Risk Factors Comparison 2023-11-20 to 2022-11-15 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

The following are important factors we have identified that could affect an investment in our securities. You should consider them carefully when evaluating an investment in PTC securities, because these factors could cause actual results to differ materially from historical results or any forward- looking statements. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition **,** ~~and / or~~ operating results **, and prospects** . I. Risks Related to Our Business Operations and Industry We face significant competition, which **could adversely affect** ~~may reduce our profitability and limit or~~ **our** ~~reduce our market~~ **business, financial condition, operating results, and prospects if we** ~~share~~ -- **are unable to successfully compete** . The markets for our products and solutions are rapidly changing and characterized by intense competition, disruptive technology developments, evolving distribution models and increasingly lower barriers to entry. If we are unable to provide products and solutions that address customers' needs as well as our competitors' products and solutions do, or to align our pricing, licensing and delivery models with customer preferences, we could lose customers and / or fail to attract new customers, which could ~~cause us to lose revenue~~ **adversely affect our business, financial condition, operating results,** and **prospects** ~~market share~~ . For example, **customer demand** ~~the COVID- 19 pandemic caused companies worldwide to close their offices and their employees to have to work remotely from their homes, and there remains uncertainty about the extent to which employees will return to the office in the long term. This has focused companies on the need~~ for ~~solutions that empower and support remote work by employees. We believe customers and potential customers will increasingly seek software solutions that support remote work by employees. Although many of our solutions support remote work, others are less efficient at doing so. We have embarked on an effort to make our solutions available on a SaaS platform; however, this will require significant effort and investment and we cannot be sure that we will be able to make our solutions available as~~ SaaS solutions **is increasing. While** ~~as quickly as we expect or~~ **our** ~~that~~ **Arena, ServiceMax, and Onshape solutions are cloud- native SaaS solutions, and we have introduced our Windchill , Creo , and Kepware SaaS solutions,** customers ~~will~~ **may not** adopt them as we expect. If we are unable to compete successfully with competitors offering SaaS solutions, we could lose customers and / or fail to attract new customers, which could ~~cause us to lose revenue and market share, which would~~ adversely affect our business ~~and~~ **,** financial **condition, operating** results ~~. In addition~~ , ~~competitive pressures could cause us to reduce our prices, which could reduce our revenue~~ and ~~margins~~ **prospects** . Our current and potential competitors range from large and well- established companies to emerging start- ups. Some of our competitors and potential competitors have greater name recognition in the markets we serve and greater financial, technical, sales and marketing, and other resources, which could limit our ability to gain customer recognition and confidence in our products and solutions and successfully sell our products and solutions, which could adversely affect our ability to grow our business. A breach of security in our products or computer systems, or those of our third- party service providers, could compromise the integrity of our products, cause loss of data, harm our reputation, create additional liability and adversely ~~impact~~ **affect** our **business,** financial **condition, operating** results **, and prospects** . We have implemented and continue to implement measures intended to maintain the security and integrity of our products, source code and IT systems. The potential for a security breach or system disruption has significantly increased over time as the scope, number, intensity and sophistication of attempted cyberattacks and cyber intrusions have increased – particularly cyberattacks and intrusions designed to access and exfiltrate information and to disrupt and lock ~~-~~ up access to systems for the purpose of demanding a ransom payment. It is impossible for us to eliminate the risk of a successful cyberattack or intrusion, and, in fact, we **regularly** deal with security issues ~~on a regular basis~~ and have experienced security incidents from time to time. Accordingly, there is a risk that a cyberattack or intrusion will be successful and that such event will be material. In addition, we offer cloud services to our customers and some of our products, including our SaaS products, are hosted by third- party service providers, which expose us to additional risks as those repositories of our customers' proprietary data may be targeted and a cyberattack or intrusion may be successful and material. Interception of data transmission, misappropriation or modification of data, corruption of data and attacks against our service providers may adversely