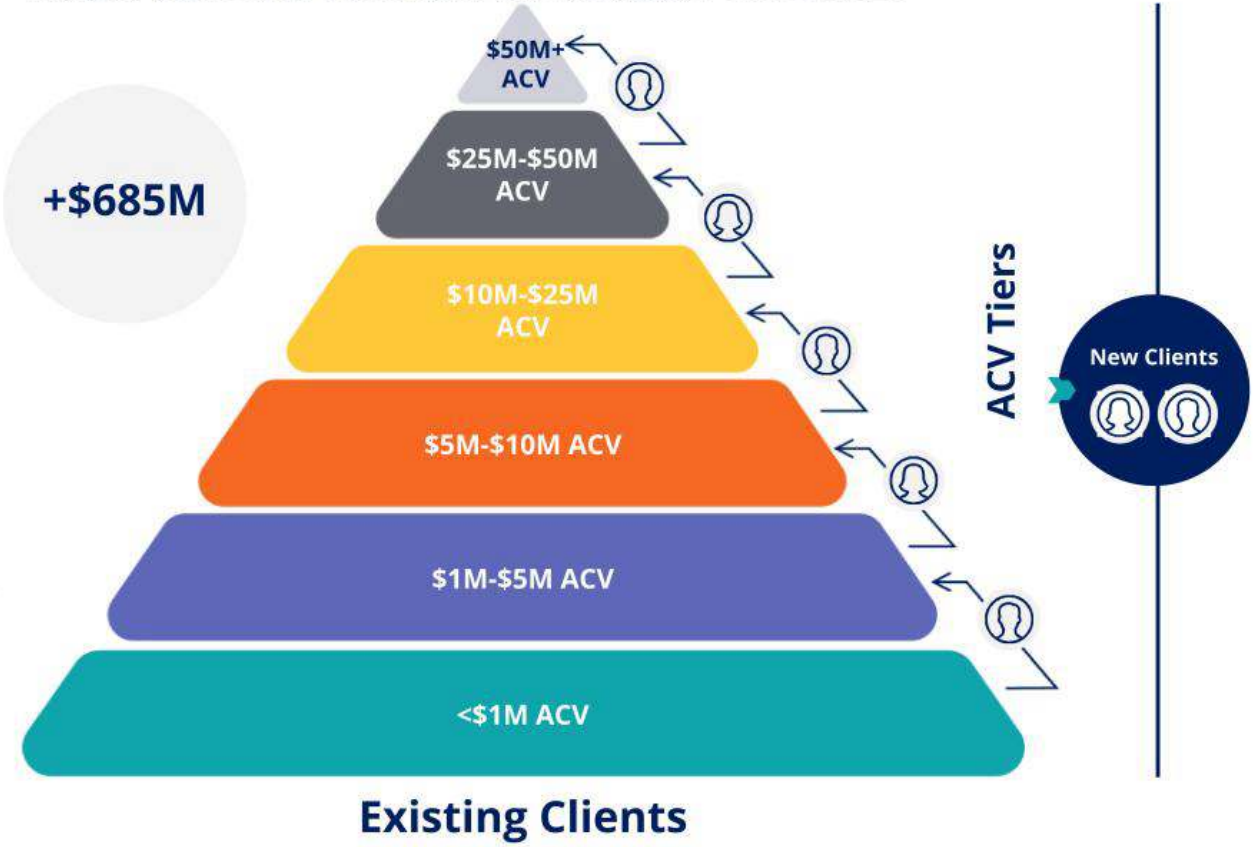


PEGA

© Pegasystems Inc.

