

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Revenues:				
Software and products	\$ 72,309	\$ 68,595	\$ 148,863	\$ 132,269
Services	98,830	98,987	195,276	197,516
Total revenues	171,139	167,582	344,139	329,785
Cost of revenues:				
Software and products	7,903	8,831	13,750	14,861
Services	18,896	22,410	37,600	45,100
Total cost of revenues	26,799	31,241	51,350	59,961
Gross margin	144,340	136,341	292,789	269,824
Operating expenses:				
Sales and marketing	79,069	80,960	160,745	168,345
Research and development	30,955	23,227	62,097	46,807
General and administrative	24,748	24,753	46,307	47,260
Restructuring	5,767	12,851	8,091	16,930
Impairment of intangible assets	40,700	—	40,700	—
Depreciation and amortization	5,053	2,719	10,118	5,325
Total operating expenses	186,292	144,510	328,058	284,667
Loss from operations	(41,952)	(8,169)	(35,269)	(14,843)
Interest income	249	1,561	592	3,484
Loss before income taxes	(41,703)	(6,608)	(34,677)	(11,359)
Income tax expense (benefit)	(532)	476	4,211	2,571
Net loss	\$ (41,171)	\$ (7,084)	\$ (38,888)	\$ (13,930)
Net loss per common share:				
Basic	\$ (0.89)	\$ (0.16)	\$ (0.84)	\$ (0.31)
Diluted	\$ (0.89)	\$ (0.16)	\$ (0.84)	\$ (0.31)
Weighted average common shares outstanding:				
Basic	46,516	45,277	46,354	45,363
Diluted	46,516	45,277	46,354	45,363

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

	September 30, 2020	March 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 383,153	\$ 288,082
Restricted cash	—	8,000
Short-term investments	10,845	43,645
Trade accounts receivable, net	138,957	146,990
Other current assets	26,038	26,969
Total current assets	558,993	513,686
Property and equipment, net	113,014	114,519
Operating lease assets	18,691	15,009
Deferred commissions cost	32,726	31,394
Intangible assets, net	—	46,350
Goodwill	112,435	112,435
Other assets	16,119	11,683
Total assets	<u>\$ 851,978</u>	<u>\$ 845,076</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 253	\$ 307
Accrued liabilities	79,112	87,051
Current portion of operating lease liabilities	7,563	7,699
Deferred revenue	227,777	233,497
Total current liabilities	314,705	328,554
Deferred revenue, less current portion	97,506	92,723
Deferred tax liabilities, net	739	849
Long-term operating lease liabilities	12,574	8,808
Other liabilities	6,978	2,238
Total stockholders' equity	419,476	411,904
Total liabilities and stockholders' equity	<u>\$ 851,978</u>	<u>\$ 845,076</u>

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Cash flows from operating activities				
Net loss	\$ (41,171)	\$ (7,084)	\$ (38,888)	\$ (13,930)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	5,365	3,136	10,743	6,054
Noncash stock-based compensation	20,584	14,857	39,535	29,607
Impairment of intangible assets	40,700	—	40,700	—
Amortization of deferred commissions cost	4,959	4,227	9,526	8,730
Impairment of operating lease assets	225	1,332	692	2,050
Changes in operating assets and liabilities:				
Trade accounts receivable	15,021	2,460	3,637	45,625
Operating lease assets and liabilities, net	(288)	(806)	(808)	42
Other current assets and Other assets	2,693	4,085	9,982	(1,796)
Deferred commissions cost	(4,319)	(3,593)	(9,965)	(6,962)
Accounts payable	92	792	(67)	(425)
Accrued liabilities	(9,452)	9,023	(17,151)	(1,015)
Deferred revenue	(9,679)	(4,157)	(10,222)	(12,079)
Other liabilities	2,227	(293)	4,528	(782)
Net cash provided by operating activities	26,957	23,979	42,242	55,119
Cash flows from investing activities				
Purchase of short-term investments	—	—	—	(32,800)
Proceeds from maturity of short-term investments	—	32,706	32,800	65,519
Purchase of property and equipment	(2,019)	(616)	(3,662)	(1,457)
Net cash provided by (used in) investing activities	(2,019)	32,090	29,138	31,262
Cash flows from financing activities				
Repurchase of common stock	—	—	—	(40,026)
Proceeds from stock-based compensation plans	5,040	5,662	5,271	6,325
Net cash provided by (used in) financing activities	5,040	5,662	5,271	(33,701)
Effects of exchange rate — changes in cash	7,743	(4,927)	10,420	(3,047)
Net increase in cash, cash equivalents and restricted cash	37,721	56,804	87,071	49,633
Cash, cash equivalents and restricted cash at beginning of period	345,432	320,821	296,082	327,992
Cash, cash equivalents and restricted cash at end of period	\$ 383,153	\$ 377,625	\$ 383,153	\$ 377,625

