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): September 9, 2019

CERENCE INC.
(Exact name of registrant as specified in its charter)

Delaware	001-39030	83-4719946
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS employer Identification No.)

15 Wayside Road Burlington, Massachusetts	01803
(Address of principal executive offices)	(Zip Code)

(781) 565-5000
(Registrant's telephone number, including area code)

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 7.01 Regulation FD Disclosure.

On September 9, 2019, Cerence Inc. ("Cerence") announced that in anticipation of its spin-off and separation from Nuance Communications, Inc., Cerence has made available additional information regarding Cerence in an investor presentation and certain lender materials in connection with upcoming meetings with potential lenders and investors. A copy of the presentation and lender materials is attached as Exhibit 99.1 and incorporated by reference herein.

The information in this Item 7.01, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Forward-Looking Statements

Statements in this report regarding future performance and our management's future expectations, beliefs, goals, plans or prospects, including statements relating to our separation and spin-off, as well as the terms and conditions of such transactions and the timing thereof, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact (including statements containing the words "believes," "plans," "anticipates," "expects," "intends" or "estimates" or similar expressions) should also be considered to be forward-looking statements. Although we believe forward-looking statements are based upon reasonable assumptions, such statements involve known and unknown risks, uncertainties and other factors, which may cause the 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. Such risks and uncertainties include, but are not limited to those described in our Registration Statement on Form 10 filed 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 report.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Cerence Inc. Investor Introduction and Lender Materials

SIGNATURE

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, hereunto duly authorized.

CERENCE INC.

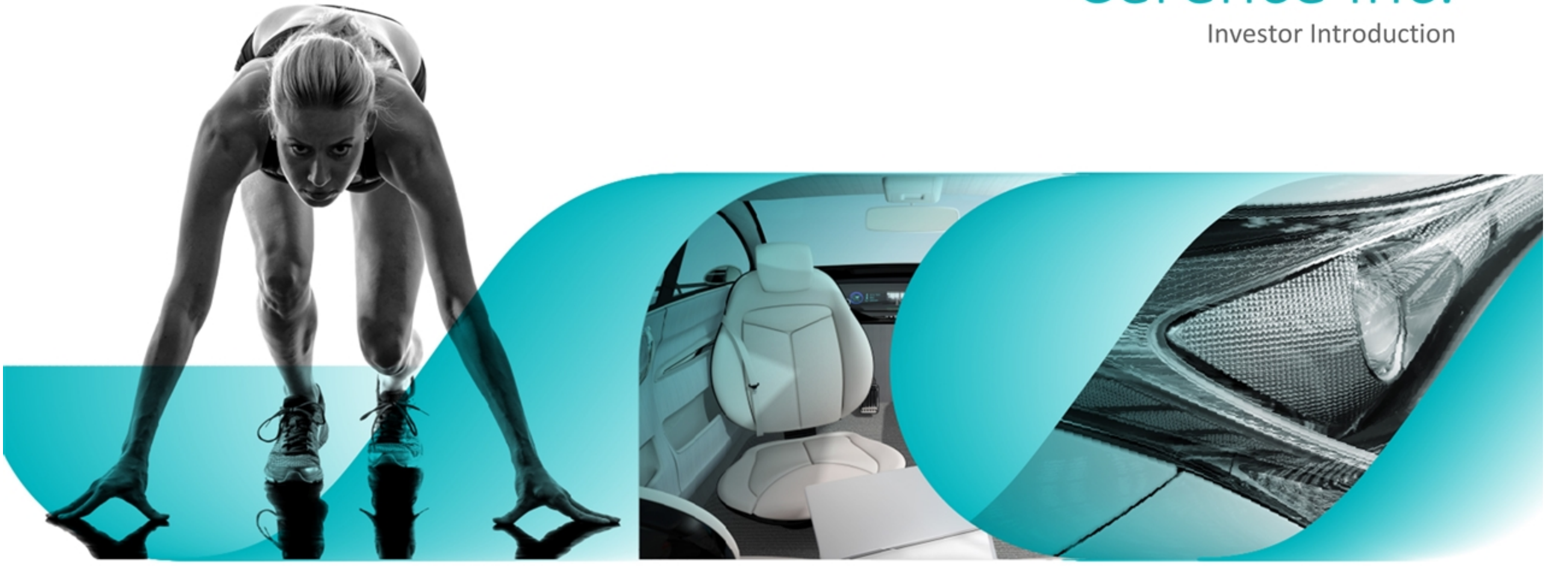
By: /s/ Leanne Fitzgerald
Name: Leanne Fitzgerald
Title: Vice President and Secretary

Date: September 9, 2019

Exhibit 99.1

Cerence Inc.

Investor Introduction



Disclaimer

Additional Information

For additional information with respect to Cerence and the proposed spin-off, please refer to the Registration Statement on Form 10 filed by Cerence with the Securities and Exchange Commission ("SEC"). The financial information included in this document may not necessarily reflect Cerence's financial position, results of operations and cash flows in the future or what Cerence's financial position, results of operations and cash flows would have been had Cerence been an independent, publicly traded company during the periods presented. The spin-off is subject to customary conditions. This communication shall not constitute an offer of any securities for sale, nor shall there be any offer, sale or distribution of securities in any jurisdiction in which such offer, sale or distribution would be unlawful prior to appropriate registration or qualification under the securities laws of such jurisdiction.

Forward Looking Statements

Statements in this presentation regarding Cerence's future performance, results and financial condition, expected growth and innovation and our management's future expectations, beliefs, goals, plans or prospects constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact (including statements containing the words "believes," "plans," "anticipates," "expects," "intends" or "estimates" or similar expressions) should also be considered to be forward-looking statements. Although we believe forward-looking statements are based upon reasonable assumptions, such statements involve known and unknown risk, uncertainties and other factors, which may cause actual results or performance of the company to be materially difference from any future results or performance expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to those described in our Registration Statement on Form 10 filed with the SEC. We disclaim any obligation to update any forward-looking statements as a result of developments occurring after the date of this document.

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. We consider the use of non-GAAP revenue helpful in understanding the performance of our business, as it excludes the purchase accounting impact on acquired deferred revenue and other acquisition-related adjustments to revenue. 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.

See the Appendix to this presentation for non-GAAP definitions and reconciliations to the most directly comparable GAAP measures.

Basis of Financial Presentation

Unless otherwise stated, the financial results and relevant metrics, year over year financial comparisons, and trends are presented under ASC 605.

