Commvault Systems, Inc.

Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	**2021**	**2022**	**2021**
Revenues:				
Software and products	$ 89,589	$ 98,575	$ 264,850	$ 255,998
Services	105,485	103,806	316,262	307,644
Total revenues	195,074	202,381	581,112	563,642
Cost of revenues:				
Software and products	3,122	4,271	10,308	9,471
Services	31,416	25,692	90,289	72,341
Total cost of revenues	34,538	29,963	100,597	81,812
Gross margin	160,536	172,418	480,515	481,830
Operating expenses:				
Sales and marketing	87,343	89,217	253,561	248,506
Research and development	32,505	39,257	109,671	113,118
General and administrative	23,983	29,132	76,512	80,919
Restructuring	9,228	—	11,360	2,082
Depreciation and amortization	2,459	2,451	7,631	7,084
Total operating expenses	155,518	160,057	458,735	451,709
Income from operations	5,018	12,361	21,780	30,121
Interest income	364	120	916	543
Interest expense	(105)	(19)	(315)	(19)
Other income (expense), net	123	564	(112)	564
Income before income taxes	5,400	13,026	22,269	31,209
Income tax expense	5,710	3,018	14,550	5,573
Net income (loss)	$ (310)	$ 10,008	$ 7,719	$ 25,636
Net income (loss) per common share:				
Basic	$ (0.01)	$ 0.22	$ 0.17	$ 0.56
Diluted	$ (0.01)	$ 0.21	$ 0.17	$ 0.54
Weighted average common shares outstanding:				
Basic	44,712	45,242	44,738	45,720
Diluted	44,712	46,719	45,810	47,552

Commvault Systems, Inc.

Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	December 31, 2022	March 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 273,469	$ 267,507
Trade accounts receivable, net	215,464	194,238
Other current assets	17,747	22,336
Total current assets	506,680	484,081
Property and equipment, net	100,901	106,513
Operating lease assets	11,211	14,921
Deferred commissions cost	57,584	52,974
Intangible assets, net	2,604	3,542
Goodwill	127,780	127,780
Other assets	23,182	26,269
Total assets	$ 829,942	$ 816,080
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 459	$ 432
Accrued liabilities	104,078	121,837
Current portion of operating lease liabilities	4,031	4,778
Deferred revenue	282,614	267,017
Total current liabilities	391,182	394,064
Deferred revenue, less current portion	166,084	150,180
Deferred tax liabilities, net	728	808
Long-term operating lease liabilities	8,150	11,270
Other liabilities	3,782	3,929
Total stockholders' equity	260,016	255,829
Total liabilities and stockholders' equity	$ 829,942	$ 816,080

Commvault Systems, Inc.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	**2021**	**2022**	**2021**
Cash flows from operating activities				
Net income (loss)	$ (310)	$ 10,008	$ 7,719	$ 25,636
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	2,801	2,769	8,656	8,027
Noncash stock-based compensation	24,645	28,533	81,067	76,793
Noncash change in fair value of equity securities	(122)	436	112	436
Amortization of deferred commissions cost	5,777	4,694	16,533	13,344
Changes in operating assets and liabilities:				
Trade accounts receivable, net	(33,642)	(53,065)	(17,779)	(25,546)
Operating lease assets and liabilities, net	120	(265)	(61)	(809)
Other current assets and Other assets	3,443	2,174	2,982	(2,172)
Deferred commissions cost	(9,646)	(8,955)	(22,663)	(21,852)
Accounts payable	262	73	49	(120)
Accrued liabilities	11,501	22,659	(17,103)	(3,293)
Deferred revenue	25,343	17,733	41,807	19,564
Other liabilities	6	—	1,136	56
Net cash provided by operating activities	30,178	26,794	102,455	90,064
Cash flows from investing activities				
Purchase of property and equipment	(805)	(1,335)	(2,186)	(3,328)
Purchase of equity securities	(168)	(821)	(1,961)	(3,527)
Other	—	500	—	500
Net cash used in investing activities	(973)	(1,656)	(4,147)	(6,355)
Cash flows from financing activities				
Repurchase of common stock	(31,344)	(85,322)	(90,131)	(265,414)
Proceeds from stock-based compensation plans	1,933	427	9,292	23,688
Payment of debt issuance costs	—	(609)	(63)	(609)
Net cash used in financing activities	(29,411)	(85,504)	(80,902)	(242,335)
Effects of exchange rate — changes in cash	11,190	(1,750)	(11,444)	(4,920)
Net increase (decrease) in cash and cash equivalents	10,984	(62,116)	5,962	(163,546)
Cash and cash equivalents at beginning of period	262,485	295,807	267,507	397,237
Cash and cash equivalents at end of period	$ 273,469	$ 233,691	$ 273,469	$ 233,691

