

Cerence Analyst Day

February 18, 2020

cerence 

Creating a safer,
more enjoyable journey
for everyone.

 Nasdaq

cerence™ 

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 February 11, 2020. This presentation should be read in conjunction with the earnings release, prepared remarks and Form 10-Q.

Exciting Day Ahead

Click on the titles below to advance to that section

Opening Remarks	Rich Yerganian
Remarks by Chairman of the Board	Arun Sarin
Cerence: A Market Leader is Unleashed	Sanjay Dhawan
Cerence AI, the Digital Soul of the Car	Dr. Stefan Ortmanns
The Adaption of Voice AI at Mercedes Benz	Nils Schanz <i>Mercedes Benz</i>
Fireside Chat	Nils and Sanjay
Cerence China: Leadership in the World's Biggest Auto Market	Charles Kuai
Innovation @ Formula One Speeds	Prateek Kathpal
Delivering Revenue and Margin Growth	Mark Gallenberger
Closing Remarks	Sanjay Dhawan



Welcome

Arun Sarin | Chairman of the Board

Cerence Board of Directors and Governance

Trust and Governance

We know that **earning the trust** of our customers, partners, shareholders, and other stakeholders is crucial to our efforts as a newly formed company, and our success going forward.

The Board's role is to **align interest** of shareholders, directors and management and **comply** with applicable global laws, regulations and NASDAQ listing requirements.

Our commitment to corporate governance and effective board oversight of the company, CEO and management team, plays a critical role in **ensuring accountability** and earning this trust.

Cerence Board of Directors and Governance

Our Directors believe the Board is constituted with a diverse mix of directors with complementary qualifications, expertise, and attributes. This mix is essential to the Board's oversight responsibility.

Our structure has been designed from the onset to facilitate this oversight, with some of the highlights being:

- Independent Board Chair
- 5 of 7 directors are independent
- Executive Sessions provided for all in-person Board and committee meetings
- Annual Board and committee evaluations
- Director orientation and continuing education opportunities for directors.
- Majority of current Audit Committee members are audit committee financial experts under the Securities and Exchange Commission ("SEC") rule
- Independent compensation consultant

Cerence: A Market Leader Unleashed

Sanjay Dhawan | CEO, Cerence

AI for a world in motion



Vision

A safer, more enjoyable journey for everyone



Mission

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

BIG TECH

TIER-1

CONTENT



• APTIV •

AISIN



SKODA



OEMs



Panasonic



DESAY

PATEO

Pioneer

ALPINE



TESLA



SKODA



what3words



OpenTable



Slacker RADIO



FANDANGO

pandora

ESPN

npr

FACEBOOK

Visteon

At the center of the universe with the most flexible, open and global provider of AI and voice-powered assistants for the automotive industry.

A Strong Heritage *and* Fresh Voice for the Industry



20+

Years of industry expertise and leadership



325M

Cars on the road worldwide with Cerence



1550+

R&D and services professionals dedicated to innovation



1250+

Patents on voice and AI technology



70+

Global languages and dialects supported



65+

Global automotive customers and partners

Leadership Team



Sanjay Dhawan
Chief Executive Officer



Mark Gallenberger
Chief Financial Officer



Dr. Stefan Ortmanns
Executive Vice President



Prateek Kathpal
Chief Technology Officer



Dr. Udo Haiber
Senior Vice President, R&D



Egon Jungheim
Senior Vice President,
Global Automotive Sales



Sachin Sahney
Chief HR Officer



Charles Kuai
Senior Vice President,
Greater China Region



Leanne Fitzgerald
General Counsel



Richard Mack
Chief Marketing Officer



Bridget Collins
Chief Information Officer

Board of Directors



Arun Sarin
Chairman
Former Vodafone CEO



Tom Beaudoin
EVP, Transformation,
Nuance



Marianne Budnik
CMO, CyberArk



Sanjay Dhawan
CEO Cerence



Sanjay Jha
Former Motorola
Mobility CEO



Kristi Ann Matus
Former athenahealth
CFO



Alfred Nietzel
Former CDK Global CFO



The Culture We're Building

Agile, Innovative, Visionary



**Customer &
Employee Focus**



**Transparency,
Trust, Respect**



**Speed of
Innovation**



**Measure
What Matters**



**Blitz
Scaling**



**Performance
Driven**



Off to a *Fast Start*

- Successfully executed spin off from Nuance
- Delivered excellent performance in fiscal Q1
- Expanded product portfolio with new innovations
- Established new partnerships with industry leaders
- Energized a global workforce

Major Trends Propelling Cerence and the Market



Vehicle Intelligence

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



Virtual Assistants

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



Distracted Driving

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



Shared Mobility

- Ridesharing and vehicle sharing
- Time to engage apps and services
- Consistent, personalized experience



Autonomous Driving

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



Electric Vehicles

- Digitization of the vehicle
- New dashboard concepts, modalities and screens
- Information, nav, charging needs

The Time is *Now*

Consumer demand and adoption is on the rise



50% of car owners have used a voice assistant in vehicle



58% of voice assistant users expect to increase their use in the next 12 months



62% of car buyers say a voice assistant is a consideration for purchasing a new car

Strong Foundation Fuels Long-Term Growth



Innovation

Our solutions defining the future of mobility.



Experience

More than two decades of proven outcomes for our customers.



People

Industry experts bringing experiences to life.



Specialists

Over 325m cars on the road worldwide with Cerence technology.



Integration

Anything built, brought or beamed into a car.



Scale

We can go where our clients are. Everywhere.



Delivering Growth for a World in Motion



Launch new products

to increase content and revenue per vehicle



Drive new opportunities

independent of car model years



Improve efficiencies

across operations and business

Launch new products

to increase content
and revenue per vehicle



- Drive innovation in our core
- Expand portfolio with new products
- Work to double revenue per vehicle

Drive new opportunities

independent of car model years



- Increase use of SaaS revenue models
- Package experience and knowledge in new service offerings
- Pursue new after sale and adjacent market opportunities

Improve efficiencies

across operations and business



- Invest to speed time to market
- Deploy engineering and services resources with greater utilization and cost
- Innovation drives revenue; target R&D investment at 25%



Cerence...Exciting Road Ahead

Sharp focus on growth

led by new products,
SaaS and efficiencies

Strong, accelerating technology

and competitive position

Commitment to financial excellence...

growth, margins, cash flows

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Cerence AI: Digital Soul of the Car

Dr. Stefan Ortmanns | EVP and GM, Core Products

Agenda

- Strong Fundamentals
- Go-to-Market Strategy
- Accelerating Growth in our 'Core' Business
- 'Core' Growth - Key Takeaways



Strong Fundamentals

FY2019 – A Record Year

129

SOPs
130% YoY

47.2 M

New Cars
4.3% YoY

3.5 M

Active Users
117% YoY

599 M

Transactions
116% YoY

Q1.FY2020 – FY20 Off to a Strong Start

39

SOPs
39% YoY

12.0 M

New Cars
2.2% YoY

5.0 M

Active Users
197% YoY

294 M

Transactions
189% YoY

amazon.com

SAMSUNG

Google

Tencent 腾讯

Alibaba.com

IBM

Baidu 百度



Microsoft



cerence™

At the Core of Mobility Assistant Market

INAGO

科大讯飞
IFLYTEK

云和声
Unisound

sensory

SoundHound

Co-Existence

High-touch OEM Model

Superior Technology

Interoperability &
Cognitive Arbitration

Brand & User Identity

Benchmark Results

Cerence Edge Superiority

Edge Capabilities

Significant Scale

Connected Cloud Expansion

Hybrid Approach

Strong Patent Portfolio

Global Scale

Rich Ecosystem

High-Touch Model Drive Loyalty and Growth

- High-touch OEM solutions, unique to customers and their brands
- OEM maintains control of data
- Tight integration into vehicles; future platform pull-through and global language support
- Cognitive arbitration supports multiple voice assistants through an OEM-branded interface
- Increase value per vehicle through future collaborative innovation model

