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): February 8, 2023

CERENCE INC.
(Exact name of Registrant as Specified in Its Charter)

Delaware	001-39030	83-4177087
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1 Burlington Woods Drive, Suite 301A Burlington, Massachusetts	**01803**
(Address of Principal Executive Offices)	(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 Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value	**CRNC**	**The NASDAQ Stock Market LLC**

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 February 8, 2023, Cerence Inc. (the "Company") announced its financial results for the quarter ended December 31, 2022. The press release, including the financial information contained therein, is attached hereto as Exhibit 99.1, and is incorporated herein by reference.

Also on February 8, 2023, the Company used a presentation on its call with investors, discussing its financial results for the quarter ended December 31, 2022, 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.

Exhibit Number	Description
99.1	Press Release announcing financial results dated February 8, 2023
99.2	Earnings Release Presentation dated February 8, 2023
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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: February 8, 2023

By: /s/ Thomas L. Beaudoin
Name: Thomas L. Beaudoin
Title: Executive Vice President and Chief Financial Officer

Exhibit 99.1

Cerence Announces First Quarter Fiscal Year 2023 Results

Headlines

- **Strong Core Business drives revenue and profitability**
- **Cerence Co-Pilot wins four more customers, including two win-backs**
- **Cerence Ride wins three more design awards for two-wheelers**
- **Investor Day sets "Destination Next" long-term growth strategy**

BURLINGTON, Mass., February 8, 2023 – Cerence Inc. (NASDAQ: CRNC), AI for a world in motion, today reported its first quarter fiscal year 2023 results for the quarter ended December 31, 2022.

Results Summary [(1)]

(in millions, except per share data)

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
GAAP Revenue	$ 83.7	$ 94.4
GAAP Gross Margin	68.7 %	74.3 %
Non-GAAP Gross Margin	70.4 %	77.5 %
GAAP Operating Margin	-2.4 %	24.3 %
Non-GAAP Operating Margin	20.5 %	36.8 %
GAAP Net (Loss) Income	$ (2.2)	$ 19.0
Non-GAAP Net Income	$ 14.2	$ 25.3
Adjusted EBITDA	$ 19.7	$ 36.9
Adjusted EBITDA Margin	23.5 %	39.1 %
GAAP Net (Loss) Income per Share - diluted	$ (0.05)	$ 0.47
Non-GAAP Net Income per Share - diluted	$ 0.36	$ 0.59

(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.

Stefan Ortmanns, Chief Executive Officer at Cerence, commented, "We had a strong start to the fiscal year with revenue higher than projected in the core business due to stronger than expected contributions from connected services, professional services, and fixed contracts. The amount of fixed contracts are within the framework of the $40M targeted for the full fiscal year. Consumption of fixed contracts were lower than expected as well. The higher revenue for the quarter resulted in better-than-expected financial results."

“We had a number of key design wins in the quarter in both the automotive and two-wheeler markets, including two win-backs from competitors,” continued Ortmanns. “These wins for Cerence Co-Pilot and Cerence Ride are important indicators of our future growth and our ability to meet the multi-year targets we set forth at our investor day event.”

“While our customers are still navigating a cloudy macro environment due to issues such as semiconductor shortages, we remain confident in our full-year guidance. We remain focused on innovation, execution and delivery as we march toward Destination Next for Cerence,” Ortmanns concluded.

Cerence Key Performance Indicators

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

Key Performance Indicator[1]	Q1FY23
Percent of worldwide auto production with Cerence Technology (TTM)	52 %
Average contract duration - years (TTM):	6.8
Repeatable software contribution (TTM):	73 %
Change in number of Cerence connected cars shipped[2] (TTM over prior year TTM)	(7 %)
Change in billings per car[3] (TTM over prior year TTM) (excludes Legacy contract[4])	(2 %)

(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 Markit data, global auto production increased 6% over the same time period ended on December 31, 2022.
(3) The billings per car KPI has been modified to exclude professional services in the calculation.
(4) Legacy contract is a connected services contract with Toyota acquired by Nuance through a 2013 acquisition.

Second Quarter Fiscal Year 2023 Outlook

For the fiscal quarter ending March 31, 2023, revenue is expected to be in the range of $64 million to $68 million. Adjusted EBITDA is expected to be in the range of approximately $1 million to $4 million.

For the full fiscal year ending September 30, 2023, the company has raised the low end of the initial guidance with revenue now expected to be in the range of $275 million to $290 million. Adjusted EBITDA is expected to be in the range of approximately $27 million to $34 million.

The adjusted EBITDA guidance excludes acquisition-related costs, amortization of acquired intangible assets, stock-based compensation, and restructuring and other costs.

Additional details regarding guidance will be provided during the earnings call.

First Quarter Conference Call

The company will host a live conference call and webcast with slides to discuss the results today at 8:30 a.m. Eastern Time/5:30 a.m. Pacific Time. Interested investors and analysts are invited to dial into the conference call by using the following link: Register Here

Webcast access will also be available on the Investor Information section of the company's website at https://www.cerence.com/investors/events-and-resources.

