

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

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: December 31, 2014

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 1-33026

CommVault Systems, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

1 CommVault Way

Tinton Falls, New Jersey

(Address of principal executive offices)

22-3447504

(I.R.S. Employer
Identification No.)

07724

(Zip Code)

(732) 870-4000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by the Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit and post such files.) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of January 21, 2015, there were 44,896,991 shares of the registrant's common stock, \$0.01 par value, outstanding.

COMMVault SYSTEMS, INC.
FORM 10-Q

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CommVault Systems, Inc.
Consolidated Balance Sheets
(In thousands, except per share data)

	December 31, 2014	March 31, 2014
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 314,946	\$ 457,733
Short-term investments	49,956	24,976
Trade accounts receivable, less allowance for doubtful accounts of \$107 at December 31, 2014 and \$111 at March 31, 2014	114,249	118,527
Prepaid expenses and other current assets	19,030	11,329
Deferred tax assets, net	16,254	17,966
Total current assets	514,435	630,531
Deferred tax assets, net	26,521	28,737
Property and equipment, net	134,847	88,901
Other assets	7,605	7,215
Total assets	\$ 683,408	\$ 755,384
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,206	\$ 1,218
Accrued liabilities	71,421	76,166
Deferred revenue	172,504	166,143
Total current liabilities	245,131	243,527
Deferred revenue, less current portion	49,872	43,432
Other liabilities	3,083	5,847
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, \$0.01 par value: 50,000 shares authorized, no shares issued and outstanding at December 31, 2014 and March 31, 2014	—	—
Common stock, \$0.01 par value: 250,000 shares authorized, 44,808 shares and 47,094 shares issued and outstanding at December 31, 2014 and March 31, 2014, respectively	448	471
Additional paid-in capital	518,575	481,083
Accumulated deficit	(128,854)	(18,059)
Accumulated other comprehensive loss	(4,847)	(917)
Total stockholders' equity	385,322	462,578
Total liabilities and stockholders' equity	\$ 683,408	\$ 755,384

See accompanying unaudited notes to consolidated financial statements

CommVault Systems, Inc.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2014	2013	2014	2013
Revenues:				
Software	\$ 71,729	\$ 79,240	\$ 213,202	\$ 215,370
Services	81,292	74,010	243,606	214,151
Total revenues	153,021	153,250	456,808	429,521
Cost of revenues:				
Software	587	677	1,834	1,968
Services	19,354	17,821	59,320	52,464
Total cost of revenues	19,941	18,498	61,154	54,432
Gross margin	133,080	134,752	395,654	375,089
Operating expenses:				
Sales and marketing	85,925	73,367	249,933	207,715
Research and development	16,468	13,597	47,343	39,792
General and administrative	23,103	18,521	58,350	47,547
Depreciation and amortization	2,687	1,544	6,013	4,495
Total operating expenses	128,183	107,029	361,639	299,549
Income from operations	4,897	27,723	34,015	75,540
Interest expense	(228)	—	(446)	—
Interest income	202	220	592	675
Income before income taxes	4,871	27,943	34,161	76,215
Income tax expense	1,798	10,352	11,863	27,808
Net income	\$ 3,073	\$ 17,591	\$ 22,298	\$ 48,407
Net income per common share:				
Basic	\$ 0.07	\$ 0.37	\$ 0.49	\$ 1.03
Diluted	\$ 0.07	\$ 0.35	\$ 0.47	\$ 0.97
Weighted average common shares outstanding:				
Basic	45,331	47,307	45,610	46,921
Diluted	46,976	49,899	47,385	49,674

See accompanying unaudited notes to consolidated financial statements

CommVault Systems, Inc.**Consolidated Statements of Comprehensive Income**
(In thousands)
(Unaudited)

	<u>Three Months Ended December 31,</u>		<u>Nine Months Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net income	\$ 3,073	\$ 17,591	\$ 22,298	\$ 48,407
Other comprehensive income (loss):				
Foreign currency translation adjustment	(2,509)	(401)	(3,930)	(1,173)
Comprehensive income	<u>\$ 564</u>	<u>\$ 17,190</u>	<u>\$ 18,368</u>	<u>\$ 47,234</u>

See accompanying unaudited notes to consolidated financial statements

CommVault Systems, Inc.

Consolidated Statement of Stockholders' Equity
(In thousands)
(Unaudited)

	Common Stock		Additional Paid – In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance as of March 31, 2014	47,094	\$ 471	\$ 481,083	\$ (18,059)	\$ (917)	\$ 462,578
Stock-based compensation			45,501			45,501
Tax benefits relating to stock-based payments			1,943			1,943
Share issuances related to stock-based compensation	885	9	12,048			12,057
Repurchase of common stock	(3,171)	(32)	(22,000)	(133,093)		(155,125)
Net income				22,298		22,298
Other comprehensive income (loss)					(3,930)	(3,930)
Balance as of December 31, 2014	44,808	\$ 448	\$ 518,575	\$ (128,854)	\$ (4,847)	\$ 385,322

See accompanying unaudited notes to consolidated financial statements

CommVault Systems, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended December 31,	
	2014	2013
Cash flows from operating activities		
Net income	\$ 22,298	\$ 48,407
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,232	4,594
Noncash stock-based compensation	45,501	34,536
Excess tax benefits from stock-based compensation	(4,221)	(20,113)
Deferred income taxes	1,803	(435)
Changes in operating assets and liabilities:		
Trade accounts receivable	45	(20,703)
Prepaid expenses and other current assets	(10,683)	6,798
Other assets	578	355
Accounts payable	46	(932)
Accrued liabilities	6,093	18,057
Deferred revenue	21,442	8,839
Other liabilities	(1,269)	(185)
Net cash provided by operating activities	87,865	79,218
Cash flows from investing activities		
Purchase of short-term investments	(56,458)	(25,978)
Proceeds from maturity of short-term investments	31,478	2,948
Purchases for corporate campus headquarters	(50,308)	(43,479)
Purchase of property and equipment	(3,742)	(3,934)
Net cash used in investing activities	(79,030)	(70,443)
Cash flows from financing activities		
Repurchase of common stock	(155,125)	—
Debt issuance costs	(1,262)	—
Proceeds from the exercise of stock options and the Employee Stock Purchase Plan	12,057	13,375
Excess tax benefits from stock-based compensation	4,221	20,113
Net cash provided by (used in) financing activities	(140,109)	33,488
Effects of exchange rate — changes in cash	(11,513)	(694)
Net increase (decrease) in cash and cash equivalents	(142,787)	41,569
Cash and cash equivalents at beginning of period	457,733	433,964
Cash and cash equivalents at end of period	\$ 314,946	\$ 475,533
Supplemental disclosures of cash flow information		
Purchases for corporate campus headquarters in accounts payable and accrued expenses	\$ 4,832	\$ 4,738

See accompanying unaudited notes to consolidated financial statements

CommVault Systems, Inc
Notes to Consolidated Financial Statements - Unaudited
(In thousands, except per share data)

1. Basis of Presentation

CommVault Systems, Inc. and its subsidiaries (“CommVault” or the “Company”) is a leading provider of data and information management software applications and related services. The Company develops, markets and sells a suite of software applications and services, primarily in North America, Europe, Australia and Asia, that provides its customers with high-performance data protection, including backup and recovery; data migration and archiving; snapshot management and replication of data; integrated source, and target data deduplication; eDiscovery and compliance solutions; self-service access; a secure virtual repository using Simpana ContentStore; enterprise-wide search capabilities; protection, recovery and discovery of data in virtual server and cloud environments; and robust built-in analytics and troubleshooting tools. The Company’s unified suite of data and information management software applications, which is sold under the Simpana brand, shares an underlying architecture that has been developed to minimize the cost and complexity of managing data on globally distributed and networked storage infrastructures. The Company also provides its customers with a broad range of professional and customer support services.

The consolidated financial statements as of December 31, 2014 and for the three and nine months ended December 31, 2014 and 2013 are unaudited, and in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (“U.S. GAAP”) for complete financial statements and should be read in conjunction with the financial statements and notes in the Company’s Annual Report on Form 10-K for fiscal 2014. The results reported in these financial statements should not necessarily be taken as indicative of results that may be expected for the entire fiscal year.

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make judgments and estimates that affect the amounts reported in the Company’s consolidated financial statements and the accompanying notes. The Company bases its estimates and judgments on historical experience and on various other assumptions that it believes are reasonable under the circumstances. The amounts of assets and liabilities reported in the Company’s balance sheets and the amounts of revenues and expenses reported for each of its periods presented are affected by estimates and assumptions, which are used for, but not limited to, the accounting for revenue recognition, allowance for doubtful accounts, income taxes and related reserves, stock-based compensation and accounting for research and development costs. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies

There have been no significant changes in the Company’s accounting policies during the nine months ended December 31, 2014 as compared to the significant accounting policies described in its Annual Report on Form 10-K for the year ended March 31, 2014.

Revenue Recognition

The Company derives revenues from two primary sources: software licenses and services. Services include customer support, consulting, assessment and design services, installation services and training. A typical sales arrangement includes both licenses and services.

For sales arrangements involving multiple elements, the Company recognizes revenue using the residual method. Under the residual method, the Company allocates and defers revenue for the undelivered elements based on fair value and recognizes the difference between the total arrangement fee and the amount deferred for the undelivered elements as revenue. The determination of fair value of the undelivered elements in multiple-element arrangements is based on the price charged when such elements are sold separately, which is commonly referred to as vendor-specific objective-evidence, or VSOE.

CommVault Systems, Inc
Notes to Consolidated Financial Statements - Unaudited (continued)
(In thousands, except per share data)

The Company's software licenses typically provide for a perpetual right to use the Company's software and are sold on a capacity basis, on a per-copy basis, or as site licenses. Software licenses sold on a capacity basis provide the customer with unlimited licenses of specified software products based on a defined level of terabytes of data under management. Site licenses give the customer the additional right to deploy the software on a limited basis during a specified term. The Company recognizes software revenue through direct sales channels upon receipt of a purchase order or other persuasive evidence and when all other basic revenue recognition criteria are met as described below. The Company recognizes software revenue through all indirect sales channels on a sell-through model. A sell-through model requires that the Company recognize revenue when the basic revenue recognition criteria are met as described below and these channels complete the sale of the Company's software products to the end-user. Revenue from software licenses sold through an original equipment manufacturer partner is recognized upon the receipt of a royalty report or purchase order from that original equipment manufacturer partner.

