UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 001-39030

CERENCE INC.

(Exact name of registrant as specified in its charter)

Delaware	**83-4177087**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
25 Mall Road, Suite 416, Burlington, Massachusetts	**01803**
(Address of principal executive offices)	**(Zip Code)**

(857) 362-7300
(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, par value $0.01 per share	CRNC	The Nasdaq Global Select 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 January 30, 2025, the registrant had 43,198,993 shares of common stock, $0.01 par value per share, outstanding.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Form 10-Q”), filed by Cerence Inc. together with its consolidated subsidiaries, “Cerence,” the “Company,” “we,” “us” or “our” unless the context indicates otherwise, contains “forward-looking statements” that involve risks and uncertainties. These statements can be identified by the fact that they do not relate strictly to historical or current facts, but rather are based on current expectations, estimates, assumptions, plans and projections about our business, operations, industry, financial results, financial condition, strategy, goals or prospects. Forward-looking statements often include words such as “anticipates,” “estimates,” “expects,” “projects,” “forecasts,” “intends,” “plans,” “continues,” “believes,” “may,” “will,” “goals,” “objectives” and words and terms of similar substance in connection with discussions of our business and future operating or financial performance. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. Accordingly, undue reliance should not be placed on any forward-looking statement made by us or on our behalf. Although we believe that the forward-looking statements contained in this Form 10-Q are based on reasonable assumptions as of the date of this report, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in such forward-looking statements, including but not limited to:

- the highly competitive and rapidly changing market in which we operate;
- adverse conditions in the automotive industry or the global economy more generally, including the continuation of the semiconductor shortage being experienced by the automotive industry, consumer spending and preferences, changes in interest rate levels and credit availability, fuel costs and availability, governmental incentives and regulatory requirements and the ongoing conflicts in Ukraine and the Middle East;
- automotive production delays, including, without limitation, delays due to the increasing complexity of software included in automotive vehicles;
- the continuing effects of the COVID-19 pandemic and its impact on our business and financial performance, including the impact of new variants, and other public health events;
- our strategy to increase cloud services and ability to successfully introduce new products, applications or services and deploy generative AI and large language models (“LLMs”);
- escalating pricing pressures from our customers;
- the cancellation or postponement of service contracts after a design win;
- our failure to win, renew or implement service contracts;
- the loss of business from any of our largest customers;
- the impact on our business of the transition to a lower level of fixed contracts, including, but not limited to, the failure to achieve the expected predictability and growth in our reported revenue following a transition year of fiscal 2023;
- fluctuations in our financial and operating results, which may be contributed to by the following factors, among others: the volume, timing and fulfillment of customer contracts; changes in customer forecasts; the timing of receipt and accuracy of royalty reports; fluctuating sales by our customers to their end-users; pricing; and the mix of revenue from customer contracts;
- our inability to control and successfully manage our expense and cash positions;
- our transformation plans and cost efficiency initiatives, including estimated net cost savings;
- our inability to deliver improved financial results from process optimization efforts and cost reductions;
- disruptions arising from transitions in management personnel;
- our inability to recruit and retain qualified personnel;
- our employees are represented by workers councils or unions or are subject to local laws that are less favorable to employers than the laws of the U.S.;
- cybersecurity and data privacy incidents that damage client relations;
- interruption or delays in our services or services from data center hosting facilities or public clouds;
- economic, political, regulatory, foreign exchange and other risks of international operations;
- unforeseen U.S. and foreign tax liabilities;

- increases or decreases to valuation allowances recorded against deferred tax assets;
- impairment of our goodwill and other intangible assets;
- the failure to protect our intellectual property or allegations that we have infringed the intellectual property of others;
- defects in our software products that result in lost revenue, expensive corrections or claims against us;
- our inability to quickly respond to changes in technology and to develop our intellectual property into commercially viable products;
- our inability to expand into adjacent markets, including, without limitation, two-wheeled vehicles, trucks and AIoT, in the timeframes or levels expected;
- a significant interruption in the supply or maintenance of our third-party hardware, software, services or data;
- restrictions on our current and future operations under the terms of our debt, the use of cash to service our debt, and our inability to generate sufficient cash from our operations; and
- certain factors discussed elsewhere in this Form 10-Q.

These and other factors are more fully discussed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2024 and elsewhere in this Form 10-Q, including Part II, “Item 1A, Risk Factors.” These risks could cause actual results to differ materially from those implied by forward-looking statements in this Form 10-Q. Even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Form 10-Q, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements made by us in this Form 10-Q speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise, except as required by law.

