

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Progress Software Corporation (PRGS)



NORMAN "BUD" ROBERTSON is Senior Vice President and CFO of Progress Software Corporation. He is responsible for all financial operations and investor relations activities for the company, as well as administrative functions, including human resources, legal, production, distribution and facilities. Mr. Robertson joined Progress Software in May of 1996. For over 25 years, Mr. Robertson has managed the financial direction of various public and

private technology companies including M/A-COM, Digital Equipment Corporation and General Motors. Mr. Robertson holds a Bachelor of Business Administration degree from the University of Massachusetts at Amherst and a Master's degree in Management from Boston University.

LORNE COOPER is President of PeerDirect. An accomplished entrepreneur, he comes to PeerDirect from his position as President of NuSphere Corporation, a start-up subsidiary of Progress Software Corporation that delivers an Internet application platform based on open source components, providing an integrated foundation that allows companies to deploy reliable, cost-effective, enterprise-class applications. Prior to joining NuSphere, he founded Sente, Inc., a software company that provided high-end software to designers of integrated circuits, particularly Intel, Motorola, Toshiba, NEC, Nortel and Ericsson. As President and CEO, Mr. Cooper ran Sente successfully for six years, culminating in the sale of the company. Before founding Sente, he was with Viewlogic Systems, where he served as Senior Vice President of Engineering and Product Marketing, and was part of the management team that brought the company to IPO and revenues of over \$100 million. During his nine years at Viewlogic he managed support, training, product marketing, consulting and development. Mr. Cooper holds a Bachelor of Science degree in Electrical Engineering from the Massachusetts Institute of Technology.

(SAF613) TWST: Could we start off with a brief history and a quick overview of Progress Software?

Mr. Robertson: Progress Software was founded in 1981. It went public in 1991. It's on the NASDAQ. It's comprised of three operating units, which we'll talk about as we go on, PeerDirect being one of them. PSC has 1,400 employees worldwide. 55% to 60% of its business is international. And our revenue ending November 30, which is our fiscal yearend, was \$273 million. What we do is we provide Internet and business application development, deployment, integration and management technologies for today's business needs. In addition to selling to 70% of the Fortune 100, we are the leaders in the mid-market, which we define as the \$50 to \$500 million market size companies, where over \$5 billion of applications and services are sold built on Progress technology.

TWST: Who are you competing with in this space?

Mr. Robertson: There are three different spaces. The first one is the Progress Company, which is basically what the company was founded on. It's a leader in the embedded database space, and that's a space where people use our technologies to develop and deploy, integrate and manage applications. As people who build, let's say, financial applications or CRM applications, they use our technologies to build those applications and then resell them. When they do that they use our embedded database, where we're number one in the world in that marketplace.

The selling point in this marketplace is two things. One is the vertical expertise of our independent software vendors — or ISVs — who build applications. We're in a small to mid-sized market, \$50 to \$500 million, and people in that market who buy applications are looking for vertically niched applications. If you're in the gaming industry like Foxwoods Casino, you want an application that fits Foxwoods. That's one of our customers. Or if it's a manufacturing plant and you build cars, you want to have a manufacturing application for that specific process. One of our ISVs has applications just for the auto industry. They're niche focused. There are 2,000 of them who have developed 5,000 packaged applications.

In that mid-market, they win because the customer needs an application that doesn't need to be customized because, again, mid-tier doesn't have a lot of IT money around, so they can't afford consultants to come in and customize. So they buy an app that fits their problem and makes the problem go away. And that's what our ISVs do. So that's the first thing that wins — our independent software vendors (ISVs) understand the market and they can talk the talk with the plant manager and the business people.

“Our strategy is three-pronged. One is to grow by acquisitions, which eXcelon helped us do. The second one is leveraging the existing customer base, which is the Progress Company. The third is incubating new technologies in hot sectors. That, in fact, is what Sonic is, and that's what PeerDirect is.”