Services revenue includes revenue from customer support and other professional services. Customer support includes software updates on a when-and-if-available basis, telephone support, integrated web-based support and bug fixes or patches. Customer support revenue is recognized ratably over the term of the customer support agreement, which is typically one year. To determine the price for the customer support element when sold separately, the Company primarily uses historical renewal rates. Historical renewal rates are supported by performing an analysis in which the Company segregates its customer support renewal contracts into different classes based on specific criteria including, but not limited to, the dollar amount of the software purchased, the level of customer support being provided and the distribution channel. As a result of this analysis, the Company has concluded that it has established VSOE for the different classes of customer support when the support is sold as part of a multiple-element sales arrangement. The Company's determination of fair value for customer support has not changed for the periods presented.

The Company's other professional services include consulting services, implementation and post-deployment services and education services. Other professional services provided by the Company are not mandatory and can also be performed by the customer or a third-party. In addition to a signed purchase order, the Company's consulting services and implementation and post-deployment services are, in some cases, evidenced by a Statement of Work, which defines the specific scope of such services to be performed when sold and performed on a stand-alone basis or included in multiple-element sales arrangements. Revenues from consulting services and implementation and post-deployment services are based upon a daily or weekly rate and are recognized when the services are completed. Educational services include courses taught by the Company's instructors or third-party contractors either at one of the Company's facilities or at the customer's site. Educational services fees are recognized as revenue after the course has been provided. Based on the Company's analysis of such other professional services transactions sold on a stand-alone basis, the Company has concluded it has established VSOE for such other professional services when sold in connection with a multiple-element sales arrangement. The Company generally performs its other professional services within 90 days of entering into an agreement. The Company's determination of fair value for other professional services has not changed for the periods presented.

The Company has analyzed all of the undelivered elements included in its multiple-element sales arrangements and determined that VSOE of fair value exists to allocate revenues to services. Accordingly, assuming all basic revenue recognition criteria are met, software revenue is recognized upon delivery of the software license using the residual method.

The Company considers the four basic revenue recognition criteria for each of the elements as follows:

- *Persuasive evidence of an arrangement with the customer exists.* The Company's customary practice is to require a purchase order and, in some cases, a written contract signed by both the customer and the Company, or other persuasive evidence that an arrangement exists prior to recognizing revenue related to an arrangement.
- *Delivery or performance has occurred.* The Company's software applications are either physically or electronically delivered to customers with standard transfer terms such as FOB shipping point. Software and/or software license keys for add-on orders or software updates are typically delivered in an electronic format. If products that are essential to the functionality of the delivered software in an arrangement have not been delivered, the Company does not consider delivery to have occurred. Services revenue is recognized when the services are completed, except for customer support, which is recognized ratably over the term of the customer support agreement, which is typically one year.

CommVault Systems, Inc
Notes to Consolidated Financial Statements - Unaudited (continued)
(In thousands, except per share data)

- *Vendor's fee is fixed or determinable.* The fee customers pay for software applications, customer support and other professional services is negotiated at the outset of a sales arrangement. The fees are therefore considered to be fixed or determinable at the inception of the arrangement. The Company evaluates instances when extended payment terms are granted to determine if revenue should be deferred until payment becomes due.
- *Collection is probable.* Probability of collection is assessed on a customer-by-customer basis. Each new customer undergoes a credit review process to evaluate its financial position and ability to pay. If the Company determines from the outset of an arrangement that collection is not probable based upon the review process, revenue is recognized at the earlier of when cash is collected or when sufficient credit becomes available, assuming all of the other basic revenue recognition criteria are met.

The Company's sales arrangements generally do not include acceptance clauses. However, if an arrangement does include an acceptance clause, revenue for such an arrangement is deferred and recognized upon acceptance. Acceptance occurs upon the earliest of receipt of a written customer acceptance, waiver of customer acceptance or expiration of the acceptance period.

Concentration of Credit Risk

The Company grants credit to customers in a wide variety of industries worldwide and generally does not require collateral. Credit losses relating to these customers have been minimal.

Sales through the Company's distribution agreement with Arrow Enterprise Computing Solutions, Inc. ("Arrow") totaled 35% and 31% of total revenues for the nine months ended December 31, 2014 and 2013, respectively. Arrow accounted for approximately 42% of total accounts receivable as of December 31, 2014 and 41% of total accounts receivable as of March 31, 2014.

The Company has an original equipment manufacturer agreement with Hitachi Data Systems ("HDS") for them to market, sell and support our software applications and services on a stand-alone basis and/or incorporate our software applications into their own hardware products. HDS accounted for 10% of total revenues for the nine months ended December 31, 2014.

Deferred Revenue

Deferred revenues represent amounts collected from, or invoiced to, customers in excess of revenues recognized. This results primarily from the billing of annual customer support agreements and billings for other professional services fees that have not yet been performed by the Company and receipt of license fees that are deferred due to one or more of the revenue recognition criteria not being met. The value of deferred revenues will increase or decrease based on the timing of invoices and recognition of revenue. The Company expenses internal direct and incremental costs related to contract acquisition and origination as incurred.

Deferred revenue consists of the following:

	December 31, 2014	March 31, 2014
Current:		
Deferred software revenue	\$ 1,027	\$ 666
Deferred services revenue	171,477	165,477
	<u>\$ 172,504</u>	<u>\$ 166,143</u>
Non-current:		
Deferred services revenue	\$ 49,872	\$ 43,432
Total Deferred Revenue	<u>\$ 222,376</u>	<u>\$ 209,575</u>

Fair Value of Financial Instruments

The carrying amounts of the Company's cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to the short-term maturity of these instruments. As of December 31, 2014, and March 31, 2014 the Company's short-term investments balance consisted of U.S. Treasury Bills.

CommVault Systems, Inc
Notes to Consolidated Financial Statements - Unaudited (continued)
(In thousands, except per share data)

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for such asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value should maximize the use of observable inputs and minimize the use of unobservable inputs. To measure fair value, the Company uses the following fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes the composition of the Company's financial assets measured at fair value on a recurring basis at December 31, 2014 and March 31, 2014:

December 31, 2014	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 191,191	—	—	\$ 191,191
Short-term Investments	\$ —	49,964	—	\$ 49,964
March 31, 2014	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 326,952	—	—	\$ 326,952
Short-term Investments	\$ —	24,993	—	\$ 24,993

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." This amendment provides principles for recognizing revenue for the transfer of promised goods or services to customers with the consideration to which the entity expects to be entitled in exchange for those goods or services. This amendment will be effective for the Company's fiscal year beginning April 1, 2017. Early adoption is not permitted. The Company is currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

In July 2013, the FASB issued ASU No. 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" ("ASU 2013-11"). ASU 2013-11 addresses the diversity in practice regarding financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance requires an unrecognized tax benefit, or a portion of, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. To the extent the deferred tax asset is not available at the reporting date to settle any additional income taxes that would result from the disallowance of a tax position; the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with the deferred tax asset. The amendments in this standard are effective for reporting periods in the current fiscal year. The adoption of ASU 2013-11 did not have a material impact on the financial statements.

There have been no other accounting pronouncements issued but not yet adopted by the Company which are expected to have a material impact on the Company's financial position, results of operations or cash flows.

CommVault Systems, Inc
Notes to Consolidated Financial Statements - Unaudited (continued)
(In thousands, except per share data)

3. Property and Equipment

Property and equipment consist of the following:

	December 31, 2014	March 31, 2014
Land	\$ 8,609	\$ —
Buildings	100,820	—
Computers, servers and other equipment	36,309	27,827
Furniture and fixtures	12,349	2,409
Leasehold improvements	4,039	8,911
Purchased software	2,392	2,291
Construction in process	579	79,182
	<u>\$ 165,097</u>	<u>\$ 120,620</u>
Less: Accumulated depreciation and amortization	(30,250)	(31,719)
	<u>\$ 134,847</u>	<u>\$ 88,901</u>

During the three months ended December 31, 2014 the Company completed its planned move to a new owned corporate campus headquarters location in Tinton Falls, New Jersey. In connection with the planned move the Company recorded accelerated depreciation on leasehold improvements associated with the prior headquarters location of \$550 in the three months ended December 31, 2014. As of December 31, 2014 the Company also recorded a lease termination liability of \$2,639 related to rent and related costs associated with the prior headquarters location.

4. Net Income per Common Share

Basic net income per common share is computed by dividing net income by the weighted average number of common shares during the period. Diluted net income per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options, vesting of restricted stock units and shares to be purchased under the Employee Stock Purchase Plan. The dilutive effect of such potential common shares is reflected in diluted earnings per share by application of the treasury stock method.

The following table sets forth the computation of basic and diluted net income per common share:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2014	2013	2014	2013
Net income	\$ 3,073	\$ 17,591	\$ 22,298	\$ 48,407
Basic net income per common share:				
Basic weighted average shares outstanding	45,331	47,307	45,610	46,921
Basic net income per common share	<u>\$ 0.07</u>	<u>\$ 0.37</u>	<u>\$ 0.49</u>	<u>\$ 1.03</u>
Diluted net income per common share:				
Basic weighted average shares outstanding	45,331	47,307	45,610	46,921
Dilutive effect of stock options, restricted stock units, and employee stock purchase plan	1,645	2,592	1,775	2,753
Diluted weighted average shares outstanding	<u>46,976</u>	<u>49,899</u>	<u>47,385</u>	<u>49,674</u>
Diluted net income per common share	<u>\$ 0.07</u>	<u>\$ 0.35</u>	<u>\$ 0.47</u>	<u>\$ 0.97</u>

The diluted weighted average shares outstanding in the table above exclude outstanding stock options, restricted stock units and shares to be purchased under the employee stock purchase plan totaling approximately 3,594 and 1,524 for the three months ended December 31, 2014 and 2013, respectively, and 3,044 and 716 for the nine months ended December 31, 2014 and 2013, respectively, because the effect would have been anti-dilutive.

CommVault Systems, Inc
Notes to Consolidated Financial Statements - Unaudited (continued)
(In thousands, except per share data)

5. Commitments and Contingencies

In the normal course of its business, the Company may be involved in various claims, negotiations and legal actions. As of December 31, 2014, the Company is not aware of any asserted or unasserted claims, negotiations and legal actions for which a loss is considered reasonably possible of occurring and would require disclosure under the guidance.

