Cerence Investor Presentation

December, 2019

Forward Looking Statements and Non-GAAP Financial Measures

Statements in this presentation regarding Cerence's future performance and our management's future expectations, beliefs, goals, plans or prospects constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact (including statements containing the words "believes," "plans," "anticipates," "expects," "intends" or "estimates" or similar expressions) should also be considered to be forward-looking statements. There are a number of important factors that could cause actual results or events to differ materially from those indicated 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; our ability to control and successfully manage our expenses and cash position; our strategy to increase cloud; escalating pricing pressures from our customers; our failure to win, renew or implement service contracts; the loss of business from any of our largest customers; the inability to recruit and retain qualified personnel; cybersecurity and data privacy incidents; fluctuating currency rate; and the other factors described in our Form 10 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.

This presentation also includes certain financial measures that are not calculated in accordance with U.S. generally accepted accounting principles, or GAAP. These non-GAAP financial measures are in addition to, and not as a substitute for or superior to, measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. We have provided a reconciliation of non-GAAP measures to the most directly comparable GAAP measures, which is available in the earnings press release and the prepared remarks furnished as exhibits to the Company's Form 8-K submitted to the SEC on December 17, 2019. This presentation should be read in conjunction with the earnings release, prepared remarks and Form 10-K.

Strong Fiscal Year Performance

~ 10%	~ 90%	~ 200%
Year Over Year Revenue Growth	Design Win Success Rate	Yearly Increase in the Number of Connected Services Users

Major Secular Trends Driving Market for Automotive Cognitive Assistance

Vehicle Intelligence

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

Virtual Assistants

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

Distracted Driving

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

Shared Mobility

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

Autonomous Driving

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

Cerence Products and Solutions

Cerence Platform Framework – A “Hybrid” Architecture

Edge (In-Car) Products

- Predictive Text
- Natural Language Understanding
- Automatic Speech Recognition
- Text to Speech
- Handwriting Recognition
- Speech Signal Enhancement
- Cloud Connector
- Voice Biometrics

Cloud (Connected) Services

- Automatic Speech Recognition
- Text to Speech
- Voice Biometrics
- Natural Language Generation
- 3rd Party Content
- Custom Natural Language Understanding
- Companion App

Cognitive Arbitration

Professional Services

Developer Toolkits

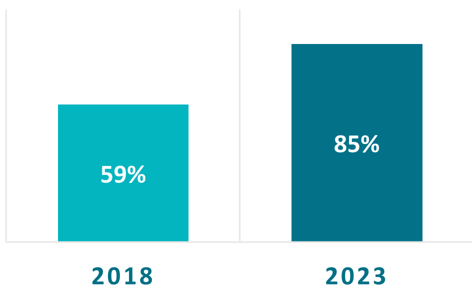
Applications

Increasing Market Penetration

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

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

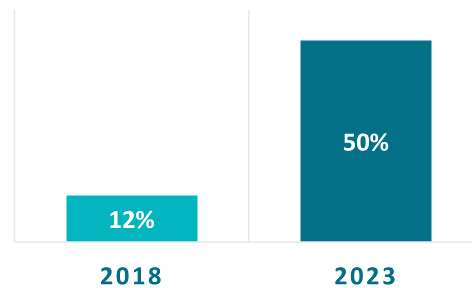
% of Global Vehicles with Edge AI Products[1]



Increasing Market Penetration of Cloud (Connected) Services

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

% of Global Vehicles with Designed-in Connected Services[1]