The second thing that makes it very compelling to the end user is the fact that our technology is the lowest total cost of ownership technology. We're 66% less expensive than Oracle and 40% less expensive than Microsoft. So in the mid-tier, that's very important. The reason we're less expensive is because we don't require a DBA or database administrator around after the installation to fine tune the database like the other databases do. So that's what wins in that market, and that's why in that market we're successful.

Our competition in that market is primarily the competition of our ISVs — who are selling apps. So their competition would be someone like maybe J.D. Edwards in the high end of the mid-market. Maybe there's Microsoft at the bottom of the market — the low end of the range. I can't remember the company they just acquired — I think it's Great Plains. So that would be a competition. Now the reason, again, we win is both of those are more plain vanilla and not vertically niched like our ISVs, and so that's the first thing that sells. They run into either Microsoft, which owns Great Plains, or J.D. Edwards, which primarily runs on Oracle. So that's another positive selling point in our package with the ISVs. That's our first business.

The second business is Sonic, which is an integration tech-

nology, and we call it the enterprise service bus, or ESB. It has since been coined by Gartner as well, and they now have a space for the ESB. It's an integration technology built on standards. One of the things that people are trying to do today is integrate all these apps that they've acquired. The other thing they're trying to do is they're trying B2B, machine to machine, without any human intervention. The technology that Sonic has allows developers to do that. So they're in a very hot space right now with a very hot product. As a matter of fact, last year they grew by about 90% year over year, which was just incredible in that marketplace.

TWST: Despite the general poor environment.

Mr. Robertson: Yes, and it's what we're offering for Web services. So we're expecting good growth out of them again next year. Now both of these companies, their growth will be enhanced next year. We just acquired a company called eXcelon. We acquired them and we closed December 19. That supplies two technologies. One supplies XML technology to Sonic — again, standards based integration technology with a database. And that's the first thing we acquired.

The other part of the business that eXcelon had was an object-oriented database. They're number one in that market. In fact, that fits in with the Progress Company, selling through that channel. So we acquired a company for \$24 million. We have two products, basically, that fit into two of our three businesses.

Our third business is PeerDirect, which we acquired last year and just launched this year, and Lorne can go into that. He's the President of PeerDirect. This is an exciting technology. Our strategy is three-pronged, which we can talk about later. One is to grow by acquisitions, which eXcelon helped us do. The second one is leveraging the existing customer base, which is the Progress Company. The third is incubating new technologies in hot sectors. That, in fact, is what Sonic is, and that's what PeerDirect is.

To give you an idea of Sonic, three years ago it was \$2.4 million. Two years ago it was \$8 million, and last year was it \$15 million. We're expecting to go to the mid-\$20s, so we'll be on the 75% plus growth still. PeerDirect is going to be around where Sonic was two years ago — \$2.5 to \$3 million — and we're hoping to get on the same curve. Lorne can talk about the great technology and why this is needed in the market today.

Mr. Cooper (President PeerDirect): Everything you said was really appropriate, and I think when you look at PeerDirect, I actually see all three of the Progress fundamental strategies being brought to bear. But first, there was a group of technologists that was acquired by the parent company about a year ago. Second, there were some people internally who had a vision for how apps should be distributed, how applications should get to their users. So that was incubated internally.

Another example is a medical office, if you have your medical records on a computer. You really don't want your doctor to say, "I can't prescribe any medicine for you because the network is down." So what we do is we give you direct access. That's mission critical. You have to be able to access the patient records whether or not the network is up. And when the network is up, then the data can flow back to the HMO, etc. We give them that buffer around the environment.

"Our ongoing goal is to achieve disciplined growth while advancing our strategy to be the emerging leader of technology solutions in all of the three spaces we're playing in. We're number one in embedded database. Sonic is number one in the enterprise service bus area. PeerDirect is on its way to being number one in the distributed application."

