
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

October 29, 2019
(Date of report; date of
earliest event reported)

Commission file number: 1-33026

COMMVault 
COMMVault SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

22-3447504
(I.R.S. Employer Identification No.)

1 Commvault Way
Tinton Falls, New Jersey
07724
(Address of principal executive offices)
(Zip Code)
(732) **870-4000**
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. []

Item 2.02 Results of Operations and Financial Condition

On October 29, 2019, Commvault Systems, Inc. issued a press release announcing its results for its second fiscal quarter ended September 30, 2019. A copy of the press release is attached hereto as Exhibit 99.1.

This information is being furnished pursuant to Item 2.02 and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities under that section and shall not be deemed to be incorporated by reference into filings under the Securities Act of 1933.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits:

[99.1](#) Press Release dated October 29, 2019

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

COMMVAULT SYSTEMS, INC.

Dated: October 29, 2019 /S/ Brian Carolan

Brian Carolan
Vice President and Chief Financial Officer



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Commvault Announces Fiscal 2020 Second Quarter Financial Results

Second Quarter Highlights Include:

| | Second quarter |
|-------------------------------|-----------------|
| GAAP Results: | |
| Revenues | \$167.6 million |
| Loss from Operations | \$(8.2) million |
| Operating Margin | (4.9)% |
| Diluted Loss Per Share | \$(0.16) |
| Non-GAAP Results: | |
| Income from Operations (EBIT) | \$24.8 million |
| EBIT Margin | 14.8% |
| Diluted Earnings Per Share | \$0.42 |

Tinton Falls, N.J. – October 29, 2019 – Commvault [NASDAQ: CVLT] today announced its financial results for the second quarter ended September 30, 2019.

"While we still have more to do, I'm pleased with the ongoing progress we've made over the last quarter," said Sanjay Mirchandani, Commvault's President and CEO. "We are improving our execution, closed our first major acquisition, and successfully launched a new enterprise-grade software-as-a-service offering. Additionally, earlier this month we hosted nearly 2,000 attendees at another successful Commvault GO conference. We look forward to carrying this momentum into the second half of our fiscal year."

Total revenues for the second quarter of fiscal 2020 were \$167.6 million, a decrease of 1% year over year and an increase of 3% sequentially. Total repeatable revenue was \$121.8 million, an increase of 1% year over year and 7% sequentially. Subscription and utility annual contract value (ACV) grew 59% year over year to approximately \$121 million.

Software and products revenue was \$68.6 million, a decrease of 1% year over year, and an increase of 8% sequentially.

Services revenue in the quarter was \$99.0 million, a decrease of 1% year over year and flat sequentially.

On a GAAP basis, loss from operations was \$8.2 million for the second quarter compared to income of \$1.0 million in the prior year. The second quarter GAAP results in fiscal 2020 included \$18.5 million of expenses related to a non-routine shareholder matter, restructuring and costs related to the acquisition of Hedvig, Inc. These expenses have been excluded from our non-GAAP results and are further discussed in Table IV. Non-GAAP EBIT was \$24.8 million in the quarter compared to \$25.1 million in the prior year.

For the second quarter of fiscal 2020, Commvault reported GAAP net loss of \$7.1 million, or \$0.16 per diluted share. Non-GAAP net income for the quarter was \$19.2 million, or \$0.42 per diluted share.

Operating cash flow totaled \$24.0 million for the second quarter of fiscal 2020 compared to \$17.8 million in the prior year quarter. Total cash and short-term investments were \$475.2 million as of September 30, 2019 compared to \$458.3 million as of March 31, 2019.

A reconciliation of GAAP to non-GAAP results has been provided in Financial Statement Table IV included in this press release. An explanation of these measures is also included below under the heading "Use of Non-GAAP Financial Measures."

