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): February 6, 2024

CERENCE INC.
(Exact name of Registrant as Specified in Its Charter)

Delaware	001-39030	83-4177087
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

25 Mall Road, Suite 416 Burlington, Massachusetts	01803
(Address of Principal Executive Offices)	(Zip Code)

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

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value	**CRNC**	**The NASDAQ Stock Market LLC**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On February 6, 2024, Cerence Inc. (the "Company") announced its financial results for the quarter ended December 31, 2023. The press release, including the financial information contained therein, is attached hereto as Exhibit 99.1, and is incorporated herein by reference.

Also on February 6, 2024, the Company used a presentation on its call with investors, discussing its financial results for the quarter ended December 31, 2023, and such earnings release presentation is furnished herewith as Exhibit 99.2. The press release and earnings release presentation include certain non-GAAP financial measures. A description of the non-GAAP measures, the reasons for their use, and GAAP to non-GAAP reconciliations are included in the press release and earnings release presentation.

The information in this Item 2.02 and the exhibit 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 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
99.1	Press Release announcing financial results dated February 6, 2024
99.2	Earnings Release Presentation dated February 6, 2024
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Cerence Inc.

Date: February 6, 2024

By: /s/ Thomas L. Beaudoin

Name: Thomas L. Beaudoin

Title: Executive Vice President and Chief Financial Officer

Exhibit 99.1

Cerence Announces First Quarter Fiscal Year 2024 Results

Headlines

- **Revenue and profitability exceed the high end of guidance, leading to six quarters of strong execution**
- **Announced AI partnerships with NVIDIA and Microsoft**
- **Maintained a leadership position, with Cerence penetration staying strong at 54% of global auto production**
- **New business included a win-back for a large Japanese OEM, a program extension for a major North America OEM, and a major win in AIoT for a wearable product**

BURLINGTON, Mass., February 6, 2024 – Cerence Inc. (NASDAQ: CRNC), AI for a world in motion, today reported its first quarter fiscal year 2024 results for the quarter ended December 31, 2023.

Results Summary [1,2]

(in millions, except per share data)

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
GAAP revenue	$ 138.3	$ 83.7
GAAP gross margin	81.0 %	68.7 %
Non-GAAP gross margin	81.5 %	70.4 %
GAAP operating margin	42.3 %	-2.4 %
Non-GAAP operating margin	49.4 %	20.5 %
GAAP net income (loss)	$ 23.9	$ (2.2)
GAAP net income (loss) margin	17.2 %	-2.6 %
Non-GAAP net income	$ 54.3	$ 14.2
Adjusted EBITDA	$ 70.4	$ 19.7
Adjusted EBITDA margin	50.9 %	23.5 %
GAAP net income (loss) per share - diluted	$ 0.53	$ (0.05)
Non-GAAP net income per share - diluted	$ 1.12	$ 0.36

(1) As previously disclosed Q1FY24 revenue includes the acceleration of the non-cash revenue associated with the Toyota "Legacy" contract and related impacts totaling $77.7M.

(2) Please refer to the "Discussion of Non-GAAP Financial Measures" and "Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures" included elsewhere in this release for more information regarding our use of non-GAAP financial measures.

Stefan Ortmanns, Chief Executive Officer at Cerence, commented, “Our Q1 included a number of advancements in our pursuit of creating an immersive in-cabin experience for the automobile industry powered by the latest advancements in generative AI and large language models. We secured two significant technology partnerships in support of this goal – NVIDIA and Microsoft – both expected to further our efforts to not only enhance our current products with generative AI, but also build and deploy an industry-leading, automotive-grade large language model as the foundation of our next-generation platform. We were proud to show the advances we are making with our products at CES in early January, including a live demo of Cerence Chat Pro integrated with Volkswagen’s IDA in-car assistant.”

Ortmanns concluded, "We are excited by the future direction and capabilities of our AI technology, and, simultaneously, we remain keenly focused on operational excellence. While we had several one-time adjustments in the quarter, the largest being the previously disclosed acceleration of revenue associated with our ‘Legacy’ Toyota contract, considering these factors, we still delivered a solid quarter. We also had several strategic wins in the quarter, including a win-back for a Japanese OEM, the extension of a program with a major North American OEM due to delays with their new supplier, additional Chinese OEMs as they expand overseas, and our largest piece of business to date for our non-transportation (AIoT) business.”

Cerence Key Performance Indicators

To help investors gain further insight into the Cerence business and its performance, management provides a set of key performance indicators that includes:

Key Performance Indicator[1]	**Q1FY24**
Percent of worldwide auto production with Cerence Technology (TTM)	54 %
Repeatable software contribution (TTM)[2]	68 %
Change in number of Cerence connected cars shipped[3] (TTM over prior year TTM)	36 %
Change in Adjusted Total Billings (TTM over prior year TTM)[4]	4 %

(1) Please refer to the “Key Performance Indicators” included elsewhere in this release for more information regarding the definitions and our use of key performance indicators.
(2) Repeatable software contribution excludes Toyota Legacy revenue and revenue from another customer in support of the legacy contract.
(3) Based on IHS Markit data, global auto production increased 9% over the same time period ended on December 31, 2023.
(4) Change in Adjusted Total Billings YoY (TTM): The year over year change in total billings adjusted to exclude Professional Services, Connected Professional Services, prepay and prepay assumptions.

Second Quarter and Full Year Fiscal 2024 Outlook

For the fiscal quarter ending March 31, 2024, revenue is expected to be in the range of $60 million to $64 million. GAAP Net Loss is expected to be in the range of ($14) million to ($10) million. Adjusted EBITDA is expected to be in the range of approximately ($8) million to ($4) million.

For the full fiscal year ending September 30, 2024, the company continues to expect revenue to be in the range of $355 million to $375 million which includes an estimated $20 million of fixed contracts. GAAP Net Income is expected to be in the range of $11 million to $26 million. Adjusted EBITDA is expected to be in the range of approximately $94 million to $109 million.

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

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

Cerence Conference Call Webcast

The company will host a live conference call and webcast with slides to discuss the results today at 8:30 a.m. Eastern Time/5:30 a.m. Pacific Time. Interested investors and analysts are invited to dial into the conference call by using the following link: Register Here

Webcast access will also be available on the Investor Information section of the company's website at https://www.cerence.com/investors/events-and-resources.

A replay of the webcast can be accessed by visiting the company's website 90 minutes following the conference call at https://www.cerence.com/investors/events-and-resources.

