Cerence

Investor Presentation

March, 2020

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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.

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

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

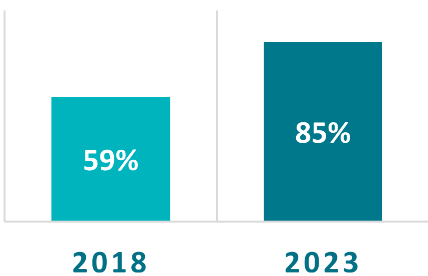
65+
Global automotive customers and partners

Increasing Market Penetration Drives Growth

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

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

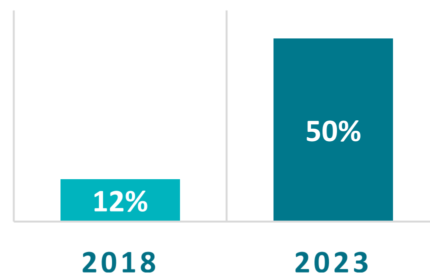
% of Global Vehicles with Edge AI Products[1]



Increasing Market Penetration of Cloud (Connected) Services

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

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



(1) Source: Management estimates

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BIG TECH

TIER-1

OEMs

CONTENT

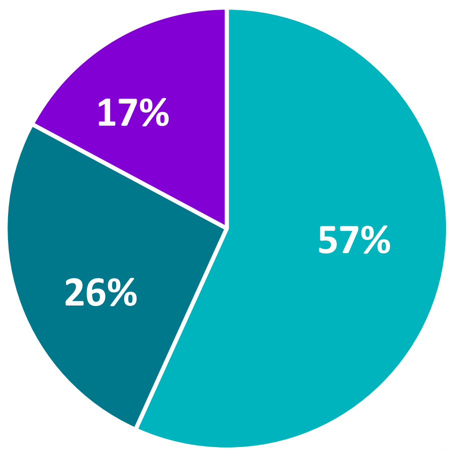
At the center of the universe with the most flexible, open and global provider of AI and voice-powered assistants for the automotive industry.

Cerence Financials

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

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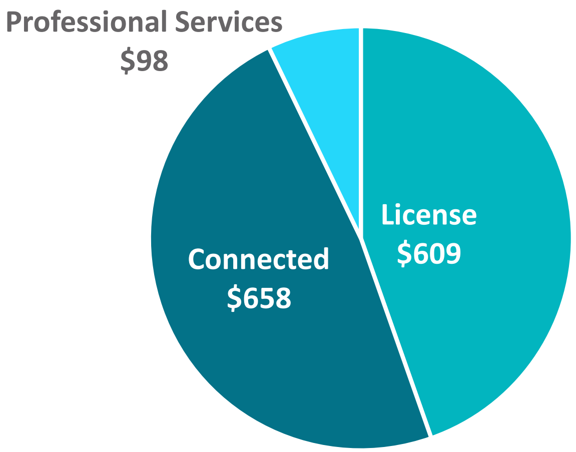
~$1.36 Billion Backlog Creates High Revenue Visibility

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

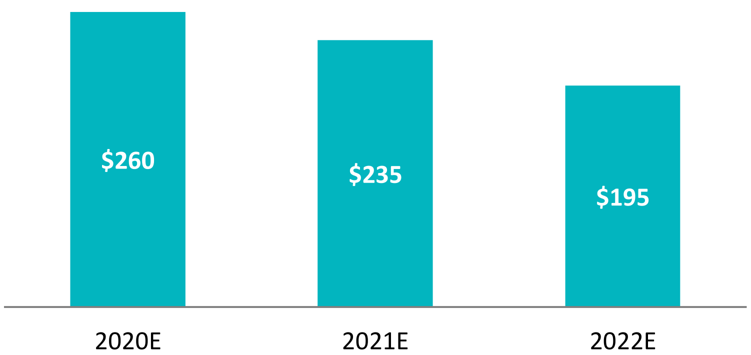
Backlog as of September 30, 2019 (approximately $1.36 billion+) [1]



($ in millions)

Estimated Revenue from Backlog

($ in millions)



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

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FY20: Raise Profitability and Reaffirm Revenue Guidance

$ in millions except per share data	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.