Use of Non-GAAP Financial Measures

Commvault has provided in this press release the following non-GAAP financial measures: non-GAAP income from operations, non-GAAP income from operations margin, non-GAAP net income, non-GAAP diluted earnings per share and subscription and utility annual contract value (ACV). This selected financial information has not been prepared in accordance with GAAP. Commvault uses these non-GAAP financial measures internally to understand, manage and evaluate its business and make operating decisions. In addition, Commvault believes that these non-GAAP operating measures are useful to investors, when used as a supplement to GAAP financial measures, in evaluating Commvault's ongoing operational performance. Commvault believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends, and in comparing its financial results with other companies in Commvault's industry, many of which present similar non-GAAP financial measures to the investment community. Commvault has also provided software and products, services and total revenues on a constant currency basis. Commvault analyzes revenue growth on a constant currency basis in order to provide a comparable framework for assessing how the business performed excluding the effect of foreign currency fluctuations.

All of these non-GAAP financial measures should be considered as a supplement to, and not as a substitute for or superior to, financial information prepared in accordance with GAAP. Investors are encouraged to review the

reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures, which are provided in Table IV included in this press release.

Non-GAAP income from operations and non-GAAP income from operations margin. These non-GAAP financial measures exclude noncash stock-based compensation charges and additional FICA and related payroll tax expense incurred by Commvault when employees exercise in the money stock options or vest in restricted stock awards. In fiscal 2019 and 2020, Commvault also excluded restructuring and costs related to a non-routine shareholder matter from its non-GAAP results. In the second quarter of fiscal 2020, Commvault also excluded costs related to the acquisition of Hedvig, Inc. These expenses are further discussed in Table IV. Commvault believes that these non-GAAP financial measures are useful metrics for management and investors because they compare Commvault's core operating results over multiple periods. When evaluating the performance of Commvault's operating results and developing short- and long-term plans, Commvault does not consider such expenses. Although noncash stock-based compensation and the additional FICA and related payroll tax expenses are necessary to attract and retain employees, Commvault places its primary emphasis on stockholder dilution as compared to the accounting charges related to such equity compensation plans. Commvault believes that providing non-GAAP financial measures that exclude noncash stock-based compensation expense and the additional FICA and related payroll tax expenses incurred on stock option exercises and vesting of restricted stock awards allow investors to make meaningful comparisons between Commvault's operating results and those of other companies.

There are a number of limitations related to the use of non-GAAP income from operations and non-GAAP income from operations margin. The most significant limitation is that these non-GAAP financial measures exclude certain operating costs, primarily related to noncash stock-based compensation, which is of a recurring nature. Noncash stock-based compensation has been, and will continue to be for the foreseeable future, a significant recurring expense in Commvault's operating results. In addition, noncash stock-based compensation is an important part of Commvault's employees' compensation and can have a significant impact on their performance. Lastly, the components that Commvault excludes in its non-GAAP financial measures may differ from the components that its peer companies exclude when they report their non-GAAP financial measures.

Commvault's management generally compensates for the limitations described above related to the use of non-GAAP financial measures by providing investors with a reconciliation of the non-GAAP financial measure to the most directly comparable GAAP financial measure. Further, Commvault management uses non-GAAP financial measures only in addition to, and in conjunction with, results presented in accordance with GAAP.

Non-GAAP net income and non-GAAP diluted earnings per share (EPS). Non-GAAP net income excludes noncash stock-based compensation, and the additional FICA and related payroll tax expenses incurred by Commvault when employees exercise in the money stock options or vest in restricted stock awards. In fiscal 2019 and 2020 Commvault also excluded restructuring and costs related to a non-routine shareholder matter from its non-GAAP results. Also excluded from non-GAAP results are the costs related to the acquisition of Hedvig, Inc. These expenses are further discussed in Table IV. In addition, non-GAAP net income and non-GAAP diluted EPS incorporate a non-GAAP effective tax rate of 27%.

Commvault anticipates that in any given period its non-GAAP tax rate may be either higher or lower than the GAAP tax rate as evidenced by historical fluctuations. The GAAP tax rates in recent fiscal years were not meaningful percentages due to the dollar amount of GAAP pre-tax income. For the same reason as the GAAP tax rates, the estimated cash tax rates in recent fiscal years are not meaningful percentages. Commvault defines its cash tax rate as the total amount of cash income taxes payable for the fiscal year divided by consolidated GAAP pre-tax income. Over time, Commvault believes its GAAP and cash tax rates will align.