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 December 31,		Nine Months Ended December 31,	
	2022	**2021**	**2022**	**2021**
Non-GAAP financial measures and reconciliation:				
GAAP income from operations	$ 5,018	$ 12,361	$ 21,780	$ 30,121
Noncash stock-based compensation (1)	23,626	28,533	78,761	76,421
FICA and payroll tax expense related to stock-based compensation (2)	327	812	1,662	2,270
Restructuring (3)	9,228	—	11,360	2,082
Amortization of intangible assets (4)	312	—	938	—
Hedvig deferred payments	—	1,406	—	4,217
Non-GAAP income from operations	**$ 38,511**	**$ 43,112**	**$ 114,501**	**$ 115,111**
GAAP net income (loss)	$ (310)	$ 10,008	$ 7,719	$ 25,636
Noncash stock-based compensation (1)	23,626	28,533	78,761	76,421
FICA and payroll tax expense related to stock-based compensation (2)	327	812	1,662	2,270
Restructuring (3)	9,228	—	11,360	2,082
Amortization of intangible assets (4)	312	—	938	—
Hedvig deferred payments	—	1,406	—	4,217
Gain on sale of equity method investment	—	(1,000)	—	(1,000)
Non-GAAP provision for income taxes adjustment (5)	(4,791)	(8,532)	(16,497)	(25,531)
Non-GAAP net income	**$ 28,392**	**$ 31,227**	**$ 83,943**	**$ 84,095**
Diluted weighted average shares outstanding	45,681	46,719	45,810	47,552
Non-GAAP diluted earnings per share	**$ 0.62**	**$ 0.67**	**$ 1.83**	**$ 1.77**

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	**2021**	**2022**	**2021**
Subscription software and products revenue	$ 69,861	$ 70,403	$ 207,493	$ 167,526
Perpetual software and products revenue	19,728	28,172	57,357	88,472
Total software and products revenue	$ 89,589	$ 98,575	$ 264,850	$ 255,998
Subscription as a % of total software and products revenue	**78%**	**71%**	**78%**	**65%**

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	**2021**	**2022**	**2021**
Subscription software and products revenue	$ 69,861	$ 70,403	$ 207,493	$ 167,526
Recurring support and services revenue	97,206	94,038	288,641	279,797
Total recurring revenue	$ 167,067	$ 164,441	$ 496,134	$ 447,323
Percentage of total revenues	**86%**	**81%**	**85%**	**79%**
Perpetual software and products revenue	$ 19,728	$ 28,172	$ 57,357	$ 88,472
Non-recurring services revenue	8,279	9,768	27,621	27,847
Total non-recurring revenue	$ 28,007	$ 37,940	$ 84,978	$ 116,319
Percentage of total revenues	**14%**	**19%**	**15%**	**21%**
Total Revenue (6)	$ 195,074	$ 202,381	$ 581,112	$ 563,642

	Measures at period ending		
	December 31, 2021	**March 31, 2022**	**December 31, 2022 (8)**
Annualized Recurring Revenue (7)	$ 561,226	$ 583,254	$ 640,731

