August 6, 2026

Cerence AI Reports Third Quarter Results: Revenue Up 12% YoY, Connected Services Revenue Up 20% YoY; Operating Cash Flow of $20M Supports First-Ever Share Repurchase Program

Headlines

- Revenue of $69.6 million and GAAP net income of $1.5 million were within guidance; Adjusted EBITDA of $13.5 million increased 50% year-over-year and exceeded the high end of guidance. Connected Services revenue increased more than 20% year-over-year.
- Generated $20 million in operating cash flow and approximately $20 million in free cash flow, up more than 20% YoY.
- Expanded AI platform momentum and adoption, including a new multi-brand Cerence xUI award from Stellantis and the first customer win for Cerence's Mobile Work Agent.
- Board of Directors authorized the Company's first-ever share repurchase program, permitting repurchases of up to $30 million of common stock over 12 months, reflecting confidence in the business and commitment to disciplined capital allocation.

BURLINGTON, Mass., Aug. 06, 2026 (GLOBE NEWSWIRE) -- Cerence Inc. (NASDAQ: CRNC) (“Cerence AI”), a global leader pioneering conversational AI-powered user experiences, today reported its third quarter fiscal year 2026 results for the period ended June 30, 2026. The Company also announced that its Board of Directors has authorized the Company's first share repurchase program, pursuant to which the Company may purchase up to $30,000,000 of its outstanding common stock over the next 12 months.

“Our third-quarter results demonstrate continued execution across the business, with solid execution, strong cash generation, and momentum across our AI portfolio,” said Brian Krzanich, Chief Executive Officer of Cerence AI. “We signed an important multi-brand Cerence xUI award with Stellantis, secured the first customer for our Mobile Work Agent, and saw 20% year-over-year growth in Connected Services revenue. Together with our first-ever share repurchase authorization - which reflects the Board and management’s confidence in Cerence AI’s strategy, cash generation ability, and long-term value - we believe these results demonstrate our progress in strengthening the business through disciplined execution, innovation, and capital allocation."

Krzanich continued, “We continue to build toward a much larger opportunity. As AI continues to be a strategic priority for automakers and increasingly extends into adjacent markets, we believe Cerence AI is uniquely positioned to serve as the interaction layer between people and intelligent systems. We believe that our portfolio of conversational, agentic, and embedded AI solutions, combined with our deep domain expertise, global reach, and long-

standing customer relationships, provides a strong foundation for growth as we help customers bring the next generation of AI-powered experiences to life. We look forward to providing additional perspective on our roadmap and long-term growth strategy next quarter."

Stock Repurchase Program
Under the stock repurchase program, the Company intends to repurchase shares from time to time in the open market in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, pursuant to Rule 10b5-1 trading plans, in privately negotiated transactions, through accelerated share repurchase arrangements, purchases, or by other means. The Company may repurchase shares under this program depending on a variety of factors, including, among other things, the impact of dilution from employee stock awards, market conditions, stock price, applicable legal and regulatory requirements, and other factors. Because the program is discretionary, the program does not obligate the Company to acquire any particular number of shares or any specific dollar amount, and there is no assurance as to the timing or amount of any repurchases.

The Company intends to fund repurchases under the program primarily with existing cash and cash equivalents and, secondarily, free cash flow generated by operations.

Results Summary [1]
(in millions, except per share data)

Cerence AI delivered third-quarter revenue and net income within its guidance ranges; adjusted EBITDA above the high end of guidance and up 50% year-over-year; and $19.6 million of free cash flow, up more than 20% year-over-year. Revenue increased 12% year-over-year, primarily driven by the timing of fixed license contract execution and growth in Connected Services revenue, which increased more than 20% year-over-year, reflecting continued adoption of the Company’s connected solutions. Professional Services revenue was down year-over-year, reflecting the Company's continued focus on standardization and higher-margin implementations.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2026	2025	2026	2025
GAAP revenue [2]	$ 69.6	$ 62.2	$ 248.9	$ 191.1
GAAP gross margin	76.0%	73.7%	80.2%	72.8%
GAAP total operating expenses [3]	$ 51.0	$ 46.8	$ 170.8	$ 139.7
Non-GAAP total operating expenses [3]	$ 42.7	$ 39.6	$ 143.2	$ 107.8
GAAP net income (loss)	$ 1.5	$ (2.7)	$ (2.0)	$ (5.4)
Adjusted EBITDA	$ 13.5	$ 9.0	$ 65.4	$ 39.8
GAAP net cash provided by operating activities	$ 20.0	$ 23.7	$ 72.0	$ 48.4
Free cash flow	$ 19.6	$ 16.1	$ 68.9	$ 37.1
GAAP net income (loss) per share - diluted	$ 0.03	$ (0.06)	$ (0.05)	$ (0.12)