affect our products or product and service delivery. Malicious code, viruses or vulnerabilities that are undetected by our service providers may disrupt our business operations generally and may have a disproportionate effect on those of our products that are developed and delivered in the cloud environment. While we devote resources to maintaining the security and integrity of our products and systems, as well as performing due diligence of our third- party service providers, security breaches that have not had a material effect on our business or that of our customers have occurred, and we will continue to face cybersecurity threats and exposure. A significant breach of the security and / or integrity of our products or systems, or those of our third- party service providers, whether ~~or~~ intentional or by human error by our employees or others, could disrupt our business operations or those of our customers, could prevent our products from functioning properly, could enable access to sensitive, proprietary or confidential information of our customers, or could enable access to our sensitive, proprietary or confidential information. This could require us to incur significant costs of investigation, remediation and / or payment of a ransom; harm our reputation; cause customers to stop buying our products; and cause us to face lawsuits and potential liability, any of which could have a material adverse effect on our business, financial condition ~~and~~ **, operating** results ~~of operations~~ **, and prospects** . We increasingly rely on third- party providers of cloud infrastructure services to deliver our offerings to users on our platform, and any disruption of or interference with our use of these services could adversely affect our business **, financial condition, operating results, and prospects** . Our continued growth depends in part on the ability of our existing and potential customers to use and access our cloud services or our website in order to download our software or encrypted access keys for our software within an acceptable amount of time. We use a number of third- party service providers that we do not control for key components of our infrastructure, particularly with respect to development and delivery of our cloud- based products. The use of these service providers gives us greater flexibility in efficiently delivering a more tailored, scalable customer experience, but also exposes us to additional risks and vulnerabilities. Third- party service providers operate their own platforms that we access, and we are, therefore, vulnerable to their service interruptions. We may experience interruptions, delays and outages in service and availability from time to time as a result of problems with our third- party service providers' infrastructure. Lack of availability of this infrastructure could be due to a number of potential causes including technical failures, natural disasters, fraud or security attacks that we cannot predict or prevent. Such outages could ~~trigger our service level agreements with customers and require us to issue the issuance of credits to our cloud- based product customers, which could~~ adversely impact our business, financial condition ~~and~~ **,** results of operations **, and prospects** . If we are unable to renew our agreements with our cloud service providers on commercially reasonable terms, or any of our agreements are prematurely terminated, or we need to add new cloud services providers to increase capacity and uptime, we could experience interruptions, downtime, delays, and additional expenses related to transferring to and providing support for these new platforms. Any of the above circumstances or events may harm our reputation and brand, reduce the availability or usage of our platforms and impair our ability to attract new users, any of which could adversely affect our business, financial condition ~~and~~ **,** results of operations **, and prospects** . We may be unable to hire or retain ~~personnel~~ **employees** with the necessary skills to operate and grow our business, which could adversely affect our ability to compete **and adversely affect our business, financial condition, results of operations, and prospects** . Our success depends upon our ability to attract and retain highly skilled ~~managerial, sales~~ **employees to develop our products** and **solutions** ~~marketing, technical, financial~~ and ~~administrative personnel~~ to operate and grow our business. Competition for such ~~personnel~~ **employees** in our industry is intense **worldwide** , **and** particularly in the Boston, Massachusetts area where our global headquarters is located. ~~The technical personnel required to develop our products and solutions are in high demand.