Today's Agenda

1. Company Overview
2. Market Opportunity
3. Product, Solutions and Customer Overview
4. Growth Opportunities
5. Financial Summary

Spin-Off Transaction Update

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- Cerence Leadership Team Fully in Place
- Identified 7 Members for the Cerence Board of Directors
- Separation Agreements Between Nuance and Cerence Have Been Finalized
- Stand-Up Activities for Cerence on Schedule
- Spin-Off Expected to be Complete on October 1, 2019

A Moving Experience™

Who we are

Premier provider of A.I.-powered assistants and innovations for connected and autonomous vehicles

Vision

Enable a more enjoyable, safer journey for everyone

Mission

Empower an automotive ecosystem
with digital platform solutions
for connected and autonomous vehicles

Cerence Facts

20+ years industry experience & leadership

~1,300 employees; ~700 in R&D

Boston / Silicon Valley presence

21 offices worldwide

280+ million cars with Cerence

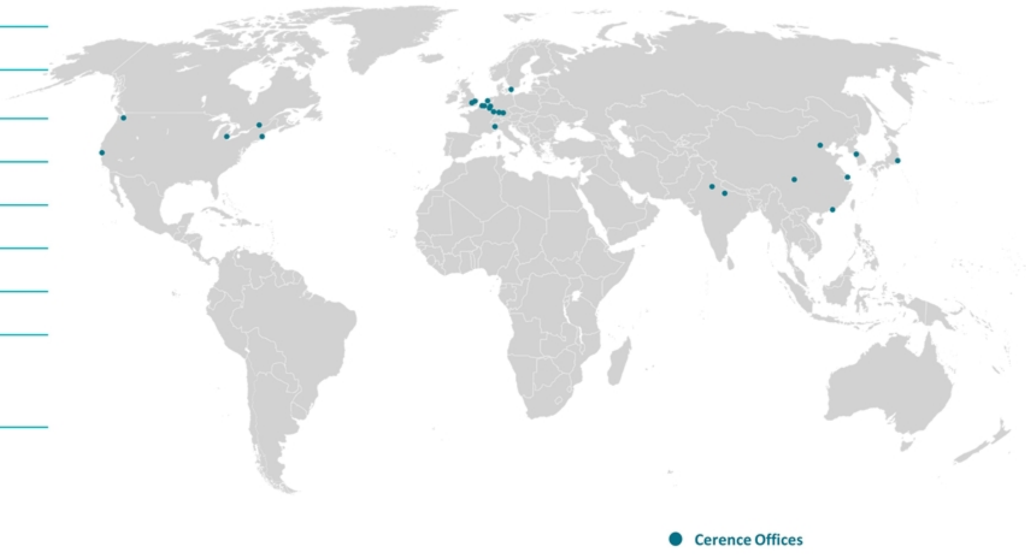
60+ automotive customers

70+ languages supported

~1,250 patents

Estimated FY 2019 revenue:
GAAP ASC 606: $300 - $302 million
Non-GAAP: $308 - $310 million

Estimated FY 2019 adjusted EBITDA:
$100 - $102 million



Cerence Company Highlights

1. Market-leading Automotive Cognitive Assistance Offerings
2. Significant Market Opportunity in AI-powered Automotive and Mobility Solutions
3. Deep Customer Relationships Provide Advantage and High Entry Barrier
4. Multiple Vectors for Growth
5. Attractive Financial Profile
6. Experienced Team

Cerence Leadership Team

Sanjay Dhawan
Chief Executive Officer

Mark Gallenberger
Chief Financial Officer

Dr. Stefan Ortmanns
Executive Vice President

Leanne Fitzgerald
General Counsel

Richard Mack
Chief Marketing Officer

Sachin Sahney
Chief HR Officer

Egon Jungheim
Senior Vice President, Global Automotive Sales

Dr. Udo Haiber
Senior Vice President, R&D

Bridget Collins
Chief Information Officer

Charles Kuai
Senior Vice President, Greater China Region

Cerence Board of Directors

Arun Sarin, Chairman
Former Vodafone CEO

Tom Beaudoin
EVP, Transformation, Nuance

Marianne Budnik
CMO, CyberArk

Sanjay Dhawan
CEO Cerence

Sanjay Jha
Former Motorola Mobility CEO
Former Qualcomm COO

Kristi Ann Matus
Former athenahealth CFO

Alfred Nietzel
Former CDK Global CFO

Market Opportunity

Major Secular Trends Driving Market for Automotive Cognitive Assistance

Vehicle Intelligence

- Real-time data and content
- Increased computing power onboard
- Proprietary OEM virtual assistants

Virtual Assistants

- Broad smartphone and smart speaker use
- On-demand access to assistants and bots
- Portability between car and home

Distracted Driving

- Increasing sources of distraction
- Hands-free and eyes-free solutions
- Reduce distraction but maintain experience