Forward Looking Statements

Statements in this press release regarding: Cerence's future performance, results and financial condition; expected growth and profitability; strategy; opportunities; business, industry and market trends; strategy regarding fixed contracts and its impact on financial results; revenue visibility; revenue timing and mix; demand for Cerence products; innovation and new product offerings, including AI technology; expected benefits of technology partnerships; cost efficiency initiatives; and management's future expectations, estimates, assumptions, beliefs, goals, 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; the impacts of the COVID-19 pandemic on our and our customers' businesses; the impact of the war in Ukraine, conflict between Israel and Hamas and attacks on commercial ships in the Red Sea by the Houthi groups on our and our customers' businesses; our 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 recruit and retain qualified personnel; disruptions arising from transitions in management personnel; cybersecurity and data privacy incidents; fluctuating currency rates and interest rates; inflation; and the other factors discussed in our most recent Annual Report on Form 10-K and other filings with the Securities and Exchange Commission. We disclaim any obligation to update any forward-looking statements as a result of developments occurring after the date of this document.

Discussion of Non-GAAP Financial Measures

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

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

Consistent with this approach, we believe that disclosing non-GAAP financial measures to the readers of our financial statements provides such readers with useful supplemental data that, while not a substitute for GAAP financial statements, allows for greater transparency in the review of our financial and operational performance. In assessing the overall health of the business during the three months ended December 31, 2023 and 2022, our management has either included or excluded the following items in general categories, each of which is described below.

Adjusted EBITDA

Adjusted EBITDA is defined as net income attributable to Cerence Inc. before net income (loss) attributable to income tax (benefit) expense, other income (expense) items, net, depreciation and amortization expense, and excluding acquisition-related costs, amortization of acquired intangible assets, stock-based compensation, and restructuring and other costs, net or impairment charges related to fixed and intangible assets and gains or losses on the sale of long-lived assets, if any. From time to time we may exclude from Adjusted EBITDA the impact of events, gains, losses or other charges (such as significant legal settlements) that affect the period-to-period comparability of our operating performance. Other income (expense) items, net include interest expense, interest income, and other income (expense), net (as stated in our Condensed Consolidated Statement of Operations). Our management and Board of Directors use this financial measure to evaluate our operating performance. It is also a significant performance measure in our annual incentive compensation programs.

Restructuring and other costs, net.

Restructuring and other costs, net include restructuring expenses as well as other charges that are unusual in nature, are the result of unplanned events, and arise outside the ordinary course of our business such as employee severance costs, costs for consolidating duplicate facilities, third-party fees relating to the modification of our convertible debt, and the release of a pre-acquisition contingency.

Amortization of acquired intangible assets.

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

Non-cash expenses.

We provide non-GAAP information relative to the following non-cash expenses: (i) stock-based compensation; and (ii) non-cash interest. These items are further discussed as follows:

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

ii) Non-cash interest. We exclude non-cash interest because we believe that excluding this expense provides management, as well as other users of the financial statements, with a valuable perspective on the cash-based performance and health of the business, including the current near-term projected liquidity. Non-cash interest expense will continue in future periods.

Other expenses.

We exclude certain other expenses that result from unplanned events outside the ordinary course of continuing operations, in order to measure operating performance and current and future liquidity both with and without these expenses. By providing this information, we believe management and the users of the financial statements are better able to understand the financial results of what we consider to be our organic, continuing operations. Included in these expenses are items such as other charges (credits), net, losses from extinguishment of debt, and changes in indemnification assets corresponding with the release of pre-spin liabilities for uncertain tax positions.

Adjustments to income tax provision.

Adjustments to our GAAP income tax provision to arrive at non-GAAP net income is determined based on our non-GAAP pre-tax income. Additionally, as our non-GAAP profitability is higher based on the non-GAAP adjustments, we adjust the GAAP tax provision to remove valuation allowances and related effects based on the higher level of reported non-GAAP profitability. We also exclude from our non-GAAP tax provision certain discrete tax items as they occur.

Key Performance Indicators

We believe that providing key performance indicators ("KPIs") allows investors to gain insight into the way management views the performance of the business. We further believe that providing KPIs allows investors to better understand information used by management to evaluate and measure such performance. KPIs should not be considered superior to, or a substitute for, operating results prepared in accordance with GAAP. In assessing the performance of the business during the three months ended December 31, 2023, our management has reviewed the following KPIs, each of which is described below:

- *Percent of worldwide auto production with Cerence Technology:* The number of Cerence enabled cars shipped as compared to IHS Markit car production data.
- *Repeatable software contribution:* The percentage of repeatable revenues as compared to total GAAP revenue in the quarter on a TTM basis. Repeatable revenues are defined as the sum of License and Connected Services revenues. Repeatable software contribution excludes Toyota Legacy revenue and revenue from another customer in support of the legacy contract.
- *Change in number of Cerence connected cars shipped:* The year over year change in the number of cars shipped with Cerence connected solutions. Amounts calculated on a TTM basis.
- *Change in Adjusted total billings YoY (TTM):* The year over year change in total billings adjusted to exclude Professional Services, prepay billings and prepay consumption.

See the tables at the end of this press release for non-GAAP reconciliations to the most directly comparable GAAP measures.

To learn more about Cerence, visit www.cerence.com, and follow the company on LinkedIn and Twitter.

About Cerence Inc.
Cerence (NASDAQ: CRNC) is the global industry leader in creating unique, moving experiences for the mobility world. As an innovation partner to the world's leading automakers and mobility OEMs, it is helping advance the future of connected mobility through intuitive, AI-powered interaction between humans and their vehicles, connecting consumers' digital lives to their daily journeys no matter where they are. Cerence's track record is built on more than 20 years of knowledge and 475 million cars shipped with Cerence technology. Whether it's connected cars, autonomous driving, e-vehicles, or two-wheelers, Cerence is mapping the road ahead. For more information, visit www.cerence.com.

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

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
Revenues:		
License	$ 20,823	$ 45,417
Connected services	96,820	18,394
Professional services	20,692	19,847
Total revenues	138,335	83,658
Cost of revenues:		
License	1,604	1,614
Connected services	7,303	6,542
Professional services	17,325	17,924
Amortization of intangible assets	103	103
Total cost of revenues	26,335	26,183
Gross profit	112,000	57,475
Operating expenses:		
Research and development	33,306	29,494
Sales and marketing	6,071	9,162
General and administrative	12,793	14,257
Amortization of intangible assets	545	2,350
Restructuring and other costs, net	705	4,189
Total operating expenses	53,420	59,452
Income (loss) from operations	58,580	(1,977)
Interest income	1,432	870
Interest expense	(3,236)	(3,514)
Other income, net	1,422	3,713
Income (loss) before income taxes	58,198	(908)
Provision for income taxes	34,341	1,250
Net income (loss)	$ 23,857	$ (2,158)
Net income (loss) per share:		
Basic	$ 0.58	$ (0.05)
Diluted	$ 0.53	$ (0.05)
Weighted-average common share outstanding:		
Basic	41,186	39,962
Diluted	49,255	39,962

