



Commvault Announces Fiscal 2024 First Quarter Financial Results

August 1, 2023 at 7:45 AM EDT

TINTON FALLS, N.J., Aug. 1, 2023 /PRNewswire/ -- Commvault [Nasdaq: CVLT] today announced its financial results for the fiscal first quarter ended June 30, 2023.

Subscription ARR



"We're off to a solid start to our fiscal year, highlighted by accelerated subscription revenue momentum and continued operating discipline," said Sanjay Mirchandani, President and CEO. "We're excited about the opportunity ahead and remain committed to helping our customers manage the shifting demands of an ever-changing data protection market."

Fiscal 2024 First Quarter Highlights -

- Total revenues were \$198.2 million, flat year over year
- Total ARR¹ grew to \$686 million, up 15% year over year
- Subscription revenue was \$97.3 million, up 11% year over year
- Subscription ARR¹ grew to \$500 million, up 32% year over year
- Income from operations (EBIT) was \$18.5 million, an operating margin of 9.3%
- Non-GAAP EBIT² was \$43.5 million, an operating margin of 22.0%
- Operating cash flow increased 74% year over year to \$39.0 million, with free cash flow² of \$37.9 million
- First quarter share repurchases were \$51 million, or approximately 779,000 shares of common stock

Financial Outlook for Second Quarter and Full Year Fiscal 2024 -

We are providing the following guidance for the second quarter of fiscal year 2024:

- Total revenues are expected to be between \$193 million and \$197 million
- Subscription revenues are expected to be between \$95 million and \$99 million
- Non-GAAP operating margin² is expected to be approximately 20.0%

We are reconfirming the following guidance for the full fiscal year 2024:

- Total ARR¹ is expected to grow 13% year over year
- Total revenues are expected to be between \$805 million and \$815 million
- Subscription revenues are expected to be between \$420 million and \$430 million
- Non-GAAP operating margin² is expected to grow between 50 to 100 basis points year over year

- Free cash flow² is expected to be approximately \$170 million

The above statements are based on the incorporation of actual first quarter results and current targets. These statements are forward looking and made pursuant to the safe harbor provisions discussed in detail below. We do not undertake any obligation to update these forward-looking statements. Actual results may differ materially from anticipated results.

Conference Call Information

Commvault will host a conference call today, August 1, 2023 at 8:30 a.m. Eastern Time (5:30 a.m. Pacific Time) to discuss quarterly results. The live webcast and call dial-in numbers can be accessed by registering 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 (NASDAQ: CVLT) is a global leader in cloud data protection. Our industry-leading platform redefines the next generation of data protection as the only solution with comprehensive data protection, proactive data defense, advanced ransomware protection, and a single view across all your data. This lets you secure, defend, and recover your data, applications, and production workloads – on-premises, in the cloud, over SaaS, or spread across hybrid and multi-cloud environments. The result is early warning of attacks, active defense to reduce the impact of intrusion, and rapid, accurate recovery of your data. Simply put, Commvault is data, protected. For over 25 years, more than 100,000 organizations have relied on Commvault to keep their data secure and ready to drive business growth. Learn more at www.commvault.com or follow us @Commvault.

¹ 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 (including term licenses, SaaS and utility software), maintenance contracts related to perpetual licenses, other extended maintenance contracts (enterprise support), and managed services. It excludes any element of the arrangement that is not expected to recur, primarily perpetual licenses and most professional services. Subscription ARR includes only term licenses, SaaS and utility software arrangements. 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.

² 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."

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 on Form 10-K and "Item 1A. Risk Factors" in our most recent quarterly report on 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.