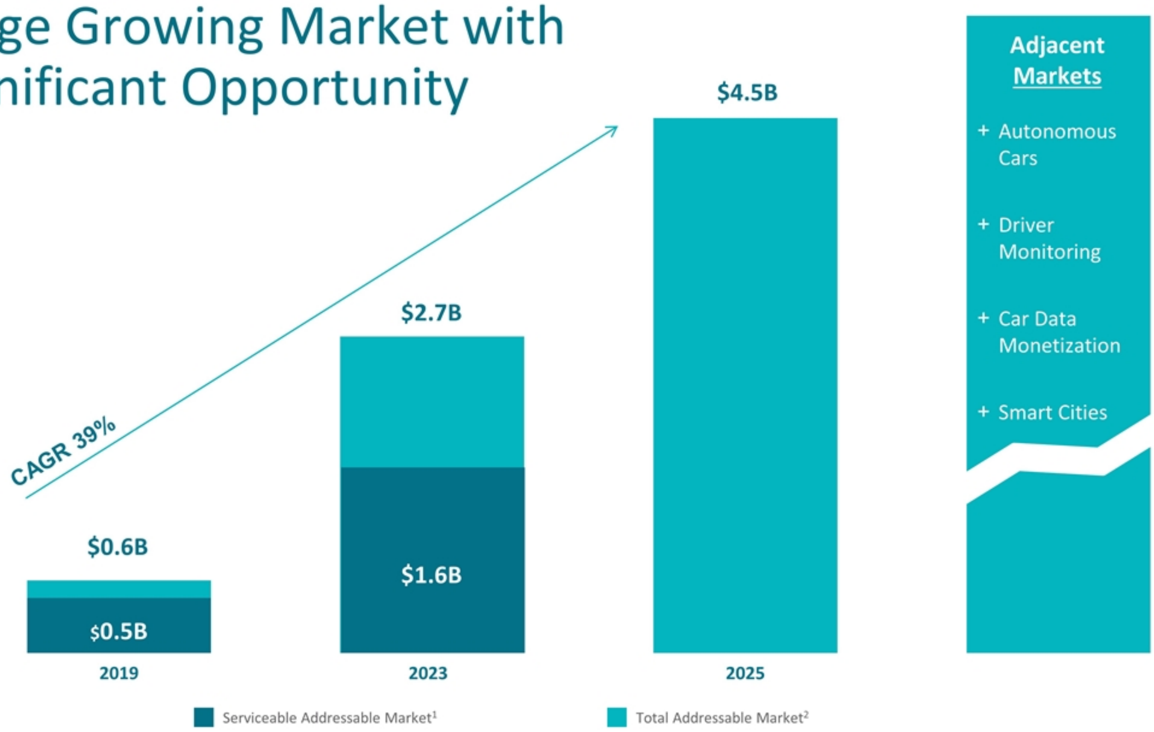
Shared Mobility

- Ridesharing and vehicle sharing
- More time to engage with apps and services
- Consistent, personalized experience

Autonomous Driving

- Increasingly passive, passenger-like drivers
- Trip planning services
- Infotainment and productivity need

Large Growing Market with Significant Opportunity



(1) Source: Management estimates
(2) Source: Tractica

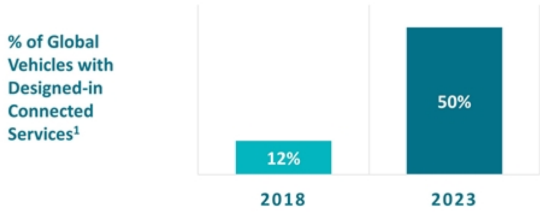
Increasing Market Penetration

Increasing Market Penetration of Edge (In-Car) A.I. Products

+ Automated driving technologies are linked to the growth of edge innovations within the vehicle
+ Increased focus on limiting distracted driving and convenience of controlling the infotainment system
+ Expansion of solutions from premium to entry level

Increasing Market Penetration of Cloud (Connected) Services

+ Cloud-based, connected technology is increasingly necessary as users want vehicles to act like rolling smartphones
+ Drivers depend on vehicles for range of information including directions, internet radio, restaurant recommendations, weather, etc.
+ Expansion of solutions from premium to entry level



(1) Source: Management estimates

Product, Solutions and Customer Overview

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Cerence Solution Portfolio

Premier End-to-End Offering for Vehicle Assistants

Edge (In-Car) Products

Installed within a vehicle's head unit; tailored to customers' desired use cases and a vehicle's systems, sensors and interfaces

Cloud (Connected) Services

Delivered through cloud-based framework; enhanced features through increased computing power and content

Professional Services

Global organization works closely with OEMs and suppliers to tailor solutions to desired requirements of vehicle models

Developer Toolkits

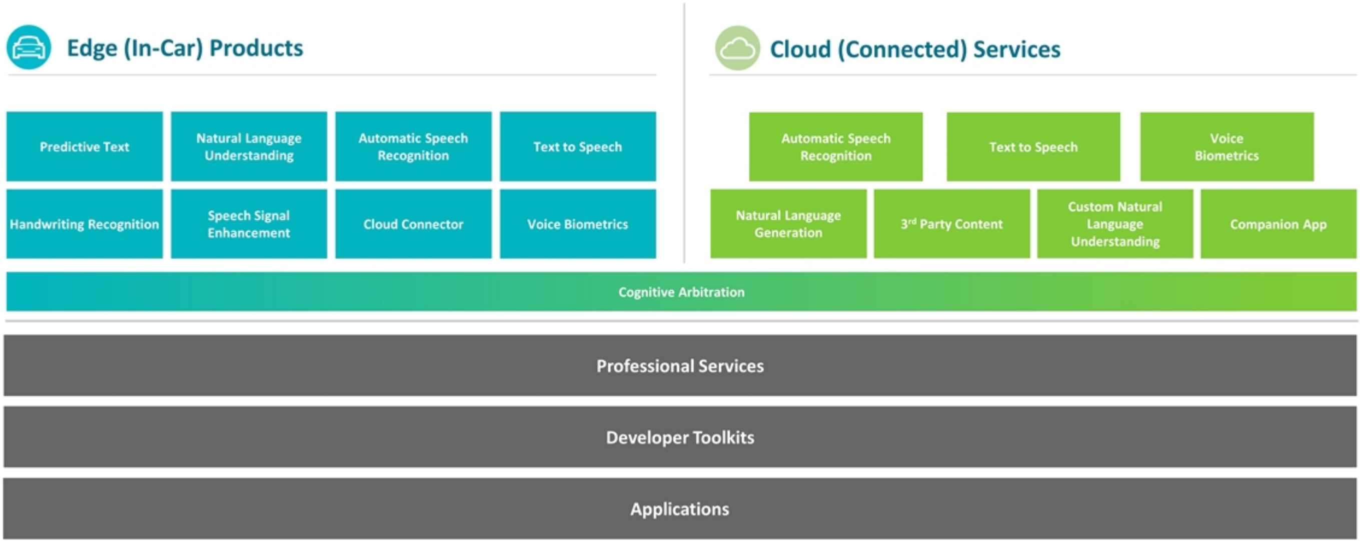
Developer tools for OEM and suppliers to create customer applications that can operate within the Cerence platform

Applications

Packaged end-to-end solutions and products that require limited customization
and deliver value faster to OEMs and suppliers