All Major OEMs Worldwide



Cerence Hybrid AI...Sets Us Apart

OEM
Digital Assistant
Experience

OEM-branded

Application
Experience

Cerence Drive User Experience
Multi-modal / VUI / GUI / ARK

Domains

All in One Menu Arbitration

Cerence Drive Domains OEM Domains Cerence Studio Partner Ecosystem

Cognitive Arbitrator

Platforms

Cerence Mobility Platform
Automotive Edge (CDFW) & Cerence Cloud Services | SDK & self-service tools

Hybrid AI
Technologies
(Edge & Cloud)

Input AI
ASR, NLU, Text

Output AI
TTS, NLG

Conversational AI
Dialog, Reasoning

Audio AI
SSE, EVD, ICC

Other AI
Services
Gaze, Gesture,
Voice Bio,
Emotional AI

DATA BROKERAGE

Unleashed...Accelerating Growth throughout Cerence

1

Leverage strong market leadership and secular market trends

2

Lead the industry with disruptive AI innovations

3

Enable rapid AI development and do-it-yourself offerings

4

Accelerate growth through new partnerships and strong tier-1 supplier network

5

Drive growth by operational excellence



Core & Expansion



Digital Vehicles



Open Hybrid Platform



Multi+ Solutions



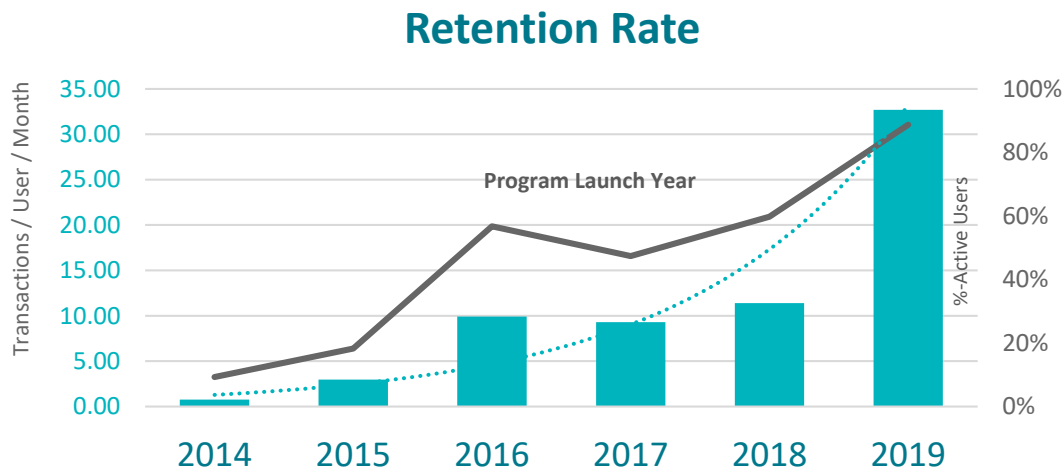
(Regulatory) Innovations



Cerence ARK

1

Land and Expand...Driving Momentum

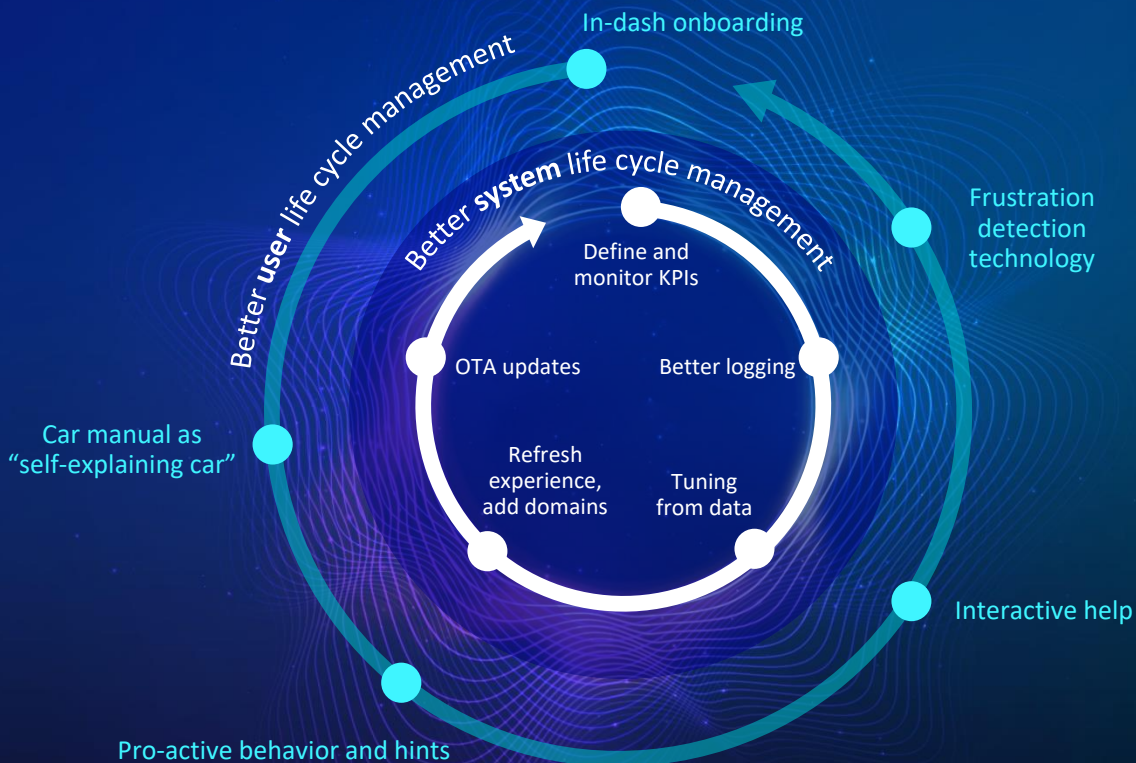


- Strong demand for hybrid, designed-in solutions (75% YoY growth)
- Drive adoption through high quality E2E integration
- Upsell latest technology, add-ons and new solutions
- Expand in key automotive markets (India)
- Expand our domain coverage to include relevant and innovative use cases; e.g. interactive traffic and EV ownership
- Leverage solutions across adjacent segments (mobility services, motorcycles, cruise ships etc.)

Lead with Disruptive AI Solutions

- Multi-sensor, multi-modal, multi-seat, multi-assistant solutions
- Cognitive Arbitration Initiative with *Just Talk* capabilities
- Regulatory innovation; emergency vehicle detection with localization
- Conversational speech augmented with emotional AI
- Accelerate SaaS revenue by introducing and supporting the whole *Car Life* cycle

Spotlight: Own the Customer Journey



Car Life

AI-powered, voice-enabled SaaS product suite to support the entire car ownership life cycle.

