PTC INC.
Form 424B2
May 02, 2016
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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-211049

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated May 2, 2016

Preliminary prospectus supplement

(To prospectus dated May 2, 2016)

PTC Inc.

$500,000,000

% Senior Notes due 2024

Interest payable and

Issue price: %

We are offering $500,000,000 aggregate principal amount of our % Senior Notes due 2024 (the notes). The notes will mature on , 2024. Interest will accrue from , 2016, and the first interest payment date will be , 2016.

We may redeem some or all of the notes at any time on or after , 2019, at the redemption prices set forth in this prospectus supplement, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. We may also redeem up to 40% of the notes using the proceeds of certain equity offerings before , 2019, at a redemption price equal to % of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. In addition, at any time prior to , 2019, we may redeem some or all of the notes at a price equal to 100% of the principal amount thereof, plus a make-whole premium, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. If we sell certain of our assets and do not reinvest the proceeds or repay senior debt, or if we experience specific kinds of changes of control, we must offer to purchase the notes.

On the issue date, the notes will not be guaranteed by any of our subsidiaries. After the issue date, the notes will be required to be guaranteed on a senior unsecured basis by any of our domestic subsidiaries that in the future becomes a guarantor of our senior credit facility or certain other material indebtedness of PTC Inc. or any other future guarantor. See Description of notes Future guarantors.

The notes will be our senior unsecured obligations and will rank equally in right of payment to all of our existing and future senior debt and senior in right of payment to all of our future subordinated debt. The notes will be effectively subordinated to any of our existing and future secured debt to the extent of the value of the assets securing such debt. In addition, on the issue date, the notes will be structurally subordinated to the liabilities of all of our subsidiaries and in the future will be structurally subordinated to the liabilities of any of our subsidiaries that does not become a guarantor of the notes.

You should read this prospectus supplement, together with the accompanying prospectus, carefully before you invest in the notes. Investing in the notes involves risks. See **Risk factors beginning on page S-22** **for a discussion of certain risks that you should consider in connection with an investment in the notes.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these debt securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to public(1)	**Underwriting discounts and commissions(2)**	**Proceeds, before expenses, to PTC Inc.(1)**
Per note	%	%	%
Total	$	$	$

(1) Plus accrued interest, if any, from , 2016.

(2) We have agreed to reimburse the underwriters for certain expenses. See Underwriting (conflicts of interest).

The notes are a new issue of securities with no established trading market. We do not intend to apply to list the notes on any securities exchange.

We expect that delivery of the notes will be made to investors in book-entry form through The Depository Trust Company on or about , 2016.

Book-running manager

J.P. Morgan

Co-managers

Barclays **Fifth Third Securities** **HSBC** **Huntington Investment Company**

Janney Montgomery Scott **KeyBanc Capital Markets** **RBC Capital Markets** **RBS**

Santander **SunTrust Robinson Humphrey** **TD Securities** **US Bancorp**

The date of this prospectus supplement is May , 2016.

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus prepared by us or on our behalf. We and the underwriters have not authorized anyone to provide you with different information. If you receive any other information, you should not rely on it. We and the underwriters are not making an offer of these securities, or soliciting an offer to buy these securities, in any jurisdiction where the offer or solicitation is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement or the accompanying prospectus, or the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since those respective dates.

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About this prospectus supplement

This prospectus supplement is a supplement to the accompanying prospectus that also is part of this document. This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission using a shelf registration process. Under the shelf registration process, we may, at any time from time to time, issue and sell to the public any combination of the securities described in the accompanying prospectus up to an indeterminate amount. The first part of this document is the prospectus supplement, which describes the specific terms of the notes we are offering and certain other matters relating to us and our financial condition. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to the notes we are offering. You should read this prospectus supplement along with the accompanying prospectus, the documents incorporated by reference herein and therein, as well as any free writing prospectus that is filed, including the term sheet for the notes we are offering. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Cautionary statement regarding forward-looking statements

This prospectus supplement and the documents we incorporate herein by reference contain disclosures that are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements include all statements that do not relate solely to historical or current facts, which can be identified by the use of words such as may, will, expect, project, estimate, anticipat plan, believe, potential, should and continue, including but not limited to statements about our anticipated financial results and growth, subscription adoption, the development of our products and markets, and anticipated tax rates. These forward-looking statements are based on our current plans and assumptions and involve risks and uncertainties that could cause actual results to differ materially from those projected. These risks include: macroeconomic and/or global manufacturing climates may not improve or may deteriorate; customers may not purchase our solutions when or at the rates we expect; our businesses, including our Technology Platform and SLM businesses, may not expand and/or generate the revenue we expect; our market size and growth estimates may be incorrect and we may be unable to grow our business at or in excess of market growth rates; new products released and planned products, including Technology Platform-enabled core products, may not generate the revenue we expect or be released as we expect; foreign currency exchange rates may vary from our expectations and thereby affect our reported revenue and expense; the mix of revenue between license, subscription, support and professional services could be different than we expect, which could impact our earnings per share results and cash flows; our customers may purchase more of our solutions as subscriptions than we expect, which would adversely affect near-term revenue, operating margins and earnings per share; customers may not purchase subscriptions at the rate we expect, which could affect our longer-term business projections; sales of our solutions as subscriptions may not have the longer-term positive effect on revenue that we expect; our workforce realignment may adversely affect our operations and may not achieve the expense savings we expect; we may be unable to generate sufficient operating cash flow to return 40% of free cash flow to shareholders and other uses of cash could preclude share repurchases; the settlements with the U.S. Securities and Exchange Commission and the U.S. Department of Justice to resolve our Foreign Corrupt Practices Act investigation in China (the China FCPA Investigation) may have collateral effects on our business in China, the U.S. or elsewhere; we may incur material damages in connection with a recently-filed securities law action concerning disclosures about the China FCPA Investigation; and material fines and penalties may be assessed against us in connection with the investigation by the China Administration for Industry and Commerce. In addition, our assumptions concerning our future GAAP and non-GAAP effective income tax rates are based on estimates and other factors that could change, including the geographic mix of our revenue, expenses and profits and loans and cash repatriations from foreign subsidiaries. Other important information about factors that may cause our actual results to differ materially from those contemplated by these statements is discussed under Risk factors in this prospectus supplement, as well as in our latest Annual Report on Form 10-K, which is incorporated by reference herein.

Market, ranking, industry data and forecasts

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein or therein, include market share, ranking, industry data and forecasts that we obtained from industry publications, surveys, public filings and internal company sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position and ranking are based on market data currently available to us, management s estimates and assumptions we have made regarding the size of our markets within our industry. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading Risk factors in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters can guarantee the accuracy or completeness of such information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus.

Trademarks, service marks and copyrights

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. PTC, the PTC logo, ThingWorx, Creo, Windchill, Servigistics, Vuforia and Kepware, and all other PTC product names and logos are trademarks or registered trademarks of PTC Inc. or its subsidiaries in the United States and in other countries. We also own or have the rights to copyrights that protect the content of our products. Solely for convenience, the trademarks, service marks, tradenames and copyrights referred to in this prospectus supplement are listed without the ©, ® and symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and tradenames.