A replay of the webcast can be accessed by visiting our website 90 minutes following the conference call at https://www.cerence.com/investors/events-and-resources.

Forward Looking Statements

Statements in this presentation regarding: Cerence's future performance, results and financial condition; expected growth; multi-year targets; opportunities; business, industry and market trends; strategy regarding fixed contracts and its impact on financial results; backlog; demand for Cerence products; innovation and new product offerings; cost efficiency initiatives; and 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: the highly competitive and rapidly changing market in which we operate; adverse conditions in the automotive industry, the related supply chain and semiconductor shortage, or the global economy more generally; the impacts of the COVID-19 pandemic on our and our customers' businesses; the impact of the war in Ukraine on our and our customers' businesses; our ability to control and successfully manage our expenses and cash position; escalating pricing pressures from our customers; the impact on our business of the transition to a lower level of fixed contracts, including the failure to achieve such a transition; our failure to win, renew or implement service contracts; the cancellation or postponement of existing contracts; the loss of business from any of our largest customers; effects of customer defaults; our inability to successfully introduce new products, applications and services; our strategy to increase cloud offerings; the inability to recruit and retain qualified personnel; disruptions arising from transitions in management personnel; cybersecurity and data privacy incidents; fluctuating currency rates and interest rates; inflation; and the other factors discussed in our most recent Annual Report on Form 10-K for the fiscal year ended September 30, 2022, quarterly reports on Form 10-Q, and other filings with the Securities and Exchange Commission.

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 months ended December 31, 2022 and 2021, 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 Condensed Consolidated 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 the past, 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.

Adjustments to income tax provision.

Adjustments to our GAAP income tax provision to arrive at non-GAAP net income is determined based on our non-GAAP pre-tax income. Additionally, as our non-GAAP profitability is higher based on the non-GAAP adjustments, we adjust the GAAP tax provision to remove valuation allowances and related effects based on the higher level of reported non-GAAP profitability. We also exclude from our non-GAAP tax provision certain discrete tax items as they occur.

Bookings.

Bookings is defined as the amount of revenue we expect to earn from an agreement with our customers for products and services. To count as a booking, we expect there to be persuasive evidence of an arrangement, which may be evidenced by a legally binding document or documents, and that the collectability of the amounts payable under the arrangement are reasonably assured. The revenue we may actually recognize from our estimated bookings is subject to multiple factors, including but not limited to the timing of satisfying performance obligations, potential terminations, or changes in the scope of programs utilizing our technology and currency fluctuations. There is no comparable GAAP financial measure.

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 months ended December 31, 2022, 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 on a TTM basis. 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:* The rate of growth calculated from the average billings per car based on a TTM basis, excluding professional services, 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.

To learn more about Cerence, visit www.cerence.com, and follow the company on LinkedIn and Twitter.

About Cerence Inc.
Cerence (NASDAQ: CRNC) is the global industry leader in creating unique, moving experiences for the mobility world. As an innovation partner to the world's leading automakers and mobility OEMs, it is helping advance the future of connected mobility through intuitive, powerful interaction between humans and their vehicles, connecting consumers' digital lives to their daily journeys no matter where they are. Cerence's track record is built on more than 20 years of knowledge and more than 450 million cars shipped with

Cerence technology. Whether it's connected cars, autonomous driving, e-vehicles, or two-wheelers, Cerence is mapping the road ahead. For more information, visit www.cerence.com.

Contact Information

Rich Yerganian
Senior Vice President of Investor Relations
Cerence Inc.
Tel: 617-987-4799
Email: richard.yerganian@cerence.com

CERENCE INC.
Condensed Consolidated Statements of Operations
(in thousands, except per share data)

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
Revenues:		
License	$ 45,417	$ 46,850
Connected services	18,394	28,159
Professional services	19,847	19,417
Total revenues	83,658	94,426
Cost of revenues:		
License	1,614	721
Connected services	6,542	5,724
Professional services	17,924	15,903
Amortization of intangible assets	103	1,879
Total cost of revenues	26,183	24,227
Gross profit	57,475	70,199
Operating expenses:		
Research and development	29,494	25,792
Sales and marketing	9,162	5,879
General and administrative	14,257	7,527
Amortization of intangible assets	2,350	3,154
Restructuring and other costs, net	4,189	4,915
Total operating expenses	59,452	47,267
(Loss) income from operations	(1,977)	22,932
Interest income	870	90
Interest expense	(3,514)	(3,427)
Other income (expense), net	3,713	(252)
(Loss) income before income taxes	(908)	19,343
Provision for income taxes	1,250	299
Net (loss) income	$ (2,158)	$ 19,044
Net (loss) income per share:		
Basic	$ (0.05)	$ 0.49
Diluted	$ (0.05)	$ 0.47
Weighted-average common share outstanding:		
Basic	39,962	38,839
Diluted	39,962	44,370

CERENCE INC.
Condensed Consolidated Balance Sheets
(in thousands, except per share amounts)