- Covers pre-boarding, on-boarding (*discovery*), and beyond (*cultivation*)
- Interacts proactively with driver and passenger

Objective

- Accelerate driver adoption, use and frequency of Cerence applications to improve value for and loyalty of OEM customers
- Expand OEM-centric cloud solutions, grow ARR

Breaking Speed Limits on Time to Market

- New open, extensible cloud platform
- One conversational AI software stack for Edge and Cloud
- OEM platform agnostic
- Customer and partner expansion through Cerence Studio with powerful DIY tools for hybrid domain creation
- Accelerated deployment cycles through pre-packaged solutions, e.g. Cerence Ark

2x

Faster time-to-market

25+

Edge platforms supported

50%

Reduced optimization time & costs

3

Acceleration with New Partners and Powerful Tier-1 Network

Expand strong tier supplier network



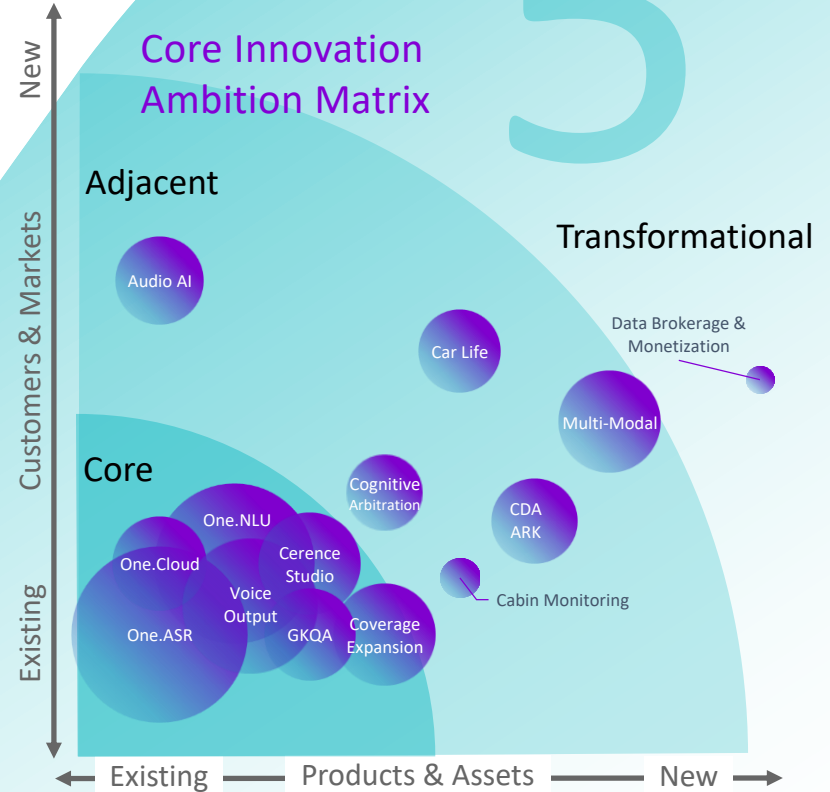
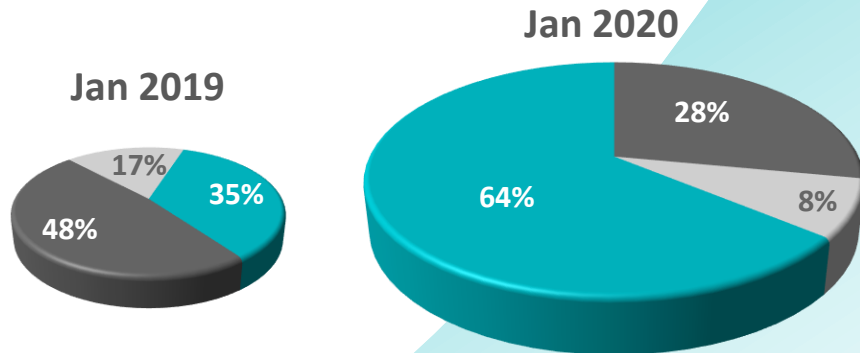
Grow by new partnerships



Driving Operational Excellence

- Transforming R&D: From research focus to a product/solution and revenue orientation
- R&D investment increased as part of sales
- Execute on scalability and cost efficiencies
- Allocating investments into adjacent and transformational market opportunities

Investment Toward Growth Opportunities



Our Core, Key Takeaways

OEM Brand | OEM Data

- Data is controlled by OEM and users
- Deployments of solution controlled by OEM

Core Strategy

- End-to-end hybrid platform solution
- Broad offline support with vehicle-specific data, domains and OTA capabilities
- Cognitive arbitration for multi-agent offerings
- Global coverage, deep partnerships and collaborative approach
- Growth, growth, growth



Cerence Greater China: Leadership in World's Largest Automotive Market

Charles Kuai | SVP and President Greater China

A Strong Foundation for Continued Growth in Asia



Purchase of
Moto asset

Cloud Speech

NLU



ROEWE RX5



BMW
3/5/7 Series



MBUX



EMUI



MIUI



GEELY
GKUI

Automotive
Assistant

Cognitive
Arbitration

Next Gen
Artificial
Intelligence

Nomadic
Computing
Environment

Autonomous
Car Assistant

2009

2010

2012

2013

2014

2015

2016

2017

2018

2019

2020

Nuance went
direct in China

One China strategy

Going global
from China

160+

Patents
in China

50+

Types of
Technologies

100+

Chinese
Voice AI Project
Accumulated

1000+

Chinese Cloud
AI Expressions

50+

Auto OEM and IoT
Customers

Incubator: Mobility Solutions and IoT Technologies



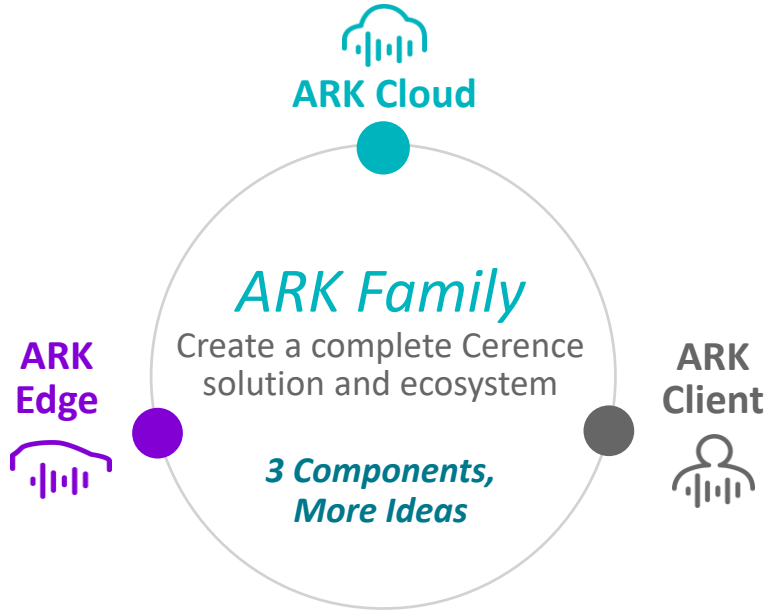
Product extends to whole car lifecycle



New business model



With Cerence voice technology



24M Units



Mercedes-Benz



HONDA



上汽集团
SAIC MOTOR

Cerence ARK:

Comprehensive AI-Powered Infotainment Software Stack



Great flexibility for combining solutions of ARK products into an ecosystem

ARK Edge



ARK Client



ARK Cloud

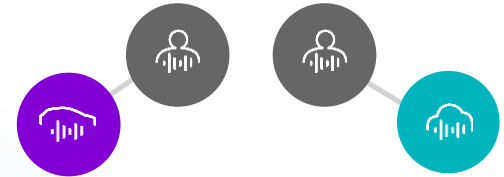


Standalone

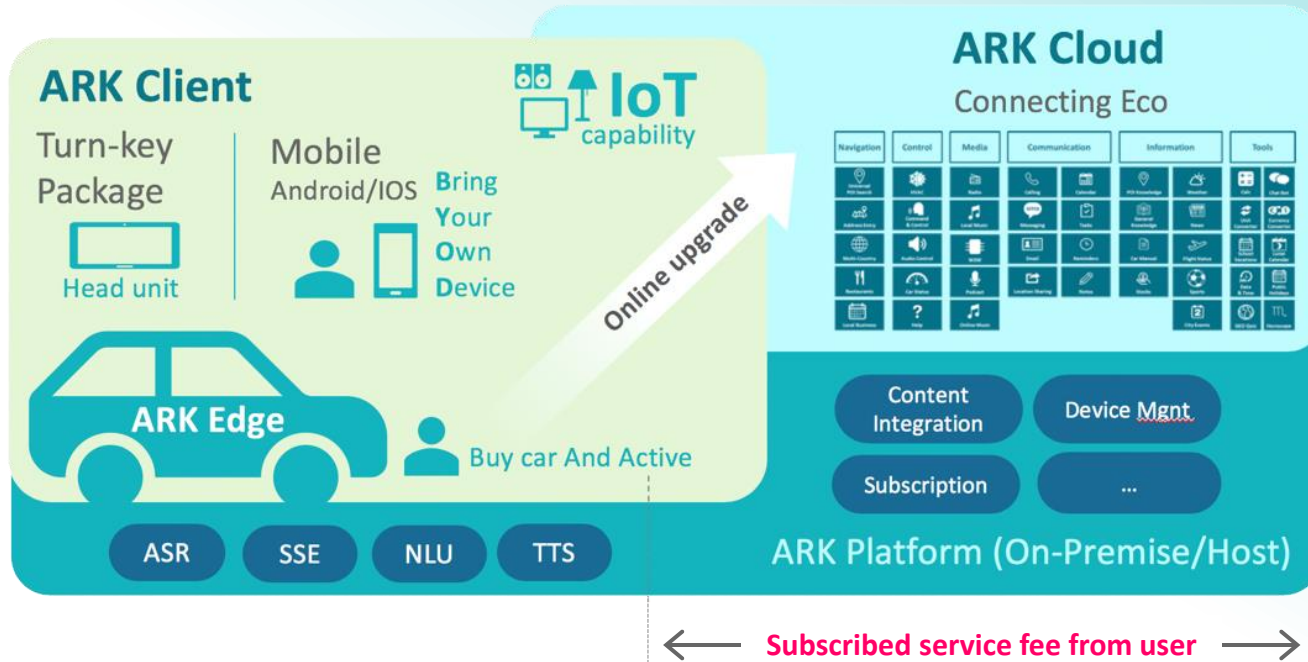
Each component serve solely for purpose

LEGOize it

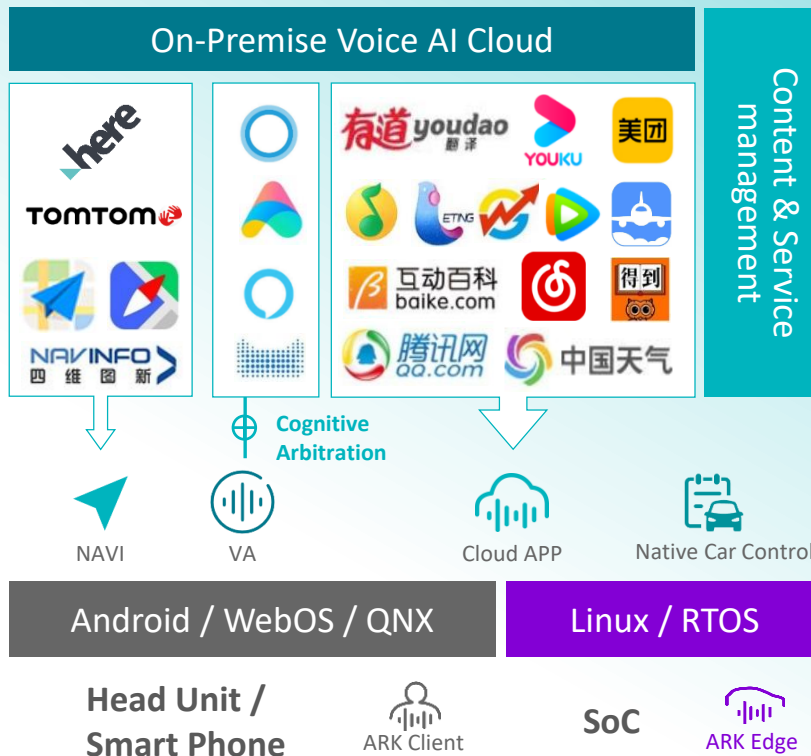
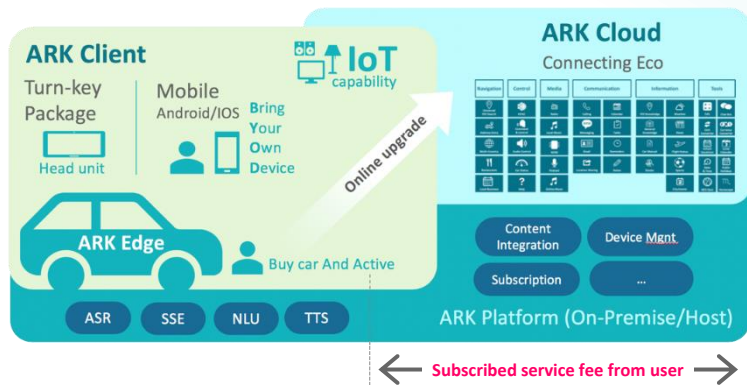
ARK family components can be freely combined...different combinations, different solutions



ARK: Flexible and Customizable OEM Friendly Solutions



ARK: Flexible and Customizable OEM Friendly Solutions



Innovation Offers New Revenue Possibilities

My car, My voice



**Highly-Desired
Feature**



**User Experience
Improvement**



**Better
Interaction**

Take advantage of modern neural network techniques

Recent Cerence advancements in Cloud, neural network algorithms and techniques make voice cloning possible for commercial deployments.

Voice Clone

More possibilities

Personalized cabin EX



My message...
my voice



Read books
with my voice



My 3D Animoji...
my voice

More entertaining

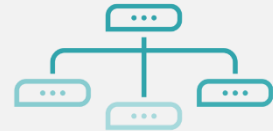


Transform my voice



Celebrities' voice

Further...



Voice genealogy

Strong Position in Chinese Market



Technology partner to global car makers

- One-stop technology solution globally
- Rapid, localized development to meet market needs



Independent technology provider to Chinese auto makers

- Brings global AI R&D and innovation
- Language and experience coverage accelerates growth in Chinese auto makers' exports
- Local, friendly company with full infrastructure to transact in China and meet demand for speed



Designed into leading Chinese IoT manufacturers

- Well positioned in Voice AI within leading Chinese brands for domestic and global expansion

Strategic Partnerships with Top OEMs in China

Cooperation with Banma since 2016

Won Banma V3 platform.

Strategic win from Alibaba; enhanced Cerence's strong position within SAIC Motors

Won SAIC overseas multi-language projects.

Strategic win paves path as the lead partner for SAIC export market

Close Cooperation with ECarX Since 2018

Won Geely's 2018 E01 future platform.

Strategic win against iFlytek, paving path as lead voice AI supplier to Geely

Won Proton, launching all of Geely's digital connected cars in Southeast Asia.

Won CEVT program against Google and Soundhound.

Paving path for Cerence to provide Voice AI for Lynk & Co brand globally



Founded in 2015

- Major shareholders are SAIC and Alibaba
- Biggest auto market share group in China
- 25% of entire China auto market

DOMESTIC BRANDS



GLOBAL BRANDS



ECARX



BRANDS



PROTON

LYNK & CO



VOLVO



smart

Founded in 2016

- 100% owned and operated by Geely Group
- Largest and fastest growing domestic automaker



Partnering with SAIC
to disrupt India's auto market

Adjacent Segments Provide Growth Opportunities



For global markets...



For North American Enterprise markets...