On September 10, 2014, a purported class action complaint was filed in the United States District Court for the District of New Jersey against the Company, the Chief Executive Officer and the Chief Financial Officer. The case is captioned Town of Davie Police Pension Plan vs. CommVault Systems, Inc., et al. (Case No. 3:14-cv-05628-JAP-LHG). The suit alleges that the defendants made materially false and misleading statements, or failed to disclose material facts, regarding the Company's financial results, business, operations and prospects in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The suit asserts claims covering an alleged class period from May 15, 2013 through April 24, 2014. It is purportedly brought on behalf of purchasers of the Company's common stock during that period, and seeks compensatory damages, costs and expenses, as well as equitable or other relief. On January 12, 2015, the Court entered an order (i) appointing the Arkansas Teacher Retirement System to serve as lead plaintiff in this action, (ii) appointing Bernstein Litowitz Berger & Grossmann LLP to serve as lead counsel, and (iii) changing the case caption to "*In re CommVault Systems, Inc. Securities Litigation*." At this time, the Company is unable to predict the outcome of this matter and cannot currently estimate a range of any possible losses that it may experience. Accordingly, the Company is unable at this time to estimate the effects of this lawsuit on its financial condition, results of operations, or cash flows. As of December 31, 2014 the Company has not recorded a reserve for this matter.

6. Revolving Credit Facility

On June 30, 2014, the Company entered into a five-year \$250,000 revolving credit facility (the "Credit Facility"). The Credit Facility is available for share repurchases, general corporate purposes, and letters of credit. The Credit Facility contains financial maintenance covenants including a leverage ratio and interest coverage ratio. The Credit Facility also contains certain customary events of default which would permit the lenders to, among other things, declare all loans then outstanding to be immediately due and payable if such default is not cured within applicable grace periods. The Credit Facility also limits the Company's ability to incur certain additional indebtedness, create or permit liens on assets, make acquisitions, make investments, loans or advances, sell or transfer assets, pay dividends or distributions, and engage in certain transactions with foreign affiliates. Outstanding borrowings under the Credit Facility accrue interest at an annual rate equal to London Interbank Offered Rate plus 1.50% subject to increases based on the Company's actual leverage. The unused balance on the Credit Facility is also subject to a 0.25% annual interest charge subject to increases based on the Company's actual leverage. As of December 31, 2014, there were no borrowings under the Credit Facility and the Company was in compliance with all covenants.

The Company has deferred the expense related to debt issuance costs, which are classified as Other Assets, and will amortize the costs into interest expense over the term of the Credit Facility. Unamortized amounts at December 31, 2014 were \$1,136. The amortization of debt issuance costs was \$67 and \$126 in the three and nine months ended December 31, 2014 and is included in Interest expense.

7. Capitalization

During the three months ended December 31, 2014, the Company repurchased \$50,040 of common stock, or 1,032 shares, under its share repurchase program. During the nine months ended December 31, 2014, the Company has repurchased \$155,125 of common stock, or 3,171 shares. As of December 31, 2014, \$100,002 remained in the stock repurchase authorization program through March 31, 2016.

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Notes to Consolidated Financial Statements - Unaudited (continued)
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8. Stock Plans

The following summarizes the activity by award type for the Company's two stock incentive plans, the 1996 Stock Option Plan and the 2006 Long-Term Stock Incentive Plan, for the nine months ended December 31, 2014:

<u>Options</u>	<u>Number of Options</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding as of March 31, 2014	6,388	\$ 39.03		
Options granted	1,083	46.16		
Options exercised	(406)	20.26		
Options forfeited	(63)	64.84		
Options expired	(9)	62.18		
Outstanding as of December 31, 2014	6,993	\$ 40.96	6.32	\$ 120,032
Vested or expected to vest as of December 31, 2014	6,893	\$ 40.54	6.26	\$ 119,681
Exercisable as of December 31, 2014	4,274	\$ 28.48	4.76	\$ 111,295

The weighted average fair value of stock options granted was \$20.09 per option and \$20.23 per option during the three and nine months ended December 31, 2014, respectively, and \$42.89 per option and \$42.33 per option during the three and nine months ended December 31, 2013, respectively. The total intrinsic value of options exercised was \$1,286 and \$12,231 for the three and nine months ended December 31, 2014, respectively, and \$5,339 and \$37,657 for the three and nine months ended December 31, 2013, respectively. The Company's policy is to issue new shares upon exercise of options as the Company does not hold shares in treasury.

The assumptions used in the Black-Scholes option-pricing model are as follows:

	<u>Three Months Ended December 31,</u>		<u>Nine Months Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Dividend yield	None	None	None	None
Expected volatility	43-47%	42-46%	43%-47%	42%-47%
Weighted average expected volatility	46%	46%	46%	46%
Risk-free interest rates	1.45-1.95%	1.34%-2.11%	1.45%-2.18%	0.70%-2.11%
Weighted average expected life (in years)	5.8	7.1	5.7	7.0

Restricted stock unit activity for the nine months ended December 31, 2014 is as follows:

<u>Non-vested Restricted Stock Units</u>	<u>Number of Awards</u>	<u>Weighted Average Grant Date Fair Value</u>
Non-vested as of March 31, 2014	1,202	\$ 65.63
Awarded	744	46.75
Vested	(385)	57.77
Forfeited	(60)	63.65
Non-vested as of December 31, 2014	1,501	\$ 57.96

The weighted average fair value of restricted stock units awarded was \$45.80 per unit and \$46.75 per unit during the three and nine months ended December 31, 2014, respectively, and \$86.55 per unit and \$85.76 per unit during the three and nine months ended December 31, 2013, respectively.

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Notes to Consolidated Financial Statements - Unaudited (continued)
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The following table presents the stock-based compensation expense included in cost of services revenue, sales and marketing, research and development and general and administrative expenses for the three and nine months ended December 31, 2014 and 2013.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2014	2013	2014	2013
Cost of services revenue	\$ 785	\$ 417	\$ 2,186	\$ 1,008
Sales and marketing	7,396	5,990	20,140	14,336
Research and development	1,567	1,221	4,284	3,117
General and administrative	6,266	6,618	18,891	16,075
Stock-based compensation expense	\$ 16,014	\$ 14,246	\$ 45,501	\$ 34,536

As of December 31, 2014, there was approximately \$137,233 of unrecognized stock-based compensation expense, net of estimated forfeitures, related to non-vested stock option and restricted stock unit awards that is expected to be recognized over a weighted average period of 2.70 years. To the extent the actual forfeiture rate is different from what the Company has estimated, stock-based compensation related to these awards will be different from the Company's current estimate.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan (the "Purchase Plan") is a shareholder approved plan under which substantially all employees may purchase the Company's common stock through payroll deductions at a price equal to 85% of the lower of the fair market values of the stock as of the beginning or the end of six-month offering periods. An employee's payroll deductions under the Purchase Plan are limited to 10% of the employee's salary and employees may not purchase more than \$25 of stock during any calendar year. The first purchase date of the Purchase Plan was August 1, 2014 and approximately 95 shares were purchased in exchange for \$3,838 of proceeds. As of December 31, 2014, 2,906 shares were reserved for future issuance under the Purchase Plan. The Purchase Plan is considered compensatory and the fair value of the discount and look back provision are estimated using the Black-Scholes formula and recognized over the six month withholding period prior to purchase. The total expense associated with the Purchase Plan for the three and nine months ended December 31, 2014 was \$850 and \$2,226, respectively. These expenses are included in the summary of stock-based compensation expense above. There was no expenses in the prior year related to the plan. As of December 31, 2014, there was approximately \$283 of unrecognized cost related to the current purchase period of our Employee Stock Purchase Plan.

9. Income Taxes

Income Tax Expense

Income tax expense was \$1,798 and \$11,863 in the three and nine months ended December 31, 2014, respectively with an effective tax rate of 37% and 35% in the three and nine months ended December 31, 2014, respectively. The effective rate in the three and nine months ended December 31, 2014 approximates the federal statutory rate but is impacted by state income taxes and permanent differences in both the United States and foreign jurisdictions. These items were partially offset by tax benefits from research and development tax credits, foreign tax credits and domestic production activities deductions.

Income tax expense was \$10,352 and \$27,808 in the three and nine months ended December 31, 2013, respectively with effective tax rate of 37% and 36% in the three and nine months ended December 31, 2013, respectively. The effective rate in the three and nine months ended December 31, 2013 approximates the federal statutory rate but is impacted by state income taxes and permanent differences in both the United States and foreign jurisdictions partially offset by income tax benefits from research and development tax credits, foreign tax credits, and domestic production activities deductions.

CommVault Systems, Inc
Notes to Consolidated Financial Statements - Unaudited (continued)
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Unrecognized Tax Benefits

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in each of its tax jurisdictions. The number of years with open tax audits varies depending on the tax jurisdiction. A number of years may lapse before a particular matter is audited and finally resolved. A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

Balance as of March 31, 2014	\$	4,113
Additions for tax positions related to fiscal 2015		364
Additions for tax positions related to prior years		305
Settlements and effective settlements with tax authorities and remeasurements		(1,558)
Reductions related to the expiration of statutes of limitations		—
Foreign currency translation adjustment		(4)
Balance as of December 31, 2014	\$	<u>3,220</u>

All of the Company's unrecognized tax benefits would favorably impact the effective tax rate if they were recognized. Components of the reserve are classified as either current or long-term in the Consolidated Balance Sheet based on when the Company expects each of the items to be settled. Accordingly, the Company has recorded its unrecognized tax benefits of \$1,540 and \$4,113 and the related accrued interest and penalties of \$352 and \$555 in Other Liabilities on the Consolidated Balance Sheet at December 31, 2014 and March 31, 2014, respectively. Interest and penalties related to unrecognized tax benefits are recorded in income tax expense. The Company has also recorded \$1,680 of unrecognized tax benefits as a reduction of deferred tax assets on the Consolidated Balance Sheet at December 31, 2014.

Other Tax Items

Excess tax benefits related to share-based payments are credited to equity. When determining this excess tax benefit, the Company elected to follow the tax law approach. As a result, the Company's excess tax benefit which was recorded to equity was approximately \$1,943 and \$20,169 for the nine months ended December 31, 2014 and 2013, respectively.