(1) Please refer to the “Discussion of Non-GAAP Financial Measures” and “Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures” included elsewhere in this release for more information regarding the Company's use of non-GAAP financial measures.
(2) Q1FY26 revenue included $49.5 million of IP license revenue related to a previously disclosed agreement with Samsung. Q3FY26 and Q3FY25 revenue included $12.5 million and $0.0 million of revenue from fixed license contracts, respectively.
(3) Q1FY26 GAAP and Non-GAAP operating expenses included $20.8 million of expenses related to the Company's previously disclosed agreement with Samsung.

Cerence Key Performance Indicators
To help investors gain further insight into Cerence AI’s business and performance, management provides a set of key performance indicators (KPIs). The Company believes the KPIs for the quarter reflect continued adoption of its connected solutions and disciplined pricing, with year-over-year growth in connected cars shipped and Adjusted Total Billings.

Key Performance Indicator[1]	**Q3FY26**
Percent of worldwide auto production with Cerence Technology (trailing twelve months (“TTM”))	50%
Change in number of Cerence connected cars shipped (TTM over prior year TTM)[2]	4%
Change in Adjusted Total Billings (TTM over prior year TTM)[3]	6%

(1) Please refer to the “Key Performance Indicators” section included elsewhere in this release for more information regarding the definitions and use of key performance indicators.
(2) Based on IHS Markit data, global auto production increased 1% TTM over prior-year TTM.
(3) Adjusted Total Billings excludes professional services and fixed license contracts and is adjusted for fixed license consumption. Change in Adjusted Total Billings is calculated TTM over prior-year TTM.

Fourth Quarter and Full Year Fiscal 2026 Outlook
For the fiscal fourth quarter ending September 30, 2026:

- Revenue is expected to be in the range of $61 million to $65 million, with no fixed license revenue contracts expected to be signed during the quarter.
- Gross margins are projected between 72% and 75%.
- GAAP net income is projected to be between $1 million and $5 million.
- GAAP EPS (diluted) is expected to be between $0.02 and $0.10.
- Adjusted EBITDA is expected to be in the range of $1 million to $5 million. Adjusted EBITDA guidance excludes amortization of acquired intangible assets, stock-based compensation, restructuring and other costs.

For the full fiscal year ending September 30, 2026:

- Revenue is expected to be in the range of $310 million to $314 million.
- Gross margin is expected to be in the range of 78% to 79%.
- GAAP net (loss) income is projected to be in the range of $(1) million to $3 million.
- GAAP EPS (diluted) is expected to be between $(0.02) and $0.06.
- Adjusted EBITDA is expected to be in the range of $66 million to $70 million.
- Net cash provided by operating activities is projected to be in the range of $81 million to $85 million.
- Free cash flow in the range of $76 million to $82 million.

Cerence Conference Call and Webcast
The Company will host a live conference call and webcast with slides to discuss its results today at 4:30pm Eastern Time / 1:30pm Pacific Time. Interested investors and analysts are invited to dial into the conference call by registering here.

Webcast access also will be available on the Investor section of the Company's website at investors.cerence.com.

A replay of the webcast can be accessed by visiting the Company's website 90 minutes following the conference call at investors.cerence.com.

Forward Looking Statements
Statements in this press release, as well as oral statements made by Cerence management from time to time, regarding: Cerence's future performance, results and financial condition; expected growth, profitability and cash flow; outlook and momentum; Cerence's business model; transformation plans and cost efficiency initiatives; stock repurchase program including, but not limited to, the amount and timing; strategy; opportunities; business, industry and market trends; plans and expectations regarding fixed license contracts and the impact on financial results; revenue visibility; backlog; revenue timing and mix; demand for Cerence products; innovation and new product offerings, including AI technology and Cerence xUI; expansion into adjacent markets; expected benefits of technology partnerships; IP licensing, enforcement, and protection efforts; and management's future expectations, anticipations, intentions, estimates, assumptions, beliefs, goals, objectives, targets, plans, outlook or prospects constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact (including statements containing the words "believes," "plans," "goal," "objective," "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 as of the date of this press release, 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 or the global economy more generally; volatility in the political, legal and regulatory environment in which we operate, including trade, tariffs and other policies implemented by the United States, actions taken by other countries in response or other changes in law and regulation applicable to us; the ongoing conflicts in Ukraine and the Middle East; risks of international operations, including in China; automotive production curtailment or delays; changes in customer forecasts and the timing and receipt of royalty reports; 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; pricing pressures from our customers; the impact on our business of the

