

Table I
Commvault Systems, Inc.
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,	
	2021	2020
Revenues:		
Software and products	\$ 82,162	\$ 76,554
Services	101,259	96,446
Total revenues	183,421	173,000
Cost of revenues:		
Software and products	2,306	5,847
Services	22,969	18,704
Total cost of revenues	25,275	24,551
Gross margin	158,146	148,449
Operating expenses:		
Sales and marketing	76,361	81,676
Research and development	36,135	31,142
General and administrative	26,429	21,559
Restructuring	1,446	2,324
Depreciation and amortization	2,281	5,065
Total operating expenses	142,652	141,766
Income from operations	15,494	6,683
Interest income	134	343
Income before income taxes	15,628	7,026
Income tax expense	1,731	4,743
Net income	\$ 13,897	\$ 2,283
Net income per common share:		
Basic	\$ 0.30	\$ 0.05
Diluted	\$ 0.29	\$ 0.05
Weighted average common shares outstanding:		
Basic	46,180	46,191
Diluted	48,167	46,503

Table II

Commvault Systems, Inc.
Consolidated Balance Sheets
(In thousands)
(Unaudited)

	June 30,	March 31,
	2021	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 359,149	\$ 397,237
Trade accounts receivable, net	158,862	188,126
Other current assets	23,868	22,237
Total current assets	541,879	607,600
Property and equipment, net	111,778	112,779
Operating lease assets	19,666	20,778
Deferred commissions cost	40,352	38,444
Goodwill	112,435	112,435
Other assets	13,278	12,137
Total assets	\$ 839,388	\$ 904,173
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 136	\$ 374
Accrued liabilities	87,141	112,148
Current portion of operating lease liabilities	7,263	7,469
Deferred revenue	252,743	253,211
Total current liabilities	347,283	373,202
Deferred revenue, less current portion	120,915	119,231
Deferred tax liabilities, net	762	761
Long-term operating lease liabilities	14,351	15,419
Other liabilities	1,539	1,526
Total stockholders' equity	354,538	394,034
Total liabilities and stockholders' equity	\$ 839,388	\$ 904,173

Table III
Commvault Systems, Inc.
**Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)**

	Three Months Ended June 30,	
	2021	2020
Cash flows from operating activities		
Net income	\$ 13,897	\$ 2,283
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,593	5,378
Noncash stock-based compensation	21,811	18,951
Amortization of deferred commissions cost	4,166	4,567
Impairment of operating lease assets	—	467
Changes in operating assets and liabilities:		
Trade accounts receivable, net	34,054	(11,384)
Operating lease assets and liabilities, net	(153)	(520)
Other current assets and Other assets	(7,594)	7,289
Deferred commissions cost	(5,941)	(5,646)
Accounts payable	(241)	(159)
Accrued liabilities	(26,067)	(7,699)
Deferred revenue	669	(543)
Other liabilities	17	2,301
Net cash provided by operating activities	37,211	15,285
Cash flows from investing activities		
Proceeds from maturity of short-term investments	—	32,800
Purchase of property and equipment, net	(1,442)	(1,643)
Net cash provided by (used in) investing activities	(1,442)	31,157
Cash flows from financing activities		
Repurchase of common stock	(90,048)	—
Proceeds from stock-based compensation plans	15,435	231
Net cash provided by (used in) financing activities	(74,613)	231
Effects of exchange rate — changes in cash	756	2,677
Net increase (decrease) in cash, cash equivalents and restricted cash	(38,088)	49,350
Cash, cash equivalents and restricted cash at beginning of period	397,237	296,082
Cash, cash equivalents and restricted cash at end of period	\$ 359,149	\$ 345,432

Table IV
Commvault Systems, Inc.
**Reconciliation of GAAP to Non-GAAP Financial Measures and Other Financial Information
(In thousands, except per share data)
(Unaudited)**