The Company conducts business globally and as a result, files income tax returns in the United States and in various state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as the United States, Australia, Canada, Germany, Netherlands and United Kingdom. The Company's Federal income tax returns for fiscal 2012 and 2013 are currently under audit. Additionally, the Company's New Jersey tax returns for fiscal 2010 through 2013 are currently under audit.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis along with our consolidated financial statements and the related notes included elsewhere in this quarterly report on Form 10-Q. The statements in this discussion regarding our expectations of our future performance, liquidity and capital resources, and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Overview

We are a leading provider of data and information management software applications and related services in terms of product breadth and functionality and market penetration. We develop, market and sell a unified suite of data and information management software applications under the Simpana® brand. Simpana software is built from the ground up on a single platform and unified code base for integrated data and information management. The Simpana platform contains licensable modules that work together seamlessly, sharing a single code and common function set to deliver Backup and Recovery, Archive, Replication, eDiscovery and Analytic capabilities across physical, virtual and cloud environments. With a single platform approach, Simpana software is specifically designed to protect, manage and access data throughout its lifecycle in less time, at lower cost and with fewer resources than alternative solutions. Our product features and capabilities enable our customers to deploy solutions for data protection, business continuance, corporate compliance and centralized management and reporting. We also provide our customers with a broad range of professional services that are delivered by our worldwide support and field operations. As of December 31, 2014, we had licensed our software applications to approximately 21,000 registered customers.

In February 2013, our CommVault Simpana 10.0 software suite ("Simpana 10") was made available for public release. We believe Simpana 10 extends our data protection and archiving leadership to deliver secure, self-service access from mobile devices, speed the adoption of cloud computing and extract value from Big Data. Simpana 10 includes major technology advancements such as Enhanced IntelliSnap™ snapshot management; Simpana OnePass™ with Exchange; tighter integration with Microsoft Hyper-V, VMware vSphere 5.1 and vCloud Director 5.1; workflow automation; fourth-generation parallel deduplication; and customizable web-based reporting, dashboards and cloud-based analytics. Our Simpana 10 architecture efficiently stores all protected data in a virtual repository, called ContentStore, and opens access to simplify the way end users search, analyze and repurpose data across an enterprise.

Our software licenses typically provide for a perpetual right to use our software and are sold on a capacity basis, on a per-copy basis or as site licenses. During the nine months ended December 31, 2014, approximately 80% of software license revenue was sold on a capacity basis. Capacity based software licenses provide our customers with unlimited licenses of specified software products based on a defined level of terabytes of data under management. As a result, when we sell our platform through a capacity license, many of the various Simpana functionalities are bundled into one capacity based price. We anticipate that capacity based licenses will continue to account for the majority of our software license revenue for the foreseeable future.

Historically, an insignificant amount of our revenue has been sold under subscription, or term based, license arrangements. In these arrangements the customer has the right to use the software on either a capacity basis or per-copy basis over a designated period of time. Revenue in these arrangements is recognized ratably over the term of the agreement. Over the next several years we expect revenue from these types of arrangements to become a more significant portion of our total revenue.

The industry in which we currently operate continues to go through accelerating changes as the result of compounding data growth and the introduction of new technologies. We are continuing to pursue an aggressive product development program in both data and information management solutions. Our data management solutions include not only traditional backup, but also new innovations in de-duplication, data movement, virtualization, snap-based backups and enterprise reporting. Our information management innovations are primarily in the areas of archiving, eDiscovery, records management, governance, operational reporting and compliance. We remain focused on both the data and information management trends in the marketplace and, in fact, a material portion of our existing research and development expenses are utilized toward the development of such new technologies discussed above. While we are confident in our ability to meet these changing industry demands with our Simpana suite and potential future releases, the development, release and timing of any features or functionality remain at our sole discretion and our solutions or other technologies may not be widely adopted.

The rapid growth of data, and the need to securely protect, manage and access this data is driving substantial opportunities for managed service providers to help organizations deploy and manage solutions that deliver data management capabilities. The result is reduced long-term management costs with increased offerings to customers, which we believe represents a long-term industry trend in the way that services are offered.

Given the nature of the industry in which we operate, our software applications are subject to obsolescence. As noted above, we continually develop and introduce updates to our existing software applications in order to keep pace with evolving industry technologies. In addition, we must address evolving industry standards, changing customer requirements and competitive software applications that may render our existing software applications obsolete. For each of our software applications, we provide full support for the current generally available release and one prior release. When we declare a product release obsolete, a customer notice is delivered twelve months prior to the effective date of obsolescence announcing continuation of full product support for the first six months. We provide an additional six months of extended assistance support in which we only provide existing workarounds or fixes that do not require additional development activity. We do not have existing plans to make any of our software products permanently obsolete.

Sources of Revenues

We derive a significant portion of our total revenues from sales of licenses of our software applications. We do not customize our software for a specific end-user customer. We sell our software applications to end-user customers both directly through our sales force and indirectly through our global network of value-added reseller partners, systems integrators, corporate resellers and original equipment manufacturers. Our software revenue was 47% and 50% of our total revenues for the nine months ended December 31, 2014 and 2013, respectively.

In recent fiscal years, we have generated approximately two-thirds of our software revenue from our existing customer base and approximately one-third of our software revenue from new customers. In addition, our total software revenue in any particular period is, to a certain extent, dependent upon our ability to generate revenues from large customer software deals, which we refer to as enterprise software transactions. We expect the number of enterprise software transactions (transactions greater than \$0.1 million) and resulting software revenue to increase over time, although the size and timing of any particular software transaction is more difficult to forecast. Such software transactions represented approximately 56% and 58% of our total software revenue in the nine months ended December 31, 2014 and 2013, respectively.

Software revenue generated through indirect distribution channels was approximately 82% of total software revenue in the nine months ended December 31, 2014 and was approximately 89% of total software revenue in the nine months ended December 31, 2013. Software revenue generated through direct distribution channels was approximately 18% of total software revenue in the nine months ended December 31, 2014 and was approximately 11% of total software revenue in the nine months ended December 31, 2013. The dollar value of software revenue generated through indirect distribution channels decreased approximately \$17.2 million, or 9%, in the nine months ended December 31, 2014 compared to the nine months ended December 31, 2013. The dollar value of software revenue generated through direct distribution channels increased approximately \$15.0 million, or 63%, in the nine months ended December 31, 2014 compared to the nine months ended December 31, 2013. The increase in the dollar value of software revenue growth generated through our direct sales force compared to our indirect distribution channels in the nine months ended December 31, 2014 is primarily the result of an increase in software revenue from several large enterprise transactions which were conducted through our direct sales force. Deals initiated by our direct sales force are sometimes transacted through indirect channels based on end-user customer requirements, which are not always in our control and can cause this overall percentage split to vary from period to period. As such, there may be fluctuations in the dollars and percentage of software revenue generated through our direct distribution channels from time to time. We believe that the growth of our software revenue, derived from both our indirect channel partners and direct sales force, are key attributes to our long-term growth strategy. We will continue to invest in both our channel relationships and direct sales force in the future, but we continue to expect more revenue to be generated through indirect distribution channels over the long term. The failure of our indirect distribution channels or our direct sales force to effectively sell our software applications could have a material adverse effect on our revenues and results of operations.

We have a global original equipment manufacturer agreement with NetApp under which NetApp will integrate elements of our Simpana software suite with NetApp SnapShot™ and replication technology, under the NetApp SnapProtect® brand. We also have an original equipment manufacturer agreement with Hitachi Data Systems for them to market, sell and support our software applications and services on a stand-alone basis and/or incorporate our software applications into their own hardware products. As a result, Hitachi Data Systems can also sell our software in a reseller capacity under the terms of our original equipment manufacturer agreement with them. Hitachi Data Systems and NetApp have no obligation to recommend or offer our software applications exclusively or at all, and they have no minimum sales requirements and can terminate our relationship at any time. Sales through our original equipment manufacturer agreements, accounted for 15% of our total revenues for the nine months ended December 31, 2014 and 13% of our total revenues for the nine months ended December 31, 2013.

We also have non-exclusive distribution agreements covering our North American commercial markets and our U.S. Federal Government market with Arrow Enterprise Computing Solutions, Inc. ("Arrow"), a subsidiary of Arrow Electronics, Inc., and Avnet Technology Solutions ("Avnet"), a subsidiary of Avnet, Inc. Pursuant to these distribution agreements, these distributors' primary role is to enable a more efficient and effective distribution channel for our products and services by managing our reseller partners and leveraging their own industry experience. We generated approximately 35% of our total revenues through Arrow in the nine months ended December 31, 2014 and approximately 31% in the nine months ended December 31, 2013. If Arrow or Avnet were to discontinue or reduce the sales of our products or if our agreement with Arrow or Avnet was terminated, and if we were unable to take back the management of our reseller channel or find another North American distributor to replace Arrow or Avnet, then it could have a material adverse effect on our future business.

We derive approximately half of our total revenues from services revenue. Our services revenue is made up of fees from the delivery of customer support and other professional services, which are typically sold in connection with the sale of our software applications. Customer support agreements provide technical support and unspecified software updates on a when-and-if-available basis for an annual fee based on licenses purchased and the level of service subscribed. Other professional services include consulting, assessment and design services, implementation and post-deployment services and training, all of which to date have predominantly been sold in connection with the sale of software applications. Our services revenue was 53% of our total revenues for the nine months ended December 31, 2014 and 50% of our total revenues for the nine months ended December 31, 2013.

The gross margin of our services revenue was 75.6% for the nine months ended December 31, 2014 and 75.5% for the nine months ended December 31, 2013. Overall, our services revenue has lower gross margins than our software revenue. The gross margin of our software revenue was 99.1% for both the nine months ended December 31, 2014 and for the nine months ended December 31, 2013. An increase in the percentage of total revenues represented by services revenue may adversely affect our overall gross margins.

Description of Costs and Expenses

Our cost of revenues is as follows:

- *Cost of Software Revenue*, consists primarily of third-party royalties and other costs such as media, manuals, translation and distribution costs; and
- *Cost of Services Revenue*, consists primarily of salary and employee benefit costs in providing customer support and other professional services.

Our operating expenses are as follows:

- *Sales and Marketing*, consists primarily of salaries, commissions, employee benefits, stock-based compensation and other direct and indirect business expenses, including travel and related expenses, sales promotion expenses, public relations expenses and costs for marketing materials and other marketing events (such as trade shows and advertising);
- *Research and Development*, which is primarily the expense of developing new software applications and modifying existing software applications, consists principally of salaries, stock-based compensation and benefits for research and development personnel and related expenses; contract labor expense and consulting fees as well as other expenses associated with the design, certification and testing of our software applications; and legal costs associated with the patent registration of such software applications;

- *General and Administrative*, consists primarily of salaries, stock-based compensation and benefits for our executive, accounting, human resources, legal, information systems and other administrative personnel. Also included in this category are other general corporate expenses, such as outside legal and accounting services, compliance costs and insurance; and
- *Depreciation and Amortization*, consists of depreciation expense primarily for our owned Corporate Campus Headquarters location and computer equipment we use for information services and in our development and test labs.