ACV Growth Drivers: 2018-2023

Added $685M of net new ACV between 2018-2023



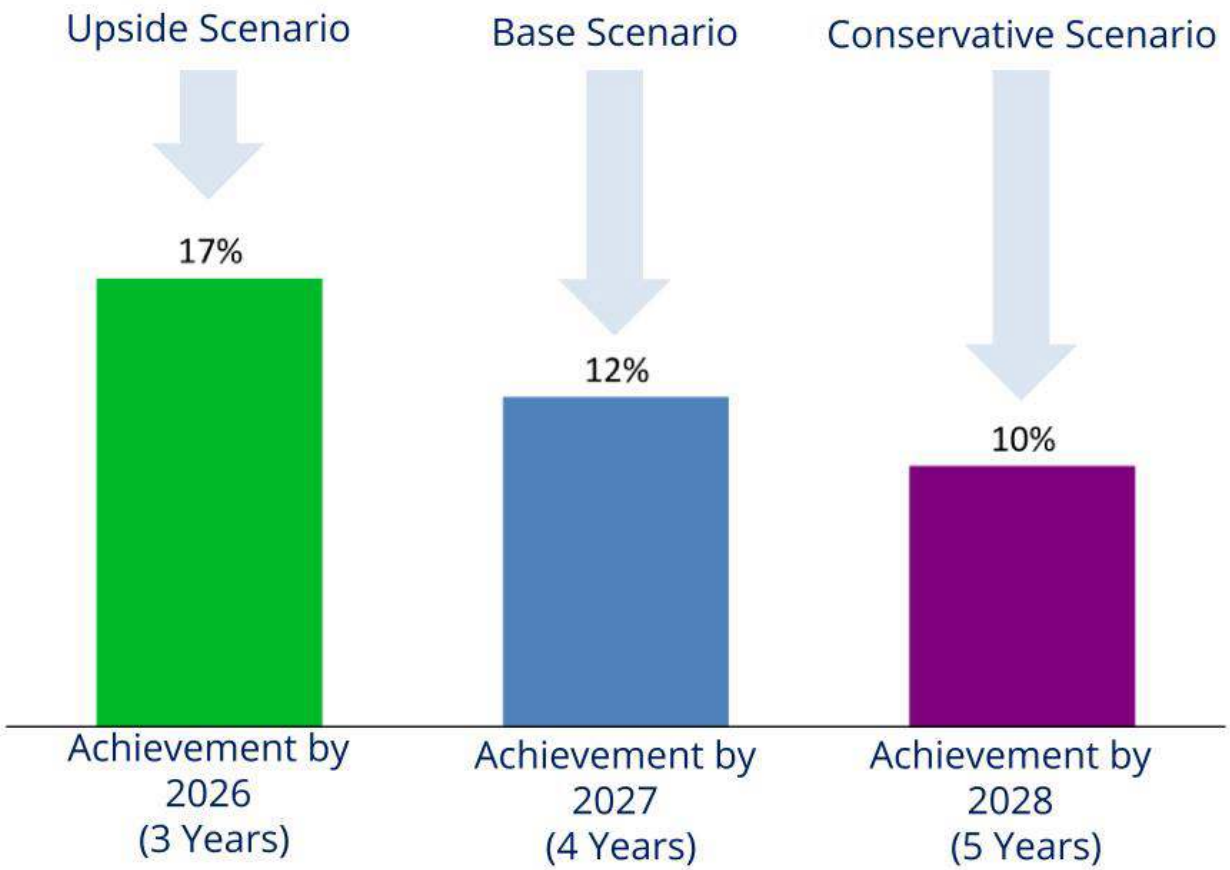
Achieved $685M of net ACV add by:

- Completing our subscription transition
- Increasing number of clients with ACV >$1M by ~100
- Increasing average ACV per client by ~$1.3M

© Pegasystems Inc.