(1) Source: Management estimates

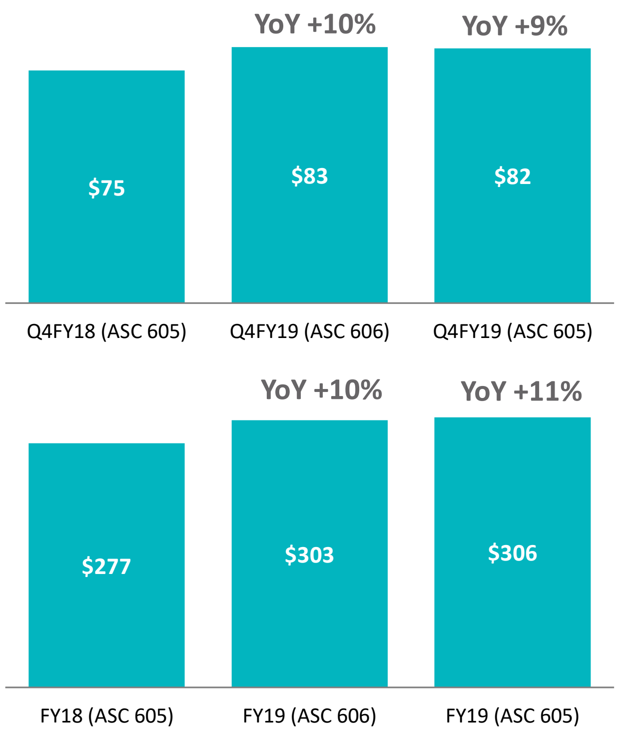
Financial Summary

Record Revenue for Q4 and FY19

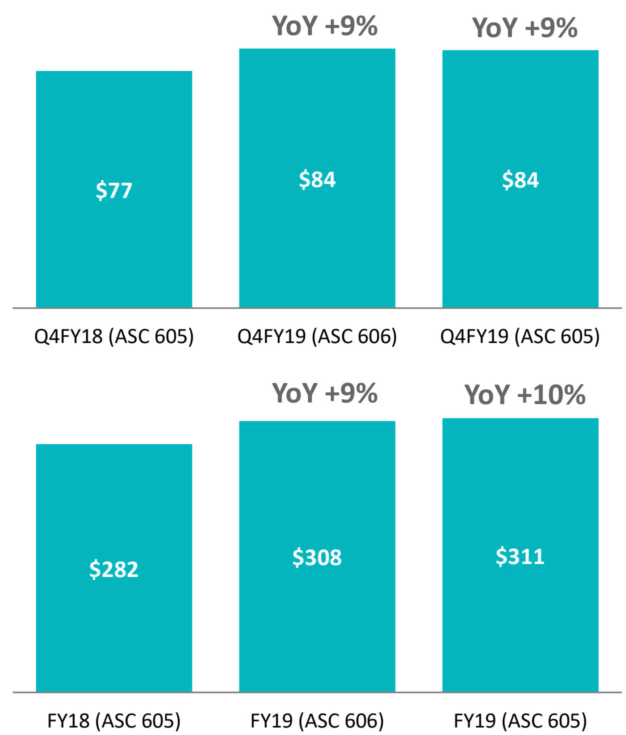
~10% YoY growth in both Q4'19 and full year FY2019

($ in millions)

GAAP



Non-GAAP



FY19 Actual Results Exceeded the High End of Guidance

	FY19 ASC 606		FY19 ASC 605	
	Guidance	Actual	Guidance	Actual
GAAP Revenue	\$300M - \$302M	\$303M	\$303M - \$305M	\$306M
Non-GAAP Revenue[a]	\$305M - \$307M	\$308M	\$308M - \$310M	\$311M
Non-GAAP GM %[a],[b]	~72%	71%	~72%	72%
Non-GAAP Operating Margin%[a],[b]	~29%	30%	~30%	31%
Adjusted EBITDA[a],[b]	\$96M - \$98M	\$99M	\$100M - \$102M	\$103M
CFFO	\$80M - \$85M	\$88M	\$80M - \$85M	\$88M

Footnote:
(a) Non-GAAP guidance included \$4-5m / year of non-GAAP revenues related to acquisitions. Actual non-GAAP revenue was \$4.8m.
(b) Non-GAAP excludes acquisition-related costs, amortization of acquired intangible assets, restructuring expense, and stock-based compensation.