	Three Months Ended June 30,	
	2021	2020
Non-GAAP financial measures and reconciliation:		
GAAP income from operations	\$ 15,494	\$ 6,683
Noncash stock-based compensation (1)	21,689	18,894
FICA and payroll tax expense related to stock-based compensation (2)	963	332
Restructuring (3)	1,446	2,324
Hedvig deferred payments (4)	1,406	1,406
Amortization of intangible assets (5)	—	2,825
Non-GAAP income from operations	\$ 40,998	\$ 32,464
GAAP net income	\$ 13,897	\$ 2,283
Noncash stock-based compensation (1)	21,689	18,894
FICA and payroll tax expense related to stock-based compensation (2)	963	332
Restructuring (3)	1,446	2,324
Hedvig deferred payments (4)	1,406	1,406
Amortization of intangible assets (5)	—	2,825
Non-GAAP provision for income taxes adjustment (6)	(9,375)	(4,115)
Non-GAAP net income	\$ 30,026	\$ 23,949
Diluted weighted average shares outstanding	48,167	46,503
Non-GAAP diluted earnings per share	\$ 0.62	\$ 0.51

	Three Months Ended June 30,	
	2021	2020
Subscription software and products revenue	\$ 49,518	\$ 51,194
Perpetual software and products revenue	32,644	25,360
Total software and products revenue	\$ 82,162	\$ 76,554
Subscription as a % of total software and products revenue	60%	67%

	Three Months Ended June 30,	
	2021	2020
Subscription software and products revenue	\$ 49,518	\$ 51,194
Recurring support and services revenue	92,650	89,897
Total recurring revenue	\$ 142,168	\$ 141,091
Percentage of total revenues	78%	82%
Perpetual software and products revenue	\$ 32,644	\$ 25,360
Non-recurring services revenue	8,609	6,549
Total non-recurring revenue	\$ 41,253	\$ 31,909
Percentage of total revenues	22%	18%
Total Revenue (7)	\$ 183,421	\$ 173,000

	Measures at period ending (\$000s)		
	June 30, 2020	March 31, 2021	June 30, 2021
Annualized Recurring Revenue (8)	\$ 471,608	\$ 517,948	\$ 532,849

	Three Months Ended June 30, 2021			
	Americas	EMEA	APJ	Total
Software and Products Revenue	\$ 51,787	\$ 21,341	\$ 9,034	\$ 82,162
Customer Support Revenue	51,874	26,774	10,321	88,969
Other Services Revenue	7,310	3,428	1,552	12,290
Total Revenue	\$ 110,971	\$ 51,543	\$ 20,907	\$ 183,421

	Three Months Ended June 30, 2020			
	Americas	EMEA	APJ	Total
Software and Products Revenue	\$ 50,645	\$ 18,795	\$ 7,114	\$ 76,554
Customer Support Revenue	55,238	23,310	10,095	88,643
Other Services Revenue	4,113	2,555	1,135	7,803
Total Revenue	\$ 109,996	\$ 44,660	\$ 18,344	\$ 173,000

	Three Months Ended June 30, 2021	
	Sequential	Year Over Year
Non-GAAP software and products revenue reconciliation		
GAAP software and products revenue	\$ 82,162	\$ 82,162
Adjustment for currency impact	(275)	(3,080)
Non-GAAP software and products revenue on a constant currency basis (9)	\$ 81,887	\$ 79,082

	Three Months Ended June 30, 2021	
	Sequential	Year Over Year
Non-GAAP services revenue reconciliation		
GAAP services revenue	\$ 101,259	\$ 101,259
Adjustment for currency impact	(180)	(4,450)
Non-GAAP services revenue on a constant currency basis (9)	\$ 101,079	\$ 96,809

	Three Months Ended June 30, 2021	
	Sequential	Year Over Year
Non-GAAP total revenue reconciliation		
GAAP total revenues	\$ 183,421	\$ 183,421
Adjustment for currency impact	(455)	(7,530)
Non-GAAP total revenues on a constant currency basis (9)	\$ 182,966	\$ 175,891

Footnotes - Adjustments

- (1) Represents noncash stock-based compensation charges associated with restricted stock units granted and our Employee Stock Purchase Plan. Those amounts are represented as follows:

	Three Months Ended June 30,	
	2021	2020
Cost of services revenue	\$ 1,185	\$ 666
Sales and marketing	7,308	7,204
Research and development	7,185	5,941
General and administrative	6,011	5,083
Stock-based compensation expense	<u>\$ 21,689</u>	<u>\$ 18,894</u>

The table above excludes stock-based compensation expense related to the Company's restructuring activities described below in footnote three.

