Cerence AI

Investor Presentation

December 2024

Forward-Looking Statements

Statements in this press release regarding: Cerence's future performance, results and financial condition; expected growth and profitability; outlook; transformation plans and cost efficiency initiatives, including the estimated net annualized cost savings; strategy; opportunities; business, industry and market trends; strategy regarding fixed contracts and its impact on financial results; backlog; revenue visibility; revenue timing and mix; demand for Cerence products; innovation and new product offerings, including AI technology; expected benefits of technology partnerships; and management's future expectations, estimates, assumptions, beliefs, goals, objectives, targets, 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," "goal," "anticipates," "projects," "forecasts," "expects," "intends," "continues," "will," "may," 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; automotive production delays; changes in customer forecasts; the impacts of the COVID-19 pandemic on our and our customers' businesses; the ongoing conflicts in Ukraine and the Middle East; our inability to control and successfully manage our expenses and cash position; our inability to deliver improved financial results from process optimization efforts and cost reduction actions; 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 strategies to increase cloud offerings and deploy generative AI and large language models (LLMs); the inability to expand into adjacent markets; the inability to recruit and retain qualified personnel; disruptions arising from transitions in management personnel, including the transition to our new Chief Executive Officer; cybersecurity and data privacy incidents; fluctuating currency rates and interest rates; inflation; restrictions on our current and future operations under the terms of our debt, the use of cash to service our debt; and our inability to generate sufficient cash from our operations; and the other factors discussed in our most recent Annual Report on 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 AI Overview

Creating Companion Experiences

Redefining the way users interact with their vehicles and devices,
bringing a new level of convenience, personalization, and delight to every interaction.

- **Customizable User Experience**
- **Immersive Experience**
- **Human-like Interaction**

FLEXIBLE, BRANDED, CUSTOMIZABLE.

Global Footprint

80+
Global OEMs & Tier 1 suppliers

500M+
Cars shipped with Cerence technology

52%
Global auto production with Cerence AI technology

70
Global languages supported

~650
Patents

Experienced Leadership Team Driving the Future

Brian Krzanich

President
& Chief Executive Officer

Jennifer Salinas

Executive Vice President
& Chief Administrative Officer

Nils Schanz

Executive Vice President,
Product & Technology

Christian Mentz

Chief Revenue Officer

Tony Rodriquez

Chief Financial Officer

Cerence AI Board of Directors

Arun Sarin
Chairman of the Board

vodafone charles SCHWAB
cisco

Tom Beaudoin
Director

NUANCE simplivity
cerence

Marianne Budnik
Director

CYBERARK simplivity
Schibsted

Douglas Davis
Director

intel VERRA MOBILITY Safe. Smart. Connected.
OSHKOSH

Sanjay Jha
Director

motorola A Lenovo Company Qualcomm

Marcy Klevorn
Director

Ford

Kristi Ann Matus
Director

athenahealth AXA
THL Thomas H. Lee Partners

Alfred Nietzel
Director

ADP P&G CDK Global

Brian Krzanich
President
& Chief Executive Officer

intel CDK Global

Extensive Ecosystem of Partners & Customers

Partners

NVIDIA, Microsoft, smart eye, Qualcomm, NXP, mapbox, Tencent 腾讯, Baidu 百度, here

Tier 1

APTIV, 斑马智行 Powered by AliOS, zomai, FORVIA Inspiring mobility, MITSUBISHI ELECTRIC, Visteon, BOSCH, ADAYO 华阳集团, NNG, tuya, CARIAD, HYUNDAI MOBIS, EB, DENSO, FUJITSU, e.solutions, ecarx

OEMs

GARMIN, ZEBRA, SCANIA, CVnet, stryker, PEUGEOT, HYUNDAI, STELLANTIS, motorola, PORSCHE, SAIC, gm, GEELY AUTO, ŠKODA, TOYOTA, YAMAHA, NISSAN, DFM, CFMOTO, smart, ROLLS ROYCE, mahindra, Ford, LEXUS, JAGUAR, VOLVO, HARLEY-DAVIDSON MOTOR CYCLES, Ferrari, BYD, SUZUKI, SUBARU, LOTUS, Mercedes-Benz, TESLA, MAN, LONCIN, Kawasaki, TVS, ASTON MARTIN, GWM, CHERY, LUCID, LAND ROVER, XPENG, RENAULT, NIO, KIA, SEAT, HONDA, DAIMLER TRUCK, BOSON, BMW, LYNK & CO, 长安汽车 CHANGAN, VINFAST, IVECO, Faraday Future, ZEEKR