200M cars
under insurance

2.2M rental cars



15M trucks



0.4M school buses

Today

Voice Technology

New Car

Revenue Linked to per Car

China Market

Moving Forward

▶ Voice + AIoT Technology

▶ Expand in New; Existing Cars

▶ Revenue Linked to SaaS

▶ China; China for Out of China



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Innovation@ Formula One Speed

Prateek Kathpal | Chief Technology Officer

Agenda

- A New Approach to R&D
- Technology Differentiation
- Invention Priorities to Drive Growth



Cerence Engine

800+

R&D Engineers

Engineering & Research Team

750+

Professional Services

Connected Experience & Delivery Team

20+ years

Automobile Industry Experience

Pioneer in Conversation and Natural
Language AI

1250

Patents

Continuous
Innovation

AI and Deep Learning Power the Cerence Platform



Edge (In-Car) Products



Cloud (Connected) Services

Predictive Text	Natural Language Understanding	Automatic Speech Recognition	Text to Speech	Automatic Speech Recognition	Text to Speech	Voice Biometrics	
Handwriting Recognition	Speech Signal Enhancement	Cloud Connector	Voice Biometrics	Natural Language Generation	3 rd Party Content	Custom Natural Language Understanding	Companion App

Hybrid

Connected Experience

Developer Toolkits

Applications

Analytics

Platform Differentiation Creates Competitive Moat



Cerence...Driving the Cloud Conversation

2M+

New Users Each Month

1500+

Transactions Per Minute

100M+

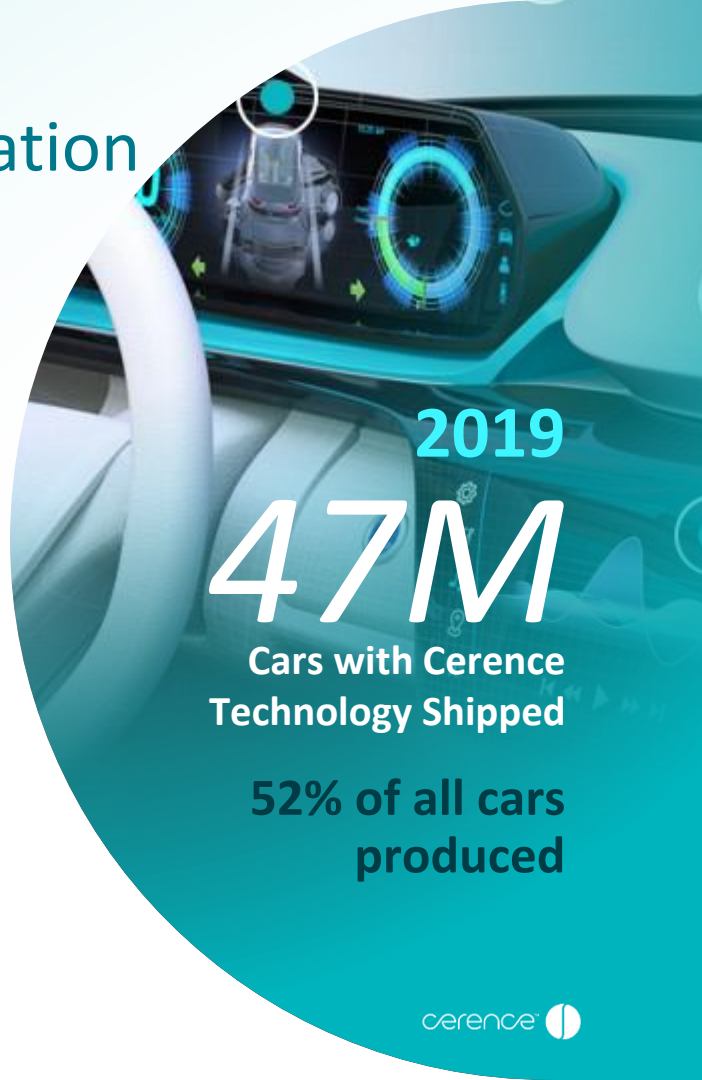
Monthly Cloud Transactions

2.5s

Avg. Transaction Length

65M+

Monthly Speech Transactions



2019

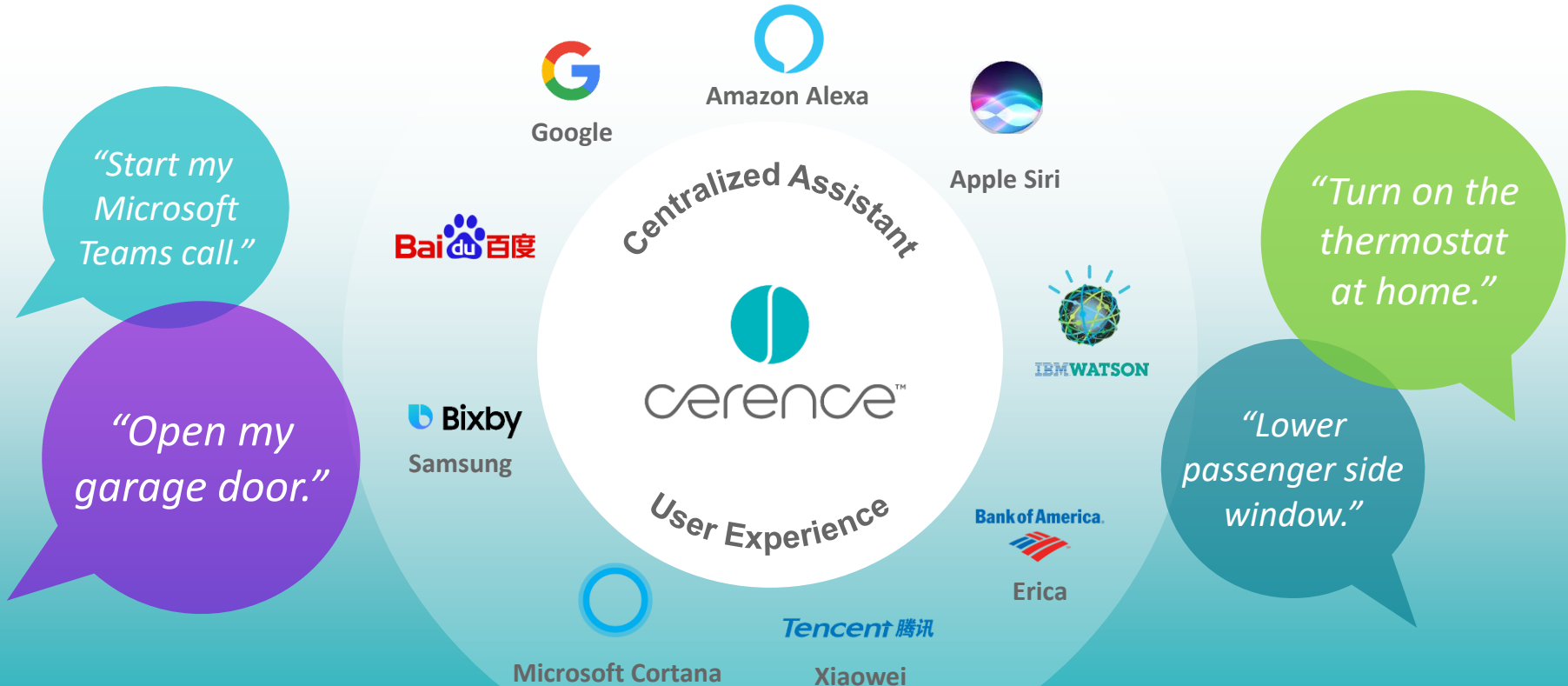
47M

**Cars with Cerence
Technology Shipped**

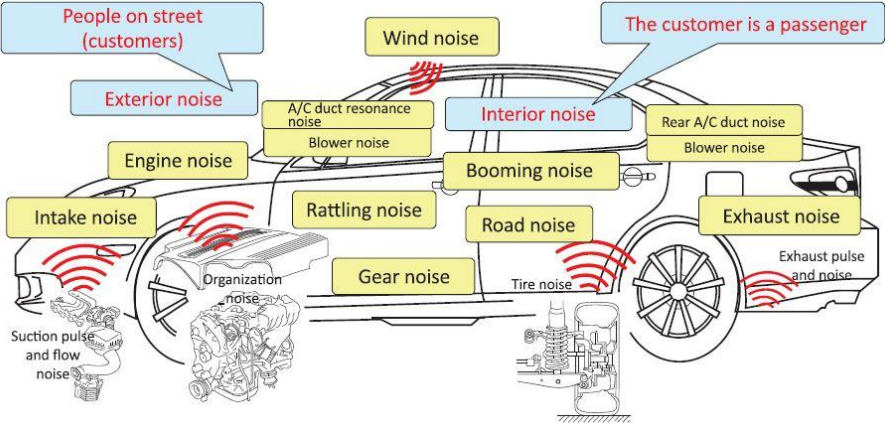
**52% of all cars
produced**

Extend Your Entire Digital Life to the Car

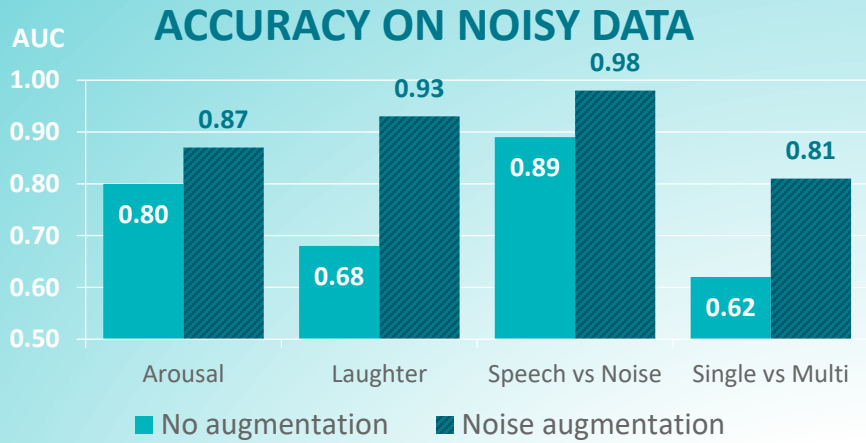
Cognitive Arbitration - Extending the Automotive/Virtual Assistants



Cerence...Solving for the Unique Car Environment



Error rate in an automotive environment
reduced by up to 82%

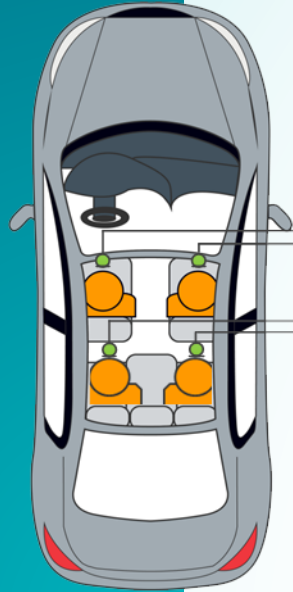


Our approach

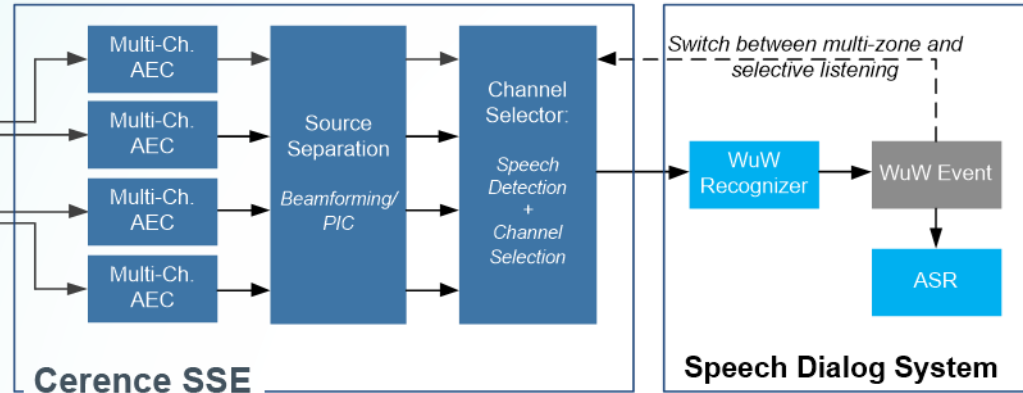
- Speech Signal Enhancement (SSE) removes noise from microphone input
- Suppression of stationary and non-stationary noises
- Natural samples collected in-car & synthetic samples with real time augmentation of in-car noise improves the signal further.

Cerence...Considering More than Just the Driver

- Ability to invoke the Voice Assistant effortlessly from any seat in the vehicle
- Mute/Unmute users on different seats during a conference call



● Generic microphone system, single microphone or microphone array



Cerence... Laying the Innovation Roadmap

People communicate through multiple modalities



55%

Facial expressions
and gestures



38%

How the words are said



7%

The actual words

Cerence's Multimodal Emotional AI technology



Face

7 emotions,
indicators of attention,
drowsiness, distraction,
positive / negative,
20+ facial expressions
and demographics



Multi-modal

Developing early and late fusion
of modalities for deeper
understanding of complex states
Expanding beyond face and voice



Voice

Arousal, laughter,
anger, gender