Our Goal is to Reach $2B in ACV in 3-to-5 years

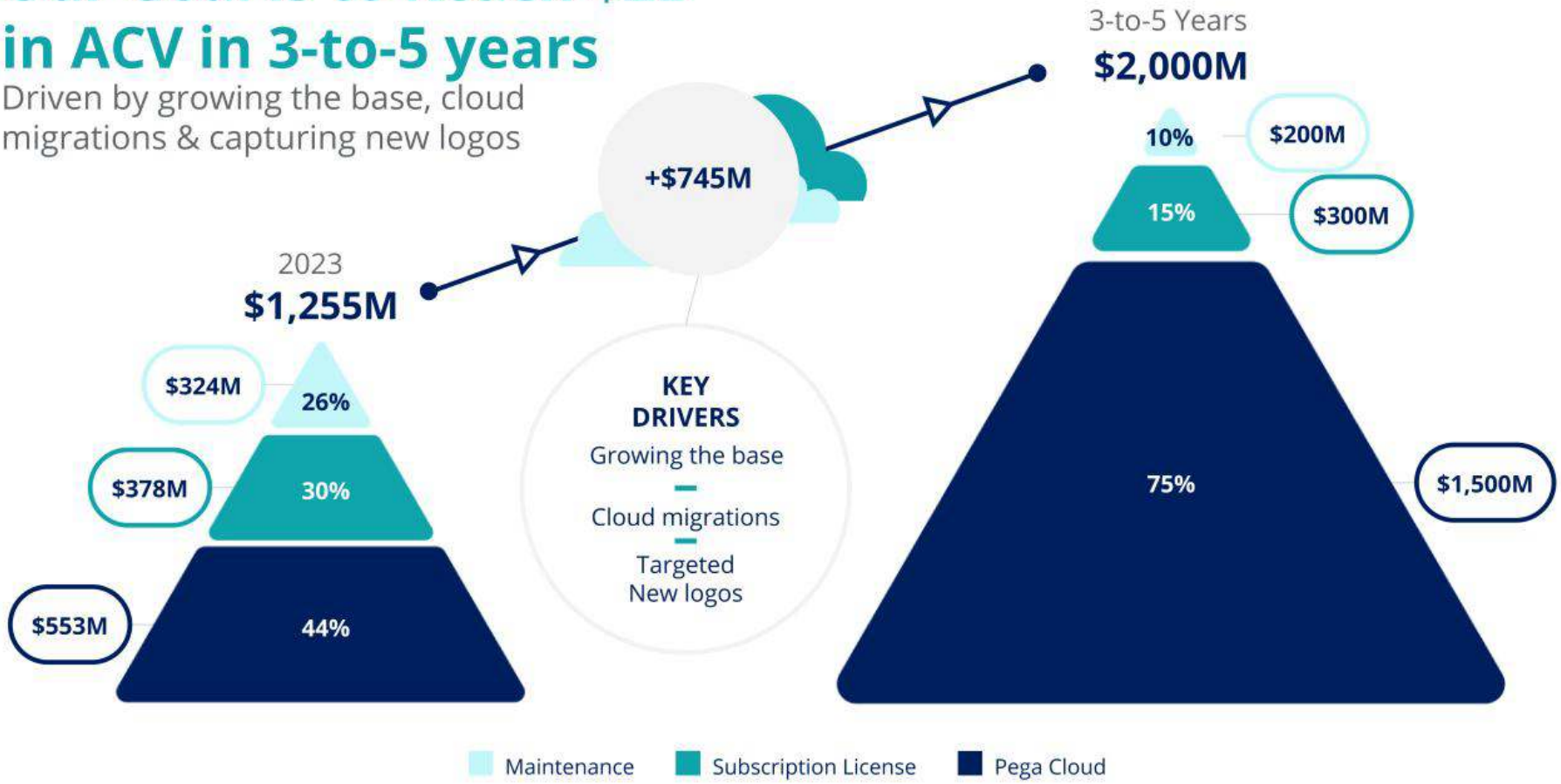
Time to achieve depends on how quickly we can leverage GenAI to accelerate growth



© Pegasystems Inc.

