

PTC INC.
Form DEF 14A
January 24, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

CHECK THE APPROPRIATE BOX:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

PTC Inc.

(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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Notice of **2018**
Annual Meeting &
Proxy Statement

Unlock the value created
by the convergence of the
physical and **digital** worlds...

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Notice of 2018 Annual Meeting of Stockholders

Thursday, March 8, 2018
8:00 a.m.
Eastern Standard Time

PTC Inc.
140 Kendrick Street
Needham, MA 02494

PROPOSALS TO BE VOTED ON AT THE ANNUAL MEETING

Proposal

Elect eight directors to serve until the 2018 Annual Meeting of Stockholders.
Advisory vote to approve the compensation of our named executive officers (say-on-pay).
Advisory vote to confirm the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year.

Board Recommendation

FOR
FOR
FOR

Other matters that are properly brought before the meeting may also be considered.

Stockholders at the close of business on January 10, 2018 are entitled to vote.

Please vote your shares before the meeting, even if you plan to attend the meeting.

Your broker will not be able to vote your shares on the election of directors or the say-on-pay proposals unless you have given your broker specific instructions to do so.

By Order of the Board of Directors

AARON C. VON STAATS
Secretary

Needham, Massachusetts
January 24, 2018

Important Notice of the Internet Availability of Proxy Materials

The Proxy Statement and our 2017 Annual Report are available to stockholders at **www.proxyvote.com**.

www.ptc.com**3**

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Dear Fellow Stockholders:

Over the past year we again executed well across our key strategic and operational objectives. We are proud of the progress that we have made in transforming our business and we are excited about the company's future.

In 2017, we continued to focus on increasing shareholder value through our three key strategic initiatives: revenue growth, transition to a subscription licensing model and margin improvement.

REVENUE GROWTH

Total revenue, total software revenue and total recurring revenue all grew in 2017 over 2016, reflecting our exit from the revenue through that occurs in a subscription transition, as well as strength across our business.

SUBSCRIPTION TRANSITION

Subscription bookings as a percentage of total software license bookings grew significantly in 2017 over 2016, reflecting growing demand for our subscription offerings around the globe and in our channel. Given our progress in 2017, we moved to a subscription-only model in the Americas and Western Europe in January 2018.

MARGIN EXPANSION

In fiscal 2017, we improved our operating margins over 2016, despite a higher than expected subscription mix for the year. We continue to focus on controlling expenses and prudently investing our resources to enable us to expand operating margins.

As we transition to a subscription model, we use certain operating measures in addition to traditional financial measures to measure our progress. These measures include subscription bookings as a percentage of license and subscription bookings and subscription annual contract value (ACV). These measures are discussed in the proxy statement summary below.

Given our pay for performance philosophy, approximately 50% of our executives' target compensation for the year was tied to performance measures designed to advance our strategic initiatives and to relative total stockholder return. We believe this performance-based compensation orientation contributed to our operating success for the year.

You can find additional information about our business performance for the year in the proxy statement summary and in our Annual Report on Form 10-K, which accompanies this proxy statement.

We thank you for your continued support of PTC.

Sincerely,

ROBERT SCHECHTER

Chairman of the Board

Table of Contents**Proxy Statement Summary**

This summary highlights information contained elsewhere in this proxy statement and does not contain all of the information you should consider. You should read the entire proxy statement before voting. For more complete information regarding PTC's fiscal 2017 performance, you should read our Annual Report on Form 10-K, which accompanies this proxy statement. (All references to 2017 and 2016 refer to PTC's fiscal years ended September 30, 2017 and 2016, respectively, unless otherwise indicated.)

Matters to be Voted on at the Meeting

Proposal	Board Recommendation	Page No.
Elect eight directors to serve until the 2019 Annual Meeting of Stockholders.	FOR	11
Advisory vote to approve the compensation of our named executive officers (say-on-pay).	FOR	24
Advisory vote to confirm the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year.	FOR	51

Director Nominees

Nominee	Independence	Committees	Director Since
Robert Schechter, Chairman of the Board	Independent	Audit	2009
Janice Chaffin	Independent	Compensation Audit Chair, Corporate Governance	2013
Phillip Fernandez	Independent	Audit	2016
Donald Grierson	Independent	Chair, Compensation Corporate Governance	1987
James Heppelmann	President and CEO, PTC	–	2008
Klaus Hoehn	Independent	Corporate Governance	2015
Paul Lacy	Independent	Chair, Audit Compensation Corporate Governance	2009
Corinna Lathan	Independent	Audit	2017

All director nominees attended all of the meetings of the Board and the committees on which they serve held during their tenure in the past year.

