# 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): August 8, 2024**

# 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.)** |

| | |
|---|---|
| **25 Mall Road, Suite 416 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 August 8, 2024, Cerence Inc. (the "Company") announced its financial results for the quarter ended June 30, 2024. The press release, including the financial information contained therein, is attached hereto as Exhibit 99.1, and is incorporated herein by reference.

Also on August 8, 2024, the Company will use a presentation on its call with investors, discussing its financial results for the quarter ended June 30, 2024, 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 exhibits 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 2.05 Costs Associated with Exit or Disposal Activities**

On August 8, 2024, in response to evolving business needs, the Company announced a restructuring plan intended to reduce operating expenses and position the Company for profitable future growth (the "Plan"). The Plan is aimed at further driving operational efficiency and customer centricity. These changes reflect efforts to reshape the organization by streamlining the Company's structure, better prioritizing its go-to-market investments, and focusing its research and development investments on its generative AI roadmap and innovation across its platform. The Company estimates that it will incur cash restructuring charges of approximately $18 to $22 million in connection with the Plan, primarily consisting of severance payments, payments in lieu of notice, employee benefits and related costs. The Company expects to incur the majority of these expenses in the fourth quarter of fiscal year 2024 and first quarter of fiscal year 2025 and the implementation of the Plan will be substantially complete by the end of the first quarter of fiscal year 2025. Potential position eliminations are subject to legal requirements that vary by jurisdiction, which may extend this process beyond the first quarter of fiscal year 2025 in certain cases. The charges that the Company expects to incur are subject to a number of assumptions, including legal requirements in various jurisdictions, and actual expenses and charges may differ materially from the estimates disclosed above.

*Forward-Looking Statements*

This Current Report on Form 8-K contains forward-looking statements including, but not limited to, statements related to the estimated restructuring charges associated with, the time frame for completion of and recognition of charges associated with, and the ability to reduce operating expenses and position the Company for profitable growth pursuant to, the Plan. The statements are based on management's current expectations, estimates, and projections, are not guarantees of future performance, and are subject to certain risks, uncertainties, and other factors, some of which are beyond the Company's control and are difficult to predict, including, but not limited to, changes in the Company's operating results and financial condition. The forward-looking statements contained in this Current Report on Form 8-K are also subject to other risks and uncertainties, including those described in the Company's Annual Report on Form 10-K for the period ended September 30, 2023, the Company's most recent Quarterly Report on Form 10-Q, and from time to time other filings with the Securities and Exchange Commission ("SEC"), which are available on the SEC's website (http://www.sec.gov). Stockholders of the Company are cautioned not to place undue reliance on the Company's forward-looking statements, which speak only as of the date such statements are made. The Company does not undertake any obligation to publicly update any forward-looking statements to reflect events, circumstances or new information after the date of this filing, or to reflect the occurrence of unanticipated events.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

| Exhibit Number | Description |
|---|---|
| 99.1 | Press Release announcing financial results dated August 8, 2024. |
| 99.2 | Earnings Release Presentation dated August 8, 2024. |
| 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: August 8, 2024 | By: /s/ Tony Rodriquez |
| | Name: Tony Rodriquez |
| | Title: Interim Chief Financial Officer |

Exhibit 99.1

# Cerence Announces Third Quarter Fiscal Year 2024 Results

### Headlines

- **Q3 revenue in-line with guidance; positive cash flow from operations of $12.9 million**
- **Five generative AI customer programs released to production**
- **Transformation plans estimated to deliver net annualized cost savings of $35-40 million, predominantly realized in FY25**

**BURLINGTON, Mass., August 8, 2024** – Cerence Inc. (NASDAQ: CRNC), AI for a world in motion, today reported its third quarter fiscal year 2024 results for the quarter ended June 30, 2024.

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**Results Summary** [1,2]

(in millions, except per share data)

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| GAAP revenue | $ 70.5 | $ 61.7 | $ 276.7 | $ 213.7 |
| GAAP gross margin | 71.5 % | 66.0 % | 75.7 % | 66.2 % |
| Non-GAAP gross margin | 72.4 % | 66.5 % | 76.4 % | 67.7 % |
| GAAP operating margin [3] | -503.1 % | -13.8 % | -202.6 % | -14.6 % |
| Non-GAAP operating margin | 14.7 % | 0.5 % | 27.6 % | 8.1 % |
| GAAP net loss[3] | $ (313.5) | $ (16.5) | $ (567.7) | $ (44.7) |
| GAAP net loss margin[3] | -444.5 % | -26.7 % | -205.2 % | -20.9 % |
| Non-GAAP net income (loss) | $ 8.4 | $ (1.7) | $ 59.1 | $ 10.8 |
| Adjusted EBITDA | $ 12.5 | $ 2.8 | $ 82.6 | $ 24.9 |
| Adjusted EBITDA margin | 17.7 % | 4.5 % | 29.8 % | 11.7 % |
| GAAP net loss per share - diluted[3] | $ (7.50) | $ (0.41) | $ (13.66) | $ (1.11) |
| Non-GAAP net income (loss) per share - diluted | $ 0.19 | $ (0.04) | $ 1.27 | $ 0.27 |

(1) As previously disclosed, Q1FY24 revenue includes the non-cash revenue associated with the Toyota "Legacy" contract and related impacts totaling $86.6M.
(2) 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.
(3) Includes a Goodwill impairment charge of $252M in Q2FY24 and $357M in Q3FY24.

Stefan Ortmanns, Chief Executive Officer of Cerence, commented:

"Our Q3 results came in as expected, including strong cash flow from operations.

We continue to make steady progress with our new generative AI products, as five customer projects with four global automakers are now in production. We have eight generative AI wins year-to-date and four additional customer launches expected by the end of the calendar year.

As we discussed last quarter, we are undertaking a significant transformation to bring our operating costs in line with our revenue run-rate profile, with the objective of generating consistent, positive adjusted EBITDA and cash flow from operations. Our plans, which will be implemented mainly in our fourth quarter, currently estimate net annualized cost savings of approximately $35 to $40 million, which are expected to benefit our business model beginning in our fiscal year 2025 and enable us to focus on the products and innovations that drive meaningful revenue and best support our automaker customers as they navigate changing conditions throughout the industry.

As we approach the end of the fiscal year, we are keenly focused on our goals of implementing our transformation plan, driving continued momentum for our new generative AI products and next-gen roadmap, and achieving our Q4 and full-year financial objectives."