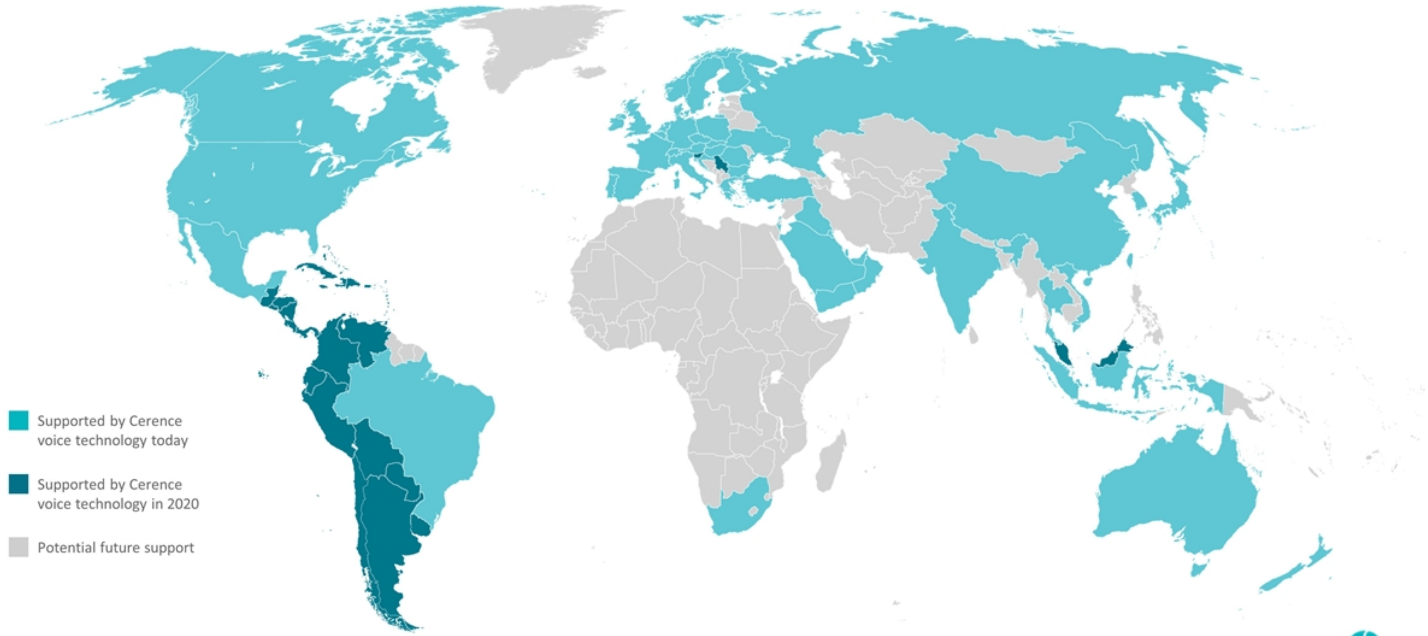
Cerence Products and Solutions

Cerence Platform Framework – A “Hybrid” Architecture



Broad Domain Expertise and Coverage

Global Language Capabilities



Why Cerence Wins

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Approach, Position and History Create Distinct Advantage

+ Premier technology
+ Entrenched customer relationships
+ Strategic OEM alignment
+ Hybrid solutions platform
+ Broad language and local coverage
+ Custom integration and experience
+ Neutral and open platform

Coexistence with Large Technology Companies

+ Cognitive arbitration supports third-party virtual assistants through consistent OEM-branded interface
+ Cerence offers open, neutral platform
+ OEM maintains control of data
+ Deep, singular focus on the automotive market

Competition versus Niche Market Participants

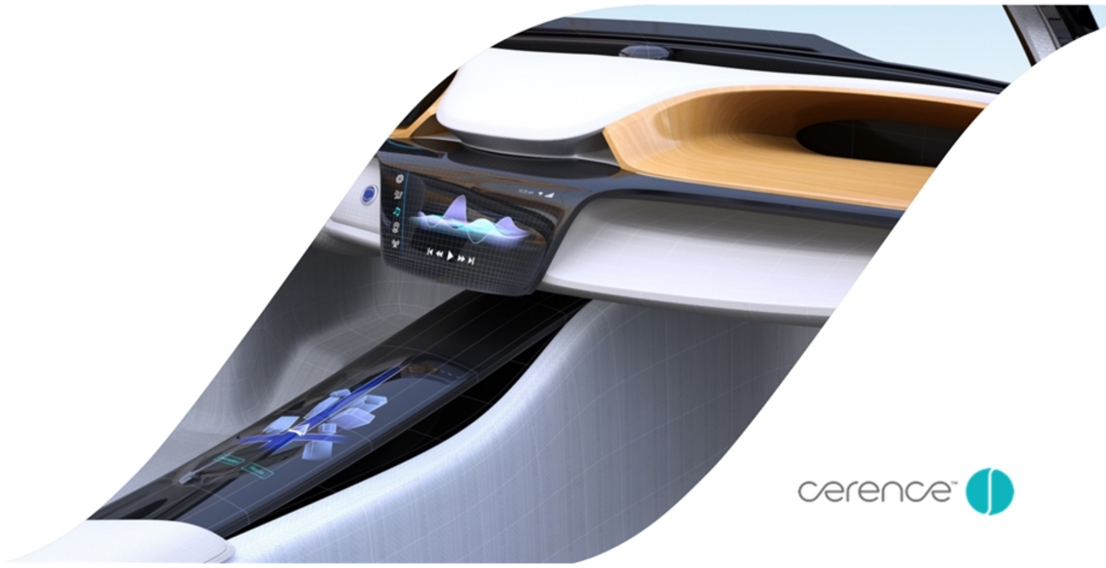
+ Superior technology based on benchmark results
+ Significant scale
+ Far-reaching, global team
+ Best-in-class portfolio of compatible languages
+ Deep, singular focus on the automotive market

Extensive Base of Loyal Customers

All Major OEMs Worldwide

All Major Tier-1 Suppliers Worldwide

Growth Opportunities



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Pillars of Cerence Growth Opportunity

1

Penetration

+ Approximately 52% of all shipped cars during the nine months ended June 30, 2019 utilize Cerence, including hybrid AI solutions with 46% YoY growth
+ Infotainment units in vehicles trending higher than projected
+ Edge penetration increasing from 59% in 2018 to 85% by 2023[1]
+ Connected car increasing from 12% in 2018 to 50% by 2023[1]