transition to a lower level of fixed license 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; a decrease in the level of professional services projects; fluctuations in our financial and operating results, including as a result of licensing transactions and litigation settlements or judgments; our inability to successfully introduce and drive customer adoption of new products, applications and services; our strategies to increase cloud offerings and deploy generative AI and large language models (LLMs) and shift to more recurring revenue streams; the inability to expand into adjacent or non-auto markets; the inability to recruit and retain qualified personnel; cybersecurity and data privacy incidents and compliance with global privacy and data security requirements; failure to protect our intellectual property; adverse developments related to our intellectual property enforcement litigation, the outcome of such litigation, or remedies that could be awarded in connection with such litigation; risks and challenges posed by the development and use of artificial intelligence; the evolving regulatory landscape governing artificial intelligence; defects or interruptions in service with respect to our products; supply chain interruptions; fluctuating currency rates and interest rates; inflation; financial and credit market volatility; restrictions on our current and future operations under the terms of our debt; the use of cash to service or repay our debt; the use of cash to repurchase shares under our stock repurchase program; the ability to repurchase shares of our common stock under our repurchase program at favorable prices or at all; and our inability to generate sufficient cash from our operations; and the other factors discussed in our most recent Annual Report on Form 10-K, quarterly reports on Form 10-Q, and other filings with the Securities and Exchange Commission. We disclaim any obligation to update any forward-looking statements as a result of developments occurring after the date of this document.

Discussion of Non-GAAP Financial Measures

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

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

Consistent with this approach, we believe that disclosing non-GAAP financial measures to the readers of our financial statements provides such readers with useful supplemental data that, while not a substitute for GAAP financial statements, allows for greater transparency in the review of our financial and operational performance. In assessing the overall health of the business during the three and nine months ended June 30, 2026 and 2025, 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 amortization of acquired intangible assets, stock-based compensation, and restructuring and other costs, net and 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 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, consulting costs relating to our transformation initiatives, and costs for consolidating duplicate facilities.

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.

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.

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 (gains) losses from extinguishment of debt, net (gains) losses from foreign currency translation, and changes in

indemnification assets corresponding with the release of pre-spin liabilities for uncertain tax positions.

Non-GAAP total operating expenses.
Non-GAAP total operating expenses reflect GAAP operating expenses excluding stock-based compensation, intangible asset amortization, and restructuring and other costs. 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.

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, 2026, our management has reviewed the following KPIs, each of which is described below:

- *Percent of worldwide auto production with Cerence Technology (TTM):* The number of Cerence enabled cars shipped on a TTM basis 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 excluding Professional Services and fixed license billings and adjusted for fixed license consumption. Amounts calculated on a TTM over prior year TTM basis.

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 AI, visit www.cerence.ai, and follow the company on LinkedIn.