**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] | Q3FY24 |
|---|---|
| Percent of worldwide auto production with Cerence Technology (TTM) | 53 % |
| Change in number of Cerence connected cars shipped[2] (TTM over prior year TTM) | 19 % |
| Change in Adjusted Total Billings (TTM over prior year TTM)[3] | 3 % |

(1) Please refer to the "Key Performance Indicators" section included elsewhere in this release for more information regarding the definitions and our use of key performance indicators.
(2) Based on IHS Markit data, global auto production increased 4% over the same time period ended on June 30, 2024.
(3) Change in Adjusted total billings YoY (TTM): The year over year change in total billings adjusted to exclude Professional Services, prepay billings and prepay consumption.

**Fourth Quarter and Full Year Fiscal 2024 Outlook**

For the fiscal quarter ending September 30, 2024, revenue is expected to be in the range of $44 million to $50 million. GAAP net loss is expected to be in the range of ($32) million to ($28) million. Adjusted EBITDA is expected to be in the range of approximately ($19) million to ($13) million.

Accordingly, for the full fiscal year ending September 30, 2024, the company expects revenue to be in the range of $321 million to $327 million which includes an estimated $30 million of fixed contracts. GAAP net loss is expected to be in the range of ($600) million to ($596) million, which includes a goodwill impairment charge of $357.1 million for the three months ended June 30, 2024, in addition to the impairment charge for the three months ended March 31, 2024, of $252.1 million. Adjusted EBITDA is expected to be in the range of approximately $64 million to $70 million.

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

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

**Cerence Conference Call and Webcast**

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 registering 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 the company's website 90 minutes following the conference call at https://www.cerence.com/investors/events-and-resources.

**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 savings of operating costs; 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," "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 impact of the war in Ukraine, conflict between Israel and Hamas and attacks on commercial ships in the Red Sea by the Houthi groups on our and our customers' businesses; 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; 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, quarterly reports on Form 10-Q, and other filings with the Securities and Exchange Commission. We disclaim any obligation to update any forward-looking statements as a result of developments occurring after the date of this document.

**Discussion of Non-GAAP Financial Measures**

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

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

Consistent with this approach, we believe that disclosing non-GAAP financial measures to the readers of our financial statements provides such readers with useful supplemental data that, while not a substitute for GAAP financial statements, allows for greater transparency in the review of our financial and operational performance. In assessing the overall health of the business during the three months ended June 30, 2024 and 2023, 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 costs, 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 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-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.

**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 June 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 calculated on a TTM basis.
- *Change in Adjusted total billings YoY (TTM):* The year over year change in total billings adjusted to exclude Professional Services, prepay billings and prepay consumption.

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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, AI-powered 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 500 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 June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Revenues: | | | | |
| License | $ 43,055 | $ 25,837 | $ 99,405 | $ 102,054 |
| Connected services | 10,939 | 18,583 | 121,356 | 55,903 |
| Professional services | 16,545 | 17,240 | 55,938 | 55,754 |
| Total revenues | 70,539 | 61,660 | 276,699 | 213,711 |
| Cost of revenues: | | | | |
| License | 1,795 | 2,343 | 4,803 | 6,166 |
| Connected services | 5,718 | 5,562 | 18,380 | 18,218 |
| Professional services | 12,592 | 12,930 | 44,036 | 47,441 |
| Amortization of intangible assets | — | 103 | 103 | 310 |
| Total cost of revenues | 20,105 | 20,938 | 67,322 | 72,135 |
| Gross profit | 50,434 | 40,722 | 209,377 | 141,576 |
| Operating expenses: | | | | |
| Research and development | 31,184 | 30,202 | 96,336 | 88,190 |
| Sales and marketing | 5,208 | 4,277 | 16,898 | 21,656 |
| General and administrative | 9,831 | 13,019 | 39,283 | 46,453 |
| Amortization of intangible assets | 550 | 553 | 1,650 | 5,297 |
| Restructuring and other costs, net | 1,490 | 1,172 | 6,746 | 11,075 |
| Goodwill impairment | 357,076 | — | 609,172 | — |
| Total operating expenses | 405,339 | 49,223 | 770,085 | 172,671 |
| Loss from operations | (354,905) | (8,501) | (560,708) | (31,095) |
| Interest income | 1,287 | 1,207 | 3,909 | 3,240 |
| Interest expense | (3,104) | (4,120) | (9,451) | (11,637) |
| Other income (expense), net | 626 | (2,030) | 2,023 | 2,757 |
| Loss before income taxes | (356,096) | (13,444) | (564,227) | (36,735) |
| (Benefit from) provision for income taxes | (42,553) | 3,011 | 3,435 | 7,967 |
| Net loss | $ (313,543) | $ (16,455) | $ (567,662) | $ (44,702) |
| Net loss per share: | | | | |
| Basic | $ (7.50) | $ (0.41) | $ (13.66) | $ (1.11) |
| Diluted | $ (7.50) | $ (0.41) | $ (13.66) | $ (1.11) |
| Weighted-average common share outstanding: | | | | |
| Basic | 41,795 | 40,324 | 41,566 | 40,167 |
| Diluted | 41,795 | 40,324 | 41,566 | 40,167 |

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

| | June 30, 2024 | September 30, 2023 |
|---|---|---|
| | (Unaudited) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 115,522 | 101,154 |
| Marketable securities | 5,441 | 9,211 |
| Accounts receivable, net of allowances of $1,607 and $4,044 | 72,799 | 61,270 |
| Deferred costs | 5,563 | 6,935 |
| Prepaid expenses and other current assets | 40,230 | 47,157 |
| Total current assets | 239,555 | 225,727 |
| Long-term marketable securities | 5,343 | 10,607 |
| Property and equipment, net | 30,731 | 34,013 |
| Deferred costs | 18,267 | 20,299 |
| Operating lease right of use assets | 11,553 | 11,961 |
| Goodwill | 292,276 | 900,342 |
| Intangible assets, net | 2,184 | 3,875 |
| Deferred tax assets | 50,102 | 46,601 |
| Other assets | 23,970 | 44,165 |
| Total assets | $ 673,981 | $ 1,297,590 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 10,303 | $ 16,873 |
| Deferred revenue | 43,785 | 77,068 |
| Short-term operating lease liabilities | 4,646 | 5,434 |
| Short-term debt | 86,945 | - |
| Accrued expenses and other current liabilities | 37,563 | 48,718 |
| Total current liabilities | 183,242 | 148,093 |
| Long-term debt | 193,435 | 275,951 |
| Deferred revenue, net of current portion | 109,262 | 145,531 |
| Long-term operating lease liabilities | 7,577 | 7,947 |
| Other liabilities | 26,265 | 25,193 |
| Total liabilities | 519,781 | 602,715 |
| Stockholders' Equity: | | |
| Common stock, $0.01 par value, 560,000 shares authorized; 41,804 and 40,423 shares issued and outstanding, respectively | 418 | 404 |
| Accumulated other comprehensive loss | (28,587) | (27,966) |
| Additional paid-in capital | 1,083,693 | 1,056,099 |
| Accumulated deficit | (901,324) | (333,662) |
| Total stockholders' equity | 154,200 | 694,875 |
| Total liabilities and stockholders' equity | $ 673,981 | $ 1,297,590 |