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Summary

This summary highlights information appearing elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not include all of the information that you should consider before investing in the notes. You should carefully read the entire prospectus supplement and the accompanying prospectus, including the historical financial statements and related notes incorporated by reference in this prospectus supplement and the accompanying prospectus and the section entitled Risk factors and under Risk Factors in Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2015, before making any investment decision. As used in this prospectus supplement, except as otherwise indicated or the context otherwise implies, when we refer to PTC, the company, we, us, or our, we are describing PTC Inc., together with its subsidiaries. With respect to any description of the terms of offer or the notes, references to PTC, us, we, or our, refer only to PTC Inc. and not to its subsidiaries.

Unless otherwise indicated, all figures referred to as adjusted in this prospectus supplement give effect to (i) additional borrowings of $120.0 million on January 11, 2016 under our revolving line of credit, of which $100.0 million was used for our purchase of Kepware, Inc., and (ii) this offering and the use of proceeds therefrom.

Unless otherwise indicated, all references to a year are to our fiscal year, which ends on September 30.

Our company

We develop and deliver technology solutions, comprised of software and services, that enable customers to transform the way they create, operate and service their products for a smart, connected world.

We generate revenue through the sale of software licenses, software subscriptions, support (which includes technical support and software updates when and if available), and services (including cloud services, whereby our customers receive secure hosting and 24/7 application management).

Our solutions and software products address the challenges our customers face in the following areas:

Solutions Group

- **Computer-Aided Design (CAD)**: Helps companies design and optimize their products through the creation of 3D virtual prototypes.
- **Product Lifecycle Management (PLM)**: Integrates people, processes and systems from a product s concept through service and retirement.
- **Application Lifecycle Management (ALM)**: Manages global software development from concept to delivery.
- **Service Lifecycle Management (SLM)**: Enables companies to maximize service efficiency, optimize parts revenue, and increase value for their customers.

Technology Platform Group

- **Internet of Things (IoT)**: Enables connectivity, development, analysis and augmented reality for smart, connected products and environments.

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Our business

For 2015, we achieved revenue of $1,255.2 million, operating income of $41.6 million and Adjusted EBITDA (as defined in footnote 3 in Summary historical consolidated financial data) of $333.2 million. We are currently working to transition our business from a perpetual licensing model to a subscription model in order to increase our lifetime customer value, increase the recurring nature of our revenue and better satisfy customer demand. While we expect that this transition will provide significant value to the company over time, until we have fully transitioned to a stable mix of subscription and perpetual license sales, we expect that our total software revenue will decrease due to the differences in the timing and amount of revenue recognized for a subscription (revenue is recognized ratably over the term of the subscription) and a perpetual license (revenue is generally recognized upon shipment of the software).

We have built a world-class portfolio of solutions through both internal development and acquisitions. Consistent with our vision to help our customers create, operate and service smart, connected products, we have completed a number of recent acquisitions related to our Technology Platform business, including Kepware in the second quarter of 2016, Vuforia in the first quarter of 2016, ColdLight in 2015, and Axeda and ThingWorx in 2014. We expect to continue to pursue opportunities to broaden our solutions and customer base through acquisitions.

We serve over 26,000 customers spanning a broad range of industries, including industrial products; electronics and high tech; federal, aerospace and defense; automotive; retail and consumer; and life sciences. No single customer accounted for more than 10% of our total revenue in 2015. We currently sell our software and services primarily through a direct sales organization while 20% to 25% of our products and services were sold in 2015 through third-party resellers and other strategic partners. Our direct sales force is located throughout the Americas, Europe, Asia Pacific and Japan. As we grow our Technology Platform business, we expect our go-to-market strategy will rely more on channel partners and marketing directly to end users and developers. We are expanding our service partner program, under which service engagements are referred to third-party service providers, as part of our overall margin expansion strategy.

The following charts break out our 2015 revenue by product area, geographic region and end market:

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Products and services

Solutions Group

CAD

Our CAD products enable users to create conceptual and detailed designs, analyze designs, perform engineering calculations and leverage the information created downstream using 2D, 3D, parametric and direct modeling. Our principal CAD products are:

PTC Creo is an interoperable suite of product design software that provides a scalable set of packages for design engineers designed to meet a variety of specialized needs. PTC Creo provides capabilities for design flexibility, advanced assembly design, piping and cabling design, advanced surfacing, comprehensive virtual prototyping and other essential design functions.

PTC Mathcad is software for solving, analyzing and sharing vital engineering calculations. PTC Mathcad combines the ease and familiarity of an engineering notebook with the powerful features of a dedicated engineering calculations application.

In 2015, CAD revenue totaled $511.6 million. The CAD market is estimated to exceed $4 billion with an expected compound annual growth rate (CAGR) of approximately 4% between 2015 and 2018.

Extended PLM

Extended PLM (ePLM) includes our PLM and ALM products.

Our PLM products are designed to address common challenges that companies, particularly manufacturing companies, face over the life of the product, from concept to retirement. These software products help customers manage product configuration information through each stage of the product lifecycle, and communicate and collaborate across the entire enterprise, including product development, manufacturing and the supply chain, including sourcing and procurement. Our principal PLM products are:

PTC Windchill is a suite of PLM software that offers lifecycle intelligence from design to service. PTC Windchill offers a single repository for all product information. As such, it is designed to create a single source of truth for all product-related content such as CAD models, documents, technical illustrations, embedded software, calculations and requirement specifications for all phases of the product lifecycle to help companies streamline enterprise-wide communication and make informed decisions.

The PTC Windchill product family includes supply chain management (SCM) solutions that allow manufacturers, distributors and retailers to collaborate across product development and the supply chain, including sourcing and procurement, to identify an optimal set of parts, materials and suppliers. This functionality provides automated cost modeling and visibility into supply chain risk information to balance cost and quality, and enables customers to design products that meet compliance requirements and performance targets.

PTC Creo View enables enterprise-wide visualization, verification, annotation and automated comparison of a wide variety of product development data formats, including CAD (2D and 3D), electronic CAD (ECAD), and documents. PTC Creo View provides access to designs and related data without requiring the original authoring tool.

Our ALM products are designed for discrete manufacturers where coordination and collaboration between software and hardware teams is critical to understand product release readiness, support variant complexity, automate development processes, ensure complete lifecycle traceability and manage change. Our ALM products enable companies to accelerate innovation of software-intensive products.

PTC Integrity, our principal ALM product suite, enables users to manage system models, software configurations, test plans and defects. With PTC Integrity, engineering teams can improve productivity and quality, streamline compliance, and gain greater product visibility, ultimately enabling them to bring more innovative products to market.

Our Model-Based Systems Engineering (MBSE) solution connects requirements engineering, architecture modeling, physical product definition and system verification functions. Our solution allows multi-functional teams to work in concert while modeling the interdependencies of mechanical, electrical and software engineering components. In doing so, it enables users to drive efficiencies and process standardization, allowing distributed teams to collaboratively build digital models of complex systems, while managing system variability and enabling reuse.

In 2015, our ePLM solutions achieved $524.7 million in revenue. The PLM and ALM markets are estimated to exceed $5 billion and $3 billion, respectively, with expected CAGRs of approximately 6% and 8%, respectively, between 2015 and 2018.

SLM

Our SLM products help manufacturers and their service providers improve service efficiency and quality. These include capabilities to support product service and maintenance requirements, service information delivery, service parts planning and optimization, service knowledge management, and service analytics. Our principal SLM products are:

PTC Servigistics is a suite of SLM software products that integrate service planning, delivery and analysis to optimize service outcomes. PTC Servigistics products enable a systematic approach to service lifecycle management by providing a single view of service throughout the service network, enabling customers to improve their products and services and increase customer satisfaction.

