

REFINITIV

DELTA REPORT

10-Q

CVLT - COMMVAULT SYSTEMS INC

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 613

 **CHANGES** 194

 **DELETIONS** 188

 **ADDITIONS** 231

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: **June 30, 2024** **September 30, 2024**

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

22-3447504

(State or other jurisdiction of
incorporation or organization)

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

1 Commvault Way
Tinton Falls, New Jersey 07724
(Address of principal executive offices, including zip code)

(732) 870-4000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	CVLT	The Nasdaq Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Emerging growth company

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

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 **July 29, 2024** **October 28, 2024**, there were **43,713,342** **43,725,960** shares of the registrant's common stock, \$0.01 par value, outstanding.

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COMMVAULT SYSTEMS, INC.
FORM 10-Q

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Commvault Systems, Inc.

Consolidated Balance Sheets
 (In thousands, except per share data)
 (Unaudited)

	June 30, 2024	March 31, 2024
	September 30, 2024	March 31, 2024

ASSETS

Current assets:

Current assets:

Current assets:

 Cash and cash equivalents

 Cash and cash equivalents

 Cash and cash equivalents

 Trade accounts receivable, net

 Trade accounts receivable, net

 Trade accounts receivable, net

Assets held for sale

 Other current assets

Total current assets

Deferred tax assets, net

Property and equipment, net

Operating lease assets

Deferred commissions cost

Intangible assets, net

Goodwill

Other assets

Total assets

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Current liabilities:

Current liabilities:

 Accounts payable

 Accounts payable

 Accounts payable

Accrued liabilities

 Current portion of operating lease liabilities

Deferred revenue

Total current liabilities

Deferred revenue, less current portion

Deferred tax liabilities

Long-term operating lease liabilities

Other liabilities

Commitments and contingencies (Note 8)	Commitments and contingencies (Note 8)	Commitments and contingencies (Note 8)
Stockholders' equity:		
Preferred stock, \$0.01 par value: 50,000 shares authorized, no shares issued and outstanding		
Preferred stock, \$0.01 par value: 50,000 shares authorized, no shares issued and outstanding		
Preferred stock, \$0.01 par value: 50,000 shares authorized, no shares issued and outstanding		
Common stock, \$0.01 par value: 250,000 shares authorized, 43,769 shares and 43,548 shares issued and outstanding at June 30, 2024 and March 31, 2024, respectively		
Common stock, \$0.01 par value: 250,000 shares authorized, 43,739 shares and 43,548 shares issued and outstanding at September 30, 2024 and March 31, 2024, respectively		
Additional paid-in capital		
Accumulated deficit		
Accumulated other comprehensive loss		
Total stockholders' equity		
Total liabilities and stockholders' equity		

See accompanying unaudited notes to consolidated financial statements

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Commvault Systems, Inc. Consolidated Statements of Operations <i>(In thousands, except per share data)</i> <i>(Unaudited)</i>				
	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Revenues:				
Revenues:				
Revenues:				
Subscription				
Subscription				
Subscription				
Perpetual license				
Perpetual license				
Perpetual license				
Customer support				
Customer support				
Customer support				
Other services				
Other services				
Other services				
Total revenues				
Total revenues				
Total revenues				
Cost of revenues:				

Cost of revenues:
Cost of revenues:
Subscription
Subscription
Subscription
Perpetual license
Perpetual license
Perpetual license
Customer support
Customer support
Customer support
Other services
Other services
Other services
Total cost of revenues
Total cost of revenues
Total cost of revenues
Gross margin
Gross margin
Gross margin
Operating expenses:
Operating expenses:
Operating expenses:
Sales and marketing
Sales and marketing
Sales and marketing
Research and development
Research and development
Research and development
General and administrative
General and administrative
General and administrative
Restructuring
Restructuring
Restructuring
Depreciation and amortization
Depreciation and amortization
Depreciation and amortization
Total operating expenses
Total operating expenses
Impairment charges
Total operating expenses
Income from operations
Income from operations
Income from operations

Interest income
Interest income
Interest income
Interest expense
Interest expense
Interest expense
Other income, net
Other income, net
Other income, net
Income before income taxes
Income before income taxes
Other income (expense), net
Income before income taxes
Income tax expense
Income tax expense
Income tax expense
Net income
Net income
Net income
Net income per common share:
Net income per common share:
Net income per common share:
Basic
Basic
Basic
Diluted
Diluted
Diluted
Weighted average common shares outstanding:
Weighted average common shares outstanding:
Weighted average common shares outstanding:
Basic
Basic
Basic
Diluted
Diluted
Diluted

See accompanying unaudited notes to consolidated financial statements

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Commvault Systems, Inc.

Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Net income				
Net income				
Net income				
Other comprehensive loss:				
Other comprehensive loss:				
Other comprehensive loss:				
Other comprehensive income (loss):				
Foreign currency translation adjustment				
Foreign currency translation adjustment				
Foreign currency translation adjustment				
Comprehensive income				
Comprehensive income				
Comprehensive income				

See accompanying unaudited notes to consolidated financial statements

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Commvault Systems, Inc.

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

	Common Stock	Additional Paid – In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total	Common Stock	Additional Paid – In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance as of March 31, 2024										
Balance as of March 31, 2024										
Balance as of March 31, 2024										
Balance as of June 30, 2024										
Balance as of June 30, 2024										
Balance as of June 30, 2024										
Stock-based compensation										
Share issuances related to business combination										
Share issuances related to stock-based compensation										

Share issuances related to stock-based compensation
Share issuances related to stock-based compensation
Repurchase of common stock
Net income
Other comprehensive loss
Balance as of June 30, 2024
Other comprehensive income
Balance as of September 30, 2024

	Accumulated					
	Common Stock		Additional		Other	
	Shares	Amount	Paid – In	Capital	Accumulated	Comprehensive
Balance as of March 31, 2024	43,548	\$ 435	\$ 1,349,603	\$ (1,056,011)	\$ (15,942)	\$ 278,085
Stock-based compensation				52,807		52,807
Share issuances related to business combination	50	1	4,899			4,900
Share issuances related to stock-based compensation	975	10	11,090			11,100
Repurchase of common stock	(834)	(9)	(7,684)	(95,863)		(103,556)
Net income					34,092	34,092
Other comprehensive income					360	360
Balance as of September 30, 2024	<u>43,739</u>	<u>\$ 437</u>	<u>\$ 1,410,715</u>	<u>\$ (1,117,782)</u>	<u>\$ (15,582)</u>	<u>\$ 277,788</u>

	Accumulated					
	Common Stock		Additional		Other	
	Shares	Amount	Paid – In	Capital	Accumulated	Comprehensive
Balance as of March 31, 2023	44,140	\$ 440	\$ 1,264,608	\$ (1,062,900)	\$ (16,050)	\$ 186,098
Stock-based compensation				23,724		23,724
Share issuances related to stock-based compensation	612	6	1,195			1,201
Repurchase of common stock	(779)	(8)	(7,201)	(44,065)		(51,274)
Net income					12,629	12,629
Other comprehensive loss					(362)	(362)
Balance as of June 30, 2023	<u>43,973</u>	<u>\$ 438</u>	<u>\$ 1,282,326</u>	<u>\$ (1,094,336)</u>	<u>\$ (16,412)</u>	<u>\$ 172,016</u>

Commvault Systems, Inc.

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

						Accumulated		
	Common Stock		Additional		Accumulated	Other	Comprehensive	
	Shares	Amount	Paid – In	Capital				
Balance as of June 30, 2023	43,973	\$ 438	\$ 1,282,326	\$ (1,094,336)	\$ (16,412)	\$ 172,016		
Stock-based compensation				23,615				23,615
Share issuances related to stock-based compensation	387	4		5,163				5,167
Repurchase of common stock	(442)	(4)		(4,077)	(27,419)			(31,500)
Net income					13,017			13,017
Other comprehensive loss						(792)		(792)
Balance as of September 30, 2023	<u>43,918</u>	<u>\$ 438</u>	<u>\$ 1,307,027</u>	<u>\$ (1,108,738)</u>	<u>\$ (17,204)</u>	<u>\$ 181,523</u>		

						Accumulated		
	Common Stock		Additional		Accumulated	Other	Comprehensive	
	Shares	Amount	Paid – In	Capital				
Balance as of March 31, 2023	44,140	\$ 440	\$ 1,264,608	\$ (1,062,900)	\$ (16,050)	\$ 186,098		
Stock-based compensation				47,339				47,339
Share issuances related to stock-based compensation	999	10		6,358				6,368
Repurchase of common stock	(1,221)	(12)		(11,278)	(71,484)			(82,774)
Net income					25,646			25,646
Other comprehensive loss						(1,154)		(1,154)
Balance as of September 30, 2023	<u>43,918</u>	<u>\$ 438</u>	<u>\$ 1,307,027</u>	<u>\$ (1,108,738)</u>	<u>\$ (17,204)</u>	<u>\$ 181,523</u>		

See accompanying unaudited notes to consolidated financial statements

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Commvault Systems, Inc.

