
**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): October 6, 2024

CERENCE INC.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-39030
(Commission
File Number)

83-4177087
(IRS Employer
Identification No.)

**25 Mall Road, Suite 416
Burlington, MA**
(Address of Principal Executive Offices)

01803
(Zip Code)

Registrant's Telephone Number, Including Area Code: (857) 362-7300

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 October 7, 2024, Cerence Inc. (the “Company”) issued a press release announcing the appointment of Brian Krzanich as President and Chief Executive Officer of the Company and reaffirming its fourth quarter fiscal 2024 guidance previously announced in conjunction with its third quarter fiscal 2024 financial results on August 8, 2024. A copy of the press release is furnished hereto as Exhibit 99.1 and is incorporated into this Item 2.02 by reference. This report and the press release attached hereto as Exhibit 99.1 contain statements intended as “forward-looking statements” that are subject to the cautionary statements regarding forward-looking statements set forth in the press release.

The information in this Item 2.02 and Exhibit 99.1 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 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On October 6, 2024, the Board of Directors (the “Board”) of the Company appointed Brian Krzanich as President and Chief Executive Officer (and “principal executive officer”) of the Company, effective October 7, 2024.

Mr. Krzanich, 64, most recently served as Chief Executive Officer of CDK Global, an automotive software company, from 2018 to 2022. Prior to that, Mr. Krzanich served in a number of roles at Intel Corporation beginning in 1982, leading to his ascension to the role of Chief Executive Officer of Intel Corporation from 2013 to 2018. Under his leadership, Intel expanded from its core CPU market into next-generation technologies ranging from cloud computing and artificial intelligence to autonomous vehicles, among others. Mr. Krzanich currently serves on the Board of Directors of SES AI Corporation. He has previously served on the Board of Directors of Electric Last Mile from 2021 to 2022, AMS Osram Ag from 2019 to 2023 and Deere & Company from 2016 to 2018. Mr. Krzanich holds a Bachelor’s Degree in Chemistry from San Jose State University.

In his capacity as President and Chief Executive Officer, Mr. Krzanich will receive a base salary of \$600,000 per year. In addition, Mr. Krzanich will be eligible to participate in the Company’s Short Term Incentive Plan with a target opportunity equal to 100% of his base salary. In connection with his appointment, Mr. Krzanich will receive an initial equity award with a target aggregate value of \$6.0 million. Such award will consist of 50% time-based restricted stock units and 50% performance-based restricted stock units. The time-based restricted stock units will vest in three equal installments on each of October 7, 2025, October 7, 2026 and October 7, 2027, in each case subject to Mr. Krzanich’s continued service with the Company through the applicable vesting date. The performance-based restricted stock units will be earned based on the achievement of Company performance metrics during the three fiscal-year period ending on September 30, 2027, subject to Mr. Krzanich’s continued service with the Company through the vesting date. These equity awards will be subject to the terms and conditions set forth in the 2024 Inducement Plan (as defined below) and the applicable award agreement.

In connection with his appointment, Mr. Krzanich has entered into a change of control and severance agreement with the Company (the “Severance Agreement”). The Severance Agreement provides that, in the event that Mr. Krzanich’s employment is terminated by the Company other than for “cause” (as defined in the Severance Agreement) and for a reason other than due to his death or “disability” (as defined in the Severance Agreement) outside of the one-year period following a “change of control” (as defined in the Severance Agreement), Mr. Krzanich will be eligible to receive: (i) a lump sum payment equal to 150% of his annual base salary then in effect; (ii) a lump sum payment equal to 150% of his target bonus and a pro-rated percentage of his target bonus for the fiscal year in which the termination occurs; (iii) vesting of the portion of his time-based equity awards that would have vested in the 18 months following the termination date; (iv) vesting of the earned portion of any performance-based equity awards for which the performance period is complete as of the termination date and the opportunity under certain circumstances to earn a pro-rata portion of any performance-based awards with a single three-year performance period for which the performance period is not complete as of the termination date based on actual performance through the end of the performance period; and (v) up to 18 months of monthly COBRA premiums (at the coverage levels in effect for active employees of the Company).

If Mr. Krzanich's employment is terminated by the Company other than for cause and for a reason other than due to his death or disability or he resigns for "good reason" (as defined in the Severance Agreement) within one year following a change of control, he will instead be eligible to receive: (i) a lump sum payment equal to 200% of his annual base salary then in effect (or, if greater, as in effect immediately prior to the change of control); (ii) a lump sum payment equal to 200% of his target bonus for the year in which the termination occurs (or, if greater, as in effect immediately prior to the change of control) and a pro-rated percentage of his target bonus for the fiscal year in which the termination occurs (or, if greater, as in effect immediately prior to the change of control); (iii) accelerated vesting of 100% of his unvested time-based equity awards; (iv) except as otherwise provided in the applicable award agreement, accelerated vesting of 100% of his performance-based equity awards based on actual performance through the termination date, if measurable, and based upon target performance if performance is not measurable as of the termination date; and (v) up to 18 months of monthly COBRA premiums (at the coverage levels in effect for active employees of the Company).

Under the Severance Agreement, in the event that Mr. Krzanich's employment is terminated due to death or disability, he will be eligible to receive accelerated vesting of 100% of his unvested time-based equity awards, 100% of the earned portion of any performance-based equity awards for which the performance period is complete, and the opportunity under certain circumstances to earn a pro-rata portion of any performance-based awards with a single three-year performance period for which the performance period is not complete as of the termination date based on actual performance through the end of the performance period.

To receive the foregoing severance payments and benefits, except in the case of a termination due to death, Mr. Krzanich is required to enter into a separation and release agreement in favor of the Company.

Mr. Krzanich succeeds Dr. Stefan Ortmanns as President and Chief Executive Officer of the Company. Dr. Ortmanns will remain an employee of the Company's German subsidiary and available to facilitate the transition. Upon the termination of Dr. Ortmanns' employment, he will be entitled to receive the severance compensation and benefits provided under his existing change of control equity acceleration agreement with the Company and change of control and severance agreement with the Company's German subsidiary, as well as such other compensation and benefits to which he may be entitled pursuant to contractual obligations and/or local statutory requirements as a result of a termination of employment. Such payments and benefits will be subject to his execution and effectiveness of a termination agreement under applicable law. In connection with this leadership transition, Dr. Ortmanns resigned as a member of the Board, effective October 7, 2024.