Our Goal is to Reach $2B in ACV in 3-to-5 years

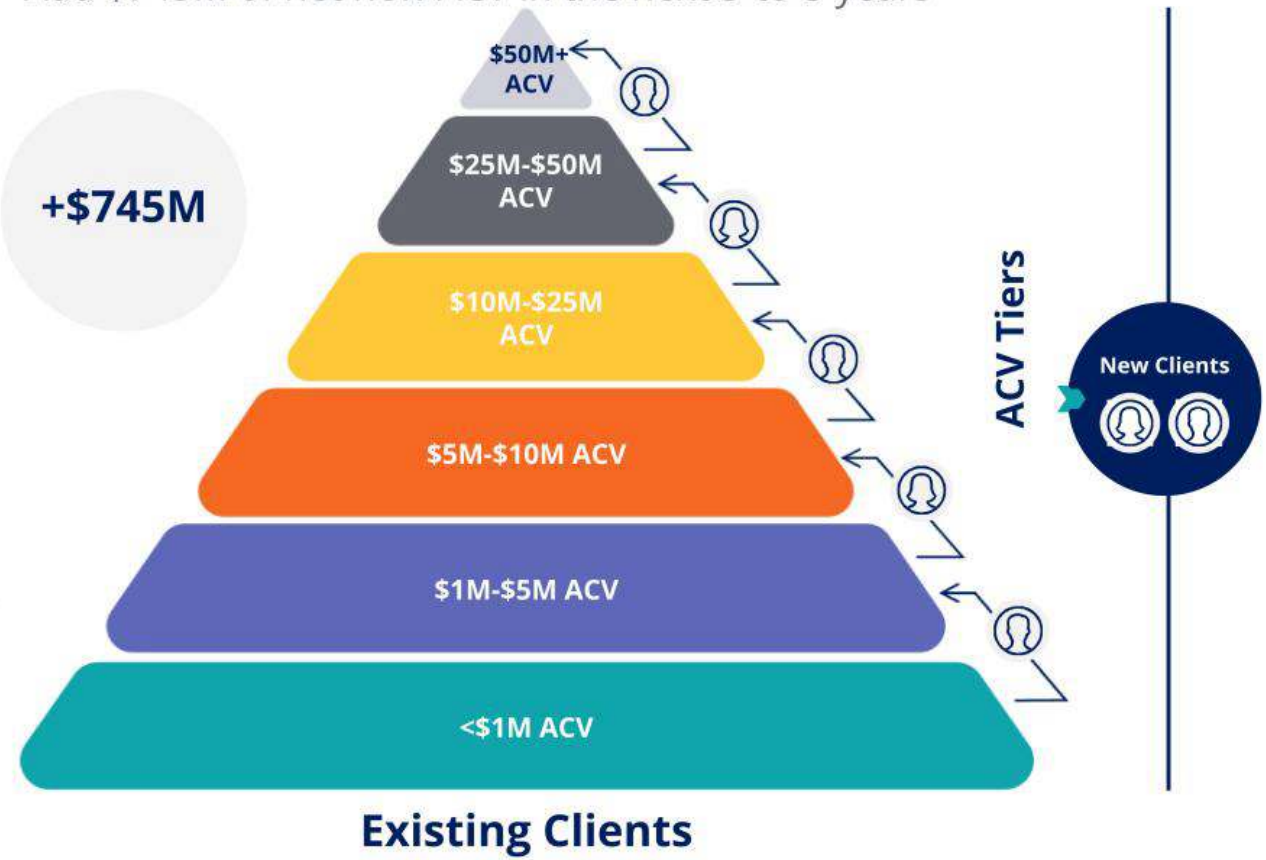
Driven by growing the base, cloud migrations & capturing new logos



© Pegasystems Inc.

ACV Growth Drivers: 3-to-5 Years

Add $745M of net new ACV in the next 3-to-5 years



To achieve $745M of net new ACV add in the next 3-to-5 years:

- Leverage Pega GenAI Blueprint to transform the way clients do digital transformation
- Increase number of clients with ACV >$1M by another 100
- Increasing average ACV per client by ~$1M

© Pegasystems Inc.

Key Success Metrics:

01

Annual Contract Value (ACV) Growth

02

Free Cash Flow

Free cash flow is defined as cash provided by operating activities less investment in property and equipment. Investment in property and equipment fluctuates in amount and frequency and is significantly affected by the timing and size of investments in our facilities. We provide information on free cash flow to enable investors to assess our ability to generate cash without incurring additional external financings. This information is not a substitute for financial measures prepared under U.S. GAAP. For additional information, including a reconciliation of GAAP and non-GAAP measures, refer to the schedules at the end of this document.