Finally, there's a lot of leverage that we've been able to extract by being able to provide solutions for Microsoft, Oracle and even Progress database customers. So we've been able to leverage all three of those strategies. PeerDirect fundamentally is a better way of getting applications to the people who have to use them. We allow you to take an application and move it, not just off of that central mainframe that everybody dials in or connects into, but move it onto whatever machine is closest to you.

I could best illustrate this by a recent frustration of mine. I was bringing a car back to an airport, and I had to check my car into the rental car place. Usually, that doesn't take very long. In this case, there was a sea of people, all a little frustrated, just sitting around trying to get their cars checked out. I asked what was going on, and they said, "The link to the central computer is down so we can't check people out." Now that's really frustrating. Everybody's got to make a plane, and everybody's irritated. When you think about it, checking my car in is not something I should have to wait for. It's something that they should be able to do locally, and when their network connection is back up, then they can move that data back up to their central mainframe.

Well, that's what our customers — as opposed to this auto rental company — can do. They have a local server now, and on every laptop or every office, that local server runs their application. I could check in my car; the data gets in from the database; and when and if that network connection comes up, all the data flows back into the central office anyway. So that's the kind of the environment that our customers have been seeing. Some examples of markets where that is particularly valuable are things like field service. We have multiple customers, where people have to go onsite some place to fix something. Well, they're not going to be connected to the network. And if they're going to have access to all the data they need, it's going to be on a cell phone, talking to somebody who's typing on a computer, or it's going to be on their laptop. We give them that disconnected access.

Mr. Robertson: So those are our three operating units. Again, they're in different phases of the life cycle and have similar strategies to grow the business into the future.

TWST: What is it that has allowed you to perform well in a very difficult environment over the past year?

Mr. Robertson: I think it's a combination of the three businesses. For the Progress Company the strategy was leverage in the existing customer base. So we put new training programs in place to help business sell more strategically, and we paired it with our knowledge of the customer base, and we did what we call brokering. We brought other ISVs' apps into existing customers of our other ISVs who maybe only had a manufacturer and a financial application, and now this customer was looking for a CRM and a distribution application. Since the original ISV didn't have that app, this customer started looking for it.

So with a diverse portfolio of the apps out there, we could bring it in and, in fact, bring in another ISV to sell an app. The selling point was you already have Progress technology, here is another vertically specific distribution application to go along with your manufacturing application, all built on Progress technology. It's basically an easy sell. That kept this business growing slightly in a market where most people, if you looked at the numbers, were down somewhere between 20% and 50% in that app business. The second win was the new products. That was our second strategy, and that was very successful, which was the incubation of the new technologies in hot sectors.

Sonic, as I mentioned earlier, grew dramatically — by 90% year over year in a hot sector, outpacing the competition dramatically. That's because the right technology was in the right marketplace — the integration marketplace. So that was the second thing that happened. The third thing, like I said, we acquired PeerDirect last year. They added a bit of revenue this year, and they'll add more revenue next year. eXcelon will add a lot of revenue next year to us. Two of our three strategies were big this year — the incubation of the

new technologies and the leveraging of the existing customer base. Next year, all three play into our projected growth of around 10%.

TWST: As we look ahead, is the strategy going to be pretty much the same?

Mr. Robertson: Yes. Our ongoing goal is to achieve disciplined growth while advancing our strategy to be the emerging leader of technology solutions in all of the three spaces we're playing in. Like I said, we're number one in embedded database. Sonic is number one in the enterprise service bus area. PeerDirect is on its way to being number one in the distributed application.

we can leverage the assets built up in our company over 20 years, which is knowledge about what technologies are needed.

Finally, what we see is that a lot of people, from a competitive landscape, are hunkering down and trying to not innovate a lot, given the tough IT marketplace out there. But they are basically trying to consolidate. And we're not standing still. We're moving forward aggressively, and I think with Sonic, PeerDirect, and with the Progress Company itself, all three of us have been very aggressive at innovating in a down market. The net result is, I think, we've been able to utilize our assets and be better positioned for the future.