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

| | Nine Months Ended June 30, | |
|---|---|---|
| | 2024 | 2023 |
| **Cash flows from operating activities:** | | |
| Net loss | $ (567,662) | $ (44,702) |
| Adjustments to reconcile net loss to net cash provided by (used in) operations: | | |
| Depreciation and amortization | 8,049 | 13,151 |
| Provision for credit loss reserve | 3,624 | 3,626 |
| Stock-based compensation | 19,291 | 31,801 |
| Non-cash interest expense | 4,481 | 1,450 |
| Loss on debt extinguishment | - | 1,333 |
| Deferred tax (benefit) provision | (2,877) | 1,536 |
| Goodwill impairment | 609,172 | - |
| Unrealized foreign currency transaction losses (gains) | 507 | (5,441) |
| Other | (37) | (4,004) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (3,762) | (10,951) |
| Prepaid expenses and other assets | 16,800 | 19,902 |
| Deferred costs | 3,589 | 2,511 |
| Accounts payable | (6,233) | 4,799 |
| Accrued expenses and other liabilities | (3,236) | (334) |
| Deferred revenue | (70,625) | (18,437) |
| Net cash provided by (used in) operating activities | 11,081 | (3,760) |
| **Cash flows from investing activities:** | | |
| Capital expenditures | (3,550) | (3,597) |
| Purchases of marketable securities | - | (18,025) |
| Sale and maturities of marketable securities | 9,207 | 20,200 |
| Other investing activities | (1,332) | (1,024) |
| Net cash provided by (used in) investing activities | 4,325 | (2,446) |
| **Cash flows from financing activities:** | | |
| Proceeds from revolving credit facility | - | 24,700 |
| Proceeds from long-term debt, net of discount | - | 190,000 |
| Payments for long-term debt issuance costs | (419) | (16,786) |
| Principal payments of long-term debt | - | (198,438) |
| Common stock repurchases for tax withholdings for net settlement of equity awards | (9,857) | (4,834) |
| Principal payment of lease liabilities arising from a finance lease | (303) | (355) |
| Proceeds from the issuance of common stock | 10,637 | 4,687 |
| Net cash provided by (used in) financing activities | 58 | (1,026) |
| Effects of exchange rate changes on cash and cash equivalents | (1,096) | (1,515) |
| Net change in cash and cash equivalents | 14,368 | (8,747) |
| Cash and cash equivalents at beginning of period | 101,154 | 94,847 |
| Cash and cash equivalents at end of period | $ 115,522 | $ 86,100 |

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

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **GAAP revenue** | **$ 70,539** | **$ 61,660** | **$ 276,699** | **$ 213,711** |
| | | | | |
| **GAAP gross profit** | **$ 50,434** | **$ 40,722** | **$ 209,377** | **$ 141,576** |
| Stock-based compensation | 642 | 163 | 1,948 | 2,699 |
| Amortization of intangible assets | - | 103 | 103 | 310 |
| **Non-GAAP gross profit** | **$ 51,076** | **$ 40,988** | **$ 211,428** | **$ 144,585** |
| **GAAP gross margin** | **71.5%** | **66.0%** | **75.7%** | **66.2%** |
| **Non-GAAP gross margin** | **72.4%** | **66.5%** | **76.4%** | **67.7%** |
| | | | | |
| **GAAP operating loss** | **$ (354,905)** | **$ (8,501)** | **$ (560,708)** | **$ (31,095)** |
| Stock-based compensation | 6,166 | 6,974 | 19,291 | 31,801 |
| Amortization of intangible assets | 550 | 656 | 1,753 | 5,607 |
| Restructuring and other costs, net | 1,490 | 1,172 | 6,746 | 11,075 |
| Goodwill impairment | 357,076 | - | 609,172 | - |
| **Non-GAAP operating income** | **$ 10,377** | **$ 301** | **$ 76,254** | **$ 17,388** |
| **GAAP operating margin** | **-503.1%** | **-13.8%** | **-202.6%** | **-14.6%** |
| **Non-GAAP operating margin** | **14.7%** | **0.5%** | **27.6%** | **8.1%** |
| | | | | |
| **GAAP net loss** | **$ (313,543)** | **$ (16,455)** | **$ (567,662)** | **$ (44,702)** |
| Stock-based compensation | 6,166 | 6,974 | 19,291 | 31,801 |
| Amortization of intangible assets | 550 | 656 | 1,753 | 5,607 |
| Restructuring and other costs, net | 1,490 | 1,172 | 6,746 | 11,075 |
| Goodwill impairment | 357,076 | - | 609,172 | - |
| Depreciation | 2,115 | 2,462 | 6,296 | 7,544 |
| Total other expense, net | (1,191) | (4,943) | (3,519) | (5,640) |
| (Benefit from) provision for income taxes | (42,553) | 3,011 | 3,435 | 7,967 |
| **Adjusted EBITDA** | **$ 12,492** | **$ 2,763** | **$ 82,550** | **$ 24,932** |
| **GAAP net loss margin** | **-444.5%** | **-26.7%** | **-205.2%** | **-20.9%** |
| **Adjusted EBITDA margin** | **17.7%** | **4.5%** | **29.8%** | **11.7%** |

