

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

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): November 16, 2020**

**CERENCE INC.**

(Exact name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**001-39030**

**83-4177087**  
(IRS Employer  
Identification No.)

**15 Wayside Road**  
**Burlington, Massachusetts**  
(Address of Principal Executive Offices)

(Commission File Number)

**01803**  
(Zip Code)

**Registrant's Telephone Number, Including Area Code: (857) 362-7300**

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                   | Trading<br>Symbol(s) | Name of each exchange on which registered |
|---------------------------------------|----------------------|---|
| <b>Common stock, \$0.01 par value</b> | <b>CRNC</b>          | <b>The NASDAQ Stock Market LLC</b>        |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

On November 16, 2020, Cerence Inc. (the "Company") announced its financial results for the quarter and fiscal year ended September 30, 2020. The press release, including the financial information contained therein, is attached hereto as Exhibit 99.1, and is incorporated herein by reference.

Also on November 16, 2020, the Company used a presentation on its call with investors, discussing its financial results for the quarter and fiscal year ended September 30, 2020, and such earnings release presentation is furnished herewith as Exhibit 99.2. The press release and earnings release presentation include certain non-GAAP financial measures. A description of the non-GAAP measures, the reasons for their use, and GAAP to non-GAAP reconciliations are included in the press release and earnings release presentation.

The information in this Item 2.02 and the exhibit attached hereto are being furnished and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

| <u>Exhibit Number</u> | <u>Description</u>   |
|-----------------------|--|
| 99.1                  | <a href="#">Press Release announcing financial results dated November 16, 2020</a> |
| 99.2                  | <a href="#">Earnings Release Presentation dated November 16, 2020</a>              |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Cerence Inc.

Date: November 16, 2020

By: /s/ Mark Gallenberger

Name: Mark Gallenberger

Title: Chief Financial Officer



## Cerence Announces Record Fourth Quarter and Fiscal Year 2020 Results

### Fourth Quarter and Fiscal Year Highlights

- Record bookings in FY20 drives backlog to more than \$1.8 billion
- Q4 revenue increased 21% from last quarter and up 10% from the prior year, setting new quarterly and full year records
- Strong financial performance generated \$26M of GAAP net cash provided by operating activities (CFFO) during the quarter and \$45M of CFFO for the year
- Generated adjusted EBITDA of \$40.3M and adjusted EBITDA margin of 44.4% in the quarter
- Financial metrics for the fiscal year met or exceeded pre-Covid-19 full year guidance

**BURLINGTON, Mass., November 16, 2020** – Cerence Inc. (NASDAQ: CRNC), AI for a world in motion, today reported its fourth quarter and fiscal year 2020 results for the year ended September 30, 2020.

#### Results Summary <sup>(1)</sup>

(in millions, except per share data)

|  | Three Months Ended<br>September 30, |       |      |       | Twelve Months Ended<br>September 30, |        |      |       |
|--|-------------------------------------|-------|------|-------|--------------------------------------|--------|------|-------|
|  | 2020                                |       | 2019 |       | 2020                                 |        | 2019 |       |
| GAAP Revenue                               | \$                                  | 90.9  | \$   | 83.0  | \$                                   | 329.6  | \$   | 303.3 |
| GAAP Gross Margin                          |                                     | 71.8% |      | 67.4% |                                      | 67.3%  |      | 67.2% |
| Non-GAAP Gross Margin                      |                                     | 75.7% |      | 70.8% |                                      | 71.5%  |      | 70.7% |
| GAAP Operating Margin                      |                                     | 15.5% |      | 5.6%  |                                      | 5.9%   |      | 3.6%  |
| Non-GAAP Operating Margin                  |                                     | 41.9% |      | 31.3% |                                      | 32.1%  |      | 28.7% |
| GAAP net income (loss)                     | \$                                  | 6.8   | \$   | 95.8  | \$                                   | (20.6) | \$   | 100.3 |
| Non-GAAP net income                        | \$                                  | 25.7  | \$   | 19.1  | \$                                   | 64.3   | \$   | 62.7  |
| GAAP net income (loss) per share - diluted | \$                                  | 0.17  | \$   | 2.63  | \$                                   | (0.57) | \$   | 2.76  |
| Non-GAAP net income per share - diluted    | \$                                  | 0.61  | \$   | 0.52  | \$                                   | 1.68   | \$   | 1.72  |
| Adjusted EBITDA                            | \$                                  | 40.3  | \$   | 27.8  | \$                                   | 114.9  | \$   | 94.7  |
| Adjusted EBITDA margin                     |                                     | 44.4% |      | 33.6% |                                      | 34.9%  |      | 31.2% |

(1) Please refer to the “Discussion of Non-GAAP Financial Measures” and “Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures” included elsewhere in this release for more information regarding our use of non-GAAP financial measures.

Sanjay Dhawan, Chief Executive Officer of Cerence, stated, “Our Q4 financial performance exceeded our expectations for every metric and delivered record revenue, record gross margin and record EBITDA. Cerence’s first year as a stand-alone business established the company as a major player in conversational AI for the car. We had to separate the business from Nuance and deal with the economic impact of Covid-19, but we did so while at the same time continuing a relentless introduction of new products and upgraded technologies. We’re more agile and more aggressive in our approach to innovation and more dedicated to the success of our customers than ever. I’m especially proud of the recognition that the Cerence team has received from our customers regarding our support in helping them achieve their start of production dates without delay.”

Dhawan continued, “Further demonstrating the depth of our customer relationships, we recently signed a renewal agreement for our SaaS-based connected services with a major global automaker, marking the

successful renewal of an expiring contract since Cerence became a standalone public company. This contract extension is an important endorsement from a long-time, respected partner on the strength and value of Cerence Connected Services and ensures that we will continue providing cloud-based services for this popular app suite for drivers.”

“As we start the new fiscal year, we are expecting another year of growth supported by a strong backlog and a solid pipeline of new business opportunities. The company’s competitive position remains strong as we rely on innovation and speed of execution to continue to drive our business forward,” Dhawan concluded.

### Cerence Key Performance Indicators

To help investors gain further insight into Cerence’s business and its performance, management provides a set of key performance indicators that includes:

| Key Performance Indicator <sup>1</sup>  | Q4FY20 | Q3FY20 | Q2FY20 | Q1FY20 | Q4FY19 |
|---|--------|--------|--------|--------|--------|
| Percent of worldwide auto production with Cerence Technology (TTM)                        | 53%    | 54%    | 56%    | 54%    | 54%    |
| Average contract duration (TTM):  | 6.1    | 6.2    | 5.7    | 4.9    | 5.1    |
| Repeatable software contribution (TTM):   | 79%    |        |        |        |        |
| Change in number of Cerence connected cars shipped <sup>2</sup> (TTM over prior year TTM) | -16%   |        |        |        |        |
| Growth in billings per car FY20 vs. prior year (excludes legacy contract)                 | 14%    |        |        |        |        |

(1) Please refer to the “Key Performance Indicators” included elsewhere in this release for more information regarding the definition and our use of key performance indicators.

(2) Based on IHS data, global auto production declined 19% over the same time period.

### First Quarter Fiscal 2021 and Full Year Outlook

For the fiscal quarter ending December 31, 2020, revenue is expected to be in the range of \$85M to \$90M representing a 13% increase at the midpoint compared to the same period in the prior year. Adjusted EBITDA is expected to be in the range of \$31M to \$35M. The adjusted EBITDA guidance excludes acquisition-related costs, amortization of acquired intangible assets, stock-based compensation, and restructuring and other costs. Cerence full-year revenue guidance is for revenue to be in the range of \$360M to \$380M representing a 12% increase at the midpoint compared to the prior year. Adjusted EBITDA for the full year is expected to be in the range of \$122M to \$135M. Additional details regarding guidance will be provided on the earnings call.

### Fourth Quarter Conference Call

The company will host a live conference call and webcast with slides to discuss the results at 10:00 a.m. Eastern Time/7:00 a.m. Pacific Time today. Interested investors and analysts are invited to dial into the conference call by using 1.844.467.7116 (domestic) or +1.409.983.9838 (international) and entering the pass code 5673428. Webcast access will be available on the Investor Information section of the company’s website at <https://investors.cerence.com/news-and-events/events-and-presentations>.

The teleconference replay will be available through December 24, 2020. The replay dial-in number is 1.855.859.2056 (domestic) or +1.404.537.3406 (international) using pass code 5673428. A replay of the

webcast can be accessed by visiting our web site 90 minutes following the conference call at <https://investors.cerence.com/news-and-events/events-and-presentations>.

**Forward Looking Statements**

Statements in this presentation regarding Cerence's future performance, results and financial condition, expected growth and innovation and our management's future expectations, beliefs, goals, plans or prospects constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact (including statements containing the words "believes," "plans," "anticipates," "expects," "intends" or "estimates" or similar expressions) should also be considered to be forward-looking statements. Although we believe forward-looking statements are based upon reasonable assumptions, such statements involve known and unknown risk, uncertainties and other factors, which may cause actual results or performance of the company to be materially different from any future results or performance expressed or implied by such forward-looking statements including but not limited to: impacts of the COVID-19 pandemic on our and our customer's businesses; the highly competitive and rapidly changing market in which we operate; adverse conditions in the automotive industry or the global economy more generally; our ability to control and successfully manage our expenses and cash position; our strategy to increase cloud; escalating pricing pressures from our customers; our failure to win, renew or implement service contracts; the loss of business from any of our largest customers; effects of customer defaults; the inability to recruit and retain qualified personnel; cybersecurity and data privacy incidents; fluctuating currency rates; and the other factors in our Annual Report on our most recent Form 10-K, quarterly reports on Form 10-Q, and other filings with the Securities and Exchange Commission. We disclaim any obligation to update any forward-looking statements as a result of developments occurring after the date of this document.

**Discussion of Non-GAAP Financial Measures**

We believe that providing the non-GAAP information in addition to the GAAP presentation, allows investors to view the financial results in the way management views the operating results. We further believe that providing this information allows investors to not only better understand our financial performance, but more importantly, to evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance. The non-GAAP information should not be considered superior to, or a substitute for, financial statements prepared in accordance with GAAP.

We utilize a number of different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of the business, for making operating decisions and for forecasting and planning for future periods. While our management uses these non-GAAP financial measures as a tool to enhance their understanding of certain aspects of our financial performance, our management does not consider these measures to be a substitute for, or superior to, the information provided by GAAP financial statements.

Consistent with this approach, we believe that disclosing non-GAAP financial measures to the readers of our financial statements provides such readers with useful supplemental data that, while not a substitute for GAAP financial statements, allows for greater transparency in the review of our financial and operational performance. In assessing the overall health of the business during the three and twelve months ended September 30, 2020 and 2019, our management has either included or excluded the following items in general categories, each of which is described below.

