

PTC SUBSCRIPTION PROGRAM



FAQ – FOR CHANNEL PARTNERS

May 4, 2015

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Sales Questions

1. What is the PTC Subscription license model?

The PTC Subscription license model, or “Subscription” as referred to in the product description of the PTC price list, provides customers with a license for a stated term (not Perpetual) that includes technical Support.

2. How does the existing perpetual licensing model differ from the new Subscription offering?

The “Perpetual” licensing model enables a customer to purchase a license that may be used in perpetuity and is not defined for a specific term (i.e., the license may be used indefinitely until terminated). The Subscription license includes the right to use a PTC product for a specified period of time. In the perpetual model, the customer owns the product license. The following slide highlights additional value within the Subscription and perpetual models.

Subscription Provides Customers with License Options
PTC[®]



| <u>Subscription</u> | <u>Perpetual</u> |
|--|---|
| 1. Customer has right to use the license | 1. Customer owns the license |
| 2. Funded by customer's OPEX budget | 2. Capital expenses used to purchase |
| 3. Lower cost of entry for solution | 3. Higher price point to access solution |
| 4. No residual value of license | 4. License has residual value to customer |
| 5. Support bundled into Subs coverage | 5. License and Support sold separately |

3. What are the benefits of Subscription to customers?

The Subscription model provides three primary benefits including; **Predictable Budgeting, Scalable Licensing and a Simplified Licensing model.**

Predictable Budgeting: The Subscription licensing model provides customers with more predictable software costs. The pricing model of Subscription helps customers of all sizes reduce their initial software investment. It also provides a lower cost of entry and makes it makes it affordable to use PTC

leading-edge solutions. It enables our customers to access funds from their operating expense budget to pay for the solution

Scalable Licensing: Subscription provides a scalable licensing model that enables customers to increase their seats in parallel with project expansion. For concurrent contract merges, agreements may be pro-rated for additional seats. The flexibility of the Subscription program provide the customer’s end users with software tools at the right time by delivering up-to-date PTC design technology conveniently and cost-effectively.

Simplified Model: Subscription provides customers with access to up-to-date software. The nature of this simplified licensing model, is based on a per seat price that includes license usage and support maintenance. This approach enables customers to access the latest software releases and product enhancements and receive world-class technical support. PTC Subscription helps customers to focus resources on their core business.

4. How do Channel Partners benefit from the new Subscription program?

The PTC Subscription program provides Channel Partners with stable and recurring revenue. With the Subscription model, Partners realize the same perpetual license discount structure on initial Subscription orders and Subscription revenue counts toward their annual license quotas. The Subscription program makes it easy to sell to customers because the pricing model lowers the “barrier of entry” for many customers with smaller, up-front annual payments. In addition, the Channel Partners realize a reduced cost of sales. Partners can focus on selling value and adding higher-value services while eliminating the financial risks associated with upgrades and other “free work”.

5. What is the geographic availability of the Subscription program to customers?

The Subscription program is available in all sales geographies including Americas, EMEA, Asia Pac and Japan.

6. How is the Subscription pricing model structured?

The PTC products are available with both perpetual and subscription part numbers. Subscription parts have standard pricing based on PTC’s Subscription model. The price lists are available online and through Partner Portal.

7. Are remix and conversion rights available in the channel Subscription licensing model?

At this point in time, there are no remix, or upgrades/conversion rights available in the Subscription program.

8. What is the minimum and maximum length of contracts for new and renewal agreements?

The initial contract and renewal contract length may not deviate from a 1 year annual term period (12 months only).

9. What is the billing frequency of the Subscription licensing model?

The Subscription licensing model provides customers with the option for monthly or annual up-front billing options for annually committed Subscription agreements. The monthly billing for an annually

committed subscription agreement will be subject to a pricing uplift of 25% (applied to the total ACV/TCV of the negotiated proposal/agreement).

10. How does the contract renewal and cancellation process apply to the Subscription model?

All Subscription contracts will renew automatically at expiration date for a 12 month period. The customer must cancel 90 days in advance of the expiration date. The cancellation notification by the customer must be submitted to both the Partner and PTC.

11. How are price increases addressed in the Subscription licensing model?

The Subscription price is fixed for the initial term of the customer agreement. At the time of the auto-renewal, the Subscription agreement will be subject to the lower amount of a 5% annual increase or a specified CPI (Consumer Price Index) based price increase for the country in which the licenses have been shipped. There will be more information available on the annual price increase in PTC's Partner Portal and Velocity web sites.

12. Can the customer change the number of license during the Subscription agreement?

During the Subscription contract term, customers may add seats to their agreement; however, they may not subtract licenses from their agreement. When the Subscription contract term is concluded, customers may add and/or subtract seats.

13. How does PTC define a "New Subscription" license?

The "New Subscription" is an order for a Subscription that is not a Renewal Subscription or an "Incremental Subscription." A term license for which license revenue was recognized up front that is converted to a Subscription is considered a New Subscription. A term license for which license revenue was recognized ratably over the term of the contract that is converted to a Subscription is considered a Renewal Subscription.

14. What is the definition of a "Renewal Subscription"?

The "Renewal Subscription" means an order for a Subscription that occurs within the one year period after expiration of a prior Subscription, regardless of whether the products in the new Subscription are the same or different than the products in the prior Subscription. Renewal Subscriptions will be counted only to the extent that they are an "Incremental Subscription."

15. What is the Annualized Contract Value?

The "ACV" is defined as Annualized Contract Value of a booking for a Subscription contract, which is calculated by dividing the TCV for the Subscription contract by the number of days in the committed Subscription contract term (as applicable) and multiplying by 365. However, if any contract duration is less than one year, then the ACV equals the TCV.

Order Processing Questions

16. How are Subscription processed?

The Subscription order process will be manual during the next few quarters as PTC builds the operational functionality into the Salesforce platform. Until this time occurs, please follow the workflow below to process customer orders.

- 1. Partner creates customer quote**
 - a. The partner will work with their PTC Area Manager to create a customer quote using the Subscription Quotation Template that is available in Velocity.
- 2. Partner creates purchase order and submits documentation to Area Manager**
 - a. The partner will submit their purchase order and completed Subscription Quotation Template to their Area Manager . Please include the Certificate of Intended Use if applicable.
- 3. PTC Area Manager to review purchase order and customer quote**
 - a. PTC Area Manager to review Partner P.O. and Subscription Quotation Template for accuracy and checks Deal Registration status (if applicable). The Area Manager will check information and work with the partner on rework or pricing issues.
- 4. PTC Area Manager Submits P.O. and Subscription Quotation Template**
 - a. The Area Manager will send the Partner P.O. & Quotation Template to Channel Operations team including
 - i. AMERICAS Deb Dailey
 - ii. EMEA Laura Manea / Rossana Manolescu
 - iii. ASISA PAC Jovee Qui
 - iv. JAPAN Yuki Sakai
- 5. PTC Manually Books Subscription Order**
 - a. PTC will review contract terms, discounts, territory authorizations, register quota fulfilment, and the order will be processed by PTC Order Management