Tier 1

DESAY SV automotive, Pioneer, PATEO, Panasonic, LG, HARMAN, MOTREX, Valeo, MARELLI, 42dot, AISIN, JOYNEXT, beanTech, Continental, ART, INFINITI, Clarion, ALPINE

Partners

Radioline, iHeart RADIO, SiriusXM, arm, Spotify, tomtom, gracenote a nielsen company, Infineon

Our Solutions Portfolio

Conversational & Generative AI

Full-stack GenAI based voice assistant, including voice activation, natural voice input and output, hybrid conversational services for automotive and general-purpose tasks

Audio & Communication AI

Best-in-class audio applications, enhancing in-car experiences by reducing environmental noise and enabling seamless interaction with vehicles, inside and out

EDGE | CLOUD | HYBRID | Technologies, Tools & Applications

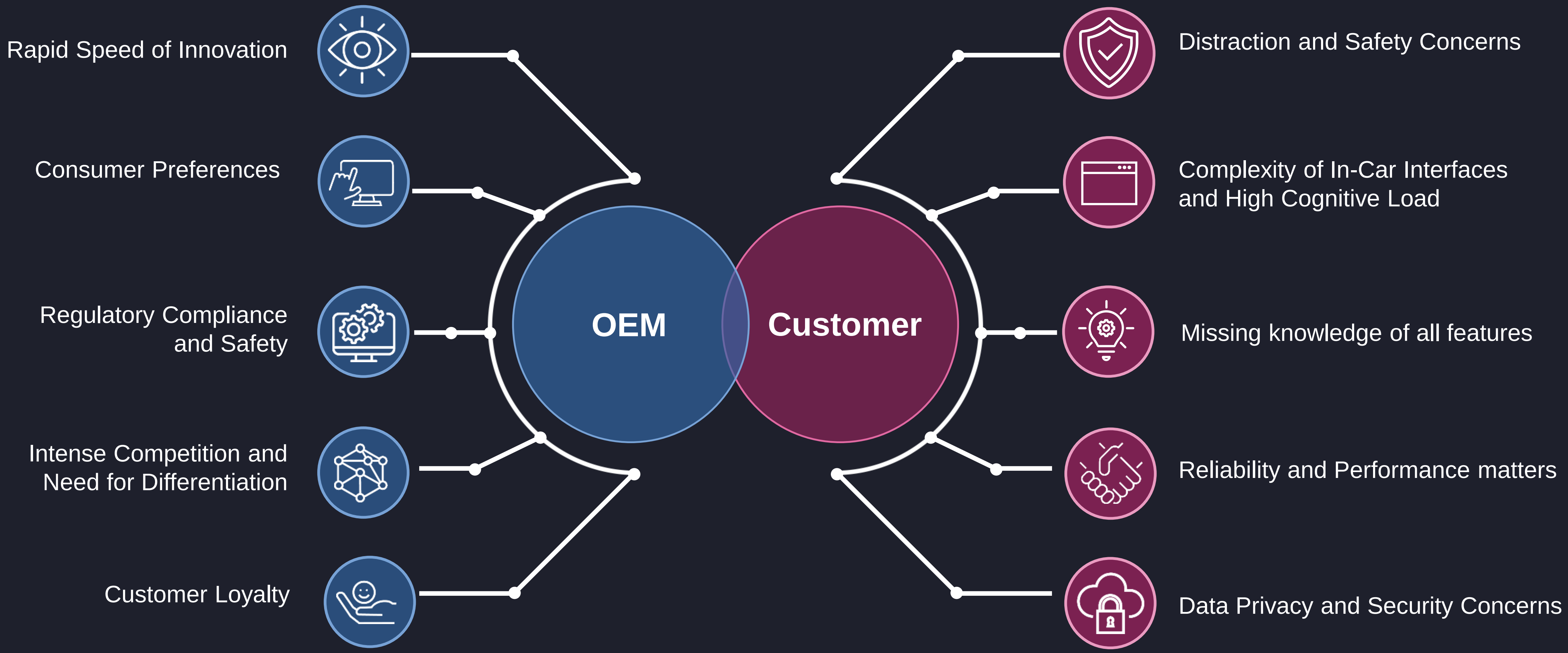
Conversational & Generative AI

- Cerence Assistant with NLU Plus
- Chat Pro
- Car Knowledge
- Speech Output & Input
- JustTalk & Wake-up Word