PTC Arbortext is an enterprise software suite used by manufacturers to create, illustrate, manage and publish technical and service parts information to improve the operation, maintenance, service and upgrade of equipment throughout its lifecycle. These products are available in stand-alone configurations as well as integrated with PTC Windchill Service Information Manager and PTC Creo Illustrate to deliver dynamic, product-centric service and parts information.

In 2015, our SLM solutions achieved $166.1 million in revenue. The SLM market is estimated to be $2.8 billion with an expected CAGR of approximately 10% between 2015 and 2018.

Technology Platform Group

Our Technology Platform products allow manufacturers and their service providers to enable connectivity and optimize data intelligence for smart, connected products for the Internet of Things (IoT). Our solutions support the development of applications to gather, analyze and visualize product data, which in turn helps our customers design, operate and service smart, connected products. Our principal Technology Platform products are:

ThingWorx, a technology platform that enables users to create and deploy applications and solutions for today s smart, connected world, enabling customers to transform their products and services, innovate, and

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unlock new business models. ThingWorx allows customers to reduce the time, cost, and risk required to connect, manage, and develop innovative applications for smart, connected products such as predictive maintenance, system monitoring, and usage-based product design requirements. Our ThingWorx solutions include tools added through our acquisition of Axeda, including cloud-based tools that allow customers to easily and more securely connect products and devices to the cloud, and intelligently process, transform, organize and store product and sensor data.

ThingWorx Machine Learning, a predictive intelligence tool that uses artificial intelligence technology to simplify and automate the processes of creating and operationalizing predictions inside ThingWorx-powered solutions and other systems of record. ThingWorx Machine Learning complements our Technology Platform portfolio by introducing data analytics to information collected from smart, connected products.

Vuforia, an augmented reality technology platform that enables applications to see things in the real world and then interact with them. Using computer vision technologies, and building them for mobile platforms, the technology is accessible through an application programming interface and developer workflows.

KEPServerEX, a communications platform that provides a single source of industrial automation data. The platform allows users to connect, manage, monitor, and control diverse automation devices and software applications through one intuitive user interface. KEPServerEx facilitates our entry into the factory setting and industrial IoT.

In 2015, our Technology Platform business achieved $52.9 million in revenue. The IoT market is estimated to be $1.1 billion, with an expected CAGR of 38% between 2015 and 2018 according to a leading industry source and management estimates.

Services

We offer consulting, implementation and training services through our Global Services Organization, with approximately 1,000 professionals worldwide, as well as through third-party resellers and other strategic partners. Our services create value by helping customers improve product development performance through technology enabled process improvement and multiple deployment paths. We also offer cloud services, whereby our customers receive hosting and 24/7 application management.

Competitive strengths

Deeply embedded, mission critical solutions drive high retention rates

We have historically had very low customer attrition. For example, our first customer, John Deere, circa 1987, remains one of our largest customers. Our solutions are mission critical and, because they underlie our customers ability to deliver their core products, are essential in day to day operations. Tens of thousands of engineers and designers use our CAD products to perform their jobs; relying on the historical data, designs, and configurations stored in our proprietary format to create new products and refine existing ones. Our PLM solutions benefit from the same drivers but are even more embedded in our customers operations, integrating employee interactions with product data across every business unit within a customer from product design to distribution and support. Our solutions span technological, organizational, and geographic boundaries; thus, by their very nature, they become deeply integrated into our customers systems and operations resulting in high degrees of customer loyalty.

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Strong competitive position with high level of technical expertise

Our competitive position is established and sustained through our core capabilities and high-level technical expertise. Engineering and design software is highly technical and complex and our solutions have been built through decades of research and development. Many of our customers operate in highly regulated industries and use our software to design products where precision and safety are paramount. Our long history of partnering closely with customers in the industries we serve provides a wealth of insight that allows us to continually innovate and serve our customers evolving needs. We believe that our extensive experience across many different sectors, leading technologies, expert workforce, which includes more than 1,100 engineers and more than 300 quota-carrying sales representatives, and ability to provide value-added services, position us well to serve our customers operating in dynamic environments.

Significant recurring revenue

Approximately 59% of our revenue in 2015 came from recurring revenue streams, which include our subscription solutions and support. This represents a 700 basis point increase from one year ago. We expect that our shift to a subscription model will increase our mix of recurring revenue to approximately 70% by 2021. We anticipate that this expected increase in recurring revenue will lead to greater visibility and stability in our business and will enhance our ability to innovate and invest, increase our resilience throughout economic cycles, and support leverage to grow returns. Recent changes to our support terms are expected to increase support renewal rates. Additionally, customers may elect to convert existing perpetual licenses with support to subscription licenses, which will decrease support revenue but increase subscription revenue.

Diverse revenue base including relationships with Fortune 100 companies and influential developers

We are widely diversified across geographic regions, industries, customers and products. During 2015, we derived approximately 42% of our revenue from the Americas, 37% from Europe, 11% from the Pacific Rim and 9% from Japan. Our revenue is also well diversified across multiple industry sectors, including industrial products; electronics and high tech; federal, aerospace and defense; automotive; life sciences; and retail and consumer. Our largest industry vertical, industrial products, contributed 31% of total revenue during 2015 while our largest solution area, ePLM, contributed 42% of total revenue. No single customer accounted for more than 10% of our total revenue in each of our last three fiscal years. We also have more than 750 partners, including value-added resellers, enterprise software and performance team partners, hardware and system integration partners and service and training partners.

Expanding margins and strong cash flow generation

Over the last five years, our management team has, with great success, focused on improving margins and operating efficiency. Non-GAAP operating margins increased from 15.6% in 2010 to 24.2% in 2015, driven by increases in sales and marketing efficiency, service margin expansion and modest reductions in research and development expense as a percentage of revenue. (GAAP operating margins fluctuated during the same period; they were 7.4% in 2010 and 3.3% in 2015.) These operational changes along with disciplined capital expenditures have driven significant free cash flow generation. For 2015, we converted $333.2 million of Adjusted EBITDA into $228.3 million of Adjusted free cash flow. (Adjusted EBITDA, non-GAAP operating margin and Adjusted free cash flow are defined in Summary historical consolidated financial data .) Since 2011, our Adjusted free cash flow grew at a 23% CAGR through 2015. While our transition to a subscription model negatively impacts traditional financial metrics like revenue, Adjusted EBITDA and Adjusted free cash

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flow in the short term (see Recent developments for more detail), we believe the subscription business model, once fully adopted, will provide a competitive advantage and will ultimately result in a more attractive financial profile.

Well-positioned to capitalize on emerging growth opportunities

We believe we have an opportunity to grow our business by capitalizing on the significant opportunity in the high-growth Internet of Things market with our award-winning ThingWorx technology platform, as well as our acquisitions of Axeda, ColdLight, Vuforia and Kepware, which have enabled us to create leading Technology Platform solutions. Our Technology Platform business generated 5% of our total software license revenue in 2015. We are focused on the B2B segment of this market. While the market for our Technology Platform solutions is in its early days, we believe demand is poised to grow significantly among our customers and our Technology Platform solutions are a natural extension of our core solutions, which manage the cradle-to-grave lifecycle of our customers products. Our Technology Platform solutions deliver valuable data from products in the field (e.g., usage, durability, performance) back to manufacturers that they can use to make future design improvements.