2

Revenue per Vehicle

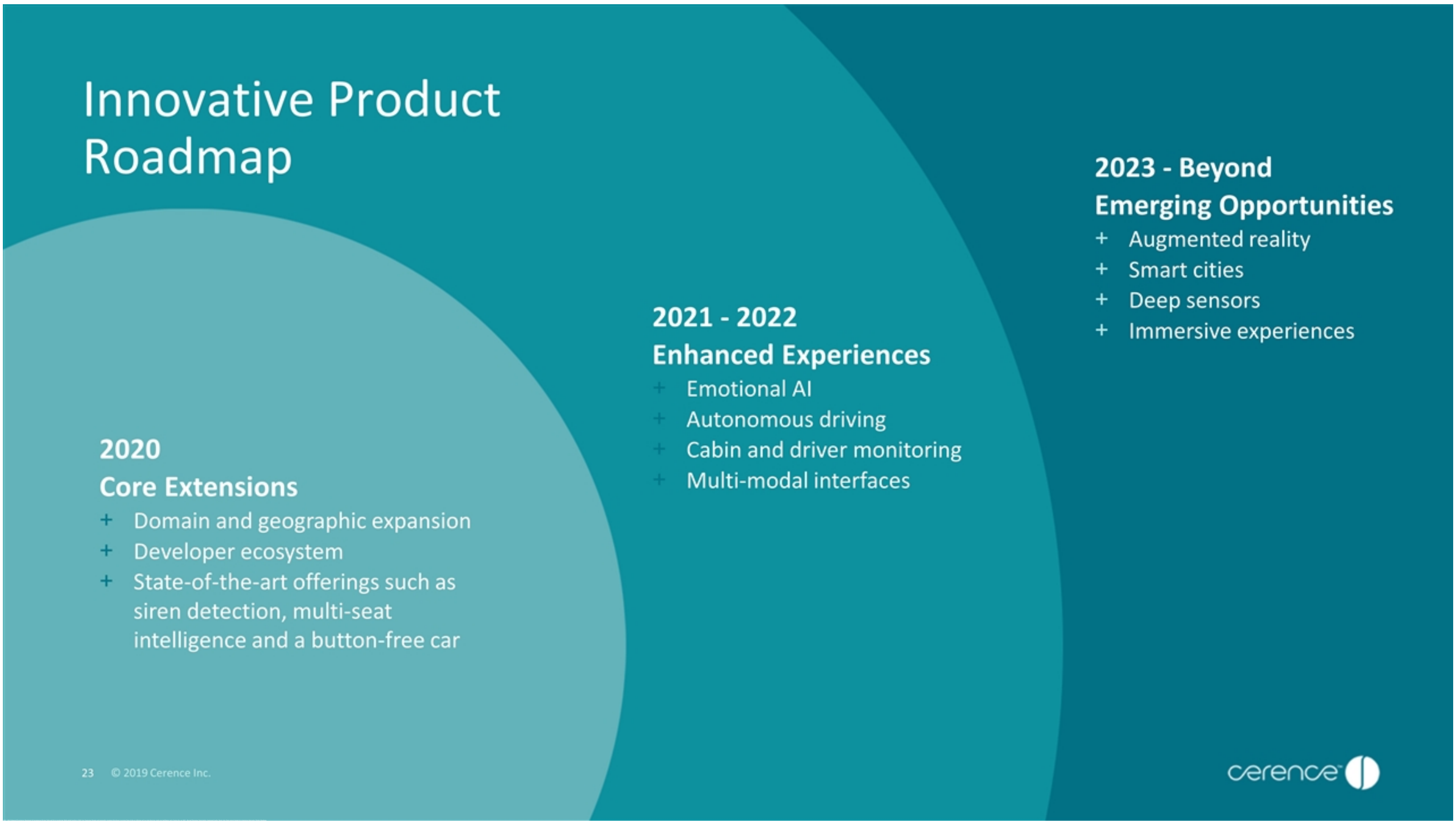
+ Growing complexity of edge solutions and increased focus on multi-modality
+ Growth of connected-cloud solutions, including use of third-party services

3

Market Share

+ Grow share in Connected cloud-based services
+ Maintain and grow market share in Edge products
+ Increase market share in China and other emerging markets

(1) Source: Management estimates


Innovative Product Roadmap
2020
Core Extensions
+ Domain and geographic expansion
+ Developer ecosystem
+ State-of-the-art offerings such as siren detection, multi-seat intelligence and a button-free car
2021 - 2022
Enhanced Experiences
+ Emotional AI
+ Autonomous driving
+ Cabin and driver monitoring
+ Multi-modal interfaces
2023 - Beyond
Emerging Opportunities
+ Augmented reality
+ Smart cities
+ Deep sensors
+ Immersive experiences
23
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Financial Summary

Financial Highlights

Strong Growth Trajectory

+ Expanding revenue base with innovative offering and industry-leading customers
+ FY19 ASC 606 GAAP revenue expected to be between $300 million and $302 million
+ FY19 non-GAAP revenue expected to be between $308 million and $310 million

Excellent Revenue Visibility

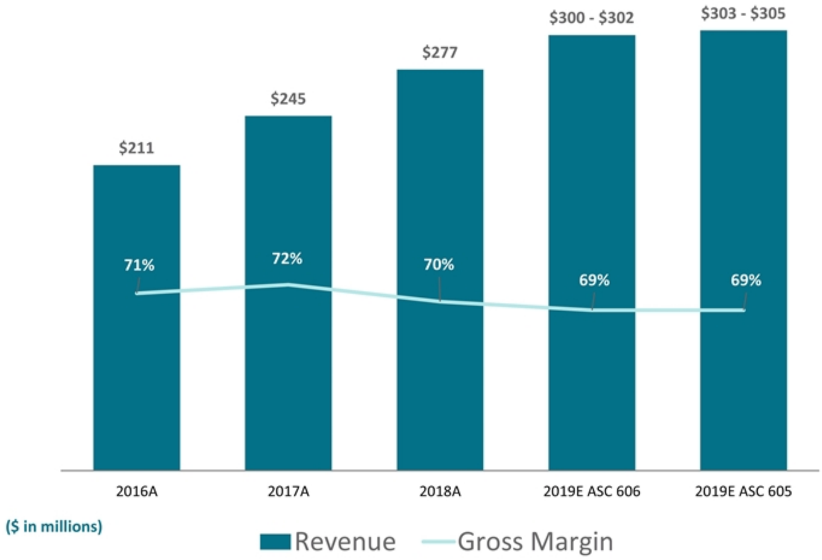
+ Long-term customer contracts and designed-in technology provide strong revenue visibility
+ High switching costs and strong customer relationships create highly defensible market position
+ $1.3 billion+ of estimated backlog, with ~50% to be recognized in the next three years[1]

High Profitability

+ High margin business drives strong operating leverage on incremental revenues
+ 33% adjusted EBITDA margin (FY19 Guidance)

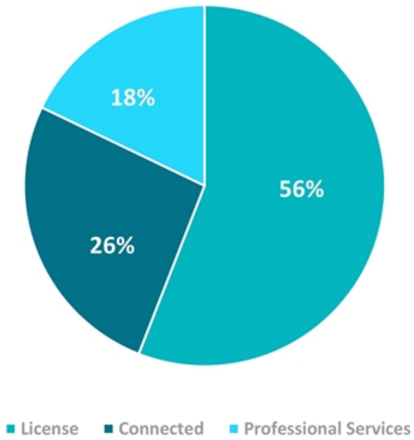
(1) These figures are estimates and based on existing customer contracts and management estimates about future vehicle shipments, and the revenue we actually recognize from our backlog is subject to several factors, including the number and timing of vehicles our customers ship, potential terminations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

