

PROGRESS SOFTWARE CORP /MA  
Form 10-Q  
October 10, 2017  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
(Mark One)

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

For the quarterly period ended August 31, 2017

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

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 (I.R.S. Employer  
incorporation or organization) Identification No.)  
14 Oak Park  
Bedford, Massachusetts 01730  
(Address of principal executive offices)(Zip code)  
Telephone Number: (781) 280-4000

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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  (Do not check if a smaller reporting company) 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes " No ý

As of September 27, 2017, there were 47,807,918 shares of the registrant's common stock, \$.01 par value per share, outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements (Unaudited)

## Condensed Consolidated Balance Sheets

(In thousands, except share data)	August 31, 2017	November 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 144,757	\$ 207,036
Short-term investments	46,559	42,718
Total cash, cash equivalents and short-term investments	191,316	249,754
Accounts receivable (less allowances of \$834 and \$1,143, respectively)	51,860	65,678
Other current assets	18,451	20,621
Total current assets	261,627	336,053
Property and equipment, net	43,283	50,105
Intangible assets, net	101,777	80,827
Goodwill	315,913	278,067
Deferred tax assets	1,221	6,601
Other assets	1,995	3,174
Total assets	\$ 725,816	\$ 754,827
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 14,643	\$ 15,000
Accounts payable	6,657	12,991
Accrued compensation and related taxes	25,269	26,212
Dividends payable to shareholders	5,975	6,067
Income taxes payable	2,275	1,509
Other accrued liabilities	19,354	12,999
Short-term deferred revenue	131,932	128,960
Total current liabilities	206,105	203,738
Long-term debt	108,303	120,000
Long-term deferred revenue	8,774	8,801
Deferred tax liabilities	5,793	3,901
Other noncurrent liabilities	5,239	11,758
Commitments and contingencies		
Shareholders' 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, 47,796,793 shares in 2017 and 48,536,516 shares in 2016	246,628	239,496
Retained earnings	162,139	195,694
Accumulated other comprehensive loss	(17,165 )	(28,561 )
Total shareholders' equity	391,602	406,629
Total liabilities and shareholders' equity	\$ 725,816	\$ 754,827
See notes to unaudited condensed consolidated financial statements.		

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## Condensed Consolidated Statements of Operations

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	August 31, 2017	August 31, 2016	August 31, 2017	August 31, 2016
Revenue:				
Software licenses	\$28,529	\$ 33,624	\$78,443	\$ 86,366
Maintenance and services	68,781	68,394	203,050	201,251
Total revenue	97,310	102,018	281,493	287,617
Costs of revenue:				
Cost of software licenses	1,337	1,424	4,347	4,139
Cost of maintenance and services	10,970	11,825	32,724	33,217
Amortization of acquired intangibles	5,768	3,940	14,129	11,818
Total costs of revenue	18,075	17,189	51,200	49,174
Gross profit	79,235	84,829	230,293	238,443
Operating expenses:				
Sales and marketing	23,159	29,852	70,116	88,648
Product development	19,620	21,706	55,745	65,800
General and administrative	11,164	11,411		