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PROXY STATEMENT SUMMARY

Business Performance

Our Subscription Bookings Mix and Subscription ACV operating measures are described on [Appendix A](#).

Stock Performance Graph

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

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PROXY STATEMENT SUMMARY

Alignment of Pay and Performance

**3-YEAR: CEO TOTAL REALIZABLE
COMP. VS TSR CAGR**

**3-YEAR: OTHER NEO TOTAL REALIZABLE
COMP. VS TSR CAGR**

Corporate Governance Highlights

What We Do

Annual Election of All Directors
 Majority Voting Policy for Uncontested Director Elections
 8 Director Nominees / 7 Independent Director Nominees
 Independent Board Chairman
 Independent Audit, Compensation and Governance/Nominating
 Committees
 Regular Executive Sessions of Independent Directors
 Robust Stock Ownership Requirements for Directors and Executive
 Officers
 Stockholder Right to Call a Special Meeting
 Pay-for-Performance Executive Compensation
 Executive Incentive Compensation Clawback Policy
 Annual Board and Individual Director Evaluations

What We Don't Do

No Stockholder Rights Plan ("Poison Pill")
 No Supermajority Voting Requirements in Charter or
 By-Laws
 No Director Related Party Transactions
 No Hedging of Stock by Directors/Executives/Employees
 No Pledging of Stock by Directors/Executives/Employees

2017 PricewaterhouseCoopers LLP Services and Fees

Type of Professional Service

	Fiscal 2017	Fiscal 2016
Audit Fees	\$2,427,219	\$3,279,500
Audit-Related Fees ⁽¹⁾	\$ 160,848	\$ 557,000
Tax Fees ⁽²⁾	\$1,478,003	\$1,570,915
All Other Fees ⁽³⁾	\$ 1,800	\$ 1,800

Consists principally of fees for services related to comfort letter procedures in connection with a public debt offering in 2016 and consultations
 (1) concerning financial accounting and reporting standards.

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PROXY STATEMENT SUMMARY

Consists principally of fees related to tax compliance, tax planning and tax advice services, and tax compliance services related to PTC's (2) expatriate employees (including assistance with individual tax compliance that PTC provides as a benefit to these employees) as follows:

Type of Tax Service	Fiscal 2017	Fiscal 2016
Tax compliance and preparation services (comprised of preparation of original and amended tax returns, claims for refunds, and tax payment planning services)	\$ 288,717	\$ 286,502
Tax compliance services related to PTC's expatriate employees	\$ 530,805	\$ 373,541
Other tax services, including tax planning and advice services and assistance with tax audits	\$ 658,482	\$ 910,872
Total	\$ 1,478,003	\$ 1,570,915

(3) Consists of fees for accounting research software.

See Proposal 3 on page 51 for more information about PricewaterhouseCoopers LLC's services.

CORPORATE RESPONSIBILITY

We recognize the close connection between our success and our ability to make a positive impact on our customers, our employees and the planet. Giving back to communities, embracing a culture of diversity and inclusion, sustaining the environment, and practicing sound ethics aren't just the right thing to do. These efforts help make us an employer of choice, differentiate our brand, and support profitable and responsible growth.

COMMUNITY ENGAGEMENT

We engage in the global community and support our employees that do so as well.

We support important educational initiatives through the For Inspiration and Recognition of Technology (FIRST) program, which engages children from kindergarten through high school worldwide in research and robotics programs, the City Year program in Boston, which pairs Americorps members to support local middle and high school students, Girls Who Code, which engages girls in software coding, and in-kind donations to educational institutions.

We match our employees' charitable donations, including supporting communities impacted by disasters through corporate donations to relief organizations.

We also provide our employees with paid time off to volunteer with community organizations.

DIVERSITY & INCLUSION

Inclusion and diversity are key to our success. We seek employees with diverse backgrounds and insights and are committed to creating a culture of innovation and inspiration where all employees feel a sense of ownership and pride in our success.

PTC was named a Top Place to Work by The Boston Globe in 2017.

SUSTAINABILITY

As a company that operates globally, we seek to reduce and mitigate our environmental impact through our sustainability initiatives.

Our sustainability initiatives include recycling programs, energy and resource conservation programs, and public transportation support programs.