Business strategy

Sustainable growth

Our goals for overall growth are predicated on continuing to expand our Technology Platform footprint and making structural changes to our business to improve operational performance and increase growth potential for both our Technology Platform solutions and our core solutions. For 2016, we reorganized the company into two main business units: the Solutions Group, comprised of our core CAD, ePLM and SLM business, and the Technology Platform Group, comprised of our IoT, analytics and augmented reality business. This new structure facilitates appropriate focus on both our core business and the Technology Platform business. We expect to continue to invest in our businesses to support their growth.

Transition to subscription revenue

A majority of our software license sales to date have been perpetual licenses, under which customers own the software license and we generally recognize revenue upon shipment of the software. Due to evolving customer preferences, our plan to increase our recurring revenue base and our acquisitions in the IoT and cloud services space, a growing percentage of our business consists of subscriptions for which revenue is recognized ratably over the subscription term. Under a subscription, the customer does not own the software license but pays a periodic fee to license our software for a specified period of time, including access to technical support. In October 2015, we launched the second phase of our subscription program with the goal of accelerating our transition to a predominantly subscription-based model. To drive that acceleration, we launched new pricing and packaging for subscriptions and new sales incentive compensation plans. We also launched a program for our existing customers to convert their support contracts to subscription contracts. We expect there will be greater opportunities for the remainder of 2016 and into 2017 than in subsequent years to convert existing support and term license contracts into subscription contracts due to the cyclicality of certain of those contracts.

We believe that by 2018, a significant majority of our license and subscription order bookings will be subscriptions. We estimate that, over time, this can generate an approximately 40% higher lifetime value per customer.

Cost controls and margin expansion

We continue to proactively manage our cost structure and invest in what we believe are the highest return opportunities in our business. Our goal is to drive continued margin expansion over the long term. To that end, in October 2015, we committed to a plan to restructure approximately 8% of our workforce and consolidate select facilities in order to reduce our cost structure and to realign our investments with our identified growth opportunities. The restructuring is expected to result in a charge of up to $50 million, of which $41.7 million was recorded in the first half of 2016 and the remainder of which is expected to be recorded in the second half of 2016. We expect that the expense reductions will be offset by planned cost increases, investments in our business and the anticipated effects of foreign currency fluctuations, which effect is contemplated in our most recent financial targets for fiscal 2016. Our financial targets do not reflect the effect of increased interest expense that will be incurred as a result of the proposed offering.

Recent developments

The discussion below includes discussion of our bookings and our license and subscription bookings operating measures. Information about these measures is provided in Management s discussion and analysis of financial condition and results of operations below in this prospectus supplement.

The results of operations of acquired businesses, including Kepware and Vuforia, have been included in our consolidated financial statements beginning on their respective acquisition dates. Kepware contributed approximately $5 million to our revenue in the second quarter of 2016.

Second quarter results

Revenue for the second quarter of 2016 was $272.6 million, compared with $314.1 million for the second quarter of 2015, a decline of $41.5 million (13%), or (10%) on a constant currency basis. We believe the decline of $30.7 million (12%) in total software revenue in the quarter was due to the acceleration of adoption of subscription licensing by our customers, which resulted in subscription bookings constituting a higher percentage of license and subscription bookings in the quarter than in the prior year. A decline in professional services revenue of 18% accounted for the remaining $10.8 million of the decline in revenue in the quarter as a result of our strategy to grow our service partner ecosystem and transition more services to our partners. Revenue was also adversely affected by a challenging macroeconomic environment and the impact of foreign currency exchange rates on our reported revenue due to an increase in the strength of the U.S. Dollar relative to international currencies, most notably the Euro and the Yen.

Approximately 80% of our total software revenue in the second quarter came from recurring revenue streams (subscription and support revenue).

We recorded a restructuring charge of $4.6 million in the second quarter in connection with our restructuring plan announced in October 2015, bringing the total restructuring charge for the first half of 2016 to $41.7 million. We expect the remaining $8 million of the anticipated $50 million total charge will be recorded in the second half of 2016.

Adjusted EBITDA for our second quarter of 2016 was $45.5 million, as compared with $80.9 million for the corresponding quarter in 2015. This decline was driven primarily by the higher subscription mix and its resulting impact on total software revenue.

Excluding fines and penalties totaling $28.2 million paid to the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ) in February 2016 to resolve an investigation under the U.S. Foreign

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Corrupt Practices Act related to our China business (the China FCPA Investigation) and $25.1 million paid in the quarter in connection with the restructuring described above, Adjusted free cash flow for the second quarter of 2016 was $97.4 million, as compared with $91.3 million for the corresponding quarter in 2015.

Adjusted EBITDA, free cash flow and Adjusted free cash flow are non-GAAP financial measures. See footnotes (3) and (5) in Summary historical consolidated financial data and Information about non-GAAP financial measures below for a discussion of management s definitions and use of these non-GAAP measures and limitations of their use. The following table provides a reconciliation of non-GAAP operating income to operating income and of Adjusted EBITDA to net income (loss), the most directly comparable financial measures calculated in accordance with generally accepted accounting principles (GAAP), as well as a reconciliation of free cash flow and Adjusted free cash flow to net cash provided by operating activities, the most directly comparable financial measure calculated in accordance with GAAP.

(In thousands)	Three months ended April 4, 2015 (unaudited)	Three months ended April 2, 2016 (unaudited)
Adjusted EBITDA reconciliation:		
Net income (loss)	$ 5,392	$ (5,173)
Provision for (benefit from) income taxes	(5,005)	1,604
Interest and other expense, net	3,601	5,327
Operating income	3,988	1,758
Fair value adjustment of acquired deferred revenue(a)	1,133	1,063
Fair value adjustment of acquired deferred costs(b)	(151)	(125)
Stock-based compensation	12,822	14,836
Amortization of acquired intangible assets included in cost of software revenue	4,714	6,725
Amortization of acquired intangible assets	9,173	8,396
Acquisition-related charges included in general and administrative expenses	1,892	1,071
U.S. pension plan termination-related costs(c)	1,713	
Restructuring charges(d)	38,487	4,579
Non-GAAP operating income	73,771	38,303
Depreciation	7,080	7,169
Adjusted EBITDA	$ 80,851	$ 45,472
Adjusted free cash flow reconciliation:		
Net cash provided by operating activities	$ 91,992	$ 48,885
Capital expenditures	(6,160)	(4,681)
Free cash flow	85,832	44,204
Restructuring payments(d)	5,483	25,066
Legal settlement payments(e)		28,162
Adjusted free cash flow	$ 91,315	$ 97,432

(a) Reflects the restoration of the reduction of revenue as a consequence of the write-down of deferred revenue due to purchase accounting adjustments.

(b) Reflects the restoration of the reduction of expenses due to purchase accounting adjustments.

(c) We maintained a U.S. defined benefit pension plan that covered certain persons who were employees of Computervision Corporation (acquired by us in 1998). Benefits under the plan were frozen in 1990. We terminated the plan in 2015. In connection with the termination, we incurred pension expense of $1.7 million in the three months ended April 4, 2015.