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

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | Nine Months Ended June 30, 2024 | Nine Months Ended June 30, 2023 |
|---|---|---|---|---|
| **GAAP net loss** | **$ (313,543)** | **$ (16,455)** | **$ (567,662)** | **$ (44,702)** |
| Stock-based compensation | 6,166 | 6,974 | 19,291 | 31,801 |
| Amortization of intangible assets | 550 | 656 | 1,753 | 5,607 |
| Restructuring and other costs, net | 1,490 | 1,172 | 6,746 | 11,075 |
| Loss on debt extinguishment | - | 1,333 | - | 1,333 |
| Goodwill impairment | 357,076 | - | 609,172 | - |
| Non-cash interest expense | 1,542 | 540 | 4,481 | 1,450 |
| Other | (30) | (25) | (86) | (844) |
| Adjustments to income tax expense | (44,867) | 4,144 | (14,584) | 5,107 |
| **Non-GAAP net income (loss)** | **$ 8,384** | **$ (1,661)** | **$ 59,111** | **$ 10,827** |
| | | | | |
| **Adjusted EPS:** | | | | |
| **GAAP Numerator:** | | | | |
| Net loss attributed to common shareholders - basic and diluted | **$ (313,543)** | **$ (16,455)** | **$ (567,662)** | **$ (44,702)** |
| | | | | |
| **Non-GAAP Numerator:** | | | | |
| Net income (loss) attributed to common shareholders - basic | $ 8,384 | $ (1,661) | $ 59,111 | $ 10,827 |
| Interest on the Notes, net of tax | 604 | - | 3,335 | - |
| Net income (loss) attributed to common shareholders - diluted | **$ 8,988** | **$ (1,661)** | **$ 62,446** | **$ 10,827** |
| | | | | |
| **GAAP Denominator:** | | | | |
| Weighted-average common shares outstanding - basic and diluted | **41,795** | **40,324** | **41,566** | **40,167** |
| | | | | |
| **Non-GAAP Denominator:** | | | | |
| Weighted-average common shares outstanding- basic | 41,795 | 40,324 | 41,566 | 40,167 |
| Adjustment for diluted shares | 5,157 | - | 7,759 | 197 |
| Weighted-average common shares outstanding - diluted | **46,952** | **40,324** | **49,325** | **40,364** |
| | | | | |
| **GAAP net loss per share - diluted** | **$ (7.50)** | **$ (0.41)** | **$ (13.66)** | **$ (1.11)** |
| **Non-GAAP net income (loss) per share - diluted** | **$ 0.19** | **$ (0.04)** | **$ 1.27** | **$ 0.27** |
| | | | | |
| **GAAP net cash provided by (used in) operating activities** | **$ 12,852** | **$ (8,197)** | **$ 11,081** | **$ (3,760)** |
| Capital expenditures | (774) | (1,520) | (3,550) | (3,597) |
| **Free Cash Flow** | **$ 12,078** | **$ (9,717)** | **$ 7,531** | **$ (7,357)** |

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

| | Q4 2024 | | FY2024 | |
|---|---|---|---|---|
| | Low | High | Low | High |
| **GAAP revenue** | $ 44,000 | $ 50,000 | $ 320,700 | $ 326,700 |
| | | | | |
| **GAAP gross profit** | $ 24,200 | $ 30,200 | $ 233,500 | $ 239,500 |
| Stock-based compensation | 300 | 300 | 2,300 | 2,300 |
| Amortization of intangible assets | - | - | 100 | 100 |
| **Non-GAAP gross profit** | $ 24,500 | $ 30,500 | $ 235,900 | $ 241,900 |
| **GAAP gross margin** | 55 % | 60 % | 73 % | 73 % |
| **Non-GAAP gross margin** | 56 % | 61 % | 74 % | 74 % |
| | | | | |
| **GAAP operating loss** | $ (35,900) | $ (31,600) | $ (596,500) | $ (592,200) |
| Stock-based compensation | 4,000 | 4,000 | 23,300 | 23,300 |
| Amortization of intangible assets | 600 | 600 | 2,300 | 2,300 |
| Restructuring and other costs, net | 10,400 | 12,100 | 17,100 | 18,800 |
| Goodwill impairment | - | - | 609,200 | 609,200 |
| **Non-GAAP operating (loss) income** | $ (20,900) | $ (14,900) | $ 55,400 | $ 61,400 |
| **GAAP operating margin** | -82 % | -63 % | -186 % | -181 % |
| **Non-GAAP operating margin** | -48 % | -30 % | 17 % | 19 % |
| | | | | |
| **GAAP net loss** | $ (32,200) | $ (27,900) | $ (599,900) | $ (595,600) |
| Stock-based compensation | 4,000 | 4,000 | 23,300 | 23,300 |
| Amortization of intangible assets | 600 | 600 | 2,300 | 2,300 |
| Restructuring and other costs, net | 10,400 | 12,100 | 17,100 | 18,800 |
| Goodwill impairment | - | - | 609,200 | 609,200 |
| Depreciation | 2,200 | 2,200 | 8,500 | 8,500 |
| Total other expense, net | (2,000) | (2,000) | (5,600) | (5,600) |
| Benefit from income taxes | (5,600) | (5,600) | (2,200) | (2,200) |
| **Adjusted EBITDA** | $ (18,600) | $ (12,600) | $ 63,900 | $ 69,900 |
| **GAAP net loss margin** | -73 % | -56 % | -187 % | -182 % |
| **Adjusted EBITDA margin** | -42 % | -25 % | 20 % | 21 % |