Our new world headquarters building in the Boston Seaport is expected to receive LEED Platinum certification.

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Information about the Annual Meeting and Voting

2018 Annual Meeting of Stockholders

Date and Time	Place
Thursday, March 8, 2018 8:00 a.m. Eastern Standard Time	PTC Inc. 140 Kendrick Street Needham, MA 02494

Proposals to be Voted on at the Meeting

Proposal	Board Recommendation
Elect eight directors to serve until the 2018 Annual Meeting of Stockholders.	FOR
Advisory vote to approve the compensation of our named executive officers (Say-on-Pay).	FOR
Advisory vote to confirm the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year.	FOR

How You May Vote

All stockholders as of January 10, 2018 have the right to attend and vote at the Annual Meeting of Stockholders. You may vote by proxy in advance of the meeting. You may attend the meeting even if you have voted by proxy before the meeting. **In order to establish a quorum and to facilitate the tabulation of votes, please vote before the meeting, even if you plan to attend the meeting.**

VOTING BY PROXY

VOTING IN PERSON

To vote, you should follow the voting instructions in the notice or proxy card sent to you.

If you wish to vote in person, you must have the required documentation described below with you.

You may vote by Internet or, if you received a proxy card, by telephone or mail.

If you are a record holder (that is, you hold your shares directly and not through a brokerage account), you should bring a government issued document that identifies you (such as a Driver's License or Passport).

If you vote by proxy, your shares will be voted at the meeting as you instruct. If you submit your proxy but do not provide instructions, your shares will be voted in accordance with the Board's recommendations as set forth above.

If any matter not listed in the Notice of Meeting is properly

If you are a record holder (that is, you hold your shares directly and not through a brokerage account), you should bring a government issued document that identifies you (such as a Driver's License or Passport).

If you are a beneficial holder (that is, you hold your shares through

presented at the Annual Meeting, your shares will be voted in accordance with the designated proxies' best judgment. a brokerage account), you will need to obtain a legal proxy from the brokerage firm to enable you to vote at the meeting. You should also bring a government issued document that identifies you.

You have one vote for each share of common stock that you owned at the close of business on January 10, 2018. On that date, there were 116,125,979 shares outstanding. **Information about the Annual Meeting, voting and other administrative matters begins on page 61.**

We made this proxy statement available to stockholders on January 24, 2018.

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Proposal 1

Election of Directors

The Board is elected by the stockholders to represent and protect their interest in PTC. The Board selects and oversees the members of senior management, who are responsible for conducting the business of PTC.

Election Process and Voting Standard

All directors stand for election each year. Directors are elected by a plurality of votes received. However, we maintain a Majority Voting Policy for uncontested director elections that requires a director who does not receive a majority of the votes cast in favor of his or her election to promptly tender his or her resignation from the Board. The Corporate Governance Committee will consider the resignation and recommend to the Board whether or not to accept the resignation. The Board will use its best efforts to act on the resignation and publicly disclose its decision and its rationale within 90 days following certification of the election results. The director who tenders his or her resignation may not participate in the decisions of the Corporate Governance Committee or the Board that concern the resignation.

Director Nominations

The Corporate Governance Committee is responsible for identifying and evaluating nominees for director and for recommending to the Board a slate of nominees for election at each Annual Meeting of Stockholders. Candidates may be suggested by directors, management, stockholders or a search firm retained by the Committee. Stockholders that wish to nominate a candidate may do so in accordance with the procedures described in STOCKHOLDER PROPOSALS AND NOMINATIONS. Candidates properly nominated by stockholders will be given the same consideration as other proposed candidates.

Director Qualifications

The Corporate Governance Committee's mandate is to create and maintain a Board with a diversity of skills and attributes that is aligned with PTC's current and anticipated future strategic needs. Beyond a few general requirements, the Corporate Governance Committee does not rely on a fixed set of qualifications for director nominees, but considers the composition of the Board as a whole and the experience and skills each director nominee brings to the Board.

PTC values diversity and believes that diversity among the directors as to personal and professional experiences, opinions, perspectives and backgrounds, as well as diversity with respect to race, ethnicity, gender, age and cultural backgrounds, is desirable. The Committee does not maintain a diversity policy, but seeks to achieve diversity through its thoughtful selection of qualified candidates.