(d) In the second quarter of 2015, we implemented actions to restructure our workforce and reduce costs through organizational efficiencies. In October 2015, we adopted a plan to further restructure our workforce and consolidate select facilities. See Notes C and O to our audited consolidated financial statements included in our most recent Annual Report on Form 10-K, which is incorporated into this prospectus supplement, and Note 3 to our unaudited consolidated financial statements included in our most recent Quarterly Report on Form 10-Q, which is incorporated by reference into this prospectus supplement.

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(e) Reflects the payment of our legal settlement accrual recorded as charges during the third and fourth quarters of 2015 in connection with the China FCPA Investigation. See Resolution of previously disclosed FCPA investigation in China below.

The selected financial data presented above for the three months ended April 2, 2016 is preliminary and subject to the completion of our closing procedures for the three months ended April 2, 2016. Those procedures have not been completed, and we may make further adjustments as a result of developments occurring between now and the time the financial results for this period are finalized. Accordingly, these results may change and those changes may be material. This preliminary consolidated financial data has been prepared by and is the responsibility of our management. PricewaterhouseCoopers LLP has not audited, reviewed, compiled or performed any procedures with respect to this preliminary consolidated financial data. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

See Summary historical consolidated financial data.

Acceleration of subscription business model transition

The second quarter of 2016 saw significant acceleration in the adoption of subscription licensing by our customers. Subscription bookings as a percentage of license and subscription bookings grew to 54% for this period, up from 28% in the first quarter and up from 14% in the corresponding quarter of 2015. License and subscription bookings grew 25% in the second quarter over the first quarter of 2016, with license and subscription bookings of $86 million in the second quarter of 2016, and grew 6% over the second quarter of 2015.

For the first half of 2016, subscription bookings increased over 2015 subscription bookings at a higher rate than we had anticipated, and we currently expect that subscription bookings for the full 2016 year will be approximately 45% of our total bookings, while in our original 2016 plan we had expected subscription bookings to account for about one-third of our total bookings. Although we believe that this higher mix of subscription bookings will be favorable to our revenue and earnings over time, it has been and will be unfavorable to our reported revenue and earnings per share in 2016. If a greater percentage of our customers continue to elect our subscription offering in the second half of 2016 than we anticipated, our revenue, operating margin, cash flow and earnings per share will be adversely impacted relative to those financial targets, although this change in the mix of our business is expected to be beneficial to our longer-term prospects. In addition, subscription orders tend to be smaller than perpetual license deals, which can also adversely affect revenue.

Technology Platform acquisitions

On January 12, 2016, we acquired Kepware, a software development company that provides communications connectivity to industrial automation environments, for $100.0 million in cash and $18.0 million of contingent earn-out. At the time of the acquisition, Kepware had approximately 115 employees and historical annualized revenue of approximately $20 million. In January 2016, we borrowed $120.0 million under our senior credit facility, $100.0 million of which was used to fund the acquisition of Kepware.

On November 3, 2015, we acquired the Vuforia augmented reality business from Qualcomm. The Vuforia platform is a mobile vision platform that enables applications to see and connect the physical world with digital experiences. We paid $64.8 million in cash, net of cash acquired, for the Vuforia business.

Amended and restated credit agreement

On November 4, 2015, we amended and restated our senior credit facility with our syndicate of 16 lenders, whereby we repaid our term loan facility in full by borrowing additional amounts under our revolving line of credit, amended the financial covenants, granted the lenders a security interest in our assets, and made various other changes to the terms and conditions of the credit facility. We further amended the credit facility on April 18, 2016 to make additional changes to the terms and conditions of the credit facility, including an amendment to the definition of Consolidated EBITDA. The current commitment under our revolving credit facility is $1.0 billion (which may be increased by up to an additional $500.0 million in the aggregate if the existing or additional lenders are willing to make such increased commitments). Outstanding borrowings under the revolving line of credit were $838.1 million as of April 2, 2016. The credit facility matures in September 2019.

Resolution of previously disclosed FCPA investigation in China

On February 16, 2016, we announced that we had entered into an agreement with the SEC and that our China subsidiaries had entered into an agreement with the DOJ to resolve our previously disclosed FCPA investigation pertaining to expenditures by certain former employees and business partners in China between 2006 and 2011 that benefited employees of customers regarded as state owned enterprises in China (the China FCPA Investigation). In the second quarter of 2016, we paid $28.2 million in the aggregate to those agencies in connection with those settlements. Settlement of this matter could have collateral effects on our business in China, the United States and elsewhere that could materially adversely affect our financial condition or results of operations.

Lawsuit concerning disclosures about the China FCPA Investigation

On March 7, 2016, a lawsuit was filed against us and certain of our current and former officers and directors in the U.S. District Court for the District of Massachusetts by a shareholder on behalf of himself and purportedly on behalf of other shareholders who purchased our stock during the period November 24, 2011 through July 29, 2015. The lawsuit alleges that, during that period, PTC s public disclosures concerning the China FCPA Investigation described above were false and/or misleading and/or failed to disclose certain alleged facts. We intend to contest the action vigorously. We cannot predict the outcome of this action nor when it will be resolved. If the plaintiff(s) were to prevail in the litigation, we could be liable for damages, which could be material and could adversely affect our financial condition or results of operations.

Investigation by China Administration for Industry and Commerce

On March 2, 2016, the China Administration for Industry and Commerce (China AIC) initiated an investigation at our China subsidiary related to the China FCPA Investigation, but not necessarily limited to the China FCPA Investigation. The China AIC is authorized to issue fines and assess other civil penalties. We are unable to predict the outcome of this matter, which could include fines or other sanctions that could be material and could adversely affect our financial condition or results of operations.

Other information

We were incorporated in Massachusetts in 1985. Our principal executive offices are located at 140 Kendrick Street, Needham, Massachusetts 02494, and our telephone number at that address is (781) 370-5000. We maintain a website at www.ptc.com where general information about us is available. We are not incorporating the contents of the website into this prospectus supplement or the accompanying prospectus.

For additional information regarding our business, we refer you to our filings with the SEC incorporated into this prospectus supplement by reference. Please read Where you can find more information and Incorporation by reference in this prospectus supplement.

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The offering

The following summary contains selected information about the notes and is not intended to be complete. For a more complete understanding of the notes, please refer to the section in this prospectus supplement entitled Description of notes and the section in the accompanying prospectus entitled Description of securities.

Issuer	PTC Inc.
Securities offered	$500.0 million aggregate principal amount of % Senior Notes due 2024.
Maturity date	, 2024.
Interest rate	% per year.
Interest payment dates	and , commencing , 2016. Interest will accrue from , 2016.
Optional redemption	The notes will be redeemable at our option, in whole or in part, at any time on or after , 2019, at the redemption prices set forth in this prospectus supplement, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption.
	At any time prior to , 2019, we may redeem up to 40% of the original aggregate principal amount of the notes with the proceeds of certain equity offerings at a redemption price of % of the principal amount of the notes, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption.
	At any time prior to , 2019, we may also redeem some or all of the notes at a price equal to 100% of the principal amount of the notes plus a make-whole premium, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption.
	See Description of notes Optional redemption.
Change of control offer	Upon the occurrence of specific kinds of changes of control, you will have the right, as holders of the notes, to cause us to repurchase some or all of your notes at 101% of their face amount, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date. See Description of notes Change of control.
Asset sales offer	If we or any of our subsidiaries sell assets, under certain circumstances, we will be required to use the net cash proceeds to make an offer to purchase notes at an offer price in cash in an amount equal to 100% of the principal amount of the notes, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date. See Description of notes Certain covenants Limitation on asset sales.