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

	December 31, 2023 (Unaudited)	September 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 98,736	101,154
Marketable securities	9,784	9,211
Accounts receivable, net of allowances of $4,050 and $4,044	58,693	61,270
Deferred costs	5,568	6,935
Prepaid expenses and other current assets	55,580	47,157
Total current assets	228,361	225,727
Long-term marketable securities	7,755	10,607
Property and equipment, net	32,625	34,013
Deferred costs	19,849	20,299
Operating lease right of use assets	12,347	11,961
Goodwill	906,396	900,342
Intangible assets, net	3,374	3,875
Deferred tax assets	16,607	46,601
Other assets	37,594	44,165
Total assets	$ 1,264,908	$ 1,297,590
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 19,179	$ 16,873
Deferred revenue	43,392	77,068
Short-term operating lease liabilities	5,676	5,434
Accrued expenses and other current liabilities	51,732	48,718
Total current liabilities	119,979	148,093
Long-term debt	277,419	275,951
Deferred revenue, net of current portion	100,913	145,531
Long-term operating lease liabilities	8,066	7,947
Other liabilities	27,398	25,193
Total liabilities	533,775	602,715
Stockholders' Equity:		
Common stock, $0.01 par value, 560,000 shares authorized; 41,237 and 40,423 shares issued and outstanding, respectively	412	404
Accumulated other comprehensive loss	(23,496)	(27,966)
Additional paid-in capital	1,064,022	1,056,099
Accumulated deficit	(309,805)	(333,662)
Total stockholders' equity	731,133	694,875
Total liabilities and stockholders' equity	$ 1,264,908	$ 1,297,590

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

	Three Months Ended December 31,	
	2023	**2022**
Cash flows from operating activities:		
Net income (loss)	$ 23,857	$ (2,158)
Adjustments to reconcile net income (loss) to net cash used in operations:		
Depreciation and amortization	2,686	5,008
Stock-based compensation	8,380	12,472
Non-cash interest expense	1,468	444
Deferred tax provision (benefit)	30,298	(164)
Unrealized foreign currency transaction gains	(2,012)	(6,084)
Other	382	104
Changes in operating assets and liabilities:		
Accounts receivable	4,933	(16,651)
Prepaid expenses and other assets	1,170	3,261
Deferred costs	2,589	1,586
Accounts payable	2,382	7,820
Accrued expenses and other liabilities	3,712	(255)
Deferred revenue	(82,660)	(7,501)
Net cash used in operating activities	(2,815)	(2,118)
Cash flows from investing activities:		
Capital expenditures	(931)	(683)
Purchases of marketable securities	-	(7,081)
Sale and maturities of marketable securities	2,442	9,500
Other investing activities	(322)	(219)
Net cash provided by investing activities	1,189	1,517
Cash flows from financing activities:		
Payments for long-term debt issuance costs	-	(403)
Principal payments of long-term debt	-	(1,563)
Common stock repurchases for tax withholdings for net settlement of equity awards	(6,209)	(2,643)
Principal payment of lease liabilities arising from a finance lease	(122)	(165)
Proceeds from the issuance of common stock	6,201	1,723
Net cash used in financing activities	(130)	(3,051)
Effects of exchange rate changes on cash and cash equivalents	(662)	(538)
Net change in cash and cash equivalents	(2,418)	(4,190)
Cash and cash equivalents at beginning of period	101,154	94,847
Cash and cash equivalents at end of period	$ 98,736	$ 90,657

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

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
GAAP revenue	**$ 138,335**	**$ 83,658**
GAAP gross profit	**$ 112,000**	**$ 57,475**
Stock-based compensation	641	1,349
Amortization of intangible assets	103	103
Non-GAAP gross profit	**$ 112,744**	**$ 58,927**
GAAP gross margin	**81.0 %**	**68.7 %**
Non-GAAP gross margin	**81.5 %**	**70.4 %**
GAAP operating income (loss)	**$ 58,580**	**$ (1,977)**
Stock-based compensation	8,380	12,472
Amortization of intangible assets	648	2,453
Restructuring and other costs, net	705	4,189
Non-GAAP operating income	**$ 68,313**	**$ 17,137**
GAAP operating margin	**42.3 %**	**-2.4 %**
Non-GAAP operating margin	**49.4 %**	**20.5 %**
GAAP net income (loss)	**$ 23,857**	**$ (2,158)**
Stock-based compensation	8,380	12,472
Amortization of intangible assets	648	2,453
Restructuring and other costs, net	705	4,189
Depreciation	2,038	2,555
Total other (expense) income, net	(382)	1,069
Provision for income taxes	34,341	1,250
Adjusted EBITDA	**$ 70,351**	**$ 19,692**
GAAP net income (loss) margin	**17.2 %**	**-2.6 %**
Adjusted EBITDA margin	**50.9 %**	**23.5 %**

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

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
GAAP net income (loss)	**$ 23,857**	**$ (2,158)**
Stock-based compensation	8,380	12,472
Amortization of intangible assets	648	2,453
Restructuring and other costs, net	705	4,189
Non-cash interest expense	1,468	444
Other	(27)	-
Adjustments to income tax expense	19,259	(3,184)
Non-GAAP net income	**$ 54,290**	**$ 14,216**
Adjusted EPS:		
GAAP Numerator:		
Net income (loss) attributed to common shareholders - basic	$ 23,857	$ (2,158)
Interest on the Notes, net of tax	2,250	-
Net income (loss) attributed to common shareholders - diluted	**$ 26,107**	**$ (2,158)**
Non-GAAP Numerator:		
Net income attributed to common shareholders - basic	$ 54,290	$ 14,216
Interest on the Notes, net of tax	1,120	-
Net income attributed to common shareholders - diluted	**$ 55,410**	**$ 14,216**
GAAP Denominator:		
Weighted-average common shares outstanding - basic	41,186	39,962
Adjustment for diluted shares	8,069	-
Weighted-average common shares outstanding - diluted	**49,255**	**39,962**
Non-GAAP Denominator:		
Weighted-average common shares outstanding- basic	41,186	39,962
Adjustment for diluted shares	8,069	-
Weighted-average common shares outstanding - diluted	**49,255**	**39,962**
GAAP net income (loss) per share - diluted	**$ 0.53**	**$ (0.05)**
Non-GAAP net income per share - diluted	**$ 1.12**	**$ 0.36**
GAAP net cash used in operating activities	**$ (2,815)**	**$ (2,118)**
Capital expenditures	(931)	(683)
Free Cash Flow	**$ (3,746)**	**$ (2,801)**

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

	Q1FY24	Q4FY23	Q3FY23	Q2FY23
GAAP revenues	**$ 138,335**	**$ 80,764**	**$ 61,660**	**$ 68,393**
Less: Professional services revenue	20,692	18,491	17,240	18,667
Less: Legacy* related revenue	86,613	8,853	8,867	8,885
Non-GAAP Repeatable revenues	**$ 31,030**	**$ 53,420**	**$ 35,553**	**$ 40,841**
GAAP revenues TTM	**$ 349,152**			
Less: Legacy related revenue TTM	113,218			
GAAP revenues TTM, excluding Legacy related revenue TTM	**235,934**			
Less: Professional services revenue TTM	75,090			
Less: Legacy related revenue TTM	113,218			
Non-GAAP Repeatable revenues TTM	**$ 160,844**			
Repeatable software contribution	**68 %**			

*Legacy related revenue is revenue from the Legacy contract and revenue from another customer in support of the Legacy contract.