	Three Months Ended December 31, 2022			Nine Months Ended December 31, 2022		
	Americas	**International (9)**	**Total**	**Americas**	**International (9)**	**Total**
Software and Products Revenue	$ 46,020	$ 43,569	$ 89,589	$ 158,863	$ 105,987	$ 264,850
Customer Support Revenue	45,709	31,956	77,665	139,713	97,265	236,978
Other Services Revenue	16,378	11,442	27,820	48,331	30,953	79,284
Total Revenue	$ 108,107	$ 86,967	$ 195,074	$ 346,907	$ 234,205	$ 581,112

	Three Months Ended December 31, 2021			Nine Months Ended December 31, 2021		
	Americas	**International (9)**	**Total**	**Americas**	**International (9)**	**Total**
Software and Products Revenue	$ 57,538	$ 41,037	$ 98,575	$ 153,510	$ 102,488	$ 255,998
Customer Support Revenue	50,163	35,844	86,007	153,244	109,185	262,429
Other Services Revenue	10,620	7,179	17,799	27,323	17,892	45,215
Total Revenue	$ 118,321	$ 84,060	$ 202,381	$ 334,077	$ 229,565	$ 563,642

	Three Months Ended December 31, 2022		Nine Months Ended December 31, 2022
	Sequential	Year Over Year	Year Over Year
Non-GAAP software and products revenue reconciliation			
GAAP software and products revenue	$ 89,589	$ 89,589	$ 264,850
Adjustment for currency impact	(1,023)	4,479	12,736
Non-GAAP software and products revenue on a constant currency basis (10)	$ 88,566	$ 94,068	$ 277,586

	Three Months Ended December 31, 2022		Nine Months Ended December 31, 2022
	Sequential	Year Over Year	Year Over Year
Non-GAAP services revenue reconciliation			
GAAP services revenue	$ 105,485	$ 105,485	$ 316,262
Adjustment for currency impact	(5)	5,317	16,342
Non-GAAP services revenue on a constant currency basis (10)	$ 105,480	$ 110,802	$ 332,604

	Three Months Ended December 31, 2022		Nine Months Ended December 31, 2022
	Sequential	Year Over Year	Year Over Year
Non-GAAP total revenue reconciliation			
GAAP total revenues	$ 195,074	$ 195,074	$ 581,112
Adjustment for currency impact	(1,028)	9,796	29,078
Non-GAAP total revenues on a constant currency basis (10)	$ 194,046	$ 204,870	$ 610,190

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 December 31,		Nine Months Ended December 31,	
	2022	2021	2022	2021
Cost of services revenue	$ 1,383	$ 1,140	$ 3,852	$ 3,367
Sales and marketing	10,479	10,073	32,037	27,355
Research and development	5,988	9,127	23,022	24,722
General and administrative	5,776	8,193	19,850	20,977
Stock-based compensation expense	$ 23,626	$ 28,533	$ 78,761	$ 76,421

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)   These restructuring charges relate primarily to severance and related costs associated with headcount reductions and stock-based compensation related to modifications of existing unvested awards granted to certain employees impacted by the restructuring plan.

(4)   Represents noncash amortization of intangible assets.

(5)   The provision for income taxes is adjusted to reflect Commvault's estimated non-GAAP effective tax rate of 27%.

(6)   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 Metallic contracts.

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 revenue is recognized over time as services revenue.

(7)   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 arrangement that is not expected to recur, primarily perpetual licenses and most professional services. Contracts are 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.

(8)   The change in foreign exchange rates from September 30, 2022 to December 31, 2022 increased ARR by approximately $16 million.

(9)   During the fourth quarter of fiscal 2022, Commvault combined the management of its EMEA and APJ field organizations into one International region (Europe, Middle East, Africa, Australia, India, Japan, Southeast Asia, China). The Americas region includes the United States, Canada, and Latin America.

(10)   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 2023. 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 tables above.