Commvault considers non-GAAP net income and non-GAAP diluted EPS useful metrics for Commvault management and its investors for the same basic reasons that Commvault uses non-GAAP income from operations and non-GAAP income from operations margin. In addition, the same limitations as well as management actions to compensate for such limitations described above also apply to Commvault's use of non-GAAP net income and non-GAAP EPS.

Conference Call Information

Commvault will host a conference call today, October 29, 2019, at 8:30 a.m. Eastern Time (5:30 a.m. Pacific Time) to discuss its financial results. To access this call, dial 844-742-4247 (domestic) or 661-378-9470 (international). The live webcast can be accessed under the "Events" section of Commvault's website. An archived webcast of this conference call will also be available following the call.

About Commvault

Commvault is the recognized leader in data backup and recovery. Commvault's converged data management solution redefines what backup means for the progressive enterprise through solutions that protect, manage and use their most critical asset — their data. Commvault software, solutions and services are available from the company and through a global ecosystem of trusted partners. Commvault employs more than 2,300 highly-skilled individuals across markets worldwide, is publicly traded on NASDAQ (CVLT), and is headquartered in Tinton Falls, New Jersey in the United States. To learn more about Commvault visit www.commvault.com

Safe Harbor Statement

This press release may contain forward-looking statements, including statements regarding financial projections, which are subject to risks and uncertainties, such as competitive factors, difficulties and delays inherent in the development, manufacturing, marketing and sale of software products and related services, general economic conditions, outcome of litigation and others. For a discussion of these and other risks and uncertainties affecting Commvault's business, see "Item IA. Risk Factors" in our annual report in Form 10-K and "Item 1A. Risk Factors" in our most recent quarter report in Form 10-Q. Statements regarding Commvault's beliefs, plans, expectations or intentions regarding the future are forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. All such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from anticipated results. Commvault does not undertake to update its forward-looking statements. The development and timing of any product release as well as any of its features or functionality remain at our sole discretion.

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Commvault Systems, Inc.

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

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|-------------------------------------|----------------|-----------------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues: | | | | |
| Software and products | \$ 68,595 | \$ 69,504 | \$ 132,269 | \$ 144,554 |
| Services | 98,987 | 99,574 | 197,516 | 200,701 |
| Total revenues | 167,582 | 169,078 | 329,785 | 345,255 |
| Cost of revenues: | | | | |
| Software and products | 8,831 | 5,049 | 14,861 | 9,169 |
| Services | 22,410 | 21,824 | 45,100 | 45,310 |
| Total cost of revenues | 31,241 | 26,873 | 59,961 | 54,479 |
| Gross margin | 136,341 | 142,205 | 269,824 | 290,776 |
| Operating expenses: | | | | |
| Sales and marketing | 80,960 | 89,494 | 168,345 | 187,110 |
| Research and development | 23,227 | 23,649 | 46,807 | 47,746 |
| General and administrative | 24,753 | 24,862 | 47,260 | 48,101 |
| Restructuring | 12,851 | 494 | 16,930 | 8,389 |
| Depreciation and amortization | 2,719 | 2,700 | 5,325 | 5,233 |
| Total operating expenses | 144,510 | 141,199 | 284,667 | 296,579 |
| Income (loss) from operations | (8,169) | 1,006 | (14,843) | (5,803) |
| Interest income | 1,561 | 1,148 | 3,484 | 2,039 |
| Income (loss) before income taxes | (6,608) | 2,154 | (11,359) | (3,764) |
| Income tax expense | 476 | 1,263 | 2,571 | 3,912 |
| Net income (loss) | \$ (7,084) | \$ 891 | \$ (13,930) | \$ (7,676) |
| Net income (loss) per common share: | | | | |
| Basic | \$ (0.16) | \$ 0.02 | \$ (0.31) | \$ (0.17) |
| Diluted | \$ (0.16) | \$ 0.02 | \$ (0.31) | \$ (0.17) |
| Weighted average common shares outstanding: | | | | |
| Basic | 45,277 | 45,880 | 45,363 | 45,666 |
| Diluted | 45,277 | 47,798 | 45,363 | 45,666 |

Commvault Systems, Inc.

Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

| | September 30, | March 31, |
|--|---------------|------------|
| | 2019 | 2019 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 377,625 | \$ 327,992 |
| Short-term investments | 97,619 | 130,338 |
| Trade accounts receivable | 127,593 | 176,836 |
| Other current assets | 21,916 | 19,836 |
| Total current assets | 624,753 | 655,002 |
| Property and equipment, net | 118,022 | 122,716 |
| Operating lease assets | 16,255 | — |
| Deferred commissions cost | 31,364 | 33,619 |
| Other assets | 11,372 | 11,116 |
| Total assets | \$ 801,766 | \$ 822,453 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 1,744 | \$ 2,186 |
| Accrued liabilities | 83,601 | 85,721 |
| Current portion of operating lease liabilities | 7,832 | — |
| Deferred revenue | 226,932 | 238,439 |
| Total current liabilities | 320,109 | 326,346 |
| Deferred revenue, less current portion | 94,411 | 99,257 |
| Deferred tax liabilities, net | 2,230 | 2,594 |
| Long-term operating lease liabilities | 10,486 | — |
| Other liabilities | 2,416 | 2,953 |
| Total stockholders' equity | 372,114 | 391,303 |
| Total liabilities and stockholders' equity | \$ 801,766 | \$ 822,453 |

Commvault Systems, Inc.

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

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|-------------------------------------|------------|-----------------------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Cash flows from operating activities | | | | |
| Net income (loss) | \$ (7,084) | \$ 891 | \$ (13,930) | \$ (7,676) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 3,136 | 3,013 | 6,054 | 6,072 |
| Noncash stock-based compensation | 14,857 | 17,750 | 29,607 | 35,754 |
| Deferred income taxes | — | (168) | — | (273) |
| Amortization of deferred commissions cost | 4,227 | 4,301 | 8,730 | 8,916 |
| Impairment of operating lease assets | 1,332 | — | 2,050 | — |
| Changes in operating assets and liabilities: | | | | |
| Trade accounts receivable | 2,460 | 12,823 | 45,625 | 21,495 |
| Operating lease assets and liabilities, net | (806) | — | 42 | — |
| Other current assets and Other assets | 4,085 | 1,965 | (1,796) | 4,884 |
| Deferred commissions cost | (3,593) | (3,824) | (6,962) | (8,866) |
| Accounts payable | 792 | (6) | (425) | (382) |
| Accrued liabilities | 9,023 | (11,798) | (1,015) | (13,736) |
| Deferred revenue | (4,157) | (7,094) | (12,079) | (3,796) |
| Other liabilities | (293) | (93) | (782) | 138 |
| Net cash provided by operating activities | 23,979 | 17,760 | 55,119 | 42,530 |
| Cash flows from investing activities | | | | |
| Purchase of short-term investments | — | (54,267) | (32,800) | (65,519) |
| Proceeds from maturity of short-term investments | 32,706 | 33,102 | 65,519 | 66,237 |
| Purchase of property and equipment | (616) | (477) | (1,457) | (3,998) |
| Net cash provided by (used in) investing activities | 32,090 | (21,642) | 31,262 | (3,280) |
| Cash flows from financing activities | | | | |
| Repurchase of common stock | — | (13,288) | (40,026) | (38,303) |
| Proceeds from stock-based compensation plans | 5,662 | 16,228 | 6,325 | 29,626 |
| Net cash provided by (used in) financing activities | 5,662 | 2,940 | (33,701) | (8,677) |
| Effects of exchange rate — changes in cash | (4,927) | 2,211 | (3,047) | (8,176) |
| Net increase in cash and cash equivalents | 56,804 | 1,269 | 49,633 | 22,397 |
| Cash and cash equivalents at beginning of period | 320,821 | 351,912 | 327,992 | 330,784 |
| Cash and cash equivalents at end of period | \$ 377,625 | \$ 353,181 | \$ 377,625 | \$ 353,181 |