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

	Three Months Ended June 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Cash flows from operating activities				
Net income				
Net income				
Net income				
Adjustments to reconcile net income to net cash provided by operating activities:				

Depreciation and amortization
Depreciation and amortization
Depreciation and amortization
Noncash stock-based compensation
Noncash change in fair value of equity securities
Noncash operating lease expense
Noncash operating lease expense
Noncash impairment charges
Noncash impairment charges
Noncash impairment charges
Noncash operating lease expense
Deferred income taxes
Amortization of deferred commissions cost
Changes in operating assets and liabilities:
Changes in operating assets and liabilities:
Changes in operating assets and liabilities:
Trade accounts receivable
Trade accounts receivable
Trade accounts receivable
Trade accounts receivable, net
Trade accounts receivable, net
Trade accounts receivable, net
Operating lease liabilities
Other current assets and Other assets
Deferred commissions cost
Accounts payable
Accrued liabilities
Deferred revenue
Other liabilities
Net cash provided by operating activities
Cash flows from investing activities
Purchase of property and equipment
Purchase of property and equipment
Purchase of property and equipment
Purchase of equity securities
Business combination, net of cash acquired
Net cash used in investing activities
Cash flows from financing activities
Repurchase of common stock
Repurchase of common stock
Repurchase of common stock
Proceeds from stock-based compensation plans
Net cash used in financing activities
Net cash used in financing activities

Net cash used in financing activities
Effects of exchange rate — changes in cash
Net decrease in cash and cash equivalents
Cash and cash equivalents at beginning of period
Cash and cash equivalents at end of period
Supplemental disclosures of noncash activities
Supplemental disclosures of noncash activities
Supplemental disclosures of noncash activities
Issuance of common stock for business combination
Issuance of common stock for business combination
Issuance of common stock for business combination
Operating lease liabilities arising from obtaining right-of-use assets

See accompanying unaudited notes to consolidated financial statements

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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," the "Company," "we," "us," or "our") provides its customers with a scalable platform that enhances customers' cyber resiliency by protecting their data in a world of increasing threats. We provide these products and services across many types of environments, including on-premises, hybrid and multi-cloud. Our offerings are delivered via self-managed software, software-as-a-service ("SaaS"), integrated appliances, or managed by partners. Customers use our Commvault Cloud platform to protect themselves from threats like ransomware and recover their data efficiently.

The consolidated financial statements of Commvault as of **June 30, 2024** **September 30, 2024** and for the three and six months ended **June 30, 2024** **September 30, 2024** and 2023 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 our Annual Report on Form 10-K for fiscal 2024. 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 our consolidated financial statements and the accompanying notes. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The amounts of assets and liabilities reported in our balance sheets and the amounts of revenues and expenses reported for each of the periods presented are affected by estimates and assumptions, which are used for, but not limited to, the accounting for revenue recognition, income taxes and related reserves, deferred commissions, goodwill, and purchased intangible assets. Actual results could differ from those estimates.

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

2. Summary of Significant Accounting Policies

Reclassification of Prior Year Balances

Certain prior year amounts have been reclassified for consistency with the current year presentation. Beginning in fiscal 2025, changes in operating lease assets are being classified as a noncash lease adjustment to reconcile net income to net cash provided by operating activities. This reclassification has no impact on the amount of cash flows from operating activities.

Recently Adopted Accounting Standards

Standard	Description	Effective Date	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Accounting Standards Update ("ASU") No. 2023-07 (Topic 280): Segment Reporting	In November 2023, the Financial Accounting Standards Board ("FASB") issued a new standard to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements.	This standard is effective for us for our annual period beginning April 1, 2024 and interim periods beginning April 1, 2025.	We expect this standard to impact our disclosures with no material impacts to our results of operations, cash flows, or financial condition.

Recently Issued Accounting Standards Not Yet Adopted

Standard	Description	Effective Date	Effect on the Consolidated Financial Statements (or Other Significant Matters)
ASU No. 2023-09 (Topic 740): Income Taxes	In December 2023, the FASB issued a new standard to improve income tax disclosures. The standard requires greater disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid.	This standard will be effective for us for our annual period beginning April 1, 2025, with early adoption permitted.	We are currently evaluating the impact of this standard on our consolidated financial statements, including accounting policies, processes, and systems.

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

Concentration of Credit Risk

We grant credit to customers in a wide variety of industries worldwide and generally do not require collateral. Credit losses relating to these customers have been minimal.

Sales through our distribution agreement with Arrow Enterprise Computing Solutions, Inc. ("Arrow") totaled 34% and 37% of total revenues for the three months ended June 30, 2024 and 2023, respectively, and 38% and 35% of total revenues for the six months ended September 30, 2024 and 2023. Arrow accounted for approximately 28% and 29% of total accounts receivable as of both June 30, 2024 and September 30, 2024, and March 31, 2024, respectively.

Sales through our distribution agreement with Carahsoft Technology Corp. resulted in ("Carahsoft") totaled 11% and 10% of total revenues for the three and six months ended September 30, 2024, respectively. Carahsoft accounted for approximately 11% and 15% of total accounts receivable as of June 30,

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

Fair Value of Financial Instruments

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, we use 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 — Observable inputs such as 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; and

Level 3 — Unobservable inputs that are supported by little or no market activity and that require the reporting entity to develop its own assumptions.

The carrying amounts of our cash, cash equivalents, accounts receivable and accounts payable approximate their fair values due to the short-term maturity of these instruments. Our cash equivalents balance ~~consists~~ consisted primarily of U.S. Treasury Bills with maturities of one month or less. Our contingent consideration is related to the acquisition of Appranix, Inc. ("Appranix") and was valued using a Monte Carlo simulation model. See Note 4 for further details of the acquisition and contingent consideration.

The following table summarizes the composition of our financial assets ~~and liabilities~~ measured at fair value as of ~~June 30, 2024~~ September 30, 2024 and March 31, 2024:

<u>June 30, 2024</u>	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents				
Cash equivalents				
Cash equivalents				
<u>September 30, 2024</u>	Level 1	Level 2	Level 3	Total
Liabilities:				
Contingent consideration				
Contingent consideration				
Contingent consideration				
<u>March 31, 2024</u>	Level 1	Level 2	Level 3	Total
<u>March 31, 2024</u>	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents				
Cash equivalents				
Cash equivalents				

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

Equity Securities Accounted for at Net Asset Value

We held equity interests in private equity funds of \$7,862 \$8,034 as of **June 30, 2024** **September 30, 2024**, which are accounted for under the net asset value practical expedient as permitted under ASC 820, *Fair Value Measurement*. These investments are included in other assets in the accompanying consolidated balance sheets. The net asset values of these investments are determined using quarterly capital statements from the funds, which are based on our contributions to the funds, allocation of profit and loss and changes in fair value of the underlying fund investments. Changes in fair value as reported on the capital statements are recorded through the consolidated statements of operations as non-operating income or expense. These private equity funds focus on making investments in key technology sectors, principally by investing in companies at expansion capital and growth equity stages. We had total unfunded commitments in private equity funds of \$2,352 \$2,252 as of **June 30, 2024** **September 30, 2024**.

Goodwill and Intangible Assets

Goodwill is recorded when the consideration paid for an acquisition exceeds the fair value of net tangible and intangible assets acquired. The carrying value of goodwill is tested for impairment on an annual basis on January 1, or more often if an event occurs or circumstances change that would more likely than not reduce the fair value of its carrying amount. For the purpose of impairment testing, we have a single reporting unit. The impairment test consists of comparing the fair value of the reporting unit with its carrying amount that includes goodwill. If the carrying amount of the reporting unit exceeds the fair value of the reporting unit, an impairment loss would be recognized to reduce the carrying amount to its fair value.

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Commvault Systems, Inc.

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

Our finite lived purchased intangible assets consist of developed technology. Developed technology purchased in fiscal 2025 was valued using the multi-period excess earnings method and is being amortized on a straight-line basis over its economic life of five years. Developed technology purchased in fiscal 2022 was valued using the replacement cost method and is being amortized on a straight-line basis over its economic life of three years. We believe this method most closely reflects the pattern in which the economic benefits of the assets will be consumed. Impairment losses are recognized if the carrying amount of an intangible asset is both not recoverable and exceeds its fair value.

Deferred Commissions Cost

Sales commissions, bonuses, and related payroll taxes earned by our employees are considered incremental and recoverable costs of obtaining a contract with a customer. Our typical contracts include performance obligations related to term-based software licenses, SaaS offerings, perpetual software licenses, software updates, and customer support. In these contracts, incremental costs of obtaining a contract are allocated to the performance obligations based on the relative estimated standalone selling prices and then recognized on a systematic basis that is consistent with the transfer of the goods or services to which the asset relates. We do not pay commissions on annual renewals of customer support contracts for perpetual licenses. The costs allocated to software and products are expensed at the time of sale, when revenue for the functional software license or appliance is recognized. The costs allocated to software updates and customer support for perpetual licenses are amortized ratably over a period of approximately five years, the expected period of benefit of the asset capitalized. We currently estimate a period of five years is appropriate based on consideration of historical average customer life and the estimated useful life of the underlying software sold as part of the transaction. The commission paid on the renewal of subscription arrangements is not commensurate with the commission paid on the initial purchase. As a result, the cost of commissions allocated to SaaS offerings, software updates and customer support on the initial term-based software license transactions are amortized over a period of approximately five years, consistent with the accounting for these costs associated with perpetual licenses. The costs of commissions allocated to SaaS offerings, software updates and customer support for the renewal of term-based software licenses is limited to the contractual period of the arrangement, as we pay a commensurate renewal commission upon the next renewal of the subscription software license and related updates and support.

The incremental costs attributable to professional services are generally amortized over the period the related services are provided and revenue is recognized. Amortization expense related to these costs is included in sales and marketing expenses in the accompanying consolidated statements of operations.

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Commvault Systems, Inc.

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

3. Revenue

We generate revenues through subscription arrangements, perpetual software licenses, customer support contracts and other services.

