

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

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**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): October 30, 2019

**ASPEN TECHNOLOGY, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-34630**  
(Commission  
File Number)

**04-2739697**  
(IRS Employer  
Identification No.)

**20 Crosby Drive,**  
(Address of principal executive offices)

**Bedford, MA**

**01730**  
(Zip Code)

Registrant's telephone number, including area code: **(781) 221-6400**

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:

| <b>Title of Each Class</b>               | <b>Trading Symbol</b> | <b>Name of Each Exchange on Which Registered</b> |
|--|-----------------------|--|
| Common stock, \$0.10 par value per share | AZPN                  | 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.

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**Item 2.02 Events Results of Operations and Financial Condition.**

On October 30, 2019, we issued a press release announcing financial results for the first quarter of fiscal year 2020, ended September 30, 2019. The full text of the press release issued in connection with this announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Item 2.02, including Exhibit 99.1, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 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 Securities Exchange Act of 1934 except as expressly set forth by specific reference in such a filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

The following exhibit relating to Item 2.02 shall be deemed to be furnished, and not filed:

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 99.1               | <a href="#">Press release issued by Aspen Technology, Inc. on October 30, 2019</a> |

**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 hereunto duly authorized.

**ASPEN TECHNOLOGY, INC.**

Date: October 30, 2019

By: /s/ Karl E. Johnsen

Karl E. Johnsen

Senior Vice President and Chief Financial Officer



## Contacts:

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## Aspen Technology Announces Financial Results for the First Quarter of Fiscal 2020

**Bedford, Mass. - October 30, 2019** - Aspen Technology, Inc. (NASDAQ:AZPN), the asset optimization software company, today announced financial results for its first quarter of fiscal year 2020 ended September 30, 2019.

“AspenTech got off to a good start in the first quarter of fiscal 2020, and we remain positive about the outlook for the full year. We believe that the broad-based strength in our business, driven by the increasing focus on digitalization and continuous improvement in operational excellence, positions us well to deliver another year of solid growth and free cash flow generation,” said Antonio Pietri, President and Chief Executive Officer of Aspen Technology.

Pietri continued, “The recent introduction of Aspen Enterprise Insights, which incorporates visualization and workflow management capabilities from our Sabisu acquisition, is an exciting opportunity for collaborative and data-driven applications. In addition, we continue to receive a positive reaction from customers to our strategy and plan for leveraging artificial intelligence, cloud and IoT technologies to drive significantly higher levels of operational excellence across assets, providing substantial incremental value for customers.”

### First Quarter Fiscal 2020 Recent Business Highlights

- Annual spend, which the company defines as the annualized value of all term license and maintenance contracts at the end of the quarter, was approximately \$548 million at the end of the first quarter of fiscal 2020, which increased 10.0% compared to the first quarter of fiscal 2019 and 1.3% sequentially.
- GAAP operating margin was 35.3% compared to 32.4% in the first quarter of fiscal 2019. Non-GAAP operating margin was 43.2% compared to 41.1% in the first quarter of fiscal 2019.
- AspenTech repurchased approximately 382,000 shares of its common stock for \$50 million in the first quarter of fiscal 2020.

### Summary of First Quarter Fiscal Year 2020 Financial Results

AspenTech’s total revenue of \$134.1 million included:

- **License revenue**, which represents the portion of a term license agreement allocated to the initial license, was \$81.2 million in the first quarter of fiscal 2020, compared to \$63.8 million in the first quarter of fiscal 2019.
- **Maintenance revenue**, which represents the portion of the term license agreement related to on-going support and the right to future product enhancements, was \$43.6 million in the first quarter of fiscal 2020, compared to \$43.0 million in the first quarter of fiscal 2019.

- **Services and other revenue** was \$9.3 million in the first quarter of fiscal 2020, compared to \$7.4 million in the first quarter of fiscal 2019.

For the quarter ended September 30, 2019, AspenTech reported income from operations of \$47.3 million, compared to income from operations of \$37.0 million for the quarter ended September 30, 2018.