*Adjusted EBITDA*

Adjusted EBITDA is defined as net income attributable to Cerence Inc. before net income (loss) attributable to income tax (benefit) expense, other income (expense) items, net, depreciation and amortization expense, and excluding acquisition-related costs, amortization of acquired intangible assets, stock-based compensation, and restructuring and other costs, net or impairment charges related to fixed and intangible assets and gains or losses on the sale of long-lived assets, if any. From time to time we may exclude from Adjusted EBITDA the impact of events, gains, losses or other charges (such as significant legal settlements) that affect the period-to-period comparability of our operating performance. Other income (expense) items, net include interest expense, interest income, and other income (expense), net (as stated in our Consolidated and Combined Statement of Operations). Our management and Board of Directors use this financial measure to evaluate our operating performance. It is also a significant performance measure in our annual incentive compensation programs.

*Restructuring and other costs, net.*

Restructuring and other charges, net include restructuring expenses as well as other charges that are unusual in nature, are the result of unplanned events, and arise outside the ordinary course of our business such as employee severance costs, costs for consolidating duplication facilities, and separation costs directly attributable to the Cerence business becoming a standalone public company.

*Acquisition-related costs, net.*

In recent years, we have completed a number of acquisitions, which result in operating expenses, which would not otherwise have been incurred. We provide supplementary non-GAAP financial measures, which exclude certain transition, integration and other acquisition-related expense items resulting from acquisitions, to allow more accurate comparisons of the financial results to historical operations, forward looking guidance and the financial results of less acquisitive peer companies. We consider these types of costs and adjustments, to a great extent, to be unpredictable and dependent on a significant number of factors that are outside of our control. Furthermore, we do not consider these acquisition-related costs and adjustments to be related to the organic continuing operations of the acquired businesses and are generally not relevant to assessing or estimating the long-term performance of the acquired assets. In addition, the size, complexity and/or volume of past acquisitions, which often drives the magnitude of acquisition related costs, may not be indicative of the size, complexity and/or volume of future acquisitions. By excluding acquisition-related costs and adjustments from our non-GAAP measures, management is better able to evaluate our ability to utilize our existing assets and estimate the long-term value that acquired assets will generate for us. We believe that providing a supplemental non-GAAP measure, which excludes these items allows management and investors to consider the ongoing operations of the business both with, and without, such expenses.

These acquisition-related costs fall into the following categories: (i) transition and integration costs; (ii) professional service fees and expenses; and (iii) acquisition-related adjustments. Although these expenses are not recurring with respect to past acquisitions, we generally will incur these expenses in connection with any future acquisitions. These categories are further discussed as follows:

- (i) Transition and integration costs. Transition and integration costs include retention payments, transitional employee costs, and earn-out payments treated as compensation expense, as well as the costs of integration-related activities, including services provided by third-parties.
- (ii) Professional service fees and expenses. Professional service fees and expenses include financial advisory, legal, accounting and other outside services incurred in connection with acquisition activities, and disputes and regulatory matters related to acquired entities.
- (iii) Acquisition-related adjustments. Acquisition-related adjustments include adjustments to acquisition-related items that are required to be marked to fair value each reporting period, such as contingent consideration, and other items related to acquisitions for which the measurement period has ended, such as gains or losses on settlements of pre-acquisition contingencies.

*Amortization of acquired intangible assets.*

We exclude the amortization of acquired intangible assets from non-GAAP expense and income measures. These amounts are inconsistent in amount and frequency and are significantly impacted by the timing and size of acquisitions. Providing a supplemental measure which excludes these charges allows management and investors to evaluate results “as-if” the acquired intangible assets had been developed internally rather than acquired and, therefore, provides a supplemental measure of performance in which our acquired intellectual property is treated in a comparable manner to our internally developed intellectual property. Although we exclude amortization of acquired intangible assets from our non-GAAP expenses, we believe that it is important for investors to understand that such intangible assets contribute to revenue generation. Amortization of intangible assets that relate to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Future acquisitions may result in the amortization of additional intangible assets.

*Non-cash expenses.*

We provide non-GAAP information relative to the following non-cash expenses: (i) stock-based compensation; and (ii) non-cash interest. These items are further discussed as follows:

- (i) Stock-based compensation. Because of varying valuation methodologies, subjective assumptions and the variety of award types, we exclude stock-based compensation from our operating results. We evaluate performance both with and without these measures because compensation expense related to stock-based compensation is typically non-cash and awards granted are influenced by the Company’s stock price and other factors such as volatility that are beyond our control. The expense related to stock-based awards is generally not controllable in the short-term and can vary significantly based on the timing, size and nature of awards granted. As such, we do not include such charges in operating plans. Stock-based compensation will continue in future periods.

- ii) Non-cash interest. We exclude non-cash interest because we believe that excluding this expense provides management, as well as other users of the financial statements, with a valuable perspective on the cash-based performance and health of the business, including the current near-term projected liquidity. Non-cash interest expense will continue in future periods.

*Other expenses.*

We exclude certain other expenses that result from unplanned events outside the ordinary course of continuing operations, in order to measure operating performance and current and future liquidity both with and without these expenses. By providing this information, we believe management and the users of the financial statements are better able to understand the financial results of what we consider to be our organic, continuing operations. Included in these expenses are items such as other charges (credits), net, losses from extinguishment of debt, and changes in indemnification assets corresponding with the release of pre-spin liabilities for uncertain tax positions.

*Backlog.*

Revenue backlog consists of the following categories: (i) fixed backlog, (ii) variable backlog, and (iii) total backlog. These categories are further discussed as follows:

- (i) Fixed backlog. Future revenue related to remaining performance obligations and contractual commitments which have not been invoiced.
- (ii) Variable backlog. Estimated future revenue from variable forecasted royalties related to our embedded and connected businesses. Our estimation of forecasted royalties is based on our royalty rates for embedded and connected technologies from expected car shipments under our existing contracts over the term of the programs. Anticipated shipments are based on historical shipping experience and current customer projections that management believes are reasonable. Both our embedded and connected technologies are priced and sold on a per-vehicle or device basis, where we receive a single fee for either or both the embedded license and the connected service term.
- (iii) Total backlog. The total of fixed backlog and variable backlog.

Our fixed and variable backlog may not be indicative of our actual future revenue. The revenue we actually recognize is subject to several factors, including the number and timing of vehicles our customers ship, potential terminations or changes in scope of customer contracts and currency fluctuations.

**Key performance indicators**

We believe that providing key performance indicators (“KPIs”), allows investors to gain insight into the way management views the performance of the business. We further believe that providing KPIs allows investors to better understand information used by management to evaluate and measure such performance. KPIs should not be considered superior to, or a substitute for, operating results prepared in accordance with GAAP. In assessing the performance of the business during the three and twelve months ended September 30, 2020 and 2019, our management has reviewed the following KPIs, each of which is described below:

- *Percent of worldwide auto production with Cerence Technology:* The number of Cerence enabled cars shipped as compared to IHS Markit car production data.
- *Average contract duration:* The weighted average annual period over which we expect to recognize the estimated revenues from new license and connected contracts signed during the quarter, calculated on a trailing twelve months (“TTM”) basis and presented in years.
- *Repeatable software contribution:* The percentage of repeatable revenues as compared to total GAAP revenue in the quarter. Repeatable revenues are defined as the sum of License and Connected Services revenues.
- *Change in number of Cerence connected cars shipped:* The year over year change in the number of cars shipped with Cerence connected solutions. Amounts calculated on a TTM basis.
- *Growth in billings per car FY20 vs. prior year:* The rate of growth calculated from the average billings per car in FY20 compared to the prior fiscal year excluding legacy contract and adjusted for prepay usage.

See the tables at the end of this press release for non-GAAP reconciliations to the most directly comparable GAAP measures.

#### **About Cerence Inc.**

Cerence (NASDAQ: CRNC) is the global industry leader in creating unique, moving experiences for the automotive world. As an innovation partner to the world’s leading automakers, it is helping transform how a car feels, responds and learns. Its track record is built on more than 20 years of knowledge and more than 325 million cars on the road today. Whether it’s connected cars, autonomous driving or e-vehicles, Cerence is mapping the road ahead. For more information, visit [www.cerence.com](http://www.cerence.com).

#### **Contact Information**

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**CERENCE INC.**  
**Consolidated and Combined Statements of Operations**  
 (unaudited - in thousands, except per share data)

|   | Three Months Ended<br>September 30, |                  | Twelve Months Ended<br>September 30, |                   |
|---|-------------------------------------|------------------|--------------------------------------|-------------------|
|   | 2020                                | 2019             | 2020                                 | 2019              |
| <b>Revenues:</b>                                  |                                     |                  |                                      |                   |
| License   | \$ 46,425                           | \$ 45,092        | \$ 164,268                           | \$ 172,379        |
| Connected service                                 | 25,000                              | 22,860           | 96,148                               | 78,690            |
| Professional service                              | 19,457                              | 15,006           | 69,230                               | 52,246            |
| <b>Total revenues</b>                             | <b>90,882</b>                       | <b>82,958</b>    | <b>329,646</b>                       | <b>303,315</b>    |
| <b>Cost of revenues:</b>                          |                                     |                  |                                      |                   |
| License   | 439                                 | 641              | 2,783                                | 2,069             |
| Connected service                                 | 7,026                               | 8,971            | 31,768                               | 37,562            |
| Professional service                              | 16,190                              | 15,082           | 64,963                               | 51,214            |
| Amortization of intangible assets                 | 1,929                               | 2,323            | 8,337                                | 8,498             |
| <b>Total cost of revenues</b>                     | <b>25,584</b>                       | <b>27,017</b>    | <b>107,851</b>                       | <b>99,343</b>     |
| <b>Gross profit</b>                               | <b>65,298</b>                       | <b>55,941</b>    | <b>221,795</b>                       | <b>203,972</b>    |
| <b>Operating expenses:</b>                        |                                     |                  |                                      |                   |
| Research and development                          | 22,001                              | 23,717           | 88,899                               | 93,061            |
| Sales and marketing                               | 8,569                               | 8,786            | 33,398                               | 36,261            |
| General and administrative                        | 12,930                              | 8,280            | 49,386                               | 25,926            |
| Amortization of intangible assets                 | 3,168                               | 3,127            | 12,544                               | 12,524            |
| Restructuring and other costs, net                | 4,512                               | 7,257            | 18,237                               | 24,404            |
| Acquisition-related costs                         | -                                   | 161              | -                                    | 944               |
| <b>Total operating expenses</b>                   | <b>51,180</b>                       | <b>51,328</b>    | <b>202,464</b>                       | <b>193,120</b>    |
| <b>Income from operations</b>                     | <b>14,118</b>                       | <b>4,613</b>     | <b>19,331</b>                        | <b>10,852</b>     |
| Interest income                                   | 22                                  | —                | 585                                  | —                 |
| Interest expense                                  | (3,694)                             | —                | (22,737)                             | —                 |
| Other income (expense), net                       | (2,953)                             | 231              | (23,319)                             | 332               |
| <b>Income (loss) before income taxes</b>          | <b>7,493</b>                        | <b>4,844</b>     | <b>(26,140)</b>                      | <b>11,184</b>     |
| Provision for (benefit from) income taxes         | 676                                 | (90,945)         | (5,509)                              | (89,084)          |
| <b>Net income (loss)</b>                          | <b>\$ 6,817</b>                     | <b>\$ 95,789</b> | <b>\$ (20,631)</b>                   | <b>\$ 100,268</b> |
| <b>Net income (loss) per share:</b>               |                                     |                  |                                      |                   |
| Basic   | 0.19                                | 2.63             | (0.57)                               | 2.76              |
| Diluted   | 0.17                                | 2.63             | (0.57)                               | 2.76              |
| <b>Weighted-average common share outstanding:</b> |                                     |                  |                                      |                   |
| Basic   | 36,765                              | 36,391           | 36,428                               | 36,391            |
| Diluted   | 39,041                              | 36,391           | 36,428                               | 36,391            |