© Pegasystems Inc.

Gross Margin Expansion: Scale Pega Cloud

Scale Pega Cloud

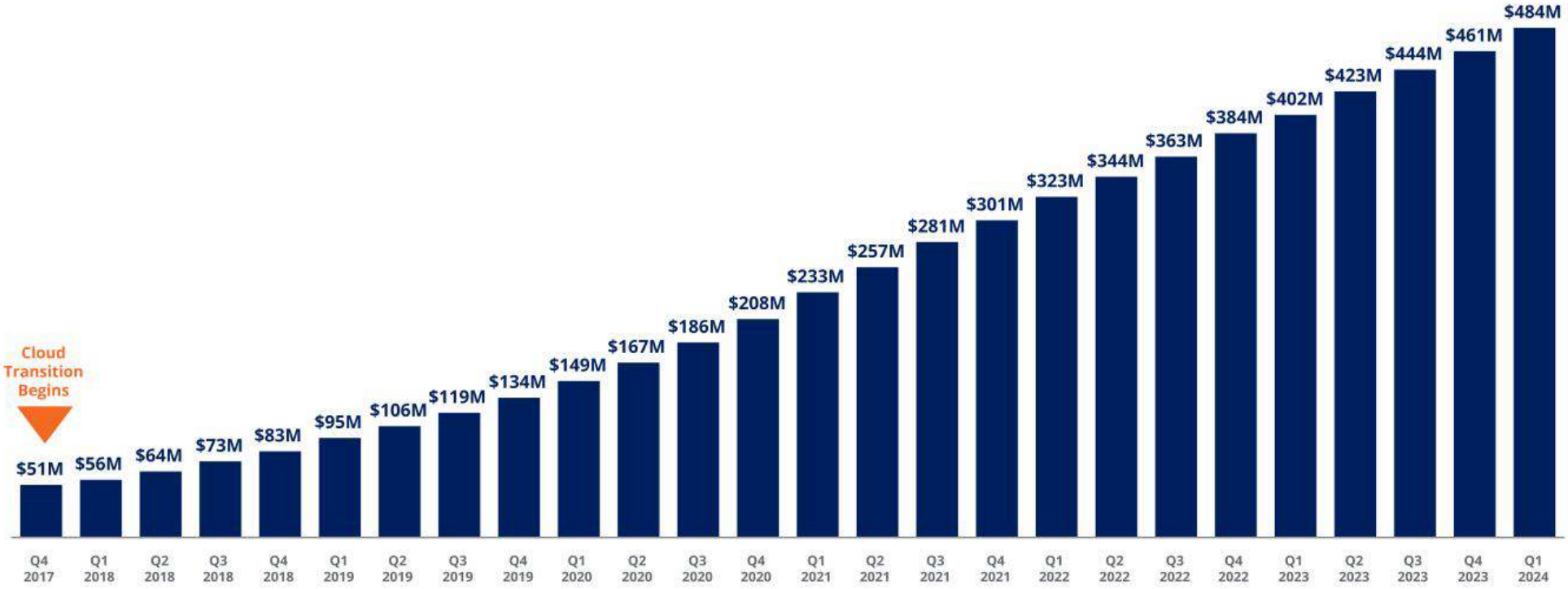
Increase Automation

Leverage Kubernetes / Microservices

© Pegasystems Inc.