Future subsidiary guarantees	On the issue date, the notes will not be guaranteed by any of our subsidiaries. After the issue date, the notes will be required to be guaranteed on a senior unsecured basis by any of our domestic subsidiaries that in the future becomes a

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guarantor of our senior credit facility or certain other material indebtedness of PTC Inc. or any other future guarantor. See Description of notes Future guarantors.

For the twelve months ended January 2, 2016, our subsidiaries:

- represented approximately 58% of our revenue;
- generated approximately $173 million of operating income, excluding net intercompany charges by PTC Inc. to those subsidiaries; and
- represented approximately 86% of our Adjusted EBITDA.

As of January 2, 2016, our subsidiaries:

- represented approximately 42% of our total assets, excluding intercompany receivables; and
- had approximately $354 million of total liabilities, including trade payables but excluding intercompany liabilities.

Ranking

The notes will be our senior unsecured obligations and will:

- rank senior in right of payment to all of our future subordinated indebtedness;
- rank equally in right of payment with all of our existing and future senior indebtedness;
- be effectively subordinated to any of our existing and future secured debt, to the extent of the value of the assets securing such debt, including loans made under our senior credit facility which are permitted to be made in an amount not to exceed the current commitment of $1.0 billion (which may be increased by up to an additional $500.0 million in the aggregate if the existing or additional lenders are willing to make such increased commitments); and
- on the issue date, be structurally subordinated to all of the liabilities (including trade payables) of all of our subsidiaries, and in the future be structurally subordinated to all of the liabilities (including trade payables) of any of our subsidiaries that does not become a guarantor of the notes.

As of January 2, 2016 on an as adjusted basis:

we would have had approximately $844.2 million of total indebtedness (including the notes) (without giving effect to approximately $4.0 million of outstanding letters of credit supporting leases and certain other obligations, approximately $1.1 million of which outstanding letters of credit are secured by cash);

of our total indebtedness, we would have had approximately $344.2 million of secured indebtedness (without giving effect to approximately $1.1 million of outstanding letters of credit which are secured by cash), to which the notes would have been effectively subordinated;

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- we and one of our foreign subsidiaries which is a borrower under our senior credit facility would have had unused commitments under the senior credit facility of approximately $655.8 million, of which approximately $236.0 million would have been available for borrowing as a result of financial covenants; and

- our subsidiaries would have had approximately $354 million of total liabilities (including trade payables but excluding intercompany liabilities), all of which would have been structurally senior to the notes.

In addition, one of our foreign subsidiaries is a borrower under our senior credit facility and certain other foreign subsidiaries may become borrowers under our senior credit facility in the future, subject to certain conditions, and any borrowings by such subsidiaries will be secured indebtedness.

Covenants

We will issue the notes under an indenture with The Bank of New York Mellon, as trustee. The indenture will, among other things, limit our ability and the ability of our subsidiaries to:

- incur additional indebtedness or guarantee indebtedness;
- pay dividends or make other distributions or repurchase or redeem our capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell assets;
- incur liens;
- enter into certain sale and leaseback transactions; and
- consolidate, merge or sell all or substantially all of our assets.

These covenants will be subject to a number of important exceptions and qualifications.

If the notes are assigned an investment grade rating from both Standard & Poor s Rating Group and Moody s Investors Service, Inc., subject to certain conditions, many of these covenants will be suspended.

For more details, see Description of notes.

Absence of public market for the notes	The notes are a new issue of securities and there is currently no established trading market for the notes. We do not intend to apply for a listing of the notes on any securities exchange or an automated dealer quotation system. Accordingly, a liquid market for the notes may not develop. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and any market making with respect to the notes may be discontinued without notice.
Use of proceeds	We intend to use the net proceeds of this offering to repay a portion of the outstanding indebtedness under our senior credit facility. See Use of proceeds.

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Underwriting (conflicts of interest)	Affiliates of certain of the underwriters will receive at least 5% of the net proceeds of this offering in connection with the repayment of a portion of the outstanding indebtedness under our senior credit facility. See Use of proceeds. Accordingly, this offering is being made in compliance with the requirements of Rule 5121 of the Financial Industry Regulatory Authority, Inc. (FINRA). This rule requires, among other things, that a qualified independent underwriter has participated in the preparation of, and has exercised the usual standards of due diligence with respect to, the registration statement. The Huntington Investment Company has agreed to act as qualified independent underwriter for this offering and to undertake the legal responsibilities and liabilities of an underwriter under the Securities Act of 1933, as amended (the Securities Act). See Underwriting (conflicts of interest).
Risk factors	Investing in the notes involves substantial risk. In evaluating an investment in the notes, prospective investors should carefully consider, along with the other information in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, the specific factors set forth under Risk factors for risks involved with an investment in the notes.

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Summary historical consolidated financial data

The following tables set forth our summary historical consolidated financial data as of and for the periods presented. The summary consolidated statement of operations data for the years ended September 30, 2013, 2014 and 2015 and the summary consolidated balance sheet data as of September 30, 2014 and 2015 were derived from our audited consolidated financial statements included in our most recent Annual Report on Form 10-K, which is incorporated by reference into this prospectus supplement. The summary consolidated balance sheet data as of September 30, 2013 was derived from our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended September 30, 2013, which is not incorporated by reference into this prospectus supplement. The summary consolidated statement of operations data for the three months ended January 3, 2015 and January 2, 2016 and the consolidated balance sheet data as of January 2, 2016 were derived from our unaudited consolidated financial statements included in our most recent Quarterly Report on Form 10-Q, which is incorporated by reference into this prospectus supplement. The summary consolidated balance sheet data as of January 3, 2015 was derived from our unaudited consolidated financial statements included in our Quarterly Report on Form 10-Q for the three months ended January 3, 2015, which is not incorporated by reference into this prospectus supplement. Our unaudited consolidated financial statements have been prepared on the same basis as the audited financial statements. In the opinion of management, the unaudited interim financial information reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the financial information in those statements.

The unaudited consolidated financial data for the twelve months ended January 2, 2016 was derived by adding our financial data for the year ended September 30, 2015 to the financial data for the three months ended January 2, 2016 and subtracting the financial data for the three months ended January 3, 2015.

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The summary historical consolidated financial data set forth below are not necessarily indicative of the results of future operations. This information is only a summary and should be read in conjunction with our consolidated financial statements and accompanying notes included in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q, each of which is incorporated by reference into this prospectus supplement, as well as Use of proceeds, Capitalization and Management s discussion and analysis of financial condition and results of operations.