GAAP Financial Highlights



Cerence Revenue Streams (non-GAAP)

Non-GAAP Revenue (FY19 9-month YTD)



License Revenue
Revenue recognized on unit shipment or on prepayments

Connected Revenue
Deferred revenue recorded, amortized to revenue over duration of service contract

Professional Services Revenue
Revenue recognized on percentage of completion

Deferred Revenue
Revenue

Note: Diagrams are illustrative

Consistent Revenue Growth (non-GAAP)

($ in millions)

13%
FY16 – FY19 CAGR

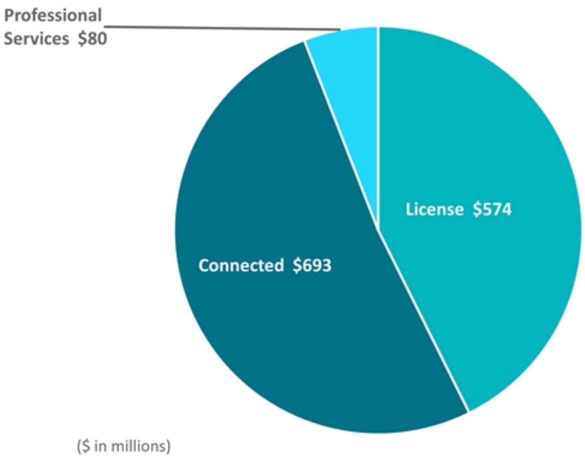
Trends in Revenue

- + Increased demand for Cerence hybrid solutions
- + Customer product portfolio expansion driving increase in license revenue
- + Customer shifts driving growth in connected services

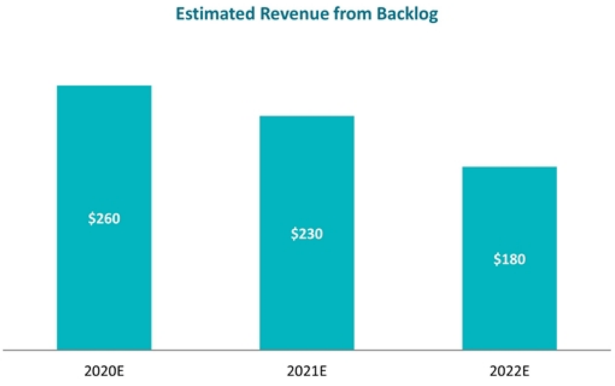
$1.3 Billion+ Backlog Creates High Revenue Visibility

Expect 50% to convert to revenue over the next three years

Backlog as of June 30, 2019 (approximately $1.3 billion+) [1]

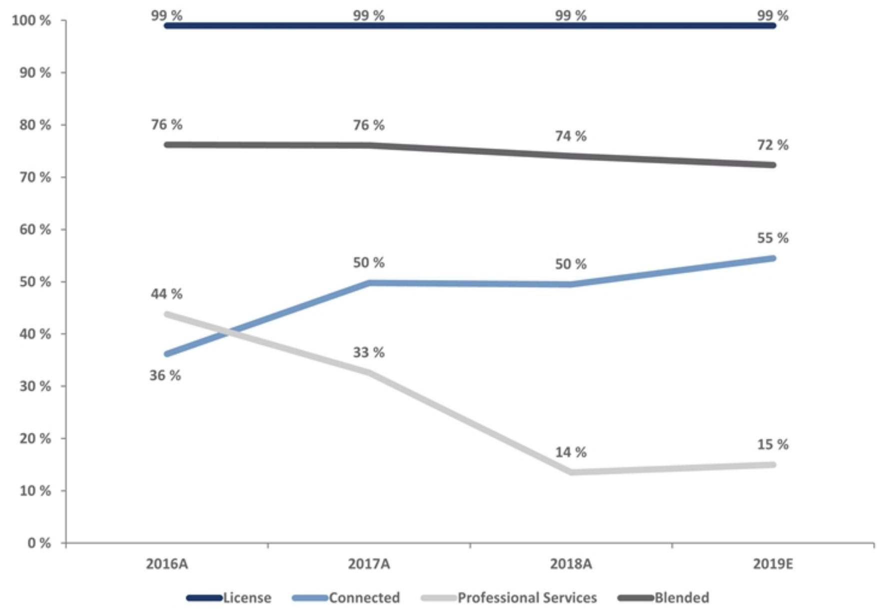


($ in millions)



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

Profit Leverage Driven by High Gross Margin (non-GAAP)



Trends in Gross Margin

- Increase in total cost of revenue driven by cloud infrastructure and employee costs for professional services and connected services
- Connected services gross margin increased due to connected services revenue growth on relatively fixed costs
- Professional services gross margin decreased driven by increased investments in expanding the business

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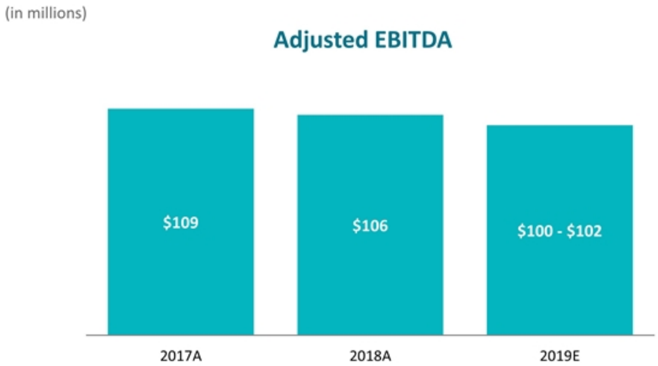
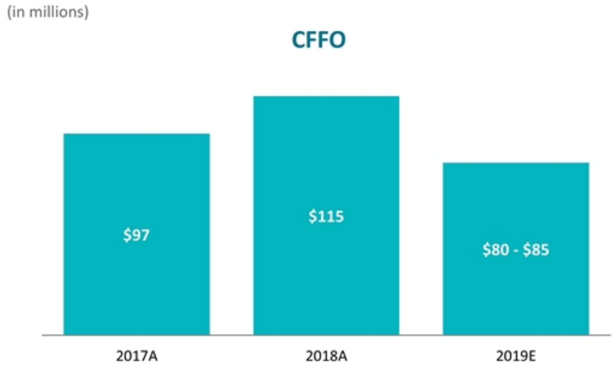
Solid Historical Adjusted EBITDA and Cash Flow Performance