Gross Margin Expansion: Scale Pega Cloud

On a trailing 12-month basis, Pega Cloud revenue increased from $51M to $484M



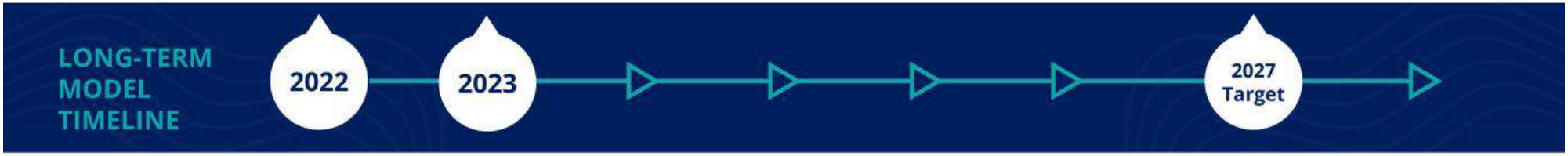
PEGA

© Pegasystems Inc.

Long-Term Financial Model

Driving to $500M in Free Cash Flow

From...		% of revenue	To
74%	76%	Gross Margin	80%
43%	35%	Sales & Marketing	30%
20%	18%	Research & Development	17%



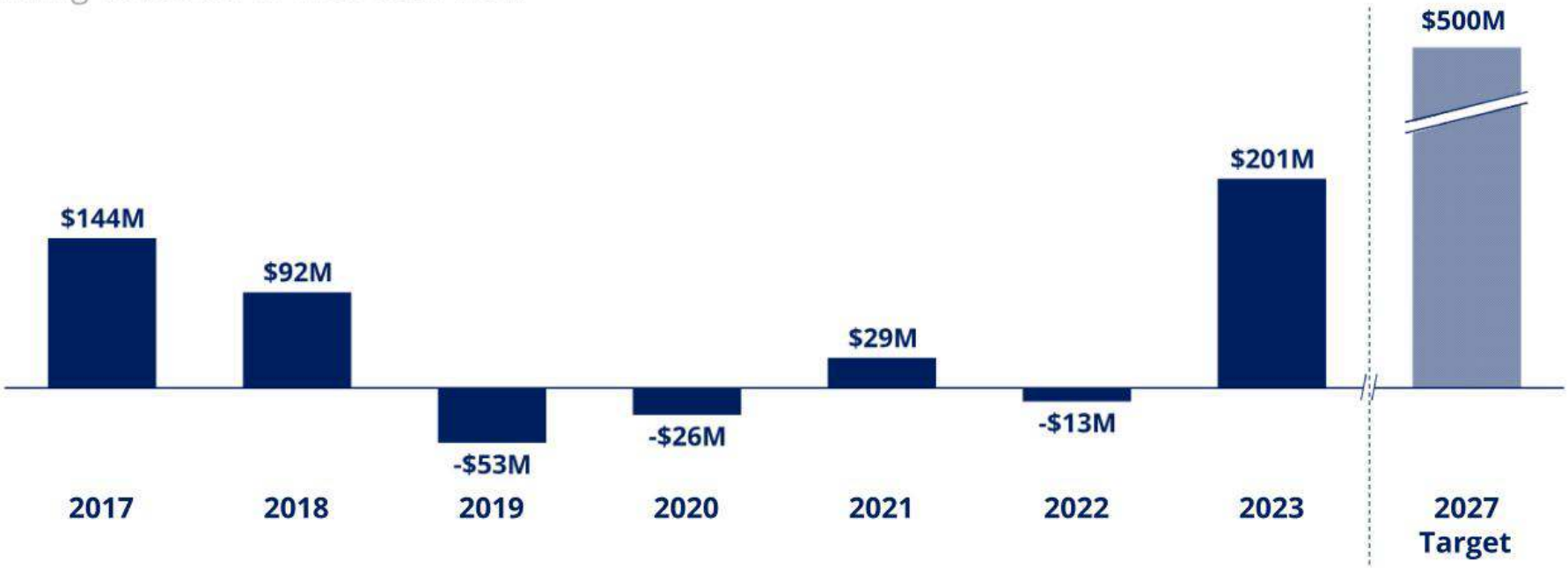
PEGA

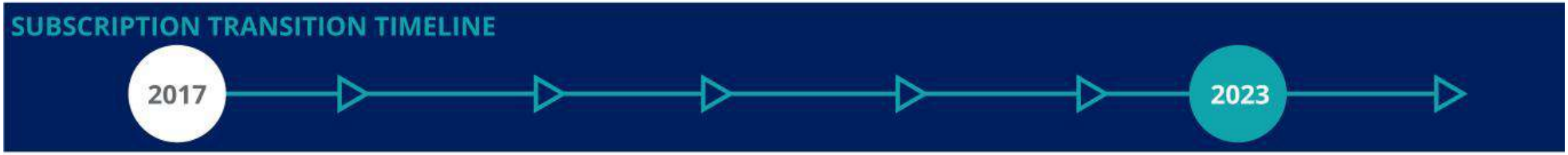
Note: Financial metrics (other than revenue) presented are non-GAAP. For additional information, including a reconciliation of GAAP and non-GAAP measures, refer to the schedules at the end of this document.