On October 6, 2024, the Board elected Mr. Krzanich as a director of the Company, effective October 7, 2024, to fill the vacancy created by the resignation of Dr. Ortmanns from the Board, to hold office for a term expiring at the next annual meeting of stockholders of the Company and until his successor is elected and qualified or until his earlier death, resignation or removal. The Company will enter into an indemnification agreement with Mr. Krzanich in substantially the same form entered into with the other directors and executive officers of the Company.

There are no other arrangements or understandings between Mr. Krzanich and any other person pursuant to which Mr. Krzanich was appointed as President and Chief Executive Officer or a director of the Company. Mr. Krzanich is not a party to any transaction that would require disclosure under Item 404(a) of Regulation S-K.

Copies of Mr. Krzanich's offer letter and Severance Agreement are filed herewith as Exhibit 10.1 and 10.2, respectively, and incorporated herein by reference. The above summary of the offer letter and Severance Agreement do not purport to be complete and are qualified in their entirety by reference to such exhibits.

Amendment No. 1 to 2024 Inducement Plan

On October 6, 2024, the Board adopted Amendment No. 1 (the “Amendment”) to the Cerence Inc. 2024 Inducement Plan (the “2024 Inducement Plan”), which increased the number of authorized shares of the Company’s common stock available for issuance under the 2024 Inducement Plan from 600,000 to 3,000,000. All of the other terms of the 2024 Inducement Plan remain the same. The Amendment was adopted by the Board without stockholder approval pursuant to Rule 5635(c)(4) of the Nasdaq Listing Rules. In accordance with Rule 5635(c)(4) of the Nasdaq Listing Rules, awards under the 2024 Inducement Plan may only be made to an employee who is commencing employment with the Company or any subsidiary or who is being rehired following a bona fide interruption of employment by the Company or any subsidiary, in either case if he or she is granted such award in connection with his or her commencement of employment with the Company or a subsidiary and such grant is an inducement material to his or her entering into employment with the Company or such subsidiary.

A complete copy of the Amendment is filed herewith as Exhibit 10.3 and incorporated herein by reference. The above summary of the Amendment does not purport to be complete and is qualified in its entirety by reference to such exhibit.

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits**

<u>Exhibit No.</u>	<u>Description</u>
10.1	<u>Offer Letter by and between the Company and Brian Krzanich</u>
10.2	<u>Change of Control and Severance Agreement, dated October 7, 2024, by and between the Company and Brian Krzanich</u>
10.3	<u>Amendment No. 1 to Cerence Inc. 2024 Inducement Plan</u>
99.1	<u>Press Release issued by Cerence Inc. on October 7, 2024*</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Furnished herewith

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: October 7, 2024

By: /s/ Tony Rodriguez

Name: Tony Rodriguez

Title: Interim Chief Financial Officer



Cerence Inc.
25 Mall Road
4th floor, Suite # 416
Burlington, MA 01803
USA
cerence.com

September 30, 2024

Brian Krzanich

Dear Brian:

It is with great pleasure that I confirm Cerence Inc.'s ("Cerence" or the "Company") offer of employment (the "Offer") for the position of President and Chief Executive Officer of the Company ("CEO"). If you accept this Offer, your first day of employment with the Company will be October 7, 2024 or such other date as mutually agreed by you and the Company (such actual date, the "Start Date").

Subject to the terms and conditions stated in the letter below and approval by the Board of Directors of the Company (the "Board") or the Compensation Committee of the Board (the "Compensation Committee"), Cerence is pleased to offer you the following, commencing on the Start Date:

Position and Location

You will serve as President and CEO, reporting to the Board. The Company shall cause you to be nominated for election to the Board and to be recommended to the stockholders for election to the Board as long as you remain CEO, provided that you agree that you shall be deemed to have resigned from the Board and from any related positions immediately upon ceasing to serve as CEO for any reason. You will devote your full working time and efforts to the business and affairs of the Company. Notwithstanding the foregoing, you may serve on other boards of directors, with the prior written approval of the Board, or engage in religious, charitable or other community activities as long as such services and activities do not interfere with the performance of your duties to the Company.

You will not be required to relocate from your personal residence in [***] but you will be expected to travel frequently, including to our offices in Burlington, MA.

Base Salary

Your starting annual base salary will be paid at the rate of \$600,000 per year. Your base salary shall be subject to periodic review by the Board or the Compensation Committee. The base salary in effect at any given time is referred to herein as "Base Salary." The Base Salary shall be payable in a manner that is consistent with the Company's usual payroll practices for its executive officers.

Bonus Program

In addition to your Base Salary, you will be eligible to participate in the Cerence Short Term Incentive Plan (“STIP”), with a target STIP award of 100% of your Base Salary. The STIP coincides with Cerence’s fiscal year, which is October 1st through September 30th. Any STIP award for the fiscal year in which your employment with the Company commences will be prorated based on the number of days you are employed in such fiscal year. The actual amount of the STIP award, if any, shall be determined in the sole discretion of the Board or the Compensation Committee. The form of payment is at the Board’s or Compensation Committee’s discretion and will be made in the form of restricted stock units, cash or a combination thereof. Target incentives do not constitute a promise of payment. To qualify for a STIP award, you must remain employed by the Company through the date that the STIP award is paid. Eligibility to participate and any payment under the STIP will be at the Board’s or Compensation Committee’s discretion, and the Board or Compensation Committee has the right to vary, suspend, revoke, or replace the STIP at any time.