	December 31, 2022 (Unaudited)	September 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 90,657	94,847
Marketable securities	16,515	20,317
Accounts receivable, net of allowances of $171 and $157	66,438	45,073
Deferred costs	7,784	7,098
Prepaid expenses and other current assets	60,884	60,184
Total current assets	242,278	227,519
Long-term marketable securities	13,066	11,584
Property and equipment, net	36,947	37,707
Deferred costs	21,818	22,451
Operating lease right of use assets	16,184	14,702
Goodwill	901,963	890,802
Intangible assets, net	7,713	9,700
Deferred tax assets	53,939	51,989
Other assets	54,380	52,039
Total assets	$ 1,348,288	$ 1,318,493
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 19,103	$ 10,372
Deferred revenue	75,822	72,662
Short-term operating lease liabilities	5,759	5,071
Short-term debt	12,500	10,938
Accrued expenses and other current liabilities	52,156	47,990
Total current liabilities	165,340	147,033
Long-term debt	267,346	259,436
Deferred revenue, net of current portion	162,293	165,972
Long-term operating lease liabilities	12,067	11,375
Other liabilities	21,391	21,727
Total liabilities	628,437	605,543
Stockholders' Equity:		
Common stock, $0.01 par value, 560,000 shares authorized; 40,017 and 39,430 shares issued and outstanding, respectively	400	394
Accumulated other comprehensive loss	(24,450)	(33,737)
Additional paid-in capital	1,023,467	1,029,542
Accumulated deficit	(279,566)	(283,249)
Total stockholders' equity	719,851	712,950
Total liabilities and stockholders' equity	$ 1,348,288	$ 1,318,493

CERENCE INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended December 31,	
	2022	**2021**
Cash flows from operating activities:		
Net (loss) income	$ (2,158)	$ 19,044
Adjustments to reconcile net (loss) income to net cash (used in) provided by operations:		
Depreciation and amortization	5,008	7,210
Benefit from credit loss reserve	-	(418)
Stock-based compensation	12,472	5,841
Non-cash interest expense	444	1,301
Deferred tax benefit	(164)	(1,455)
Other	(5,980)	551
Changes in operating assets and liabilities:		
Accounts receivable	(16,651)	7,555
Prepaid expenses and other assets	3,261	(19,707)
Deferred costs	1,586	1,509
Accounts payable	7,820	(3,153)
Accrued expenses and other liabilities	(255)	(2,797)
Deferred revenue	(7,501)	(10,336)
Net cash (used in) provided by operating activities	(2,118)	5,145
Cash flows from investing activities:		
Capital expenditures	(683)	(4,410)
Purchases of marketable securities	(7,081)	(3,593)
Sale and maturities of marketable securities	9,500	5,706
Other investing activities	(219)	559
Net cash provided by (used in) investing activities	1,517	(1,738)
Cash flows from financing activities:		
Payments for long-term debt issuance costs	(403)	-
Principal payments of long-term debt	(1,563)	(1,563)
Common stock repurchases for tax withholdings for net settlement of equity awards	(2,643)	(44,573)
Principal payment of lease liabilities arising from a finance lease	(165)	(155)
Proceeds from the issuance of common stock	1,723	32,139
Net cash used in financing activities	(3,051)	(14,152)
Effects of exchange rate changes on cash and cash equivalents	(538)	(447)
Net change in cash and cash equivalents	(4,190)	(11,192)
Cash and cash equivalents at beginning of period	94,847	128,428
Cash and cash equivalents at end of period	$ 90,657	$ 117,236

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

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
GAAP revenue	**$ 83,658**	**$ 94,426**
GAAP gross profit	**$ 57,475**	**$ 70,199**
Stock-based compensation	1,349	1,092
Amortization of intangible assets	103	1,879
Non-GAAP gross profit	**$ 58,927**	**$ 73,170**
GAAP gross margin	**68.7 %**	**74.3 %**
Non-GAAP gross margin	**70.4 %**	**77.5 %**
GAAP operating (loss) income	**$ (1,977)**	**$ 22,932**
Stock-based compensation*	12,472	1,841
Amortization of intangible assets	2,453	5,033
Restructuring and other costs, net*	4,189	4,915
Non-GAAP operating income	**$ 17,137**	**$ 34,721**
GAAP operating margin	**-2.4 %**	**24.3 %**
Non-GAAP operating margin	**20.5 %**	**36.8 %**
GAAP net (loss) income	**$ (2,158)**	**$ 19,044**
Stock-based compensation*	12,472	1,841
Amortization of intangible assets	2,453	5,033
Restructuring and other costs, net*	4,189	4,915
Depreciation	2,555	2,177
Total other income (expense), net	1,069	(3,589)
Provision for income taxes	1,250	299
Adjusted EBITDA	**$ 19,692**	**$ 36,898**
GAAP net (loss) income margin	**-2.6 %**	**20.2 %**
Adjusted EBITDA margin	**23.5 %**	**39.1 %**

* - $4.0 million in stock-based compensation is included in Restructuring and other costs, net during Q1'22.