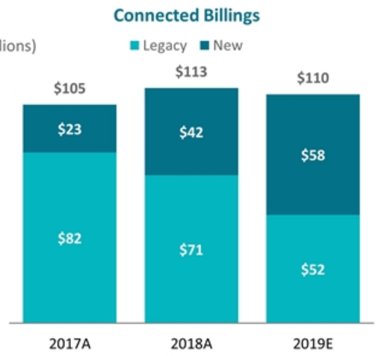
- Increased R&D investment in FY18 and FY19

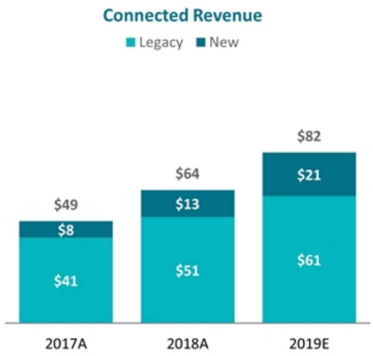


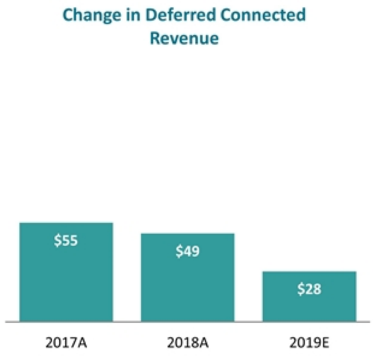
- FY19 includes an estimated $10 million in non-recurring expenses to stand-up Cerence

Near-term Cash Flow Headwind Driven by Decline in Legacy Connected Program

(in millions)







Legacy program: negative cash swing

+ Acquired in 2013, legacy program was a pioneering platform with multi-media content integrated.
+ Majority of the cash has been collected, and the revenues will be recognized from deferred revenue, causing a headwind to FCF.

New software program:

+ Steady growth in billings and revenues creates positive cash flows
+ Deferred revenue balance expected to decline in 2020
+ Expect to grow deferred revenue in 2 to 3 years driven by new program ramp

Note: Actual billings are estimated based on reported NWC changes in given periods.

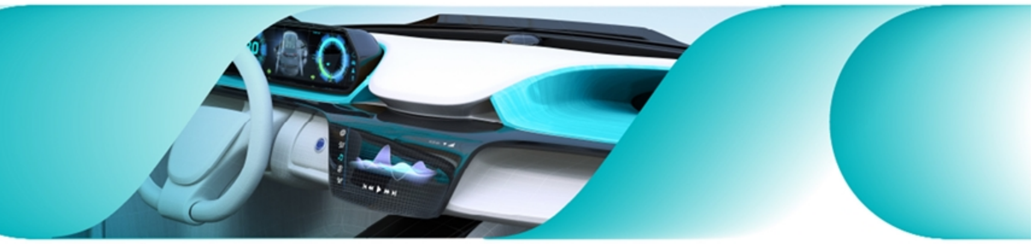
Fiscal Year 2020 Guidance

$ in millions	2019 (ASC 606)	2019 (ASC 605)	2020 (ASC 606)
GAAP Revenue	$300M - $302M	$303M - $305M	$321M - $336M
Non-GAAP Revenue[a]	$305M - $307M	$308M - $310M	$325M - $340M
Non-GAAP GM %[a],[b]	~72%	~72%	~70 - 71%
Non-GAAP Operating Margin%[a],[b]	~29%	~30%	~24 - 25%
Adjusted EBITDA[a],[b]	$96M - $98M	$100M - $102M	$93M - $100M
CFFO	$80M - $85M	$80M - $85M	$42M - $50M

In order to maintain continuity with current Nuance practices, non-GAAP guidance is provided.
Once Cerence is a stand-alone public company, we may reassess our non-GAAP guidance policies.

Footnote:
(a) Non-GAAP includes $4-5m / year of non-GAAP revenues related to acquisitions.
(b) Non-GAAP excludes acquisition-related costs, amortization of acquired intangible assets, restructuring expense, and stock-based compensation.

Thank you



www.cerence.com

Appendix

Non-GAAP Financial Measures – Definitions

Non-GAAP revenue

We consider the use of non-GAAP revenue helpful in understanding the performance of our business, as it excludes the purchase accounting impact on acquired deferred revenue and other acquisition-related adjustments to revenue. We provide supplementary non-GAAP financial measures of revenue that include revenue that we would have recognized but for the purchase accounting treatment of acquisition transactions. Non-GAAP revenue also includes revenue that we would have recognized had we not acquired intellectual property and other assets from the same customer. Because GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. These non-GAAP adjustments are intended to reflect the full amount of such revenue. We include non-GAAP revenue to allow for more complete comparisons to the financial results of historical operations, forward-looking guidance and the financial results of peer companies. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business because, although we cannot be certain that customers will renew their contracts, we have historically experienced high renewal rates on maintenance and support agreements and other customer contracts. Additionally, although acquisition-related revenue adjustments are non-recurring with respect to past acquisitions, we generally will incur these adjustments in connection with any future acquisitions.

Non-GAAP operating income and adjusted EBITDA

Non-GAAP operating income is defined as operating income before stock-based compensation, amortization of acquired intangible assets, restructuring and acquisition-related costs, and acquisition-related revenue adjustments. Adjusted EBITDA is defined as non-GAAP operating income before depreciation expense.

Stock-based compensation. Because of varying valuation methodologies, subjective assumptions and the variety of award types, we believe that excluding stock-based compensation allows for more accurate comparisons of operating results to peer companies. We evaluate performance both with and without these measures because compensation expense related to stock-based compensation is typically non-cash and the options and restricted 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.

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.