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

	Q2 2024		FY2024	
	Low	High	Low	High
GAAP revenue	$ 60,000	$ 64,000	$ 355,000	$ 375,000
GAAP gross profit	$ 36,200	$ 40,200	$ 265,200	$ 285,200
Stock-based compensation	700	700	2,800	2,800
Amortization of intangible assets	-	-	100	100
Non-GAAP gross profit	$ 36,900	$ 40,900	$ 268,100	$ 288,100
GAAP gross margin	60 %	63 %	75 %	76 %
Non-GAAP gross margin	62 %	64 %	76 %	77 %
GAAP operating (loss) income	$ (25,600)	$ (21,600)	$ 40,800	$ 55,900
Stock-based compensation	9,400	9,400	36,200	36,200
Amortization of intangible assets	600	600	2,300	2,300
Restructuring and other costs, net	5,400	5,400	7,600	7,600
Non-GAAP operating (loss) income	$ (10,200)	$ (6,200)	$ 86,900	$ 102,000
GAAP operating margin	-43 %	-34 %	11 %	15 %
Non-GAAP operating margin	-17 %	-10 %	24 %	27 %
GAAP net (loss) income	$ (13,900)	$ (9,900)	$ 11,400	$ 26,400
Stock-based compensation	9,400	9,400	36,200	36,200
Amortization of intangible assets	600	600	2,300	2,300
Restructuring and other costs, net	5,400	5,400	7,600	7,600
Depreciation	2,000	2,000	7,500	7,500
Total other expense, net	(9,400)	(9,400)	(13,400)	(13,400)
(Benefit from) provision for income taxes	(21,100)	(21,100)	16,000	16,000
Adjusted EBITDA	$ (8,200)	$ (4,200)	$ 94,400	$ 109,400
GAAP net (loss) income margin	-23 %	-15 %	3 %	7 %
Adjusted EBITDA margin	-14 %	-7 %	27 %	29 %

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

	Q2 2024		FY2024	
	Low	High	Low	High
GAAP net (loss) income	**$ (13,900)**	**$ (9,900)**	**$ 11,400**	**$ 26,400**
Stock-based compensation	9,400	9,400	36,200	36,200
Amortization of intangibles	600	600	2,300	2,300
Restructuring and other costs, net	5,400	5,400	7,600	7,600
Non-cash interest expense	1,500	1,500	6,000	6,000
Indemnification asset release	7,700	7,700	7,700	7,700
Other	-	-	(100)	(100)
Adjustments to income tax expense	(22,500)	(22,500)	(10,300)	(10,300)
Non-GAAP net (loss) income	**$ (11,800)**	**$ (7,800)**	**$ 60,800**	**$ 75,800**
Adjusted EPS:				
GAAP Numerator:				
Net (loss) income attributed to common shareholders - basic and diluted	**$ (13,900)**	**$ (9,900)**	**$ 11,400**	**$ 26,400**
Non-GAAP Numerator:				
Net (loss) income attributed to common shareholders - basic	$ (11,800)	$ (7,800)	$ 60,800	$ 75,800
Interest on the Notes, net of tax	-	-	4,500	4,500
Net (loss) income attributed to common shareholders - diluted	**$ (11,800)**	**$ (7,800)**	**$ 65,300**	**$ 80,300**
GAAP Denominator:				
Weighted-average common shares outstanding - basic	41,700	41,700	41,600	41,600
Adjustment for diluted shares	-	-	400	400
Weighted-average common shares outstanding - diluted	**41,700**	**41,700**	**42,000**	**42,000**
Non-GAAP Denominator:				
Weighted-average common shares outstanding- basic	41,700	41,700	41,600	41,600
Adjustment for diluted shares	-	-	7,900	7,900
Weighted-average common shares outstanding - diluted	**41,700**	**41,700**	**49,500**	**49,500**
GAAP net (loss) income per share - diluted	**$ (0.33)**	**$ (0.24)**	**$ 0.27**	**$ 0.63**
Non-GAAP net (loss) income per share - diluted	**$ (0.28)**	**$ (0.19)**	**$ 1.32**	**$ 1.62**

Exhibit 99.2

Cerence Q1 FY24 Earnings Presentation

Stefan Ortmanns, Chief Executive Officer
Tom Beaudoin, Chief Financial Officer
Rich Yerganian, SVP of Investor Relations

February 6, 2024

Forward-Looking Statements

Statements in this presentation regarding: Cerence's future performance, results and financial condition; expected growth and profitability; strategy; opportunities; business, industry and market trends; strategy regarding fixed contracts and its impact on financial results; revenue visibility, revenue timing and mix, demand for Cerence products; innovation and new product offerings, including AI technology; expected benefits of technology partnerships; cost efficiency initiatives; and management's future expectations, estimates, assumptions, beliefs, goals, 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; the impacts of the COVID-19 pandemic on our and our customers' businesses; the impact of the war in Ukraine, conflict between Israel and Hamas, and attacks on commercial ships in the Red Sea on our and our customers' businesses; our 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 recruit and retain qualified personnel; disruptions arising from transitions in management personnel; cybersecurity and data privacy incidents; failure to protect our intellectual property; defects or interruptions in service with respect to our products; fluctuating currency rates and interest rates; inflation; financial and credit market volatility; and the other factors discussed in our most recent Annual Report on Form 10-K, quarterly reports on Form 10-Q, and other filings with the Securities and Exchange Commission. We caution you not to place undue reliance on any forward-looking statements, which speak only as of the date made. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise, except as otherwise required by law.