Audio & Communication AI

- Speech Signal Enhancement
- Multi-Seat & Multi-Zone Intelligence
- In-Car Communication
- Audio Boost
- Exterior Vehicle Interaction
- Emergency Vehicle Detection

Market Challenges



Flexible & Modular Solution

Combine Technologies and Applications to Build an OEM-Centric UX

Applications for enhanced in-car UX

Car Knowledge

Chat Pro

Cerence **Co-Existence** with 3rd Party Assistants

Cerence Assistant
Or Cerence Automotive Services

Packaged Domains

OEM Applications

WUW

ASR/NLU

NLG/TTS

WUW Arbitration

3rd Party Assistants

Technologies for enhanced in-car UX

Speech Signal Enhancement

In-Car Communication

Emergency
Vehicle Detection

Enhanced Siri for CarPlay

Competitive Advantage

Description	*White label automotive VA*	*Partially brandable consumer VA*	*Consumer VA in proprietary GAS package*
Languages / Global Footprint	Global Coverage, 30+ Languages	Limited	
GenAI Based Features	Under Development	(Announced, Under Development)	
Customization & Differentiation	Full customization for OEM	Heavily Amazon-branded	Heavily Google-branded
Data Ownership	Full control for OEM	Limited control for OEM	
Embedded Support	Extensive offering	Limited	
In-Car Control Functions	Extensive feature set	Limited	
Multi-Seat/Multi-Modal	Supported, focus on entire cabin	Lacks multi-modal features and often requires haptic interaction. Primarily front-row focused	
Voice UX Integration with GUI and Haptics	Full integration possible	Partial	
Full-stack HU Integration	Open Ecosystem	Open Ecosystem	Walled Garden
		UX Review from Q4 2023	*UX Review from Q3 2023*

Selected Automotive Credentials

…we are now the first volume manufacturer to make this innovative technology a standard feature in vehicles from the compact segment upwards. Thanks to the seamless integration of ChatGPT and strong collaboration with our partner, Cerence, we are offering our drivers added value and direct access to the AI-based research tool.

Kai Grünitz, Board Director of Technical Development at Volkswagen (VW).

Mercedes-Benz

Mercedes-Benz User Experience, or MBUX, can be controlled in several ways, including voice, touch, steering wheel controls and a touchpad. All of them work quite well, but voice controls take the system to a new level with intuitive and funny responses to common inquiries.

Forbes

By bringing Cerence into our architecture, we can differentiate our brand flexibly, securely and confidently while positioning the vehicle as a central piece of our customers' connected lives. […] This is crucial to advance our vision.

BYD Executive

Drivers and passengers will have easy, verbal access to worlds of knowledge while on the road. Integrating ChatGPT into our voice assistant Laura is just the latest way that Škoda adapts advanced technology to improve the driving experience.

Klaus Zellmer, Škoda Auto CEO

Reno, the official Renault avatar, will allow you to take full advantage of Renault 5 and all its associated services. It adapts to you and your preferences: the more you interact with it, the better it will be.

Renault

Cerence AI Q4 FY24 Earnings Presentation

Brian Krzanich, Chief Executive Officer
Tony Rodriquez, Interim Chief Financial Officer

November 21, 2024

Q4 FY2024 Results and FY2025 Outlook

- Q4 revenue and GAAP profitability metrics exceeded the high end of guidance
- Initial FY2025 revenue guidance of $236 to $247 million, with net cash provided by operating activities in the range of $34 to $40 million
- Transformation plan delivers $35-40 million in net annualized cost savings
- Record high of 22 platform launches in FY24, including 6 for generative AI solutions and 4 in Q4