Net income was \$46.3 million for the quarter ended September 30, 2019, leading to diluted net income per share of \$0.67, compared to diluted net income per share of \$0.53 in the same period last fiscal year.

Non-GAAP income from operations was \$57.9 million for the first quarter of fiscal 2020, compared to non-GAAP income from operations of \$46.9 million in the same period last fiscal year. Non-GAAP net income was \$54.6 million, or \$0.79 per share, for the first quarter of fiscal 2020, compared to non-GAAP net income of \$45.9 million, or \$0.64 per share, in the same period last fiscal year. These non-GAAP results add back the impact of stock-based compensation expense, amortization of intangibles and acquisition related fees. A reconciliation of GAAP to non-GAAP results is presented in the financial tables included in this press release.

AspenTech had cash and cash equivalents of \$57.9 million and borrowings of \$320 million at September 30, 2019.

During the first quarter, the company generated \$15.3 million in cash flow from operations and \$14.3 million in free cash flow. Free cash flow is calculated as net cash provided by operating activities adjusted for the net impact of: purchases of property, equipment and leasehold improvements; capitalized computer software development costs, and other nonrecurring items, such as acquisition related (receipts) payments, net.

## **Business Outlook**

Based on information as of today, October 30, 2019, AspenTech is issuing the following guidance for fiscal year 2020:

- Annual spend growth of 10-12% year-over-year
- Free cash flow of \$250 to \$260 million
- Total bookings of \$600 to \$650 million
- Total revenue of \$575 to \$615 million
- GAAP total expenses of \$369 to \$374 million
- Non-GAAP total expenses of \$303 to \$308 million
- GAAP operating income of \$206 to \$241 million
- Non-GAAP operating income of \$272 to \$307 million
- GAAP net income per share of \$2.72 to \$3.14
- Non-GAAP net income per share of \$3.47 to \$3.89

These statements are forward-looking and actual results may differ materially. Refer to the Forward-Looking Statements safe harbor below for information on the factors that could cause our actual results to differ materially from these forward-looking statements.

AspenTech has not reconciled its expectations as to non-GAAP operating income and non-GAAP net income per share to their most directly comparable GAAP measure because certain items are out of AspenTech's control or cannot be reasonably predicted. Accordingly, a reconciliation for forward-looking non-GAAP operating income and non-GAAP net income per share is not available without unreasonable effort.

## **Use of Non-GAAP Financial Measures**

This press release contains "non-GAAP financial measures" under the rules of the U.S. Securities and Exchange Commission. Non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles. This non-GAAP information supplements, and is not intended to represent a measure of performance in accordance with, disclosures required by generally accepted accounting principles, or GAAP. Non-GAAP financial measures

should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. A reconciliation of GAAP to non-GAAP results is included in the financial tables included in this press release.

Management considers both GAAP and non-GAAP financial results in managing Aspen Technology's business. As the result of adoption of new licensing models, management believes that a number of Aspen Technology's performance indicators based on GAAP, including revenue, gross profit, operating income and net income, should be viewed in conjunction with certain non-GAAP and other business measures in assessing Aspen Technology's performance, growth and financial condition. Accordingly, management utilizes a number of non-GAAP and other business metrics, including the non-GAAP metrics set forth in this press release, to track Aspen Technology's business performance. None of these non-GAAP metrics should be considered as an alternative to any measure of financial performance calculated in accordance with GAAP.

### **Conference Call and Webcast**

Aspen Technology will host a conference call and webcast today, October 30<sup>th</sup>, 2019, at 4:30 p.m. (Eastern Time), to discuss the company's financial results for the first quarter of fiscal 2020 as well as the company's business outlook. The live dial-in number is (866) 471-3828 or (678) 509-7573, conference ID code 8363224. Interested parties may also listen to a live webcast of the call by logging on to the Investor Relations section of Aspen Technology's website, <http://ir.aspentech.com/events-and-presentations>, and clicking on the "webcast" link. A replay of the call will be archived on Aspen Technology's website and will also be available via telephone at (855) 859-2056 or (404) 537-3406, conference ID code 8363224, through November 6, 2019.