Subscription

Subscription includes the revenues derived from term-based arrangements, including the software portion of term-based licenses and SaaS offerings. The software component of term-based licenses is typically recognized when the software is delivered or made available for download. The term of our subscription arrangements is typically one to three years but can range between one and five years. For SaaS offerings, revenue is generally recognized ratably over the contract term beginning on the date that the service is made available to the customer.

Perpetual License

Perpetual license includes the revenues from the sale of perpetual software licenses. Perpetual software license revenue is typically recognized when the software is delivered or made available for download.

Customer Support

Customer support includes revenues associated with support contracts tied to our software products. Customer support includes software updates on a when-and-if-available basis, telephone support, integrated web-based support, and other premium support offerings, for both subscription software and perpetual software license arrangements. We sell our customer support contracts as a percentage of net software purchases. Customer

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Commvault Systems, Inc.

Notes to Consolidated Financial Statements - Unaudited (continued)

(In thousands, except per share data)

support revenue is recognized ratably over the term of the customer support agreement, which is typically one year on our perpetual licenses and over the term on our term-based licenses.

Other Services

Other services consist primarily of revenues related to professional service offerings, including consultation, assessment and design, installation services, and customer education. Revenues related to other services can vary period over period based on the timing services are delivered and are typically recognized as the services are performed.

We do not customize our software licenses (both perpetual and term-based) and installation services are not required. Software licenses are delivered before related services are provided and are functional without professional services, updates, and/or technical support. We have concluded that our software licenses (both perpetual and term-based) are functional intellectual property that is distinct, as the user can benefit from the software on its own. Revenues for both perpetual and term-based licenses are typically recognized when the software is delivered and/or made available for download as this is the point the user of the software can direct the use of and obtain substantially all of the remaining benefits from the functional intellectual property. We do not recognize software revenue related to the renewal of subscription software licenses earlier than the beginning of the new subscription period.

We also offer appliances that integrate our software with hardware and address a wide range of business needs and use cases, ranging from support for remote or branch offices with limited IT staff up to large corporate data centers. Our appliances are almost exclusively sold via a software only model in which we sell software to a third party, which assembles an integrated appliance that is sold to end user customers. As a result, the revenues and costs associated with hardware are usually not included in our financial statements.

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Commvault Systems, Inc.

Notes to Consolidated Financial Statements - Unaudited (continued)

(In thousands, except per share data)

Our typical performance obligations include the following:

Performance Obligation	When Performance Obligation is Typically Satisfied	When Payment is Typically Due	How Standalone Selling Price is Typically Estimated
Subscription			
Term-based software licenses	Upon shipment or made available for download (point in time)	Within 90 days of shipment except for certain subscription licenses which are paid for over time	Residual approach
Software-as-a-service (SaaS)	Ratably over the course of the contract (over time)	Annually or at the beginning of the contract period	Observable in transactions without multiple performance obligations
Perpetual License			
Perpetual software licenses	Upon shipment or made available for download (point in time)	Within 90 days of shipment	Residual approach
Customer Support			
Software updates	Ratably over the course of the support contract (over time)	At the beginning of the contract period	Observable in renewal transactions
Customer support	Ratably over the course of the support contract (over time)	At the beginning of the contract period	Observable in renewal transactions
Other Services			
Other professional services (except for education services)	As work is performed (over time)	Within 90 days of services being performed	Observable in transactions without multiple performance obligations
Education services	When the class is taught (point in time)	Within 90 days of services being performed	Observable in transactions without multiple performance obligations

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Commvault Systems, Inc.

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

Judgments related to revenue recognition

Most of our contracts with customers contain multiple performance obligations. For these contracts, we evaluate and account for individual performance obligations separately if they are determined to be distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. Standalone selling prices of software licenses (both perpetual and term-based) are typically estimated using the residual approach. Standalone selling prices for SaaS, customer support contracts, and other services are typically estimated based on observable transactions when these services are sold on a standalone basis. We recognize revenue net of sales tax.

Disaggregation of Revenues

We disaggregate revenues from contracts with customers into geographical regions. Our Americas region includes the United States, Canada, and Latin America. Our International region primarily includes Europe, Middle East, Africa, Australia, India, Southeast Asia, and China.

	Three Months Ended June 30,	Three Months Ended June 30,	Three Months Ended June 30,	
2024				2024
2024				2024
				Three Months Ended September 30,
2024		2024		2024
				Six Months Ended September 30,
2024			2023	2023

Americas
Americas
Americas
International
International
International
Total revenues
Total revenues
Total revenues

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

Remaining Performance Obligations

Remaining performance obligations represent expected future revenue from existing contracts where performance obligations are unsatisfied or partially unsatisfied at the end of the reporting period. Remaining performance obligations include unfulfilled contracts at the end of a given period and can include subscription arrangements (term-based licenses and SaaS agreements), customer support and other services. As of **June 30, 2024**, **September 30, 2024**, our remaining performance obligations (inclusive of deferred revenues) were **\$634,658**, **\$662,659**, of which approximately 65% is expected to be recognized as revenue over the next 12 months and the remainder recognized thereafter.

Remaining performance obligations, excluding deferred revenue, related to subscription arrangements, customer support revenue and other services were **\$44,794**, **\$26,760**, **\$46,761**, **\$35,645**, and **\$22,033**, **\$23,683**, respectively. Of these balances, we expect approximately **69%** **70%** of subscription arrangements, **40%** **39%** of customer support and 100% of other services to be recognized as revenue over the next 12 months and the remainder recognized thereafter. We expect approximately **43%** **46%** of subscription arrangements and **9%** **10%** of customer support remaining performance obligations to be recognized as revenue in the **second** **third** quarter of fiscal 2025. These balances represent transactions consisting primarily of early renewals, unbilled and undelivered support and other services, and orders received prior to the last day of the quarter that were not delivered or provisioned to customers.

Remaining performance obligations will fluctuate period to period. We do not believe the amount of remaining performance obligations is indicative of future sales or revenue or that the mix at the end of any given period correlates with actual sales performance.

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

Information about Contract Balances

Amounts collected in advance of services being provided are accounted for as deferred revenue. Nearly all of our deferred revenue balance is related to SaaS arrangements, customer support, and other services.

In some arrangements we allow customers to pay for term-based licenses over the term of the software license. Amounts recognized as revenue in excess of amounts billed are recorded as unbilled receivables. Unbilled receivables which are anticipated to be invoiced in the next twelve months are included in accounts receivable on the consolidated balance sheets. Long-term unbilled receivables are included in other assets. The opening and closing balances of our accounts receivable, unbilled receivables, and deferred revenues are as follows:

Accounts receivable	Accounts receivable	Unbilled receivable				Deferred revenue (long-term)				Accounts receivable	Unbilled receivable				Deferred revenue (long-term)			
		Unbilled receivable (current)	Unbilled receivable (long-term)	Deferred revenue (current)	Deferred revenue (long-term)						Unbilled receivable (current)	Unbilled receivable (long-term)	Deferred revenue (current)	Deferred revenue (long-term)				
Opening balance as of March 31, 2024																		

Increase/(decrease)	
Ending balance as of June 30, 2024	
Ending balance as of September 30, 2024	

The net decrease in accounts receivable (inclusive of unbilled receivables) is primarily the result of the timing of our billings and cash collections. The net increase in deferred revenue is primarily the result of an increase in SaaS contracts which are billed upfront but recognized ratably over the contract period, partially offset by a decrease in professional service contracts.

The amount of revenue recognized in the period that was included in the opening deferred revenue balance was \$117,274 \$99,017 and \$216,291 for the three and six months ended June 30, 2024 September 30, 2024, respectively. The vast majority of this revenue consists of SaaS arrangements and customer support. The amount of revenue recognized from performance obligations satisfied in prior periods was not significant.

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

4. Business Combination

On April 15, 2024, we completed the acquisition of 100% of the shares of Appranix, Inc., a Boston-based cloud cyber resilience company, for a purchase price of \$26,272, which consisted of \$21,032 in cash (exclusive of \$340 of contingent consideration) and \$4,900 of unregistered restricted stock units. These stock units were valued based on the volume weighted average price of our share price for the thirty days preceding the close date. As a result, 50 unregistered restricted stock units were issued at a fair value of \$98.98 per share. The primary reason for the business combination is to extend and enhance our product and service offerings in the cyber resiliency market.

During the three and six months ended June 30, 2024 September 30, 2024, we incurred acquisition-related costs of approximately \$189, \$389 and \$578, respectively, which were included in general and administrative expenses. The following table summarizes the purchase price and preliminary purchase price allocation as of the date of acquisition:

Purchase price allocation:		
Cash consideration	\$	21,032
Fair value of unregistered restricted stock units		4,900
Fair value of contingent consideration		340
Total purchase price	\$	26,272

Assets acquired and liabilities assumed:		
Cash	\$	32
Trade accounts receivable		239
Developed technology		5,300
Accrued liabilities		(36)
Deferred revenue		(98)
Deferred tax liability		(1,457)
Total identifiable net assets acquired and liabilities assumed	\$	3,980
Goodwill		22,292
Total purchase price	\$	26,272

The purchase price allocation is preliminary as it relates to the valuation of income taxes. The amounts recognized will be finalized as the information necessary to complete the analysis is obtained, but no later than one year after the acquisition date.