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 September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Non-GAAP financial measures and reconciliation:				
GAAP loss from operations	\$ (41,952)	\$ (8,169)	\$ (35,269)	\$ (14,843)
Noncash stock-based compensation (1)	19,937	14,252	38,831	28,634
FICA and payroll tax expense related to stock-based compensation (2)	188	225	520	640
Restructuring (3)	5,767	12,851	8,091	16,930
Non-routine shareholder matters (4)	—	4,325	—	7,628
Amortization of intangible assets (5)	2,825	—	5,650	—
Hedvig deferred payments (6)	1,406	—	2,812	—
Acquisition costs (7)	—	1,283	—	1,283
Impairment of intangible assets (8)	40,700	—	40,700	—
Non-GAAP income from operations	\$ 28,871	\$ 24,767	\$ 61,335	\$ 40,272
GAAP net loss	\$ (41,171)	\$ (7,084)	\$ (38,888)	\$ (13,930)
Noncash stock-based compensation (1)	19,937	14,252	38,831	28,634
FICA and payroll tax expense related to stock-based compensation (2)	188	225	520	640
Restructuring (3)	5,767	12,851	8,091	16,930
Non-routine shareholder matters (4)	—	4,325	—	7,628
Amortization of intangible assets (5)	2,825	—	5,650	—
Hedvig deferred payments (6)	1,406	—	2,812	—
Acquisition costs (7)	—	1,283	—	1,283
Impairment of intangible assets (8)	40,700	—	40,700	—
Non-GAAP provision for income taxes adjustment (9)	(8,394)	(6,633)	(12,509)	(9,244)
Non-GAAP net income	\$ 21,258	\$ 19,219	\$ 45,207	\$ 31,941
Diluted weighted average shares outstanding	47,106	45,718	46,821	45,946
Non-GAAP diluted net income per share	\$ 0.45	\$ 0.42	\$ 0.97	\$ 0.70

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Subscription and Utility Software and Related Support Services	\$ 53,045	\$ 40,405	\$ 116,664	\$ 72,694
Recurring Support and Services	76,044	81,372	153,516	163,217
Total Recurring Revenue	<u>\$ 129,089</u>	<u>\$ 121,777</u>	<u>\$ 270,180</u>	<u>\$ 235,911</u>
Percentage of Total Revenues	75%	73%	79%	72%
Perpetual Software and Product Revenue	\$ 33,914	\$ 37,852	\$ 59,274	\$ 77,969
Other Professional Services	8,136	7,953	14,685	15,905
Total Non-recurring Revenue	<u>\$ 42,050</u>	<u>\$ 45,805</u>	<u>\$ 73,959</u>	<u>\$ 93,874</u>
Percentage of Total Revenues	25%	27%	21%	28%
Total Revenue (10)	<u><u>\$ 171,139</u></u>	<u><u>\$ 167,582</u></u>	<u><u>\$ 344,139</u></u>	<u><u>\$ 329,785</u></u>

Measures at period ending (\$000s)

	September 30, 2019	March 31, 2020	September 30, 2020
Annualized Recurring Revenue (11)	\$ 443,064	\$ 451,667	\$ 483,455

Three Months Ended September 30, 2020

	Americas	EMEA	APJ	Total
Software and Products Revenue	\$ 39,241	\$ 22,063	\$ 11,005	\$ 72,309
Customer Support Revenue	54,177	24,911	10,359	89,447
Other Services Revenue	4,794	3,084	1,505	9,383
Total Revenue	<u>\$ 98,212</u>	<u>\$ 50,058</u>	<u>\$ 22,869</u>	<u>\$ 171,139</u>

Three Months Ended September 30, 2019

	Americas	EMEA	APJ	Total
Software and Products Revenue	\$ 35,863	\$ 21,440	\$ 11,292	\$ 68,595
Customer Support Revenue	57,864	21,906	10,233	90,003
Other Services Revenue	4,430	2,680	1,874	8,984
Total Revenue	<u>\$ 98,157</u>	<u>\$ 46,026</u>	<u>\$ 23,399</u>	<u>\$ 167,582</u>

