

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016 ⁽¹⁾	2017	2016 ⁽¹⁾
Revenues:				
Software	\$ 72,020	\$ 70,405	\$ 146,781	\$ 133,818
Services	96,120	89,033	187,331	177,394
Total revenues	168,140	159,438	334,112	311,212
Cost of revenues:				
Software	1,086	773	1,891	1,534
Services	22,181	20,884	43,037	41,118
Total cost of revenues	23,267	21,657	44,928	42,652
Gross margin	144,873	137,781	289,184	268,560
Operating expenses:				
Sales and marketing	100,595	94,195	200,504	186,926
Research and development	22,925	20,221	45,470	39,449
General and administrative	23,620	21,314	47,471	41,252
Depreciation and amortization	2,388	2,109	4,755	4,219
Total operating expenses	149,528	137,839	298,200	271,846
Loss from operations	(4,655)	(58)	(9,016)	(3,286)
Interest expense	(234)	(245)	(466)	(491)
Interest income	539	276	972	531
Equity in loss of affiliate	(162)	(158)	(123)	(244)
Loss before income taxes	(4,512)	(185)	(8,633)	(3,490)
Income tax benefit	(3,502)	(131)	(7,339)	(826)
Net loss	\$ (1,010)	\$ (54)	\$ (1,294)	\$ (2,664)
Net loss per common share:				
Basic	\$ (0.02)	\$ (0.00)	\$ (0.03)	\$ (0.06)
Diluted	\$ (0.02)	\$ (0.00)	\$ (0.03)	\$ (0.06)
Weighted average common shares outstanding:				
Basic	45,598	44,589	45,364	44,417
Diluted	45,598	44,589	45,364	44,417

(1) Adjusted for the retrospective adoption of ASC 606, *Revenue from Contracts with Customers*

Table II
Commvault Systems, Inc.
**Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)**

	September 30, 2017	March 31, 2017 ⁽¹⁾
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 363,331	\$ 329,491
Short-term investments	131,258	120,693
Trade accounts receivable, net	129,699	140,084
Other current assets	28,943	15,791
Total current assets	653,231	606,059
Deferred tax assets, net	52,868	50,228
Property and equipment, net	129,712	132,319
Equity method investment	3,498	3,621
Deferred commissions cost	30,455	30,378
Other assets	8,181	7,273
Total assets	<u>\$ 877,945</u>	<u>\$ 829,878</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 182	\$ 117
Accrued liabilities	63,155	78,701
Deferred revenue	216,757	209,099
Total current liabilities	280,094	287,917
Deferred revenue, less current portion	78,922	70,803
Other liabilities	3,646	4,226
Total stockholders' equity	515,283	466,932
Total liabilities and stockholders' equity	<u>\$ 877,945</u>	<u>\$ 829,878</u>

(1) Adjusted for the retrospective adoption of ASC 606, *Revenue from Contracts with Customers*

Commvault Systems, Inc.

Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016 ⁽¹⁾	2017	2016 ⁽¹⁾
Cash flows from operating activities				
Net loss	\$ (1,010)	\$ (54)	\$ (1,294)	\$ (2,664)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	2,795	2,502	5,567	5,004
Noncash stock-based compensation	19,821	18,703	39,385	36,043
Excess tax benefits from stock-based compensation (2)	—	(909)	—	(1,201)
Deferred income taxes	(1,459)	(2,756)	(2,789)	(6,844)
Equity in loss of affiliate	162	158	123	244
Amortization of deferred commissions cost	3,738	3,848	8,339	7,688
Changes in operating assets and liabilities:				
Trade accounts receivable	1,342	(5,833)	12,439	8,251
Other current assets and Other assets	(3,553)	(781)	(12,778)	(3,453)
Deferred commissions cost	(3,904)	(4,094)	(7,514)	(7,582)
Accounts payable	(268)	(57)	60	(202)
Accrued liabilities	(8,033)	4,309	(19,109)	756
Deferred revenue	(5)	5,198	7,413	8,063
Other liabilities	59	5	(224)	183
Net cash provided by operating activities	9,685	20,239	29,618	44,286
Cash flows from investing activities				
Purchase of short-term investments	(33,102)	(33,310)	(77,174)	(66,609)
Proceeds from maturity of short-term investments	33,310	23,411	66,609	47,849
Purchase of property and equipment	(1,160)	(1,047)	(2,634)	(2,080)
Net cash used in investing activities	(952)	(10,946)	(13,199)	(20,840)
Cash flows from financing activities				
Repurchase of common stock	(11,259)	—	(11,259)	—
Proceeds from stock-based compensation plans	11,165	9,903	16,735	11,453
Excess tax benefits from stock-based compensation (2)	—	909	—	1,201
Net cash provided by (used in) financing activities	(94)	10,812	5,476	12,654
Effects of exchange rate — changes in cash	5,170	(558)	11,945	(2,413)
Net increase in cash and cash equivalents	13,809	19,547	33,840	33,687
Cash and cash equivalents at beginning of period	349,522	302,247	329,491	288,107
Cash and cash equivalents at end of period	<u>\$ 363,331</u>	<u>\$ 321,794</u>	<u>\$ 363,331</u>	<u>\$ 321,794</u>

(1) Adjusted for the retrospective adoption of ASC 606, *Revenue from Contracts with Customers*

(2) In fiscal 2018, the Company adopted ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which requires cash flows from excess tax benefits to be classified as operating cash flows. Cash flows related to excess taxes prior to fiscal 2018 remain classified as financing cash flows.