Q1 FY24 – Business Highlights

- Our AI innovation roadmap was validated with various global OEMs, generating new opportunities with existing customers and re-opening discussions for potential win-backs
- AI product strategy based on data ownership, customizable and OEM-controlled solutions, ultra-fast inferencing, and cost optimization
- Developed AI partnerships with NVIDIA and Microsoft
- Steady progress with new and existing customers:
  - Program extension with major North American OEM
  - Win-back of lead Japanese OEM
  - Continued expansion of Chinese OEMs for overseas programs
  - Strategic North American design win in AIoT for wearables
- Consistent execution leads to the sixth consecutive quarter of strong performance on revenue and profitability

54%
penetration
Maintained leadership position within Auto Core global auto production

6
major platform releases

9
transportation SOPs*

4
product launches in AIoT

** SOP = Start of Production*

Cerence AI Strategy Delivers on the Potential of LLMs

Solutions for Existing Systems | **Next Gen**

Car Knowledge	CA with NLU Plus	Chat Pro	Next Gen AI

SOP & P-DEV Timeline per Product Line

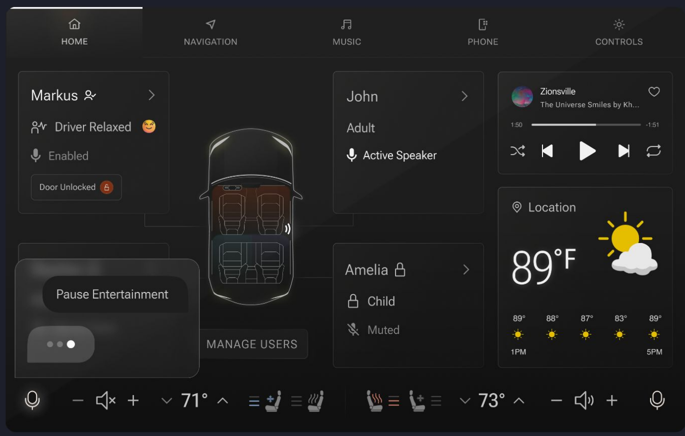
Car Knowledge	CA with NLU Plus	Chat Pro	Next Gen AI
• 7 P-DEV in 1H FY24	• 6 P-DEV in 2H FY24	• 6 P-DEV in 1H FY24	• 3 P-DEV 2H FY24
• 2 SOPs in 2H FY24	• 1 SOP in 2H FY24	• 3 SOPs in 2H FY24	• …

- Large Multi-Modal Models expected to become the new computing engine (AI Agents), enabling a single conversational interface to work across applications to complete tasks based on user preferences
- LLM-based architecture with automotive-specific data and scalable tech stack to deliver new branded experiences for end users
- First automotive-grade LLM solution introduced with VW at CES; executed at ‘AI innovation’ speed - from concept to product in less than 3 months

P-DEV : pre-development, SOP : start of production

Cerence Full Stack – Next-Gen AI Computing Platform Driving a More Immersive In-Cabin Experience

- Multi-modal, hybrid-based LLM architecture with intelligent reasoning
- Multi-seat support with barge-in capabilities and all-seat microphone capture with wake-word free invocation
- Proactive AI, Emotion Detection, Voice Biometrics
- New neural ASR & TTS technology stack



Video

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Building Momentum for Cerence AI Technology at CES

- Strong recognition among automotive OEMs, tech partners, investors, and media, solidifying our reputation as an AI innovation leader
- More than 200 customer meetings and demos leading to an enhanced pipeline of new business opportunities
- Joint press conference with VW hosted over 300 media representatives leading to extensive media coverage on Cerence solutions
- Global media coverage included 15 "Best of CES“ mentions in recognition of Cerence’s leadership in effectively integrating LLM technology into Cerence products

Q2 FY24 Company Priorities: Leverage the Strong Momentum of Our AI Roadmap

- Build on strong receptivity from global OEMs to grow pipeline for new products
- Partner with OEMs for quick deployment of cloud-based technologies for both new production and cars already on the road
- Achieve SOP for Cerence Chat Pro, Cerence Assistant with enhanced NLU, and Cerence Car Knowledge with initial customers
- Execute on Cerence Next-Gen Computing Platform facilitating a truly immersive in-cabin experience
- Make solid progress on potential win-back opportunities coming from interactions at CES

Q1 FY24 Financial Details

Tom Beaudoin, CFO

Cerence Delivers Strong Q1 Results

	Q1FY24	Q1FY24 Guidance
Revenue[a]	$138.3M	$128M - $132M
GAAP Gross Margin	81.0%	80% - 81%
Non-GAAP Gross Margin[b,c]	81.5%	81% - 82%
GAAP Net Income	$23.9M	$19M – $23M
Adjusted EBITDA[b,c]	$70.4M	$58M – $62M
Non-GAAP Net Income[b,c]	$54.3M	$40M – $44M
GAAP EPS – diluted	$0.53	$0.42 – $0.50
Non-GAAP EPS – diluted[b,c]	$1.12	$0.84 – $0.92

(a)As previously disclosed, Q1FY24 revenue includes the acceleration of the non-cash revenue associated with the Toyota "Legacy" contract and related impacts totaling $77.7M.

(b)Non-GAAP excludes acquisition-related costs, amortization of acquired intangible assets, stock-based compensation, restructuring and other costs.

(c)Refer to the Appendix for more information on GAAP to non-GAAP reconciliations and related definitions.

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Detailed GAAP Revenue Breakdown

In millions	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Total License:	**$46.3**	**$46.4**	**$19.0**	**$45.4**	**$30.8**	**$25.9**	**$43.1**	**$20.8**
Variable[(a)]	$20.2	$22.3	$19.0	$26.3	$26.2	$25.8	$30.3	$20.8
Total Fixed[(b)]	$25.6	$23.3	$0	$19.1	$4.6	$0	$12.8	$0
Prepaid (cash upfront)	$5.7	$13.2	$0	$18.0	$4.6	$0	$12.8	$0
Minimum Commitment (no cash upfront)	$19.9	$10.1	$0	$1.1	$0	$0	$0	$0
Other Markets[(c)]	$0.5	$0.8	$0	$0	$0	$0	$0	$0
Connected Services:	**$19.3**	**$20.0**	**$18.1**	**$18.4**	**$18.9**	**$18.6**	**$19.2**	**$96.8**
Total New	$11.0	$11.6	$9.6	$9.9	$10.5	$10.2	$10.8	$21.1
Subscription/Usage	$11.0	$9.9	$9.6	$9.9	$10.5	$10.2	$10.8	$21.1
Customer Hosted[(d)]	$0	$1.7	$0	$0	$0	$0	$0	$0
Legacy[(e)]	$8.3	$8.4	$8.5	$8.5	$8.4	$8.4	$8.4	$75.7
Professional Services	**$20.7**	**$22.6**	**$21.0**	**$19.9**	**$18.7**	**$17.2**	**$18.5**	**$20.7**
Total Revenue:	**$86.3**	**$89.0**	**$58.1**	**$83.7**	**$68.4**	**$61.7**	**$80.8**	**$138.3**

(a) Based on volume shipments of licenses net of the consumption of fixed contracts.
(b) Fixed license revenue includes prepaid and minimum commitment deals.
(c) Non-transportation revenue.