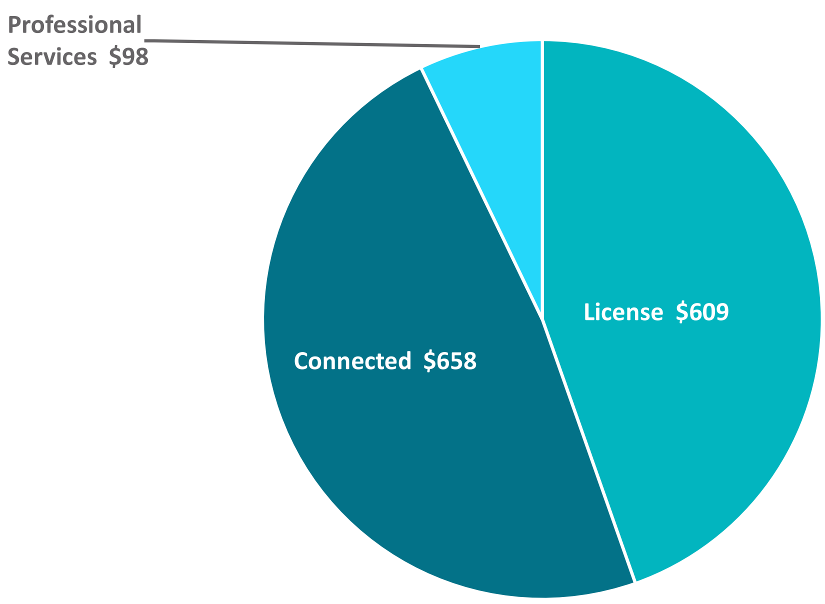
GAAP Revenue Results Deliver Strong Growth

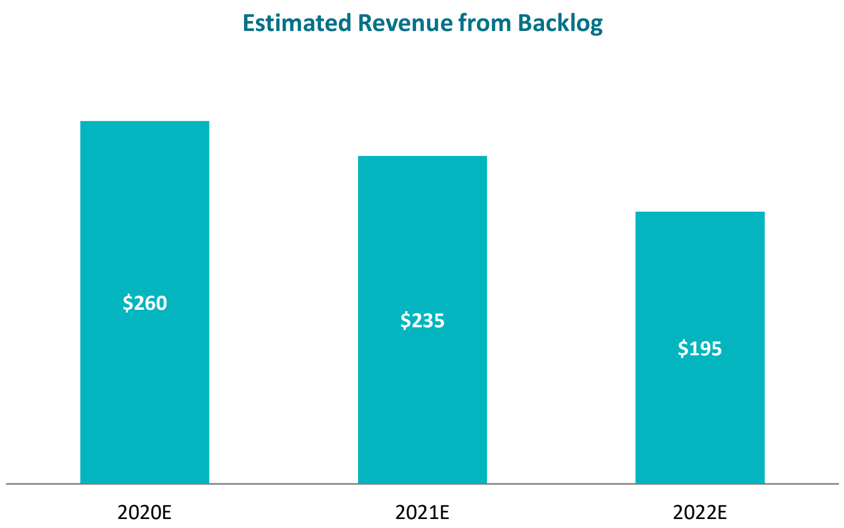
	FY18 (ASC 605)	FY19 (ASC 606)	YoY	FY19 (ASC 605)	YoY
License:	**$171M**	**$172M**	**+1%**	**$172M**	**+1%**
Variable	$117M	$129M	+10%	$129M	+10%
Prepay	$54M	$43M	-20%	$43M	-20%
Connected Services:	**$60M**	**$79M**	**+32%**	**$80M**	**+33%**
Legacy	$48M	$58M	+21%	$58M	+21%
New	$12M	$21M	+75%	$22M	+83%
Professional Services	**$46M**	**$52M**	**+13%**	**$55M**	**+20%**
Total Revenue:	**$277M**	**$303M**	**+10%**	**$306M**	**+11%**