- (2) Represents additional FICA and related payroll tax expenses incurred by Commvault when employees exercise in the money stock options or vest in restricted stock awards.
- (3) In recent fiscal years, Commvault initiated restructuring plans to increase efficiency in its sales, marketing and distribution functions as well as reduce costs across all functional areas. These restructuring charges relate primarily to severance and related costs associated with headcount reductions, as well as the closure of offices. Restructuring includes stock-based compensation related to modifications of awards granted to former employees. Management believes, when used as a supplement to GAAP results, that the exclusion of these charges will help investors and financial analysts understand Commvault's operating results and underlying operational trends as compared to prior periods.
- (4) In connection with the acquisition of Hedvig Inc., certain Hedvig shareholders will receive cash payments for the 30 months following the date of acquisition, subject to their continued employment with Commvault. While these payments are proportionate to these shareholders' ownership of Hedvig, under GAAP they are accounted for as compensation expense within Research and development expenses over the course of the 30 month service period. Management believes, when used as a supplement to GAAP results, that the exclusion of these non-routine expenses will help investors and financial analysts understand Commvault's operating results and underlying operational trends as compared to prior periods.
- (5) Represents noncash amortization of intangible assets.
- (6) The provision for income taxes is adjusted to reflect Commvault's estimated non-GAAP effective tax rate of 27%.
- (7) This table includes the following financial metrics that are derived from Commvault's GAAP recognized revenue:

Subscription software and products revenue - The amounts included on this line include the software and product portion of a) non-cancellable term-based, or subscription, licenses that expire at the end of the contractual term; and b) "pay-as-you-go" utility arrangements based on product usage that are structured with no guaranteed minimums. These revenues are included in Software and Products Revenue on Commvault's Consolidated Statement of Operations.

Perpetual software and products revenue - The amounts included on this line are primarily associated with revenue from the sale of perpetual software licenses. These revenues are included in Software and Products Revenue on Commvault's Consolidated Statement of Operations.

Recurring support and services revenue - The amounts included on this line consist primarily of maintenance and support revenues associated with the sale of both subscription and perpetual software arrangements. This revenue is included in Services Revenue on Commvault's Consolidated Statement of Operations. This line also includes revenue from software-as-a-service arrangements.

Non-recurring services revenue - The amounts included on this line are primarily revenues associated with Commvault's installation and consultation services. These revenues are included in Services Revenue on Commvault's Consolidated Statement of Operations.

Management believes that reviewing these metrics, in addition to GAAP results, helps investors and financial analysts understand the recurring nature of certain revenue amounts and trends as compared to prior periods.

Note that nearly all of Commvault's software and product revenue is related to solutions that are run in the customer's environment. As a result, as required under ASC 606, substantially all of Commvault's software and product revenue is recognized at a point in time, when it is delivered to the customer, and not ratably over the course of a contractual period. This is the case for both perpetual software licenses and subscription software licenses. Metallic, Commvault's software-as-a-service offering is recognized over time as services revenue.

- (8) Annualized Recurring Revenue (ARR) is defined as the annualized recurring value of all active contracts at the end of a reporting period. It includes the following contract types: subscription agreements (including utility), maintenance contracts related to perpetual licenses, other extended maintenance contracts (enterprise support), managed services, and Metallic. It excludes any element of the deal arrangement that is not expected to recur, primarily perpetual licenses and most professional services. Contracts will be annualized by dividing the total contract value by the number of days in the contract term, then multiplying by 365.

ARR should be viewed independently of GAAP revenue, deferred revenue and unbilled revenue and is not intended to be combined with or to replace those items. ARR is not a forecast of future revenue. Management believes that reviewing this metric, in addition to GAAP results, helps investors and financial analysts understand the value of Commvault's recurring revenue streams versus prior periods.

- (9) Revenues on a constant currency basis are calculated using the average foreign exchange rates from a previous period and applying these rates to foreign-denominated revenues in the corresponding period of fiscal 2022. The difference between revenue calculated based on these foreign exchange rates and revenues calculated in accordance with GAAP is listed as Adjustment for currency impact in the table above.