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

| | Q4 2024 | | FY2024 | |
|---|---|---|---|---|
| | Low | High | Low | High |
| **GAAP net loss** | **$ (32,200)** | **$ (27,900)** | **$ (599,900)** | **$ (595,600)** |
| Stock-based compensation | 4,000 | 4,000 | 23,300 | 23,300 |
| Amortization of intangibles | 600 | 600 | 2,300 | 2,300 |
| Restructuring and other costs, net | 10,400 | 12,100 | 17,100 | 18,800 |
| Non-cash interest expense | 1,500 | 1,500 | 6,000 | 6,000 |
| Goodwill impairment | - | - | 609,200 | 609,200 |
| Other | - | - | (100) | (100) |
| Adjustments to income tax expense | (3,000) | (3,000) | (17,700) | (23,700) |
| **Non-GAAP net (loss) income** | **$ (18,700)** | **$ (12,700)** | **$ 40,200** | **$ 40,200** |
| | | | | |
| **Adjusted EPS:** | | | | |
| **GAAP Numerator:** | | | | |
| Net loss attributed to common shareholders - basic and diluted | **$ (32,200)** | **$ (27,900)** | **$ (599,900)** | **$ (595,600)** |
| | | | | |
| **Non-GAAP Numerator:** | | | | |
| Net (loss) income attributed to common shareholders - basic | $ (18,700) | $ (12,700) | $ 40,200 | $ 40,200 |
| Interest on the Notes, net of tax | - | - | 4,500 | 4,500 |
| Net (loss) income attributed to common shareholders - diluted | **$ (18,700)** | **$ (12,700)** | **$ 44,700** | **$ 44,700** |
| | | | | |
| **GAAP Denominator:** | | | | |
| Weighted-average common shares outstanding - basic and diluted | **41,800** | **41,800** | **41,600** | **41,600** |
| | | | | |
| **Non-GAAP Denominator:** | | | | |
| Weighted-average common shares outstanding- basic | 41,800 | 41,800 | 41,600 | 41,600 |
| Adjustment for diluted shares | - | - | 7,700 | 7,700 |
| Weighted-average common shares outstanding - diluted | **41,800** | **41,800** | **49,300** | **49,300** |
| | | | | |
| **GAAP net loss per share - diluted** | **$ (0.77)** | **$ (0.67)** | **$ (14.42)** | **$ (14.32)** |
| **Non-GAAP net (loss) income per share - diluted** | **$ (0.45)** | **$ (0.30)** | **$ 0.91** | **$ 0.91** |

Exhibit 99.2

# Cerence Q3 FY24 Earnings Presentation


Stefan Ortmanns, Chief Executive Officer

Tony Rodriquez, Interim Chief Financial Officer

Rich Yerganian, SVP of Investor Relations


August 8, 2024

# Forward-Looking Statements

Statements in this presentation regarding: Cerence's future performance, results and financial condition; expected growth and profitability; outlook; fiscal year 2025 framework; transformation plans and cost efficiency initiatives, including estimated net 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; cost efficiency initiatives; 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," "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 impact of the war in Ukraine, conflict between Israel and Hamas, and attacks on commercial ships in the Red Sea on our and our customers' businesses; our inability to control and successfully manage our expenses and cash position; our ability 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; cybersecurity and data privacy incidents; failure to protect our intellectual property; defects or interruptions in service with respect to our products; fluctuating currency rates and interest rates; inflation; financial and credit market volatility; 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 caution you not to place undue reliance on any forward-looking statements, which speak only as of the date made. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise, except as otherwise required by law.

# Q3 Results and Full Year Outlook

- Q3 revenue at the midpoint of guidance
- GAAP profitability metrics effected by Goodwill impairment charge of approximately $357 million
- Non-GAAP Gross Margin was within the range, while all other profitability metrics were above the guidance provided in the Q2 earnings call
- Positive cash flow from operations at $12.9 million
- Narrowing full year revenue outlook within the prior range

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# Leading Provider of Audio & Voice AI Experiences

## OUR EXPERTISE & INNOVATION FOUNDATION

| | | |
|---|---|---|
| **80+** Global OEMs and Tier1s | **60B+** Tokens (Dataset) | **500M+** Cars shipped with Cerence Tech |
| **~700** Patents | **70+** Languages Supported | **53%** of WW Auto Production (TTM) |

## CUSTOMER EMPOWERMENT

- Customization & Integration
- Control of Data & Brand
- Continuous Technology Innovation
- Fast Delivery & TTM

## OUR SOLUTIONS

- Conversational & Generative AI
- Audio & Communication AI
- AI-Driven Safety Support
- Scalable & Extensible AI Platform
- **Hybrid / Edge / Cloud**

Ford Mercedes-Benz NIO RENAULT GWM STELLANTIS TOYOTA BYD GEELY ZOOX Kawasaki

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# Transforming to Achieve Long-Term Profitability

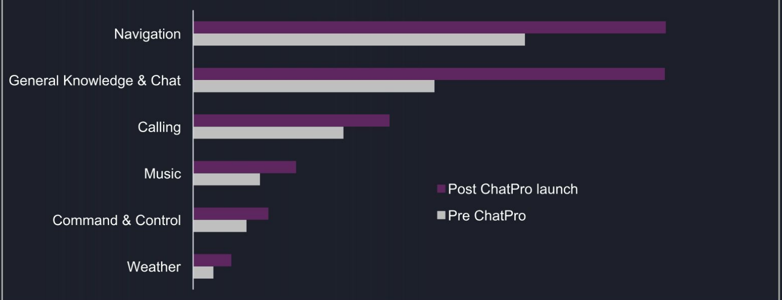

- Adjusting cost structure of the business with the objective of achieving consistent positive Adj. EBITDA and cash flow from operations
- Plan to reinvest a portion of cost savings to support Gen AI roadmap and next-gen platform
- Initial expectations are to achieve net annualized cost savings on a run-rate basis of approximately $35 to $40 million dollars which will be predominantly realized in FY2025

# Cerence Generative AI Products for Pre- and Post-SOP

Cost-efficient LLM solutions

- **Car Knowledge**
- **CA with NLU Plus**
- **Chat Pro**

Usage of top domains (limited sample size)




- 8 OEM design wins (year-to-date)
- 5 program launches in Q3FY24 with 4 OEMs
- 4 additional launches with global OEMs expected in CY24
- Strong validated pipeline through pre-development programs
- Growth in price-per-unit
- Positive impact in customer experience and usage

# Powering Next-Level User Experiences

- Cerence Automotive LLM
- Conversational, Multimodal (Voice + Touch)
- Cerence AI Computing System
- Companion Applications

**Technology Vision.** Large Multimodal Models will become the new computing engine enabling a single conversational interface to work across applications to complete tasks based on user preferences.