~~ If we are unable to attract and retain **employees** ~~technical personnel~~ with the requisite skills ~~,~~ **to develop** our ~~product~~ **products** and ~~solution development efforts could be delayed, which could adversely affect our ability to compete and thereby adversely affect our revenues and profitability. The managerial, sales and marketing, financial and administrative personnel necessary to guide our operations, market and sell our~~ solutions **, and support our** - **or** ~~business operations are also in high demand due~~ to ~~intense competition in our industry. If we are unable to attract and retain the personnel we need to develop compelling products and solutions, and~~ guide, operate and support our business, we may be unable to **compete** successfully ~~compete~~ , which would adversely affect our business, financial condition ~~and~~ **,** results of operations **, and prospects** . We depend on sales within the discrete manufacturing sector and our business could be adversely affected if manufacturing activity does not grow ~~,~~ or if it contracts, or if manufacturers are adversely affected by other macroeconomic factors. A large amount of our sales are to customers in the discrete manufacturing sector. Manufacturers worldwide continue to face uncertainty about the global macroeconomic environment due to, among other factors, the effects of earlier and ongoing supply chain disruptions, rising interest rates and inflation, volatile foreign exchange rates and the current relative strength of the U. S. ~~dollar~~ **Dollar** ~~, the effects of the Russia — Ukraine conflict, including on the supply of energy resources in Europe~~ , and the U. S. ~~Government~~ **government** ' s focus on technology transactions with non- U. S. entities. ~~In light~~ **Customers may delay, reduce, or forego purchases** of **our solutions due to** these challenges and concerns, ~~customers may delay, reduce, or forego purchases of our solutions,~~ which ~~would~~ **could** adversely affect our business ~~and~~ **,** financial **condition,** results **of operations, and prospects** . If we fail to successfully ~~manage~~ **transform** our ~~transition~~ **operations** to ~~a~~ **support the sale of** SaaS **solutions** ~~company, our business~~ and ~~financial results~~ **to develop competitive SaaS solutions, our business and prospects** could be adversely affected. ~~Becoming a~~ **Transforming our business to offer and support** SaaS ~~company~~ **solutions** requires considerable additional investment in our organization. Whether **we** ~~our transition~~ will be successful and will accomplish our business and financial objectives is subject to **risks and** uncertainties, including but not limited to: customer demand, attach and renewal rates, channel adoption, our ability to further develop and scale infrastructure, our ability to include functionality and usability in such offerings that address customer requirements, **our ability and the ability of our partners to transition existing customer implementations and subscriptions to SaaS,** and our costs. If we are unable to successfully establish these new offerings and navigate our business transition ~~due to these risks and uncertainties~~ , our business ~~and~~ **,** financial **condition,** results **of operations, and prospects** could be adversely ~~impacted~~ **affected** . Because our sales and operations are globally dispersed, we face additional compliance risks **,** and any compliance failure could adversely affect our business and **prospects** ~~financial results~~ . We sell and deliver software and services, and maintain support operations, in many countries whose laws and practices differ from one another and are subject to unexpected changes. Managing these geographically dispersed operations requires significant attention and resources to ensure compliance with laws of those countries and those of the U. S. governing our activities in non- U. S. countries. Those laws include, but are not limited to, anti- corruption laws and regulations (including the U. S. Foreign Corrupt Practices Act (FCPA) and the U. K. Bribery Act 2010), data privacy laws and regulations (including the European Union' s General Data Privacy Regulation), and trade and economic sanctions laws and regulations (including laws administered by the U. S. Department of the Treasury' s Office of Foreign Assets Control, the U. S. State Department, the U. S. Department of Commerce, the United Nations Security Council and other ~~relevant~~ sanctions authorities). Our compliance risks are heightened due to the go- to- market approach for our business that relies heavily on a partner ecosystem, the fact that **some of the countries** we operate in **have** ~~countries with~~ a higher incidence of corruption and fraudulent business practices ~~than others~~ , the fact that we ~~deal with~~ **sell to** governments and state- owned business enterprises, and the fact that global enforcement of laws has significantly increased. Accordingly, while we strive to maintain a comprehensive compliance program, an employee, agent or business partner may violate our policies or U. S. or other applicable laws or we may inadvertently violate such laws. Investigations of alleged violations of those laws can be expensive and disruptive. Violations of such laws can lead to civil and /