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 September 30,		Six Months Ended September 30,	
	2017	2016 ⁽⁷⁾	2017	2016 ⁽⁷⁾
Non-GAAP financial measures and reconciliation:				
GAAP loss from operations	\$ (4,655)	\$ (58)	\$ (9,016)	\$ (3,286)
Noncash stock-based compensation (1)	19,821	18,703	39,385	36,043
FICA and related payroll tax expense on stock option exercises and vesting on restricted stock awards (2)	440	250	1,093	466
Non-GAAP income from operations	\$ 15,606	\$ 18,895	\$ 31,462	\$ 33,223
GAAP net loss	\$ (1,010)	\$ (54)	\$ (1,294)	\$ (2,664)
Noncash stock-based compensation (1)	19,821	18,703	39,385	36,043
FICA and related payroll tax expense on stock option exercises and vesting on restricted stock awards (2)	440	250	1,093	466
Equity in loss of affiliate (3)	162	158	123	244
Non-GAAP provision for income taxes adjustment (4)	(9,389)	(7,134)	(19,167)	(13,133)
Non-GAAP net income	\$ 10,024	\$ 11,923	\$ 20,140	\$ 20,956
Diluted weighted average shares outstanding (5)	48,186	46,698	47,888	46,389
Non-GAAP diluted net income per share	\$ 0.21	\$ 0.26	\$ 0.42	\$ 0.45

	Three Months Ended September 30, 2017		Six Months Ended September 30, 2017
	Sequential	Year Over Year	Year Over Year
Non-GAAP software revenue reconciliation			
GAAP software revenue	\$ 72,020	\$ 72,020	\$ 146,781
Adjustment for currency impact	(1,563)	(1,045)	(184)
Non-GAAP software revenue on a constant currency basis (6)	\$ 70,457	\$ 70,975	\$ 146,597

	Three Months Ended September 30, 2017		Six Months Ended September 30, 2017
	Sequential	Year Over Year	Year Over Year
Non-GAAP services revenue reconciliation			
GAAP services revenue	\$ 96,120	\$ 96,120	\$ 187,331
Adjustment for currency impact	(1,921)	(1,257)	35
Non-GAAP services revenue on a constant currency basis (6)	\$ 94,199	\$ 94,863	\$ 187,366

	Three Months Ended September 30, 2017		Six Months Ended September 30, 2017
	Sequential	Year Over Year	Year Over Year
Non-GAAP total revenue reconciliation			
GAAP total revenues	\$ 168,140	\$ 168,140	\$ 334,112
Adjustment for currency impact	(3,484)	(2,302)	(149)
Non-GAAP total revenues on a constant currency basis (6)	\$ 164,656	\$ 165,838	\$ 333,963

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Non-GAAP free cash flow reconciliation:				
Net cash provided by operating activities	\$ 9,685	\$ 20,239	\$ 29,618	\$ 44,286
Purchase of property and equipment	(1,160)	(1,047)	(2,634)	(2,080)
Non-GAAP free cash flow	\$ 8,525	\$ 19,192	\$ 26,984	\$ 42,206

Three Months Ended September 30, 2017				
	Americas	EMEA	APAC	Total
Software Revenue	\$ 40,704	\$ 21,049	\$ 10,267	\$ 72,020
Customer Support Revenue	58,205	18,625	8,947	85,777
Professional Services	5,965	2,759	1,619	10,343
Total Revenue	\$ 104,874	\$ 42,433	\$ 20,833	\$ 168,140

Three Months Ended September 30, 2016				
	Americas	EMEA	APAC	Total
Software Revenue	\$ 43,922	\$ 17,153	\$ 9,330	\$ 70,405
Customer Support Revenue	53,882	16,436	8,120	78,438
Professional Services	6,360	2,753	1,482	10,595
Total Revenue	\$ 104,164	\$ 36,342	\$ 18,932	\$ 159,438

Six Months Ended September 30, 2017				
	Americas	EMEA	APAC	Total
Software Revenue	\$ 80,715	\$ 44,821	\$ 21,245	\$ 146,781
Customer Support Revenue	114,394	35,736	17,537	167,667
Professional Services	10,826	5,304	3,534	19,664
Total Revenue	\$ 205,935	\$ 85,861	\$ 42,316	\$ 334,112

Six Months Ended September 30, 2016				
	Americas	EMEA	APAC	Total
Software Revenue	\$ 79,723	\$ 34,786	\$ 19,309	\$ 133,818
Customer Support Revenue	107,485	33,062	16,158	156,705
Professional Services	12,385	5,569	2,735	20,689
Total Revenue	\$ 199,593	\$ 73,417	\$ 38,202	\$ 311,212

Footnotes - Adjustments

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
Cost of services revenue	\$ 751	\$ 964	\$ 1,502	\$ 1,835
Sales and marketing	8,984	8,290	18,424	15,961
Research and development	2,070	1,770	4,140	3,448
General and administrative	8,016	7,679	15,319	14,799
Stock-based compensation expense	<u>\$ 19,821</u>	<u>\$ 18,703</u>	<u>\$ 39,385</u>	<u>\$ 36,043</u>

- (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) Represents Commvault's share of income or loss from its investment in Laitek, Inc.
- (4) The provision for income taxes is adjusted to reflect Commvault's estimated non-GAAP effective tax rate of approximately 37% in fiscal 2018 and fiscal 2017.
- (5) For GAAP purposes the potentially dilutive impact of options and shares associated with our stock-based compensation programs were excluded from the calculation of GAAP loss per share in the periods ending September 30, 2017 and 2016 because they would have been anti-dilutive. For purposes of non-GAAP income per share the impact of dilutive options and shares has been included.
- (6) 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 2018. 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.
- (7) Adjusted for the retrospective adoption of ASC 606, *Revenue from Contracts with Customers*