Q4 & FY24 Financial Details

Cerence Q4FY24 Results

	Q4FY23	Q4FY24	Q4FY24 Guidance
Total Revenue	**$80.8M[(a)]**	**$54.8M**	**$44M - $50M**
Gross Margin	71.5%	63.7%	55% - 60%
Net Loss	($11.6M)	($20.4M)	($32M) – ($28M)
EPS – diluted	($0.29)	($0.49)	($0.77) – ($0.67)
Adjusted EBITDA[(b,c)]	$16.6M	($1.9M)	($19M) – ($13M)
Cash Flow From Operations	$11.3M	$6.1M	
Cash Balance & Marketable Securities	$121M	$130M	

a) *Includes a $12.8 million fixed license and $8.4 million of Legacy contract related to a connected services contract with Toyota acquired by Nuance through a 2013 acquisition. Toyota decommissioned the solution in Q1FY24 resulting in the acceleration of deferred revenue in Q1FY24 for Toyota and a directly related contract.*

b) *Adjusted EBITDA excludes goodwill impairment, amortization of acquired intangible assets, stock-based compensation, restructuring and other costs.*

c) *Refer to the Appendix for more information on GAAP to non-GAAP reconciliations and related definitions.*

Cerence FY24 Results

	FY23	FY24	FY24 Guidance
Total Revenue	**$294.5M**	**$331.5M**	**$321M - $327M**
Gross Margin	67.7%	73.7%	73%
Net Loss	($56.3M)	($588.1M) [a]	($600M) – ($596M)
EPS – diluted	($1.40)	($14.12)	($14.42) – ($14.32)
Adjusted EBITDA[b,c]	$41.5M	$80.6M	$64M – $70M
Cash Flow From Operations	$7.5M	$17.2M	
Cash Balance & Marketable Securities	$121M	$130M	

a) *Includes a $609 million Goodwill impairment charge in FY24.*
b) *Adjusted EBITDA excludes goodwill impairment, amortization of acquired intangible assets, stock-based compensation, restructuring and other costs.*
c) *Refer to the Appendix for more information on GAAP to non-GAAP reconciliations and related definitions.*

Detailed Revenue Breakdown

In millions	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY24
Total License:	**$45.4**	**$30.8**	**$25.9**	**$43.1**	**$145.2**	**$20.8**	**$35.5**	**$43.1**	**$25.3**	**$124.8**
Variable[(a)]	$26.3	$26.2	$25.8	$30.3	$108.6	$20.8	$25.1	$23.1	$25.3	$94.4
Total Fixed[(b)]	$19.1	$4.6	$ –	$12.8	$36.5	$ –	$10.4	$20.0	$ –	$30.4
Connected Services:	**$18.4**	**$18.9**	**$18.6**	**$19.2**	**$75.1**	**$96.8**	**$13.6**	**$10.9**	**$12.1**	**$133.4**
Connected Services	$9.9	$10.5	$10.2	$10.8	$41.4	$10.2	$13.6[(c)]	$10.9	$12.1	$46.8
Legacy[(d)]	$8.5	$8.4	$8.4	$8.4	$33.7	$86.6	$ –	$ –	$ –	$86.6
Professional Services	**$19.9**	**$18.7**	**$17.2**	**$18.5**	**$74.3**	**$20.7**	**$18.7**	**$16.5**	**$17.4**	**$73.3**
Total Revenue	**$83.7**	**$68.4**	**$61.7**	**$80.8**	**$294.6**	**$138.3**	**$67.8**	**$70.5**	**$54.8**	**$331.5**

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) *Connected services in Q2FY24 includes a $2.6 million true up adjustment due to underreporting from an OEM.*
d) *Legacy contract is a connected services contract with Toyota acquired by Nuance through a 2013 acquisition. Toyota decommissioned the solution in Q1FY24 resulting in the acceleration of deferred revenue in Q1FY24 for Toyota and a directly related contract.*

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Operational Metrics and Variable License Revenue

In millions	FY23					FY24				
Operational Metrics:	**Q1**	**Q2**	**Q3**	**Q4**	**FY23**	**Q1**	**Q2**	**Q3**	**Q4**	**FY24**
Pro Forma Royalties[(a)]	$41.7	$43.1	$44.5	$42.6	**$171.9**	$35.3	$39.6	$39.6	$41.9	**$156.4**
Consumption of Fixed Contracts[(b)]	$15.4	$16.9	$18.7	$15.5	**$66.5**	$14.5	$14.5	$16.5	$16.6	**$62.1**
Variable License Revenue	$26.3	$26.2	$25.8	$30.3	**$108.6**	$20.8	$25.1	$23.1	$25.3	**$94.3**
IHS Production (units)	21.9	21.4	22.3	22.6	88.2	24.2	21.4	22.1	21.6	89.4

a) *Pro forma Royalties is an operating measure representing total value of licenses shipped in a quarter. It includes the consumption of fixed contracts.*
b) *Licenses shipped in the quarter associated with fixed contracts.*