Contingent Consideration

The contingent consideration arrangement requires us to pay up to \$4,000 in cash to the former owner of Appranix, contingent upon the achievement of certain financial metrics measured on December 31, 2024 and June 30, 2025. The actual consideration can range from \$0 to \$4,000. The fair value of the contingent liability was estimated to be \$340 using a Monte Carlo simulation model and is included in accrued liabilities on the consolidated balance sheets. At the end of each reporting period after the acquisition date, the arrangement is remeasured at its fair value, with changes in fair value recorded through the consolidated statements of operations as general and administrative expenses. As of **June 30, 2024** **September 30, 2024**, we continue to estimate the fair value of the liability at \$340.

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

Actual and Unaudited Pro Forma Information

We completed the acquisition **of Appranix** on April 15, 2024, and accordingly, Appranix's operations for the period from April 15, 2024 to **June 30, 2024** **September 30, 2024** are included in our consolidated statements of operations. Appranix contributed revenues of approximately **\$494** **\$499** and **\$993**, and estimated net loss of **\$134** approximately **\$286** and **\$420**, for the period from the completion of the acquisition through June 30, 2024, three and six months ended September 30, 2024, respectively.

The following unaudited pro forma results of operations have been prepared using the acquisition method of accounting to give effect to the Appranix acquisition as though it occurred on April 1, 2023. The pro forma amounts reflect certain adjustments, such as expenses related to the noncash amortization of intangible assets and acquisition-related costs. The fiscal 2025 supplemental pro forma net income was adjusted to exclude **\$189** **\$578** of acquisition-related costs incurred in fiscal 2025. The fiscal 2024 supplemental pro forma net income was adjusted to include these charges. In addition to estimated operating expenses, both periods include noncash amortization expenses related to intangible assets as if the acquisition had taken place on April 1, 2023.

The unaudited pro forma financial information is presented for illustrative purposes only, is based on a purchase price allocation, and is not necessarily indicative of the results of operations that would have actually been reported had the acquisition occurred on April 1, 2023, nor is it necessarily indicative of the future results of operations of the combined company.

Unaudited	Three Months Ended June 30,		Unaudited	Six Months Ended September 30,		Unaudited
	2024	2023		2024	2023	
Revenue						
Revenue						
Net income						

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

5. Goodwill and Intangible Assets, Net

Goodwill

Goodwill represents the residual purchase price paid in business combinations after the fair value of all identified assets and liabilities have been recorded. It includes the estimated value of potential expansion with new customers, the opportunity to further develop sales relationships with new

customers and intangible assets that do not qualify for separate recognition. Goodwill is not amortized and there were no impairments to the carrying amounts of goodwill during the **three** **six** months ended **June 30, 2024** **September 30, 2024** and 2023. None of the goodwill recorded is expected to be deductible for income tax purposes.

Changes in goodwill during the **three** **six** months ended **June 30, 2024** **September 30, 2024** were as follows:

	Total
Balance as of March 31, 2024	\$ 127,780
Additions	22,292
Impairments	—
Balance as of June 30, 2024 September 30, 2024	\$ 150,072

Intangible Assets, Net

Intangible assets consist of developed technology. Developed technology acquired in fiscal 2025 was valued using the multi-period excess earnings method and has an estimated useful life of five years. Previously acquired developed technology was valued using the replacement cost method, has an estimated useful life of three years, and will be fully amortized within fiscal 2025. All of our intangible assets are amortized on a straight-line basis. Purchased intangible assets, net of amortization are summarized below:

June 30, 2024			March 31, 2024			September 30, 2024			March 31, 2024		
Gross	Gross	Net	Gross	Gross	Net	Gross	Gross	Net	Gross	Gross	Net
Carrying	Carrying	Accumulated	Carrying	Carrying	Accumulated	Carrying	Carrying	Accumulated	Carrying	Carrying	Accumulated
Amount	Amount	Amortization	Value	Amount	Amortization	Value	Amount	Amortization	Value	Amount	Amortization
Developed technology											

During the **three** **six** months ended **June 30, 2024** **September 30, 2024**, we acquired developed technology valued at \$5,300 as part of the acquisition of AppraniX. Amortization expense from acquired intangible assets was \$573 and **\$314** **\$1,146** for the **three** **and six** months ended **June 30, 2024** **September 30, 2024**, respectively, and **2023**, **\$312** and **\$626** for the **three** **and six** months ended **September 30, 2023**, respectively.

As of **June 30, 2024** **September 30, 2024**, future amortization expense associated with intangible assets with finite lives is expected to be:

Year ending March 31,

2025 (remaining)

2025 (remaining)

2025 (remaining)

2026

2027

2028

2029

Thereafter

Total

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

6. Assets Held for Sale

During the fourth quarter of fiscal 2023, we determined the assets and land related to our owned corporate headquarters in Tinton Falls, New Jersey met all of the criteria for classification as assets held for sale in accordance with ASC 360, *Impairment and Disposal of Long-Lived Assets* ("ASC 360"). The property's carrying amount was written down to its estimated fair value, less estimated costs to sell, of \$38,680. During the first quarter of fiscal 2025, we concluded a portion of the property, with an estimated fair value of \$1,000, no longer met the held for sale criteria and was reclassified as held for use. As a result, approximately \$24 of catch-up depreciation was recorded in the consolidated statements of operations.

The remaining assets have been classified as held for sale for more than one year. In accordance with ASC 360, assets not sold by the end of the one-year period may still qualify as held for sale, if certain conditions are met. The Board of Directors (the "Board") reconfirmed their approval of the sale at the April July 2024 meeting, and we believe the sale will be completed in calendar fiscal year 2024. Upon closing of the transaction, we intend to enter into a lease for a portion of the premises. As of June 30, 2024 September 30, 2024, we concluded all of the held for sale criteria was still met, and the assets were properly classified on the consolidated balance sheets. In addition, we have assessed the assets for any changes in fair value less costs to sell and have concluded that the current carrying amount represents recorded an additional impairment charge of \$2,910, which includes changes in the estimated fair value less and estimated costs to sell.

Subsequent Event

On October 2, 2024, we signed a purchase and sale agreement to sell the property for \$36,000. The agreement includes a due diligence period for the buyer, is contingent on receiving approvals from certain government agencies, and includes other customary conditions. We believe the sale will close in fiscal year 2025. Upon closing of the transaction, we will enter into a lease for a portion of the premises.

7. 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 vesting of restricted stock units, common shares to be purchased under the Employee Stock Purchase Plan ("ESPP"), and the exercise of stock options. 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 reconciliation of basic and diluted net income per common share:

	Three Months Ended June 30,	Three Months Ended June 30,	Three Months Ended June 30,	2024	2024	Six Months Ended September 30,	2024	2023	2024	2023
Net income										
Net income										
Net income										
Basic net income per common share:										
Basic net income per common share:										
Basic net income per common share:										
Basic weighted average shares outstanding										
Basic weighted average shares outstanding										
Basic weighted average shares outstanding										
Basic net income per common share										
Basic net income per common share										

Basic net income per common share
Diluted net income per common share:
Diluted net income per common share:
Basic weighted average shares outstanding
Basic weighted average shares outstanding
Basic weighted average shares outstanding
Dilutive effect of stock options and restricted stock units
Dilutive effect of stock options and restricted stock units
Dilutive effect of stock options and restricted stock units
Diluted weighted average shares outstanding
Diluted weighted average shares outstanding
Diluted weighted average shares outstanding
Diluted net income per common share
Diluted net income per common share
Diluted net income per common share

The diluted weighted average shares outstanding exclude restricted stock units, performance restricted stock units, shares to be purchased under the ESPP and outstanding stock options totaling 175,210 and 514,498 for the three months ended June 30, 2024 September 30, 2024 and 2023, respectively, and 218 and 526 for the six months ended September 30, 2024 and 2023, respectively, because the effect would have been anti-dilutive.

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

8. Commitments and Contingencies

During the first quarter of fiscal 2025, we entered into a settlement agreement resulting in a payment of \$1,475 which resolved certain legal matters. For the three six months ended June 30, 2024 September 30, 2024, \$675 was recorded in general and administrative expenses and the remaining \$800 was incurred in a prior period that is not presented in the consolidated statements of operations.

We do not believe that we are currently party to any pending legal action that could reasonably be expected to have a material adverse effect on our business or operating results.

The Company has a contingent liability related to the acquisition of Appranix. See Note 4 for further details of the arrangement.

9. Capitalization

Our stock repurchase program has been funded by our existing cash and cash equivalent balances, as well as cash flows provided by our operations.

On April 18, 2024, the Board approved an increase of the existing share repurchase program so that \$250,000 was available. The Board's authorization has no expiration date. For the three six months ended June 30, 2024 September 30, 2024, we repurchased \$51,392 \$103,295 of our common stock, or approximately 471,834 shares. The remaining amount available under the current authorization as of June 30, 2024 September 30, 2024 was \$205,094. \$153,191.

10. Stock Plans

The following table presents the stock-based compensation expense included in cost of revenues, sales and marketing, research and development, general and administrative and restructuring expenses for the three and six months ended **June 30, 2024** **September 30, 2024** and 2023. Stock-based compensation is attributable to restricted stock units, performance-based awards and the ESPP.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenues				
Cost of revenues				
Cost of revenues				
Sales and marketing				
Sales and marketing				
Sales and marketing				
Research and development				
Research and development				
Research and development				
General and administrative				
General and administrative				
General and administrative				
Restructuring				
Restructuring				
Restructuring				
Stock-based compensation expense				
Stock-based compensation expense				
Stock-based compensation expense				

As of **June 30, 2024** **September 30, 2024**, there was **\$141,072** **\$131,201** of unrecognized stock-based compensation expense that is expected to be recognized over a weighted average period of **1.79** **1.66** years. We account for forfeitures as they occur. To the extent that awards are forfeited, stock-based compensation will be different from our current estimate.