**CERENCE INC.**  
**Consolidated and Combined Balance Sheets**  
 (unaudited - in thousands, except per share data)

|   | <u>September 30,</u><br><u>2020</u> | <u>September 30,</u><br><u>2019</u> |
|---|-------------------------------------|-------------------------------------|
| <b><u>ASSETS</u></b>  |                                     |                                     |
| Current assets:   |                                     |                                     |
| Cash and cash equivalents   | \$ 136,067                          | \$ -                                |
| Marketable securities   | 11,662                              | -                                   |
| Accounts receivable, net of allowances of \$1,394 and \$865 at September 30, 2020 and September 30, 2019, respectively                            | 49,943                              | 65,787                              |
| Deferred costs  | 7,256                               | 9,195                               |
| Prepaid expenses and other current assets   | 44,220                              | 17,343                              |
| Total current assets  | <u>249,148</u>                      | <u>92,325</u>                       |
| Property and equipment, net   | 29,529                              | 20,113                              |
| Deferred costs  | 38,161                              | 32,428                              |
| Operating lease right-of-use assets   | 20,096                              | -                                   |
| Goodwill  | 1,128,198                           | 1,119,329                           |
| Intangible assets, net  | 45,616                              | 65,561                              |
| Deferred tax assets   | 161,759                             | 150,629                             |
| Other assets  | 14,938                              | 3,444                               |
| Total assets  | <u>\$ 1,687,445</u>                 | <u>\$ 1,483,829</u>                 |
| <b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>  |                                     |                                     |
| Current liabilities:  |                                     |                                     |
| Accounts payable  | \$ 8,447                            | \$ 16,687                           |
| Deferred revenue  | 112,520                             | 88,233                              |
| Short-term operating lease liabilities  | 5,700                               | -                                   |
| Short-term debt   | 6,250                               | -                                   |
| Accrued expenses and other current liabilities  | 67,857                              | 24,194                              |
| Total current liabilities   | <u>200,774</u>                      | <u>129,114</u>                      |
| Long-term debt, net of discounts and issuance costs   | 266,872                             | -                                   |
| Deferred revenue, net of current portion  | 212,573                             | 265,051                             |
| Long-term operating lease liabilities   | 17,821                              | -                                   |
| Other liabilities   | 31,649                              | 21,536                              |
| Total liabilities   | <u>729,689</u>                      | <u>415,701</u>                      |
| Stockholders' Equity:   |                                     |                                     |
| Common stock, \$0.01 par value, 560,000 shares authorized as of September 30, 2020; 36,842 shares issued and outstanding as of September 30, 2020 | 369                                 | -                                   |
| Net parent investment   | -                                   | 1,097,127                           |
| Accumulated other comprehensive income (loss)   | 3,711                               | (28,999)                            |
| Additional paid-in capital  | 974,307                             | -                                   |
| Accumulated deficit   | (20,631)                            | -                                   |
| Total stockholders' equity  | <u>957,756</u>                      | <u>1,068,128</u>                    |
| Total liabilities and stockholders' equity  | <u>\$ 1,687,445</u>                 | <u>\$ 1,483,829</u>                 |

**CERENCE INC.**  
**Consolidated and Combined Statements of Cash Flows**  
 (unaudited - in thousands)

|  | <b>Twelve Months Ended</b> |                 |
|--|----------------------------|-----------------|
|  | <b>September 30,</b>       |                 |
|  | <b>2020</b>                | <b>2019</b>     |
| <b>Cash flows from operating activities:</b>   |                            |                 |
| Net (loss) income  | \$ (20,631)                | \$ 100,268      |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: |                            |                 |
| Depreciation and amortization  | 30,041                     | 28,844          |
| Provision for doubtful accounts  | 704                        | -               |
| Stock-based compensation expense   | 47,285                     | 29,682          |
| Non-cash interest expense  | 5,286                      | -               |
| Loss on debt extinguishment  | 19,279                     | -               |
| Deferred tax benefit   | (11,354)                   | (101,223)       |
| Changes in operating assets and liabilities:   |                            |                 |
| Accounts receivable  | 16,112                     | 904             |
| Prepaid expenses and other assets  | (30,311)                   | (8,836)         |
| Deferred costs   | (1,381)                    | 4,339           |
| Accounts payable   | (2,430)                    | 10,130          |
| Accrued expenses and other liabilities   | 27,819                     | 6,289           |
| Deferred revenue   | (35,630)                   | 17,674          |
| Net cash provided by operating activities  | <u>44,789</u>              | <u>88,071</u>   |
| <b>Cash flows from investing activities:</b>   |                            |                 |
| Capital expenditures   | (19,012)                   | (4,517)         |
| Purchases of marketable securities   | (11,663)                   | -               |
| Net cash used in investing activities  | <u>(30,675)</u>            | <u>(4,517)</u>  |
| <b>Cash flows from financing activities:</b>   |                            |                 |
| Net transactions with Parent   | 12,964                     | (83,554)        |
| Distributions to Parent  | (152,978)                  | -               |
| Proceeds from long-term debt, net of discount  | 547,719                    | -               |
| Payments for long-term debt issuance costs   | (6,402)                    | -               |
| Principal payments of long-term debt   | (271,563)                  | -               |
| Common stock repurchases for tax withholdings for net settlement of equity awards        | (9,369)                    | -               |
| Principal payments of lease liabilities arising from a finance lease                     | (136)                      | -               |
| Proceeds from issuance of common stock from employee stock plans                         | 1,318                      | -               |
| Net cash provided by (used in) financing activities                                      | <u>121,553</u>             | <u>(83,554)</u> |
| Effects of exchange rate changes on cash and cash equivalents                            | 400                        | -               |
| Net change in cash and cash equivalents  | 136,067                    | -               |
| Cash and cash equivalents at the beginning of the period                                 | -                          | -               |
| Cash and cash equivalents at the end of the period                                       | <u>\$ 136,067</u>          | <u>\$ -</u>     |

**CERENACE INC.**  
**Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures**  
 (unaudited - in thousands)

|   | Three Months Ended<br>September 30, |                  | Twelve Months Ended<br>September 30, |                   |
|---|-------------------------------------|------------------|--------------------------------------|-------------------|
|   | 2020                                | 2019             | 2020                                 | 2019              |
| <b>GAAP revenue</b>                       | \$ 90,882                           | \$ 82,958        | \$ 329,646                           | \$ 303,315        |
| <b>GAAP gross profit</b>                  | \$ 65,298                           | \$ 55,941        | \$ 221,795                           | \$ 203,972        |
| Stock-based compensation                  | 1,588                               | 436              | 5,573                                | 1,896             |
| Amortization of intangible assets         | 1,929                               | 2,323            | 8,337                                | 8,498             |
| <b>Non-GAAP gross profit</b>              | <u>\$ 68,815</u>                    | <u>\$ 58,700</u> | <u>\$ 235,705</u>                    | <u>\$ 214,366</u> |
| <b>GAAP gross margin</b>                  | 71.8%                               | 67.4%            | 67.3%                                | 67.2%             |
| <b>Non-GAAP gross margin</b>              | 75.7%                               | 70.8%            | 71.5%                                | 70.7%             |
| <b>GAAP operating income</b>              | \$ 14,118                           | \$ 4,613         | \$ 19,331                            | \$ 10,852         |
| Stock-based compensation                  | 14,331                              | 8,487            | 47,285                               | 29,682            |
| Amortization of intangible assets         | 5,097                               | 5,450            | 20,881                               | 21,022            |
| Restructuring and other costs, net        | 4,512                               | 7,257            | 18,237                               | 24,404            |
| Acquisition-related costs                 | -                                   | 161              | -                                    | 944               |
| <b>Non-GAAP operating income</b>          | <u>\$ 38,058</u>                    | <u>\$ 25,968</u> | <u>\$ 105,734</u>                    | <u>\$ 86,904</u>  |
| <b>GAAP operating margin</b>              | 15.5%                               | 5.6%             | 5.9%                                 | 3.6%              |
| <b>Non-GAAP operating margin</b>          | 41.9%                               | 31.3%            | 32.1%                                | 28.7%             |
| <b>GAAP net income (loss)</b>             | \$ 6,817                            | \$ 95,789        | \$ (20,631)                          | \$ 100,268        |
| Stock-based compensation                  | 14,331                              | 8,487            | 47,285                               | 29,682            |
| Amortization of intangible assets         | 5,097                               | 5,450            | 20,881                               | 21,022            |
| Restructuring and other costs, net        | 4,512                               | 7,257            | 18,237                               | 24,404            |
| Acquisition-related costs                 | -                                   | 161              | -                                    | 944               |
| Depreciation                              | 2,255                               | 1,872            | 9,160                                | 7,822             |
| Total other income (expense), net         | (6,625)                             | 231              | (45,471)                             | 332               |
| Provision for (benefit from) income taxes | 676                                 | (90,945)         | (5,509)                              | (89,084)          |
| <b>Adjusted EBITDA</b>                    | <u>\$ 40,313</u>                    | <u>\$ 27,840</u> | <u>\$ 114,894</u>                    | <u>\$ 94,726</u>  |
| <b>GAAP net income (loss) margin</b>      | 7.5%                                | 115.5%           | -6.3%                                | 33.1%             |
| <b>Adjusted EBITDA margin</b>             | 44.4%                               | 33.6%            | 34.9%                                | 31.2%             |