# Q3 FY24 Financial Details

Tony Rodriquez, Interim CFO

# Cerence Q3FY24 Results

| | Q3FY23 | Q3FY24 | Q3FY24 Guidance |
|---|---|---|---|
| **Total Revenue** | **$61.7M** | **$70.5M[a]** | **$66M - $72M** |
| GAAP Gross Margin | 66.0% | 71.5% | 70% - 72% |
| GAAP Net Income (Loss) | ($16.5M) | ($313.5M) [b] | ($4M) – $2M |
| Non-GAAP Net Income[b,c] | ($1.7M) | $8.4M | |
| Adjusted EBITDA[b,c] | $2.8M | $12.5M | $5M – $11M |
| GAAP EPS – diluted | ($0.41) | ($7.50) [b] | ($0.10) – $0.05 |
| Non-GAAP EPS – diluted[b,c] | ($0.04) | $0.19 | ($0.01) – $0.13 |
| Cash Flow From Operations | ($8.2M) | $12.9M | |
| Cash Balance & Marketable Securities | $116M | $126M | |

a) *Includes a $20 million fixed license*
b) *Includes a $357 million Goodwill impairment charge in Q3FY24.*
c) *Non-GAAP excludes goodwill impairment, amortization of acquired intangible assets, stock-based compensation, restructuring and other costs.*
d) *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 |
|---|---|---|---|---|---|---|---|---|
| **Total License:** | **$45.4** | **$30.8** | **$25.9** | **$43.1** | **$145.2** | **$20.8** | **$35.5** | **$43.1** |
| Variable[(a)] | $26.3 | $26.2 | $25.8 | $30.3 | $108.6 | $20.8 | $25.1 | $23.1 |
| Total Fixed[(b)] | $19.1 | $4.6 | $0 | $12.8 | $36.5 | $0 | $10.4 | $20.0 |
| **Connected Services:** | **$18.4** | **$18.9** | **$18.6** | **$19.2** | **$75.1** | **$96.8** | **$13.6** | **$10.9** |
| Connected Services | $9.9 | $10.5 | $10.2 | $10.8 | $41.4 | $10.2 | $13.6[(c)] | $10.9 |
| Legacy[(d)] | $8.5 | $8.4 | $8.4 | $8.4 | $33.7 | $86.6 | $0 | $0 |
| **Professional Services** | **$19.9** | **$18.7** | **$17.2** | **$18.5** | **$74.3** | **$20.7** | **$18.7** | **$16.5** |
| **Total Revenue** | **$83.7** | **$68.4** | **$61.7** | **$80.8** | **$294.6** | **$138.3** | **$67.8** | **$70.5** |

a) *Based on volume shipments of licenses net of the consumption of fixed contracts.*
b) *Fixed license revenue includes prepaid and minimum commitment deals. Q1FY23 Fixed Licenses includes a $1.1 million minimum commitment deal.*
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.*

# Operational Metrics and Variable License Revenue

| In millions | | FY23 | | | | | FY24 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Operational Metrics:** | FY22 | Q1 | Q2 | Q3 | Q4 | FY23 | Q1 | Q2 | Q3 |
| Pro Forma Royalties[(a)] | $159.9 | $41.7 | $43.1 | $44.5 | $42.6 | $171.9 | $40.0 | *$39.6* | *$39.6* |
| Consumption of Fixed Contracts[(b)] | $76.8 | $15.4 | $16.9 | $18.7 | $15.5 | $66.5 | $14.5 | *$14.5* | *$16.5* |
| IHS Production (units) | 81.5 | 21.9 | 21.4 | 22.3 | 22.6 | 88.2 | 24.2 | *21.4* | *22.1* |
| **Variable License** | $83.1 | $26.3 | $26.2 | $25.8 | $30.3 | $108.6 | $20.8 | $25.1 | $23.1 |
| OEM-Related Adjustments Included in Variable License[(c)] | $0 | $0 | $0 | $0 | ($3.2) | ($3.2) | $4.7 | $0 | $0 |
| **Variable excluding OEM Related Adjustments** | $83.1 | $26.3 | $26.2 | $25.8 | $27.1 | $105.4 | $25.5 | $25.1 | $23.1 |

a) *Pro forma Royalties is an operating measure representing total value of licenses shipped in a quarter. It includes the consumption of fixed contracts. It excludes any OEM-Related Adjustments.*

b) *Licenses shipped in the quarter associated with fixed contracts.*

c) *OEM-Related Adjustments defined as the total of individual OEM–related adjustments greater than $2 million in any one quarter.*

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# Q3 FY24 KPI[d] Performance

- Percent of worldwide auto production with Cerence Technology declined slightly to 53% (TTM)[a]
- Approximately 11.7 million units shipped with Cerence technology in Q3
  - Down 6.2% YoY (IHS down 0.5% YoY)
  - Up 3.0% QoQ (IHS up 3.3% QoQ)
- Change in number of Cerence connected cars shipped[c] up 19%
- Change in Adjusted Total Billings[b,c] increased 3%

*a) Based on IHS Markit data, global auto production increased 4% over the same time period ended on Jun 30, 2024. Calculated on a trailing twelve months basis (TTM)*
*b) Change in Adjusted total billings YoY (TTM): The year over year change in total billings adjusted to exclude Professional Services, prepay billings and prepay consumption.*
*c) TTM over prior year TTM*
*d) Please refer to the appendix for KPI definitions.*

# Fiscal Q4 Guidance and FY24 Revision

| In millions except per share amounts | Q4FY24 Guidance | | Revised FY24 Guidance | | Prior FY24[c] Guidance | |
|---|---|---|---|---|---|---|
| | Low | High | Low | High | Low | High |
| Revenue | $44 | $50 | $321 | $327 | $318 | $332 |
| GAAP Gross Margin | 55% | 60% | 73% | 73% | 73% | 74% |
| Non-GAAP Gross Margin [a,b] | 56% | 61% | 74% | 74% | 73% | 75% |
| GAAP Operating Margin | (82%) | (63%) | (186%) | (181%) | (76%) | (68%) |
| Non-GAAP Operating Margin [a,b] | (48%) | (30%) | 17% | 19% | 16% | 19% |
| GAAP Net Income (Loss) | ($32) | ($28) | ($600) | ($596) | ($256) | ($242) |
| GAAP Net Income Margin | (73%) | (56%) | (187%) | (182%) | (80%) | (73%) |
| Adjusted EBITDA [a,b] | ($19) | ($13) | $64 | $70 | $58 | $72 |
| Adjusted EBITDA Margin [a,b] | (42%) | (25%) | 20% | 21% | 18% | 22% |
| GAAP EPS – diluted | ($0.77) | ($0.67) | ($14.42) | ($14.32) | ($6.15) | ($5.81) |
| Non-GAAP EPS – diluted [a,b] | ($0.45) | ($0.30) | $0.91 | $0.91 | $0.80 | $0.80 |

- No fixed contracts expected during the fourth quarter
- Adjustments to full year guidance for GAAP operating results include Goodwill impairment charge of $357 million in the third quarter
- Q4 and Full Year GAAP operating results include certain expenses associated with the transformation of between $10 and $12 million

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

*c) This represents guidance provided on May 9, 2024.*

# FY24 Revenue Guidance Excluding Legacy

| | FY24 Guidance (at midpoint) | Less: Legacy Contribution | FY24 Guidance (at midpoint) Excluding Legacy |
|---|---|---|---|
| Revenue | $324M | ($87M) | $237M |

- 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.
- From Q2FY24 onward there is no more revenue associated with this contract.