~$1.36 Billion Backlog Creates High Revenue Visibility

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

Backlog as of September 30, 2019 (approximately $1.36 billion+) [1]





($ in millions)

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

Updated FY20 Guidance Reflects GAAP Revenue

Business outlook remains the same

$ in millions	Original Guidance		Updated Guidance	
	Low	High	Low	High
GAAP Revenue	$321M	$336M	$321M	$336M
Non-GAAP Revenue	$325M	$340M	n/a	n/a
Non-GAAP GM %[(a)]	70%	71%	69%	71%
Non-GAAP Operating Margin%[(a)]	24%	25%	23%	24%
Adjusted EBITDA[(a)]	$93M	$100M	$89M	$96M
CFFO	$42M	$50M	$42M	$50M

Change in Gross Margin, Operating Margin and Adjusted EBITDA reflects the $4M change from non-GAAP to GAAP revenue

Footnote:
(a) Non-GAAP excludes acquisition-related costs, amortization of acquired intangible assets, restructuring expense, and stock-based compensation.

Q1 FY20 Guidance Indicates Strong Year Over Year Growth

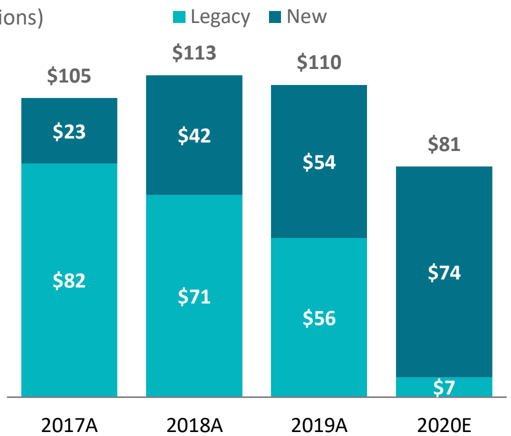
$ in millions	Q1 FY20 Low	Q1 FY20 High
GAAP Revenue	$77M	$79M
Non-GAAP GM %[a]	70%	71%
Non-GAAP Operating Margin%[a]	21%	23%
Adjusted EBITDA[a]	$19M	$21M

Footnote:
(a) Non-GAAP excludes acquisition-related costs, amortization of acquired intangible assets, restructuring expense, and stock-based compensation.

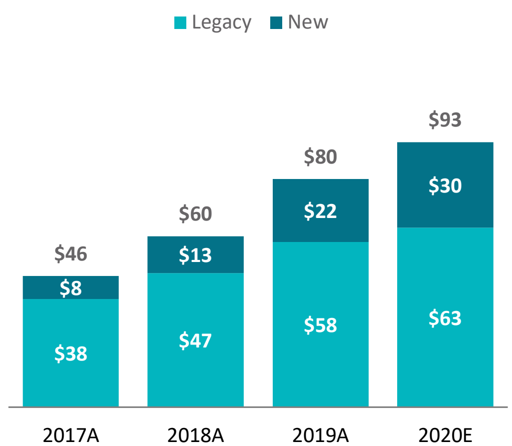
Near-term Cash Flow Conversion Headwind

(in millions)

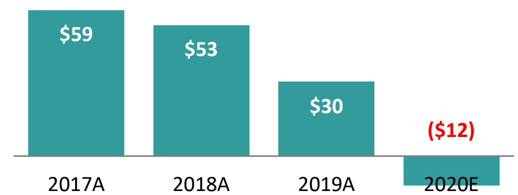
Connected Billings



Connected Revenue



Change in Deferred Connected Revenue



Legacy program: negative cash swing

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

New software program:

- Steady growth in billings and revenues creates positive cash flows
- Growing at a 34% CAGR over four year period
- Expect to grow deferred revenue in 2 to 3 years driven by new program ramp