© Pegasystems Inc.

Free Cash Flow Trajectory

Driving to $500M in Free Cash Flow

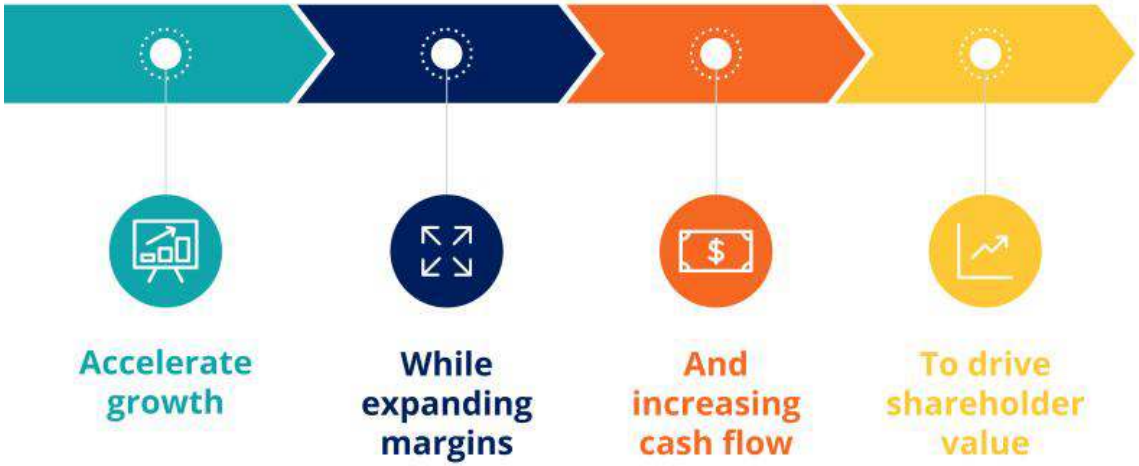




© Pegasystems Inc.

What Does This All Mean?

Build a growing, subscription business to drive increased value



With a view towards

Continuing our **technology leadership with Pega Cloud**

—

Blueprint improving **sales productivity**

—

Executing our target organization **go-to-market strategy**

© Pegasystems Inc.

Q&A

Ken Stillwell

COO & CFO

© Pegasystems Inc.

To Ask a Question...