We anticipate that each of the above categories of operating expenses will increase in dollar amounts, but will decline as a percentage of total revenues in the long-term.

Foreign Currency Exchange Rates' Impact on Results of Operations

Sales outside the United States were approximately 43% of our total revenue for the nine months ended December 31, 2014 and 42% for the nine months ended December 31, 2013. The income statements of our non-U.S. operations are translated into U.S. dollars at the average exchange rates for each applicable month in a period. To the extent the U.S. dollar weakens against foreign currencies, the translation of these foreign currency denominated transactions generally results in increased revenue, operating expenses and income from operations for our non-U.S. operations. Similarly, our revenue, operating expenses and net income will generally decrease for our non-U.S. operations if the U.S. dollar strengthens against foreign currencies.

Using the average foreign currency exchange rates from the three months ended December 31, 2013 our software revenues would have been higher by \$2.7 million, our services revenues would have been higher by \$2.2 million, our cost of sales would have been higher by approximately \$0.6 million and our operating expenses would have been higher by \$2.5 million from non-U.S. operations for the three months ended December 31, 2014. Using the average foreign currency exchange rates from the nine months ended December 31, 2013, our software revenues would have been higher by \$2.3 million, our services revenues would have been higher by \$1.2 million, our cost of sales would have been higher by \$0.2 million and our operating expenses would have been higher by \$0.4 million from non-U.S. operations.

In addition, we are exposed to risks of foreign currency fluctuation primarily from cash balances, accounts receivables and intercompany accounts denominated in foreign currencies and are subject to the resulting transaction gains and losses, which are recorded as a component of general and administrative expenses. We recognized net foreign currency transaction gains of approximately \$0.4 million and \$0.1 million in the three and nine months ended December 31, 2014, respectively, and net foreign currency transaction gains of less than \$0.1 million and \$0.4 million in the three and nine months ended December 31, 2013, respectively.

Critical Accounting Policies

In presenting our consolidated financial statements in conformity with U.S. generally accepted accounting principles, we are required to make estimates and judgments that affect the amounts reported therein. Some of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. We base these estimates on historical experience and on various other assumptions that we believe to be reasonable and appropriate. Actual results may differ significantly from these estimates. The following is a description of our accounting policies that we believe require subjective and complex judgments, which could potentially have a material effect on our reported financial condition or results of operations.

Revenue Recognition

Our revenue recognition policy is based on complex rules that require us to make significant judgments and estimates. In applying our revenue recognition policy, we must determine which portions of our revenue are recognized currently (generally software revenue) and which portions must be deferred and recognized in future periods (generally services revenue). We analyze various factors including, but not limited to, the sales of undelivered services when sold on a stand-alone basis, our pricing policies, the credit-worthiness of our customers and resellers, accounts receivable aging data and contractual terms and conditions in helping us to make such judgments about revenue recognition. Changes in judgment on any of these factors could materially impact the timing and amount of revenue recognized in a given period.

Currently, we derive revenues from two primary sources: software licenses and services. Services include customer support, consulting, assessment and design services, installation services and training. A typical sales arrangement includes both of these services.

For sales arrangements involving multiple elements, we recognize revenue using the residual method. Under the residual method, we allocate and defer revenue for the undelivered elements based on fair value and recognize the difference between the total arrangement fee and the amount deferred for the undelivered elements as revenue. The determination of fair value of the undelivered elements in multiple-element arrangements is based on the price charged when such elements are sold separately, which is commonly referred to as vendor-specific objective evidence (“VSOE”).

Our software licenses typically provide for a perpetual right to use our software and are sold on a per-copy basis, on a capacity basis or as site licenses. Software licenses sold on a capacity basis provide the customer with unlimited licenses of specified software products based on a defined level of terabytes of data under management. Site licenses give the customer the additional right to deploy the software on a limited basis during a specified term. We recognize software revenue through direct sales channels upon receipt of a purchase order or other persuasive evidence and when the other three basic revenue recognition criteria are met as described in the revenue recognition section in Note 2 of our “*Notes to Consolidated Financial Statements.*” We recognize software revenue through all indirect sales channels on a sell-through model. A sell-through model requires that we recognize revenue when the basic revenue recognition criteria are met and these channels complete the sale of our software products to the end-user. Revenue from software licenses sold through an original equipment manufacturer partner is recognized upon the receipt of a royalty report or purchase order from that original equipment manufacturer partner.

Services revenue includes revenue from customer support and other professional services. Customer support includes software updates on a when-and-if-available basis, telephone support, integrated web-based support and bug fixes or patches. Customer support revenue is recognized ratably over the term of the customer support agreement, which is typically one year. To determine the price for the customer support element when sold separately, we primarily use historical renewal rates. Historical renewal rates are supported by a rolling 12-month VSOE analysis in which we segregate our customer support renewal contracts into different classes based on specific criteria including, but not limited to, dollar amount of software purchased, level of customer support being provided and distribution channel. The purpose of such an analysis is to determine if the customer support element that is deferred at the time of a software sale is consistent with how it is sold on a stand-alone renewal basis.

Our other professional services include consulting; implementation and post deployment services; and education services. Other professional services provided by us are not mandatory and can also be performed by the customer or a third-party. In addition to a signed purchase order, our consulting, assessment and design services and installation services are, in some cases, evidenced by a Statement of Work, which defines the specific scope of the services to be performed when sold and performed on a stand-alone basis or included in multiple-element sales arrangements. Revenues from consulting, assessment and design services and installation services are based upon a daily, weekly or monthly rate and are recognized when the services are completed. Training includes courses taught by our instructors or third-party contractors either at one of our facilities or at the customer’s site. Training fees are recognized as revenue after the training course has been provided. Based on our analysis of such other professional services transactions sold on a stand-alone basis, we have concluded we have established VSOE for such other professional services when sold in connection with a multiple-element sales arrangement.

In summary, we have analyzed all of the undelivered elements included in our multiple-element sales arrangements and determined that we have VSOE of fair value to allocate revenues to services. Our analysis of the undelivered elements has provided us with results that are consistent with the estimates and assumptions used to determine the timing and amount of revenue recognized in our multiple-element sales arrangements. Accordingly, assuming all basic revenue recognition criteria are met, software revenue is recognized upon delivery of the software license using the residual method. We are not likely to materially change our pricing and discounting practices in the future.

Our sales arrangements generally do not include acceptance clauses. However, if an arrangement does include an acceptance clause, we defer the revenue for such an arrangement and recognize it upon acceptance. Acceptance occurs upon the earliest of receipt of a written customer acceptance, waiver of customer acceptance or expiration of the acceptance period.

Stock-Based Compensation

As of December 31, 2014, we maintain two stock incentive plans. We account for our stock incentive plans based on the grant date fair value recognition provisions in accordance with ASC 718. We estimated the fair value of stock options granted using the Black-Scholes formula. The fair value of restricted stock units awarded is determined based on the number of shares granted and the closing price of our common stock on the date of grant. Compensation for all share-based payment awards is recognized on a straight-line basis over the requisite service period of the awards, which is generally the vesting period. Forfeitures are estimated based on a historical analysis of our actual stock award forfeitures. We anticipate that future grants under our stock incentive plans will include both non-qualified stock options and restricted stock units.

For the three and nine months ended December 31, 2014, our calculation of expected term includes a combination of actual exercise data and an assumption on when the remaining outstanding options with similar characteristics will be exercised based on our historical data. In determining expected life, we separate employees into groups that have historically exhibited similar behavior with regard to option exercises.

Expected volatility for the three and nine months ended December 31, 2014 and 2013 was calculated based on the implied volatility of our traded options with a maturity greater than six months and the historical realized volatility of our common stock.

For the three and nine months ended December 31, 2014 and 2013, the risk-free interest rate is determined by reference to U.S. Treasury yield curve rates with a remaining term that is approximately the expected life assumed at the date of grant. Forfeitures are estimated based on our historical analysis of actual stock option forfeitures. The assumptions used in the Black-Scholes option-pricing model in the three and nine months ended December 31, 2014 and 2013 are as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2014	2013	2014	2013
Dividend yield	None	None	None	None
Expected volatility	43-47%	42-46%	43-47%	42%-47%
Weighted average expected volatility	46%	46%	46%	46%
Risk-free interest rates	1.45%-1.95%	1.34%-2.11%	1.45-2.18%	0.70%-2.11%
Weighted average expected life (in years)	5.8	7.1	5.7	7.0

The weighted average fair value of stock options granted was \$20.09 per option and \$20.23 per option during the three and nine months ended December 31, 2014, respectively, and \$42.89 per option and \$42.33 during the three and nine months ended December 31, 2013, respectively. In addition, the weighted average fair value of restricted stock units awarded was \$45.80 per unit and \$46.75 per unit during the three and nine months ended December 31, 2014, respectively, and \$86.55 per unit and \$85.76 per unit during the three and nine months ended December 31, 2013, respectively.

As of December 31, 2014, there was approximately \$137.2 million of unrecognized stock-based compensation expense, net of estimated forfeitures, related to non-vested stock option and restricted stock unit awards that is expected to be recognized over a weighted average period of 2.70 years. To the extent the actual forfeiture rate is different from what we have estimated, stock-based compensation related to these awards will be different from the current estimate.

Accounting for Income Taxes

As part of the process of preparing our financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax exposure, including assessing the risks associated with tax audits, and assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. As of December 31, 2014, we had net deferred tax assets of approximately \$42.8 million, which were primarily related to federal and state research tax credit carryforwards, stock-based compensation and foreign net operating loss carryforwards. We assess the likelihood that our deferred tax assets will be recovered from future taxable income, and to the extent that we believe recovery is not likely, we establish a valuation allowance.

As of December 31, 2014, we had unrecognized tax benefits of \$3.2 million, all of which, if recognized, would favorably affect the effective tax rate. In addition, we have accrued interest and penalties of \$0.4 million related to the unrecognized tax benefits. Interest and penalties, if any, related to unrecognized tax benefits are recorded in income tax expense. Components of the reserve are classified as either current or long-term in the Consolidated Balance Sheet based on when we expect each of the items to be settled. Accordingly, unrecognized tax benefits of \$1.5 million and the related accrued interest and penalties of \$0.4 million are included in Other Liabilities on the Consolidated Balance Sheet. We also recorded \$1.7 million of unrecognized tax benefits as a reduction of deferred tax assets on the Consolidated Balance Sheet at December 31, 2014.