(d) Customer Hosted is a software license that allows the customer to take possession of the software and enable hosting by the customer or a third party.
(e) Legacy contract is a connected services contract with Toyota acquired by Nuance through a 2013 acquisition. Toyota decided to decommission the solution in Q1FY24 resulting in the acceleration of deferred revenue.

Pro Forma Royalties

In millions	FY2021					FY2022					FY2023					FY2024
	Q1	Q2	Q3	Q4	FY21	Q1	Q2	Q3	Q4	FY22	Q1	Q2	Q3	Q4	FY23	Q1
Fixed Contracts	$10.1	$17.3	$18.2	$25.4	$71.0	$20.1	$25.6	$23.3	$0	$69.0	$19.1	$4.6	$0	$12.8	$36.5	$0
Pro Forma Royalties[(a)]	$48.6	$47.4	$42.9	$34.0	$172.9	$39.6	$39.7	$41.5	$39.1	$159.9	$41.7	$43.1	$44.5	$45.8	$175.1	$35.3
Consumption of Fixed Contracts[(b)]	($12.3)	($10.3)	($11.1)	($13.2)	($46.9)	($18.0)	($19.5)	($19.2)	($20.1)	($76.8)	($15.4)	($16.9)	($18.7)	($15.5)	($66.5)	($14.5)
Variable	$36.3	$37.1	$31.8	$20.8	$126.0	$21.6	$20.2	$22.3	$19.0	$83.1	$26.3	$26.2	$25.8	$30.3	$108.7	$20.8
IHS Production (million units)	23.6	20.7	18.8	16.6	79.7	21.2	20.0	19.1	21.2	81.5	21.9	21.4	22.2	22.3	87.8	23.9

- Expected revenue contribution from fixed contracts for FY24 has been reduced to approximately $20M per year.

(a) Pro forma Royalties is a measure of the total value of licenses shipped in a quarter and is calculated by adding the absolute value of consumption and variable.

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

Strong KPI[3] Performance

High Level of Engagement with Customers and Partners

- Global Auto Penetration (TTM) remained at 54%
- 12.4M units shipped with Cerence technology, up 7% year-over-year and up 6% QoQ (IHS up 9% YoY and up 6% QoQ)
- Change in number of Cerence connected cars shipped (TTM over prior year TTM)[1] units, up 36%
- Change in Adjusted Total Billings increased 4% YoY, (TTM/TTM) [2]
- 30% Increase in Monthly Active Users (YoY)

1. *Based on IHS Markit data, global auto production increased 9% over the same time period ended on December 31, 2023*
2. *Growth in Adjusted Total billings excludes professional services, prepaid contracts, and prepaid consumption*
3. *Please refer to the appendix for KPI definitions*

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Toyota "Legacy" Contract

- Business purchased by Nuance in 2013, solution launched in 2011
- Amortization schedule originally projected to go through Q1FY26 at approximately $8.4M per quarter
- Non-cash revenue
- Toyota decided to decommission the solution in our fiscal Q1FY24 resulting in the acceleration of the deferred revenue for this contract to that quarter

Additionally, we received a termination notice from a separate customer, who in turn provided services to our Legacy customer. The contract with this customer extends beyond the Toyota Legacy contract.

The effect of this change was an additional acceleration of $9.9 million and when added to the $67.8 million totals $77.7M of deferred revenue into the first quarter of fiscal year 2024.

Revenue Impact Per Fiscal Period	Q1FY24	FY24	FY25	FY26
Pre-decommission of service	~$8.4M	~$33.8M	~$33.7M	~$8.5M
Post-decommission of service	$76.3M	$76.3M	$0	$0
Net Impact Per Period	~$67.8M	~$42.5M	~($33.7M)	~($8.5M)

Fiscal Q2 Guidance, No Change to Full Year Revenue and Gross Margin Guidance

	Q2FY24 Guidance		FY24 Guidance	
In millions except per share amounts	Low	High	Low	High
Revenue	$60	$64	$355	$375
GAAP Gross Margin	60%	63%	75%	76%
Non-GAAP Gross Margin (a,b)	62%	64%	76%	77%
GAAP Operating Margin	-43%	-34%	11%	15%
Non-GAAP Operating Margin (a,b)	-17%	-10%	24%	27%
GAAP Net Income (Loss)	($14)	($10)	$11	$26
GAAP Net Income Margin	-23%	-15%	3%	7%
Adjusted EBITDA (a,b)	($8)	($4)	$94	$109
Adjusted EBITDA Margin (a,b)	-14%	-7%	27%	29%
GAAP EPS – diluted	($0.33)	($0.24)	$0.27	$0.63
Non-GAAP EPS – diluted (a,b)	($0.28)	($0.19)	$1.32	$1.62

(a) Non-GAAP excludes acquisition-related costs, amortization of acquired intangible assets, restructuring expense, and stock-based compensation. (b) Refer to the Appendix for more information on GAAP to non-GAAP reconciliations and related definitions.

(b) The items highlighted in blue in FY24 guidance reflect changes from guidance provided on November 27, 2023.

- Full year fixed contract contribution lowered to approximately $20M per year starting in FY24
- Approximately $5M of fixed contracts expected in Q2
- Adjustments to full year guidance for GAAP operating results due to restructuring expense and an indemnification asset release
- Increase in full year non-GAAP EPS guidance due to favorable foreign exchange in Q1FY24


Q&A
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Appendix

License Business Revenue Recognition

Type of Contract	Description	GAAP Revenue Recognition	Cash Receipt
Variable	License applied at production	Quarter car is produced. Based on volume	Quarter following GAAP revenue recognition
Fixed (Pre-Pay)	Bulk inventory purchase ($ based)	Full value of contract at signing. Volume independent	Standard payment terms for full value (upfront payment)
Fixed (Minimum Commitment)	Commitment to purchase ($ based) in a specified time period. (1 – 5 years)	Full value of contract at signing. Volume independent	Based on shipment volumes over multiple years

The fixed contracts only apply to the license business. If a car is also using our connected services, it will follow the normal billing and revenue recognition process regardless of whether a variable or fixed license was applied.

The fixed contracts typically provide the customer with a price discount and can include the conversion of a variable contract that is already in our variable backlog.