CERENCE INC.
Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures (cont.)
(unaudited - in thousands, except per share data)

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
GAAP net (loss) income	**$ (2,158)**	**$ 19,044**
Stock-based compensation*	12,472	1,841
Amortization of intangible assets	2,453	5,033
Restructuring and other costs, net*	4,189	4,915
Non-cash interest expense	444	1,301
Indemnification asset release	-	1,302
Adjustments to income tax expense	(3,184)	(8,108)
Non-GAAP net income	**$ 14,216**	**$ 25,328**
Adjusted EPS:		
GAAP Numerator:		
Net (loss) income attributed to common shareholders - basic	**$ (2,158)**	**$ 19,044**
Interest on Convertible Senior Notes, net of tax	-	1,911
Net (loss) income attributed to common shareholders - diluted	**$ (2,158)**	**$ 20,955**
Non-GAAP Numerator:		
Net income attributed to common shareholders - basic	$ 14,216	$ 25,328
Interest on Convertible Senior Notes, net of tax	-	1,019
Net income attributed to common shareholders - diluted	**$ 14,216**	**$ 26,347**
GAAP Denominator:		
Weighted-average common shares outstanding - basic	39,962	38,839
Adjustment for diluted shares	-	5,531
Weighted-average common shares outstanding - diluted	**39,962**	**44,370**
Non-GAAP Denominator:		
Weighted-average common shares outstanding- basic	39,962	38,839
Adjustment for diluted shares	-	5,531
Weighted-average common shares outstanding - diluted	**39,962**	**44,370**
GAAP net (loss) income per share - diluted	**$ (0.05)**	**$ 0.47**
Non-GAAP net income per share - diluted	**$ 0.36**	**$ 0.59**
GAAP net cash (used in) provided by operating activities	**$ (2,118)**	**$ 5,145**
Capital expenditures	(683)	(4,410)
Free Cash Flow	**$ (2,801)**	**$ 735**

* - $4.0 million in stock-based compensation is included in Restructuring and other costs, net during Q1'22.

CERENCE INC.
Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures (cont.)
(unaudited - in thousands)

	Q1FY23	Q4FY22	Q3FY22	Q2FY22
GAAP revenues	**$ 83,658**	**$ 58,144**	**$ 89,041**	**$ 86,280**
Less: Professional services revenue	19,847	21,048	22,599	20,646
Non-GAAP Repeatable revenues	**$ 63,811**	**$ 37,096**	**$ 66,442**	**$ 65,634**
GAAP revenues TTM	**$ 317,123**			
Less: Professional services revenue TTM	84,140			
Non-GAAP Repeatable revenues TTM	**$ 232,983**			
Repeatable software contribution	**73 %**			

CERENCE INC.
Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures (cont.)
(unaudited - in thousands)

	Q2 2023		FY2023	
	Low	High	Low	High
GAAP revenue	$ 64,000	$ 68,000	$ 275,000	$ 290,000
GAAP gross profit	$ 38,200	$ 42,200	$ 172,300	$ 187,300
Stock-based compensation	1,300	1,300	5,400	5,400
Amortization of intangible assets	100	100	400	400
Non-GAAP gross profit	$ 39,600	$ 43,600	$ 178,100	$ 193,100
GAAP gross margin	60 %	62 %	63 %	65 %
Non-GAAP gross margin	62 %	64 %	65 %	67 %
GAAP operating loss	$ (23,700)	$ (20,200)	$ (49,500)	$ (42,500)
Stock-based compensation	12,400	12,400	49,500	49,500
Amortization of intangible assets	2,500	2,500	6,100	6,100
Restructuring and other costs, net	6,500	6,500	9,800	9,800
Non-GAAP operating (loss) income	$ (2,300)	$ 1,200	$ 15,900	$ 22,900
GAAP operating margin	-37 %	-30 %	-18 %	-15 %
Non-GAAP operating margin	-4 %	2 %	6 %	8 %
GAAP net loss	$ (32,300)	$ (28,800)	$ (69,700)	$ (62,700)
Stock-based compensation	12,400	12,400	49,500	49,500
Amortization of intangible assets	2,500	2,500	6,100	6,100
Restructuring and other costs, net	6,500	6,500	9,800	9,800
Depreciation	3,000	3,000	11,100	11,100
Total other income (expense), net	(2,700)	(2,700)	(7,100)	(7,100)
Provision for income taxes	5,900	5,900	13,100	13,100
Adjusted EBITDA	$ 700	$ 4,200	$ 27,000	$ 34,000
GAAP net loss margin	-50 %	-42 %	-25 %	-22 %
Adjusted EBITDA margin	1 %	6 %	10 %	12 %

CERENCE INC.
Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures (cont.)
(unaudited - in thousands, except per share data)