The Company conducts business globally and as a result, files income tax returns in the United States and in various state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as the United States, Australia, Canada, Germany, Netherlands and United Kingdom. The Company's Federal income tax returns for fiscal 2012 and 2013 are currently under audit. Additionally, the Company's New Jersey tax returns for fiscal 2010 through 2013 are currently under audit.

Software Development Costs

Research and development expenditures are charged to operations as incurred. Based on our software development process, technological feasibility is established upon completion of a working model, which also requires certification and extensive testing. Costs incurred by us between completion of the working model and the point at which the product is ready for general release are immaterial.

Results of Operations

The following table sets forth each of our sources of revenues and costs of revenues for the specified periods as a percentage of our total revenues for those periods (due to rounding, numbers in column may not sum to totals):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2014	2013	2014	2013
Revenues:				
Software	47%	52%	47%	50%
Services	53%	48%	53%	50%
Total revenues	100%	100%	100%	100%
Cost of revenues:				
Software	—%	—%	—%	—%
Services	13%	12%	13%	12%
Total cost of revenues	13%	12%	13%	13%
Gross margin	87%	88%	87%	87%

Three months ended December 31, 2014 compared to three months ended December 31, 2013

Revenues

Total revenues decreased \$0.2 million, or 0%, from \$153.3 million in the three months ended December 31, 2013 to \$153.0 million in the three months ended December 31, 2014.

Software Revenue. Software revenue decreased \$7.5 million, or 9%, from \$79.2 million in the three months ended December 31, 2013 to \$71.7 million in the three months ended December 31, 2014. Software revenue represented 47% of our total revenues in the three months ended December 31, 2014 compared to 52% of total revenues in the three months ended December 31, 2013.

The decrease in software revenue is primarily due to lower software revenue derived from enterprise software transactions. Software revenue derived from enterprise software transactions (transactions greater than \$0.1 million) represented approximately 51% of our software revenue in the three months ended December 31, 2014 and approximately 61% of our software revenue in the three months ended December 31, 2013. As a result, enterprise software transactions decreased by \$11.7 million, or 24%, in the three months ended December 31, 2014 compared to the three months ended December 31, 2013. This decrease was driven by a 13% decrease in the average dollar amount of such transactions and a 14% decline in the number of transactions. The average dollar amount of such transactions was approximately \$248,000 in the three months ended December 31, 2014 and approximately \$284,000 in the three months ended December 31, 2013. The decrease in revenue derived from enterprise software transactions is partially offset by software revenue derived from transactions less than \$0.1 million increased \$4.2 million, or 13%, in the three months ended December 31, 2014 compared to the three months ended December 31, 2013.

The decrease in software revenue is also due to lower software revenue derived from our domestic operations, which decreased 13% in the three months ended December 31, 2014 compared to the three months ended December 31, 2013. Additionally, our international operations decreased 6% in the three months ended December 31, 2014 compared to the three months ended December 31, 2013.

Software revenue derived from our indirect distribution channel (resellers and original equipment manufacturers) decreased \$8.8 million, or 13%, in the three months ended December 31, 2014 compared to the three months ended December 31, 2013, and software revenue through our direct sales force increased \$1.3 million, or 11%, in the three months ended December 31, 2014 compared to the three months ended December 31, 2013. For additional discussion on software revenue derived from our direct sales force see the Sources of Revenue section.

Services Revenue. Services revenue increased \$7.3 million, or 10%, from \$74.0 million in the three months ended December 31, 2013 to \$81.3 million in the three months ended December 31, 2014. Services revenue represented 53% of our total revenues in the three months ended December 31, 2014 and 48% in the three months ended December 31, 2013. The increase in services revenue is primarily due to a \$7.7 million increase in revenue from customer support agreements as a result of software sales to new customers and renewal agreements with our installed software base.

Cost of Revenues. Total cost of revenues increased \$1.4 million, or 8%, from \$18.5 million in the three months ended December 31, 2013 to \$19.9 million in the three months ended December 31, 2014. Total cost of revenues represented 13% and 12% of our total revenues in the three months ended December 31, 2014 and December 31, 2013, respectively.

Cost of Software Revenue. Cost of software revenue was \$0.6 million and \$0.7 million in the three months ended December 31, 2014 and 2013, respectively.

Cost of Services Revenue. Cost of services revenue increased \$1.5 million, or 9%, from \$17.8 million in the three months ended December 31, 2013 to \$19.4 million in the three months ended December 31, 2014. Cost of services revenue represented 24% of our services revenue in both the three months ended December 31, 2014 and December 31, 2013.

Operating Expenses

Sales and Marketing. Sales and marketing expenses increased \$12.6 million, or 17%, from \$73.4 million in the three months ended December 31, 2013 to \$85.9 million in the three months ended December 31, 2014. The increase is primarily due to an \$8.3 million increase in employee compensation and related expenses mainly attributable to the expansion of our sales force from the prior year. The increase in sales and marketing expenses also includes a \$1.4 million increase in stock-based compensation expenses and \$1.0 million of increases in marketing related activities. Sales and marketing expenses as a percentage of total revenues increased to 56% in the three months ended December 31, 2014 from 48% in the three months ended December 31, 2013.

Research and Development. Research and development expenses increased \$2.9 million, or 21%, from \$13.6 million in the three months ended December 31, 2013 to \$16.5 million in the three months ended December 31, 2014. The increase is primarily due to a \$2.4 million increase in salary and related expenses resulting from the expansion of our engineering group and a \$0.3 million increase in stock-based compensation expenses. Research and development expenses as a percentage of total revenues was 11% in the three months ended December 31, 2014 and 9% in the three months ended December 31, 2013. Investing in research and development has been a priority for CommVault, and we anticipate continued spending related to the development of our data and information management software applications.

General and Administrative. General and administrative expenses increased \$4.6 million, or 25%, from \$18.5 million in the three months ended December 31, 2013 to \$23.1 million in the three months ended December 31, 2014. This increase is primarily due to expenses of \$3.6 million associated with the planned move of our corporate headquarters. These expenses consisted of a \$3.1 million lease termination charge associated with the previous lease headquarter location and \$0.5 million of moving and related costs. The increase in general and administrative expenses also includes a \$0.7 million increase in employee compensation and related expenses. The increase in general and administrative expenses was partially offset by a \$0.4 million decrease in stock-based compensation expenses. General and administrative expenses in the three months ended December 31, 2014 includes approximately \$0.4 million of net foreign currency transaction gains compared to less than \$0.1 million of net foreign currency transaction gains recognized in general and administrative expenses in the three months ended December 31, 2013. General and administrative expenses as a percentage of total revenues was 15% in the three months ended December 31, 2014 and 12% in the three months ended December 31, 2013.

Depreciation and Amortization. Depreciation expense increased by \$1.1 million from \$1.5 million in the three months ended December 31, 2013 to \$2.7 million in the three months ended December 31, 2014. The increase in depreciation expense is the result of the planned move to our new corporate campus headquarters. During the three months ended December 31, 2014 we recorded \$0.6 million of accelerated depreciation for leasehold improvements associated with our previous headquarters location.

Income Tax Expense

Income tax expense was \$1.8 million in the three months ended December 31, 2014 compared to \$10.4 million in the three months ended December 31, 2013. The effective tax rate in both the three months ended December 31, 2014 and 2013 was 37%. The effective rate in the three months ended December 31, 2014 and 2013 approximates the federal statutory rate but is impacted by state income taxes and permanent differences in both the United States and foreign jurisdictions. These items were partially offset by tax benefits from research and development tax credits, foreign tax credits and domestic production activities deductions.

Nine months ended December 31, 2014 compared to nine months ended December 31, 2013

Revenues

Total revenues increased \$27.3 million, or 6%, from \$429.5 million in the nine months ended December 31, 2013 to \$456.8 million in the nine months ended December 31, 2014.

Software Revenue. Software revenue decreased \$2.2 million, or 1%, from \$215.4 million in the nine months ended December 31, 2013 to \$213.2 million in the nine months ended December 31, 2014. Software revenue represented 47% of our total revenues in the nine months ended December 31, 2014 and compared to 50% of total revenues in the nine months ended December 31, 2013.

The decrease in software revenue is primarily due to lower software revenue derived from our domestic operations, which decreased 6% in the nine months ended December 31, 2014 compared to the nine months ended December 31, 2013. This decrease was partially offset by our international operations, which increased 5% in the nine months ended December 31, 2014 compared to the nine months ended December 31, 2013. The growth in software revenue in our international locations is primarily due to increases in United Kingdom, Australia, and China.

Software revenue derived from enterprise software transactions (transactions greater than \$0.1 million) represented approximately 56% of our software revenue in the nine months ended December 31, 2014 and approximately 58% of our software revenue in the nine months ended December 31, 2013. Enterprise software transaction revenue decreased by \$4.1 million, or 3%, in the nine months ended December 31, 2014 compared to the nine months ended December 31, 2013. This decrease was driven by a 7% decrease in the number of such transactions. The decline in the number of transactions was partially offset by a 4% increase in the average dollar amount of such transactions. The average sales price was approximately \$292,000 in the nine months ended December 31, 2014 and approximately \$283,000 in the nine months ended December 31, 2013. Software revenue derived from transactions less than \$0.1 million increased \$2.0 million, or 2%, in the nine months ended December 31, 2014 compared to the nine months ended December 31, 2013.

Software revenue derived from our indirect distribution channel (resellers and original equipment manufacturers) decreased \$17.2 million, or 9%, in the nine months ended December 31, 2014 compared to the nine months ended December 31, 2013, and software revenue through our direct sales force increased \$15.0 million, or 63%, in the nine months ended December 31, 2014 compared to the nine months ended December 31, 2013. For additional discussion on software revenue derived from our direct sales force see the Sources of Revenue section.

Services Revenue. Services revenue increased \$29.5 million, or 14%, from \$214.2 million in the nine months ended December 31, 2013 to \$243.6 million in the nine months ended December 31, 2014. Services revenue represented 53% of our total revenues in the nine months ended December 31, 2014 and 50% in the nine months ended December 31, 2013. The increase in services revenue is primarily due to a \$27.8 million increase in revenue from customer support agreements as a result of software sales to new customers and renewal agreements with our installed software base.