# FY25 Framework[a]

- Estimated net annualized cost savings of $35-$40 million predominantly realized in FY25.
- Flat to low-single digit percentage decline in revenue off of $237 million[b]
- Improved gross margin from a FY24 business without legacy revenue
- Positive Adj. EBITDA with single digit margins

*a) This does not represent guidance. This framework is subject to change based on a number of operating, industry and customer related factors.*
*b) FY24 revenue guidance at midpoint (excluding Legacy).*

**Assumptions include:**
- Flat OEM production and pricing mix similar to the expectations within our latest 2024 guidance
- Significantly less fixed license consumption than FY24
- New Fixed Licenses in FY25 of approximately $20 million
- Modest growth in connected services
- Modest revenue impact due to the FY24 transformation efforts

**Potential Upside or Downside Factors include:**
- Global auto production changes
- Start of production date shifts
- Pricing and mix shifts
- Customer satisfaction implications from cost reductions

# Strategic Priorities

- Accomplish fiscal fourth quarter and full year financial objectives
- Execute on transformation plan while minimizing disruption to ongoing customer operations
- Deliver on AI Innovation roadmap


Q&A
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# 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.*

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# 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 June 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 adjusted to exclude Professional Services, prepay billings and 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 June 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.

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# 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 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 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.

# Q2 FY24 Reconciliations of GAAP to Non-GAAP Results

| (unaudited - in thousands) | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | Nine Months Ended June 30, 2024 | Nine Months Ended June 30, 2023 |
|---|---|---|---|---|
| **GAAP revenue** | **$ 70,539** | **$ 61,660** | **$ 276,699** | **$ 213,711** |
| | | | | |
| **GAAP gross profit** | **$ 50,434** | **$ 40,722** | **$ 209,377** | **$ 141,576** |
| Stock-based compensation | 642 | 163 | 1,948 | 2,699 |
| Amortization of intangible assets | - | 103 | 103 | 310 |
| **Non-GAAP gross profit** | **$ 51,076** | **$ 40,988** | **$ 211,428** | **$ 144,585** |
| **GAAP gross margin** | **71.5%** | **66.0%** | **75.7%** | **66.2%** |
| **Non-GAAP gross margin** | **72.4%** | **66.5%** | **76.4%** | **67.7%** |
| | | | | |
| **GAAP operating loss** | **$ (354,905)** | **$ (8,501)** | **$ (560,708)** | **$ (31,095)** |
| Stock-based compensation | 6,166 | 6,974 | 19,291 | 31,801 |
| Amortization of intangible assets | 550 | 656 | 1,753 | 5,607 |
| Restructuring and other costs, net | 1,490 | 1,172 | 6,746 | 11,075 |
| Goodwill impairment | 357,076 | - | 609,172 | - |
| **Non-GAAP operating income** | **$ 10,377** | **$ 301** | **$ 76,254** | **$ 17,388** |
| **GAAP operating margin** | **-503.1%** | **-13.8%** | **-202.6%** | **-14.6%** |
| **Non-GAAP operating margin** | **14.7%** | **0.5%** | **27.6%** | **8.1%** |
| | | | | |
| **GAAP net loss** | **$ (313,543)** | **$ (16,455)** | **$ (567,662)** | **$ (44,702)** |
| Stock-based compensation | 6,166 | 6,974 | 19,291 | 31,801 |
| Amortization of intangible assets | 550 | 656 | 1,753 | 5,607 |
| Restructuring and other costs, net | 1,490 | 1,172 | 6,746 | 11,075 |
| Goodwill impairment | 357,076 | - | 609,172 | - |
| Depreciation | 2,115 | 2,462 | 6,296 | 7,544 |
| Total other expense, net | (1,191) | (4,943) | (3,519) | (5,640) |
| (Benefit from) provision for income taxes | (42,553) | 3,011 | 3,435 | 7,967 |
| **Adjusted EBITDA** | **$ 12,492** | **$ 2,763** | **$ 82,550** | **$ 24,932** |
| **GAAP net loss margin** | **-444.5%** | **-26.7%** | **-205.2%** | **-20.9%** |
| **Adjusted EBITDA margin** | **17.7%** | **4.5%** | **29.8%** | **11.7%** |

| (unaudited - in thousands) | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | Nine Months Ended June 30, 2024 | Nine Months Ended June 30, 2023 |
|---|---|---|---|---|
| **GAAP net loss** | **$ (313,543)** | **$ (16,455)** | **$ (567,662)** | **$ (44,702)** |
| Stock-based compensation | 6,166 | 6,974 | 19,291 | 31,801 |
| Amortization of intangible assets | 550 | 656 | 1,753 | 5,607 |
| Restructuring and other costs, net | 1,490 | 1,172 | 6,746 | 11,075 |
| Loss on debt extinguishment | - | 1,333 | - | 1,333 |
| Goodwill impairment | 357,076 | - | 609,172 | - |
| Non-cash interest expense | 1,542 | 540 | 4,481 | 1,450 |
| Other | (30) | (25) | (86) | (844) |
| Adjustments to income tax expense | (44,867) | 4,144 | (14,584) | 5,107 |
| **Non-GAAP net income (loss)** | **$ 8,384** | **$ (1,661)** | **$ 59,111** | **$ 10,827** |
| | | | | |
| **Adjusted EPS:** | | | | |
| **GAAP Numerator:** | | | | |
| Net loss attributed to common shareholders - basic and diluted | **$ (313,543)** | **$ (16,455)** | **$ (567,662)** | **$ (44,702)** |
| | | | | |
| **Non-GAAP Numerator:** | | | | |
| Net income (loss) attributed to common shareholders - basic | $ 8,384 | $ (1,661) | $ 59,111 | $ 10,827 |
| Interest on the Notes, net of tax | 604 | - | 3,335 | - |
| Net income (loss) attributed to common shareholders - diluted | **$ 8,988** | **$ (1,661)** | **$ 62,446** | **$ 10,827** |
| | | | | |
| **GAAP Denominator:** | | | | |
| Weighted-average common shares outstanding - basic and diluted | **41,795** | **40,324** | **41,566** | **40,167** |
| | | | | |
| **Non-GAAP Denominator:** | | | | |
| Weighted-average common shares outstanding- basic | 41,795 | 40,324 | 41,566 | 40,167 |
| Adjustment for diluted shares | 5,157 | - | 7,759 | 197 |
| Weighted-average common shares outstanding - diluted | **46,952** | **40,324** | **49,325** | **40,364** |
| | | | | |
| **GAAP net loss per share - diluted** | **$ (7.50)** | **$ (0.41)** | **$ (13.66)** | **$ (1.11)** |
| **Non-GAAP net income (loss) per share - diluted** | **$ 0.19** | **$ (0.04)** | **$ 1.27** | **$ 0.27** |
| | | | | |
| **GAAP net cash provided by (used in) operating activities** | **$ 12,852** | **$ (8,197)** | **$ 11,081** | **$ (3,760)** |
| Capital expenditures | (774) | (1,520) | (3,550) | (3,597) |
| **Free Cash Flow** | **$ 12,078** | **$ (9,717)** | **$ 7,531** | **$ (7,357)** |