Revenue Overview

(\$ in thousands)

| | Q1'23 | Q2'23 | Q3'23 | Q4'23 | Q1'24 |
|-------------------|------------|------------|------------|------------|------------|
| Revenue Summary: | | | | | |
| Subscription | \$ 87,628 | \$ 78,239 | \$ 87,380 | \$ 94,537 | \$ 97,290 |
| Perpetual license | 17,798 | 19,831 | 19,728 | 17,561 | 13,155 |
| Customer support | 81,317 | 77,996 | 77,665 | 77,335 | 76,915 |
| Other services | 11,238 | 11,991 | 10,301 | 14,045 | 10,790 |
| Total revenues | \$ 197,981 | \$ 188,057 | \$ 195,074 | \$ 203,478 | \$ 198,150 |
| | | | | | |
| | Q1'23 | Q2'23 | Q3'23 | Q4'23 | Q1'24 |
| Y/Y Growth: | | | | | |
| Subscription | 67 % | 50 % | 13 % | 9 % | 11 % |
| Perpetual license | (45) % | (28) % | (30) % | (25) % | (26) % |
| Customer support | (9) % | (11) % | (10) % | (9) % | (5) % |
| Other services | 19 % | 12 % | (8) % | 28 % | (4) % |
| Total revenues | 8 % | 6 % | (4) % | (1) % | — % |

Constant Currency

(\$ in thousands)

The constant currency impact is calculated using the average foreign exchange rates from the prior year period and applying these rates to foreign-denominated revenues in the current corresponding period. 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. The non-GAAP financial measures presented in this press release should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.

| | Subscription | Perpetual License | Customer Support | Other Services | Total |
|----------------------------------|--------------|-------------------|------------------|----------------|------------|
| Q1'23 Revenue As Reported (GAAP) | \$ 87,628 | \$ 17,798 | \$ 81,317 | \$ 11,238 | \$ 197,981 |
| Q1'24 Revenue As Reported (GAAP) | \$ 97,290 | \$ 13,155 | \$ 76,915 | \$ 10,790 | \$ 198,150 |
| % Change Y/Y (GAAP) | 11 % | (26) % | (5) % | (4) % | — % |
| Constant Currency Impact | \$ 538 | \$ 168 | \$ 440 | \$ 59 | \$ 1,205 |
| % Change Y/Y Constant Currency | 12 % | (25) % | (5) % | (3) % | 1 % |

Revenue by Geography¹

(\$ in thousands)

| | Q1'23 | | Q2'23 | | Q3'23 | | Q4'23 | | Q1'24 | |
|---------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Revenue | Y/Y Growth |
| Americas | \$ 122,609 | 10 % | \$ 116,191 | 11 % | \$ 108,107 | (9) % | \$ 122,337 | (1) % | \$ 122,124 | — % |
| International | 75,372 | 4 % | 71,866 | (2) % | 86,967 | 3 % | 81,141 | (1) % | 76,026 | 1 % |
| Total revenue | \$ 197,981 | 8 % | \$ 188,057 | 6 % | \$ 195,074 | (4) % | \$ 203,478 | (1) % | \$ 198,150 | — % |

¹ Our Americas region includes the United States, Canada, and Latin America. Our International region primarily includes Europe, Middle East, Africa, Australia, India, Southeast Asia, and China.

Income from Operations (EBIT)

- Income from operations (EBIT) was \$18.5 million, a 9.3% operating margin
- Non-GAAP EBIT² was \$43.5 million, a 22.0% operating margin

GAAP and Non-GAAP Net Income²

- GAAP net income was \$12.6 million, or \$0.28 per diluted share
- Non-GAAP net income² was \$32.5 million, or \$0.72 per diluted share

Cash Summary and Share Repurchases

- Cash flow from operations was \$39.0 million in the first quarter
- As of June 30, 2023, ending cash and cash equivalents was approximately \$274.6 million
- During the first quarter, Commvault repurchased \$51.0 million, or 779,000 shares, of common stock at an average share price of approximately \$65.54 per share

¹ An explanation of ARR and subscription ARR is included in footnote 1 on page 2.

² 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."

Table I

Commvault Systems, Inc.