Source: *Journal of Consulting Psychology*.

Cerence...Creating Safer Journey by Understanding You



DISTRACTION

ANGER

MOUTH OPEN

EYE CLOSURE

JOY

Adjust the Voice Assistant to Emotional State of Driver



Technology to detect emotions/cognitive states (anger/drowsiness)



Combined with our assistant's dialog behavior – better than just displaying a coffee cup

Cerence...Blending the Best of Inside and Outside the Car

Bringing Gaze, Voice & Gestures together

Cerence Edge
Head Unit



- Car Sensors
- GPS
- Camera (eye/head)
- Gesture Recognition
- Microphone

“What is that restaurant?”

*User looking/
pointing*



*Making outside interactions
easier and intuitive*

Expand to Adjacent Markets



CRUISE SHIPS

What is today's itinerary?
What shows are on ship today?
Did I close my garage door at home?

MOTORCYCLES

Where is nearest gas station?
Turn on lights in living room.
Play my favorite song.

PERSONAL CARS, MOBILITY & RIDE SHARING

Lower the windows. | Turn on lights in living room. | Play my favorite song.

Expanding the TAM for Professional Services

Concept/
Idea Generation

SW Design &
Development

Cloud Ops
Management

Verification &
Validation

Testing &
Support



Innovation Priorities

Penetrate with New Offerings

- + One NLU & One Cloud
- + DIY products
- + Developer ecosystem

Revenue Per Car

- + State-of-the-art solutions such as Life-Cycle-Management, Cognitive Arbitration, ARK etc.
- + Emotional AI
- + Voice Biometrics

Increase Market Share

- + Build on Data Analytics
- + Multi Modality
- + UX & Validation Services
- + Telematics & Connectivity

Delivering Revenue and Margin Growth

Mark Gallenberger | Chief Financial Officer

Attractive Financial Characteristics



Strong Growth Trajectory

- Expanding revenue base with innovative new offerings
- Broad base of industry-leading customers



Excellent Revenue Visibility

- ~\$1.4 billion backlog, with ~50% to be recognized in next three years¹
- Long-term customer contracts and designed-in technology provide strong revenue visibility
- High switching costs and strong customer relationships create highly defensible competitive “moat”



High Profitability

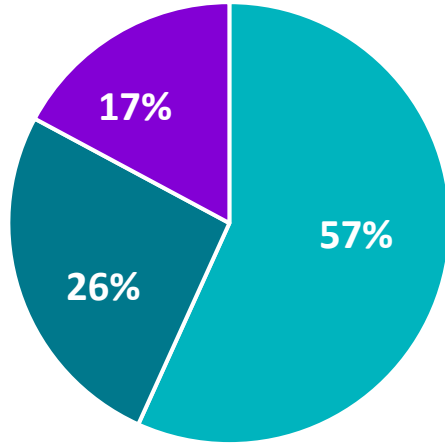
- High margin business drives strong operating leverage
- \$91M-\$98M adjusted EBITDA expected for FY20

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

Multiple Revenue Streams

FY19 Revenue Mix

■ License ■ Connected ■ Professional Services



■ Deferred Revenue

■ Revenue

License Revenue

Revenue recognized on unit shipment or on prepayments



Connected Revenue

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



Professional Services Revenue

Revenue recognized on percentage of completion



Note: Diagrams are illustrative

First Quarter as Cerence Met or Exceeded Guidance

Q1 FY20

\$ in millions except per share data

	Guidance	Actual
GAAP Revenue	\$77M - \$79M	\$77.5M
Non-GAAP GM %*	70% - 71%	71%
Non-GAAP Operating Margin%*	21% - 23%	25%
Adjusted EBITDA*	\$19M - \$21M	\$21.8M
CFFO	N/A	\$9.5M
FCF	N/A	\$5.8M
Non-GAAP EPS*	N/A	\$0.29

*Non-GAAP excludes acquisition-related costs, amortization of acquired intangible assets, restructuring expense, and stock-based compensation.