Stock option activity was not significant for both the **three** **six** months ended **June 30, 2024** **September 30, 2024** and 2023.

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

Restricted Stock Units

Restricted stock unit activity for the **three** **six** months ended **June 30, 2024** **September 30, 2024** was as follows:

Non-vested Restricted Stock Units	Non-vested Restricted Stock Units	Awards	Date Fair Value	Weighted	Number of Non-vested Restricted Stock Units	Awards	Date Fair Value	Weighted
				Number of Average Grant				Number of Average Grant
Non-vested as of March 31, 2024								
Awarded								

Vested
Forfeited
Non-vested as of June 30, 2024
Non-vested as of September 30, 2024

The weighted average fair value of restricted stock units awarded was ~~\$115.60~~ \$142.87 and ~~\$67.34~~ \$122.00 per unit during the three and six months ended ~~June 30, 2024~~ September 30, 2024, respectively, and ~~2023~~, \$70.99 and \$67.94 per unit during the three and six months ended September 30, 2023, respectively. The weighted average fair value of awards includes the awards with a market condition described below.

Performance Based Awards

In the ~~three~~ six months ended ~~June 30, 2024~~ September 30, 2024, we granted approximately 8491 performance stock units ("PSUs") to certain executives. Vesting of these awards is contingent upon i) us meeting certain non-GAAP performance goals (performance-based) in fiscal 2025 and ii) our customary service periods. The awards vest over three years and have the potential to vest between 0% and 300% (253(273 shares) based on actual fiscal 2025 performance. The vesting quantity of these awards may vary based on actual fiscal 2025 performance. The related stock-based compensation expense is determined based on the value of the underlying shares on the date of grant and is recognized over the vesting term using the accelerated method. During the interim financial periods, management estimates the probable number of PSUs that would vest until the ultimate achievement of the performance goals is known. The awards are included in the restricted stock unit table.

Awards with a Market Condition

In the ~~three~~ six months ended ~~June 30, 2024~~ September 30, 2024, we granted approximately 8491 market PSUs to certain executives. The vesting of these awards is contingent upon us meeting certain total shareholder return ("TSR") levels as compared to the Russell 3000 market index over the next three years. The awards vest in three annual tranches and have the potential to vest between 0% and 300% (253(273 shares) based on TSR performance. The related stock-based compensation expense is determined based on the estimated fair value of the underlying shares on the date of grant and is recognized using the accelerated method over the vesting term. The estimated fair value was calculated using a Monte Carlo simulation model. The fair value of the awards granted during the ~~three~~ six months ended ~~June 30, 2024~~ September 30, 2024 was ~~\$168.73~~ \$175.25 per unit. The awards are included in the restricted stock unit table.

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

Employee Stock Purchase Plan

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 ESPP are limited to 10% of the employee's salary and employees may not purchase more than \$25 of stock during any calendar year. Employees purchased 68 shares in exchange for \$5,486 of proceeds in the six months ended September 30, 2024, and 96 shares in exchange for \$5,164 of proceeds in the six months ended September 30, 2023. The ESPP 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 ESPP for the six months ended September 30, 2024 and 2023 was \$1,701 and \$1,662, respectively. As of September 30, 2024, there was approximately \$1,569 of unrecognized cost related to the current offering period of our ESPP.

11. Income Taxes

Income tax expense was ~~\$2,127~~ \$1,095 and \$3,222 in the three and six months ended ~~June 30, 2024~~ September 30, 2024, respectively, compared to expense of ~~\$6,876~~ \$5,720 and \$12,596 in the three and six months ended ~~June 30, 2023~~ September 30, 2023, respectively. The decrease in income tax expense compared to the prior year period relates primarily to the recognition of deferred tax assets that were not recognized in prior years due to the Company's valuation allowance, as well as windfalls from stock compensation.

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

12. Restructuring

Beginning in the fourth quarter of fiscal 2024, we initiated a restructuring plan intended to enhance customer satisfaction through the reorganization and redesign of our customer success functions. The realignment of the customer success structure aims to optimize operational efficiency and improve continuity for our customers through the pre-sales and post-sales experience. These charges relate primarily to severance and related costs associated with headcount reductions, stock-based compensation related to modifications of existing awards granted to certain employees impacted by the plan and office termination and exit charges. We anticipate the restructuring plan will be completed in the second half of fiscal 2025. The total costs to be incurred related to the restructuring plan cannot be estimated at this time.

There were no restructuring charges for the three and six months ended **June 30, 2023** **September 30, 2023**. For the three and six months ended **June 30, 2024** **September 30, 2024**, restructuring charges were comprised of the following:

Employee severance and related costs	\$ 269
Lease exit costs ⁽¹⁾	402
Stock-based compensation	4,008
Total restructuring charges	\$ 4,679

	Three Months Ended September 30, 2024	Six Months Ended September 30, 2024
Employee severance and related costs	\$ 386	\$ 655
Lease exit costs ⁽¹⁾	—	402
Stock-based compensation	180	4,188
Total restructuring charges	\$ 566	\$ 5,245

⁽¹⁾ Lease exit costs relate to one office for the three six months ended **June 30, 2024** **September 30, 2024**.

Restructuring accrual

The accrual activity related to our restructuring plan for the three six months ended **June 30, 2024** **September 30, 2024** was as follows:

	Total ⁽¹⁾
Balance as of March 31, 2024	\$ 2,746
Employee severance and related costs	269 655
Payments	(2,261) (2,553)
Balance as of June 30, 2024 September 30, 2024	\$ 754 848

⁽¹⁾ During the three six months ended **June 30, 2024** **September 30, 2024**, there were no new charges incurred or payments made related to our prior restructuring plan that was completed in fiscal 2023. The amount included in the balance as of **June 30, 2024** **September 30, 2024** related to the completed plan was \$62, insignificant.

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

13. Revolving Credit Facility

On December 13, 2021, we entered into a five-year \$100,000 senior secured revolving credit facility (the "Credit Facility") with JPMorgan Chase Bank, N.A. 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 lender 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 our ability to incur certain additional indebtedness, create or permit liens on assets, make acquisitions, make investments, engage in 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 the Secured Overnight Financing Rate plus 1.25% subject to increases based on our actual leverage. The unused balance on the Credit Facility is also subject to a 0.25% annual interest charge subject to increases based on our actual leverage. As of **June 30, 2024** **September 30, 2024**, there were no borrowings under the Credit Facility and we were in compliance with all covenants.

We have 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 as of **June 30, 2024** **September 30, 2024** were **\$284** **\$255**. The amortization of debt issuance costs and interest expense incurred for the three and six months ended **June 30, 2024** **September 30, 2024** and 2023 was as follows:

Three Months Ended June 30,			Six Months Ended September 30,		
2024	2024	2023	2024	2023	2024
Amortization of debt issuance costs					
Interest expense					
Total charges					

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14. Subsequent Events

On October 1, 2024, we signed an agreement to acquire certain assets of Clumio, Inc., a California-based data backup and recovery provider, for total cash consideration of approximately \$47,000, subject to customary transaction adjustments. The primary reason for the business combination is to extend our product offerings in our existing cyber resiliency market. As the transaction closed subsequent to the quarter ended September 30, 2024, we are still evaluating the purchase price allocation of the transaction, but we expect the primary assets acquired to be intangible assets and goodwill. Acquired tangible assets and assumed liabilities are expected to be immaterial. The allocation is expected to be finalized during the second half of fiscal 2025.

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, 2024. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Overview

Incorporated in Delaware in 1996, Commvault Systems, Inc. provides its customers with a scalable platform that enhances customers' cyber resiliency by protecting their data in a world of increasing threats. We provide these products and services for their data across many types of environments, including on-premises, hybrid and multi-cloud. Our offerings are delivered via self-managed software, software-as-a-service ("SaaS"), integrated appliances, or managed by partners. Customers use our Commvault Cloud platform to protect themselves from threats like ransomware and recover their data efficiently.

Sources of Revenues

We generate revenues through subscription arrangements, perpetual software licenses, customer support contracts and other services. A significant portion of our total revenues comes from subscription arrangements, which include both sales of term-based licenses and SaaS offerings. We are focused on these types of recurring revenue arrangements.

We expect our subscription arrangements will continue to generate revenues from the renewals of term-based licenses and SaaS offerings sold in prior years. Any of our pricing models (capacity, instance based, etc.) can be sold via a subscription arrangement, either through term-based licensing or hosted services. In term-based license arrangements, the customer has the right to use the software over a designated period of time. The capacity of the license is fixed and the customer has made an unconditional commitment to pay. Software revenue in these arrangements is generally recognized when the software is delivered. In SaaS offerings, customers use hosted software over the contract period without taking possession of the software. Revenue related to SaaS is recognized ratably over the contract period.

We sell 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, original equipment manufacturers, and marketplaces. Subscription revenue generated through indirect distribution channels accounted for approximately 90% of total subscription revenue in both the **three** **six** months ended **June 30, 2024** **September 30, 2024** and 2023. Subscription revenue generated through direct distribution channels accounted for approximately 10% of total subscription revenue in both the **three** **six** months ended **June 30, 2024** **September 30, 2024** and 2023. 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 subscription revenue generated through our direct distribution channels from time-to-time. We believe that the growth of our subscription revenue, derived from both our indirect channel partners and direct sales force, are key attributes to our long-term growth strategy. We intend to 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 products and services could have a material adverse effect on our revenues and results of operations.