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

| | Three Months Ended June 30, | |
|-------------------|-----------------------------|-----------|
| | 2023 | 2022 |
| Revenues: | | |
| Subscription | \$ 97,290 | \$ 87,628 |
| Perpetual license | 13,155 | 17,798 |

| | | |
|---|-----------|----------|
| Customer support | 76,915 | 81,317 |
| Other services | 10,790 | 11,238 |
| Total revenues | 198,150 | 197,981 |
| Cost of revenues: | | |
| Subscription | 12,363 | 10,985 |
| Perpetual license | 412 | 626 |
| Customer support | 14,957 | 15,033 |
| Other services | 7,818 | 7,113 |
| Total cost of revenues | 35,550 | 33,757 |
| Gross margin | 162,600 | 164,224 |
| Operating expenses: | | |
| Sales and marketing | 84,127 | 84,919 |
| Research and development | 31,431 | 40,113 |
| General and administrative | 26,959 | 26,976 |
| Restructuring | — | 2,132 |
| Depreciation and amortization | 1,603 | 2,635 |
| Total operating expenses | 144,120 | 156,775 |
| Income from operations | 18,480 | 7,449 |
| Interest income | 780 | 261 |
| Interest expense | (96) | (105) |
| Other income (expense), net | 341 | (389) |
| Income before income taxes | 19,505 | 7,216 |
| Income tax expense | 6,876 | 3,705 |
| Net income | \$ 12,629 | \$ 3,511 |
| Net income per common share: | | |
| Basic | \$ 0.29 | \$ 0.08 |
| Diluted | \$ 0.28 | \$ 0.08 |
| Weighted average common shares outstanding: | | |
| Basic | 44,057 | 44,743 |
| Diluted | 44,975 | 45,865 |

Table II

Commvault Systems, Inc.

Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

| | June 30, 2023 | March 31, 2023 |
|---|------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 274,589 | \$ 287,778 |
| Trade accounts receivable, net | 176,512 | 210,441 |
| Assets held for sale | 38,680 | 38,680 |
| Other current assets | 18,654 | 14,015 |
| Total current assets | 508,435 | 550,914 |
| Property and equipment, net | 8,209 | 8,287 |
| Operating lease assets | 11,268 | 11,784 |
| Deferred commissions cost | 58,848 | 59,612 |
| Intangible assets, net | 1,979 | 2,292 |
| Goodwill | 127,780 | 127,780 |
| Other assets | 25,213 | 21,905 |
| Total assets | \$ 741,732 | \$ 782,574 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |

| | | |
|--|------------|------------|
| Current liabilities: | | |
| Accounts payable | \$ 284 | \$ 108 |
| Accrued liabilities | 78,089 | 97,888 |
| Current portion of operating lease liabilities | 4,763 | 4,518 |
| Deferred revenue | 302,629 | 307,562 |
| Total current liabilities | 385,765 | 410,076 |
| | | |
| Deferred revenue, less current portion | 172,219 | 174,393 |
| Deferred tax liabilities, net | 519 | 134 |
| Long-term operating lease liabilities | 7,584 | 8,260 |
| Other liabilities | 3,629 | 3,613 |
| | | |
| Total stockholders' equity | 172,016 | 186,098 |
| Total liabilities and stockholders' equity | \$ 741,732 | \$ 782,574 |

Table III

Commvault Systems, Inc.

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

| | Three Months Ended June 30, | |
|---|--------------------------------|------------|
| | 2023 | 2022 |
| Cash flows from operating activities | | |
| Net income | \$ 12,629 | \$ 3,511 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,632 | 2,977 |
| Noncash stock-based compensation | 23,724 | 31,095 |
| Noncash change in fair value of equity securities | (341) | 389 |
| Amortization of deferred commissions cost | 6,319 | 5,314 |
| Changes in operating assets and liabilities: | | |
| Trade accounts receivable, net | 28,057 | 9,389 |
| Operating lease assets and liabilities, net | 72 | (283) |
| Other current assets and Other assets | (1,393) | (2,710) |
| Deferred commissions cost | (5,600) | (6,652) |
| Accounts payable | 178 | 482 |
| Accrued liabilities | (19,530) | (31,366) |
| Deferred revenue | (7,213) | 10,258 |
| Other liabilities | 503 | 29 |
| Net cash provided by operating activities | 39,037 | 22,433 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (1,147) | (867) |
| Purchase of equity securities | (312) | (1,015) |
| Net cash used in investing activities | (1,459) | (1,882) |
| Cash flows from financing activities | | |
| Repurchase of common stock | (51,030) | (18,923) |
| Proceeds from stock-based compensation plans | 1,201 | 687 |
| Payment of debt issuance costs | — | (63) |
| Net cash used in financing activities | (49,829) | (18,299) |
| Effects of exchange rate — changes in cash | (938) | (11,046) |
| Net decrease in cash and cash equivalents | (13,189) | (8,794) |
| Cash and cash equivalents at beginning of period | 287,778 | 267,507 |
| Cash and cash equivalents at end of period | \$ 274,589 | \$ 258,713 |