“This past year ended 2002 revenue increased 4% to \$273 million and our earnings increased 17% to \$0.54. In 2002, we had four quarters of year over year income growth and we had six — four plus two of last year— quarters of year-over-year revenue growth. And that’s in a market where no one can make that claim. So we believe that this strategy works; we believe we’re in the right sectors; and we’ve got the right strategy going...”

Mr. Cooper: There's still a bit to go, but it's getting started.

Mr. Robertson: Again, that's our strategy. We believe growing them via acquisition and leveraging the customer base and new technologies applies to all three operations — there at different levels, but they're very successful. As you know, this past year ended 2002 revenue increased 4% to \$273 million and our earnings increased 17% to \$0.54. In 2002, we had four quarters of year over year income growth and we had six — four plus two of last year— quarters of year-over-year revenue growth. And that's in a market where no one can make that claim. So we believe that this strategy works; we believe we're in the right sectors; and we've got the right strategy going, so we're just tweaking it and fine tuning it and moving it forward.

TWST: What is the competitive environment like?

Mr. Cooper: First of all, because we advance on multiple fronts, we face slightly different competition. But I think one of the things that differentiate us is the way we've been able to leverage our assets. Our competition, I think, has had more difficulty maintaining growth and stability in their business in a tough economic condition. We've been able to leverage our partners, as Bud was describing, in the base business, which is an asset to us. While our competition has been trying to compete with them, we've been trying to bring them into account.

So we've been a better partner, leveraging our assets. Other companies have tried to do massive acquisitions with a lot of new stock generated. We've been able to use our cash balance, which is a big asset, to do strategic acquisitions to bring in technology, where

TWST: When you talk to your customers, are they seeing any improvement in their business outlook?

Mr. Robertson: In the Progress Company there's a bit, but not a lot. It's still a tough market out there as far as the general marketplace. The fact that we have these diverse applications helps us. We have what we call an Empowerment Program to move our customers forward. In other words, we're putting them on our latest technology. We're helping them do that with our consultants so they can move forward faster and have the latest technology with integration technology.

In the regular apps market — the general business applications market — things are very slow. The thing that's required, though, we have. What sells today are two things in that marketplace. One is strategic. In other words, if you have to tie into a portal to stay in business, you're going to do it. And usually you don't have all the apps — mid-tier companies don't have all the apps. If you want to deal with Wal-Mart but you don't tie into the portal, you don't have business. So companies like that have to put in a front end connection, as well as have to suite out what we call the back office, because people like Wal-Mart do not want people intervention. They just want to be able to go into your system, find out what's in your distribution, and order it. So that gives us an opportunity to sell more apps into the base, and that's helping us.

If you've ever been there and been in an IT shop like here, we have a committee that looks at IT projects. High ROI sells first, other than strategic. Our applications in the Progress Company, within three to six months they fix the problem immediately, like I said, with the lowest total cost of ownership. There's a very high

ROI. So those apps continue to sell in a very bad market. We see the industry not getting a lot better in the near future. We see it coming online maybe in the year after this, or maybe the end of this year, because people do have to buy more apps. As the general economy picks up, the mid-tier follows. They're like the herd mentality, they follow the leaders, and we think that's going to happen.

Right now, we think we continue to grow that business a bit, mid-single digits. Sonic, on the other hand, is in a very hot market. Integration is the name of the game as well as standards, and Sonic has both. So we believe that market's going to grow by probably 35%. We think Sonic is going to do 75% at least, and it's going to take market share like it did last year. The reason is that space is steadily moving — if you look at the information, we can say it's steadily moving toward open integration standards and away from proprietary adaptive technologies. That's going to play right into our strength, and that's going to hurt guys like TIBCO and Web Methods and BEA.

So we think we're in a good position, and, based on the growth we're seeing versus what they're seeing, we believe that that's the winner in that marketplace and in the PeerDirect market.