Long Term Incentive Plan (“LTIP”)

As a material inducement to accept the Company’s offer of employment, and subject to the approval of the Board or the Compensation Committee, as promptly as practicable following the Start Date the following equity awards shall be granted under the Cerence Inc. 2024 Inducement Plan (the “Plan”) and pursuant to Rule 5635(c)(4) of the Marketplace Rules of NASDAQ Stock Market, Inc., contingent upon your commencement and continuation of employment with Cerence through the grant date:

A number of restricted stock units having an aggregate target value of \$6,000,000. The number of restricted stock units will be calculated based on the average closing price of Cerence’s common stock over the trailing 20 trading days ending on the date of grant. The restricted stock units will be 50% in the form of time-based restricted stock units (“RSUs”) and 50% in the form of performance-based restricted stock units (“PSUs”), as follows in (a) and (b) below:

- A. RSUs: The RSUs will be subject to the terms and conditions for time-based restricted stock units under the Plan and in the applicable RSU agreement. The RSUs will vest as follows: one-third of the RSUs on each of the first three anniversaries of the Start Date, subject to your continued service with Cerence through each vesting date, except as provided in the Change of Control and Severance Agreement (as described below and hereinafter referred to as the “Severance Agreement”) or in the applicable RSU agreement.
- B. PSUs: The PSUs will be subject to the terms and conditions for performance-based restricted stock units under the Plan and in the applicable PSU agreement. The PSUs will be earned based on Company performance metrics determined by the Board or the Compensation Committee and will vest in full upon the release of FY 2027 earnings, subject to your continued service with Cerence through each vesting date, except as provided in the Severance Agreement or in the applicable PSU agreement.

Please note that any equity awards granted to you are subject to the terms of the Plan or the 2019 Plan, as applicable, (or any successor plan(s)) and the applicable grant agreements.

Benefits

You will be eligible to participate in or receive benefits under the Company's employee benefit plans in effect from time to time, subject to the terms of such plans. The benefit programs you are eligible for as a Cerence employee will be provided during the New Hire On-boarding process.

Paid Time-Off

You will be entitled to take paid time off in accordance with the Company's applicable paid time off policy for executives, as may be in effect from time to time.

Indemnification

As an employee and officer of the Company, you shall be indemnified by the Company consistent with Delaware law. To implement this provision, the Company shall execute and deliver to you its standard form of indemnification agreement for officers and directors.

Background Check

Your employment is contingent upon satisfactory completion of a background check. You will be contacted via email by Cerence's vendor during the onboarding process to complete the process.

Change of Control and Severance Agreement

You will be eligible to receive certain Severance Benefits following certain qualifying terminations of employment, as set forth in and subject to the terms of the enclosed Change of Control and Severance Agreement (the "Severance Agreement") and applicable equity award agreements.

Taxes

All forms of compensation are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law. You are encouraged to obtain your own tax advice regarding your compensation from the Company. You agree that the Company does not have a duty to design its compensation policies in a manner that minimizes your tax liabilities.

Terms and Conditions

Your employment with Cerence will be "at will", meaning that either you or Cerence will be entitled to terminate your employment at any time and for any reason, with or without cause, subject to the terms of the Severance Agreement, if applicable.. This Offer Letter ("Offer") and the agreements referenced herein, along with the Confidential Information, Inventions and Non-Competition Agreement ("CIN"), which you are required to sign as a condition of employment, are the full and complete agreement between you and Cerence. You acknowledge and agree you have not relied on any other oral or written communication in connection with your decision to accept the offer.

This Offer is contingent upon your satisfying the conditions of hire, including the following:

- Consistent with applicable law, presenting proof of eligibility to work in the United States
- Executing the CIIN
- Passing a Background Check

Finally, this Offer is conditioned on your not being subject to any confidentiality or non-competition agreement or any other similar type of restriction that would affect your ability to perform your role at Cerence. If you have previously entered into such an agreement, please provide me with a copy as soon as possible. Your acceptance of this Offer without presenting me with a copy of an agreement containing a confidentiality or non-competition agreement or any other similar type of restriction will be deemed to be a representation by you that no such agreement exists.

This letter, together with any agreement referenced herein, sets forth the entire agreement and understanding between you and the Company relating to your employment and supersedes all prior agreements, understandings and discussions.

Please confirm your acceptance of this Offer by signing below and returning it to me no later than October 6, 2024.

Sincerely,

/s/ Arun Sarin

Arun Sarin
Chairman of the Board of Directors

I ACCEPT THE OFFER OF EMPLOYMENT AS STATED ABOVE:

/s/ Brian Krzanich
Signature

October 5, 2024
Date of Acceptance

CERENCE INC.

CHANGE OF CONTROL AND SEVERANCE AGREEMENT

This Change of Control and Severance Agreement (the “*Agreement*”) is made and entered into by and between Brian Krzanich (“*Executive*”) and Cerence Inc., a Delaware corporation (the “*Company*”), effective as of the later of (i) the latest date on the signature page of this Agreement and (ii) the date Executive’s employment with the Company commences (the “*Effective Date*”).

RECITALS

1. The Compensation Committee (the “*Committee*”) of the Board of Directors of the Company (the “*Board*”) has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication and objectivity of Executive, notwithstanding the possibility, threat, or occurrence of a Change of Control.

2. The Committee believes that it is imperative to provide Executive with severance benefits upon Executive’s termination of employment under certain circumstances to provide Executive with enhanced financial security, incentive, and encouragement to remain with the Company.

3. Certain capitalized terms used in the Agreement and not otherwise defined are defined in Section 7 below.

AGREEMENT

NOW, THEREFORE, in consideration of Executive’s employment and the mutual covenants contained herein, the parties hereto agree as follows:

1. Term of Agreement. The term of this Agreement and Executive’s employment hereunder shall commence as of the Effective Date and shall continue until terminated in accordance with this Agreement (the “*Term*”). The Company and Executive agree that if the Company adopts an executive severance and change of control plan (a “*Severance Plan*”) with economic terms that are at least as favorable as the terms in this Agreement, Executive will waive his rights under this Agreement in exchange for participating in the Severance Plan and the Term of this Agreement will end as of the date Executive commences participation in the Severance Plan.

2. At-Will Employment. The Company and Executive acknowledge that Executive’s employment will be at-will, as defined under applicable law.

3. Severance Benefits.

(a) Termination by the Company Other than for Cause Outside the Change of Control Period. If Executive’s employment with the Company and its subsidiaries is terminated by the Company other than for Cause and for a reason other than due to Executive’s death or absence from work due to a disability for a period in excess of one hundred and eighty (180) days in any twelve (12)-month period that qualifies for benefits under the Company’s long-term disability program (“*Disability*”), and such termination occurs outside the Change of Control Period, then, subject to Section 4 and the other provisions of this Agreement, Executive will receive from the Company:

(i) **Base Salary Severance.** A lump sum cash severance payment equal to one hundred fifty percent (150%) of Executive's annual base salary as in effect immediately prior to the termination date.