	Q2 2023		FY2023	
	Low	High	Low	High
GAAP net loss	$ (32,300)	$ (28,800)	$ (69,700)	$ (62,700)
Stock-based compensation	12,400	12,400	49,500	49,500
Amortization of intangibles	2,500	2,500	6,100	6,100
Restructuring and other costs, net	6,500	6,500	9,800	9,800
Non-cash interest expense	500	500	1,900	1,900
Adjustments to income tax expense	3,200	2,400	(600)	(2,100)
Non-GAAP net (loss) income	$ (7,200)	$ (4,500)	$ (3,000)	$ 2,500
Adjusted EPS:				
GAAP Numerator:				
Net loss attributed to common shareholders	$ (32,300)	$ (28,800)	$ (69,700)	$ (62,700)
Non-GAAP Numerator:				
Net (loss) income attributed to common shareholders	$ (7,200)	$ (4,500)	$ (3,000)	$ 2,500
GAAP Denominator:				
Weighted-average common shares outstanding - basic and diluted	40,200	40,200	40,200	40,200
Non-GAAP Denominator:				
Weighted-average common shares outstanding - basic and diluted	40,200	40,200	40,200	40,200
GAAP net loss per share - diluted	$ (0.80)	$ (0.72)	$ (1.73)	$ (1.56)
Non-GAAP net (loss) income per share - diluted	$ (0.18)	$ (0.11)	$ (0.07)	$ 0.06

Exhibit 99.2

Cerence Q1FY23 Earnings Presentation

Stefan Ortmanns, CEO
Tom Beaudoin, CFO
Rich Yerganian, SVP of Investor Relations

February 8, 2023

Destination Next

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Forward-Looking Statements

Statements in this presentation regarding: Cerence's future performance, results and financial condition; expected growth; multi-year targets; opportunities; business, industry and market trends; strategy regarding fixed contracts and its impact on financial results; backlog; demand for Cerence products; innovation and new product offerings; cost efficiency initiatives; and 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: the highly competitive and rapidly changing market in which we operate; adverse conditions in the automotive industry, the related supply chain and semiconductor shortage, or the global economy more generally; the impacts of the COVID-19 pandemic on our and our customers' businesses; the impact of the war in Ukraine on our and our customers' businesses; our ability to control and successfully manage our expenses and cash position; escalating pricing pressures from our customers; the impact on our business of the transition to a lower level of fixed contracts, including the failure to achieve such a transition; our failure to win, renew or implement service contracts; the cancellation or postponement of existing contracts; the loss of business from any of our largest customers; effects of customer defaults; our inability to successfully introduce new products, applications and services; our strategy to increase cloud offerings; the inability to recruit and retain qualified personnel; disruptions arising from transitions in management personnel; cybersecurity and data privacy incidents; fluctuating currency rates and interest rates; inflation; and the other factors discussed in our most recent Annual Report on Form 10-K for the fiscal year ended September 30, 2022, quarterly reports on Form 10-Q, and other filings with the Securities and Exchange Commission.

Q1 FY23

Business Highlights

- Strong Core Business drives revenue and profitability
- Introduced strategy “Destination Next” and long-term model at our investor day in November
- Strong market position delivers two win-backs and two new logos
- Macro environment incrementally better but risks persist
- Continued confidence in FY23 business outlook

Q1 FY23

Product Highlights

Strong Product Momentum

- **Cerence Co-Pilot (CA 2.0) –** 4 design wins in Auto: 3 in Europe, 1 in China
- **Cerence Ride –** 3 new design wins, including a Japanese motorcycle company
- **Cerence Link –** 2nd design win in India
- **Cerence Car Knowledge –** Expanded Assistant at marquee North American OEM went live

Deeply Focused on Innovation and Execution

Accomplished

- ✓ New leadership team
- ✓ Established long-term growth strategy
- ✓ Efficiently managing costs
- ✓ Contained fixed contracts
- ✓ Winning new business with a strong pipeline
- ✓ Focused on long-term model and value creation

Continued Focus

- Strong bookings performance, including win-backs
- Innovate and expand leading-edge capabilities
- Deliver on FY23 guidance and longer-term goals
- Execute on new market opportunities
- Implement efficiency programs

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Destination Next

Fueling Growth by Creating an Immersive Cabin Experience

- Evolving from a voice-only, driver-centric solution to an immersive companion experience
- Moved from a component supplier to a trusted innovation partner
- Participating in a significant and expanding served addressable market
- Significant growth opportunities after FY2023 transition year
- Solid long-term financial model with significant visibility and sustainability

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Q1FY23 Financial Details
Tom Beaudoin, CFO
Destination Next
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Cerence Delivers Strong Q1 Results

	Q1FY23	Q1FY23 Guidance
Revenue	$83.7M	$75M - $79M
GAAP Gross Margin	68.7%	67% - 68%
Non-GAAP Gross Margin	70.4%	69% - 71%
GAAP Net (Loss) Income	($2.2M)	($19M) – ($16M)
AEBITDA	$19.7M	$11M - $14M
Non-GAAP Net Income	$14.2M	$3M – $4M
GAAP EPS – diluted	($0.05)	($0.48) – ($0.40)
Non-GAAP EPS – diluted	$0.36	$0.07 – $0.11