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

CERENCE INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(unaudited)

	Three Months Ended December 31, 2024	2023
Revenues:		
License	$ 22,725	$ 20,823
Connected services	13,707	96,820
Professional services	14,464	20,692
Total revenues	50,896	138,335
Cost of revenues:		
License	1,782	1,604
Connected services	6,311	7,303
Professional services	9,731	17,325
Amortization of intangible assets	—	103
Total cost of revenues	17,824	26,335
Gross profit	33,072	112,000
Operating expenses:		
Research and development	20,869	33,306
Sales and marketing	4,766	6,071
General and administrative	12,754	12,793
Amortization of intangible assets	554	545
Restructuring and other costs, net	11,062	705
Total operating expenses	50,005	53,420
(Loss) income from operations	(16,933)	58,580

Interest income	1,437	1,432
Interest expense	(3,393)	(3,236)
Other income, net	272	1,422
(Loss) income before income taxes	(18,617)	58,198
Provision for income taxes	5,671	34,341
Net (loss) income	$ (24,288)	$ 23,857
Net (loss) income per share:		
Basic	$ (0.57)	$ 0.58
Diluted	$ (0.57)	$ 0.53
Weighted-average common share outstanding:		
Basic	42,897	41,186
Diluted	42,897	49,255

Refer to accompanying Notes to the unaudited condensed consolidated financial statements.

CERENCE INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands)
(unaudited)

	Three Months Ended December 31, 2024	2023
Net (loss) income	$ (24,288)	$ 23,857
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(3,849)	4,280
Pension adjustments, net	(3)	27
Net unrealized (loss) gains on available-for-sale securities	(21)	163
Total other comprehensive (loss) income	(3,873)	4,470
Comprehensive (loss) income	$ (28,161)	$ 28,327

Refer to accompanying Notes to the unaudited condensed consolidated financial statements.

CERENCE INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	December 31, 2024 (Unaudited)	September 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 104,103	$ 121,485
Marketable securities	3,889	5,502
Accounts receivable, net of allowances of $ 53 and $ 1,613	47,671	62,755
Deferred costs	4,739	5,286
Prepaid expenses and other current assets	39,670	70,481
Total current assets	200,072	265,509
Long-term marketable securities	2,552	3,453
Property and equipment, net	29,371	30,139
Deferred costs	15,539	18,051
Operating lease right of use assets	13,156	12,879
Goodwill	288,886	296,858
Intangible assets, net	1,059	1,706
Deferred tax assets	46,035	51,398
Other assets	20,858	22,365
Total assets	$ 617,528	$ 702,358
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,609	$ 3,959
Deferred revenue	47,626	52,822

Short-term operating lease liabilities	3,828	4,528
Short-term debt	59,954	87,094
Accrued expenses and other current liabilities	32,967	68,405
Total current liabilities	151,984	216,808
Long-term debt	196,208	194,812
Deferred revenue, net of current portion	113,444	114,354
Long-term operating lease liabilities	10,071	8,803
Other liabilities	25,119	26,484
Total liabilities	496,826	561,261
Commitments and contingencies (Note 12)		
Stockholders' Equity:		
Common stock, $ 0.01 par value, 560,000 shares authorized; 42,988 and 41,924 shares issued and outstanding, respectively	430	419
Accumulated other comprehensive loss	(29,785)	(25,912)
Additional paid-in capital	1,096,085	1,088,330
Accumulated deficit	(946,028)	(921,740)
Total stockholders' equity	120,702	141,097
Total liabilities and stockholders' equity	$ 617,528	$ 702,358

Refer to accompanying Notes to the unaudited condensed consolidated financial statements.

CERENCE INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(unaudited)

Three Months Ended December 31, 2024

	Common Stock					
	Shares	**Amount**	**Additional Paid-In Capital**	**Accumulated Deficit**	**Accumulated Other Comprehensive Loss**	**Total**
Balance at September 30, 2024	41,924	$ 419	$ 1,088,330	$ (921,740)	$ (25,912)	$ 141,097
Net loss	-	-	-	(24,288)	-	(24,288)
Other comprehensive loss	-	-	-	-	(3,873)	(3,873)
Issuance of common stock	1,066	11	1,353	-	-	1,364
Stock withheld to cover tax withholdings requirements upon stock vesting	(2)	-	(1,369)	-	-	(1,369)
Stock-based compensation	-	-	7,771	-	-	7,771
Balance at December 31, 2024	42,988	$ 430	$ 1,096,085	$ (946,028)	$ (29,785)	$ 120,702

Three Months Ended December 31, 2023

	Common Stock					
	Shares	**Amount**	**Additional Paid-In Capital**	**Accumulated Deficit**	**Accumulated Other Comprehensive Loss**	**Total**
Balance at September 30, 2023	40,423	$ 404	$ 1,056,099	$ (333,662)	$ (27,966)	$ 694,875
Net income	-	-	-	23,857	-	23,857
Other comprehensive income	-	-	-	-	4,470	4,470
Issuance of common stock	814	8	6,193	-	-	6,201
Stock withheld to cover tax withholdings requirements upon stock vesting	-	-	(6,209)	-	-	(6,209)
Stock-based compensation	-	-	7,939	-	-	7,939
Balance at December 31, 2023	41,237	$ 412	$ 1,064,022	$ (309,805)	$ (23,496)	$ 731,133

Refer to accompanying Notes to the unaudited condensed consolidated financial statements.