Connected and Professional Services Revenue Recognition

Connected Services	Typical Period	GAAP Revenue Recognition	Cash Receipt
Subscription Term	1 – 5 years	Amortized evenly over subscription period	Billed/collected full amount at start of subscription period (value added to deferred revenue)
Usage Contract[(a),(b)]	1 – 5 years	Recognized at same time of billing based on actual usage	Billed every quarter based on actual usage
Customer Hosted[(c)]	License	Quarter in which license is delivered to customer	Upon delivery

(a) Approximately 30% of new connected revenue is usage based and is primarily with one customer
(b) Usage can be defined by number of active users or number of monthly transactions
(c) Customer Hosted is a software license that allows the customer to take possession of the software and enable hosting by the customer or a third-party

Professional Services	Period	GAAP Revenue Recognition	Cash Receipt
Custom Design Services	Ongoing	Revenue is recognized over time based upon the progress towards completion of the project	Billed/collected on milestone completion

KPI Measures – Definitions

Key performance indicators

We believe that providing key performance indicators ("KPIs"), allows investors to gain insight into the way management views the performance of the business. We further believe that providing KPIs allows investors to better understand information used by management to evaluate and measure such performance. KPIs should not be considered superior to, or a substitute for, operating results prepared in accordance with GAAP. In assessing the performance of the business during the three months ended December 31, 2023, our management has reviewed the following KPIs, each of which is described below:

Percent of worldwide auto production with Cerence technology: The number of Cerence enabled cars shipped as compared to IHS Markit car production data.

Repeatable software contribution: The percentage of repeatable revenues as compared to total GAAP revenue in the quarter on a TTM basis. Repeatable revenues are defined as the sum of License and Connected Services revenues. Repeatable software contribution excludes Toyota Legacy and revenue from another customer in support of the legacy contract.

Change in number of Cerence connected cars shipped: The year over year change in the number of cars shipped with Cerence connected solutions. Amounts are calculated on a TTM basis.

Change in Adjusted total billings YoY (TTM): The year over year change in total billings adjusted to exclude Professional Services, prepay billings and prepay consumption.

Monthly Active Users: Represents users that access the cloud-based services at least once during the month

Non-GAAP Financial Measures – Definitions

Discussion of Non-GAAP Financial Measures

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

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

Consistent with this approach, we believe that disclosing non-GAAP financial measures to the readers of our financial statements provides such readers with useful supplemental data that, while not a substitute for GAAP financial statements, allows for greater transparency in the review of our financial and operational performance. In assessing the overall health of the business during the three ending December 31, 2023 and 2022, our management has either included or excluded the following items in general categories, each of which is described below.

Cerence is not providing a reconciliation of certain forward-looking, non-GAAP financial targets to the GAAP equivalent because Cerence is unable to provide this reconciliation without unreasonable effort due to information regarding the relevant adjustments not being ascertainable or accessible. Such information could be material to future results.

Non-GAAP Financial Measures – Definitions

Adjusted EBITDA

Adjusted EBITDA is defined as net income attributable to Cerence Inc. before net income (loss) attributable to income tax (benefit) expense, other income (expense) items, net, depreciation and amortization expense, and excluding acquisition-related costs, amortization of acquired intangible assets, stock-based compensation, and restructuring and other costs, net or impairment charges related to fixed and intangible assets and gains or losses on the sale of long-lived assets, if any. From time to time we may exclude from Adjusted EBITDA the impact of events, gains, losses or other charges (such as significant legal settlements) that affect the period-to-period comparability of our operating performance. Other income (expense) items, net include interest expense, interest income, and other income (expense), net (as stated in our Condensed Consolidated Statement of Operations). Our management and Board of Directors use this financial measure to evaluate our operating performance. It is also a significant performance measure in our annual incentive compensation programs.

Restructuring and other costs, net.

Restructuring and other charges, net include restructuring expenses as well as other charges that are unusual in nature, are the result of unplanned events, and arise outside the ordinary course of our business such as employee severance costs, costs for consolidating duplicate facilities, third-party fees relating to the modification of our convertible debt, and the release of a pre-acquisition contingency.

Amortization of acquired intangible assets.

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

Non-GAAP Financial Measures – Definitions

Non-cash expenses.

We provide non-GAAP information relative to the following non-cash expenses: (i) stock-based compensation; and (ii) non-cash interest. These items are further discussed as follow:

- (i)Stock-based compensation. Because of varying valuation methodologies, subjective assumptions and the variety of award types, we exclude stock-based compensation from our operating results. We evaluate performance both with and without these measures because compensation expense related to stock-based compensation is typically
  non-cash and awards granted are influenced by the Company's stock price and other factors such as volatility that are beyond our control. The expense related to stock-based awards is generally not controllable in the short-term and can vary significantly based on the timing, size and nature of awards granted. As such, we do not include such charges in operating plans. Stock-based compensation will continue in future periods.
- ii)Non-cash interest. We exclude non-cash interest because we believe that excluding this expense provides management, as well as other users of the financial statements, with a valuable perspective on the cash-based performance and health of the business, including the current near-term projected liquidity. Non-cash interest expense will continue in future periods.

Other expenses.

We exclude certain other expenses that result from unplanned events outside the ordinary course of continuing operations, in order to measure operating performance and current and future liquidity both with and without these expenses. By providing this information, we believe management and the users of the financial statements are better able to understand the financial results of what we consider to be our organic, continuing operations. Included in these expenses are items such as other charges (credits), net, losses from extinguishment of debt, and changes in indemnification assets corresponding with the release of pre-spin liabilities for uncertain tax positions.

Adjustments to income tax provision.

Adjustments to our GAAP income tax provision to arrive at non-GAAP net income is determined based on our non-GAAP pre-tax income. Additionally, as our non-GAAP profitability is higher based on the non-GAAP adjustments, we adjust the GAAP tax provision to remove valuation allowances and related effects based on the higher level of reported non-GAAP profitability. We also exclude from our non-GAAP tax provision certain discrete tax items as they occur.

Q1 FY24 Reconciliations of GAAP to Non-GAAP Results

(unaudited - in thousands)

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
GAAP revenue	$ 138,335	$ 83,658
GAAP gross profit	$ 112,000	$ 57,475
Stock-based compensation	641	1,349
Amortization of intangible assets	103	103
Non-GAAP gross profit	$ 112,744	$ 58,927
GAAP gross margin	81.0%	68.7%
Non-GAAP gross margin	81.5%	70.4%
GAAP operating income (loss)	$ 58,580	$ (1,977)
Stock-based compensation	8,380	12,472
Amortization of intangible assets	648	2,453
Restructuring and other costs, net	705	4,189
Non-GAAP operating income	$ 68,313	$ 17,137
GAAP operating margin	42.3%	-2.4%
Non-GAAP operating margin	49.4%	20.5%
GAAP net income (loss)	$ 23,857	$ (2,158)
Stock-based compensation	8,380	12,472
Amortization of intangible assets	648	2,453
Restructuring and other costs, net	705	4,189
Depreciation	2,038	2,555
Total other (expense) income, net	(382)	1,069
Provision for income taxes	34,341	1,250
Adjusted EBITDA	$ 70,351	$ 19,692
GAAP net income (loss) margin	17.2%	-2.6%
Adjusted EBITDA margin	50.9%	23.5%

Free cash flow is net cash provided by operating activities determined in accordance with GAAP less capital expenditures.
Free cash flow is not a measure of cash available for discretionary expenditures.