Detailed GAAP Revenue Breakdown

In millions	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Total License:	**$46.8**	**$46.3**	**$46.4**	**$19.0**	**$45.4**
Variable[a]	$21.5	$20.2	$22.3	$19.0	$26.3
Total Fixed[b]	$20.1	$25.6	$23.3	$0	$19.1
Prepaid (cash upfront)	-	$5.7	$13.2	--	$18.0
Minimum Commitment (no cash upfront)	$20.1	$19.9	$10.1	--	$1.1
Other Markets[c]	$5.2	$0.5	$0.8	$0	$0
Connected Services:	**$28.2**	**$19.3**	**$20.0**	**$18.1**	**$18.4**
Total New	$12.2	$11.0	$11.6	$9.6	$9.9
Subscription/Usage	$11.3	$11.0	$9.9	$9.6	$9.9
Customer Hosted[d]	$0.9	-	$1.7	-	-
Legacy[e]	$16.0	$8.3	$8.4	$8.5	$8.5
Professional Services	**$19.4**	**$20.7**	**$22.6**	**$21.0**	**$19.9**
Total Revenue:	**$94.4**	**$86.3**	**$89.0**	**$58.1**	**$83.7**

(a) Based on volume shipments of licenses net of the consumption of fixed contracts.
(b) Fixed license revenue includes prepaid and minimum commitment deals.
(c) Non-automotive revenue.
(d) Customer Hosted is a software license that allows the customer to take possession of the software and enable hosting by the customer or a third party.
(e) Legacy contract is a connected services contract with Toyota acquired by Nuance through a 2013 acquisition.

License Business Remains Strong

In millions	FY2021				FY2022				FY2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Fixed Contracts	$10.1	$17.3	$18.2	$25.4	$20.1	$25.6	$23.3	$0	$19.1
Pro Forma Royalties[(a)]	$48.6	$47.4	$42.9	$34.0	$39.6	$39.7	$41.5	$39.1	$41.7
Consumption of Fixed Contracts[(b)]	($12.3)	($10.3)	($11.1)	($13.2)	($18.0)	($19.5)	($19.2)	($20.1)	($15.4)
Variable (as reported)	$36.3	$37.1	$31.8	$20.8	$21.6	$20.2	$22.3	$19.0	**$26.3**
IHS Production (million units)	23.6	20.7	18.8	16.6	21.2	20.0	19.1	21.2	21.5

(a) Pro forma Royalties is a measure of the total value of licenses shipped in a quarter.
(b) Licenses shipped in the quarter associated with fixed contracts.

- Pro forma royalties remain solid
- Consumption rate of fixed contracts peaks in FY23
- Return to historical levels of approximately $40 million of fixed contracts annually will lead to strong reported license growth in FY24

Strong KPI Performance

High Level of Engagement with Customers and Partners

- **52% Global Auto Penetration (TTM),** up from 51%
- **11.5M** units with Cerence technology, up 4% QoQ including **2.2M** connected units, up 5% QoQ
- **(2%)** Decline in Billings per Car (TTM YoY)
- **19%** Increase in Monthly Active Users (YoY)
- **6.8** Years Average Contract Duration (TTM)

Fiscal Q2 and Full Year 2023 Guidance

	Q2 FY23 Guidance		FY23 Guidance	
In millions except per share amounts	Low	High	Low	High
Revenue	$64	$68	$275	$290
GAAP Gross Margin	60%	62%	63%	65%
Non-GAAP Gross Margin [(a)]	62%	64%	65%	67%
GAAP Operating Margin	(37%)	(30%)	(18%)	(15%)
Non-GAAP Operating Margin [(a)]	(4%)	2%	6%	8%
GAAP Net (Loss) Income [(b)]	($32)	($29)	($70)	($63)
Adjusted EBITDA [(a)]	$1	$4	$27	$34
Adjusted EBITDA Margin [(a)]	1%	6%	10%	12%
GAAP EPS – diluted	($0.80)	($0.72)	($1.73)	($1.56)
Non-GAAP EPS – diluted [(a)]	($0.18)	($0.11)	($0.07)	$0.06

(a) Non-GAAP excludes acquisition-related costs, amortization of acquired intangible assets, restructuring expense, and stock-based compensation.
(b) Refer to the Appendix for more information on GAAP to non-GAAP reconciliations.

Tailwinds:

- Raised low end of full year guidance by $5M
- Better than 97% revenue visibility for full fiscal year
- Conservative view on auto production

Headwinds:

- Continued chip shortage, shipping and production issues
- Inflation and recession concerns

Assumptions:

- Full year guidance includes $4-5M fixed contracts in Q2, $15M in Q3 and $0 in Q4 equaling approximately $40M for full year

Best Positioned to Maintain and Expand our Category Leadership in Mobility AI

Partnering with our global customers to…

- Strengthen and differentiate their brands
- Secure their end-user data and data privacy
- Monetize digital services and create new revenue streams
- Know and embrace their customers
- Collect insights to learn and improve
- Differentiate from their competition
- Improve the end-user experience and excitement
- Offer best technologies from edge to cloud
- Extend and strengthen their global footprint


Q&A
Destination Next

Appendix

License Business Revenue Recognition

Type of Contract	Description	GAAP Revenue Recognition	Cash Receipt
Variable	License applied at production	Quarter car is produced. Based on volume	Quarter following GAAP revenue recognition
Fixed (Pre-Pay)	Bulk inventory purchase ($ based)	Full value of contract at signing. Volume independent	Standard payment terms for full value (upfront payment)
Fixed (Minimum Commitment)	Commitment to purchase ($ based) in a specified time period. (1 – 5 years)	Full value of contract at signing. Volume independent	Based on shipment volumes over multiple years

The fixed contracts only apply to the license business. If a car is also using our connected services, it will follow the normal billing and revenue recognition process regardless of whether a variable or fixed license was applied.