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

FY20 Cash Forecast: Positive Free Cash Flow

$ in millions	Low	High
Cash from Nuance to prefund stand-up expenses	$25M	$25M
Operating Cash	$85M	$85M
10/01/19 Opening Cash & Marketable Securities	**$110M**	**$110M**
Plus: FY20 CFFO	$42M	$50M
Less: Capital expenditures	($15M)	($15M)
FY20 Free Cash Flow (FCF) before stand-up CapEx	**$27M**	**$35M**
Less: Capital expenditures – stand-up related	($20M)	($20M)
Less: Mandatory debt repayments	($7M)	($7M)
9/30/20 Forecast Ending Cash & Marketable Securities	**$110M**	**$118M**

Thank you

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Non-GAAP Financial Measures – Definitions

Non-GAAP revenue

We consider the use of non-GAAP revenue helpful in understanding the performance of our business, as it excludes the purchase accounting impact on acquired deferred revenue and other acquisition-related adjustments to revenue. We provide supplementary non-GAAP financial measures of revenue that include revenue that we would have recognized but for the purchase accounting treatment of acquisition transactions. Non-GAAP revenue also includes revenue that we would have recognized had we not acquired intellectual property and other assets from the same customer. Because GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. These non-GAAP adjustments are intended to reflect the full amount of such revenue. We include non-GAAP revenue to allow for more complete comparisons to the financial results of historical operations, forward-looking guidance and the financial results of peer companies. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business because, although we cannot be certain that customers will renew their contracts, we have historically experienced high renewal rates on maintenance and support agreements and other customer contracts. Additionally, although acquisition-related revenue adjustments are non-recurring with respect to past acquisitions, we generally will incur these adjustments in connection with any future acquisitions. Starting with Q1FY20 Cerence will only be reporting GAAP revenue.

Non-GAAP operating income and adjusted EBITDA

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

Stock-based compensation. Because of varying valuation methodologies, subjective assumptions and the variety of award types, we believe that excluding stock-based compensation allows for more accurate comparisons of operating results to peer companies. We evaluate performance both with and without these measures because compensation expense related to stock-based compensation is typically non-cash and the options and restricted awards granted are influenced by the Company's stock price and other factors such as volatility that are beyond our control. The expense related to stock-based awards is generally not controllable in the short-term and can vary significantly based on the timing, size and nature of awards granted. As such, we do not include such charges in operating plans. Stock-based compensation will continue in future periods.

Amortization of acquired intangible assets. We exclude the amortization of acquired intangible assets from non-GAAP expense and income measures. These amounts are inconsistent in amount and frequency and are significantly impacted by the timing and size of acquisitions. Providing a supplemental measure which excludes these charges allows management and investors to evaluate results "as-if" the acquired intangible assets had been developed internally rather than acquired and, therefore, provides a supplemental measure of performance in which our acquired intellectual property is treated in a comparable manner to our internally developed intellectual property. Although we exclude amortization of acquired intangible assets from our non-GAAP expenses, we believe that it is important for investors to understand that such intangible assets contribute to revenue generation. Amortization of intangible assets that relate to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Future acquisitions may result in the amortization of additional intangible assets.