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, | |
|--|-------------------------------------|------------------|-----------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Non-GAAP financial measures and reconciliation: | | | | |
| GAAP income (loss) from operations | \$ (8,169) | \$ 1,006 | \$ (14,843) | \$ (5,803) |
| Noncash stock-based compensation (1) | 14,252 | 17,446 | 28,634 | 34,540 |
| FICA and payroll tax expense related to stock-based compensation (2) | 225 | 520 | 640 | 1,603 |
| Restructuring (3) | 12,851 | 494 | 16,930 | 8,389 |
| Non-routine shareholder matters (4) | 4,325 | 4,206 | 7,628 | 7,755 |
| Acquisition costs (5) | 1,283 | — | 1,283 | — |
| Litigation Settlement (6) | — | 1,400 | — | 1,400 |
| Non-GAAP income from operations | \$ 24,767 | \$ 25,072 | \$ 40,272 | \$ 47,884 |
| | | | | |
| GAAP net income (loss) | \$ (7,084) | \$ 891 | \$ (13,930) | \$ (7,676) |
| Noncash stock-based compensation (1) | 14,252 | 17,446 | 28,634 | 34,540 |
| FICA and payroll tax expense related to stock-based compensation (2) | 225 | 520 | 640 | 1,603 |
| Restructuring (3) | 12,851 | 494 | 16,930 | 8,389 |
| Non-routine shareholder matters (4) | 4,325 | 4,206 | 7,628 | 7,755 |
| Acquisition costs (5) | 1,283 | — | 1,283 | — |
| Litigation Settlement (6) | — | 1,400 | — | 1,400 |
| Non-GAAP provision for income taxes adjustment (7) | (6,633) | (5,816) | (9,244) | (9,567) |
| Non-GAAP net income | \$ 19,219 | \$ 19,141 | \$ 31,941 | \$ 36,444 |
| | | | | |
| Diluted weighted average shares outstanding (8) | 45,718 | 47,798 | 45,946 | 47,770 |
| Non-GAAP diluted net income per share | \$ 0.42 | \$ 0.40 | \$ 0.70 | \$ 0.76 |

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|-------------------------------------|--------------------------|--------------------------------|--------------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Subscription and Utility Software and Related Support Services | \$ 40,405 | \$ 34,370 | \$ 72,694 | \$ 63,440 |
| Recurring Support and Services | 81,372 | 85,969 | 163,217 | 173,447 |
| Total repeatable revenue | <u>\$ 121,777</u> | <u>\$ 120,339</u> | <u>\$ 235,911</u> | <u>\$ 236,887</u> |
| Percentage of Total Revenues | 73% | 71% | 72% | 69% |
| | | | | |
| Perpetual software and product revenue | \$ 37,852 | \$ 39,766 | \$ 77,969 | \$ 89,366 |
| Other professional services | 7,953 | 8,973 | 15,905 | 19,002 |
| Total non-repeatable revenue | <u>\$ 45,805</u> | <u>\$ 48,739</u> | <u>\$ 93,874</u> | <u>\$ 108,368</u> |
| Percentage of Total Revenues | 27% | 29% | 28% | 31% |
| | | | | |
| Total Revenue (9) | <u><u>\$ 167,582</u></u> | <u><u>\$ 169,078</u></u> | <u><u>\$ 329,785</u></u> | <u><u>\$ 345,255</u></u> |

Measures at period ending (\$000s)

| | September 30, 2018 | March 31, 2019 | September 30, 2019 |
|---|--------------------|----------------|--------------------|
| Subscription and Utility Annual Contract Value (10) | \$ 76,000 | \$ 105,000 | \$ 121,000 |

Three Months Ended September 30, 2019

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

Three Months Ended September 30, 2018

| | Americas | EMEA | APAC | Total |
|-------------------------------|-------------------|------------------|------------------|-------------------|
| Software and Products Revenue | \$ 41,376 | \$ 17,526 | \$ 10,602 | \$ 69,504 |
| Customer Support Revenue | 59,675 | 20,443 | 9,489 | 89,607 |
| Professional Services | 5,489 | 2,705 | 1,773 | 9,967 |
| Total Revenue | \$ 106,540 | \$ 40,674 | \$ 21,864 | \$ 169,078 |