Mr. Cooper: I think there are several segments which actually have a certain amount of recession proof nature to them. For example, we mentioned medical. People are still getting sick, and governments are still paying for it. So that marketplace is now dealing with regulation such as HIPPA reform, which is a mandated change that is forcing people to adopt new systems that's producing spending. Maybe we're not selling to a lot of dot-coms, but you know what — we never did. So the net result there is we're selling to stable companies which have long-term, ongoing businesses. When we sell into distribution and field service, we're selling into businesses which are relatively stable.

I think a lot of companies are looking in a down market for increasing their efficiency. And how do you increase your efficiency? You have to make your fieldworkers more efficient. Companies that have a very large distributed enterprise, where a lot of people are outside the central area in transportation, communications, etc., they're still buying. I think the high tech sector has really been hurt more than any other part, especially in Europe. I think that one of the things that have been good for Progress is that we have traditionally sold into a broader spectrum of customers. So Oracle may have been the center of the dot-com universe, but we didn't have that level of dependence.

TWST: You mentioned that you made a couple of acquisitions. How have you done integrating those into the company?

Mr. Robertson: We acquired PeerDirect last year, and they're a standalone operation. It's set up that way as a standalone operation. We felt that on the smaller companies, where they are and have a specific market that's different from the Progress Company, we're better off to leave them that way because they have a different selling or marketing focus, a different R&D focus. They do share common administration, finance, legal, etc. But the real things that allow for sales are in the hands of the President, such as Lorne, and he runs a separate operation.

eXcelon, which we just acquired, fits nicely into both Sonic and

the Progress Company, and we've done the typical integration. We've shut down offices; we've eliminated all the administration; and we've kept the sales force and the R&D staff that are critical to move those products forward. So the integration is basically done. We're just making the final moves, and we think we're going to be very successful at it.

TWST: As you indicated earlier, there will be additional acquisitions. What are you going to be looking for?

Mr. Cooper: I think we've been pretty much been sticking to our knitting. We've looked for people who have leadership in technology, in areas that we consider growth opportunities for the near future. So we are looking traditionally for technology players that have a strong technology base in areas that we think are synergistic with the other three foci, the other assets we can leverage in the company.

Mr. Robertson: Like Lorne said, right now there are a lot of companies out there looking to be acquired, both public and private. We looked at hundreds of companies to finally settle on eXcelon and do that deal. And we're in that process again. So whether it takes a month or a year, we're very methodical in the way we look at things. We want to make sure, like Lorne said, that the technology fits. We don't want something outside of our realm completely. We want to make sure that within a reasonable amount of time, if not immediately, we can turn the thing into a profitable sector within either the company or a separate startup.

TWST: Do you have the balance sheet to support additional acquisitions?

Mr. Robertson: Yes. At the end of November, we had \$177 million in cash. We have no debt. And we actually had a DSO at the end of the year of 61 days. So we think we have a very strong balance sheet to have to continue to acquire companies.

TWST: How about from a managerial point of view? Do you have the management team in place to allow you to do that?

Mr. Cooper: I think we have a very strong management team. We've been able to really benefit in the past few years as we've adopted our new, more diverse business model. We've been able to attract a lot of talent. I remember sitting around an executive committee meeting recently and noticing that four or five of the people at the table had been Presidents of public companies in the past. So we have been able to attract a lot of talent into the company, which is part of positioning us for future growth.

TWST: As you have brought that new talent in, what has that done to the culture of the company?

Mr. Robertson: The culture has always been entrepreneurial here. Joe Alsop founded this company in 1981, and he's still the same entrepreneur today as he was in 1981. So that is a culture we live with every day. And in the process of that culture, we've brought in people who have been in larger companies but still have the entrepreneurial spirit within them, so that you do have to put sometimes bigger company disciplines in place to make sure you move forward a little more crazy, as sometimes startups do, having worked in a startup where there were only four people. So I understand working in a small company, and I also worked at General Motors.