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

FY19 GAAP Results Reconciliation

(unaudited - in thousands)	Three Months Ended September 30,			Twelve Months Ended September 30,		
	(ASC 606) 2019	(ASC 605) 2019	(ASC 605) 2018	(ASC 606) 2019	(ASC 605) 2019	(ASC 605) 2018
GAAP revenue	**$ 82,957**	**$ 82,490**	**$ 75,356**	**$ 303,315**	**$ 306,498**	**$ 276,984**
Acquisition-related revenue adjustments	1,091	1,091	1,482	4,759	4,759	4,704
Non-GAAP revenue	**$ 84,048**	**$ 83,581**	**$ 76,838**	**$ 308,074**	**$ 311,257**	**$ 281,688**
GAAP gross profit	**$ 55,939**	**$ 55,392**	**$ 53,113**	**$ 203,972**	**$ 207,573**	**$ 194,020**
Stock-based compensation	436	436	421	1,896	1,896	2,076
Amortization of intangible assets	2,323	2,323	2,234	8,498	8,498	7,766
Acquisition-related revenue adjustments	1,091	1,091	1,482	4,759	4,759	4,704
Non-GAAP gross profit	**$ 59,789**	**$ 59,242**	**$ 57,250**	**$219,125**	**$222,726**	**$208,566**
GAAP gross margin	**67.4%**	**67.1%**	**70.5%**	**67.2%**	**67.7%**	**70.0%**
Non-GAAP gross margin	**71.1%**	**70.9%**	**74.5%**	**71.1%**	**71.6%**	**74.0%**
GAAP operating income	**4,611**	**4,146**	**10,737**	**10,852**	**14,061**	**36,852**
Acquisition-related revenue adjustments	1,091	1,091	1,482	4,759	4,759	4,704
Amortization of intangible assets	5,450	5,450	5,367	21,022	21,022	16,606
Stock-based compensation	8,487	8,487	6,600	29,682	29,682	22,043
Restructuring and other costs, net	7,257	7,257	2,733	24,404	24,404	12,863
Acquisition-related costs	161	161	499	944	944	4,082
Non-GAAP operating income	**$ 27,057**	**$ 26,592**	**$ 27,418**	**$ 91,663**	**$ 94,872**	**$ 97,150**
GAAP operating margin	**5.6%**	**5.0%**	**14.2%**	**3.6%**	**4.6%**	**13.3%**
Non-GAAP operating margin	**32.2%**	**31.8%**	**35.7%**	**29.8%**	**30.5%**	**34.5%**
Non-GAAP operating income (from above)	**27,057**	**26,592**	**27,418**	**91,663**	**94,872**	**97,150**
Depreciation	1,872	1,872	2,307	7,822	7,822	9,159
Adjusted EBITDA	**$ 28,929**	**$ 28,464**	**$ 29,725**	**$ 99,485**	**$102,694**	**$106,309**

FY20 GAAP Guidance Reconciliation

(in thousands)	Q1 2020		FY2020	
	Low	High	Low	High
GAAP revenue	**$ 77,000**	**$ 79,000**	**$ 321,000**	**$ 336,000**
GAAP gross profit	**$ 50,800**	**$ 51,800**	**$ 208,000**	**$ 222,000**
Stock-based compensation	1,000	2,000	4,000	8,000
Amortization of intangible assets	2,200	2,200	8,300	8,300
Non-GAAP gross profit	**$ 54,000**	**$ 56,000**	**$220,300**	**$238,300**
GAAP gross margin	**66%**	**66%**	**65%**	**66%**
Non-GAAP gross margin	**70%**	**71%**	**69%**	**71%**
GAAP operating income	**$ (7,600)**	**$ (5,600)**	**$ 2,500**	**$ 9,500**
Amortization of intangible assets	5,000	5,000	21,000	21,000
Stock-based compensation	10,000	10,000	39,000	39,000
Restructuring and other costs, net	8,800	8,800	11,500	11,500
Non-GAAP operating income	**$ 16,200**	**$ 18,200**	**$ 74,000**	**$ 81,000**
GAAP operating margin	**-10%**	**-7%**	**1%**	**3%**
Non-GAAP operating margin	**21%**	**23%**	**23%**	**24%**
Non-GAAP operating income (from above)	**$ 16,200**	**$ 18,200**	**$ 74,000**	**$ 81,000**
Depreciation	2,700	2,700	15,000	15,000
Adjusted EBITDA	**$ 18,900**	**$ 20,900**	**$ 89,000**	**$ 96,000**

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