Cost of Revenues. Total cost of revenues increased \$6.7 million, or 12%, from \$54.4 million in the nine months ended December 31, 2013 to \$61.2 million in the nine months ended December 31, 2014. Total cost of revenues represented 13% of our total revenues in both the nine months ended December 31, 2014 and 2013.

Cost of Software Revenue. Cost of software revenue was \$1.8 million and \$2.0 million in the nine months ended December 31, 2014 and 2013, respectively.

Cost of Services Revenue. Cost of services revenue increased \$6.9 million, or 13%, from \$52.5 million in the nine months ended December 31, 2013 to \$59.3 million in the nine months ended December 31, 2014. Cost of services revenue represented 24% of our services revenue in both the nine months ended December 31, 2014 and 2013.

Operating Expenses

Sales and Marketing. Sales and marketing expenses increased \$42.2 million, or 20%, from \$207.7 million in the nine months ended December 31, 2013 to \$249.9 million in the nine months ended December 31, 2014. The increase is primarily due to a \$28.5 million increase in employee compensation and related expenses mainly attributable to the expansion of our sales force from the prior year. The increase in sales and marketing expenses also includes a \$5.8 million increase in stock-based compensation expense and a \$2.5 million increase in marketing expenses. Sales and marketing expenses as a percentage of total revenues increased to 55% in the nine months ended December 31, 2014 from 48% in the nine months ended December 31, 2013.

Research and Development. Research and development expenses increased \$7.6 million, or 19%, from \$39.8 million in the nine months ended December 31, 2013 to \$47.3 million in the nine months ended December 31, 2014. The increase is primarily due to a \$6.1 million increase in salary and related expenses resulting from the expansion of our engineering group and a \$1.2 million increase in stock-based compensation expenses. Research and development expenses as a percentage of total revenues was 10% in the nine months ended December 31, 2014 and 9% in the nine months ended December 31, 2013. Investing in research and development has been a priority for CommVault, and we anticipate continued spending related to the development of our data and information management software applications.

General and Administrative. General and administrative expenses increased \$10.8 million, or 23%, from \$47.5 million in the nine months ended December 31, 2013 to \$58.4 million in the nine months ended December 31, 2014. This increase is due to expenses of \$3.6 million associated with the planned move of our corporate headquarters, a \$2.8 million increase in stock-based compensation expenses, and a \$2.2 million increase in employee compensation and related expenses. General and administrative expenses in the nine months ended December 31, 2014 includes approximately \$0.1 million of net foreign currency transaction gains compared to approximately \$0.4 million of net foreign currency transaction gains recognized in general and administrative expenses in the nine months ended December 31, 2013. General and administrative expenses as a percentage of total revenues was 13% in the nine months ended December 31, 2014 and 11% in the nine months ended December 31, 2013.

Depreciation and Amortization. Depreciation expense increased by \$1.5 million from \$4.5 million in the nine months ended December 31, 2013 to \$6.0 million in the nine months ended December 31, 2014. The increase in depreciation expense is the result of the planned move to our new corporate campus headquarters. We expect depreciation expenses associated with our new headquarters to total approximately \$5.0 million on an annual basis. During the nine months ended December 31, 2014 we recorded \$0.6 million of accelerated depreciation for leasehold improvements associated with our previous headquarters location.

Income Tax Expense

Income tax expense was \$11.9 million in the nine months ended December 31, 2014 compared to \$27.8 million in the nine months ended December 31, 2013. The effective tax rate in the nine months ended December 31, 2014 was 35% as compared to 36% in the nine months ended December 31, 2013. The effective rate in the nine months ended December 31, 2014 approximates the federal statutory rate due to the recognition of certain previously unrecognized tax benefits, tax benefits from research and development tax credits, foreign tax credits and domestic production activities deductions. These benefits were partially offset by permanent differences in both the United States and foreign jurisdictions. The effective rate in the nine months ended December 31, 2013 approximates the expected federal statutory rate of 35% but is impacted by state income taxes and permanent differences in both the United States and foreign jurisdictions, partially offset by income tax benefits from research and development credits, foreign tax credits and domestic production activities deductions.

Liquidity and Capital Resources

As of December 31, 2014, our cash and cash equivalents balance of \$314.9 million primarily consisted of money market funds. In addition, as of December 31, 2014 we have short-term investments which are comprised of U.S. Treasury Bills totaling \$50.0 million. In recent fiscal years, our principal source of liquidity has been cash provided by operations.

As of December 31, 2014, the amount of cash and cash equivalents held outside of the United States by our foreign legal entities was approximately \$114.3 million. These balances are dispersed across many international locations around the world. We believe that such dispersion meets the current and anticipated future liquidity needs of our foreign legal entities. In addition, it is our intention to indefinitely reinvest undistributed earnings of our foreign legal entities. In the event we needed to repatriate funds from outside of the United States, such repatriation would likely be subject to restrictions by local laws and/or tax consequences including foreign withholding taxes or U.S. income taxes. It is not currently practical to estimate the legal restrictions or tax liability that would arise from such repatriations.

On June 30, 2014, we entered into a five-year \$250 million revolving credit facility (the "Credit Facility"). The Credit Facility is available for share repurchases, general corporate purposes, and letters of credit. The Credit Facility contains financial maintenance covenants including a leverage ratio and interest coverage ratio. The Credit Facility also contains certain customary events of default which would permit the lenders to, among other things, declare all loans then outstanding to be immediately due and payable if such default is not cured within applicable grace periods. The Credit Facility also limits the Company's ability to incur certain additional indebtedness, create or permit liens on assets, make acquisitions, make investments, loans or advances, sell or transfer assets, pay dividends or distributions, and engage in certain transactions with foreign affiliates. Outstanding borrowings under the Credit Facility accrue interest at an annual rate equal to London Interbank Offered Rate plus 1.50% subject to increases based on the Company's actual leverage. The unused balance on the Credit Facility is also subject to a 0.25% annual interest charge subject to increases based on the Company's actual leverage. As of December 31, 2014, there were no borrowings under the Credit Facility and we believe we are in compliance with all covenants.

During the nine months ended December 31, 2014, we repurchased \$155.1 million of common stock, or 3.2 million shares, under our share repurchase program. As of January 30, 2015, there is \$100.0 million remaining in the share repurchase program which expires on March 31, 2016.

The primary business reason for our stock repurchase program is to reduce the dilutive impact on our common shares outstanding associated with stock option exercises and our previous public and private stock offerings. In the prior four quarters, we have bought back approximately 8% of the common stock. Our future stock repurchase activity is subject to the business judgment of our management and Board of Directors, taking into consideration our historical and projected results of operations, financial condition, cash flows and other anticipated capital requirements or investment alternatives.

Our Employee Stock Purchase Plan (the "ESPP") provides eligible employees the opportunity to become stockholders through the purchase of shares of our common stock. The ESPP is a shareholder approved plan under which substantially all employees may purchase our common stock through payroll deductions at a price equal to 85% of the lower of the fair market values of the stock as of the beginning or the end of six-month offering periods. An employee's payroll deductions under the Purchase Plan are limited to 10% of the employee's salary and employees may not purchase more than \$25,000 of stock during any calendar year. The first purchase date of the ESPP was August 1, 2014 and approximately 0.1 million shares were purchased in exchange for \$3.8 million of proceeds.

Our summarized cash flow information is as follows (in thousands):

	Nine Months Ended December 31,	
	2014	2013
Cash provided by operating activities	\$ 87,865	\$ 79,218
Net cash used in investing activities	(79,030)	(70,443)
Net cash provided by (used in) financing activities	(140,109)	33,488
Effects of exchange rate-changes in cash	(11,513)	(694)
Net increase (decrease) in cash and cash equivalents	\$ (142,787)	\$ 41,569

Net cash provided by operating activities was \$87.9 million in the nine months ended December 31, 2014 and \$79.2 million in the nine months ended December 31, 2013. In the nine months ended December 31, 2014 and 2013, cash provided by operating activities was primarily due to net income adjusted for the impact of non-cash charges, and increases in deferred revenue in the current fiscal year.

Net cash used in investing activities was \$79.0 million for the nine months ended December 31, 2014 and \$70.4 million in the nine months ended December 31, 2013. In the nine months ended December 31, 2014, cash used in investing activities was due to \$25.0 million in net purchases of U.S. Treasury Bills and \$50.3 million of incremental spending on the Company's planned corporate campus headquarters. During the three months ended December 31, 2014 we completed the planned move to our new corporate campus headquarters location in Tinton Falls, New Jersey. Our new headquarters was designed to support the long-term growth of our business. Although the vast majority of spending on the new corporate headquarters is complete, we expect that we will make approximately \$9.0 million of related cash disbursements over the next several months. In the nine months ended December 31, 2013, cash used in investing activities was due to the purchase of property and equipment in the amounts of \$43.5 million for purchases relating to our new corporate campus headquarters, \$23.0 million related to the net purchase of short term investments and \$3.9 million of capital expenditures as we continue to invest in and enhance our global infrastructure.

Net cash provided by (used in) financing activities was \$(140.1) million in the nine months ended December 31, 2014 and \$33.5 million in the nine months ended December 31, 2013. The cash used in financing activities in the nine months ended December 31, 2014 was primarily due to \$155.1 million used to repurchase shares of our common stock under our repurchase program, partially offset by \$12.1 million of proceeds from the exercise of stock options and purchases from the employee stock purchase plan and \$4.2 million of excess tax benefits recognized as a result of the stock option exercises. The net cash provided by financing activities in the nine months ended December 31, 2013 was due to \$20.1 million of excess tax benefits recognized as a result of the stock option exercises and \$13.4 million of proceeds from the exercise of stock options.

Working capital decreased \$117.7 million from \$387.0 million as of March 31, 2014 to \$269.3 million as of December 31, 2014. The decrease in working capital is due primarily to a \$117.8 million decrease in cash and short-term investments. The decrease in cash and short-term investments is primarily the result of the repurchases of our common stock and spending on our new corporate campus headquarters, partially offset by net income adjusted for the impact of non-cash charges and increases in deferred revenue.

We believe that our existing cash, cash equivalents and our cash from operations will be sufficient to meet our anticipated cash needs for working capital, capital expenditures and potential stock repurchases for at least the next 12 months. We may seek additional funding through public or private financings or other arrangements during this period. Adequate funds may not be available when needed or may not be available on terms favorable to us, or at all. If additional funds are raised by issuing equity securities, dilution to existing stockholders will result. If we raise additional funds by obtaining loans from third parties, including borrowing under our revolving credit facility, the terms of those financing arrangements may include negative covenants or other restrictions on our business that could impair our operational flexibility, and would also require us to fund additional interest expense. If funding is insufficient at any time in the future, we may be unable to develop or enhance our products or services, take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations.