Expect 15% Y-Y Growth - Q2 FY20 Guidance

11% First Half Y-Y growth

Q2 FY20

\$ in millions except per share data

	Low	High
GAAP Revenue	\$80M	\$82M
Non-GAAP GM %*	71%	72%
Non-GAAP Operating Margin%*	24%	26%
Adjusted EBITDA*	\$22M	\$24M
Non-GAAP EPS*	\$0.27	\$0.31

*Non-GAAP excludes acquisition-related costs, amortization of acquired intangible assets, restructuring expense, and stock-based compensation.

FY20: Raise Profitability and Reaffirm Revenue Guidance

<i>\$ in millions except per share data</i>	December Guidance		Updated Guidance	
	Low	High	Low	High
GAAP Revenue	\$321M	\$336M	\$321M	\$336M
Non-GAAP GM %*	69%	71%	70%	71%
Non-GAAP Operating Margin%*	23%	24%	24%	25%
Adjusted EBITDA*	\$89M	\$96M	\$91M	\$98M
CFFO	\$42M	\$50M	\$43M	\$51M
Non-GAAP EPS*	N/A	N/A	\$1.07	\$1.21

*Non-GAAP excludes acquisition-related costs, amortization of acquired intangible assets, restructuring expense, and stock-based compensation.

FY20 Cash Forecast: Positive CFFO and FCF

\$ 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	\$43M	\$51M
Less: Capital expenditures – stand-up related	(\$20M)	(\$20M)
Less: Capital expenditures – normal operating	(\$15M)	(\$15M)
FY20 Free Cash Flow (FCF)	\$8M	\$16M
Less: Mandatory debt repayments	(\$7M)	(\$7M)
9/30/20 Forecast Ending Cash & Marketable Securities	\$111M	\$119M

FINANCIAL OBJECTIVES TO DRIVE SHAREHOLDER VALUE



Revenue
Growth



Operational
Excellence



Capital Allocation
Priorities



Three Pillars for Growth

1 Increasing Penetration & Adoption is a Secular Tailwind

1

- + Edge penetration increasing from 59% in 2018 to **85% by 2023***
- + Connected car increasing from 12% in 2018 to **50% by 2023***
- + Drive adoption through high quality E2E integration

* Source: Management estimates

2 Expand Revenue per Vehicle

2

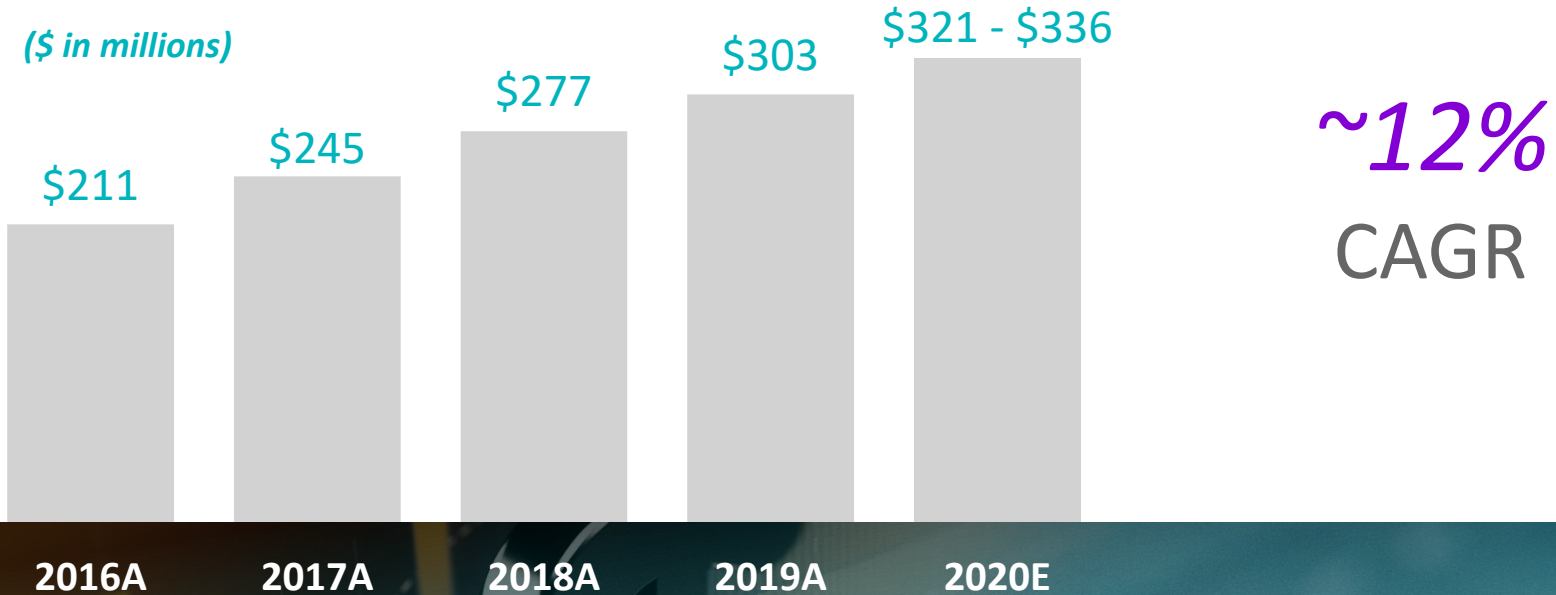
- + Upsell latest technology, add-ons and new solutions (e.g. EVD, voice biometrics, voice cloning)
- + Growing complexity of edge solutions and increased focus on multi-modality
- + Increasing demand for hybrid (Edge + Connected), designed-in solutions

3 Launch New Products & Accelerate Growth in Emerging Markets

3

- + Expand presence in key automotive markets (China and India)
- + Accelerate SaaS revenue by introducing and supporting the whole Car Life cycle
- + Faster deployment cycles through pre-packaged solutions (e.g. Cerence Ark)

Secular Trends Drive Consistent Revenue Growth





Company-wide focus on

Operational Excellence

Transform R&D

- + Product and solution-centric
- + Establish Global Development Center in Pune, India

Improve Professional Services Delivery Model

- + Faster deployment cycles through pre-packaged solutions
- + Build technical centers in lower cost regions

Introduce One Cloud Architecture

- + Move away from a single monolithic structure to a flexible, modular design
- + Reduce TTM by factor of 2x
- + Reduce hosting costs and improve connected margins



Capital *Allocation Priorities*

Fund Organic Growth and Investments

- + Product innovations
- + Expand into lower cost regions
- + Invest in One Cloud Platform

Strategic Investments

- + Product expansion
- + Fund potential M&A opportunities

Refinance and Pay Down Debt

- + High interest expense today
- + Refinance and save >\$5M per year
- + Use excess cash to accelerate pay down of debt

Target Model: Mid-Term Horizon

	FY2019	FY2020	FY 2024		
<i>\$ in millions</i>	Actual	Guidance (mid-point)	Target	5-Year CAGR	Key Drivers
Total Revenue	\$303M	\$329M	\$600M	15%	
License Revenue	\$172M		\$300M	12%	Increasing EDGE penetration and ASP growth
Connected Revenue	\$79M		\$140M	12%	Increasing Connected vehicle penetration and ASP growth
Professional Services Revenue	\$52M		\$85M	10%	Win rate and growing pipeline of new design wins
SaaS / ARR Revenue			\$75M		New products – Car Life, Cabin monitoring, Voice clone, Data brokerage/monetization, etc.
Non-GAAP GM %*	71%	70.5%	75%		License margin: ~98% Connected margin: ~65% Pro Service margin: ~10% SaaS margin: ~75%
Non-GAAP OM %*	29%	24.5%	33%		Improvement primarily driven by gross margin expansion and R&D efficiencies
Adjusted EBITDA*	31% \$95M	29% \$95M	35% \$210M	17%	
CFFO	\$88M	\$47M	\$210M	19%	Pay-off debt and new connected billings replace legacy cashflow



Let's talk.