About Cerence Inc.
Cerence Inc. (NASDAQ: CRNC) is a global industry leader in creating intuitive, seamless, AI-powered experiences across automotive and transportation. Leveraging decades of innovation and expertise in voice, generative AI, and large language models, Cerence powers integrated experiences that create safer, more connected, and more enjoyable journeys for drivers and passengers alike. With more than 525 million cars shipped with Cerence technology, the company partners with leading automakers, transportation OEMs, and technology companies to advance the next generation of user experiences. Cerence is headquartered in Burlington, Massachusetts, with operations globally and a worldwide team dedicated to pushing the boundaries of AI innovation. For more information, visit www.cerence.ai.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Revenues:				
License	$ 41,600	$ 34,176	$ 166,935	$ 108,361
Connected services	15,465	12,842	45,307	39,197
Professional services	12,522	15,218	36,613	43,584
Total revenues	69,587	62,236	248,855	191,142
Cost of revenues:				
License	1,362	1,074	4,291	5,288
Connected services	4,906	4,805	14,860	16,095
Professional services	10,405	10,469	30,144	30,618
Total cost of revenues	16,673	16,348	49,295	52,001
Gross profit	52,914	45,888	199,560	139,141
Operating expenses:				
Research and development	29,237	27,152	84,235	71,353
Sales and marketing	5,829	5,916	17,905	15,612
General and administrative	14,714	12,340	59,497	36,293
Amortization of intangible assets	—	578	—	1,668
Restructuring and other costs, net	1,259	850	9,180	14,744
Total operating expenses	51,039	46,836	170,817	139,670
Income (loss) from operations	1,875	(948)	28,743	(529)
Interest income	710	895	2,230	3,250
Interest expense	(1,450)	(2,409)	(4,592)	(8,518)
Other income, net	413	1,673	2,250	2,444
Income (loss) before income taxes	1,548	(789)	28,631	(3,353)
Provision for income taxes	15	1,932	30,664	2,000
Net income (loss)	$ 1,533	$ (2,721)	$ (2,033)	$ (5,353)
Net income (loss) per share:				
Basic	$ 0.03	$ (0.06)	$ (0.05)	$ (0.12)
Diluted	$ 0.03	$ (0.06)	$ (0.05)	$ (0.12)
Weighted-average common shares outstanding:				
Basic	45,184	43,262	45,077	43,127
Diluted	47,744	43,262	45,077	43,127

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

	June 30,	September 30,

	2026	2025
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 127,607	$ 84,017
Marketable securities	—	3,433
Accounts receivable, net of allowances of $72 and $68	45,903	58,937
Deferred costs	4,331	4,481
Prepaid expenses and other current assets	34,415	39,889
Total current assets	212,256	190,757
Property and equipment, net	31,381	35,761
Deferred costs	13,020	15,501
Operating lease right of use assets	12,448	16,762
Goodwill	295,976	299,003
Deferred tax assets	38,709	54,207
Other assets	17,146	18,600
Total assets	$ 620,936	$ 630,591
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,693	$ 901
Deferred revenue	55,799	51,865
Short-term operating lease liabilities	4,056	4,344
Accrued expenses and other current liabilities	39,388	44,080
Total current liabilities	101,936	101,190
Long-term debt	173,458	199,693
Deferred revenue, net of current portion	142,408	140,021
Long-term operating lease liabilities	9,538	13,083
Other liabilities	27,242	25,928
Total liabilities	454,582	479,915
Stockholders' Equity:		
Common stock, $0.01 par value, 560,000 shares authorized; 45,188 and 43,374 shares issued and outstanding, respectively	451	434
Accumulated other comprehensive loss	(27,880)	(25,469)
Additional paid-in capital	1,136,270	1,116,165
Accumulated deficit	(942,487)	(940,454)
Total stockholders' equity	166,354	150,676
Total liabilities and stockholders' equity	$ 620,936	$ 630,591

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

	Nine Months Ended June 30,

	2026	2025
Cash flows from operating activities:		
Net loss	$ (2,033)	$ (5,353)
Adjustments to reconcile net loss to net cash provided by operations:		
Depreciation and amortization	7,822	8,512
Provision for credit loss reserve	6	208
Stock-based compensation	19,616	20,047
Non-cash interest expense	2,416	4,647
Gain on debt extinguishment	(1,051)	(327)
Deferred tax provision (benefit)	15,561	(5,303)
Unrealized foreign currency transaction loss (gain)	425	(2,708)
Other, net	776	(33)
Changes in operating assets and liabilities:		
Accounts receivable	7,540	(2,949)
Prepaid expenses and other assets	11,986	27,132
Deferred costs	2,166	3,068
Accounts payable	1,686	1,484
Accrued expenses and other liabilities	(5,339)	(17,134)
Deferred revenue	10,384	17,130
Net cash provided by operating activities	71,961	48,421
Cash flows from investing activities:		
Capital expenditures	(3,071)	(11,353)
Sale and maturities of marketable securities	3,425	3,493
Other investing activities	(873)	(1,145)
Net cash used in investing activities	(519)	(9,005)
Cash flows from financing activities:		
Principal payments of long-term debt	(27,600)	—
Principal payments of short-term debt	—	(87,089)
Common stock repurchases for tax withholdings for net settlement of equity	(7,606)	(2,200)
Principal payment of lease liabilities arising from a finance lease	(12)	(331)
Proceeds from the issuance of common stock	8,112	2,204
Net cash used in financing activities	(27,106)	(87,416)
Effects of exchange rate changes on cash and cash equivalents	(746)	187
Net change in cash and cash equivalents	43,590	(47,813)
Cash and cash equivalents at beginning of period	84,017	121,485
Cash and cash equivalents at end of period	127,607	73,672
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 11,034	$ 4,739
Cash paid for interest	$ 2,925	$ 3,980