**CERENCE INC.**
**Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures (cont.)**

(unaudited - in thousands, except per share data)

|   | Three Months Ended<br>September 30, |                  | Twelve Months Ended<br>September 30, |                   |
|---|-------------------------------------|------------------|--------------------------------------|-------------------|
|   | 2020                                | 2019             | 2020                                 | 2019              |
| <b>GAAP net income (loss)</b>                                 | <b>\$ 6,817</b>                     | <b>\$ 95,789</b> | <b>\$ (20,631)</b>                   | <b>\$ 100,268</b> |
| Stock-based compensation                                      | 14,331                              | 8,487            | 47,285                               | 29,682            |
| Amortization of intangible assets                             | 5,097                               | 5,450            | 20,881                               | 21,022            |
| Restructuring and other costs, net                            | 4,512                               | 7,257            | 18,237                               | 24,404            |
| Acquisition-related costs                                     | -                                   | 161              | -                                    | 944               |
| Loss on debt extinguishment                                   | -                                   | -                | 19,279                               | -                 |
| Non-cash interest expense                                     | 1,261                               | -                | 5,286                                | -                 |
| Indemnification asset release                                 | 1,215                               | -                | 1,215                                | -                 |
| Adjustments to income tax expense                             | (7,501)                             | (98,085)         | (27,203)                             | (113,584)         |
| <b>Non-GAAP net income</b>                                    | <b>\$ 25,732</b>                    | <b>\$ 19,059</b> | <b>\$ 64,349</b>                     | <b>\$ 62,736</b>  |
| <b>Adjusted EPS:</b>  |                                     |                  |                                      |                   |
| <b>GAAP Numerator:</b>  |                                     |                  |                                      |                   |
| Net income (loss) attributed to common shareholders           | \$ 6,817                            | \$ 95,789        | \$ (20,631)                          | \$ 100,268        |
| Interest on Convertible Senior Notes, net of tax              | -                                   | -                | -                                    | -                 |
| Net income (loss) attributed to common shareholders - diluted | \$ 6,817                            | \$ 95,789        | \$ (20,631)                          | \$ 100,268        |
| <b>Non-GAAP Numerator:</b>                                    |                                     |                  |                                      |                   |
| Net income attributed to common shareholders                  | \$ 25,732                           | \$ 19,059        | \$ 64,349                            | \$ 62,736         |
| Interest on Convertible Senior Notes, net of tax              | 998                                 | -                | 1,323                                | -                 |
| Net income attributed to common shareholders - diluted        | \$ 26,730                           | \$ 19,059        | \$ 65,672                            | \$ 62,736         |
| <b>GAAP Denominator:</b>                                      |                                     |                  |                                      |                   |
| Weighted-average common shares outstanding - basic            | 36,765                              | 36,391           | 36,428                               | 36,391            |
| Adjustment for diluted shares                                 | 2,276                               | -                | -                                    | -                 |
| Weighted-average common shares outstanding - diluted          | <b>39,041</b>                       | <b>36,391</b>    | <b>36,428</b>                        | <b>36,391</b>     |
| <b>Non-GAAP Denominator:</b>                                  |                                     |                  |                                      |                   |
| Weighted-average common shares outstanding- basic             | 36,765                              | 36,391           | 36,428                               | 36,391            |
| Adjustment for diluted shares                                 | 6,952                               | -                | 2,747                                | -                 |
| Weighted-average common shares outstanding - diluted          | <b>43,717</b>                       | <b>36,391</b>    | <b>39,175</b>                        | <b>36,391</b>     |
| <b>GAAP net income (loss) per share - diluted</b>             | <b>\$ 0.17</b>                      | <b>\$ 2.63</b>   | <b>\$ (0.57)</b>                     | <b>\$ 2.76</b>    |
| <b>Non-GAAP net income per share - diluted</b>                | <b>\$ 0.61</b>                      | <b>\$ 0.52</b>   | <b>\$ 1.68</b>                       | <b>\$ 1.72</b>    |
| <b>GAAP net cash provided by operating activities</b>         | <b>\$ 26,212</b>                    | <b>\$ 19,412</b> | <b>\$ 44,789</b>                     | <b>\$ 88,071</b>  |
| Capital expenditures  | (2,937)                             | (1,649)          | (19,012)                             | (4,517)           |
| <b>Free Cash Flow</b>   | <b>\$ 23,275</b>                    | <b>\$ 17,763</b> | <b>\$ 25,777</b>                     | <b>\$ 83,554</b>  |

**CERENACE INC.**
**Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures (cont.)**

(unaudited - in thousands)

|   | Q4FY20            | Q3FY20            | Q2FY20            | Q1FY20            | Q4FY19            | Q3FY19            | Q2FY19           | Q1FY19           |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| <b>GAAP revenues</b>                    | <b>\$ 90,882</b>  | <b>\$ 74,810</b>  | <b>\$ 86,495</b>  | <b>\$ 77,459</b>  | <b>\$ 82,958</b>  | <b>\$ 77,569</b>  | <b>\$ 70,304</b> | <b>\$ 72,484</b> |
| Less: Professional services revenue     | 19,457            | 17,360            | 18,742            | 13,671            | 15,006            | 13,891            | 12,122           | 11,227           |
| <b>Non-GAAP Repeatable revenues</b>     | <b>\$ 71,425</b>  | <b>\$ 57,450</b>  | <b>\$ 67,753</b>  | <b>\$ 63,788</b>  | <b>\$ 67,952</b>  | <b>\$ 63,678</b>  | <b>\$ 58,182</b> | <b>\$ 61,257</b> |
| <b>GAAP revenues TTM</b>                | <b>\$ 329,646</b> | <b>\$ 321,722</b> | <b>\$ 324,481</b> | <b>\$ 308,290</b> | <b>\$ 303,315</b> | <b>\$ 295,713</b> |                  |                  |
| Less: Professional services revenue TTM | 69,230            | 64,779            | 61,310            | 54,690            | 52,246            | 48,643            |                  |                  |
| <b>Non-GAAP Repeatable revenues TTM</b> | <b>\$ 260,416</b> | <b>\$ 256,943</b> | <b>\$ 263,171</b> | <b>\$ 253,600</b> | <b>\$ 251,069</b> | <b>\$ 247,070</b> |                  |                  |
| <b>Repeatable software contribution</b> | <b>79%</b>        | <b>80%</b>        | <b>81%</b>        | <b>82%</b>        | <b>83%</b>        | <b>84%</b>        |                  |                  |

**CERENCE INC.**
**Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures (cont.)**

(unaudited - in thousands, except per share data)

|                                    | Q1 2021          |                  | FY2021            |                   |
|------------------------------------|------------------|------------------|-------------------|-------------------|
|                                    | Low              | High             | Low               | High              |
| <b>GAAP revenue</b>                | \$ 85,000        | \$ 90,000        | \$ 360,000        | \$ 380,000        |
| <b>GAAP gross profit</b>           | \$ 57,500        | \$ 62,100        | \$ 248,100        | \$ 270,100        |
| Stock-based compensation           | 1,000            | 1,000            | 3,400             | 3,400             |
| Amortization of intangible assets  | 1,900            | 1,900            | 7,500             | 7,500             |
| <b>Non-GAAP gross profit</b>       | <u>\$ 60,400</u> | <u>\$ 65,000</u> | <u>\$ 259,000</u> | <u>\$ 281,000</u> |
| <b>GAAP gross margin</b>           | 68%              | 69%              | 69%               | 71%               |
| <b>Non-GAAP gross margin</b>       | 71%              | 72%              | 72%               | 74%               |
| <b>GAAP operating income</b>       | \$ 11,300        | \$ 14,900        | \$ 48,000         | \$ 61,900         |
| Stock-based compensation           | 9,700            | 9,700            | 40,000            | 40,000            |
| Amortization of intangible assets  | 5,000            | 5,000            | 20,100            | 20,100            |
| Restructuring and other costs, net | 2,500            | 2,500            | 3,600             | 3,600             |
| <b>Non-GAAP operating income</b>   | <u>\$ 28,500</u> | <u>\$ 32,100</u> | <u>\$ 111,700</u> | <u>\$ 125,600</u> |
| <b>GAAP operating margin</b>       | 13%              | 17%              | 13%               | 16%               |
| <b>Non-GAAP operating margin</b>   | 34%              | 36%              | 31%               | 33%               |
| <b>GAAP net income</b>             | \$ 5,600         | \$ 9,300         | \$ 17,900         | \$ 30,900         |
| Stock-based compensation           | 9,700            | 9,700            | 40,000            | 40,000            |
| Amortization of intangible assets  | 5,000            | 5,000            | 20,100            | 20,100            |
| Restructuring and other costs, net | 2,500            | 2,500            | 3,600             | 3,600             |
| Depreciation                       | 2,500            | 2,500            | 9,400             | 9,400             |
| Total other income (expense), net  | (3,700)          | (3,700)          | (14,500)          | (14,500)          |
| Provision for income taxes         | 1,900            | 1,900            | 16,500            | 16,500            |
| <b>Adjusted EBITDA</b>             | <u>\$ 30,900</u> | <u>\$ 34,600</u> | <u>\$ 122,000</u> | <u>\$ 135,000</u> |
| <b>GAAP net income margin</b>      | 7%               | 10%              | 5%                | 8%                |
| <b>Adjusted EBITDA margin</b>      | 36%              | 38%              | 34%               | 36%               |

**CERENCE INC.**
**Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures (cont.)**

(unaudited - in thousands, except per share data)

|  | Q1 2021          |                  | FY2021           |                  |
|--|------------------|------------------|------------------|------------------|
|  | Low              | High             | Low              | High             |
| <b>GAAP net income</b>                                 | \$ 5,600         | \$ 9,300         | \$ 17,900        | \$ 30,900        |
| Stock-based compensation                               | 9,700            | 9,700            | 40,000           | 40,000           |
| Amortization of intangible assets                      | 5,000            | 5,000            | 20,100           | 20,100           |
| Restructuring and other costs, net                     | 2,500            | 2,500            | 3,600            | 3,600            |
| Non-cash interest expense                              | 1,200            | 1,200            | 5,000            | 5,000            |
| Income tax impact of Non-GAAP adjustments              | (4,300)          | (5,200)          | (10,500)         | (13,100)         |
| <b>Non-GAAP net income</b>                             | <u>\$ 19,700</u> | <u>\$ 22,500</u> | <u>\$ 76,100</u> | <u>\$ 86,500</u> |
| <b>Adjusted EPS:</b>                                   |                  |                  |                  |                  |
| <b>GAAP Numerator:</b>                                 |                  |                  |                  |                  |
| Net income attributed to common shareholders           | \$ 5,600         | \$ 9,300         | \$ 17,900        | \$ 30,900        |
| Interest on Convertible Senior Notes, net of tax       | 1,005            | 1,005            | 3,987            | 3,987            |
| Net income attributed to common shareholders - diluted | <u>\$ 6,605</u>  | <u>\$ 10,305</u> | <u>\$ 21,887</u> | <u>\$ 34,887</u> |
| <b>Non-GAAP Numerator:</b>                             |                  |                  |                  |                  |
| Net income attributed to common shareholders           | \$ 19,700        | \$ 22,500        | \$ 76,100        | \$ 86,500        |
| Interest on Convertible Senior Notes, net of tax       | 1,005            | 1,005            | 3,987            | 3,987            |
| Net income attributed to common shareholders - diluted | <u>\$ 20,705</u> | <u>\$ 23,505</u> | <u>\$ 80,087</u> | <u>\$ 90,487</u> |
| <b>GAAP Denominator:</b>                               |                  |                  |                  |                  |
| Weighted-average common shares outstanding - basic     | 37,221           | 37,221           | 38,302           | 38,302           |
| Adjustment for diluted shares                          | 5,818            | 5,818            | 5,888            | 5,888            |
| Weighted-average common shares outstanding - diluted   | <u>43,039</u>    | <u>43,039</u>    | <u>44,190</u>    | <u>44,190</u>    |
| <b>Non-GAAP Denominator:</b>                           |                  |                  |                  |                  |
| Weighted-average common shares outstanding- basic      | 37,221           | 37,221           | 38,302           | 38,302           |
| Adjustment for diluted shares                          | 5,818            | 5,818            | 5,888            | 5,888            |
| Weighted-average common shares outstanding - diluted   | <u>43,039</u>    | <u>43,039</u>    | <u>44,190</u>    | <u>44,190</u>    |
| <b>GAAP net income per share - diluted</b>             | \$ 0.15          | \$ 0.24          | \$ 0.50          | \$ 0.79          |
| <b>Non-GAAP net income per share - diluted</b>         | \$ 0.48          | \$ 0.55          | \$ 1.81          | \$ 2.05          |