(ii) **Target Bonus Severance.** A lump sum cash severance payment equal to one hundred fifty percent (150%) of Executive's target bonus and a prorated percentage of Executive's target bonus as in effect for the fiscal year that includes the termination date. The prorated percentage will be determined by dividing the number of days during the fiscal year for which Executive remained an employee of the Company, by three hundred and sixty-five (365). If Executive's target bonus for the fiscal year including the termination date has not been set as of the termination date, Executive instead will receive a prorated percentage of Executive's target bonus for the immediately preceding fiscal year.

(iii) **Time-Based Equity Awards.** Vesting of the portion of each (if any) of Executive's outstanding and unvested equity awards covering shares of the Company's common stock that are subject solely to time-based vesting (excluding any awards subject to performance-based vesting) (such awards "Time-Based Awards") that are scheduled to vest during the eighteen (18) month period following Executive's termination date.

(iv) **Performance-Based Equity Awards.** Vesting of the earned portion of any of Executive's outstanding and unvested equity awards subject to performance-based vesting (excluding any Time-Based Awards) (such awards, "**Performance-Based Awards**") for which the performance period is complete as of the termination date. In addition, except as otherwise provided in the applicable award agreement, for any Performance-Based awards held by Executive with a single three-year performance period for which the performance period is not complete as of the termination date ("**Three-Year Performance-Based Awards**") and provided that Executive has been employed by the Company for at least six months of the performance period, a pro-rated portion of any such Three-Year Performance-Based Award (with pro-ration determined by multiplying the number of shares or units subject to the applicable Three-Year Performance-Based Award by a fraction, the numerator of which is the number of days elapsed between the first day of the performance period of the Three-Year Performance-Based Award and Executive's termination date and the denominator of which is the total number of days in the performance period for the applicable Three-Year Performance-Based Award) (such portion, the "**Pro-Rated Portion**") shall remain eligible to be earned at the end of the performance period applicable to the Three-Year Performance-Based Award based upon actual achievement of the applicable performance metrics in accordance with the terms of the applicable award agreements and equity incentive plans and any Pro-Rated Portion that is earned at the end of the performance period shall be immediately fully vested.

(v) **Continued Employee Benefits.** Continuation coverage under the terms of the Company medical benefit plan pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“**COBRA**”), for Executive and/or Executive’s eligible dependents, subject to Executive timely electing COBRA coverage. Until the earliest of (A) eighteen (18) months from the date of Executive’s termination, (B) Executive’s eligibility for group medical plan benefits under any other employer’s group medical plan, or (C) the cessation of Executive’s continuation rights under COBRA, the Company will pay directly on Executive’s behalf the monthly COBRA premiums (at the coverage levels in immediately prior to Executive’s termination). Notwithstanding the foregoing, if the Company determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating, or being subject to an excise tax under, applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company will in lieu thereof provide payroll payments of the applicable premium amounts directly to Executive for the time period specified above. Such payments shall be paid on the Company’s regular payroll dates. For the avoidance of doubt, the taxable payment in lieu of COBRA reimbursements may be used for any purpose, including, but not limited to, continuation coverage under COBRA, and will be subject to all applicable tax withholdings.

(b) **Termination by the Company Other than for Cause or by the Executive for Good Reason During the Change of Control Period.** If during the Change of Control Period (i) Executive’s employment with the Company and its subsidiaries is terminated by the Company other than for Cause and for a reason other than due to Executive’s death or Disability; or (ii) Executive resigns for Good Reason, then, subject to Section 4 and the other provisions of this Agreement, Executive will receive from the Company:

(i) **Base Salary Severance.** A lump sum cash severance payment equal to two hundred percent (200%) of Executive’s annual base salary as in effect immediately prior to the termination date (or, if greater, as in effect immediately prior to the Change of Control).

(ii) **Target Bonus Severance.** A lump sum cash severance payment equal to (A) two hundred percent (200%) of the greater of (1) Executive’s target bonus for the fiscal year in which Executive’s termination occurs, or (2) Executive’s target bonus in effect immediately prior to the Change of Control plus (B) a prorated percentage of the greater of (1) Executive’s target bonus for the fiscal year in which Executive’s termination occurs, or (2) Executive’s target bonus in effect immediately prior to the Change of Control. The prorated percentage will be determined by dividing the number of days during the fiscal year for which Executive remained an employee of the Company, by three hundred and sixty-five (365). If Executive’s target bonus for the fiscal year including the termination date has not been set as of the termination date, Executive instead will receive a prorated percentage of Executive’s target bonus for the immediately preceding fiscal year.

(iii) **Vesting of Time-Based Equity Awards.** One hundred percent (100%) of Executive’s outstanding and unvested Time-Based Awards will become vested in full.

(iv) **Vesting of Performance-Based Equity Awards.** Except as otherwise provided in the applicable award agreement, Executive’s outstanding and unvested Performance-Based Awards shall become vested based on actual performance through Executive’s termination date, if measurable, and based upon target performance if performance is not measurable as of Executive’s termination date.

(v) **Continued Employee Benefits.** Continuation coverage under the terms of the Company medical benefit plan pursuant to COBRA, for Executive and/or Executive's eligible dependents, subject to Executive timely electing COBRA coverage. Until the earliest of (A) eighteen (18) months from the date of Executive's termination, (B) Executive's eligibility for group medical plan benefits under any other employer's group medical plan, or (C) the cessation of Executive's continuation rights under COBRA, the Company will pay directly on Executive's behalf the monthly COBRA premiums (at the coverage levels in effect immediately prior to Executive's termination). Notwithstanding the foregoing, if the Company determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating, or being subject to an excise tax under, applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company will in lieu thereof provide payroll payments of the applicable premium amounts directly to Executive for the time period specified above. Such payments shall be paid on the Company's regular payroll dates. For the avoidance of doubt, the taxable payment in lieu of COBRA reimbursements may be used for any purpose, including, but not limited to, continuation coverage under COBRA, and will be subject to all applicable tax withholdings.