The fixed contracts typically provide the customer with a price discount and can include the conversion of a variable contract that is already in our variable backlog.

Connected and Professional Services Revenue Recognition

Connected Services	Typical Period	GAAP Revenue Recognition	Cash Receipt
Subscription Term	1 – 5 years	Amortized evenly over subscription period	Billed/collected full amount at start of subscription period (value added to deferred revenue)
Usage Contract[(a),(b)]	1 – 5 years	Recognized at same time of billing based on actual usage	Billed every quarter based on actual usage
Customer Hosted[(c)]	License	Quarter in which license is delivered to customer	Upon delivery

(a) Approximately 30% of new connected revenue is usage based and is primarily with one customer
(b) Usage can be defined by number of active users or number of monthly transactions
(c) Customer Hosted is a software license that allows the customer to take possession of the software and enable hosting by the customer or a third-party

Professional Services	Period	GAAP Revenue Recognition	Cash Receipt
Custom Design Services	Ongoing	Revenue is recognized over time based upon the progress towards completion of the project	Billed/collected on milestone completion

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 months ended December 31, 2022, 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 on a TTM basis. 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 are calculated on a TTM basis.

Growth in billings per car: The rate of growth calculated from the average billings per car based on a trailing twelve month comparison while excluding, professional services, legacy contract and adjusted for prepay usage.

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 months ending December 31, 2022 and 2021, 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 Condensed Consolidated 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 follow:

- (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.

Adjustments to income tax provision.

Adjustments to our GAAP income tax provision to arrive at non-GAAP net income is determined based on our non-GAAP pre-tax income. Additionally, as our non-GAAP profitability is higher based on the non-GAAP adjustments, we adjust the GAAP tax provision to remove valuation allowances and related effects based on the higher level of reported non-GAAP profitability. We also exclude from our non-GAAP tax provision certain discrete tax items as they occur.

Q1 FY23 Reconciliations of GAAP to Non-GAAP Results

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
GAAP revenue	$ 83,658	$ 94,426
GAAP gross profit	$ 57,475	$ 70,199
Stock-based compensation	1,349	1,092
Amortization of intangible assets	103	1,879
Non-GAAP gross profit	$ 58,927	$ 73,170
GAAP gross margin	68.7%	74.3%
Non-GAAP gross margin	70.4%	77.5%
GAAP operating (loss) income	$ (1,977)	$ 22,932
Stock-based compensation*	12,472	1,841
Amortization of intangible assets	2,453	5,033
Restructuring and other costs, net*	4,189	4,915
Non-GAAP operating income	$ 17,137	$ 34,721
GAAP operating margin	-2.4%	24.3%
Non-GAAP operating margin	20.5%	36.8%
GAAP net (loss) income	$ (2,158)	$ 19,044
Stock-based compensation*	12,472	1,841
Amortization of intangible assets	2,453	5,033
Restructuring and other costs, net*	4,189	4,915
Depreciation	2,555	2,177
Total other income (expense), net	1,069	(3,589)
Provision for income taxes	1,250	299
Adjusted EBITDA	$ 19,692	$ 36,898
GAAP net (loss) income margin	-2.6%	20.2%
Adjusted EBITDA margin	23.5%	39.1%

* - $4.0 million in stock-based compensation is included in Restructuring and other costs, net during Q1'22.

Free cash flow is net cash provided by operating activities determined in accordance with GAAP less capital expenditures.
Free cash flow is not a measure of cash available for discretionary expenditures.

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
GAAP net (loss) income	$ (2,158)	$ 19,044
Stock-based compensation*	12,472	1,841
Amortization of intangible assets	2,453	5,033
Restructuring and other costs, net*	4,189	4,915
Non-cash interest expense	444	1,301
Indemnification asset release	-	1,302
Adjustments to income tax expense	(3,184)	(8,108)
Non-GAAP net income	$ 14,216	$ 25,328
Adjusted EPS:		
GAAP Numerator:		
Net (loss) income attributed to common shareholders - basic	$ (2,158)	$ 19,044
Interest on Convertible Senior Notes, net of tax	-	1,911
Net (loss) income attributed to common shareholders - diluted	$ (2,158)	$ 20,955
Non-GAAP Numerator:		
Net income attributed to common shareholders - basic	$ 14,216	$ 25,328
Interest on Convertible Senior Notes, net of tax	-	1,019
Net income attributed to common shareholders - diluted	$ 14,216	$ 26,347
GAAP Denominator:		
Weighted-average common shares outstanding - basic	39,962	38,839
Adjustment for diluted shares	-	5,531
Weighted-average common shares outstanding - diluted	39,962	44,370
Non-GAAP Denominator:		
Weighted-average common shares outstanding- basic	39,962	38,839
Adjustment for diluted shares	-	5,531
Weighted-average common shares outstanding - diluted	39,962	44,370
GAAP net (loss) income per share - diluted	$ (0.05)	$ 0.47
Non-GAAP net income per share - diluted	$ 0.36	$ 0.59
GAAP net cash (used in) provided by operating activities	$ (2,118)	$ 5,145
Capital expenditures	(683)	(4,410)
Free Cash Flow	$ (2,801)	$ 735

* - $4.0 million in stock-based compensation is included in Restructuring and other costs, net during Q1'22.