I worked at the other end of the spectrum as well. You can tell the people who have both, as well as the entrepreneurial guys, just to keep driving and driving and driving and driving, and not get bogged down by big company politics, and that works here.

Mr. Cooper: I think part of the culture is also that we're a very technology-driven company. I think our customers had a very strong feeling that Progress is a reliable provider of quality technology. We're not faddish. We haven't maybe spent as much in the past on marketing as maybe we should have, and were not as well known as perhaps we should have been. But we've been very successful at making our customers successful and generate their loyalty. So I think that culture is still pervasive throughout the company.

TWST: Is the market appropriately valuing the company today?

“We have 2,000 ISVs building 5,000 apps — what that translates to is almost 3 million users of our technology. We're in 70% of the Fortune 100. We're in 50,000 companies, 100,000 sites and 100 countries. We're all over the place in that technology. And there are still opportunities to grow.”

Mr. Robertson: I would say no. But I think if you ask anybody they would say that. We look at where we're valued today, and because of that, we have a very active buyback program. Since 1996, when the buyback program went in place, we've purchased around 17 million shares of stock, which is a pretty sizable chunk of stock, and we've spent in excess of \$165 million. So we believe our stock is undervalued. Sometimes you may need stock to do an acquisition, so we want to make sure we have the right price of our stock. But if you look at what we're selling for, we're a bit above 1 time revenue, about 1.5 times maintenance.

When you look at what other people are selling for, that don't make money, that aren't growing, when people look at our p/e, we're selling for less than 1 time sale they say, “Wait a minute, this company's always made money. It's the only company growing year over year. They're going to grow revenue 10% next year.” Earnings are going to grow by 15% or 20% — those are the projections, and that's how we get noticed. But other than that, I don't think we are fairly valued because we're not Oracle and we're not Microsoft.

TWST: So you're the smaller kid on the block.

Mr. Robertson: Yes. Even though we're number one in the embedded database space, we're not a \$5-\$15 billion company. That's okay; we're going to get there. Every year we continue to grow and we have the right strategies in the niche and the markets we're in. The big markets are the ones that are growing. Our strategy is you earn money the old-fashioned way — you generate revenue. Your earnings are cash, and that's what we are. And when your earnings are cash, you get noticed.

TWST: When you talk to investors, what's the prime question you're being asked these days?

Mr. Robertson: Right now it's about how we are doing so well in a terrible market. But other than that, they want to know how we are going to grow the business. Then we get into the three-pronged strategy that I just talked to you about with incubation, leveraging, and acquisitions. Now that they're seeing us acquire a decent size company — they've seen the success of Sonic and they can see that PeerDirect is on that kind of curve — they're starting to get interested in us. We've gone from one analyst following us to six right now. Needham just came out as well.

TWST: If you were sitting down with some potential longer-term investors today, what two or three reasons would you give them to take a look at the company?

Mr. Robertson: One is the fact that we're a well managed company. We've always been well managed. We know how to run a good business. Two, we have a portfolio of companies that are positioned at different phases of life, which says, when one of them can only grow by 5% in a large market, the other two are going to be growing at excess of 50% to 100% in the other marketplaces. So you can see that there's a continuation of growth available. The other thing is because of the management we have a very strong balance sheet, and it gives us the leverage to do basically what we want to do to continue to the growth curve.

TWST: You mentioned the stock buyback program. Do you still have an open to buy?

Mr. Robertson: Yes, we have Board authorization to buy another, I believe, 9 plus million shares that expires this October (every year they renew it). The Board's position is that there are three uses of cash in the company in priority. One is technologies and companies. We bought technologies like PeerDirect. We bought companies like eXcelon. That's the first use of cash. The second use of cash is to buy back shares. It's a dividend to the shareholders in the fact that it's only taxed once, not twice. Also, we believe the stock is undervalued. The third use of cash is to keep it in really safe government securities to make sure we have the cash. And we didn't go out and do crazy things in 2000 and 1999 like investment portfolios and put all our cash in all these dot-coms like many companies did and ended up losing everything.