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Q4FY24 KPI[d] Performance

- Percent of worldwide auto production with Cerence Technology declined slightly to 52% (TTM)[a]
- Approximately 10.6 million units shipped with Cerence technology in Q4
  - Down 14% YoY (IHS down 5% YoY)
  - Down 11% QoQ (IHS down 3% QoQ)
- Change in number of Cerence connected cars shipped up 16% (TTM)[a]
- Adjusted Total Billings TTM[b] of $220.7M, Increased 1%
- 5 Year Backlog[c] Update: $953 Million

a) *Based on IHS Markit data, global auto production increased 1% over the same time period ended on September 30, 2024. Calculated on a trailing twelve months basis (TTM). Comparisons are TTM over prior year TTM*
b) *Change in Adjusted Total billings excludes professional services, prepay contracts, and adjusted for prepay consumption. TTM over prior year TTM.*
c) *5-Year backlog represents the total revenue expected from signed contracts with customers to be reported over the following 5-year period. 5-year. backlog, however, may not be indicative of Cerence's actual future revenue.*
d) *Please refer to the appendix for KPI definitions.*

Fiscal Q1 and FY25 Guidance

In millions except per share amounts	Q1FY25 Guidance Low	Q1FY25 Guidance High	FY25 Guidance Low	FY25 Guidance High
Revenue	$47	$50	$236	$247
Gross Margin	58%	60%	67%	69%
Net Loss	($26)	($23)	($40)	($29)
EPS – diluted	($0.62)	($0.55)	($0.92)	($0.67)
Adjusted EBITDA [a,b]	($9)	($6)	$15	$26
Net Cash Provided by Operating Activities			$34	$40
Free Cash Flow [c]			$20	$30

- No fixed contracts expected during the first quarter and $20 million projected for FY2025 at the mid-point of Guidance.
- Q1 and Full Year 2025 GAAP operating results guidance includes approximately $6 million and $8 million, respectively, of expenses related with our transformation initiatives as well as stock-based compensation of approximately $6 million and $23 million, respectively.

a) *Non-GAAP excludes goodwill impairment, 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 and related definitions.*
c) *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.*

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)]	1 – 5 years	Recognized at same time of billing based on actual usage	Billed every quarter based on actual usage
Customer Hosted[(b)]	License	Quarter in which license is delivered to customer	Upon delivery

(a) Usage can be defined by number of active users or number of monthly transactions

(b) 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

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 September 30, 2024, 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.
- **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 compared to prior TTM basis.
- **Change in Adjusted total billings YoY (TTM):** The year over year change in total billings excluding Professional Services, prepay billings and adjusted for prepay consumption.

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 ending September 30, 2024 and 2023, our management has either included or excluded the following items in general categories, each of which is described below.

Cerence is not providing a reconciliation of certain forward-looking, non-GAAP financial targets to the GAAP equivalent because Cerence is unable to provide this reconciliation without unreasonable effort due to information regarding the relevant adjustments not being ascertainable or accessible. Such information could be material to future results.

Non-GAAP Financial Measures – Definitions

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 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, consulting costs relating to our transformation initiatives, costs for consolidating duplicate facilities, third-party fees relating to the modification of our convertible debt, and the release of a pre-acquisition contingency.

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-GAAP Financial Measures – Definitions

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.