Six Months Ended September 30, 2019

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

Six Months Ended September 30, 2018

| | Americas | EMEA | APAC | Total |
|-------------------------------|-------------------|------------------|------------------|-------------------|
| Software and Products Revenue | \$ 83,492 | \$ 39,551 | \$ 21,511 | \$ 144,554 |
| Customer Support Revenue | 120,101 | 40,802 | 19,110 | 180,013 |
| Professional Services | 11,274 | 5,931 | 3,483 | 20,688 |
| Total Revenue | \$ 214,867 | \$ 86,284 | \$ 44,104 | \$ 345,255 |

| | Three Months Ended September 30, 2019 | | Six Months Ended September 30, 2019 |
|---|---------------------------------------|-------------------|-------------------------------------|
| | Sequential | Year Over Year | Year Over Year |
| Non-GAAP software and products revenue reconciliation | | | |
| GAAP software and products revenue | \$ 68,595 | \$ 68,595 | \$ 132,269 |
| Adjustment for currency impact | 700 | 1,486 | 2,991 |
| Non-GAAP software and products revenue on a constant currency basis (11) | \$ 69,295 | \$ 70,081 | \$ 135,260 |
| | | | |
| | Three Months Ended September 30, 2019 | | Six Months Ended September 30, 2019 |
| | Sequential | Year Over Year | Year Over Year |
| Non-GAAP services revenue reconciliation | | | |
| GAAP services revenue | \$ 98,987 | \$ 98,987 | \$ 197,516 |
| Adjustment for currency impact | 543 | 1,661 | 3,972 |
| Non-GAAP services revenue on a constant currency basis (11) | \$ 99,530 | \$ 100,648 | \$ 201,488 |
| | | | |
| | Three Months Ended September 30, 2019 | | Six Months Ended September 30, 2019 |
| | Sequential | Year Over Year | Year Over Year |
| Non-GAAP total revenue reconciliation | | | |
| GAAP total revenues | \$ 167,582 | \$ 167,582 | \$ 329,785 |
| Adjustment for currency impact | 1,243 | 3,147 | 6,963 |
| Non-GAAP total revenues on a constant currency basis (11) | \$ 168,825 | \$ 170,729 | \$ 336,748 |

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, | |
|----------------------------------|-------------------------------------|------------------|-----------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Cost of services revenue | \$ 698 | \$ 756 | \$ 1,388 | \$ 1,512 |
| Sales and marketing | 7,359 | 9,071 | 15,005 | 18,595 |
| Research and development | 2,011 | 2,274 | 4,004 | 4,489 |
| General and administrative | 4,184 | 5,345 | 8,237 | 9,944 |
| Stock-based compensation expense | <u>\$ 14,252</u> | <u>\$ 17,446</u> | <u>\$ 28,634</u> | <u>\$ 34,540</u> |

In the three and six months ended September 30, 2019, the table above excludes \$605 and \$973, respectively, and in the three and six months ended September 30, 2018, the table above excludes \$304 and \$1,214, respectively, of 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 better help investors and financial analysts understand Commvault's operating results and underlying operational trends as compared to prior periods.
- (4) During fiscal 2019 and 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) 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 prior periods.
- (6) During the second quarter of fiscal 2019 Commvault incurred costs related to a litigation settlement. 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 prior periods.
- (7) The provision for income taxes is adjusted to reflect Commvault's estimated non-GAAP effective tax rate of 27%.
- (8) 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 certain periods
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ended September 30, 2019 and 2018 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.

(9) 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 the sale of perpetual software transactions. 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 also reviewing these metrics, in addition to GAAP results, helps investors and financial analysts understand the repeatable 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.

(10) This table includes the Subscription and Utility Annual Contract Value (ACV) metric that is comprised of:

- a. Subscription ACV - the annualized equivalent of the total contract value (both software and related support services) of all non-cancellable subscription agreements. In recent fiscal periods, the weighted average contract length of subscription agreements has been approximately three years. The total contract value includes all active contracts at the end of each fiscal quarter.
- b. Utility ACV - "pay-as-you-go" utility arrangements based on product usage (inclusive of both software and related support services) that are structured with no guaranteed minimums. The amounts included in Utility ACV have been annualized based on the actual reported quarterly amount in the most recent fiscal quarter.

Management believes that reviewing this ACV metric, in addition to our GAAP results, helps investors and financial analysts understand the value of arrangements that may potentially result in future revenues. Commvault believes this metric normalizes the variations in contractual length among our subscription and utility transactions and will help investors and analysts to track Commvault's transition to more potentially repeatable revenue streams.

(11) 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 2020. 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.