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

GAAP to Non-GAAP Reconciliation

($ in millions)	Fiscal Year Ending September 30, 2018	2017	2016
GAAP revenue license	$ 171	$ 149	$ 130
Acquisition-related revenue adjustments	1	-	-
Non-GAAP revenue license	$ 172	$ 149	$ 130
GAAP revenue connected services	$ 60	$ 46	$ 33
Acquisition-related revenue adjustments	4	4	4
Non-GAAP revenue connected services	$ 64	$ 50	$ 37
GAAP revenue professional services and other	$ 46	$ 50	$ 48
Acquisition-related revenue adjustments	-	-	-
Non-GAAP revenue professional services and other	$ 46	$ 50	$ 48
GAAP revenue	$ 277	$ 245	$ 211
Acquisition-related revenue adjustments	5	4	4
Non-GAAP revenue	$ 282	$ 249	$ 215
GAAP gross profit	$ 194	$ 176	$ 151
Stock-based compensation	2	2	2
Amortization of intangibles	8	7	7
Acquisition related revenue adjustments	5	4	4
Non-GAAP gross profit	$ 209	$ 189	$ 164
GAAP net income	$ 6	$ 47	$ 35
Acquisition-related adjustment - revenues	5	4	4
Stock-based compensation	22	20	19
Amortization of intangibles	17	13	14
Restructuring and other costs, net	13	2	2
Acquisition-related costs	4	1	-
Depreciation	9	7	6
Provision for income taxes	31	16	12
Other	(1)	(1)	-
Adjusted EBITDA	$ 106	$ 109	$ 92

FY19 GAAP to Non-GAAP Reconciliation

	Guidance for Fiscal Year 2019					
	ASC 606			ASC 605		
($ in millions)	Low	Mid	High	Low	Mid	High
GAAP revenue	$ 300	$ 301	$ 302	$ 303	$ 304	$ 305
Acquisition-related revenue adjustments	5	5	5	5	5	5
Non-GAAP revenue	$ 305	$ 306	$ 307	$ 308	$ 309	$ 310
GAAP Gross Profit	$ 202	$ 204	$ 206	$ 206	$ 208	$ 210
Stock-based compensation	2	2	2	2	2	2
Amortization of intangibles	8	8	8	8	8	8
Acquisition-related revenue adjustments	5	5	5	5	5	5
Non-GAAP Gross Profit	$ 217	$ 219	$ 221	$ 221	$ 223	$ 225
GAAP net income (1)	$ 10	$ 12	$ 14	$ 14	$ 16	$ 18
Stock-based compensation	26	26	26	26	26	26
Amortization of intangibles	21	21	21	21	21	21
Restructuring and other costs, net	26	25	24	26	25	24
Acquisition-related costs	1	1	1	1	1	1
Acquisition-related adjustment - revenues	5	5	5	5	5	5
Depreciation	8	8	8	8	8	8
Provision for income taxes (1)	-	-	-	-	-	-
Adjusted EBITDA	$ 96	$ 97	$ 98	$ 100	$ 101	$ 102

(1) FY2019 estimated net income does not include income tax provision as we are currently unable to estimate the full year income taxes for Cerence on a standalone basis.

FY20 GAAP to Non-GAAP Reconciliation

($ in millions)	Guidance for Fiscal Year 2020 ASC 606 Low		High	
GAAP revenue	$	321	$	336
Acquisition-related revenue adjustments		4		4
Non-GAAP revenue	$	325	$	340
GAAP Gross Profit	$	211	$	225
Stock-based compensation		4		4
Amortization of intangibles (2)		8		8
Acquisition-related revenue adjustments		4		4
Non-GAAP Gross Profit	$	227	$	241
GAAP net income (1)	$	(14)	$	(7)
Stock-based compensation		40		40
Interest & other expense		25		25
Amortization of intangibles (2)		20		20
Restructuring and other costs, net		5		5
Acquisition-related costs		-		-
Acquisition-related adjustment - revenues		4		4
Depreciation		12		12
Provision for income taxes (1)		-		-
Adjusted EBITDA	$	93	$	100

(1) FY2020 estimated net income does not include income tax provision as we are currently unable to estimate the full year income taxes for Cerence on a standalone basis.
(2) Subject to change on final opening balance sheet.

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LTM Adjusted EBITDA Reconciliation

LTM Adjusted EBITDA[1]

	($ in millions)	**LTM 6/30/2019**
	GAAP Net Income	**$16**
	(+) Amortization of Intangibles	21
	(+) Depreciation	8
	(+) Provision for Income Taxes	4
	Reported EBITDA	**$49**
A	(+) Stock-based Compensation	27
B	(+) Restructuring and Other Costs, Net	20
C	(+) Acquisition-related Revenue Adjustments	5
D	(+) Acquisition-Related Costs	1
	Adjusted EBITDA	**$103**

(1) LTM Adjusted EBITDA as of 6/30/2019 under ASC 605

Adjustment Detail

A Reversal of non-cash share based payment charges

B Costs related to reorganizing various business units, including costs associated with establishing the Cerence business as a standalone public company

C Deferred revenue adjustment related to prior acquisitions

D Includes transition and integration costs, professional service fees, and other adjustments related to acquisitions, including potential acquisitions

ASC 605 to ASC 606 Comparison

	ASC 605				ASC 606			
($ in millions)	Q1'FY19	Q2'FY19	Q3'FY19	Q1-Q3'FY19	Q1'FY19	Q2'FY19	Q3'FY19	Q1-Q3'FY19
GAAP Revenue	**$74**	**$71**	**$79**	**$224**	**$73**	**$70**	**$78**	**$220**
Acquisition-related Revenue Adjustments	1	1	1	4	1	1	1	4
Non-GAAP Revenue	**$75**	**$72**	**$80**	**$228**	**$74**	**$71**	**$79**	**$224**
GAAP Gross Profit	**$42**	**$38**	**$44**	**$124**	**$36**	**$40**	**$44**	**$120**
Stock-based Compensation	6	7	8	20	6	7	8	20
Amortization of Intangibles	5	5	5	16	5	5	5	16
Acquisition-related Revenue Adjustments	1	1	1	4	1	1	1	4
Non-GAAP Gross Profit	**$55**	**$51**	**$58**	**$163**	**$49**	**$53**	**$57**	**$159**
GAAP Net Income	**$4**	**$2**	**$2**	**$8**	**$0**	**$3**	**$2**	**$4**
Amortization of Intangibles	5	5	5	16	5	5	5	16
Depreciation	2	2	2	6	2	2	2	6
Provision for Income Taxes	1	(0)	1	2	(0)	1	1	2
Reported EBITDA	**$13**	**$9**	**$10**	**$32**	**$7**	**$10**	**$10**	**$28**
Stock-based Compensation	6	7	8	20	6	7	8	20
Restructuring and Other Costs, Net	3	5	10	18	3	5	10	18
Acquisition-related Revenue Adjustments	1	1	1	4	1	1	1	4
Adjusted EBITDA	**$24**	**$21**	**$29**	**$74**	**$18**	**$23**	**$29**	**$70**

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