# Q4FY20 Earnings Conference Call

Sanjay Dhawan, CEO  
Mark Gallenberger, CFO

November 16, 2020

AI for a World in Motion

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# Forward Looking Statements and Non-GAAP Financial Measures

Statements in this presentation regarding Cerence’s future performance, results and financial condition, expected growth and innovation and our management’s future expectations, beliefs, goals, plans or prospects constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact (including statements containing the words “believes,” “plans,” “anticipates,” “expects,” “intends” or “estimates” or similar expressions) should also be considered to be forward-looking statements. Although we believe forward-looking statements are based upon reasonable assumptions, such statements involve known and unknown risk, uncertainties and other factors, which may cause actual results or performance of the company to be materially different from any future results or performance expressed or implied by such forward-looking statements including but not limited to: impacts of the COVID-19 pandemic on our and our customer’s businesses; the highly competitive and rapidly changing market in which we operate; adverse conditions in the automotive industry or the global economy more generally; our ability to control and successfully manage our expenses and cash position; our strategy to increase cloud; escalating pricing pressures from our customers; our failure to win, renew or implement service contracts; the loss of business from any of our largest customers; effects of customer defaults; the inability to recruit and retain qualified personnel; cybersecurity and data privacy incidents; fluctuating currency rates; and the other factors in our Annual Report on our most recent Form 10-K, quarterly reports on Form 10-Q, and other filings with the Securities and Exchange Commission. We disclaim any obligation to update any forward-looking statements as a result of developments occurring after the date of this document.

# Cerence Delivers Best Ever Quarterly Results

## Exceeded all key financial metrics



Revenue



Non-GAAP Operating Income



AEBITDA



Non-GAAP EPS



Non-GAAP Gross Margin



Non-GAAP Operating Margin



AEBITDA Margin



CFFO<sup>(1)</sup>

(1) CFFO equals GAAP net cash provided by operating activities

# Cerence Established as a Key Player in Conversational AI for Transportation and Mobility



Seamless separation from Nuance



Consumer Electronics Show helped position Cerence among the leaders of auto tech and innovation



Hosted our first analyst day and opened the Nasdaq market



Hosted a technology showcase for investors to gain better insight on Cerence products and technology leadership



Bookings increased by 70% including several EV manufacturers



# Cerence Innovation Continues to Lead the Industry



Key priorities: Innovation, speed of execution and costs



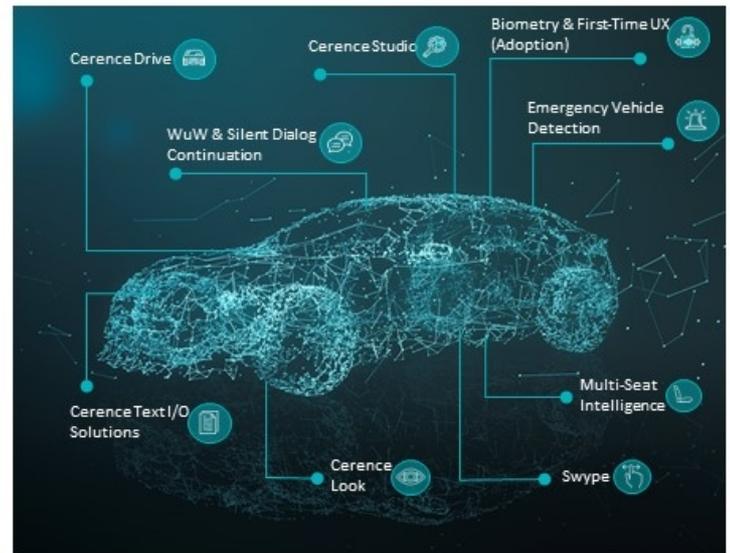
Introduced a steady stream of new products and innovations leveraging the sensors, cameras and microphones in the car



New SaaS applications



Hosted a technology showcase for investors to gain better insight on Cerence products and technology leadership



# KPIs Indicate Long Term Growth Potential

|  | Q4FY20 | Q3FY20 | Q2FY20 | Q1FY20 | Q4FY19 |
|--|--------|--------|--------|--------|--------|
| % of worldwide Auto production with Cerence Technology (TTM) | 53%    | 54%    | 56%    | 54%    | 54%    |
| Average Contract Duration (TTM)                              | 6.1    | 6.2    | 5.7    | 4.9    | 5.1    |



**79%**

Repeatable software revenue contribution (TTM)



**-16%**

Change in number of Cerence cloud-connected cars shipped in FY20 over FY19 (change in auto production for the same period according to IHS data is -19%)



**14%**

Growth in billings per car in FY20 vs. FY19 (excludes legacy contract)



**\$1.8B**

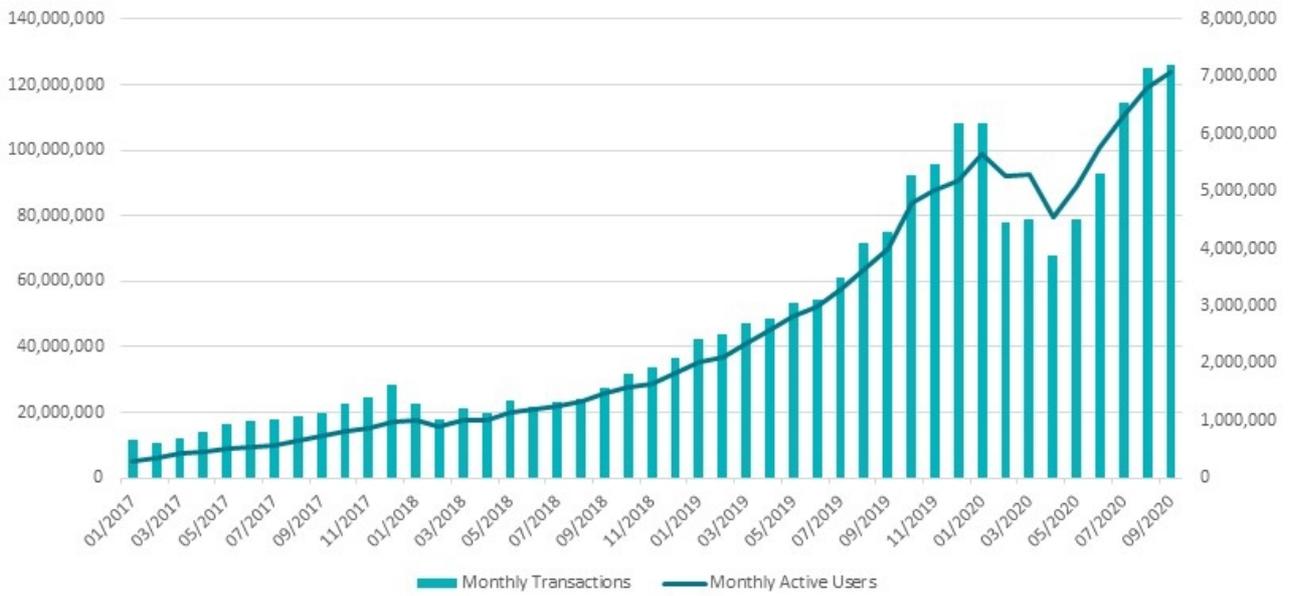
Backlog at start of FY21



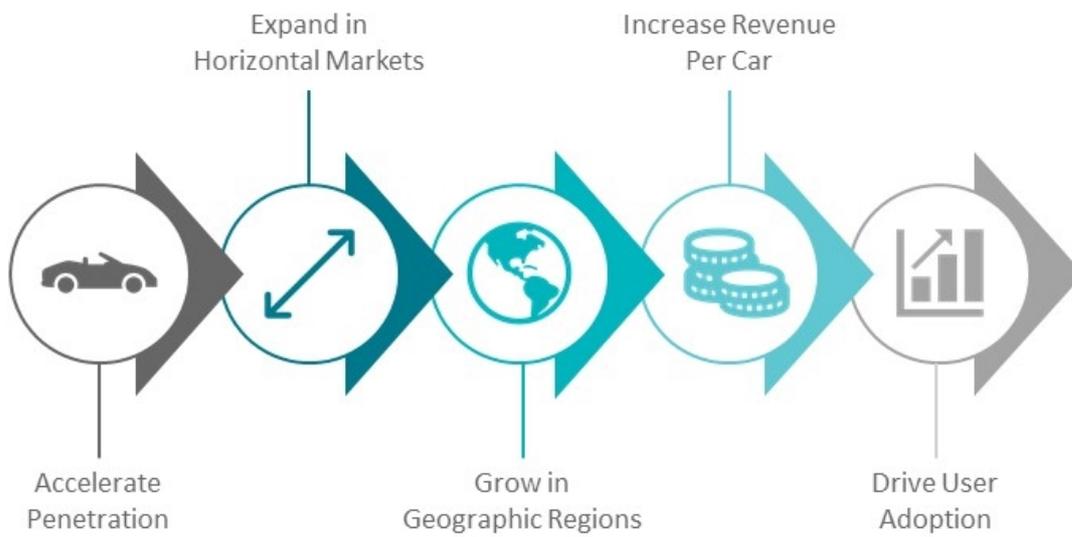
**\$835M**

FY20 bookings

# Adoption KPIs Show Increasing Usage



# Fiscal Year 2021 Momentum Expected to Continue



# Financial Summary



AI for a World in Motion

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## Q4 Exceeded Street Guidance on All Key Financial Metrics

|                                | Q4 Actual Results | Q4 Guidance     |
|--------------------------------|-------------------|-----------------|
| Revenue                        | \$90.9M           | \$76M - \$80M   |
| Non-GAAP GM <sup>(a)</sup>     | 75.7%             | 68% - 70%       |
| Non-GAAP OM <sup>(a)</sup>     | 41.9%             | 27% - 29%       |
| Adjusted EBITDA <sup>(a)</sup> | \$40.3M           | \$23M - \$26M   |
| Adjusted EBITDA <sup>(a)</sup> | 44.4%             | 30% - 32%       |
| Non-GAAP EPS <sup>(a)</sup>    | \$0.61            | \$0.30 - \$0.35 |
| CFFO                           | \$26.2M           | \$24M           |

Footnote:

(a) Non-GAAP excludes acquisition-related costs, amortization of acquired intangible assets, restructuring expense, and stock-based compensation.