(unaudited - in thousands)

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
GAAP net income (loss)	$ 23,857	$ (2,158)
Stock-based compensation	8,380	12,472
Amortization of intangible assets	648	2,453
Restructuring and other costs, net	705	4,189
Non-cash interest expense	1,468	444
Other	(27)	-
Adjustments to income tax expense	19,259	(3,184)
Non-GAAP net income	$ 54,290	$ 14,216
Adjusted EPS:		
GAAP Numerator:		
Net income (loss) attributed to common shareholders - basic	$ 23,857	$ (2,158)
Interest on the Notes, net of tax	2,250	-
Net income (loss) attributed to common shareholders - diluted	$ 26,107	$ (2,158)
Non-GAAP Numerator:		
Net income attributed to common shareholders - basic	$ 54,290	$ 14,216
Interest on the Notes, net of tax	1,120	-
Net income attributed to common shareholders - diluted	$ 55,410	$ 14,216
GAAP Denominator:		
Weighted-average common shares outstanding - basic	41,186	39,962
Adjustment for diluted shares	8,069	-
Weighted-average common shares outstanding - diluted	49,255	39,962
Non-GAAP Denominator:		
Weighted-average common shares outstanding- basic	41,186	39,962
Adjustment for diluted shares	8,069	-
Weighted-average common shares outstanding - diluted	49,255	39,962
GAAP net income (loss) per share - diluted	$ 0.53	$ (0.05)
Non-GAAP net income per share - diluted	$ 1.12	$ 0.36
GAAP net cash used in operating activities	$ (2,815)	$ (2,118)
Capital expenditures	(931)	(683)
Free Cash Flow	$ (3,746)	$ (2,801)

Reconciliations of GAAP Financial Measures to non-GAAP Financial Measures

(unaudited - in thousands)

	Q1FY24	Q4FY23	Q3FY23	Q2FY23
GAAP revenues	**$138,335**	**$ 80,764**	**$ 61,660**	**$ 68,393**
Less: Professional services revenue	20,692	18,491	17,240	18,667
Less: Legacy related revenue	86,613	8,853	8,867	8,885
Non-GAAP Repeatable revenues	**$ 31,030**	**$ 53,420**	**$ 35,553**	**$ 40,841**
GAAP revenues TTM	**$349,152**			
Less: Legacy related revenue TTM	113,218			
GAAP revenues TTM, excluding Legacy related revenue TTM	**235,934**			
Less: Professional services revenue TTM	75,090			
Less: Legacy related revenue TTM	113,218			
Non-GAAP Repeatable revenues TTM	**$160,844**			
Repeatable software contribution	**68%**			

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Q2 FY24 and Full Year FY24 Reconciliations of GAAP to non-GAAP Guidance

(unaudited - in thousands)

	Q2 2024		FY2024	
	Low	High	Low	High
GAAP revenue	$ 60,000	$ 64,000	$ 355,000	$ 375,000
GAAP gross profit	$ 36,200	$ 40,200	$ 265,200	$ 285,200
Stock-based compensation	700	700	2,800	2,800
Amortization of intangible assets	-	-	100	100
Non-GAAP gross profit	$ 36,900	$ 40,900	$ 268,100	$ 288,100
GAAP gross margin	60%	63%	75%	76%
Non-GAAP gross margin	62%	64%	76%	77%
GAAP operating (loss) income	$ (25,600)	$ (21,600)	$ 40,800	$ 55,900
Stock-based compensation	9,400	9,400	36,200	36,200
Amortization of intangible assets	600	600	2,300	2,300
Restructuring and other costs, net	5,400	5,400	7,600	7,600
Non-GAAP operating (loss) income	$ (10,200)	$ (6,200)	$ 86,900	$ 102,000
GAAP operating margin	-43%	-34%	11%	15%
Non-GAAP operating margin	-17%	-10%	24%	27%
GAAP net (loss) income	$ (13,900)	$ (9,900)	$ 11,400	$ 26,400
Stock-based compensation	9,400	9,400	36,200	36,200
Amortization of intangible assets	600	600	2,300	2,300
Restructuring and other costs, net	5,400	5,400	7,600	7,600
Depreciation	2,000	2,000	7,500	7,500
Total other expense, net	(9,400)	(9,400)	(13,400)	(13,400)
(Benefit from) provision for income taxes	(21,100)	(21,100)	16,000	16,000
Adjusted EBITDA	$ (8,200)	$ (4,200)	$ 94,400	$ 109,400
GAAP net (loss) income margin	-23%	-15%	3%	7%
Adjusted EBITDA margin	-14%	-7%	27%	29%

Q2 FY24 and FY24 Reconciliations of GAAP to Non-GAAP Guidance

(unaudited - in thousands)

	Q2 2024		FY2024	
	Low	High	Low	High
GAAP net (loss) income	**$ (13,900)**	**$ (9,900)**	**$ 11,400**	**$ 26,400**
Stock-based compensation	9,400	9,400	36,200	36,200
Amortization of intangibles	600	600	2,300	2,300
Restructuring and other costs, net	5,400	5,400	7,600	7,600
Non-cash interest expense	1,500	1,500	6,000	6,000
Indemnification asset release	7,700	7,700	7,700	7,700
Other	-	-	(100)	(100)
Adjustments to income tax expense	(22,500)	(22,500)	(10,300)	(10,300)
Non-GAAP net (loss) income	**$ (11,800)**	**$ (7,800)**	**$ 60,800**	**$ 75,800**
Adjusted EPS:				
GAAP Numerator:				
Net (loss) income attributed to common shareholders - basic and diluted	**$ (13,900)**	**$ (9,900)**	**$ 11,400**	**$ 26,400**
Non-GAAP Numerator:				
Net (loss) income attributed to common shareholders - basic	$ (11,800)	$ (7,800)	$ 60,800	$ 75,800
Interest on the Notes, net of tax	-	-	4,500	4,500
Net (loss) income attributed to common shareholders - diluted	**$ (11,800)**	**$ (7,800)**	**$ 65,300**	**$ 80,300**
GAAP Denominator:				
Weighted-average common shares outstanding - basic	41,700	41,700	41,600	41,600
Adjustment for diluted shares	-	-	400	400
Weighted-average common shares outstanding - diluted	**41,700**	**41,700**	**42,000**	**42,000**
Non-GAAP Denominator:				
Weighted-average common shares outstanding- basic	41,700	41,700	41,600	41,600
Adjustment for diluted shares	-	-	7,900	7,900
Weighted-average common shares outstanding - diluted	**41,700**	**41,700**	**49,500**	**49,500**
GAAP net (loss) income per share - diluted	**$ (0.33)**	**$ (0.24)**	**$ 0.27**	**$ 0.63**
Non-GAAP net (loss) income per share - diluted	**$ (0.28)**	**$ (0.19)**	**$ 1.32**	**$ 1.62**