	Year ended September 30,			Three months ended		Twelve months ended
(In thousands)	**2013**	**2014**	**2015**	**January 3, 2015**	**January 2, 2016**	**January 2, 2016**
				(unaudited)	**(unaudited)**	**(unaudited)**
Consolidated statement of operations data:						
Revenue:						
Subscription	$ 10,073	$ 27,137	$ 65,239	$ 14,223	$ 22,176	$ 73,192
Support	654,679	688,502	681,524	181,629	171,756	671,651
Total recurring software revenue	664,752	715,639	746,763	195,852	193,932	744,843
Perpetual license	344,209	362,602	282,760	64,748	47,763	265,775
Total software revenue	1,008,961	1,078,241	1,029,523	260,600	241,695	1,010,618
Professional services	284,580	278,726	225,719	64,842	49,322	210,199
Total revenue	1,293,541	1,356,967	1,255,242	325,442	291,017	1,220,817
Cost of revenue:						
Cost of software revenue	120,118	129,708	135,992	34,725	36,814	138,081
Cost of professional services revenue	252,921	243,975	198,742	58,217	43,333	183,858
Total cost of revenue	373,039	373,683	334,734	92,942	80,147	321,939
Gross margin	920,502	983,284	920,508	232,500	210,870	898,878
Operating expenses:						
Sales and marketing	373,375	367,454	346,794	89,484	82,429	339,739
Research and development	221,918	226,496	227,513	61,097	57,669	224,085
General and administrative	119,202	132,225	158,715	35,130	38,567	162,152
U.S. pension settlement loss(1)			66,332			66,332
Amortization of acquired intangible assets	26,486	32,127	36,129	9,413	8,350	35,066
Restructuring charges (credits)(2)	52,197	28,406	43,409	(255)	37,147	80,811
Total operating expenses	793,178	786,708	878,892	194,869	224,162	908,185
Operating income (loss)	127,324	196,576	41,616	37,631	(13,292)	(9,307)
Interest and other expense, net	(1,090)	(10,464)	(15,091)	(3,224)	(6,253)	(18,120)
Income (loss) before income taxes	126,234	186,112	26,525	34,407	(19,545)	(27,427)
Provision for (benefit from) income taxes	(17,535)	25,918	(21,032)	4,123	4,347	(20,808)
Net income (loss)	$ 143,769	$ 160,194	$ 47,557	$ 30,284	$ (23,892)	$ (6,619)

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(In thousands)	As of September 30, 2013	2014	2015	January 3, 2015 (unaudited)	As of January 2, 2016 (unaudited)
Consolidated balance sheet data:					
Cash and cash equivalents	$ 241,913	$ 293,654	$ 273,417	$ 261,052	$ 296,797
Goodwill	769,095	1,012,527	1,069,041	1,000,992	1,086,230
Total assets	1,828,906	2,199,954	2,209,913	2,137,223	2,215,893
Total debt, including current portion	258,125	611,875	668,125	605,625	718,125
Total liabilities	902,426	1,346,065	1,349,742	1,281,770	1,379,956
Total stockholders equity	926,480	853,889	860,171	855,453	835,937

(Dollar amounts in thousands)	Year ended September 30, 2013	2014	2015	Three months ended January 3, 2015 (unaudited)	January 2, 2016 (unaudited)	Twelve months ended January 2, 2016 (unaudited)
Other financial data:						
Adjusted EBITDA(3)	$ 317,749	$ 367,356	$ 333,229	$ 76,870	$ 69,229	$ 325,588
Adjusted EBITDA margin(3)(4)	25%	27%	27%	24%	24%	27%
Adjusted free cash flow(5)	$ 232,554	$ 299,852	$ 228,338	$ 23,012	$ 73,771	$ 279,097
Ratio of total debt to Adjusted EBITDA(3)(6)	0.8x	1.7x	2.0x	7.9x	10.4x	2.2x
Ratio of Adjusted EBITDA to interest expense(3)(7)	45.5x	45.0x	22.6x	20.4x	10.5x	18.5x
As adjusted financial data:(8)						
Ratio of total debt to Adjusted EBITDA(3)(6)						2.6x
Ratio of Adjusted EBITDA to interest expense(3)(7)						7.5x

(1) We maintained a U.S. defined benefit pension plan that covered certain persons who were employees of Computervision Corporation (acquired by us in 1998). Benefits under the plan were frozen in 1990. We terminated the plan in 2015. In connection with the termination, we contributed $25.5 million to the plan and recorded a settlement loss of $66.3 million.

(2) In each of 2013, 2014, 2015 and the first quarter of 2016, we implemented restructuring actions to restructure our workforce and reduce costs through organizational efficiencies. In October 2015, we adopted a plan to further restructure our workforce and consolidate select facilities. See Notes C and O to our audited consolidated financial statements included in our most recent Annual Report on Form 10-K, which is incorporated by reference into this prospectus supplement, and Note 3 to our unaudited consolidated financial statements included in our most recent Quarterly Report on Form 10-Q, which is incorporated by reference into this prospectus supplement.

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(3) Non-GAAP operating income and Adjusted EBITDA are non-GAAP financial measures. We define non-GAAP operating income as operating income (loss), excluding the impact of purchase accounting on the fair value of acquired deferred revenue and acquired deferred costs, stock-based compensation expense, amortization of acquired intangible assets, acquisition-related expenses, costs associated with terminating a U.S. pension plan, a litigation accrual associated with the China FCPA Investigation and restructuring charges. We define Adjusted EBITDA as non-GAAP operating income before depreciation. The following reconciles non-GAAP operating income to operating income (loss) and Adjusted EBITDA to net income (loss), the most directly comparable financial measures calculated in accordance with GAAP.

	Year ended September 30,			Three months ended		Twelve months ended
				January 3,	January 2,	January 2,
(In thousands)	**2013**	**2014**	**2015**	**2015**	**2016**	**2016**
				(unaudited)	**(unaudited)**	**(unaudited)**
Adjusted EBITDA reconciliation:						
Net income (loss)	$ 143,769	$ 160,194	$ 47,557	$ 30,284	$ (23,892)	$ (6,619)
Provision for (benefit from) income taxes	(17,535)	25,918	(21,032)	4,123	4,347	(20,808)
Interest and other expense, net	1,090	10,464	15,091	3,224	6,253	18,120
Operating income (loss)	127,324	196,576	41,616	37,631	(13,292)	(9,307)
Fair value adjustment of acquired deferred revenue(a)	3,035	1,249	3,869	1,404	497	2,962
Fair value adjustment of acquired deferred costs(b)		(167)	(526)	(106)	(132)	(552)
Stock-based compensation	48,787	50,889	50,182	11,242	23,189	62,129
Amortization of acquired intangible assets included in cost of software revenue	18,586	18,112	19,402	4,767	5,127	19,762
Amortization of acquired intangible assets	26,486	32,127	36,129	9,413	8,350	35,066
Acquisition-related charges included in general and administrative expenses	9,855	12,715	8,913	4,033	1,207	6,087
U.S. pension plan termination-related costs(c)		381	73,171	1,684		71,487
Legal settlement accrual(d)			28,162			28,162
Restructuring charges (credits)(e)	52,197	28,406	43,409	(255)	37,147	80,811
Non-GAAP operating income	286,270	340,288	304,327	69,813	62,093	296,607
Depreciation	31,479	27,068	28,902	7,057	7,136	28,981
Adjusted EBITDA	$ 317,749	$ 367,356	$ 333,229	$ 76,870	$ 69,229	$ 325,588

(a) Reflects the restoration of the reduction of revenue as a consequence of the write-down of deferred revenue due to purchase accounting adjustments.

(b) Reflects the restoration of the reduction of expenses due to purchase accounting adjustments.

(c) See footnote (1).

(d) Reflects the add-back of our recorded charges of $28.2 million relating to the China FCPA Investigation.

(e) See footnote (2).

(4) Adjusted EBITDA as a percentage of total revenue.