Appendix

Non-GAAP Financial Measures – Definitions

Non-GAAP revenue

We consider the use of non-GAAP revenue helpful in understanding the performance of our business, as it excludes the purchase accounting impact on acquired deferred revenue and other acquisition-related adjustments to revenue. We provide supplementary non-GAAP financial measures of revenue that include revenue that we would have recognized but for the purchase accounting treatment of acquisition transactions. Non-GAAP revenue also includes revenue that we would have recognized had we not acquired intellectual property and other assets from the same customer. Because GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. These non-GAAP adjustments are intended to reflect the full amount of such revenue. We include non-GAAP revenue to allow for more complete comparisons to the financial results of historical operations, forward-looking guidance and the financial results of peer companies. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business because, although we cannot be certain that customers will renew their contracts, we have historically experienced high renewal rates on maintenance and support agreements and other customer contracts. Additionally, although acquisition-related revenue adjustments are non-recurring with respect to past acquisitions, we generally will incur these adjustments in connection with any future acquisitions. 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)	Twelve Months Ended	
	September 30,	
	(ASC 606)	
	2019	
GAAP revenue	\$	303,315
GAAP gross profit	\$	203,972
Stock-based compensation		1,896
Amortization of intangible assets		8,498
Acquisition-related revenue adjustments		-
Non-GAAP gross profit	\$	214,366
GAAP gross margin		67.2%
Non-GAAP gross margin		70.7%
GAAP operating income	\$	10,852
Acquisition-related revenue adjustments		-
Amortization of intangible assets		21,022
Stock-based compensation		29,682
Restructuring and other costs, net		24,404
Acquisition-related costs		944
Non-GAAP operating income	\$	86,904
GAAP operating margin		3.6%
Non-GAAP operating margin		28.7%
Non-GAAP operating income (from above)		86,904
Depreciation		7,822
Adjusted EBITDA	\$	94,726

Q1FY20 GAAP Results Reconciliation

(unaudited - in thousands, except per share data)

	Three Months Ended December 31,	
	2019	2018
GAAP revenue	\$ 77,459	\$ 72,484
GAAP gross profit	\$ 51,525	\$ 48,277
Stock-based compensation	1,223	380
Amortization of intangible assets	2,087	2,175
Non-GAAP gross profit	\$ 54,835	\$ 50,832
GAAP gross margin	66.5%	66.6%
Non-GAAP gross margin	70.8%	70.1%
GAAP operating (loss) income	(2,097)	2,809
Amortization of intangible assets	5,218	5,307
Stock-based compensation	8,969	6,574
Restructuring and other costs, net	7,554	3,127
Acquisition-related costs	-	235
Non-GAAP operating income	\$ 19,644	\$ 18,052
GAAP operating margin	-2.7%	3.9%
Non-GAAP operating margin	25.4%	24.9%
GAAP net (loss) income	\$ (11,762)	\$ 2,255
Total other income (expense), net	(6,663)	(16)
Provision for income taxes	3,002	538
Depreciation	2,141	2,037
Amortization of intangible assets	5,218	5,307
Stock-based compensation	8,969	6,574
Restructuring and other costs, net	7,554	3,127
Acquisition-related costs	-	235
Adjusted EBITDA	\$ 21,785	\$ 20,089

(unaudited - in thousands, except per share data)

	Three Months Ended December 31,	
	2019	2018
GAAP net (loss) income	\$ (11,762)	\$ 2,255
Amortization of intangible assets	5,218	5,307
Stock-based compensation	8,969	6,574
Restructuring and other costs, net	7,554	3,127
Acquisition-related costs	-	235
Non-cash interest expense	1,332	-
Income tax impact of Non-GAAP adjustments	(976)	(4,041)
Non-GAAP net income	\$ 10,335	\$ 13,457
Weighted-average common shares outstanding - diluted	35,995	36,391
GAAP net (loss) income per share - diluted	\$ (0.33)	\$ 0.06
Non-GAAP net income per share - diluted	\$ 0.29	\$ 0.37
GAAP net cash provided by operating activities	\$ 9,456	\$ 16,700
Capital expenditures	(3,612)	(498)
Free Cash Flow	\$ 5,844	\$ 16,202

Q2FY20 and FY20 GAAP Guidance Reconciliation

(\$ in thousands except per share data)

	Q2 2020		FY2020	
	Low	High	Low	High
GAAP revenue	\$ 80,000	\$ 82,000	\$ 321,000	\$ 336,000
GAAP gross profit	\$ 53,600	\$ 55,600	\$ 212,400	\$ 226,260
Stock-based compensation	1,000	1,000	4,000	4,000
Amortization of intangible assets	2,200	2,200	8,300	8,300
Non-GAAP gross profit	\$ 56,800	\$ 58,800	\$ 224,700	\$ 238,560
GAAP gross margin	67%	68%	66%	67%
Non-GAAP gross margin	71%	72%	70%	71%
GAAP operating income	\$ 1,800	\$ 3,800	\$ 4,226	\$ 11,086
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	2,500	2,500	11,500	11,500
Acquisition-related costs	-	-	-	-
Non-GAAP operating income	\$ 19,300	\$ 21,300	\$ 75,726	\$ 82,586
GAAP operating margin	2%	5%	1%	3%
Non-GAAP operating margin	24%	26%	24%	25%
GAAP net (loss) income	\$ (6,600)	\$ (4,600)	\$ (22,500)	\$ (15,400)
Total other income (expense), net	(6,700)	(6,700)	(26,700)	(26,700)
Provision for income taxes	1,700	1,700	300	300
Depreciation	2,700	2,700	15,000	15,000
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	2,500	2,500	11,500	11,500
Acquisition-related costs	-	-	-	-
Adjusted EBITDA	\$ 22,000	\$ 24,000	\$ 91,000	\$ 98,100

(\$ in thousands except per share data)

	Q2 2020		FY2020	
	Low	High	Low	High
GAAP net (loss) income	\$ (6,600)	\$ (4,600)	\$ (22,500)	\$ (15,400)
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	2,500	2,500	11,500	11,500
Acquisition-related costs	-	-	-	-
Non-cash interest expense	1,300	1,300	5,300	5,300
Income tax impact of Non-GAAP adjustments	(2,500)	(3,000)	(15,300)	(17,400)
Non-GAAP net income	\$ 9,700	\$ 11,200	\$ 39,000	\$ 44,000
Weighted-average common shares outstanding - diluted	36,400	36,400	36,400	36,400
GAAP net (loss) income per share - diluted	\$ (0.18)	\$ (0.13)	\$ (0.62)	\$ (0.42)
Non-GAAP net income per share - diluted	\$ 0.27	\$ 0.31	\$ 1.07	\$ 1.21



Let's talk.



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