# Q4 FY24 and Full Year FY24 Reconciliations of GAAP to non-GAAP Guidance

| (unaudited - in thousands) | Q4 2024 | | FY2024 | |
|---|---|---|---|---|
| | Low | High | Low | High |
| **GAAP revenue** | **$ 44,000** | **$ 50,000** | **$ 320,700** | **$ 326,700** |
| | | | | |
| **GAAP gross profit** | **$ 24,200** | **$ 30,200** | **$ 233,500** | **$ 239,500** |
| Stock-based compensation | 300 | 300 | 2,300 | 2,300 |
| Amortization of intangible assets | - | - | 100 | 100 |
| **Non-GAAP gross profit** | **$ 24,500** | **$ 30,500** | **$ 235,900** | **$ 241,900** |
| **GAAP gross margin** | **55%** | **60%** | **73%** | **73%** |
| **Non-GAAP gross margin** | **56%** | **61%** | **74%** | **74%** |
| | | | | |
| **GAAP operating loss** | **$ (35,900)** | **$ (31,600)** | **$ (596,500)** | **$ (592,200)** |
| Stock-based compensation | 4,000 | 4,000 | 23,300 | 23,300 |
| Amortization of intangible assets | 600 | 600 | 2,300 | 2,300 |
| Restructuring and other costs, net | 10,400 | 12,100 | 17,100 | 18,800 |
| Goodwill impairment | - | - | 609,200 | 609,200 |
| **Non-GAAP operating (loss) income** | **$ (20,900)** | **$ (14,900)** | **$ 55,400** | **$ 61,400** |
| **GAAP operating margin** | **-82%** | **-63%** | **-186%** | **-181%** |
| **Non-GAAP operating margin** | **-48%** | **-30%** | **17%** | **19%** |
| | | | | |
| **GAAP net loss** | **$ (32,200)** | **$ (27,900)** | **$ (599,900)** | **$ (595,600)** |
| Stock-based compensation | 4,000 | 4,000 | 23,300 | 23,300 |
| Amortization of intangible assets | 600 | 600 | 2,300 | 2,300 |
| Restructuring and other costs, net | 10,400 | 12,100 | 17,100 | 18,800 |
| Goodwill impairment | - | - | 609,200 | 609,200 |
| Depreciation | 2,200 | 2,200 | 8,500 | 8,500 |
| Total other expense, net | (2,000) | (2,000) | (5,600) | (5,600) |
| Benefit from income taxes | (5,600) | (5,600) | (2,200) | (2,200) |
| **Adjusted EBITDA** | **$ (18,600)** | **$ (12,600)** | **$ 63,900** | **$ 69,900** |
| **GAAP net loss margin** | **-73%** | **-56%** | **-187%** | **-182%** |
| **Adjusted EBITDA margin** | **-42%** | **-25%** | **20%** | **21%** |

# Q4 FY24 and FY24 Reconciliations of GAAP to Non-GAAP Guidance

(unaudited - in thousands)

| | Q4 2024 | | FY2024 | |
|---|---|---|---|---|
| | Low | High | Low | High |
| **GAAP net loss** | $ (32,200) | $ (27,900) | $ (599,900) | $ (595,600) |
| Stock-based compensation | 4,000 | 4,000 | 23,300 | 23,300 |
| Amortization of intangibles | 600 | 600 | 2,300 | 2,300 |
| Restructuring and other costs, net | 10,400 | 12,100 | 17,100 | 18,800 |
| Non-cash interest expense | 1,500 | 1,500 | 6,000 | 6,000 |
| Goodwill impairment | - | - | 609,200 | 609,200 |
| Other | - | - | (100) | (100) |
| Adjustments to income tax expense | (3,000) | (3,000) | (17,700) | (23,700) |
| **Non-GAAP net (loss) income** | $ (18,700) | $ (12,700) | $ 40,200 | $ 40,200 |
| **Adjusted EPS:** | | | | |
| **GAAP Numerator:** | | | | |
| Net loss attributed to common shareholders - basic and diluted | $ (32,200) | $ (27,900) | $ (599,900) | $ (595,600) |
| **Non-GAAP Numerator:** | | | | |
| Net (loss) income attributed to common shareholders - basic | $ (18,700) | $ (12,700) | $ 40,200 | $ 40,200 |
| Interest on the Notes, net of tax | - | - | 4,500 | 4,500 |
| Net (loss) income attributed to common shareholders - diluted | $ (18,700) | $ (12,700) | $ 44,700 | $ 44,700 |
| **GAAP Denominator:** | | | | |
| Weighted-average common shares outstanding - basic and diluted | 41,800 | 41,800 | 41,600 | 41,600 |
| **Non-GAAP Denominator:** | | | | |
| Weighted-average common shares outstanding- basic | 41,800 | 41,800 | 41,600 | 41,600 |
| Adjustment for diluted shares | - | - | 7,700 | 7,700 |
| Weighted-average common shares outstanding - diluted | 41,800 | 41,800 | 49,300 | 49,300 |
| **GAAP net loss per share - diluted** | $ (0.77) | $ (0.67) | $ (14.42) | $ (14.32) |
| **Non-GAAP net (loss) income per share - diluted** | $ (0.45) | $ (0.30) | $ 0.91 | $ 0.91 |