TWST: What are you doing as a company to get your message out to investors?

Mr. Robertson: We present at a lot of shows. As an example, we go to AEA. We're at the Needham Conference. We have our own analyst meeting coming up in February. We go on the street. We're in New York. Wherever the investors want us out there to talk the story, we talk the story.

TWST: Weren't you at NASDAQ recently?

Mr. Robertson: Yes, we just opened NASDAQ, as a matter of fact, in late December. We were on Bloomberg. We were on Power Lunch. We were on the local station, NECN. So we have a lot of visibility to get the word out there about Progress Software.

TWST: Who are you trying to attract, institutions or retail? What's the market from your perspective?

Mr. Robertson: Most of the people who are interested in us are institutions. Retail guys don't tend to hear enough about us. Most of the financial analyst community that follows us are more into institutions. So we have more institutional buyers than retail. Not that we wouldn't want to have more retail, but we're just not into the dot-comish name game that many of them were.

Mr. Cooper: I remember reading one time that the key in retail is having something that people can identify with very closely. We sell software that is used by software engineers to build their applications. It's not going to resonate with my mother-in-law.

Mr. Robertson: We need a messaging program like Intel. No one really knew Intel until all of a sudden Intel Inside showed up on everything in the world. We're the silent product. We have to become the Progress Inside of software, so whenever anybody sees software, it's "Progress Inside," like every time you see a PC, it's "Intel Inside." So that's what we have to do — become the Progress Inside so people know who we are, and then the retail people will get interested in us. But the institutional guys, they're more into their homework. What does the balance sheet look like? What are the growth projections? The retail guys are more into, "I own this name; I own the sock puppet."

TWST: It sounds as if you're succeeding in getting some attention.

Mr. Robertson: Yes, we're very successful. There's the fact that we've got six analysts following us and the fact that I get calls daily. That's because, again, we're one of the few software companies or technology companies that are growing. We have the right model to continue the growth based on the life cycles of these two new companies and where they are and how far they have to go in very large markets.

In addition, like I mentioned earlier, the fact that we have 2,000 ISVs building 5,000 apps — what that translates to is almost 3 million users of our technology. We're in 70% of the Fortune 100. We're in 50,000 companies, 100,000 sites and 100 countries. We're all over the place in that technology. And there are still opportunities to grow because of what's happened in the B2B world, where people

have to continue to tie in, and people have to continue to squeeze out the backoffice. We see it as great a future.

TWST: What's the risk? What can go wrong?

Mr. Robertson: The market can get worse than it is now, as far as the war stopping everything — the deer in the headlight syndrome, which hasn't gone away yet. Currency doesn't help us if it goes the wrong way. That certainly has hurt us until this year.

Mr. Cooper: If you looked at Progress over 10 years in good markets and in bad markets, we have a very stable cash cow business at the center, and so the total amount of downside cash generation is just very constant and very strong. It's not like there's a rapid roller coaster. There's always a downside risk in all businesses, but it pertains more to smaller, more speculative pieces of our business, like in Sonic or PeerDirect — in both cases we're targeting big competition in larger markets, etc. So there is some risk associated with that. In return, we're getting a lot more growth. The wonderful thing about Progress is that it has very strong diversification. We've been able to leverage those assets to generate growth without risking a lot of the core business.

Mr. Robertson: To follow what Lorne said, if you look at FY02 revenue, 49% of the company's revenue was maintenance, and that goes into Lorne's position. In bad times, what people do more than ever is pay more maintenance because maybe they're not buying product, but they're going to pay maintenance. So in a down market, we're cushioned by that in the cash generation side of the business. Then on the new license side of the business, the product offerings, as Lorne said, these hot market places, we hit them and it generates more cash there. David Wield, the Vice Chairman of NASDAQ, said it best when he said, "20 years of the company, 10 years traded on the NASDAQ; it's a heck of an achievement in the high tech sector." He said it all.

TWST: Thank you.

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