### **About Aspen Technology**

Aspen Technology (AspenTech) is a global leader in asset optimization software. Its solutions address complex, industrial environments where it is critical to optimize the asset design, operation and maintenance lifecycle. AspenTech uniquely combines decades of process modelling expertise with artificial intelligence. Its purpose-built software platform automates knowledge work and builds sustainable competitive advantage by delivering high returns over the entire asset lifecycle. As a result, companies in capital-intensive industries can maximize uptime and push the limits of performance, running their assets safer, greener, longer and faster. Visit [AspenTech.com](http://AspenTech.com) to find out more.

### **Forward-Looking Statements**

The second and third paragraphs of this press release as well as the Business Outlook section contain forward-looking statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results may vary significantly from Aspen Technology's (AspenTech) expectations based on a number of risks and uncertainties, including, without limitation: AspenTech's failure to increase usage and product adoption of aspenONE offerings or grow the aspenONE APM business, and failure to continue to provide innovative, market-leading solutions; the demand for, or usage of, aspenONE software declines for any reason, including declines due to adverse changes in the process or other capital-intensive industries; unfavorable economic and market conditions or a lessening demand in the market for asset process optimization software; risks of foreign operations or transacting business with customers outside the United States; risks of competition and other risk factors described from time to time in AspenTech's periodic reports filed with the Securities and Exchange Commission. AspenTech cannot guarantee any future results, levels of activity, performance, or achievements. AspenTech expressly disclaims any obligation to update forward-looking statements after the date of this press release.

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**Source:** Aspen Technology, Inc.

**ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited in Thousands, Except per Share Data)

|   | Three Months Ended<br>September 30, |           |
|---|-------------------------------------|-----------|
|   | 2019                                | 2018      |
| (Dollars in Thousands, Except per Share Data) |                                     |           |
| <b>Revenue:</b>                               |                                     |           |
| License                                       | \$ 81,171                           | \$ 63,755 |
| Maintenance                                   | 43,574                              | 43,039    |
| Services and other                            | 9,346                               | 7,375     |
| Total revenue                                 | 134,091                             | 114,169   |
| <b>Cost of revenue:</b>                       |                                     |           |
| License                                       | 1,660                               | 1,665     |
| Maintenance                                   | 4,977                               | 3,993     |
| Services and other                            | 8,581                               | 7,569     |
| Total cost of revenue                         | 15,218                              | 13,227    |
| Gross profit                                  | 118,873                             | 100,942   |
| <b>Operating expenses:</b>                    |                                     |           |
| Selling and marketing                         | 29,192                              | 26,812    |
| Research and development                      | 22,493                              | 21,056    |
| General and administrative                    | 19,884                              | 16,084    |
| Total operating expenses                      | 71,569                              | 63,952    |
| Income from operations                        | 47,304                              | 36,990    |
| Interest income                               | 7,976                               | 7,069     |
| Interest (expense)                            | (3,000)                             | (1,814)   |
| Other income, net                             | 1,132                               | 128       |
| Income before income taxes                    | 53,412                              | 42,373    |
| Provision for income taxes                    | 7,128                               | 4,307     |
| Net income                                    | \$ 46,284                           | \$ 38,066 |
| <b>Net income per common share:</b>           |                                     |           |
| Basic   | \$ 0.68                             | \$ 0.54   |
| Diluted                                       | \$ 0.67                             | \$ 0.53   |
| <b>Weighted average shares outstanding:</b>   |                                     |           |
| Basic   | 68,441                              | 70,988    |
| Diluted                                       | 69,317                              | 72,015    |

**ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited in Thousands, Except Share and Per Share Data)

|  | September 30,<br>2019                        | June 30,<br>2019 |
|--|--|------------------|
|  | (Dollars in Thousands, Except<br>Share Data) |                  |
| <b>ASSETS</b>  |  |                  |
| Current assets:  |  |                  |
| Cash and cash equivalents  | \$ 57,943                                    | \$ 71,926        |
| Accounts receivable, net   | 48,991                                       | 47,784           |
| Current contract assets  | 286,644                                      | 294,193          |
| Prepaid expenses and other current assets  | 12,603                                       | 12,628           |
| Prepaid income taxes   | 1,269  | 2,509            |
| Total current assets   | 407,450                                      | 429,040          |
| Property, equipment and leasehold improvements, net  | 7,259  | 7,234            |
| Computer software development costs, net   | 1,205  | 1,306            |
| Goodwill   | 126,937                                      | 78,383           |
| Intangible assets, net   | 60,955                                       | 33,607           |
| Non-current contract assets  | 358,704                                      | 325,510          |
| Contract costs   | 25,327                                       | 24,982           |
| Operating lease right-of-use assets  | 29,842                                       | —                |
| Deferred tax assets  | 1,781  | 1,669            |
| Other non-current assets   | 2,197  | 1,334            |
| Total assets   | \$ 1,021,657                                 | \$ 903,065       |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |  |                  |
| Current liabilities:   |  |                  |
| Accounts payable   | \$ 10,641                                    | \$ 5,891         |
| Accrued expenses and other current liabilities   | 41,176                                       | 54,594           |
| Current operating lease liabilities  | 6,462  | —                |
| Income taxes payable   | 13,348                                       | 14,952           |
| Borrowings under credit agreement  | 320,000                                      | 220,000          |
| Current deferred revenue   | 25,699                                       | 25,318           |
| Total current liabilities  | 417,326                                      | 320,755          |
| Non-current deferred revenue   | 17,349                                       | 19,573           |
| Deferred income taxes  | 160,230                                      | 159,071          |
| Non-current operating lease liabilities  | 28,765                                       | —                |
| Other non-current liabilities  | 4,704  | 10,381           |
| Commitments and contingencies (Note 17)  |  |                  |
| Series D redeemable convertible preferred stock, \$0.10 par value—   |  |                  |
| Authorized— 3,636 shares as of September 30, 2019 and June 30, 2019  |  |                  |
| Issued and outstanding— none as of September 30, 2019 and June 30, 2019  | —  | —                |
| Stockholders' equity:  |  |                  |
| Common stock, \$0.10 par value— Authorized—210,000,000 shares  |  |                  |
| Issued— 103,717,526 shares at September 30, 2019 and 103,642,292 shares at June 30, 2019                               |  |                  |
| Outstanding— 68,317,521 shares at September 30, 2019 and 68,624,566 shares at June 30, 2019                            | 10,372                                       | 10,365           |
| Additional paid-in capital   | 745,908                                      | 739,099          |
| Retained earnings  | 1,306,268                                    | 1,259,984        |
| Accumulated other comprehensive (loss) income  | (2,766)                                      | 336              |
| Treasury stock, at cost—35,400,005 shares of common stock at September 30, 2019 and 35,017,726 shares at June 30, 2019 | (1,666,499)                                  | (1,616,499)      |
| Total stockholders' equity   | 393,283                                      | 393,285          |
| Total liabilities and stockholders' equity   | \$ 1,021,657                                 | \$ 903,065       |

**ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited in Thousands)

|   | Three Months Ended<br>September 30, |                  |
|---|-------------------------------------|------------------|
|   | 2019                                | 2018             |
| (Dollars in Thousands)  |                                     |                  |
| <b>Cash flows from operating activities:</b>  |                                     |                  |
| Net income  | \$ 46,284                           | \$ 38,066        |
| Adjustments to reconcile net income to net cash provided by operating activities:                                       |                                     |                  |
| Depreciation and amortization   | 2,036                               | 2,000            |
| Right-of-use asset amortization   | 1,887                               | —                |
| Net foreign currency losses (gains)   | 721                                 | (200)            |
| Stock-based compensation  | 9,275                               | 8,865            |
| Deferred income taxes   | (182)                               | (44,670)         |
| Provision for bad debts   | 982                                 | 34               |
| Other non-cash operating activities   | 107                                 | 107              |
| <b>Changes in assets and liabilities:</b>   |                                     |                  |
| Accounts receivable   | (1,945)                             | (12,394)         |
| Contract assets   | (25,440)                            | (30,914)         |
| Contract costs  | (345)                               | (796)            |
| Lease liabilities   | (1,932)                             | —                |
| Prepaid expenses, prepaid income taxes, and other assets  | (2,092)                             | (855)            |
| Accounts payable, accrued expenses, income taxes payable and other liabilities  | (12,741)                            | 34,924           |
| Deferred revenue  | (1,355)                             | 11,403           |
| Net cash provided by operating activities   | 15,260                              | 5,570            |
| <b>Cash flows from investing activities:</b>  |                                     |                  |
| Purchases of property, equipment and leasehold improvements   | (600)                               | (96)             |
| Payments for business acquisitions, net of cash acquired  | (74,219)                            | —                |
| Payments for capitalized computer software costs  | (9)                                 | (90)             |
| Net cash used in investing activities   | (74,828)                            | (186)            |
| <b>Cash flows from financing activities:</b>  |                                     |                  |
| Exercises of stock options  | 1,018                               | 4,054            |
| Repurchases of common stock   | (50,848)                            | (49,977)         |
| Payments of tax withholding obligations related to restricted stock   | (3,166)                             | (3,179)          |
| Proceeds from credit agreement  | 100,000                             | —                |
| Net cash provided by (used in) financing activities   | 47,004                              | (49,102)         |
| Effect of exchange rate changes on cash and cash equivalents  | (729)                               | (399)            |
| Decrease in cash, cash equivalents, and restricted cash   | (13,293)                            | (44,117)         |
| Cash and cash equivalents, beginning of period  | 71,926                              | 96,165           |
| <b>Cash, cash equivalents, and restricted cash, end of period</b>   | <b>\$ 58,633</b>                    | <b>\$ 52,048</b> |
| Supplemental disclosure of cash flow information:   |                                     |                  |
| Income taxes paid, net  | \$ 10,284                           | \$ 2,755         |
| Interest paid   | 2,801                               | 1,538            |
| Supplemental disclosure of non-cash activities:   |                                     |                  |
| Change in purchases of property, equipment and leasehold improvements included in accounts payable and accrued expenses | \$ 160                              | \$ (11)          |
| Change in repurchases of common stock included in accounts payable and accrued expenses                                 | (848)                               | 23               |
| Lease liabilities arising from obtaining right-of-use assets  | 3,272                               | —                |
| Reconciliation to amounts within the unaudited consolidated balance sheets:   |                                     |                  |
|   | September 30,<br>2019               | June 30,<br>2019 |
| (Dollars in Thousands)  |                                     |                  |
| Cash and cash equivalents   | \$ 57,943                           | \$ 71,926        |

**ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited in Thousands)

|  |                  |                  |
|--|------------------|------------------|
| Restricted cash included in other non-current assets       | 690              | —                |
| Cash, cash equivalents, and restricted cash, end of period | <u>\$ 58,633</u> | <u>\$ 71,926</u> |

**ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES**  
**Reconciliation of GAAP to Non-GAAP Results of Operations and Cash Flows**  
(Unaudited in Thousands, Except per Share Data)

|  | <b>Three Months Ended</b> |             |
|--|---------------------------|-------------|
|  | <b>September 30,</b>      |             |
|  | <b>2019</b>               | <b>2018</b> |
| <b><u>Total expenses</u></b>                               |                           |             |
| GAAP total expenses (a)                                    | \$ 86,787                 | \$ 77,179   |
| Less:  |                           |             |
| Stock-based compensation (b)                               | (9,275)                   | (8,865)     |
| Amortization of intangibles                                | (1,195)                   | (1,067)     |
| Acquisition related fees                                   | (118)                     | 7           |
| Non-GAAP total expenses                                    | \$ 76,199                 | \$ 67,254   |
| <b><u>Income from operations</u></b>                       |                           |             |
| GAAP income from operations                                | \$ 47,304                 | \$ 36,990   |
| Plus:  |                           |             |
| Stock-based compensation (b)                               | 9,275                     | 8,865       |
| Amortization of intangibles                                | 1,195                     | 1,067       |
| Acquisition related fees                                   | 118                       | (7)         |
| Non-GAAP income from operations                            | \$ 57,892                 | \$ 46,915   |
| <b><u>Net income</u></b>                                   |                           |             |
| GAAP net income  | \$ 46,284                 | \$ 38,066   |
| Plus:  |                           |             |
| Stock-based compensation (b)                               | 9,275                     | 8,865       |
| Amortization of intangibles                                | 1,195                     | 1,067       |
| Acquisition related fees                                   | 118                       | (7)         |
| Less:  |                           |             |
| Income tax effect on Non-GAAP items (c)                    | (2,223)                   | (2,084)     |
| Non-GAAP net income  | \$ 54,649                 | \$ 45,907   |
| <b><u>Diluted income per share</u></b>                     |                           |             |
| GAAP diluted income per share                              | \$ 0.67                   | \$ 0.53     |
| Plus:  |                           |             |
| Stock-based compensation (b)                               | 0.13                      | 0.13        |
| Amortization of intangibles                                | 0.02                      | 0.01        |
| Acquisition related fees                                   | —                         | —           |
| Less:  |                           |             |
| Income tax effect on Non-GAAP items (c)                    | (0.03)                    | (0.03)      |
| Non-GAAP diluted income per share                          | \$ 0.79                   | \$ 0.64     |
| Shares used in computing Non-GAAP diluted income per share | 69,317                    | 72,015      |

**ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES**  
**Reconciliation of GAAP to Non-GAAP Results of Operations and Cash Flows**  
(Unaudited in Thousands, Except per Share Data)

|  | <b>Three Months Ended<br/>September 30,</b> |             |
|--|---|-------------|
|  | <b>2019</b>                                 | <b>2018</b> |
| <b>Free Cash Flow</b>                                      |   |             |
| GAAP cash flow from operating activities                   | \$ 15,260                                   | \$ 5,570    |
| Purchase of property, equipment and leasehold improvements | (600)                                       | (96)        |
| Capitalized computer software development costs            | (9)   | (90)        |
| Acquisition related (receipts) payments, net               | (353)                                       | 12          |
| Free Cash Flow   | \$ 14,298                                   | \$ 5,396    |

(a) GAAP total expenses

|                          | <b>Three Months Ended<br/>September 30,</b> |             |
|--------------------------|---|-------------|
|                          | <b>2019</b>                                 | <b>2018</b> |
| Total costs of revenue   | \$ 15,218                                   | \$ 13,227   |
| Total operating expenses | 71,569                                      | 63,952      |
| GAAP total expenses      | \$ 86,787                                   | \$ 77,179   |

(b) Stock-based compensation expense was as follows:

|                                | <b>Three Months Ended<br/>September 30,</b> |             |
|--------------------------------|---|-------------|
|                                | <b>2019</b>                                 | <b>2018</b> |
| Cost of maintenance            | \$ 398                                      | \$ 146      |
| Cost of services and other     | 543   | 319         |
| Selling and marketing          | 1,547                                       | 1,331       |
| Research and development       | 2,102                                       | 2,295       |
| General and administrative     | 4,685                                       | 4,774       |
| Total stock-based compensation | \$ 9,275                                    | \$ 8,865    |

(c) The income tax effect on non-GAAP items for the three months ended September 30, 2019 and 2018 is calculated utilizing the Company's statutory tax rate of 21 percent.