or criminal prosecutions, substantial fines and other sanctions, including the revocation of our rights to continue certain operations, and also cause business loss and reputational harm, which could adversely affect our **business,** financial **condition,** results **of operations,** and **prospects** ~~/ or stock price~~ . II. Risks Related to Acquisitions and Strategic Relationships Businesses we acquire may not generate the ~~revenue~~ **sales** and earnings we anticipate and may otherwise adversely affect our business **and prospects** . We have acquired, and intend to continue to acquire, new businesses and technologies. If we fail to successfully integrate and manage the businesses and technologies we acquire, if an acquisition does not further our business strategy **or return a level of sales** as we expect, or if a business we acquire has unexpected legal or financial liabilities, our ~~operating~~ **business, financial condition,** results ~~will~~ **of operations, and prospects could** be adversely affected. The types of issues that we may face in integrating and operating the acquired business include: • difficulties managing an acquired company' s technologies or lines of business or entering new markets where we have limited or no prior experience or where competitors may have stronger market positions; • unanticipated operating difficulties in connection with the acquired entities, including potential declines in ~~revenue~~ **sales** of the acquired entity; • complications relating to the assumption of pre- existing contractual relationships of an acquired company that we would not have otherwise entered into, the termination or modification of which may be costly or disruptive to our business; • ~~issuing equity awards to, or assuming existing equity awards of, acquired employees, which may more rapidly deplete share reserves available under our shareholder- approved equity incentive plans; •~~ litigation arising from the transaction, including potential intellectual property claims or disputes following ~~our~~ **an** acquisition; • diversion of management and employee attention; • challenges with implementing adequate and appropriate controls, procedures and policies in an acquired business; • potential loss of key personnel in connection with an acquisition; and • potential incompatibility of business cultures. Further, if we do not achieve the expected return on our investments, it could impair the intangible assets and goodwill that we recorded as part of an acquisition, which could require us to record a reduction to the value of those assets. We may incur significant debt or issue a material amount of debt or equity securities to finance an acquisition, which could adversely affect our operating flexibility **, business** and **prospects** ~~financial statements~~ . If we were to incur a significant amount of debt — whether by borrowing funds under our credit facility or otherwise or issuing new debt securities — to finance an acquisition, our interest expense, debt service requirements and leverage would increase significantly. The increases in these expenses and in our leverage could constrain our ability to operate as we might otherwise or to borrow additional amounts **and could adversely affect our business, financial condition, results of operations, and prospects** . If we were to issue a significant amount of equity securities in connection with an acquisition, existing stockholders would be diluted and ~~earnings per share~~ **our stock price** could ~~decrease~~ **decline** . Our inability to maintain or develop our strategic and technology relationships could adversely affect our business **and prospects** . We have many strategic and technology relationships with other companies with which we work to offer complementary solutions and services, that market and sell our solutions **,** and that provide technologies that we embed in our solutions. We may not realize the expected benefits from these relationships and such relationships may be terminated by the other party. If these companies fail to perform or if a company terminates or substantially alters the terms of the relationship, we could suffer delays in product development, reduced sales or other operational difficulties and our business, ~~results of operations and~~ financial condition **, results of operations, and prospects** could be materially adversely affected. III. Risks Related to Our Intellectual Property We may be unable to adequately protect our proprietary rights, which could adversely affect our business and our **prospects** ~~ability to compete effectively~~ . Our software products are proprietary. We protect our intellectual property rights in these items by relying on copyrights, trademarks, patents and common law safeguards, including trade secret protection, as well as restrictions on disclosures and transferability contained in our agreements with other parties. Despite these measures, the laws of all relevant jurisdictions may not afford adequate protection to our products and other intellectual property. In addition, we frequently encounter attempts by individuals and companies to pirate our software. If our measures to protect our intellectual property rights fail, others may be able to use those rights, which could reduce our competitiveness and ~~revenues~~ **adversely affect our business, financial condition, operating results, and prospects** . In addition, any legal action to protect our intellectual property rights that we may bring or be engaged in could be costly, may distract management from day- to- day operations and may lead to additional claims against us, and we may