## Strong Connected and Pro Services Growth Offset License Softness

|                              | Q4FY20         | Q4FY19         | YoY        |  | FY20            | FY19            | YoY         |
|------------------------------|----------------|----------------|------------|--|-----------------|-----------------|-------------|
| <b>License:</b>              | <b>\$46.4M</b> | <b>\$45.1M</b> | <b>3%</b>  |  | <b>\$164.3M</b> | <b>\$172.4M</b> | <b>(5%)</b> |
| Variable                     | \$29.9M        | \$33.8M        | (12%)      |  | \$110.1M        | \$128.9M        | (15%)       |
| Prepay                       | \$16.5M        | \$11.3M        | 46%        |  | \$54.1M         | \$43.5M         | 24%         |
| <b>Connected Services:</b>   | <b>\$25.0M</b> | <b>\$22.9M</b> | <b>9%</b>  |  | <b>\$96.1M</b>  | <b>\$78.7M</b>  | <b>22%</b>  |
| Legacy                       | \$15.9M        | \$15.4M        | 3%         |  | \$62.6M         | \$58.0M         | 8%          |
| New                          | \$9.1M         | \$7.4M         | 23%        |  | \$33.6M         | \$20.7M         | 62%         |
| <b>Professional Services</b> | <b>\$19.5M</b> | <b>\$15.0M</b> | <b>30%</b> |  | <b>\$69.2M</b>  | <b>\$52.2M</b>  | <b>33%</b>  |
| <b>Total Revenue:</b>        | <b>\$90.9M</b> | <b>\$83.0M</b> | <b>10%</b> |  | <b>\$329.6M</b> | <b>\$303.3M</b> | <b>9%</b>   |

## Fiscal Year Results Beat Pre-COVID Estimates

|  | Fiscal Year 2020 |                         |
|--|------------------|-------------------------|
|  | Actual           | Guidance<br>(Pre-COVID) |
| GAAP Revenue                             | \$329.6M         | \$321 - \$336M          |
| Non-GAAP GM <sup>(a)</sup>               | 71.5%            | 70% - 71%               |
| Non-GAAP Operating Margin <sup>(a)</sup> | 32.1%            | 24% - 25%               |
| Adjusted EBITDA <sup>(a)</sup>           | \$114.9M         | \$91 - \$98M            |
| CFFO                                     | \$44.8M          | \$43 - \$51M            |
| FCF <sup>(b)</sup>                       | \$25.8M          | NA                      |
| Non-GAAP EPS <sup>(a)</sup>              | \$1.68           | \$1.07 - \$1.21         |

Footnotes:

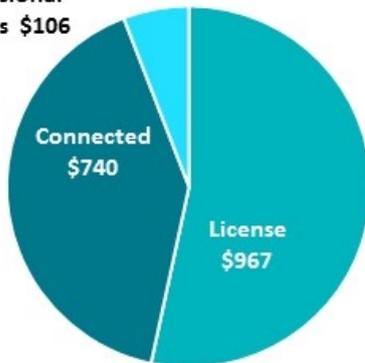
(a) Non-GAAP excludes acquisition-related costs, amortization of acquired intangible assets, restructuring expense, and stock-based compensation.

(b) Free Cash Flow equals GAAP net cash from operating activities minus Capital Expenditures

# ~\$1.8 Billion Backlog Creates High Revenue Visibility

Backlog as of September 30, 2020  
(approximately \$1.8 billion+) <sup>1</sup>

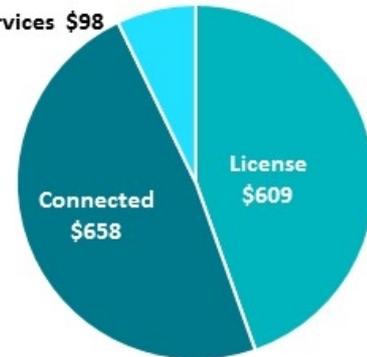
Professional  
Services \$106



(\$ in millions)

Backlog as of September 30, 2019  
(approximately \$1.36 billion+) <sup>1</sup>

Professional  
Services \$98



## Year over Year Growth

License: 59%  
Connected: 12%  
Pro Services: 8%

(1) These figures are estimates and based on existing customer contracts and management estimates about future vehicle shipments. The revenue that we actually recognize from our backlog is subject to several factors, including the number and timing of vehicles our customers ship, potential terminations or changes in scope of customer contracts and currency fluctuations.

# Q1 FY21 Guidance Shows Strong Year Over Year Growth

|  | Q1 FY21 |        | Q1FY20  | (midpoint) |
|--|---------|--------|---------|------------|
|  | Low     | High   | Actual  | YoY Growth |
| Revenue                                  | \$85M   | \$90M  | \$77.5M | 13%        |
| Non-GAAP GM <sup>(a)</sup>               | 71%     | 72%    | 70.8%   | 1%         |
| Non-GAAP Operating Margin <sup>(a)</sup> | 34%     | 36%    | 25.4%   | 38%        |
| Adjusted EBITDA <sup>(a)</sup>           | \$31M   | \$35M  | \$21.8M | 51%        |
| Adjusted EBITDA Margin <sup>(a)</sup>    | 36%     | 38%    | 28.1%   | 32%        |
| Non-GAAP EPS <sup>(a)</sup>              | \$0.48  | \$0.55 | \$0.29  | 78%        |

**Footnote:**

(a) Non-GAAP excludes acquisition-related costs, amortization of acquired intangible assets, restructuring expense, and stock-based compensation.

# FY21 Guidance

|  | FY21   |        | FY20     | (midpoint) |
|--|--------|--------|----------|------------|
|  | Low    | High   | Actual   | YoY        |
| Revenue                                  | \$360M | \$380M | \$329.6M | 12%        |
| Non-GAAP GM <sup>(a)</sup>               | 72%    | 74%    | 71.5%    | 2%         |
| Non-GAAP Operating Margin <sup>(a)</sup> | 31%    | 33%    | 32.1%    | 0%         |
| Adjusted EBITDA <sup>(a)</sup>           | \$122M | \$135M | \$114.9M | 12%        |
| Adjusted EBITDA Margin <sup>(a)</sup>    | 34%    | 36%    | 34.9%    | 0%         |
| Non-GAAP EPS <sup>(a)</sup>              | \$1.81 | \$2.05 | \$1.68   | 17%        |
| CFFO                                     | \$62M  | \$70M  | \$44.8M  | 46%        |

**Footnote:**

(a) Non-GAAP excludes acquisition-related costs, amortization of acquired intangible assets, restructuring expense, and stock-based compensation.

# Thank You!

# Appendix



# Non-GAAP Financial Measures – Definitions

## Discussion of Non-GAAP Financial Measures

We believe that providing the non-GAAP information in addition to the GAAP presentation, allows investors to view the financial results in the way management views the operating results. We further believe that providing this information allows investors to not only better understand our financial performance, but more importantly, to evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance. The non-GAAP information should not be considered superior to, or a substitute for, financial statements prepared in accordance with GAAP.

We utilize a number of different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of the business, for making operating decisions and for forecasting and planning for future periods. While our management uses these non-GAAP financial measures as a tool to enhance their understanding of certain aspects of our financial performance, our management does not consider these measures to be a substitute for, or superior to, the information provided by GAAP financial statements.

Consistent with this approach, we believe that disclosing non-GAAP financial measures to the readers of our financial statements provides such readers with useful supplemental data that, while not a substitute for GAAP financial statements, allows for greater transparency in the review of our financial and operational performance. In assessing the overall health of the business during the three and twelve months ended September 30, 2020 and 2019, our management has either included or excluded the following items in general categories, each of which is described below.

### **Adjusted EBITDA**

Adjusted EBITDA is defined as net income attributable to Cerence Inc. before net income (loss) attributable to income tax (benefit) expense, other income (expense) items, net, depreciation and amortization expense, and excluding acquisition-related costs, amortization of acquired intangible assets, stock-based compensation, and restructuring and other costs, net or impairment charges related to fixed and intangible assets and gains or losses on the sale of long-lived assets, if any. From time to time we may exclude from Adjusted EBITDA the impact of events, gains, losses or other charges (such as significant legal settlements) that affect the period-to-period comparability of our operating performance. Other income (expense) items, net include interest expense, interest income, and other income (expense), net (as stated in our Consolidated and Combined Statement of Operations). Our management and Board of Directors use this financial measure to evaluate our operating performance. It is also a significant performance measure in our annual incentive compensation programs.

# Non-GAAP Financial Measures – Definitions

## ***Restructuring and other costs, net.***

Restructuring and other charges, net include restructuring expenses as well as other charges that are unusual in nature, are the result of unplanned events, and arise outside the ordinary course of our business such as employee severance costs, costs for consolidating duplication facilities, and separation costs directly attributable to the Cerence business becoming a standalone public company.

## ***Acquisition-related costs, net.***

In recent years, we have completed a number of acquisitions, which result in operating expenses, which would not otherwise have been incurred. We provide supplementary non-GAAP financial measures, which exclude certain transition, integration and other acquisition-related expense items resulting from acquisitions, to allow more accurate comparisons of the financial results to historical operations, forward looking guidance and the financial results of less acquisitive peer companies. We consider these types of costs and adjustments, to a great extent, to be unpredictable and dependent on a significant number of factors that are outside of our control. Furthermore, we do not consider these acquisition-related costs and adjustments to be related to the organic continuing operations of the acquired businesses and are generally not relevant to assessing or estimating the long-term performance of the acquired assets. In addition, the size, complexity and/or volume of past acquisitions, which often drives the magnitude of acquisition related costs, may not be indicative of the size, complexity and/or volume of future acquisitions. By excluding acquisition-related costs and adjustments from our non-GAAP measures, management is better able to evaluate our ability to utilize our existing assets and estimate the long-term value that acquired assets will generate for us. We believe that providing a supplemental non-GAAP measure, which excludes these items allows management and investors to consider the ongoing operations of the business both with, and without, such expenses.

These acquisition-related costs fall into the following categories: (i) transition and integration costs; (ii) professional service fees and expenses; and (iii) acquisition-related adjustments. Although these expenses are not recurring with respect to past acquisitions, we generally will incur these expenses in connection with any future acquisitions. These categories are further discussed as follows:

**Transition and integration costs.** Transition and integration costs include retention payments, transitional employee costs, and earn-out payments treated as compensation expense, as well as the costs of integration-related activities, including services provided by third-parties.

**Professional service fees and expenses.** Professional service fees and expenses include financial advisory, legal, accounting and other outside services incurred in connection with acquisition activities, and disputes and regulatory matters related to acquired entities.

**Acquisition-related adjustments.** Acquisition-related adjustments include adjustments to acquisition-related items that are required to be marked to fair value each reporting period, such as contingent consideration, and other items related to acquisitions for which the measurement period has ended, such as gains or losses on settlements of pre-acquisition contingencies.

# Non-GAAP Financial Measures – Definitions

## ***Amortization of acquired intangible assets.***

We exclude the amortization of acquired intangible assets from non-GAAP expense and income measures. These amounts are inconsistent in amount and frequency and are significantly impacted by the timing and size of acquisitions. Providing a supplemental measure which excludes these charges allows management and investors to evaluate results "as-if" the acquired intangible assets had been developed internally rather than acquired and, therefore, provides a supplemental measure of performance in which our acquired intellectual property is treated in a comparable manner to our internally developed intellectual property. Although we exclude amortization of acquired intangible assets from our non-GAAP expenses, we believe that it is important for investors to understand that such intangible assets contribute to revenue generation. Amortization of intangible assets that relate to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Future acquisitions may result in the amortization of additional intangible assets.