Off-Balance Sheet Arrangements

As of December 31, 2014, other than our operating leases, we do not have off-balance sheet financing arrangements, including any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities. We do have approximately \$250,000 of letters of credit outstanding.

Indemnifications

Certain of our software licensing agreements contain certain provisions that indemnify our customers from any claim, suit or proceeding arising from alleged or actual intellectual property infringement. These provisions continue in perpetuity along with our software licensing agreements. We have never incurred a liability relating to one of these indemnification provisions in the past and we believe that the likelihood of any future payout relating to these provisions is remote. Therefore, we have not recorded a liability during any period related to these indemnification provisions.

Impact of Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." This amendment provides principles for recognizing revenue for the transfer of promised goods or services to customers with the consideration to which the entity expects to be entitled in exchange for those goods or services. This amendment will be effective for the Company's fiscal year beginning April 1, 2017. Early adoption is not permitted. The Company is currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

In July 2013, the FASB issued ASU No. 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" ("ASU 2013-11"). ASU 2013-11 addresses the diversity in practice regarding financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance requires an unrecognized tax benefit, or a portion of, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. To the extent the deferred tax asset is not available at the reporting date to settle any additional income taxes that would result from the disallowance of a tax position; the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with the deferred tax asset. The amendments in this standard are effective for reporting periods in the current fiscal year. The adoption of ASU 2013-11 did not have a material impact on the financial statements.

There have been no other accounting pronouncements issued but not yet adopted by the Company which are expected to have a material impact on the Company's financial position, results of operations or cash flows.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

As of December 31, 2014, our cash and cash equivalents and short-term investments consisted primarily of money market funds and U.S. Treasury Bills. Due to the short-term nature of these investments, we are not subject to any material interest rate risk on these balances.

Foreign Currency Risk

Economic Exposure

As a global company, we face exposure to adverse movements in foreign currency exchange rates. Our international sales are generally denominated in foreign currencies and this revenue could be materially affected by currency fluctuations. Approximately 43% of our sales were outside the United States for the nine months ended December 31, 2014 and 42% were outside the United States for the nine months ended December 31, 2013. Our primary exposures are to fluctuations in exchange rates for the U.S. dollar versus the Euro, and to a lesser extent, the Australian dollar, British pound sterling, Canadian dollar, Chinese yuan, Indian rupee, Korean won and Singapore dollar. Changes in currency exchange rates could adversely affect our reported revenues and require us to reduce our prices to remain competitive in foreign markets, which could also have a material adverse effect on our results of operations. Historically, we have periodically reviewed and revised the pricing of our products available to our customers in foreign countries and we have not maintained excess cash balances in foreign accounts.

Transaction Exposure

Our exposure to foreign currency transaction gains and losses is primarily the result of certain net receivables due from our foreign subsidiaries and customers being denominated in currencies other than the functional currency of the subsidiary. Our foreign subsidiaries conduct their businesses in local currency and we generally do not maintain excess U.S. dollar cash balances in foreign accounts.

Foreign currency transaction gains and losses are recorded in "General and administrative expenses" in the Consolidated Statements of Income. We recognized net foreign currency transaction gains of approximately \$0.4 million and \$0.1 million in the three and nine months ended December 31, 2014, respectively, and net foreign currency transaction gains of less than \$0.1 million and \$0.4 million in the three and nine months ended December 31, 2013, respectively. The net foreign currency transaction gains and losses recorded in "General and administrative" expenses include settlement gains and losses on forward contracts disclosed below.

To date, we have selectively hedged our exposure to foreign currency transaction gains and losses on the balance sheet through the use of forward contracts, which were not designated as hedging instruments. The duration of forward contracts utilized for hedging our balance sheet exposure is generally one to three months. As of December 31, 2014 and March 31, 2014, we did not have any forward contracts outstanding. We recorded net realized losses in general and administrative expenses related to the settlement of forward exchange contracts of less than \$0.1 million in the three and nine months ended December 31, 2014, respectively, and net realized gains (losses) of approximately \$0.1 million and (\$0.2) million in the three and nine months ended December 31, 2013, respectively. In the future, we may enter into additional foreign currency based hedging contracts to reduce our exposure to significant fluctuations in currency exchange rates on the balance sheet.

Item 4 - Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of December 31, 2014. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2014.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the third quarter of fiscal 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Internal Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosures controls and procedures or our internal controls over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are subject to claims in legal proceedings arising in the normal course of our business. We do not believe that we are party to any pending legal action that could reasonably be expected to have a material adverse effect on our business or operating results.

On September 10, 2014, a purported class action complaint was filed in the United States District Court for the District of New Jersey against the Company, our Chief Executive Officer and our Chief Financial Officer. The case is captioned Town of Davie Police Pension Plan vs. CommVault Systems, Inc., et al. (Case No. 3:14-cv-05628-JAP-LHG). The suit alleges that the defendants made materially false and misleading statements, or failed to disclose material facts, regarding the Company's financial results, business, operations and prospects in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The suit asserts claims covering an alleged class period from May 15, 2013 through April 24, 2014. It is purportedly brought on behalf of purchasers of the Company's common stock during that period, and seeks compensatory damages, costs and expenses, as well as equitable or other relief. On January 12, 2015, the Court entered an order (i) appointing the Arkansas Teacher Retirement System to serve as lead plaintiff in this action, (ii) appointing Bernstein Litowitz Berger & Grossmann LLP to serve as lead counsel, and (iii) changing the case caption to "*In re CommVault Systems, Inc. Securities Litigation*." We believe that the suit is without merit and we intend to defend ourselves and our officers vigorously. However, due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of this matter. We are unable at this time to determine whether the outcome of the litigation would have a material impact on our results of operations, financial condition or cash flows.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended March 31, 2014 and below, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. If any of the risks actually occur, our business, financial conditions or results of operations could be negatively affected. In that case, the trading price of our stock could decline, and our stockholders may lose part or all of their investment.

Risks Related to Our Business

If we were to borrow against our revolving credit facility, it could adversely affect our operations and financial results and prevent us from fulfilling our obligations.

On June 30, 2014, we closed on a \$250 million revolving credit facility. If we were to borrow substantially against this facility the indebtedness could have adverse consequences, including:

- requiring us to dedicate a portion of our cash flow from operations to payments of indebtedness, which would reduce the availability of cash flow to fund working capital requirements, capital expenditures and other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, general adverse economic conditions or changes in our business and the industry in which we operate;
- placing us at a competitive disadvantage compared to our competitors that have less debt; and
- limiting our ability to fund potential acquisitions.

We are, and may in the future become, involved in litigation that may have a material adverse effect on our business.

On September 10, 2014, a purported class action complaint was filed in the United States District Court for the District of New Jersey against the Company, our Chief Executive Officer and our Chief Financial Officer. The case is captioned Town of Davie Police Pension Plan vs. CommVault Systems, Inc., et al. (Case No. 3:14-cv-05628-JAP-LHG). The suit alleges that the defendants made materially false and misleading statements, or failed to disclose material facts, regarding the Company's financial results, business, operations and prospects in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The suit asserts claims covering an alleged class period from May 15, 2013 through April 24, 2014. It is purportedly brought on behalf of purchasers of the Company's common stock during that period, and seeks compensatory damages, costs and expenses, as well as equitable or other relief. On January 12, 2015, the Court entered an order (i) appointing the Arkansas Teacher Retirement System to serve as lead plaintiff in this action, (ii) appointing Bernstein Litowitz Berger & Grossmann LLP to serve as lead counsel, and (iii) changing the case caption to "*In re CommVault Systems, Inc. Securities Litigation.*" We believe that the suit is without merit and we intend to defend ourselves and our officers vigorously. However, due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of this matter. We are unable at this time to determine whether the outcome of the litigation would have a material impact on our results of operations, financial condition or cash flows.

From time to time, we may become involved in various other legal proceedings relating to matters incidental to the ordinary course of our business, including patent, commercial, product liability, employment, class action, whistleblower and other litigation and claims, and governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. Furthermore, because litigation is inherently uncertain, there can be no assurance that the results of any of these actions will not have a material adverse effect on our business, results of operations or financial condition.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer

During the third quarter of the fiscal 2015, we repurchased \$50.0 million of common stock, or 1.0 million shares, under our share repurchase program.

A summary of our repurchases of common stock during the three months ended December 31, 2014 is as follows:

Period	Total number of shares (or units) purchased	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
October 01, 2014 - October 31, 2014	5,900	44.38	5,900	149,738,167
November 01, 2014 - November 30, 2014	672,185	48.57	672,185	117,088,745
December 01, 2014 - December 31, 2014	353,748	48.30	353,748	100,001,912
Three months ended December 31, 2014	1,031,833	48.46	1,031,833	

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

None

Item 6. Exhibits

A list of exhibits filed herewith is included on the Exhibit Index, which immediately precedes such exhibits and is incorporated herein by reference.

Signatures

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

CommVault Systems, Inc.

Dated: January 30, 2015

By: /s/ N. Robert Hammer
N. Robert Hammer
Chairman, President and Chief Executive Officer

Dated: January 30, 2015

By: /s/ Brian Carolan
Brian Carolan
Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

**Certification of Chief Executive Officer
Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))**

I, N. Robert Hammer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CommVault Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ N. ROBERT HAMMER

N. Robert Hammer

Chairman, President and Chief Executive Officer

Date: January 30, 2015

**Certification of Chief Financial Officer
Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))**

I, Brian Carolan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CommVault Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ BRIAN CAROLAN

Brian Carolan

Vice President and Chief Financial Officer

Date: January 30, 2015

**Certification Pursuant To
18 U.S.C. Section 1350
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of CommVault Systems, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2014 as filed with the Securities and Exchange Commission (the "Report"), I, N. Robert Hammer, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ N. ROBERT HAMMER

N. Robert Hammer

Chairman, President and Chief Executive Officer

January 30, 2015

**Certification Pursuant To
18 U.S.C. Section 1350
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of CommVault Systems, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2014 as filed with the Securities and Exchange Commission (the "Report"), I, Brian Carolan, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ BRIAN CAROLAN

Brian Carolan

Vice President and Chief Financial Officer

January 30, 2015