(c) **Equity Documents.** Except as provided in this Section 3, all Time-Based Awards and Performance-Based Awards remain subject to the terms of the Company's 2024 Inducement Plan, the Company's 2019 Equity Incentive Plan, or any successor equity incentive plans and the applicable award agreement.

(d) **Voluntary Resignation; Termination for Cause.** If Executive's employment with the Company and its subsidiaries terminates as a result of a voluntary resignation by the Executive (other than for Good Reason during the Change of Control Period), or if Executive's employment is terminated by the Company for Cause, then Executive shall not be entitled to receive severance, benefits or accelerated vesting.

(e) **Termination for Death or Disability.** Except as otherwise may be provided in the applicable award agreement for any Time-Based Award, if Executive's employment with the Company and its subsidiaries terminates on account of Executive's death or Disability, (i) one hundred percent (100%) of Executive's outstanding and unvested Time-Based Awards will become vested, (ii) one hundred percent (100%) of the earned portion of any of Executive's Performance-Based Awards for which the performance period is complete will become vested and (iii) Executive (or his estate or beneficiaries, if applicable) shall remain eligible to earn a Pro-Rated Portion of any Three-Year Performance-Based Award at the end of the performance period applicable to the Three-Year Performance-Based Award based upon actual achievement of the applicable performance metrics in accordance with the terms of the applicable award agreements and equity incentive plans and any such Pro-Rated Portion that is earned at the end of the performance period shall be immediately fully vested. In the case of a termination for Disability, vesting under this Section 3(e) will be subject to Executive's compliance with Section 4 and the other provisions of this Agreement.

(f) **Accrued Amounts.** Without regard to the reason for, or the timing of, Executive's termination of employment, the Company shall pay Executive: (i) any unpaid base salary due for periods prior to the date of termination, (ii) if applicable, any accrued and unused vacation, and (iii) all expenses incurred by Executive in connection with the business of the Company prior to the date of termination in accordance with the Company's business expense reimbursement policy. These payments shall be made promptly upon termination of Executive's employment and within the period of time mandated by law.

(g) **Exclusive Remedy.** In the event of termination of Executive's employment as set forth in Section 3 of this Agreement during the Term, the provisions of Section 3 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive or the Company may otherwise be entitled, whether at law, tort, or contract, in equity, or under this Agreement (other than the payment of accrued but unpaid wages, as required by law, or any unreimbursed reimbursable expenses). During the Term of this Agreement, Executive will not be entitled to benefits, compensation, or other payments or rights upon termination of employment, including under any offer letter, employment agreement, severance agreement, or other agreement with the Company or its subsidiaries, other than those benefits expressly set forth in Section 3 of this Agreement. Notwithstanding anything to the contrary in this Agreement, all severance and other benefits provided to Executive pursuant to Section 3 of this Agreement shall be reduced and/or offset by any amounts or benefits paid to Executive to satisfy the federal Worker Adjustment and Retraining Notification (WARN) Act, 29 U.S.C. § 2101 et seq., as amended, and any applicable state plant or facility closing or mass layoff law (whether as damages, as payment of salary or other wages during an applicable notice period, or otherwise).

(h) **Transfer between Company and any Subsidiary.** For purposes of this Section 3, if Executive's employment relationship with the Company or any parent or subsidiary of the Company ceases, Executive will not, solely by virtue thereof, be determined to have been terminated for purposes of this Agreement if Executive continues to remain employed by the Company or any parent or subsidiary of the Company immediately thereafter (e.g., upon transfer of Executive's employment from the Company to a Company subsidiary or from a Company subsidiary to the Company).

4. Conditions to Receipt of Severance, Benefits and Equity Acceleration Benefits

(a) **Release of Claims Agreement.** The receipt of any severance payments, benefits or accelerated vesting in Section 3 pursuant to this Agreement is subject to Executive signing, not revoking and complying with a separation agreement that includes without limitation, if requested by the Company, a non-competition and non-solicitation covenant that applies for up to twelve (12) months following Executive's termination of employment, non-disparagement and reasonable post-termination cooperation obligations of Executive, and a release of claims, all in the form provided by the Company, which must become effective and irrevocable no later than the sixtieth (60th) day following Executive's termination of employment (the "**Release Deadline**"). If such separation agreement does not become effective and irrevocable by the Release Deadline, Executive will forfeit any right to severance payments, benefits or accelerated vesting under this Agreement. Any cash severance payments or benefits otherwise payable to Executive in a lump sum or otherwise between the termination date and the Release Deadline will be paid on or within fifteen (15) days (or such earlier date for such payment to qualify as a short-term deferral for purposes of Section 409A) following the Release Deadline, or, if later, such time as required by Section 5(a) and, notwithstanding anything to the contrary in the applicable equity plan or award agreement, to the extent permitted under Section 409A, any equity awards that become vested in connection with Executive's termination of employment under this Agreement shall not be settled or become exercisable, as applicable, until the separation agreement becomes effective in

accordance with its terms. In no event will any severance payments, benefits or accelerated vesting be paid or provided until the separation agreement actually becomes effective and irrevocable and, if the separation agreement does not become effective in accordance with its terms on or prior to the Release Deadline, Executive's entitlement to any such severance payments, benefits and accelerated vesting under this Agreement shall be forfeited on the Release Deadline for no consideration payable to Executive.

(b) Proprietary Information and Non-Competition Agreement. Executive's receipt of any severance payments, benefits and accelerated vesting under Section 3 will be subject to Executive continuing to comply with the terms of any agreements between Executive and the Company concerning inventions, confidentiality, or other restrictive covenants including the Confidential Information, Inventions and Non-Compete Agreement referenced in the Executive's Offer Letter (the "*Confidentiality Agreement*").

5. Section 409A.

(a) Notwithstanding anything to the contrary in this Agreement, no Deferred Payments will be paid or otherwise provided until Executive has a "separation from service" within the meaning of Section 409A. Similarly, no amount payable to Executive, if any, pursuant to this Agreement that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until Executive has a "separation from service" within the meaning of Section 409A. In addition, if Executive is a "specified employee" within the meaning of Section 409A at the time of Executive's separation from service (other than due to death), then the Deferred Payments, if any, that are payable within the first six (6) months following Executive's separation from service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Executive's separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following Executive's separation from service, but before the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute a separate payment under Section 1.409A-2(b)(2) of the Treasury Regulations.