(5) Free cash flow and Adjusted free cash flow are also non-GAAP financial measures. We define free cash flow as net cash provided by operating activities less capital expenditures (other than acquisitions). Adjusted free cash flow is defined as free cash flow plus cash paid for discrete charges as identified (for the periods presented this included U.S. pension plan termination payments and restructuring payments). The following reconciles free cash flow and Adjusted free cash flow to net cash provided by operating activities, the most directly comparable financial measure calculated in accordance with GAAP.

	Year ended September 30,			Three months ended		Twelve months ended
				January 3,	January 2,	January 2,
(In thousands)	**2013**	**2014**	**2015**	**2015**	**2016**	**2016**
				(unaudited)	**(unaudited)**	**(unaudited)**
Adjusted free cash flow reconciliation:						
Net cash provided by operating activities	$ 224,683	$ 304,552	$ 179,903	$ 13,632	$ 61,254	$ 227,525
Capital expenditures	(29,328)	(25,275)	(30,628)	(7,947)	(4,185)	(26,866)
Free cash flow	195,355	279,277	149,275	5,685	57,069	200,659
U.S. pension plan termination payments(a)			25,475			25,475
Restructuring payments(b)	37,199	20,575	53,588	17,327	16,702	52,963
Adjusted free cash flow	$ 232,554	$ 299,852	$ 228,338	$ 23,012	$ 73,771	$ 279,097

(a) See footnote (1).

(b) See footnote (2).

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(6) Total debt (including current portion) divided by Adjusted EBITDA.

(7) Adjusted EBITDA divided by interest expense.

(8) Calculated giving effect to the transactions described in this prospectus supplement as if they had occurred on January 4, 2015.

We have also presented non-GAAP operating margin in this prospectus supplement. Non-GAAP operating margin is a non-GAAP financial measure that excludes the same items that are excluded when calculating non-GAAP operating income as explained in footnote (3) above. The following reconciles non-GAAP operating margin to operating margin, the most directly comparable financial measure calculated in accordance with GAAP.

	Year ended September 30,			Three months ended		Twelve months ended
				January 3,	January 2,	January 2,
	2013	2014	2015	2015	2016	2016
				(unaudited)	(unaudited)	(unaudited)
Non-GAAP operating margin reconciliation:						
Operating margin	9.8%	14.5%	3.3%	11.6%	(4.6%)	(0.8%)
Fair value adjustment of acquired deferred revenue(a)	0.2%	0.1%	0.3%	0.4%	0.2%	0.2%
Fair value adjustment of acquired deferred costs(b)	%	%	%	%	%	%
Stock-based compensation	3.8%	3.8%	4.0%	3.5%	8.0%	5.1%
Amortization of acquired intangible assets	3.5%	3.7%	4.4%	4.4%	4.6%	4.5%
Acquisition-related charges included in general and administrative expenses	0.8%	0.9%	0.7%	1.2%	0.4%	0.5%
U.S. pension plan termination-related costs(c)	%	%	5.8%	0.5%	%	5.9%
Legal settlement accrual(d)	%	%	2.2%	%	%	2.3%
Restructuring charges (credits)(e)	4.0%	2.1%	3.5%	(0.1%)	12.8%	6.6%
Non-GAAP operating margin	22.1%	25.1%	24.2%	21.4%	21.3%	24.3%

(a) See footnote (a) under Adjusted EBITDA reconciliation.

(b) See footnote (b) under Adjusted EBITDA reconciliation.

(c) See footnote (1).

(d) See footnote (d) under Adjusted EBITDA reconciliation.

(e) See footnote (2).

Information about non-GAAP financial measures

Non-GAAP operating income, non-GAAP operating margin, Adjusted EBITDA, free cash flow and Adjusted free cash flow are not recognized terms under GAAP and do not purport to be alternatives to operating income or net income as a measure of operating performance or to cash flows provided by operations as a measure of liquidity. We present these non-GAAP measures because we believe that they assist our investors to make period-to-period comparisons of our operational performance because they provide a view of our operating results without items that are not, in our view, indicative of our core operating results. We believe that these non-GAAP measures help illustrate underlying trends in our business, and we use the measures to establish budgets and operational goals, communicated internally and externally, for managing our business and evaluating our performance. We provide information on free cash flow and Adjusted free cash flow to enable investors to assess our ability to generate cash without incurring additional external financings and to evaluate our performance against our announced long-term goal of returning approximately 40% of our free cash flow to shareholders through stock repurchases. We believe that providing non-GAAP measures affords investors a view of our operating results that may be more easily compared to the results of peer companies. In addition, compensation of our executives is based in part on the performance of our business based on these non-GAAP measures. However, non-GAAP information should not be construed as an alternative to GAAP information as the items excluded from the non-GAAP measures often have a material impact on our financial results. Management uses, and investors should consider, non-GAAP measures in conjunction with our GAAP results.

Non-GAAP operating income, non-GAAP operating margin, Adjusted EBITDA, free cash flow and Adjusted free cash flow have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;

- non-GAAP operating income and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;

- non-GAAP operating income and Adjusted EBITDA do not reflect our interest expense, or the cash requirements necessary to service interest or principal payments on our debt;

- non-GAAP operating income and Adjusted EBITDA do not reflect our income tax expense or the cash requirements to pay our taxes;

- free cash flow and Adjusted free cash flow do not reflect the cash necessary to service principal payments on our debt or to repurchase shares of our common stock;

- free cash flow and Adjusted free cash do not represent the residual cash flow for discretionary expenditures;

- Adjusted free cash flow does not reflect the cash necessary to pay restructuring obligations or cash amounts paid in connection with the U.S. pension plan termination; and

- other companies, including companies in our industry, may calculate non-GAAP operating income, non-GAAP operating margin, Adjusted EBITDA, free cash flow and Adjusted free cash flow differently, which reduces their usefulness as comparative measures.

Because of these limitations, non-GAAP operating income, non-GAAP operating margin, Adjusted EBITDA, free cash flow and Adjusted free cash flow should not be considered as measures of discretionary cash available to use for reinvestment in the growth of our business or as a measure of cash that will be available to meet our obligations. You should consider these non-GAAP measures alongside other financial performance measures, including various cash flow metrics, net income and our other GAAP results.

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Risk factors

Any investment in the notes involves a high degree of risk. In addition to the other information provided and incorporated by reference in this prospectus supplement and the accompanying prospectus, you should carefully consider the risks described below before deciding whether to purchase the notes. The risks and uncertainties described below and in such incorporated documents are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition and results of operations would suffer.

The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See Cautionary statement regarding forward-looking statements in this prospectus supplement.

This discussion of risk factors should be read in conjunction with Management s discussion and analysis of financial condition and results of operations and the consolidated financial statements and related notes included in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q, each of which is incorporated by reference into this prospectus supplement.

Risks related to our business

I. Operational considerations

Our operating results fluctuate from quarter to quarter, making future operating results difficult to predict; failure to meet market expectations could cause the price of our securities to decline.

Our quarterly operating results historically have fluctuated and are likely to continue to fluctuate depending on a number of factors, including:

- a high percentage of our revenue historically has been 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;

- a significant percentage of our revenue comes from transactions with large customers, which tend to have long lead times that are less predictable;

- one or more industries that we serve may have weak or negative growth;

- our operating expenses are largely fixed in the short term and are based on expected revenues and any failure to achieve our revenue targets could cause us to miss our earnings targets as well;