not succeed, all of which ~~would~~ **could** ~~materially~~ adversely affect our **business, financial condition,** operating results **, and prospects** . Intellectual property infringement claims could be asserted against us, which could be expensive to defend ~~and~~ **,** could result in limitations on our use of the claimed intellectual property **, and could adversely affect our business and prospects** . The software industry is characterized by frequent litigation regarding copyright, patent and other intellectual property rights. ~~If a~~ **We have faced such** ~~lawsuit~~ **lawsuits** ~~of this type is filed, it~~ **from time to time. Any such claim** could result in significant expense to us and divert the efforts of our technical and management personnel. We cannot be sure that we would prevail against any such asserted claims. If we did not prevail, we could be prevented from using the claimed intellectual property or be required to enter into royalty or licensing agreements, which might not be available on terms acceptable to us. In addition to possible claims with respect to our proprietary products, some of our products contain technology developed by and licensed from third parties and we may likewise be susceptible to infringement claims with respect to these third- party technologies. IV. Risks Related to Our Indebtedness Our substantial indebtedness could adversely affect our business, financial condition ~~and~~ **,** results of operations **, and prospects** , as well as our ability to meet our payment obligations under our debt. We have a ~~significant~~ **substantial** amount of indebtedness. As of November ~~15~~ **17** , ~~2022~~ **2023** , our total debt outstanding was approximately $ ~~1~~ **2** , ~~359~~ **307** ~~billion~~ **million and € 85 million** , $ 1 billion of which was associated with the 3. 625 % Senior Notes and 4. 000 % Senior Notes (together, " Senior Notes ") issued in February 2020, which mature in February 2025 and 2028, respectively, and are unsecured **;** ~~, and~~ $ ~~359~~ **807 million and € 85** million of which was borrowed under our credit facility **revolving line** , which matures in ~~February~~ **January** ~~2025~~ **2028 ; and $ 500 million of which was borrowed under our credit facility term loan, which begins amortizing in March 2024** . All amounts outstanding under the credit facility and the Senior Notes will be due and payable in full on their respective maturity dates. As of November ~~15~~ **17** , ~~2022~~ **2023** , we had unused commitments under our credit facility of **approximately** $ ~~641~~ **350** million. PTC Inc. and one of our foreign subsidiaries are eligible borrowers under the credit facility and certain other foreign subsidiaries may become borrowers under our credit facility in the future, subject to certain conditions. Specifically, our level of debt could: • make it more difficult for us to satisfy our debt obligations and other ongoing business obligations, which may result in defaults; • result in an event of default if we fail to comply with the financial and other covenants contained in the agreements governing our debt instruments, which could result in all of our debt becoming immediately due and payable or require us to negotiate an amendment to financial or other covenants that could cause us to incur additional fees and expenses; • limit our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements; • reduce the availability of our cash to fund working capital, capital expenditures, acquisitions and other general corporate purposes and limit our ability to obtain additional financing for these purposes; • increase our vulnerability to adverse economic and industry conditions; • amplify the risk of increased interest rates as certain of our borrowings, including borrowings under our credit facility, are at variable rates of interest; • limit our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industries in which we operate, and the overall economy; and • place us at a competitive disadvantage compared to other, less leveraged competitors. Any of the above- listed factors could have an adverse effect on our business, financial condition ~~and~~ **,** results of operations **, and prospects,** and our ability to meet our payment obligations under our debt agreements. Despite our current level of indebtedness, we and our subsidiaries may still be able to incur substantially more debt and other obligations. This could further exacerbate the risks to our **business,** financial condition **, and prospects** described above. We and our subsidiaries may be able to incur significant additional indebtedness and other obligations in the future, including secured debt. Although the credit agreement governing our credit facility contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions. The additional indebtedness incurred in compliance with these restrictions could be substantial. In addition, the credit agreement and the indenture governing our Senior Notes due 2025 and 2028, will not prevent us from incurring obligations that do not constitute indebtedness. If new debt is added to our current debt levels, or we incur other obligations, the related risks that we now face could intensify. We may not be able to generate enough cash to service all our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful **, and could harm our business and prospects** . Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors, some of which are beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. Our debt agreements restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect ~~our financial position and results of operations and~~ our ability to satisfy our debt obligations. If we cannot make scheduled payments on our debt, we will be in default and the lenders under our credit facility could terminate their commitments to loan money, the lenders could foreclose against the assets securing their borrowings, the holders of our Senior Notes could declare all outstanding principal, premium, if any, and interest to be due and payable, and we could be forced into bankruptcy or liquidation. These events could result in a loss of your investment. We are required to comply with certain financial and operating covenants under our debt agreements. Any failure to comply with those covenants could cause amounts borrowed to become immediately due and payable and / or prevent us from borrowing under the credit facility. We are required to comply with specified financial and operating covenants under our debt agreements and to make payments under our debt, which limit our ability to operate our business as we otherwise might operate it. Our failure to comply with any of these covenants or to meet any debt payment obligations could result in an event of default which, if not cured or waived, would result in any amounts outstanding, including any accrued interest and / or unpaid fees, becoming immediately due and payable. We might not have enough working capital or liquidity to satisfy any repayment obligations if those obligations were accelerated. In addition, if we are not in compliance with the financial and operating covenants under the credit facility when we wish to borrow funds, we will be unable to borrow funds ~~. In addition, the financial and operating covenants under the credit facility may limit our ability~~ to ~~borrow funds~~ **pursue certain corporate initiatives** , including ~~for~~ strategic acquisitions ~~and share repurchases. Our credit facility has variable interest tied to LIBOR and we could become subject to higher interest rates if the replacement rate we agree on with our banks is higher. Borrowings under our revolving credit facility use the London Interbank Offering Rate (LIBOR) as a benchmark for establishing the interest rate. On March 5~~ , ~~2021, the Intercontinental Exchange Benchmark Administration, the U. K. Financial Conduct Authority (FCA) regulated and authorized administrator of LIBOR, announced, and the FCA confirmed, that one week and two- month USD LIBOR settings will cease on December 31, 2021, and that the USD LIBOR panel for all other tenors will cease on June 30, 2023. The credit facility provides a mechanism pursuant to~~ which **could adversely affect** ~~we and the administrative agent may agree, under certain circumstances, to transition to an alternate base rate borrowing or~~ **our business** ~~amend the credit facility to establish an~~ **and prospects** ~~alternate interest rate to LIBOR that includes consideration of the then- prevailing market convention for determining interest rates for syndicated loans in the United States at that time. Although we believe the alternative rates will not materially increase the rates on our credit~~

~~facility, the final agreed rate may increase the cost of our variable rate indebtedness~~. V. Risks Related to Our Common Stock Our **stock price has been volatile, which may make it harder to resell shares at a favorable time and price. Market prices for securities of software companies are generally volatile and are subject to significant fluctuations that may be unrelated or disproportionate to the operating performance of these companies. Accordingly, the trading prices and valuations of software companies' stocks, and of ours, may not be predictable. Negative changes in the public' s perception of the prospects of software companies, or of PTC or the markets we serve, could depress our stock price regardless of our** operating results **. Also** ~~fluctuate from quarter to quarter~~ , ~~making future operating~~ **a large percentage of our common stock is held by institutional investors. Purchases and sales of our common stock by these investors could have a significant impact on the market price of our stock. If our** results **of operations do not** ~~difficult to predict; failure to~~ meet market **or analysts'** expectations ~~could cause the~~ **, our stock** price **could** ~~of our securities to~~ decline. Our quarterly operating results ~~historically have fluctuated and are likely to continue to~~ fluctuate depending on many factors, including **the effect** ~~: • our adoption~~ of **ASC** ~~Accounting Standards Update 2014- 09, Revenue from Contracts with Customers: Topic~~ 606 **on** ~~in 2019 creates significant~~ revenue **recognition for the** ~~volatility; • variability in our contracts, including timing of start dates, length of contracts, and mix of~~ on- premises **software subscriptions we offer** ~~and cloud- based purchases~~ , **variability in** ~~which would impact our revenue and earnings; •~~ the ~~rate at which~~ **timing of start dates for** our ~~existing~~ **subscription and SaaS offerings, length of** contracts **, and** ~~renew~~ **renewals , and** ~~or churn; • a~~ significant ~~percentage of our orders comes from transactions with large customers, which tend to have long lead times that are less predictable; • because our operating expenses are largely fixed in the short term and are based on expected~~ **unexpected** ~~bookings, any failure to achieve our bookings targets could cause us to miss our near term earnings and cash flow targets; • because a significant portion of our revenue and expenses are generated from outside the U. S., shifts in foreign currency exchange rates have had and could continue to have an adverse effect on our reported results; and • we may incur significant~~ expenses in a quarter ~~in connection with corporate development initiatives, restructuring efforts or the investigation, defense or settlement of legal actions that would increase our operating expenses and reduce our earnings for the quarter in which those expenses are incurred~~ . Accordingly, our quarterly results are difficult to predict ~~prior to the end of the quarter~~ and we may be unable to confirm or adjust expectations with respect to our operating results for a quarter until that quarter has closed. ~~Any failure to~~ **If our quarterly operating results do not** meet **market** ~~our~~ - **or analysts'** ~~quarterly revenue or earnings~~ expectations **,** ~~could adversely impact the market price of~~ our ~~securities. Our~~ stock price ~~has been volatile, which may make it harder to resell shares at a favorable time and price. Market prices for securities of software companies are generally volatile and are subject to significant fluctuations that may be unrelated or disproportionate to the operating performance of these companies. Further, our stock price has been more volatile than that of other software companies. Accordingly, the trading prices and valuations of software companies' stocks, and of ours, may not be predictable. Negative changes in the public' s perception of the prospects of software companies, or of PTC or the markets we serve,~~ could **decline** ~~depress our stock price regardless of our operating results. Also, a large percentage of our common stock is held by institutional investors and by Rockwell Automation. Purchases and sales of our common stock by these investors could have a significant impact on the market price of the stock~~ . VI. General Risk Factors Our international businesses present economic and operating risks, which could adversely affect our business and **prospects** ~~financial results~~ . We expect that our international operations will continue to expand and to account for a significant portion of our total revenue. Because we transact business in various foreign currencies, the volatility of foreign exchange rates has had and may in the future have a material adverse effect on our revenue, expenses and operating results. Other risks inherent in our international operations include, but are not limited to, the following: • difficulties in staffing and managing foreign sales and development operations **; • exposure of our operations and employees to political instability and armed conflict in the countries and regions in which we operate, including Israel** ; • increased financial accounting and reporting burdens and complexities; • increased regulatory and compliance risks; • inadequate local infrastructure; and • greater difficulty in protecting our intellectual property. We may have exposure to additional tax liabilities and our effective tax rate may increase or fluctuate, which could increase our income tax expense, reduce our net income, and increase our tax payment obligations. As a multinational organization, we are subject to income taxes as well as non- income based taxes in the U. S. and in various foreign jurisdictions. Significant judgment is required in determining our worldwide income tax provision and other tax liabilities. In the ordinary course of a global business, there are many intercompany transactions and calculations where the ultimate tax determination is uncertain. Our tax returns are subject to review by various taxing authorities. Although we believe that our tax estimates are reasonable, the final determination of tax audits or tax disputes could be different from what is reflected in our historical income tax provisions and accruals. Our effective tax rate and tax payment obligations can be adversely affected by several factors, many of which are outside of our control, including: • changes in tax laws (for example, the introduction of an amendment to Section 174 of the U. S. tax legislation), regulations, and interpretations in multiple jurisdictions in which we operate; • assessments, and any related tax interest or penalties, by taxing authorities; • changes in the relative proportions of revenues and income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates; • changes to the financial accounting rules for income taxes; • unanticipated changes in tax rates; and • changes to a valuation allowance on net deferred tax assets, if any.