Q4 FY24 Reconciliations of GAAP to Non-GAAP Results

(unaudited - in thousands)

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Twelve Months Ended September 30, 2024	Twelve Months Ended September 30, 2023
GAAP revenue	**$ 54,805**	**$ 80,764**	**$ 331,504**	**$ 294,475**
GAAP gross profit	**$ 34,895**	**$ 57,736**	**$ 244,272**	**$ 199,312**
Stock-based compensation	685	1,004	2,633	3,703
Amortization of intangible assets	-	104	103	414
Non-GAAP gross profit	**$ 35,580**	**$ 58,844**	**$ 247,008**	**$ 203,429**
GAAP gross margin	**63.7%**	**71.5%**	**73.7%**	**67.7%**
Non-GAAP gross margin	**64.9%**	**72.9%**	**74.5%**	**69.1%**
GAAP operating (loss) income	**$ (19,228)**	**$ 3,896**	**$ (579,936)**	**$ (27,199)**
Stock-based compensation	4,382	8,965	23,673	40,766
Amortization of intangible assets	553	661	2,306	6,268
Restructuring and other costs, net	10,331	842	17,077	11,917
Goodwill impairment	-	-	609,172	-
Non-GAAP operating (loss) income	**$ (3,962)**	**$ 14,364**	**$ 72,292**	**$ 31,752**
GAAP operating margin	**-35.1%**	**4.8%**	**-174.9%**	**-9.2%**
Non-GAAP operating margin	**-7.2%**	**17.8%**	**21.8%**	**10.8%**
GAAP net loss	**$ (20,416)**	**$ (11,552)**	**$ (588,078)**	**$ (56,254)**
Stock-based compensation	4,382	8,965	23,673	40,766
Amortization of intangible assets	553	661	2,306	6,268
Restructuring and other costs, net	10,331	842	17,077	11,917
Goodwill impairment	-	-	609,172	-
Depreciation	2,028	2,226	8,324	9,770
Total other expense, net	(1,155)	(3,550)	(4,674)	(9,190)
Provision for income taxes	33	11,898	3,468	19,865
Adjusted EBITDA	**$ (1,934)**	**$ 16,590**	**$ 80,616**	**$ 41,522**
GAAP net loss margin	**-37.3%**	**-14.3%**	**-177.4%**	**-19.1%**
Adjusted EBITDA margin	**-3.5%**	**20.5%**	**24.3%**	**14.1%**

(unaudited - in thousands)

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Twelve Months Ended September 30, 2024	Twelve Months Ended September 30, 2023
GAAP net loss	**$ (20,416)**	**$ (11,552)**	**$ (588,078)**	**$ (56,254)**
Stock-based compensation	4,382	8,965	23,673	40,766
Amortization of intangible assets	553	661	2,306	6,268
Restructuring and other costs, net	10,331	842	17,077	11,917
Loss on debt extinguishment	-	-	-	1,333
Goodwill impairment	-	-	609,172	-
Non-cash interest expense	1,579	1,464	6,060	2,914
Other	(31)	500	(117)	(344)
Adjustments to income tax expense	574	2,870	(14,030)	7,976
Non-GAAP net (loss) income	**$ (3,028)**	**$ 3,750**	**$ 56,063**	**$ 14,576**
Adjusted EPS:				
GAAP Numerator:				
Net loss attributed to common shareholders - basic and diluted	**$ (20,416)**	**$ (11,552)**	**$ (588,078)**	**$ (56,254)**
Non-GAAP Numerator:				
Net (loss) income attributed to common shareholders	$ (3,028)	$ 3,750	$ 56,063	$ 14,576
Interest on the Notes, net of tax	-	-	4,473	-
Net (loss) income attributed to common shareholders - diluted	**$ (3,028)**	**$ 3,750**	**$ 60,536**	**$ 14,576**
GAAP Denominator:				
Weighted-average common shares outstanding - basic and diluted	**41,866**	**40,357**	**41,642**	**40,215**
Non-GAAP Denominator:				
Weighted-average common shares outstanding- basic	41,866	40,357	41,642	40,215
Adjustment for diluted shares	-	1,101	7,727	423
Weighted-average common shares outstanding - diluted	**41,866**	**41,458**	**49,369**	**40,638**
GAAP net loss per share - diluted	**$ (0.49)**	**$ (0.29)**	**$ (14.12)**	**$ (1.40)**
Non-GAAP net (loss) income per share - diluted	**$ (0.07)**	**$ 0.09**	**$ 1.23**	**$ 0.36**
GAAP net cash provided by operating activities	**$ 6,115**	**$ 11,258**	**$ 17,196**	**$ 7,498**
Capital expenditures	(1,446)	(1,527)	(4,996)	(5,124)
Free Cash Flow	**$ 4,669**	**$ 9,731**	**$ 12,200**	**$ 2,374**

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.