(b) Any amounts paid under this Agreement that satisfy the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Payments for purposes of this Agreement.

(c) Any amounts paid under this Agreement that qualify as payments made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(ii) of the Treasury Regulations that does not exceed the Section 409A Limit (as defined below) will not constitute Deferred Payments for purposes of this Agreement.

(d) Payments under this Agreement are intended to comply with, or be exempt from, the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to so comply. Specifically, the payments hereunder are intended to be exempt from the requirements of Section 409A under the “short-term” deferral rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations or as payments made as a result of an involuntary separation from service, as applicable. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition before actual payment to Executive under Section 409A. The Company makes no representation or warranty to Executive and in no event will the Company reimburse Executive or any other person for any taxes or other costs that may be imposed on Executive as a result of Section 409A or any other law

6. Limitation on Payments. In the event that the severance, benefits or accelerated vesting provided for in this Agreement or otherwise payable to Executive (i) constitute “parachute payments” within the meaning of Section 280G of the Code, and (ii) would be subject to the excise tax imposed by Section 4999 of the Code (the “**Excise Tax**”), then Executive’s benefits under this Agreement shall be either:

- (a) delivered in full, or
- (b) delivered as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax,

whatever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. If a reduction in severance and other benefits constituting “parachute payments” is necessary so that benefits are delivered to a lesser extent, reduction will occur in the following order: (1) reduction of cash payments, (2) cancellation of equity awards granted within the twelve (12)-month period prior to a “change of control” (as determined under Section 280G of the Code) that are deemed to have been granted contingent upon the change of control (as determined under Section 280G of the Code), (3) cancellation of accelerated vesting of equity awards, and (4) reduction of continued employee benefits. In the event that accelerated vesting of equity awards is to be cancelled, such vesting acceleration will be cancelled in the reverse chronological order of the award grant dates.

Unless the Company and Executive otherwise agree in writing, any determination required under this Section 6 shall be made in writing by an outside expert engaged by the Company and mutually agreed upon by the Board and Executive (the “*Accountants*”), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this Section 6, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Section 280G and 4999 of the Code. The Company and Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 6. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 6.

7. Definition of Terms. The following terms referred to in this Agreement will have the following meanings:

(a) Cause. “**Cause**” means (i) any act of dishonesty or fraud taken by Executive in connection with his responsibilities as an employee other than immaterial, inadvertent acts that, if capable of cure, are promptly remedied by Executive following notice by the Company, (ii) Executive’s breach of the fiduciary duty or duty of loyalty owed to the Company, or material breach of the duty to protect the Company’s confidential and proprietary information, (iii) Executive’s commission of, conviction of or plea of guilty or nolo contendere to (A) any felony or (B) a crime misdemeanor involving fraud, embezzlement, misappropriation of funds or any other act of moral turpitude, (iv) Executive’s gross negligence or willful misconduct in the performance of his duties, (v) Executive’s material breach of this Agreement or any other agreement with the Company or any material written policy of the Company; (vi) Executive’s engagement in conduct or activities that result, or are reasonably likely to result, in negative publicity or public disrespect, contempt, or ridicule of the Company that the Board reasonably believes will have a demonstrably injurious effect on the reputation or business of the Company or Executive’s ability to perform his duties (but excluding conduct and activities undertaken in good faith by Executive in the ordinary course of performing his duties or promoting the Company or its subsidiaries); (vii) Executive’s failure to abide by the lawful and reasonable directives of the Company (other than any failure to achieve a lawful and reasonable directive following the expenditure by Executive of commercially reasonable best efforts); or (viii) Executive’s repeated failure to materially perform the primary duties of Executive’s position.

(b) Change of Control. “**Change of Control**” shall have the meaning specified in the Company’s 2019 Equity Incentive Plan or any successor thereto.

(c) Change of Control Period. “**Change of Control Period**” means the period beginning on a Change of Control and ending on the one-year anniversary of the Change of Control.

(d) Code. “**Code**” means the United States Internal Revenue Code of 1986, as amended.

(e) Deferred Payments. “**Deferred Payments**” means any severance pay or benefits to be paid or provided to Executive, if any, pursuant to this Agreement that, in each case, are or when considered together with any other severance payments or separation benefits are, deemed to be “non-qualified deferred compensation” within the meaning of Section 409A.

(f) Exchange Act. “**Exchange Act**” means the United States Securities Exchange Act of 1934, as amended.

(g) Good Reason. “**Good Reason**” means Executive’s termination of employment within sixty (60) days following the expiration of any Cure Period (discussed below) following the occurrence of one or more of the following, without Executive’s express written consent: (i) a material reduction in Executive’s duties, authority or responsibilities; (ii) a material

reduction by the Company in the annual base compensation or target bonus opportunity (as a percentage of base salary) of Executive as in effect immediately prior to such reduction provided, however, that one or more reductions in base compensation or target bonus opportunity applicable to all executives generally that, cumulatively, total ten percent (10%) or less in base compensation and/or ten (10) percentage points or less in target bonus opportunity will not constitute a material reduction for purposes of this clause (ii); (iii) the requirement by the Company that the Executive relocate his personal residence; or (iv) a material breach by the Company of this Agreement or any equity award agreement between Company and Executive. In order for an event to qualify as Good Reason, Executive must not terminate employment with the Company without first providing the Company with written notice of the acts or omissions constituting the grounds for "Good Reason" within ninety (90) days of the initial existence of the grounds for "Good Reason" and the Company shall have failed to cure during a period of thirty (30) days following the date of such notice (the "***Cure Period***") and Executive shall terminate employment within sixty (60) days after the end of the Cure Period.

(h) Section 409A. "***Section 409A***" means Section 409A of the Code and the final Treasury Regulations and any official Internal Revenue Service guidance promulgated thereunder.

(i) Section 409A Limit. "***Section 409A Limit***" means two (2) times the lesser of: (i) Executive's annualized compensation based upon the annual rate of pay paid to Executive during Executive's taxable year preceding Executive's taxable year of Executive's termination of employment as determined under, and with such adjustments as are set forth in, Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a) (17) of the Code for the year in which Executive's employment is terminated.