Three Pillars for Growth

1 Increasing Penetration & Adoption is a Secular Tailwind

+ 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

+ 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

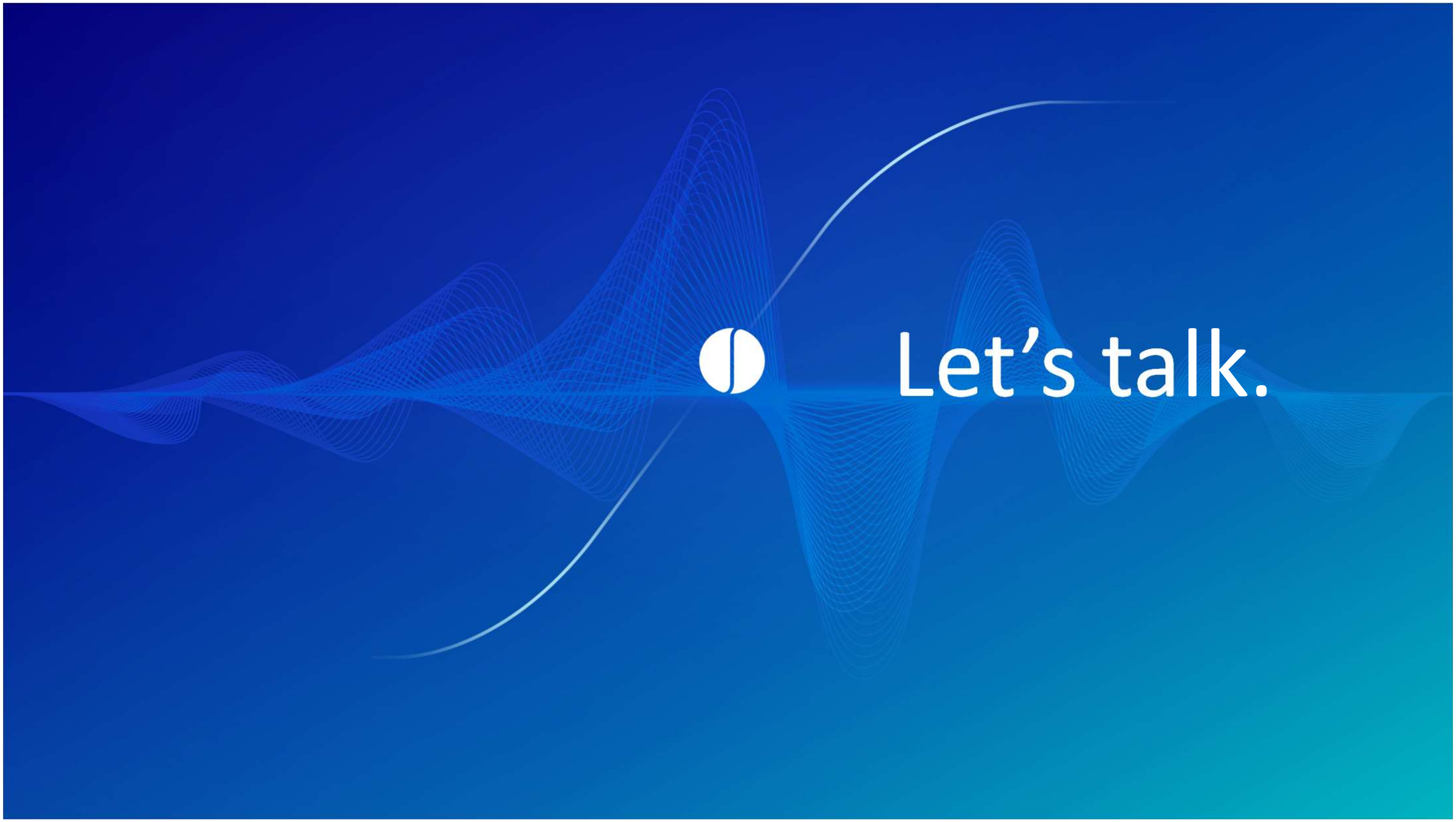
3 Launch New Products & Accelerate Growth in Emerging Markets

+ 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)

Target Model: Mid-Term Horizon

$ in millions	FY2019 Actual	FY2020 Guidance (mid-point)	FY 2024 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

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


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**

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