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, | |
|---|--------------------------------|------------------|
| | 2023 | 2022 |
| Non-GAAP financial measures and reconciliation: | | |
| GAAP income from operations | \$ 18,480 | \$ 7,449 |
| Noncash stock-based compensation ¹ | 23,724 | 29,808 |
| FICA and payroll tax expense related to stock-based compensation ² | 1,014 | 910 |
| Restructuring ³ | — | 2,132 |
| Amortization of intangible assets ⁴ | 314 | 314 |
| Non-GAAP income from operations | \$ 43,532 | \$ 40,613 |
| | | |
| GAAP net income | \$ 12,629 | \$ 3,511 |
| Noncash stock-based compensation ¹ | 23,724 | 29,808 |
| FICA and payroll tax expense related to stock-based compensation ² | 1,014 | 910 |
| Restructuring ³ | — | 2,132 |
| Amortization of intangible assets ⁴ | 314 | 314 |
| Non-GAAP provision for income taxes adjustment ⁵ | (5,154) | (7,198) |
| Non-GAAP net income | \$ 32,527 | \$ 29,477 |
| | | |
| Diluted weighted average shares outstanding | 44,975 | 45,865 |
| Non-GAAP diluted earnings per share | \$ 0.72 | \$ 0.64 |

¹ Represents noncash stock-based compensation charges associated with restricted stock units granted and our Employee Stock Purchase Plan, exclusive of stock-based compensation expense related to Commvault's restructuring activities described below in footnote 3. Refer below for the classification of stock-based compensation expense.

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%.

| | Three Months Ended June 30, | |
|--|--------------------------------|------------------|
| | 2023 | 2022 |
| Non-GAAP free cash flow reconciliation: | | |
| GAAP cash provided by operating activities | \$ 39,037 | \$ 22,433 |
| Purchase of property and equipment | (1,147) | (867) |
| Non-GAAP free cash flow | \$ 37,890 | \$ 21,566 |

Use of Non-GAAP Financial Measures

Commvault has provided in this press release the following non-GAAP financial measures: non-GAAP income from operations (EBIT), non-GAAP income from operations margin, non-GAAP net income, non-GAAP diluted earnings per share, non-GAAP free cash flow, annualized recurring revenue (ARR) and subscription ARR. This 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 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 its 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, 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 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 Federal Insurance Contribution Act (FICA) and related payroll tax expense incurred by Commvault when employees exercise in the money stock options or vest in restricted stock awards. Commvault has also excluded restructuring costs and noncash amortization of intangible assets from its non-GAAP results. 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. The following table presents the stock-based compensation expense included in cost of revenues, sales and marketing, research and development and general and administrative (\$ in thousands):

| | Three Months Ended June 30, | |
|----------------------------------|-----------------------------|-----------|
| | 2023 | 2022 |
| Cost of revenues | \$ 1,690 | \$ 1,243 |
| Sales and marketing | 9,704 | 11,393 |
| Research and development | 5,347 | 9,241 |
| General and administrative | 6,983 | 7,931 |
| Stock-based compensation expense | \$ 23,724 | \$ 29,808 |

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. Due to the limitations related to the use of non-GAAP measures, Commvault's management assists investors by providing a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure. Commvault's 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). In addition to the adjustments discussed in non-GAAP income from operations, non-GAAP net income and non-GAAP diluted EPS incorporates 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 diluted EPS.

Non-GAAP free cash flow. Commvault defines this non-GAAP financial measure as net cash provided by operating activities less purchases of property and equipment. Commvault considers non-GAAP free cash flow a useful metric for Commvault management and its investors in evaluating Commvault's ability to generate cash from its business operations. 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 free cash flow.

Total ARR



COMMVAULT®



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SOURCE Commvault

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