Reconciliations of GAAP Financial Measures to non-GAAP Financial Measures

(unaudited - in thousands)

	Q1FY23	Q4FY22	Q3FY22	Q2FY22
GAAP revenues	**$ 83,658**	**$ 58,144**	**$ 89,041**	**$ 86,280**
Less: Professional services revenue	19,847	21,048	22,599	20,646
Non-GAAP Repeatable revenues	**$ 63,811**	**$ 37,096**	**$ 66,442**	**$ 65,634**
GAAP revenues TTM	**$ 317,123**			
Less: Professional services revenue TTM	84,140			
Non-GAAP Repeatable revenues TTM	**$ 232,983**			
Repeatable software contribution	**73%**			

Q2 FY23 and Full Year FY23 Reconciliations of GAAP to non-GAAP Guidance

(unaudited - in thousands)

	Q2 2023		FY2023	
	Low	High	Low	High
GAAP revenue	**$ 64,000**	**$ 68,000**	**$ 275,000**	**$ 290,000**
GAAP gross profit	**$ 38,200**	**$ 42,200**	**$ 172,300**	**$ 187,300**
Stock-based compensation	1,300	1,300	5,400	5,400
Amortization of intangible assets	100	100	400	400
Non-GAAP gross profit	**$ 39,600**	**$ 43,600**	**$ 178,100**	**$ 193,100**
GAAP gross margin	**60%**	**62%**	**63%**	**65%**
Non-GAAP gross margin	**62%**	**64%**	**65%**	**67%**
GAAP operating loss	**$ (23,700)**	**$ (20,200)**	**$ (49,500)**	**$ (42,500)**
Stock-based compensation	12,400	12,400	49,500	49,500
Amortization of intangible assets	2,500	2,500	6,100	6,100
Restructuring and other costs, net	6,500	6,500	9,800	9,800
Non-GAAP operating (loss) income	**$ (2,300)**	**$ 1,200**	**$ 15,900**	**$ 22,900**
GAAP operating margin	**-37%**	**-30%**	**-18%**	**-15%**
Non-GAAP operating margin	**-4%**	**2%**	**6%**	**8%**
GAAP net loss	**$ (32,300)**	**$ (28,800)**	**$ (69,700)**	**$ (62,700)**
Stock-based compensation	12,400	12,400	49,500	49,500
Amortization of intangible assets	2,500	2,500	6,100	6,100
Restructuring and other costs, net	6,500	6,500	9,800	9,800
Depreciation	3,000	3,000	11,100	11,100
Total other income (expense), net	(2,700)	(2,700)	(7,100)	(7,100)
Provision for income taxes	5,900	5,900	13,100	13,100
Adjusted EBITDA	**$ 700**	**$ 4,200**	**$ 27,000**	**$ 34,000**
GAAP net loss margin	**-50%**	**-42%**	**-25%**	**-22%**
Adjusted EBITDA margin	**1%**	**6%**	**10%**	**12%**

Q2 FY23 and FY23 Reconciliations of GAAP to Non-GAAP Guidance

(unaudited - in thousands)

	Q2 2023		FY2023	
	Low	High	Low	High
GAAP net loss	$ (32,300)	$ (28,800)	$ (69,700)	$ (62,700)
Stock-based compensation	12,400	12,400	49,500	49,500
Amortization of intangibles	2,500	2,500	6,100	6,100
Restructuring and other costs, net	6,500	6,500	9,800	9,800
Non-cash interest expense	500	500	1,900	1,900
Adjustments to income tax expense	3,200	2,400	(600)	(2,100)
Non-GAAP net (loss) income	$ (7,200)	$ (4,500)	$ (3,000)	$ 2,500
Adjusted EPS:				
GAAP Numerator:				
Net loss attributed to common shareholders	$ (32,300)	$ (28,800)	$ (69,700)	$ (62,700)
Non-GAAP Numerator:				
Net (loss) income attributed to common shareholders	$ (7,200)	$ (4,500)	$ (3,000)	$ 2,500
GAAP Denominator:				
Weighted-average common shares outstanding - basic and diluted	40,200	40,200	40,200	40,200
Non-GAAP Denominator:				
Weighted-average common shares outstanding - basic and diluted	40,200	40,200	40,200	40,200
GAAP net loss per share - diluted	$ (0.80)	$ (0.72)	$ (1.73)	$ (1.56)
Non-GAAP net (loss) income per share - diluted	$ (0.18)	$ (0.11)	$ (0.07)	$ 0.06