Q1 FY25 and Full Year FY25 Reconciliations of GAAP to non-GAAP Guidance

(unaudited - in thousands)

	Q1 2025		FY2025	
	Low	**High**	**Low**	**High**
GAAP revenue	**$ 47,000**	**$ 50,000**	**$ 236,000**	**$ 247,000**
GAAP gross profit	**$ 27,200**	**$ 30,200**	**$ 158,400**	**$ 169,400**
Stock-based compensation	700	700	2,500	2,500
Amortization of intangible assets	-	-	-	-
Non-GAAP gross profit	**$ 27,900**	**$ 30,900**	**$ 160,900**	**$ 171,900**
GAAP gross margin	**58%**	**60%**	**67%**	**69%**
Non-GAAP gross margin	**59%**	**62%**	**68%**	**70%**
GAAP operating loss	**$ (22,900)**	**$ (19,900)**	**$ (27,100)**	**$ (16,100)**
Stock-based compensation	6,100	6,100	22,500	22,500
Amortization of intangible assets	500	500	1,600	1,600
Restructuring and other costs, net	5,600	5,600	8,100	8,100
Non-GAAP operating (loss) income	**$ (10,700)**	**$ (7,700)**	**$ 5,100**	**$ 16,100**
GAAP operating margin	**-49%**	**-40%**	**-11%**	**-7%**
Non-GAAP operating margin	**-23%**	**-15%**	**2%**	**7%**
GAAP net loss	**$ (26,400)**	**$ (23,400)**	**$ (39,600)**	**$ (28,600)**
Stock-based compensation	6,100	6,100	22,500	22,500
Amortization of intangible assets	500	500	1,600	1,600
Restructuring and other costs, net	5,600	5,600	8,100	8,100
Depreciation	2,200	2,200	10,200	10,200
Total other expense, net	(1,700)	(1,700)	(5,100)	(5,100)
Provision for income taxes	1,800	1,800	7,400	7,400
Adjusted EBITDA	**$ (8,500)**	**$ (5,500)**	**$ 15,300**	**$ 26,300**
GAAP net loss margin	**-56%**	**-47%**	**-17%**	**-12%**
Adjusted EBITDA margin	**-18%**	**-11%**	**6%**	**11%**

Q1 FY25 and FY25 Reconciliations of GAAP to Non-GAAP Guidance

(unaudited - in thousands)

	Q1 2025		FY2025	
	Low	High	Low	High
GAAP net loss	$ (26,400)	$ (23,400)	$ (39,600)	$ (28,600)
Stock-based compensation	6,100	6,100	22,500	22,500
Amortization of intangible assets	500	500	1,600	1,600
Restructuring and other costs, net	5,600	5,600	8,100	8,100
Non-cash interest expense	1,600	1,600	5,500	5,500
Other	-	-	(100)	(100)
Income tax impact of Non-GAAP adjustments	(1,100)	(1,100)	(4,600)	(4,600)
Non-GAAP net (loss) income	$ (13,700)	$ (10,700)	$ (6,600)	$ 4,400
Adjusted EPS:				
GAAP Numerator:				
Net loss attributed to common shareholders - basic and diluted	$ (26,400)	$ (23,400)	$ (39,600)	$ (28,600)
Non-GAAP Numerator:				
Net (loss) income attributed to common shareholders - basic and diluted	$ (13,700)	$ (10,700)	$ (6,600)	$ 4,400
GAAP Denominator:				
Weighted-average common shares outstanding - basic and diluted	42,900	42,900	43,000	43,000
Non-GAAP Denominator:				
Weighted-average common shares outstanding- basic	42,900	42,900	43,000	43,000
Adjustment for diluted shares	-	-	-	100
Weighted-average common shares outstanding - diluted	42,900	42,900	43,000	43,100
GAAP net loss per share - diluted	$ (0.62)	$ (0.55)	$ (0.92)	$ (0.67)
Non-GAAP net (loss) income per share - diluted	$ (0.32)	$ (0.25)	$ (0.15)	$ 0.10
GAAP net cash provided by operating activities			$ 34,000	$ 40,000
Capital expenditures			(14,000)	(10,000)
Free Cash Flow			$ 20,000	$ 30,000

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