8. Assignment. Neither Executive nor the Company may make any assignment of this Agreement or any interest in it, by operation of law or otherwise, without the prior written consent of the other; provided, however, that the Company may assign its rights and obligations under this Agreement without Executive's consent to any affiliate or to any person or entity with whom the Company shall hereafter effect a reorganization, consolidate with, or merge into or to whom it transfers all or substantially all of its properties or assets; provided further that if Executive remains employed or becomes employed by the Company, the purchaser or any of their affiliates in connection with any such transaction, then Executive shall not be entitled to any payments, benefits or vesting pursuant to this Agreement, except as expressly provided in Section 3. This Agreement shall inure to the benefit of and be binding upon Executive and the Company, and each of Executive's and the Company's respective successors, executors, administrators, heirs and permitted assigns.

9. Notice.

(a) General. Notices and all other communications contemplated by this Agreement will be in writing and will be deemed to have been duly given when personally delivered, when mailed by U.S. or applicable registered or certified mail, return receipt requested and postage prepaid, or when delivered by private courier service such as UPS, DHL, or Federal

Express that has tracking capability. In the case of Executive, mailed notices will be addressed to him at the home address which he most recently communicated to the Company in writing. In the case of the Company, mailed notices will be addressed to its corporate headquarters, and all notices will be directed to the General Counsel of the Company.

(b) Notice of Termination. Any termination by the Company for Cause or by Executive for Good Reason will be communicated by a notice of termination to the other party hereto given in accordance with Section 9(a) of this Agreement. Such notice will indicate the specific termination provision in this Agreement relied upon, and will specify the termination date (which will be not more than thirty (30) days after the giving of such notice or any shorter period required herein).

10. Resignation. Upon termination of Executive's employment for any reason, Executive will be deemed to have resigned from all officer and/or director positions held at the Company and its affiliates voluntarily, without any further action required by Executive, as of the end of Executive's employment and Executive, at the Board's request, will execute any documents reasonably necessary to reflect Executive's resignation.

11. Miscellaneous Provisions.

(a) No Duty to Mitigate. Executive will not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that Executive may receive from any other source.

(b) Waiver. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party will be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Headings. All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

(d) Entire Agreement. This Agreement and the Confidentiality Agreement and the plan and agreements governing the equity awards (subject to the "for the avoidance of doubt" caveat below) constitute the entire agreement of the parties hereto with respect to the subject matter hereof and thereof. This Agreement supersedes, replaces in their entirety and terminates any prior representations, understandings, undertakings, or agreements between the Company and Executive, whether written or oral and whether expressed or implied, that provided any severance benefits to Executive upon termination of Executive's employment for any reason. Nothing in this Agreement shall result in a duplication of severance payments or benefits under any other plan, program, or arrangement with the Company. No waiver, alteration, or modification of any of the provisions of this Agreement will be binding unless in writing and signed by duly authorized representatives of the parties hereto and which specifically mention this Agreement. For the avoidance of doubt, it is the intention of the parties that the provisions of this Agreement providing for acceleration or other modification of the vesting provisions of equity awards are intended to supersede the vesting provisions of any equity awards that are outstanding during the term of this Agreement (except as otherwise explicitly provided herein or in the applicable award agreement).

(e) Clawback Provisions. Notwithstanding any other provision in this Agreement to the contrary, Executive agrees that incentive-based compensation or other amounts paid to Executive pursuant to this Agreement or any other agreement or arrangement with Company will be subject to clawback under any Company clawback policy that is applicable to all senior executives of Company (including any such policy adopted by Company pursuant to applicable law, government regulation, or stock exchange listing requirement).

(f) Governing Law and Jurisdiction. This Agreement shall be governed by the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof), and the Company and Executive each consent to personal and exclusive jurisdiction and venue in the State of Delaware for the purpose of any suit, action or other proceeding arising out of or based upon the Agreement.

(g) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement will not affect the validity or enforceability of any other provision hereof, which will remain in full force and effect.

(h) Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable income, employment, and other taxes.

(i) Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties has executed this Change of Control and Severance Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

COMPANY

CERENCE INC.

By: /s/ Jennifer Salinas

Title: EVP, CAO and General Counsel

Date: October 7, 2024

EXECUTIVE

By: /s/ Brian Krzanich

Title: President & CEO

Date: October 7, 2024

**AMENDMENT NO. 1
TO THE
CERENCE INC.
2024 INDUCEMENT PLAN**

WHEREAS, Cerence Inc. (the “**Company**”) maintains the Cerence Inc. 2024 Inducement Plan (the “**Plan**”), which was previously adopted by the Board of Directors of the Company (the “**Board**”);

WHEREAS, the Board believes that the number of shares of Stock (as defined in the Plan) remaining available for issuance under the Plan has become insufficient for the Company’s anticipated future needs under the Plan;

WHEREAS, the Board has determined that it is advisable and in the best interest of the Company and its stockholders to amend the Plan to increase the aggregate number of shares of Stock reserved for issuance under the Plan by 2,400,000 shares; and

WHEREAS, Section 9 of the Plan provides that the Board may amend the Plan at any time, subject to certain conditions set forth therein.

NOW, THEREFORE:

1. Increase in Share Pool. Section 3(a) of the Plan is hereby deleted in its entirety and replaced with the following:

“**Number of Shares.** Subject to adjustment as provided in Section 7(b), the number of shares of Stock that may be issued in satisfaction of Awards under the Plan is 3,000,000 shares (the “**Share Pool**”). For purposes of this Section 4(a), shares of Stock will not be treated as issued under the Plan, and will not reduce the Share Pool, unless and until, and to the extent, the shares are actually issued to a Participant. Without limiting the generality of the foregoing, shares of Stock withheld by the Company in payment of the exercise price or purchase price of an Award or in satisfaction of tax withholding requirements with respect to an Award and shares of Stock underlying any portion of an Award that is settled in cash or that expires, becomes unexercisable, terminates or is forfeited to or repurchased by the Company, in each case, without the issuance (or retention (in the case of Restricted Stock or Unrestricted Stock)) of Stock, will not be treated as issued in satisfaction of Awards under the Plan and will not reduce the Share Pool.”