## **Non-cash expenses.**

We provide non-GAAP information relative to the following non-cash expenses: (i) stock-based compensation; and (ii) non-cash interest. These items are further discussed as follows:

(i) Stock-based compensation. Because of varying valuation methodologies, subjective assumptions and the variety of award types, we exclude stock-based compensation from our operating results. We evaluate performance both with and without these measures because compensation expense related to stock-based compensation is typically non-cash and awards granted are influenced by the Company's stock price and other factors such as volatility that are beyond our control. The expense related to stock-based awards is generally not controllable in the short-term and can vary significantly based on the timing, size and nature of awards granted. As such, we do not include such charges in operating plans. Stock-based compensation will continue in future periods.

(ii) Non-cash interest. We exclude non-cash interest because we believe that excluding this expense provides management, as well as other users of the financial statements, with a valuable perspective on the cash-based performance and health of the business, including the current near-term projected liquidity. Non-cash interest expense will continue in future periods.

## **Other expenses.**

We exclude certain other expenses that result from unplanned events outside the ordinary course of continuing operations, in order to measure operating performance and current and future liquidity both with and without these expenses. By providing this information, we believe management and the users of the financial statements are better able to understand the financial results of what we consider to be our organic, continuing operations. Included in these expenses are items such as other charges (credits), net, losses from extinguishment of debt, and changes in indemnification assets corresponding with the release of pre-spin liabilities for uncertain tax positions.

# KPI Measures – Definitions

## Key performance indicators

We believe that providing key performance indicators (“KPIs”), allows investors to gain insight into the way management views the performance of the business. We further believe that providing KPIs allows investors to better understand information used by management to evaluate and measure such performance. KPIs should not be considered superior to, or a substitute for, operating results prepared in accordance with GAAP. In assessing the performance of the business during the three and twelve months ended September 30, 2020 and 2019, our management has reviewed the following KPIs, each of which is described below:

- **Percent of worldwide auto production with Cerence Technology:** The number of Cerence enabled cars shipped as compared to IHS Markit car production data.
- **Average contract duration:** The weighted average annual period over which we expect to recognize the estimated revenues from new license and connected contracts signed during the quarter, calculated on a trailing twelve months (“TTM”) basis and presented in years.
- **Repeatable software contribution:** The percentage of repeatable revenues as compared to total GAAP revenue in the quarter. Repeatable revenues are defined as the sum of License and Connected Services revenues.
- **Change in number of Cerence connected cars shipped:** The year over year change in the number of cars shipped with Cerence connected solutions. Amounts calculated on a TTM basis.
- **Growth in billings per car FY20 vs. prior year:** The rate of growth calculated from the average billings per car in FY20 compared to the prior fiscal year excluding legacy contract and adjusted for prepay usage.

## Q4FY20 and FY20vReconciliations of GAAP to non-GAAP Results

| (unaudited - in thousands, except per share data) | Three Months Ended |           | Twelve Months Ended |            | Three Months Ended |      | Twelve Months Ended |      |
|---|--------------------|-----------|---------------------|------------|--------------------|------|---------------------|------|
|   | September 30,      |           | September 30,       |            | September 30,      |      | September 30,       |      |
|   | 2020               | 2019      | 2020                | 2019       | 2020               | 2019 | 2020                | 2019 |
| GAAP revenue                                      | \$ 90,882          | \$ 82,958 | \$ 329,646          | \$ 303,315 |                    |      |                     |      |
| GAAP gross profit                                 | \$ 65,298          | \$ 55,941 | \$ 221,795          | \$ 203,972 |                    |      |                     |      |
| Stock-based compensation                          | 1,388              | 436       | 5,373               | 1,896      |                    |      |                     |      |
| Amortization of intangible assets                 | 1,929              | 2,323     | 8,337               | 8,488      |                    |      |                     |      |
| Non-GAAP gross profit                             | \$ 68,815          | \$ 58,700 | \$ 235,705          | \$ 214,366 |                    |      |                     |      |
| GAAP gross margin                                 | 71.8%              | 67.4%     | 67.3%               | 67.2%      |                    |      |                     |      |
| Non-GAAP gross margin                             | 75.7%              | 70.8%     | 71.5%               | 70.7%      |                    |      |                     |      |
| GAAP operating income                             | \$ 14,118          | \$ 4,613  | \$ 19,331           | \$ 10,852  |                    |      |                     |      |
| Stock-based compensation                          | 14,331             | 8,487     | 47,285              | 25,682     |                    |      |                     |      |
| Amortization of intangible assets                 | 5,097              | 5,450     | 20,881              | 21,022     |                    |      |                     |      |
| Restructuring and other costs, net                | 4,512              | 7,237     | 18,237              | 24,404     |                    |      |                     |      |
| Acquisition-related costs                         | -                  | 161       | -                   | 944        |                    |      |                     |      |
| Non-GAAP operating income                         | \$ 38,058          | \$ 25,968 | \$ 105,734          | \$ 86,904  |                    |      |                     |      |
| GAAP operating margin                             | 15.5%              | 5.6%      | 5.9%                | 3.6%       |                    |      |                     |      |
| Non-GAAP operating margin                         | 41.9%              | 31.3%     | 32.1%               | 28.7%      |                    |      |                     |      |
| GAAP net income (loss)                            | \$ 6,817           | \$ 95,789 | \$ (20,631)         | \$ 100,268 |                    |      |                     |      |
| Stock-based compensation                          | 14,331             | 8,487     | 47,285              | 25,682     |                    |      |                     |      |
| Amortization of intangible assets                 | 5,097              | 5,450     | 20,881              | 21,022     |                    |      |                     |      |
| Restructuring and other costs, net                | 4,512              | 7,237     | 18,237              | 24,404     |                    |      |                     |      |
| Acquisition-related costs                         | -                  | 161       | -                   | 944        |                    |      |                     |      |
| Depreciation                                      | 2,255              | 1,872     | 9,160               | 7,822      |                    |      |                     |      |
| Total other income (expense), net                 | (6,622)            | 231       | (45,471)            | 332        |                    |      |                     |      |
| Provision for (benefit from) income taxes         | 676                | (80,845)  | (5,509)             | (89,084)   |                    |      |                     |      |
| Adjusted EBITDA                                   | \$ 40,313          | \$ 27,840 | \$ 114,894          | \$ 94,726  |                    |      |                     |      |
| GAAP net income (loss) margin                     | 7.5%               | 115.5%    | -6.3%               | 33.1%      |                    |      |                     |      |
| Adjusted EBITDA margin                            | 44.4%              | 33.6%     | 34.9%               | 31.2%      |                    |      |                     |      |
| GAAP net income (loss)                            | \$ 6,817           | \$ 95,789 | \$ (20,631)         | \$ 100,268 |                    |      |                     |      |
| Stock-based compensation                          | 14,331             | 8,487     | 47,285              | 25,682     |                    |      |                     |      |
| Amortization of intangible assets                 | 5,097              | 5,450     | 20,881              | 21,022     |                    |      |                     |      |
| Restructuring and other costs, net                | 4,512              | 7,237     | 18,237              | 24,404     |                    |      |                     |      |
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| Stock-based compensation                          | 14,331             | 8,487     | 47,285              | 25,682     |                    |      |                     |      |
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| Acquisition-related costs                         | -                  | 161       | -                   | 944        |                    |      |                     |      |
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| Total other income (expense), net                 | (6,622)            | 231       | (45,471)            | 332        |                    |      |                     |      |
| Provision for (benefit from) income taxes         | 676                | (80,845)  | (5,509)             | (89,084)   |                    |      |                     |      |
| Adjusted EBITDA                                   | \$ 40,313          | \$ 27,840 | \$ 114,894          | \$ 94,726  |                    |      |                     |      |
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| GAAP net income (loss)                            | \$ 6,817           | \$ 95,789 | \$ (20,631)         | \$ 100,268 |                    |      |                     |      |
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| Depreciation                                      | 2,255              | 1,872     | 9,160               | 7,822      |                    |      |                     |      |
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| Adjusted EBITDA                                   | \$ 40,313          | \$ 27,840 | \$ 114,894          | \$ 94,726  |                    |      |                     |      |
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| Restructuring and other costs, net                | 4,512              | 7,237     | 18,237              | 24,404     |                    |      |                     |      |
| Acquisition-related costs                         | -                  | 161       | -                   | 944        |                    |      |                     |      |
| Depreciation                                      | 2,255              | 1,872     | 9,160               | 7,822      |                    |      |                     |      |
| Total other income (expense), net                 | (6,622)            | 231       | (45,471)            | 332        |                    |      |                     |      |
| Provision for (benefit from) income taxes         | 676                | (80,845)  | (5,509)             | (89,084)   |                    |      |                     |      |
| Adjusted EBITDA                                   | \$ 40,313          | \$ 27,840 | \$ 114,894          | \$ 94,726  |                    |      |                     |      |
| GAAP net income (loss) margin                     | 7.5%               | 115.5%    | -6.3%               | 33.1%      |                    |      |                     |      |
| Adjusted EBITDA margin                            | 44.4%              | 33.6%     | 34.9%               | 31.2%      |                    |      |                     |      |
| GAAP net income (loss)                            | \$ 6,817           | \$ 95,789 | \$ (20,631)         | \$ 100,268 |                    |      |                     |      |
| Stock-based compensation                          | 14,331             | 8,487     | 47,285              | 25,682     |                    |      |                     |      |
| Amortization of intangible assets                 | 5,097              | 5,450     | 20,881              | 21,022     |                    |      |                     |      |
| Restructuring and other costs, net                | 4,512              | 7,237     | 18,237              | 24,404     |                    |      |                     |      |
| Acquisition-related costs                         | -                  | 161       | -                   | 944        |                    |      |                     |      |
| Depreciation                                      | 2,255              | 1,872     | 9,160               | 7,822      |                    |      |                     |      |
| Total other income (expense), net                 | (6,622)            | 231       | (45,471)            | 332        |                    |      |                     |      |
| Provision for (benefit from) income taxes         | 676                | (80,845)  | (5,509)             | (89,084)   |                    |      |                     |      |
| Adjusted EBITDA                                   | \$ 40,313          | \$ 27,840 | \$ 114,894          | \$ 94,726  |                    |      |                     |      |
| GAAP net income (loss) margin                     | 7.5%               | 115.5%    | -6.3%               | 33.1%      |                    |      |                     |      |
| Adjusted EBITDA margin                            | 44.4%              | 33.6%     | 34.9%               | 31.2%      |                    |      |                     |      |
| GAAP net income (loss)                            | \$ 6,817           | \$ 95,789 | \$ (20,631)         | \$ 100,268 |                    |      |                     |      |
| Stock-based compensation                          | 14,331             | 8,487     | 47,285              | 25,682     |                    |      |                     |      |
| Amortization of intangible assets                 | 5,097              | 5,450     | 20,881              | 21,022     |                    |      |                     |      |
| Restructuring and other costs, net                | 4,512              | 7,237     | 18,237              | 24,404     |                    |      |                     |      |
| Acquisition-related costs                         | -                  | 161       | -                   | 944        |                    |      |                     |      |
| Depreciation                                      | 2,255              | 1,872     | 9,160               | 7,822      |                    |      |                     |      |
| Total other income (expense), net                 | (6,622)            | 231       | (45,471)            | 332        |                    |      |                     |      |
| Provision for (benefit from) income taxes         | 676                | (80,845)  | (5,509)             | (89,084)   |                    |      |                     |      |
| Adjusted EBITDA                                   | \$ 40,313          | \$ 27,840 | \$ 114,894          | \$ 94,726  |                    |      |                     |      |
| GAAP net income (loss) margin                     | 7.5%               | 115.5%    | -6.3%               | 33.1%      |                    |      |                     |      |
| Adjusted EBITDA margin                            | 44.4%              | 33.6%     | 34.9%               | 31.2%      |                    |      |                     |      |
| GAAP net income (loss)                            | \$ 6,817           | \$ 95,789 | \$ (20,631)         | \$ 100,268 |                    |      |                     |      |
| Stock-based compensation                          | 14,331             | 8,487     | 47,285              | 25,682     |                    |      |                     |      |
| Amortization of intangible assets                 | 5,097              | 5,450     | 20,881              | 21,022     |                    |      |                     |      |
| Restructuring and other costs, net                | 4,512              | 7,237     | 18,237              | 24,404     |                    |      |                     |      |
| Acquisition-related costs                         | -                  | 161       | -                   | 944        |                    |      |                     |      |
| Depreciation                                      | 2,255              | 1,872     | 9,160               | 7,822      |                    |      |                     |      |
| Total other income (expense), net                 | (6,622)            | 231       | (45,471)            | 332        |                    |      |                     |      |
| Provision for (benefit from) income taxes         | 676                | (80,845)  | (5,509)             | (89,084)   |                    |      |                     |      |
| Adjusted EBITDA                                   | \$ 40,313          | \$ 27,840 | \$ 114,894          | \$ 94,726  |                    |      |                     |      |
| GAAP net income (loss) margin                     | 7.5%               | 115.5%    | -6.3%               | 33.1%      |                    |      |                     |      |
| Adjusted EBITDA margin                            | 44.4%              | 33.6%     | 34.9%               | 31.2%      |                    |      |                     |      |
| GAAP net income (loss)                            | \$ 6,817           | \$ 95,789 | \$ (20,631)         | \$ 100,268 |                    |      |                     |      |
| Stock-based compensation                          | 14,331             | 8,487     | 47,285              | 25,682     |                    |      |                     |      |
| Amortization of intangible assets                 | 5,097              | 5,450     | 20,881              | 21,022     |                    |      |                     |      |
| Restructuring and other costs, net                | 4,512              | 7,237     | 18,237              | 24,404     |                    |      |                     |      |
| Acquisition-related costs                         | -                  | 161       | -                   | 944        |                    |      |                     |      |
| Depreciation                                      | 2,255              | 1,872     | 9,160               | 7,822      |                    |      |                     |      |
| Total other income (expense), net                 | (6,622)            | 231       | (45,471)            | 332        |                    |      |                     |      |
| Provision for (benefit from) income taxes         | 676                | (80,845)  | (5,509)             | (89,084)   |                    |      |                     |      |
| Adjusted EBITDA                                   | \$ 40,313          | \$ 27,840 | \$ 114,894          | \$ 94,726  |                    |      |                     |      |
| GAAP net income (loss) margin                     | 7.5%               | 115.5%    | -6.3%               | 33.1%      |                    |      |                     |      |