QUALIFICATIONS REQUIRED OF ALL DIRECTORS

The Corporate Governance Committee considers each candidate's character and professional ethics, judgment, leadership experience, business experience and acumen, familiarity with relevant industry issues, national and international experience and such other relevant skills and experience as may contribute to the Board's effectiveness and PTC's success. In addition, all candidates must be able to dedicate sufficient time and resources for the diligent performance of the duties required of a member of the Board of Directors and must not hold positions or interests that conflict with their responsibilities to PTC. Candidates must also comply with any other minimum qualifications for either individual directors or the Board as a whole mandated by applicable laws or regulations. The Committee will also consider whether the candidate is independent of PTC as at least a majority of members of the Board of Directors must qualify as independent in accordance with Nasdaq independence rules.

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PROPOSAL 1

SPECIFIC QUALIFICATIONS, SKILLS AND EXPERIENCE REQUIRED OF THE BOARD

The Committee believes that certain qualifications, skills and experience should be represented on the Board, as described below, although not every member of the Board must possess all such qualifications, skills and experience to be considered capable of making valuable contributions to the Board.

Leadership

Our business is complex and evolving rapidly. CEOs and persons who have led operating business units of significant size have proven leadership experience in developing and advancing a vision and making executive-level decisions.

Financial

Our business and financial model is complex and multinational. Individuals with financial expertise are able to identify and understand the issues associated with our business and financial model.

Software Industry

We are an enterprise software company. Those with enterprise software experience are better able to understand the risks and opportunities facing our business.

Strategy

Our success depends on successful development and execution of our corporate strategy.

Manufacturing

We primarily serve companies in the manufacturing industry. Understanding of this industry enhances understanding of how we can best address the needs of our customers.

Marketing

Our business depends on successfully creating awareness of our products and entering new markets. Persons with marketing experience can help us identify ways to do so successfully.

Research and Development

Our business depends on the success of our research and development efforts to develop our products and expand our offerings. Experience in this area enhances understanding of the challenges we face and best practices.

Global

We are a global company, with approximately 40% of our revenue coming from the Americas, 40% from Europe and 20% from the Asia-Pacific region. Global experience enhances understanding of the complexities and issues associated with running a global business and the challenges we face.

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PROPOSAL 1

Director Nominees

All of the current directors are up for reelection. Information about each of the director nominees, including their qualifications, skills and experience that led the Corporate Governance Committee and the Board to conclude that the director should serve as a director of the company, is discussed below. Information about their PTC stock ownership is set forth in INFORMATION ABOUT PTC COMMON STOCK OWNERSHIP – Stock Owned by Directors and Officers.

INDEPENDENCE OF OUR DIRECTORS

Our Board of Directors has determined that Messrs. Schechter, Fernandez, Grierson, Hoehn and Lacy and Ms. Chaffin and Ms. Lathan are independent under applicable Nasdaq rules. None of the independent directors, to our knowledge, has any business, financial, family or other type of relationship with PTC or its management that would impact the director’s independence.

The Board of Directors recommends that you vote **FOR** the election of all of the director nominees.

Janice D. Chaffin

Director since 2013, Age 63

Ms. Chaffin served as Group President, Consumer Business Unit of Symantec, a global leader in providing cybersecurity solutions, from April 2007 until her retirement in March 2013 and as Chief Marketing Officer of Symantec from 2003 to 2007. Prior to that, she spent over twenty years at Hewlett-Packard Company, in management and marketing leadership positions.

Ms. Chaffin brings to the Board significant leadership experience with large global technology companies. Ms. Chaffin’s skills include financial and accounting expertise as a result of her positions at Symantec Corporation and Hewlett-Packard Company and her service on the Audit Committees of Synopsys, International Game Technology and Informatica. In 2015, Ms. Chaffin completed the requirements to become a NACD Fellow, the highest level of credentialing for corporate directors and corporate governance professionals by the National Association of Corporate Directors. To become a NACD Fellow, Ms. Chaffin demonstrated knowledge of the leading trends and practices that define exemplary corporate governance today and committed to developing professional insights through a comprehensive program of ongoing study.

Ms. Chaffin holds a Bachelor of Arts from the University of California, San Diego and a Masters of Business Administration from the University of California, Los Angeles.

Board Committees:

Corporate Governance (Chair)
Audit

Other Public Company Boards:

Synopsys, Inc.
International Game Technology
(2010-2015)
Informatica Corporation
(2001-2008)

Software Research and
Leadership Financial Industry Strategy Manufacturing Marketing Development Global

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PROPOSAL 1