We have a non-exclusive distribution agreement with Arrow pursuant to which Arrow's primary role is to enable a more efficient and effective distribution channel for our solutions by managing our resellers and leveraging their own industry experience. We generated **34%** and **38%** **36%** of our total revenues through Arrow for both the **three** **six** months ended **June 30, 2024** **September 30, 2024** and **2023**, respectively. **2023**. If Arrow were to discontinue or reduce the sales of our solutions or if our agreement with Arrow were terminated, and if we were unable to take back the management of our reseller channel or find another distributor to replace Arrow, there could be a material adverse effect on our future business.

Our customer support revenue includes support contracts tied to our software products. Customer support includes software updates on a when-and-if-available basis, telephone support, integrated web-based support, and

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other premium support offerings, for both term-based software license and perpetual software license

arrangements. We sell our customer support contracts as a percentage of net software. Customer support revenue is recognized ratably over the term of the customer support agreement, which is typically one year on our perpetual licenses. The term of our subscription arrangements is typically one to three years but can range between one and five years.

Our other services revenue consists primarily of professional service offerings, including consultation, assessment and design, installation services, and customer education. Revenues from other services can vary period over period based on the timing services are delivered and are typically recognized as the services are performed.

Foreign Currency Exchange Rates' Impact on Results of Operations

Sales outside the United States were **48%** and **45%** **46%** of our total revenues for both the **three** **six** months ended **June 30, 2024** **September 30, 2024** and **2023**, respectively. **2023**. 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 revenues, operating expenses and income from operations for our non-U.S. operations. Similarly, our revenues, 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 **June 30, 2023** **September 30, 2023**, our total revenues would have been **higher** **lower** by **\$1.2 million** **\$1.8 million**, our cost of revenues would have been lower by **\$0.1 million** and our operating expenses would have been lower by **\$1.0 million** from non-U.S. operations for the three months ended **September 30, 2024**. Using the average foreign currency exchange rates from the six months ended **September 30, 2023**, our total revenues would have been lower by **\$0.6 million**, our cost of revenues would have been higher by less than **\$0.1 million** and our operating expenses would have been **higher** **lower** by **\$0.4 million** **\$0.7 million** from non-U.S. operations for the **three** **six** months ended **June 30, 2024** **September 30, 2024**.

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 **insignificant** net foreign currency transaction losses of approximately **\$0.3 million** for both the three and six months ended **June 30, 2024** **September 30, 2024**. We recognized net foreign currency transaction losses of approximately **\$0.1 million** and **2023** **\$0.2 million** for the three and six months ended **September 30, 2023**, respectively.

Critical Accounting Policies

In presenting our consolidated financial statements in conformity with U.S. GAAP, 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. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows may be affected.

In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP and does not require management's judgment in its application, while in other cases, significant judgment is required in selecting among available alternative accounting standards that allow different accounting treatment for similar transactions. We consider these policies requiring significant management judgment to be critical accounting policies. These critical accounting policies are:

- Revenue Recognition
- Accounting for Income Taxes
- Goodwill

There have been no significant changes in our critical accounting policies during the **three** **six** months ended **June 30, 2024** **September 30, 2024** as compared to the critical accounting policies and estimates disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" included in our Annual Report on Form 10-K for the year ended March 31, 2024.

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Results of Operations

Amounts reported in millions are rounded based on the amounts in thousands. As a result, the sum of the components reported in millions may not equal the total amount reported in millions due to rounding.

Three months ended June 30, 2024 September 30, 2024 compared to three months ended June 30, 2023 September 30, 2023

Revenues (\$ in millions)

	313		314		316
	318		320		

- Total revenues increased **\$26.5 million** **\$32.3 million**, or **13%** **16%** year over year, driven primarily by an increase in subscription revenue, partially offset by decreases in **customer support** **perpetual license** and other services revenues. We remain focused on selling subscription arrangements through both term-based software licenses and SaaS offerings.
- Subscription revenue increased **\$26.8 million** **\$36.3 million**, or **28%** **37%** year over year, driven primarily by a **69%** **75%** increase in our SaaS revenue. Term-based license revenue increased **13%** **22%**, primarily due to an increase in the number of larger term-based license transactions

(deals greater than \$0.1 million) period over period and an increase in the average selling price of these transactions. Subscription revenue accounted for 55% 57% of total revenues for the three months ended June 30, 2024 September 30, 2024 compared to 49% for the three months ended June 30, 2023 September 30, 2023.

- Perpetual license revenue increased \$0.6 million decreased \$3.9 million, or 4% 27% year over year. Our preferred route to market is led by the sale of term-based licenses. Perpetual licenses are generally only sold in certain verticals and geographies. Perpetual license revenue accounted for 6% 5% of total revenues for the three months ended June 30, 2024 September 30, 2024 compared to 7% for the three months ended June 30, 2023 September 30, 2023.
- Customer support revenue decreased \$0.6 million increased \$0.7 million, or 1% year over year, driven by a \$6.3 million decrease \$6.8 million increase in customer support revenue related to term-based license arrangements, partially offset by a \$6.1 million decrease in support attached to perpetual license support renewals, partially offset by a \$5.7 million increase in support allocated to term-based license arrangements, renewals.
- Other services revenue decreased \$0.2 million \$0.8 million, or 2% 7% year over year. Changes in other services revenue can vary period over period, primarily due to the timing professional services are delivered.

We track total revenues on a geographic basis. Our Americas region includes the United States, Canada, and Latin America. Our International region primarily includes Europe, Middle East, Africa, Australia, India, Southeast Asia and China. Americas and International represented 62% and 38% of total revenues, respectively, for the three months ended June 30, 2024 September 30, 2024. Total revenues increased 14% 20% and 13% 10% year over year in the Americas and International, respectively.

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- Total The increase in Americas total revenues in the Americas was impacted by increases primarily due to an increase of 26% and 6% 40% in subscription and perpetual license revenues, respectively, offset by decreases of 3% 11%, 1% and 2% 9% in perpetual license, customer support and other services revenues, respectively, as compared to the same period of the prior year.
- The increase in International total revenues was primarily due to increases of 30%, 4%, 32% and 2% 3% in subscription perpetual license, and customer support revenues, respectively, offset by a decreases of 34% and 2% decrease in perpetual license and other services revenue, respectively, as compared to the same period of the prior year.

Our total revenues in International is subject to changes in foreign exchange rates as further discussed above in the "Foreign Currency Exchange Rates' Impact on Results of Operations" section.

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Cost of Revenues and Gross Margin (\$ in millions)

		Three Months Ended June 30,				Three Months Ended September 30,				
		2024		2024		2023		2024		
		Cost of Revenues	Gross Margin	Cost of Revenues	Gross Margin	Cost of Revenues	Gross Margin	Cost of Revenues	Gross Margin	
Subscription	Subscription	\$17.5	86	86 %	\$12.4	87	87 %	\$19.5	85	85 %
Perpetual license	Perpetual license	0.3	98	98 %	0.4	97	97 %	0.4	96	96 %

Customer support	Customer support	14.3	81	81 %	15.0	81	81 %	Customer support	15.3	80	80 %	14.9	81	81 %
Other services	Other services	7.6	28	28 %	7.8	28	28 %	Other services	7.6	31	31 %	7.7	35	35 %
Total	Total	\$39.8	82	82 %	\$35.6	82	82 %	Total	\$42.9	82	82 %	\$37.9	81	81 %

- Total cost of revenues increased **\$4.2 million** and represented **\$5.0 million**, representing 18% of our total revenues for **both** the three months ended **June 30, 2024 and 2023. September 30, 2024** compared to 19% for the three months ended **September 30, 2023**.
- Cost of subscription revenue increased **\$5.2 million**, representing **14%** **\$4.9 million** and represented 15% of our total subscription revenue for **both** the three months ended **June 30, 2024** compared to 13% for the three months ended **June 30, 2023. September 30, 2024 and 2023**. The year over year increase is primarily the result of an increase in the cost of infrastructure related to growth in our SaaS offerings.
- Cost of perpetual license revenue decreased **\$0.1 million** **\$0.2 million** and represented **2%** **4%** of our total perpetual revenue for **both** the three months ended **June 30, 2024** compared to 3% for the three months ended **June 30, 2023. September 30, 2024 and 2023**.
- Cost of customer support revenue decreased **\$0.7 million** and represented 19% increased **\$0.4 million**, representing 20% of our total customer support revenue for **both** the three months ended **June 30, 2024 and 2023. September 30, 2024** compared to 19% for the three months ended **September 30, 2023**.
- Cost of other services revenue decreased **\$0.2 million** **\$0.1 million**, representing **72%** **69%** of our total other services revenue for **both** the three months ended **June 30, 2024 and 2023. September 30, 2024** compared to 65% for the three months ended **September 30, 2023**. The decrease in cost of other services revenue was driven by timing of the delivery of certain professional services.