# Reconciliations of GAAP Financial Measures to non-GAAP Financial Measures

| (unaudited - in thousands)              | Q4FY20    | Q3FY20    | Q2FY20    | Q1FY20    | Q4FY19    | Q3FY19    | Q2FY19    | Q1FY19    |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>GAAP revenues</b>                    | \$ 90,882 | \$ 74,810 | \$ 86,495 | \$ 77,459 | \$ 82,958 | \$ 77,569 | \$ 70,304 | \$ 72,484 |
| Less: Professional services revenue     | 19,457    | 17,360    | 18,742    | 13,671    | 15,006    | 13,891    | 12,122    | 11,227    |
| <b>Non-GAAP Repeatable revenues</b>     | \$ 71,425 | \$ 57,450 | \$ 67,753 | \$ 63,788 | \$ 67,952 | \$ 63,678 | \$ 58,182 | \$ 61,257 |
| <b>GAAP revenues TTM</b>                | \$329,646 | \$321,722 | \$324,481 | \$308,290 | \$303,315 | \$295,713 |           |           |
| Less: Professional services revenue TTM | 69,230    | 64,779    | 61,310    | 54,690    | 52,246    | 48,643    |           |           |
| <b>Non-GAAP Repeatable revenues TTM</b> | \$260,416 | \$256,943 | \$263,171 | \$253,600 | \$251,069 | \$247,070 |           |           |
| <b>Repeatable software contribution</b> | 79%       | 80%       | 81%       | 82%       | 83%       | 84%       |           |           |

# Q1FY21 and FY21 Reconciliations of GAAP to non-GAAP Guidance

(unaudited - in thousands)

|                                    | Q1 2021   |           | FY2021     |            |
|------------------------------------|-----------|-----------|------------|------------|
|                                    | Low       | High      | Low        | High       |
| <b>GAAP revenue</b>                | \$ 85,000 | \$ 90,000 | \$ 360,000 | \$ 380,000 |
| <b>GAAP gross profit</b>           | \$ 57,500 | \$ 62,100 | \$ 248,100 | \$ 270,100 |
| Stock-based compensation           | 1,000     | 1,000     | 3,400      | 3,400      |
| Amortization of intangible assets  | 1,900     | 1,900     | 7,500      | 7,500      |
| <b>Non-GAAP gross profit</b>       | \$ 60,400 | \$ 65,000 | \$ 259,000 | \$ 281,000 |
| <b>GAAP gross margin</b>           | 68%       | 69%       | 69%        | 71%        |
| <b>Non-GAAP gross margin</b>       | 71%       | 72%       | 72%        | 74%        |
| <b>GAAP operating income</b>       | \$ 11,300 | \$ 14,900 | \$ 48,000  | \$ 61,900  |
| Stock-based compensation           | 9,700     | 9,700     | 40,000     | 40,000     |
| Amortization of intangible assets  | 5,000     | 5,000     | 20,100     | 20,100     |
| Restructuring and other costs, net | 2,500     | 2,500     | 3,600      | 3,600      |
| <b>Non-GAAP operating income</b>   | \$ 28,500 | \$ 32,100 | \$ 111,700 | \$ 125,600 |
| <b>GAAP operating margin</b>       | 13%       | 17%       | 13%        | 16%        |
| <b>Non-GAAP operating margin</b>   | 34%       | 36%       | 31%        | 33%        |
| <b>GAAP net income</b>             | \$ 5,600  | \$ 9,300  | \$ 17,900  | \$ 30,900  |
| Stock-based compensation           | 9,700     | 9,700     | 40,000     | 40,000     |
| Amortization of intangible assets  | 5,000     | 5,000     | 20,100     | 20,100     |
| Restructuring and other costs, net | 2,500     | 2,500     | 3,600      | 3,600      |
| Depreciation                       | 2,500     | 2,500     | 9,400      | 9,400      |
| Total other income (expense), net  | (3,700)   | (3,700)   | (14,500)   | (14,500)   |
| Provision for income taxes         | 1,900     | 1,900     | 16,500     | 16,500     |
| <b>Adjusted EBITDA</b>             | \$ 30,900 | \$ 34,600 | \$ 122,000 | \$ 135,000 |
| <b>GAAP net income margin</b>      | 7%        | 10%       | 5%         | 8%         |
| <b>Adjusted EBITDA margin</b>      | 36%       | 38%       | 34%        | 36%        |

(unaudited - in thousands, except per share data)

|   | Q1 2021   |           | FY2021    |           |
|---|-----------|-----------|-----------|-----------|
|   | Low       | High      | Low       | High      |
| <b>GAAP net income</b>  | \$ 5,600  | \$ 9,300  | \$ 17,900 | \$ 30,900 |
| Stock-based compensation                                      | 9,700     | 9,700     | 40,000    | 40,000    |
| Amortization of intangible assets                             | 5,000     | 5,000     | 20,100    | 20,100    |
| Restructuring and other costs, net                            | 2,500     | 2,500     | 3,600     | 3,600     |
| Non-cash interest expense                                     | 1,200     | 1,200     | 5,000     | 5,000     |
| Income tax impact of Non-GAAP adjustments                     | (4,300)   | (3,200)   | (10,300)  | (13,100)  |
| <b>Non-GAAP net income</b>                                    | \$ 19,700 | \$ 22,500 | \$ 76,100 | \$ 86,500 |
| <b>Adjusted EPS:</b>  |           |           |           |           |
| <b>GAAP Numerator:</b>  |           |           |           |           |
| Net income attributed to common shareholders                  | \$ 5,600  | \$ 9,300  | \$ 17,900 | \$ 30,900 |
| Interest on Convertible Senior Notes, net of tax              | 1,000     | 1,000     | 3,887     | 3,887     |
| <b>Net income attributed to common shareholders - diluted</b> | \$ 6,600  | \$ 10,300 | \$ 21,887 | \$ 34,887 |
| <b>Non-GAAP Numerator:</b>                                    |           |           |           |           |
| Net income attributed to common shareholders                  | \$ 19,700 | \$ 22,500 | \$ 76,100 | \$ 86,500 |
| Interest on Convertible Senior Notes, net of tax              | 1,000     | 1,000     | 3,887     | 3,887     |
| <b>Net income attributed to common shareholders - diluted</b> | \$ 20,700 | \$ 23,500 | \$ 80,087 | \$ 90,487 |
| <b>GAAP Denominator:</b>                                      |           |           |           |           |
| Weighted-average common shares outstanding - basic            | 37,221    | 37,221    | 38,302    | 38,302    |
| Adjustment for diluted shares                                 | 5,818     | 5,818     | 5,888     | 5,888     |
| <b>Weighted-average common shares outstanding - diluted</b>   | 43,039    | 43,039    | 44,190    | 44,190    |
| <b>Non-GAAP Denominator:</b>                                  |           |           |           |           |
| Weighted-average common shares outstanding - basic            | 37,221    | 37,221    | 38,302    | 38,302    |
| Adjustment for diluted shares                                 | 5,818     | 5,818     | 5,888     | 5,888     |
| <b>Weighted-average common shares outstanding - diluted</b>   | 43,039    | 43,039    | 44,190    | 44,190    |
| <b>GAAP net income per share - diluted</b>                    | \$ 0.15   | \$ 0.24   | \$ 0.50   | \$ 0.79   |
| <b>Non-GAAP net income per share - diluted</b>                | \$ 0.48   | \$ 0.55   | \$ 1.81   | \$ 2.05   |