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,	
	2026	2025	2026	2025
GAAP revenue	**$ 69,587**	**$ 62,236**	**$ 248,855**	**$ 191,142**
GAAP gross profit	**$ 52,914**	**$ 45,888**	**$ 199,560**	**$ 139,141**
GAAP gross margin	**76.0%**	**73.7%**	**80.2%**	**72.8%**
GAAP total operating expenses	**$ 51,039**	**$ 46,836**	**$ 170,817**	**$ 139,670**
Stock-based compensation*	7,100	5,796	18,418	15,488
Amortization of intangible assets	—	578	—	1,668
Restructuring and other costs, net*	1,259	850	9,180	14,744
Non-GAAP total operating expenses	**$ 42,680**	**$ 39,611**	**$ 143,219**	**$ 107,769**
GAAP net income (loss)	**$ 1,533**	**$ (2,721)**	**$ (2,033)**	**$ (5,353)**
Stock-based compensation*	7,515	6,345	19,615	17,084
Amortization of intangible assets	—	578	—	1,668
Restructuring and other costs, net*	1,259	850	9,180	14,744
Depreciation	2,847	2,140	7,822	6,844
Total other expense (income), net	327	(159)	112	2,824
Provision for income taxes	15	1,932	30,664	2,000
Adjusted EBITDA	**$ 13,496**	**$ 8,966**	**$ 65,360**	**$ 39,811**
GAAP net cash provided by operating activities	**$ 19,960**	**$ 23,700**	**$ 71,961**	**$ 48,421**
Capital expenditures	(340)	(7,649)	(3,071)	(11,353)
Free cash flow	**$ 19,620**	**$ 16,051**	**$ 68,890**	**$ 37,068**

*-$3.0 million in stock-based compensation is included in Restructuring and other costs, net for the nine months ended June 30, 2025.

Free cash flow is net cash provided by operating activities determined in accordance with GAAP less capital expenditures.

Free cash flow is not a measure of cash available for discretionary expenditures.

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

(unaudited - in thousands, except per share data)	Q4 2026		FY2026	
	Low	High	Low	High
GAAP revenue	**$ 61,145**	**$ 65,145**	**$ 310,000**	**$ 314,000**

GAAP gross profit	**$ 43,719**	**$ 48,691**	**$ 243,252**	**$ 248,252**
GAAP gross margin	**72%**	**75%**	**78%**	**79%**
GAAP total operating expenses	**$ 53,603**	**$ 54,603**	**$ 224,421**	**$ 225,421**
Stock-based compensation	6,921	6,921	25,340	25,340
Restructuring and other costs, net	100	100	9,279	9,279
Non-GAAP total operating expenses	**$ 46,582**	**$ 47,582**	**$ 189,802**	**$ 190,802**
GAAP net (loss) income	**$ 981**	**$ 4,953**	**$ (1,080)**	**$ 2,920**
Stock-based compensation	7,625	7,625	27,240	27,240
Restructuring and other costs, net	100	100	9,279	9,279
Depreciation	3,188	3,188	11,010	11,010
Total other expense (income), net	(305)	(305)	(193)	(193)
(Benefit from) provision for income taxes	(10,560)	(10,560)	20,104	20,104
Adjusted EBITDA	**$ 1,029**	**$ 5,001**	**$ 66,360**	**$ 70,360**
GAAP net (loss) income per share:				
Basic	**$ 0.02**	**$ 0.11**	**$ (0.02)**	**$ 0.06**
Diluted	**$ 0.02**	**$ 0.10**	**$ (0.02)**	**$ 0.06**
Weighted-average common shares outstanding:				
Basic	**45,237**	**45,237**	**45,050**	**45,050**
Diluted	**48,677**	**48,677**	**45,050**	**47,661**
GAAP net cash provided by operating activities			**$ 80,500**	**$ 85,000**
Capital expenditures			(4,500)	(3,000)
Free cash flow			**$ 76,000**	**$ 82,000**

Source: Cerence Operating Company