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Operating Expenses (\$ in millions)

 4103  4104  4105

 4108  4109  4110

- Sales and marketing expenses increased **\$11.8 million** **\$17.2 million**, or **14%** **20%**, driven by a **\$5.7 million** **\$14.1 million** increase in employee compensation and sales commissions associated with increased revenues relative to the same period in the prior year. In addition, there was year, including an increase year over year in expenses related to a live sales kickoff event and participation in certain strategic conferences, including the RSA conference during the period. These events did not occur in the same period in the prior year. These increases were partially offset by a **\$0.2 million** decrease of **\$1.7 million** in stock-based compensation.
- Research and development expenses increased **\$1.7 million** **\$2.6 million**, or **5%** **8%**, driven by increases in employee compensation and related expenses, partially offset by a including an increase of **\$0.2 million** decrease in stock-based compensation. The increase in employee compensation and related expenses is primarily driven by additional headcount, including the headcount related to the Appranix, Inc. ("Appranix") acquisition completed in April 2024. Investing in research and development remains a priority for Commvault and we anticipate continued responsible spending related to the development of our software applications and hosted services.
- General and administrative expenses increased **\$3.8 million** **\$6.2 million**, or **14%** **22%**, primarily due to increases in accounting and legal expenses related to the acquisition acquisitions of Appranix and a payment to settle certain legal matters. These Clumio, Inc. ("Clumio"), and increases were partially offset by decreases in employee compensation and related expenses, including a decrease an increase of **\$0.8 million** **\$1.0 million** in stock-based compensation year over year.
- Restructuring: Our restructuring plan, initiated in the fourth quarter of fiscal 2024, is intended to enhance customer satisfaction through the reorganization and redesign of our customer success functions. The realignment of the customer success structure aims to optimize operational efficiency and improve continuity for our customers through the pre-sales and post-sales experience. Restructuring expenses were **\$4.7 million** **\$0.6 million** for the three months ended **June 30, 2024** **September 30, 2024**. These charges relate primarily to severance and related costs associated with headcount reductions as well as costs related to office termination and exit charges. These expenses included **\$4.0 million** **\$0.2 million**.

million of stock-based compensation related to modifications of existing awards granted to certain employees impacted by the plan. We anticipate the restructuring plan will be completed in the second half of fiscal 2025. There were no restructuring expenses in the three months ended June 30, 2023 September 30, 2023.

Risks associated with our restructuring plan include additional unexpected costs, adverse effects on employee morale and the failure to meet operational and growth targets due to the loss of key employees, any of which may impair our ability to achieve anticipated results of operations or otherwise harm our business.

- Depreciation and amortization expense increased \$0.3 million \$0.5 million, driven by the acquisition of intangible assets in the first quarter of fiscal 2025.

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- Impairment charges: During the three months ended September 30, 2024, we recorded an impairment charge of \$2.9 million related to our assets held for sale, which includes changes in the estimated fair value and estimated costs to sell.

Interest Income

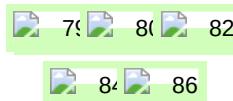
Interest income increased \$1.0 million \$0.4 million, from \$0.8 million \$1.4 million in the three months ended June 30, 2023 September 30, 2023 to \$1.8 million \$1.7 million in the three months ended June 30, 2024 September 30, 2024, primarily as a result of the amount of invested funds subject to interest income.

Income Tax Expense

Income tax expense was \$2.1 million \$1.1 million in the three months ended June 30, 2024 September 30, 2024 compared to expense of \$6.9 million \$5.7 million in the three months ended June 30, 2023 September 30, 2023. The decrease in income tax expense compared to the same period in the prior year relates primarily to the recognition of deferred tax assets that were not recognized in prior years due to the Company's valuation allowance, as well as windfalls from stock compensation.

Six months ended September 30, 2024 compared to six months ended September 30, 2023

Revenues (\$ in millions)



- Total revenues increased \$58.8 million, or 15% year over year, driven primarily by an increase in subscription revenue, offset by decreases in perpetual license and other services revenues. We remain focused on selling subscription arrangements through both term-based software licenses and SaaS offerings.
- Subscription revenue increased \$63.1 million, or 32% year over year, driven primarily by a 72% increase in our SaaS revenue. Term-based license revenue increased 17%, primarily due to an increase in the number of larger term-based license transactions (deals greater than \$0.1 million) period over period and an increase in the average selling price of these transactions. Subscription revenue accounted for 56% of total revenues for the six months ended September 30, 2024 compared to 49% for the six months ended September 30, 2023.
- Perpetual license revenue decreased \$3.3 million, or 12% year over year. Our preferred route to market is led by the sale of term-based licenses. Perpetual licenses are generally only sold in certain verticals and geographies. Perpetual license revenue accounted for 5% of total revenues for the six months ended September 30, 2024 compared to 7% for the six months ended September 30, 2023.
- Customer support revenue was flat compared to the same period of the prior year, driven by a \$12.4 million increase in customer support revenue related to term-based license arrangements, offset by a \$12.4 million decrease in support attached to perpetual license support renewals.

- Other services revenue decreased \$1.0 million, or 5% year over year. Changes in other services revenue can vary period over period, primarily due to the timing professional services are delivered.

We track total revenues on a geographic basis. Our Americas region includes the United States, Canada, and Latin America. Our International region primarily includes Europe, Middle East, Africa, Australia, India, Southeast Asia and China. Americas and International represented 62% and 38% of total revenues, respectively, for the six months ended September 30, 2024. Total revenues increased 17% and 12% year over year in the Americas and International, respectively.

- The increase in Americas was primarily due to a 33% increase in subscription revenue, offset by a 3% decrease in perpetual license revenue, driven by the shift from selling perpetual licenses to subscription arrangements. Customer support and other services revenues declined 2% and 6%, respectively.
- The increase in International total revenues was primarily due to a 31% increase in subscription revenue, offset by a 16% decrease in perpetual license revenue. Customer support revenue increased 2% year over

year. Other services revenue decreased 2% year over year due to a decrease in the delivery of professional services for the region as compared to the same period of the prior year.

Our total revenues in International is subject to changes in foreign exchange rates as further discussed above in the “Foreign Currency Exchange Rates’ Impact on Results of Operations” section.

Cost of Revenues and Gross Margin (\$ in millions)

	Six Months Ended September 30,			
	2024		2023	
	Cost of Revenues	Gross Margin	Cost of Revenues	Gross Margin
Subscription	\$ 37.1	86 %	\$ 27.0	86 %
Perpetual license	0.8	97 %	1.1	96 %
Customer support	29.6	81 %	29.9	81 %
Other services	15.2	30 %	15.5	32 %
Total	\$ 82.7	82 %	\$ 73.4	82 %

- Total cost of revenues increased \$9.2 million and represented 18% of our total revenues for both the six months ended September 30, 2024 and 2023.
- Cost of subscription revenue increased \$10.1 million and represented 14% of our total subscription revenue for both the six months ended September 30, 2024 and 2023. The year over year increase is primarily the result of an increase in the cost of infrastructure related to growth in our SaaS offerings.
- Cost of perpetual license revenue decreased \$0.3 million, representing 3% of our total perpetual revenue for the six months ended September 30, 2024 compared to 4% for the six months ended September 30, 2023.
- Cost of customer support revenue decreased \$0.3 million and represented 19% of our total customer support revenue for both the six months ended September 30, 2024 and 2023.
- Cost of other services revenue decreased \$0.3 million, representing 70% of our total other services revenue for the six months ended September 30, 2024 compared to 68% for the six months ended September 30, 2023. The decrease in cost of other services revenue was driven by timing of the delivery of certain professional services.

Operating Expenses (\$ in millions)

4103 4104 4105

4108 4109 4110

- Sales and marketing expenses increased \$29.1 million, or 17%, primarily due to a \$20.2 million increase in employee compensation and sales commissions associated with increased revenues relative to the same period in the prior year, including an increase of \$1.5 million in stock-based compensation. In addition, there was an increase year over year in expenses related to a live sales kickoff event and participation in certain strategic conferences, including the RSA conference during the period. These events did not occur in the same period in the prior year.
- Research and development expenses increased \$4.3 million, or 7%, driven by increases in employee compensation and related expenses resulting from additional headcount related to the Appranix acquisition completed in April 2024. Expenses related to stock-based compensation were flat compared to the same period of the prior year. Investing in research and development remains a priority for Commvault and we anticipate continued responsible spending related to the development of our software applications and hosted services.
- General and administrative expenses increased \$10.0 million, or 18%, driven by increases in accounting and legal expenses related to the acquisitions of Appranix and Clumio, and increases in employee compensation and related expenses, including an increase of \$0.2 million in stock-based compensation year over year.
- Restructuring: Our restructuring plan, initiated in the fourth quarter of fiscal 2024, is intended to enhance customer satisfaction through the reorganization and redesign of our customer success functions. The realignment of the customer success structure aims to optimize operational efficiency and improve continuity for our customers through the pre-sales and post-sales experience. Restructuring expenses were \$5.2 million for the six months ended September 30, 2024. These charges relate primarily to severance and related costs associated with headcount reductions as well as costs related to office termination and exit charges. These expenses included \$4.2 million of stock-based compensation related to modifications of existing awards granted to certain employees impacted by the plan. We anticipate the restructuring plan will be completed in the second half of fiscal 2025. There were no restructuring expenses in the six months ended September 30, 2023.

Risks associated with our restructuring plan include additional unexpected costs, adverse effects on employee morale and the failure to meet operational and growth targets due to the loss of key employees, any of which may impair our ability to achieve anticipated results of operations or otherwise harm our business.

- Depreciation and amortization expense increased \$0.8 million, or 26%, driven by the acquisition of intangible assets in the first quarter of fiscal 2025.
- Impairment charges: During the six months ended September 30, 2024, we recorded an impairment charge of \$2.9 million related to our assets held for sale, which includes changes in the estimated fair value and estimated costs to sell.