Six Months Ended September 30, 2020

	Americas	EMEA	APJ	Total
Software and Products Revenue	\$ 89,886	\$ 40,858	\$ 18,119	\$ 148,863
Customer Support Revenue	109,415	48,221	20,454	178,090
Other Services Revenue	8,907	5,639	2,640	17,186
Total Revenue	<u>\$ 208,208</u>	<u>\$ 94,718</u>	<u>\$ 41,213</u>	<u>\$ 344,139</u>

Six Months Ended September 30, 2019

	Americas		EMEA		APJ		Total
Software and Products Revenue	\$	67,084	\$	42,815	\$	22,370	\$ 132,269
Customer Support Revenue		115,594		43,573		20,318	179,485
Other Services Revenue		9,296		5,362		3,373	18,031
Total Revenue	\$	191,974	\$	91,750	\$	46,061	\$ 329,785

	Three Months Ended September 30, 2020		Six Months Ended September 30, 2020
	Sequential	Year Over Year	Year Over Year
Non-GAAP software and products revenue reconciliation			
GAAP software and products revenue	\$ 72,309	\$ 72,309	\$ 148,863
Adjustment for currency impact	(1,441)	(1,118)	(709)
Non-GAAP software and products revenue on a constant currency basis (12)	\$ 70,868	\$ 71,191	\$ 148,154
	Three Months Ended September 30, 2020	Six Months Ended September 30, 2020	
	Sequential	Year Over Year	Year Over Year
Non-GAAP services revenue reconciliation			
GAAP services revenue	\$ 98,830	\$ 98,830	\$ 195,276
Adjustment for currency impact	(2,281)	(1,618)	(425)
Non-GAAP services revenue on a constant currency basis (12)	\$ 96,549	\$ 97,212	\$ 194,851
	Three Months Ended September 30, 2020	Six Months Ended September 30, 2020	
	Sequential	Year Over Year	Year Over Year
Non-GAAP total revenue reconciliation			
GAAP total revenues	\$ 171,139	\$ 171,139	\$ 344,139
Adjustment for currency impact	(3,722)	(2,736)	(1,134)
Non-GAAP total revenues on a constant currency basis (12)	\$ 167,417	\$ 168,403	\$ 343,005

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,	
	2020	2019	2020	2019
Cost of services revenue	\$ 740	\$ 698	\$ 1,406	\$ 1,388
Sales and marketing	8,988	7,359	16,192	15,005
Research and development	5,578	2,011	11,519	4,004
General and administrative	4,631	4,184	9,714	8,237
Stock-based compensation expense	<u>\$ 19,937</u>	<u>\$ 14,252</u>	<u>\$ 38,831</u>	<u>\$ 28,634</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 fiscal 2019, Commvault initiated a restructuring plan 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) During fiscal 2020, Commvault incurred costs related to a non-routine shareholder matter. The costs are for professional fees related to the settlement agreement with the shareholder and consulting fees incurred with the operational review which was agreed to as part of the settlement. Management believes, when used as a supplement to GAAP results, that the exclusion of these costs will better 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) 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.
- (7) During the second quarter of fiscal 2020, Commvault incurred costs related to the acquisition of Hedvig, Inc. Management believes, when used as a supplement to GAAP results, that the exclusion of these costs will help investors and financial analysts understand Commvault's operating results and underlying operational trends as compared to other periods.
- (8) In the second quarter of fiscal 2021, Commvault recorded impairment of its acquired intangible assets. These non-cash charges are not representative of ongoing costs to the business and are not expected to recur. As a result, these charges are being excluded to provide investors with a more comparable measure of costs associated with ongoing operations.

- (9) The provision for income taxes is adjusted to reflect Commvault's estimated non-GAAP effective tax rate of 27%.
- (10) This table includes the following financial metrics that are derived from Commvault's GAAP recognized revenue:

Subscription and Utility Software and Related Support Services - The amounts included on this line include a) non-cancellable term-based, or subscription, licenses (inclusive of both recognized software and recognized maintenance and support revenues) that expire at the end of the contractual term; and b) "pay-as-you-go" utility arrangements based on product usage (inclusive of both recognized software and maintenance and support revenues) that are structured with no guaranteed minimums. The amount includes both Software and Products Revenue and Services Revenue.

Recurring Support and Services - The amounts included on this line consist primarily of maintenance and support revenues associated with the sale of perpetual software arrangements. This revenue is included in Services Revenue on Commvault's Consolidated Statement of Operations.

Perpetual Software and Product Revenues - 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.

Other Professional Services - 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. Commvault currently does not have material revenue related to hosted, or software as a solution products. 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.

- (11) 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.

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.

- (12) 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 2021. 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.