2. Effective Date of Amendment. This Amendment to the Plan shall become effective upon the date that it is approved by the Board.

3. Other Provisions. Except as set forth above, all other provisions of the Plan shall remain unchanged.

DATE APPROVED BY BOARD OF DIRECTORS: October 6, 2024



Press Release

Cerence Appoints Brian Krzanich as Chief Executive Officer

Company Reaffirms Fourth Quarter Fiscal 2024 Guidance

BURLINGTON, Mass., October, 7, 2024 – Cerence Inc. (NASDAQ: CRNC), AI for a world in motion, today announced that Brian Krzanich has been appointed Chief Executive Officer and a member of the Board of Directors, effective immediately. Mr. Krzanich succeeds Stefan Ortmanns, who is departing as CEO and resigning as a member of the Board.

Mr. Krzanich is a seasoned executive with a track record of success at global public organizations. Most recently from 2018 to 2022, Mr. Krzanich served as CEO of CDK Global Inc., the leading supplier of software to the retail automotive industry. After stabilizing CDK's business, he delivered ten consecutive quarters of growth and ultimately achieved a 2022 take-private exit to Brookfield Business Partners for \$8.3 billion. Before CDK, Mr. Krzanich spent 36 years at Intel, including as CEO from 2013 to 2018. During his tenure, he led Intel into emerging areas ranging from cloud computing and artificial intelligence to autonomous driving as the business scaled from \$52 billion to more than \$70 billion in revenue.

“Cerence has a strong generative AI product strategy and the opportunity to bring the promise of generative AI to the transportation industry,” said Arun Sarin, Chairman of the Cerence Board. “At this critical inflection point, we believe a leadership change is necessary to execute the next phase of the Company’s transformation. Brian is a proven public company CEO with a successful track record of driving large-scale business transformations, fostering innovation and achieving sustainable growth. His leadership skills and expertise in AI and cloud computing make Brian the right leader to guide Cerence through this transition, capitalize on Cerence’s growth opportunities and drive shareholder value.”

“The fast-changing automotive industry and potential of generative AI present exciting opportunities for Cerence,” said Mr. Krzanich. “I look forward to partnering with the Board and management team as we work to advance the Company’s generative AI and voice interaction capabilities, drive efficiency to deliver a high level of customer satisfaction and generate meaningful and consistent growth.”

Mr. Sarin continued, “On behalf of the Board, I want to thank Stefan for his many contributions to Cerence. Stefan helped stand up Cerence as a public company following the company’s separation from Nuance Communications in 2019, and played an important role in developing the Company’s next-gen AI roadmap. We wish him the best in his future endeavors.”

“It has been an honor to lead Cerence and work with the exceptional team,” said Mr. Ortmanns. “I am proud of what we have accomplished together and believe the Company has the right mix of talent and cutting-edge products to achieve its goals.”

Fourth Quarter Fiscal 2024 Guidance

The company noted that it is reaffirming its fourth quarter fiscal 2024 guidance previously announced in conjunction with its third quarter fiscal 2024 financial results on August 8, 2024.

For reference, for the fiscal quarter ending September 30, 2024, the company expects revenue in the range of \$44 million to \$50 million; GAAP net loss in the range of (\$32) million to (\$28) million; and Adjusted EBITDA in the range of approximately (\$19) million to (\$13) million. The adjusted EBITDA guidance excludes acquisition-related costs, amortization of acquired intangible assets, stock-based compensation, restructuring and other costs. The GAAP net income guidance excludes potential goodwill impairment.

Contact Information

Investors: Rich Yerganian | Tel: 617-987-4799 | Email: richard.yerganian@cerence.com

Media: Kate Hickman | Tel: 339-215-4583 | Email: kate.hickman@cerence.com



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To learn more about Cerence, visit www.cerence.com, and follow the company on [LinkedIn](#).

About Brian Krzanich

Brian Krzanich most recently served as President and Chief Executive Officer of CDK Global Inc. from 2018 to 2022. Mr. Krzanich began his career at Intel in 1982 as an engineer, became the company's COO in 2012 where he oversaw Intel's China strategy, and was named the company's CEO in 2013. He currently serves as a director of SES AI.

Mr. Krzanich holds a Bachelor of Science in Chemistry from San Jose State University.

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.

Forward Looking Statements

Statements in this press release regarding: Cerence's future performance, results and financial condition, including fourth quarter fiscal 2024 guidance (which does not reflect Cerence's quarter-end closing and review process); leadership transition; strategy; transformation efforts; business, industry and market trends; growth opportunities; product strategy, innovation and new product offerings, including AI technology; 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; disruptions arising from transitions in management personnel; the inability to recruit and retain qualified personnel; our ability to control and successfully manage our expenses and cash position; escalating pricing pressures from our customers; the impact on our business of the transition to a lower level of fixed contracts, including the failure to achieve such a transition; our failure to win, renew or implement service contracts; the cancellation or postponement of existing contracts; the loss of business from any of our largest customers; effects of customer defaults; our inability to successfully introduce new products, applications and services; our strategies to increase cloud offerings and deploy generative AI and large language models (LLMs); the inability to expand into adjacent markets; cybersecurity and data privacy incidents; fluctuating currency rates and interest rates; inflation; 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

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Press Release

ships in the Red Sea by the Houthi groups on our and our customers' businesses; 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.

Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures

(unaudited - in thousands)

	Q4 2024	
	Low	High
GAAP net loss	\$<u>(32,200)</u>	\$<u>(27,900)</u>
Stock-based compensation	4,000	4,000
Amortization of intangible assets	600	600
Restructuring and other costs, net	10,400	12,100
Goodwill impairment (1)	—	—
Depreciation	2,200	2,200
Total other expense, net	(2,000)	(2,000)
Benefit from income taxes	(5,600)	(5,600)
Adjusted EBITDA	\$<u>(18,600)</u>	\$<u>(12,600)</u>

(1) Does not include any potential impact of Goodwill impairment which remains subject to review.

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.

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Press Release

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.

Contact Information

Investors: Rich Yerganian | Tel: 617-987-4799 | Email: richard.yerganian@cerence.com

Media: Kate Hickman | Tel: 339-215-4583 | Email: kate.hickman@cerence.com



Press Release

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.

Contact Information

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