Interest Income

Interest income increased \$1.4 million, from \$2.1 million in the six months ended September 30, 2023 to \$3.5 million in the six months ended September 30, 2024, primarily as a result of the amount of invested funds subject to interest income.

Income Tax Expense

Income tax expense was \$3.2 million in the six months ended September 30, 2024 compared to expense of \$12.6 million in the six months ended September 30, 2023. The decrease in income tax expense compared to the prior year relates primarily to the recognition of deferred tax assets that were not recognized in prior years due to the Company's valuation allowance, as well as windfalls from stock compensation.

Liquidity and Capital Resources

In recent fiscal years, our principal source of liquidity has been cash provided by operations. As of **June 30, 2024** **September 30, 2024**, our cash and cash equivalents balance was **\$287.9 million** **\$303.1 million**, of which approximately **\$223.3 million** **\$198.8 million** was held outside of the United States by our foreign legal entities. These balances are dispersed across approximately 35 international locations around the world. We believe that such dispersion meets the current and anticipated future liquidity needs of our foreign legal entities. In the event we need 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.

On December 13, 2021, we entered into a five-year \$100 million senior secured revolving credit facility (the "Credit Facility") with JPMorgan Chase Bank, N.A. 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 lender 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 our ability to incur certain additional indebtedness, create or permit liens on assets, make acquisitions, make investments, engage in 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 the Secured Overnight Financing Rate plus 1.25% subject to increases based on our actual leverage. The unused balance on the Credit Facility is also subject to a 0.25% annual interest charge subject to increases based on our actual leverage. As of **June 30, 2024** **September 30, 2024**, there were no borrowings under the Credit Facility and we were in compliance with all covenants.

On April 18, 2024, the Board of Directors approved an increase of the existing share repurchase program so that \$250.0 million was available. The Board's authorization has no expiration date. For the **three** **six** months ended **June 30, 2024** **September 30, 2024**, we repurchased **\$51.4 million** **\$103.3 million** of our common stock. The remaining amount available under the current authorization as of **June 30, 2024** **September 30, 2024** was **\$205.1 million** **\$153.2 million**.

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

	Three Months Ended June 30, 2024	Six Months Ended September 30, 2024
Net cash provided by operating activities		
Net cash used in investing activities		
Net cash used in financing activities		
Effects of exchange rate - changes in cash		
Net decrease in cash and cash equivalents		

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 2487  2488  2489

- Net cash provided by operating activities was impacted by net income adjusted for the impact of non-cash charges and a decrease in accounts receivable, partially offset by a decrease in accrued liabilities, deferred commissions costs.
- Net cash used in investing activities was related to \$21.0 million for the acquisition of Appranix, \$0.5 million \$2.7 million of capital expenditures and \$0.6 million for the purchase of equity securities and \$0.8 million of capital expenditures, securities.
- Net cash used in financing activities was the result of \$51.4 million \$103.3 million of repurchases of common shares, partially offset by \$5.3 million \$11.1 million of proceeds from the exercise of stock options, options and the Employee Stock Purchase Plan.

Working capital decreased \$5.6 million \$15.6 million from \$110.2 million as of March 31, 2024 to \$104.6 million \$94.6 million as of **June 30, 2024** **September 30, 2024**. The net decrease in working capital was primarily driven by decreases in cash and cash equivalents as a result of the Appranix acquisition as well as a decrease in accounts receivable, partially offset by decreases in accrued liabilities and the current portion of 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, income taxes, capital expenditures and potential stock repurchases for at least the next twelve 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, 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 **June 30, 2024** **September 30, 2024**, we did 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.

Impact of Recently Issued Accounting Standards

See Note 2 of the unaudited consolidated financial statements for a discussion of the impact of recently issued accounting standards.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

None.

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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 **48%** **46%** of our sales were outside the United States for the **three** **six** months ended **June 30, 2024** **September 30, 2024**. 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 operations. We recognized **insignificant** net foreign currency transaction losses of approximately **\$0.3 million** for both the **three** **and six** months ended **June 30, 2024** **September 30, 2024**. We recognized net foreign currency transaction losses of approximately **\$0.1 million** and **\$0.2 million** for the **three** **and six** months ended **September 30, 2023**, respectively.

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 our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, as of **June 30, 2024** **September 30, 2024**. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of **June 30, 2024** **September 30, 2024**.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the **first** **second** quarter of fiscal 2025 that has materially affected, or is 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 disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and 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.

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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 business. We do not believe that we are currently party to any pending legal action that could reasonably be expected to have a material adverse effect on our business or operating results. Please refer to Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended March 31, 2024 for additional information.

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, 2024, which are incorporated herein by reference, and 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. There have been no material changes from the risk factors set forth in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended March 31, 2024.

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

Issuance of Unregistered Equity Securities

During the three months ended June 30, 2024, the Company issued approximately 50,000 unregistered shares of its common stock, valued at \$4.9 million, as part of the total consideration paid for the acquisition of Appranix, Inc. The shares of common stock were issued to the former owner of Appranix in reliance on the exemption from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. See Note 4 for further details of the acquisition.

Purchases of Equity Securities by the Issuer

On April 18, 2024, the Board approved an increase of the existing share repurchase program so that \$250.0 million was available. The Board's authorization has no expiration date. During the three months ended **June 30, 2024** **September 30, 2024**, we repurchased **\$51.4 million** **\$51.9 million** of common stock, or approximately **0.50.4** million shares, under our share repurchase program. As of **June 30, 2024** **September 30, 2024**, the remaining amount available under the current authorization was **\$205.1** **\$153.2** million. A summary of our repurchases of common stock is as follows:

Period	Total number of shares purchased	Average price paid per share	Approximate dollar value of shares that may yet be purchased under the program (in thousands)	
			Total number of shares purchased as part of publicly announced programs	value of shares that may yet be purchased under the program (in thousands)
April 1-30, 2024	112,360	\$ 97.69	112,360	\$245,509

May 1-31, 2024	195,865	\$ 109.55	195,865	\$224,051
June 1-30, 2024	163,006	\$ 116.30	163,006	\$205,094
Three months ended June 30, 2024	471,231	\$ 109.06	471,231	

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced programs	Approximate dollar value of shares that may yet be purchased under the program (in thousands)
July 1, 2024 - July 31, 2024	87,699	\$ 125.27	87,699	\$194,108
August 1, 2024 - August 31, 2024	141,253	\$ 148.34	141,253	\$173,155
September 1, 2024 - September 30, 2024	133,763	\$ 149.25	133,763	\$153,191
Three Months Ended September 30, 2024	362,715	\$ 143.09	362,715	

Item 3. Defaults upon Senior Securities

None.

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Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

On May 28, 2024, Gary Merrill, Chief Financial Officer, modified his Rule 10b5-1 trading arrangement that was originally adopted on December 4, 2023, to increase the number of shares to be sold under the plan. The modified trading arrangement is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to approximately 19,000 shares of the Company's common stock and is in effect until November 29, 2024.

During the three months ended **June 30, 2024** **September 30, 2024**, no other directors or officers of the Company adopted, modified or terminated any Rule 10b5-1 trading arrangement or "Non-Rule 10b5-1 trading arrangement" as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1*	Amended Purchase and Restated Executive Retention Sale Agreement, by and between Commvault and Somerset Development, LLC, with Gary Merrill , dated May 31, 2024 (Incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K dated June 21, 2024)
10.2**	Offer Letter with Jennifer DiRico, dated June 21, 2024 an effective date of October 2, 2024 (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K dated June 21, 2024)
10.3**	Executive Retention Agreement with Jennifer DiRico, dated June 21, 2024 (Incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K dated June 21, 2024) October 4, 2024).
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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Furnished herewith Certain exhibits to this Agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted exhibit will be furnished as a supplement to the Securities and Exchange Commission upon request.

** Management contract or compensatory plan or arrangement Furnished herewith

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SIGNATURES

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

Commvault Systems, Inc.

Dated: [July 31, October 30, 2024](#) By: /s/ Sanjay Mirchandani

Sanjay Mirchandani
Director, President and Chief Executive Officer
(Principal Executive Officer)

Dated: [July 31, October 30, 2024](#) By: /s/ Gary Merrill Jennifer DiRico

Gary Merrill Jennifer DiRico
Chief Financial Officer
(Principal Financial Officer)

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

I, Sanjay Mirchandani, 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/ Sanjay Mirchandani

Sanjay Mirchandani

Director, President and Chief Executive Officer

(Principal Executive Officer)

Date: **July 31, 2024** October 30, 2024

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

I, **Gary Merrill**, **Jennifer DiRico**, 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/ **Gary Merrill** **Jennifer DiRico**

Gary Merrill Jennifer DiRico

Chief Financial Officer

(Principal Financial Officer)

Date: **July 31, 2024** **October 30, 2024**

Exhibit 32.1

**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 **June 30, 2024** **September 30, 2024** as filed with the Securities and Exchange Commission (the "Report"), I, Sanjay Mirchandani, Director, 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/ Sanjay Mirchandani

Sanjay Mirchandani

Director, President and Chief Executive Officer

(Principal Executive Officer)

July 31, October 30, 2024

Exhibit 32.2

**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 **June 30, 2024** **September 30, 2024** as filed with the Securities and Exchange Commission (the "Report"), I, **Gary Merrill**, **Jennifer DiRico**, 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/ **Gary Merrill** **Jennifer DiRico**

Gary Merrill **Jennifer DiRico**

Chief Financial Officer

(Principal Financial Officer)

July 31, October 30, 2024

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