IN THE ROOM

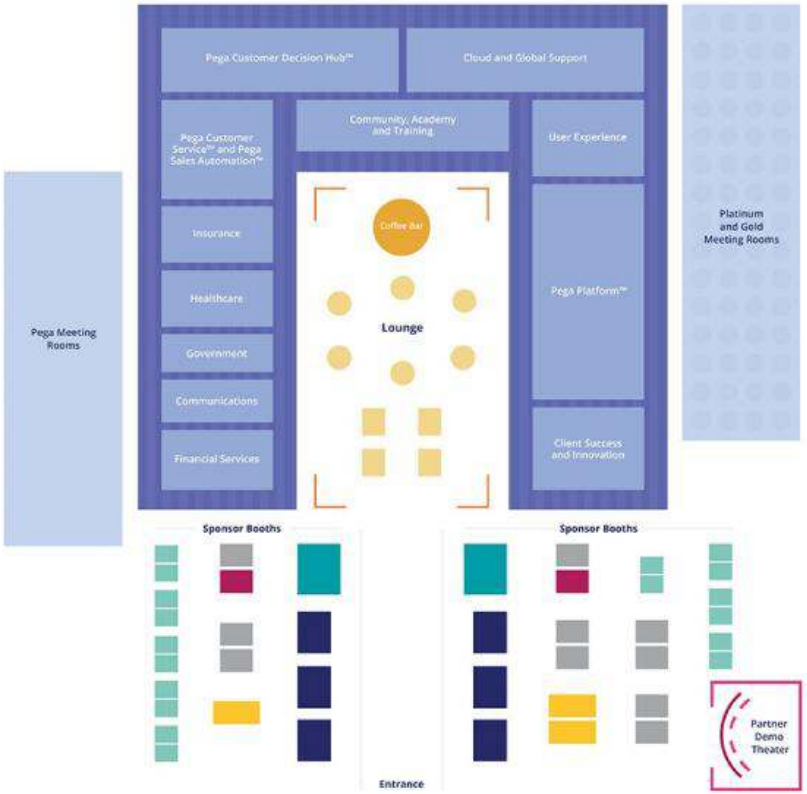
- Raise your hand
- Wait for the microphone
- Please state your name and the firm you are with

ON THE PHONE

- Email pegainvestorrelations@pega.com or peter.welburn@pega.com

© Pegasystems Inc.

Innovation Hub Map



Hours Open

Monday, June 10: 11:00 AM – 6:00 PM
Tuesday, June 11: 11:00 AM – 6:30 PM

© Pegasystems Inc.

Pegasystems, Pega, and other Pega products and services mentioned herein are trademarks of Pegasystems Inc.
All other company, product, or service names are trademarks or service marks of their respective owners.

GAAP to Non-GAAP Margin Reconciliation

	2022	2023	Q1 2024	2027 Target
Gross Margin % - GAAP	**72 %**	**74 %**	**71 %**	**77 %**
Stock-Based Compensation	2 %	2 %	3 %	3 %
Gross Margin & - Non-GAAP	**74 %**	**76 %**	**74 %**	**80 %**
Sales and Marketing - GAAP	**47 %**	**39 %**	**39 %**	**34 %**
Stock-Based Compensation	(4)%	(4)%	(5)%	(4)%
Sales and Marketing - Non-GAAP	**43 %**	**35 %**	**34 %**	**30 %**
Research and Development - GAAP	**22 %**	**21 %**	**22 %**	**19 %**
Stock-Based Compensation	(2)%	(3)%	(2)%	(2)%
Research and Development - Non-GAAP	**20 %**	**18 %**	**20 %**	**17 %**

The above non-GAAP measures reflect the following adjustment:

- *Stock-based compensation: We have excluded stock-based compensation from our non-GAAP operating expenses and profitability measures. Although stock-based compensation is a key incentive offered to our employees, and we believe such compensation contributed to our revenues recognized during the periods presented and is expected to contribute to our future revenues, we continue to evaluate our business performance, excluding stock-based compensation.*

© Pegasystems Inc.

Free Cash Flow Reconciliation

(in millions)	2017	2018	2019	2020	2021	2022	2023	Q1 2024	2027 Target
Cash flows provided by (used in) operating activities	**$ 158**	**$ 104**	**$ (42)**	**$ (1)**	**$ 39**	**$ 22**	**$ 218**	**$ 180**	**$ 520**
Investment in property and equipment	(14)	(12)	(11)	(25)	(10)	(35)	(17)	—	(20)
Free Cash Flow	**$ 144**	**$ 92**	**$ (53)**	**$ (26)**	**$ 29**	**$ (13)**	**$ 201**	**$ 180**	**$ 500**

The above non-GAAP measures reflect the following adjustment:

- *Investment in property and equipment: Investment in property and equipment fluctuates in amount and frequency and is significantly affected by the timing and size of investments in our facilities. We believe excluding these amounts provides a useful comparison of our operational performance in different periods.*

© Pegasystems Inc.