CERENCE INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Three Months Ended December 31, 2024	2023
Cash flows from operating activities:		
Net (loss) income	$ (24,288)	$ 23,857
Adjustments to reconcile net (loss) income to net cash provided by (used in) operations:		
Depreciation and amortization	2,445	2,686
Provision for expected credit loss reserve	207	—
Stock-based compensation	7,771	8,380
Non-cash interest expense	1,861	1,468
Gain on debt extinguishment	(327)	—
Deferred tax provision	4,927	30,298
Unrealized foreign currency transaction losses (gains)	1,997	(2,012)
Other, net	(33)	382
Changes in operating assets and liabilities:		
Accounts receivable	8,800	4,933
Prepaid expenses and other assets	27,201	1,170
Deferred costs	1,859	2,589
Accounts payable	3,814	2,382
Accrued expenses and other liabilities	(33,087)	3,712
Deferred revenue	6,107	(82,660)
Net cash provided by (used in) operating activities	9,254	(2,815)
Cash flows from investing activities:		
Capital expenditures	(1,360)	(931)

Sale and maturities of marketable securities	2,493	2,442
Other investing activities	(374)	(322)
Net cash provided by investing activities	759	1,189
Cash flows from financing activities:		
Principal payments of short-term debt	(26,964)	—
Common stock repurchases for tax withholdings for net settlement of equity awards	(1,369)	(6,209)
Principal payment of lease liabilities arising from a finance lease	(115)	(122)
Proceeds from the issuance of common stock	1,364	6,201
Net cash used in financing activities	(27,084)	(130)
Effects of exchange rate changes on cash and cash equivalents	(311)	(662)
Net change in cash and cash equivalents	(17,382)	(2,418)
Cash and cash equivalents at beginning of period	121,485	101,154
Cash and cash equivalents at end of period	$ 104,103	$ 98,736
Supplemental information:		
Cash paid for income taxes	$ 9	$ 3,104
Cash paid for interest	$ 3,077	$ 3,003

Refer to accompanying Notes to the unaudited condensed consolidated financial statements.

CERENCE INC.
Notes to Condensed Consolidated Financial Statements

Note 1. Business Overview

Business

Cerence Inc. (referred to in this Quarterly Report on Form 10-Q as “we,” “our,” “us,” “ourselves,” the “Company” or “Cerence”) is a global, premier provider of AI-powered assistants and innovations for connected and autonomous vehicles. Our customers include nearly all major automobile original equipment manufacturers (“OEMs”), or their tier 1 suppliers worldwide. We deliver our solutions on a white-label basis, enabling our customers to deliver customized virtual assistants with unique, branded personalities and ultimately strengthening the bond between automobile brands and end users. We generate revenue primarily by selling software licenses and cloud-connected services. In addition, we generate professional services revenue from our work with OEMs and suppliers during the design, development and deployment phases of the vehicle model lifecycle and through maintenance and enhancement projects.

Note 2. Significant Accounting Policies

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company, as well as those of our wholly owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnote disclosures required by GAAP for complete financial statements.

The condensed consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the consolidated results of operations and financial position for the interim periods presented. All such adjustments are of a normal recurring nature. The results of operations for the three months ended December 31, 2024 are not necessarily indicative of the results to be expected for any other interim period or for the fiscal year ending September 30, 2025. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes contained in our Annual Report on Form 10-K for the fiscal year ended September 30, 2024.

Use of Estimates

The financial statements are prepared in accordance with GAAP, which requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions can affect the reported amounts in the financial statements and the footnotes thereto. Actual results could differ materially from these estimates.

On an ongoing basis, we evaluate our estimates, assumptions and judgments. Significant estimates inherent to the preparation of financial statements include: revenue recognition; allowance for credit losses; accounting for deferred costs; accounting for internally developed software; the valuation of goodwill and intangible assets; accounting for stock-based compensation; accounting for income taxes; accounting for leases; accounting for convertible debt; and loss contingencies. We base our estimates on historical experience, market participant fair value considerations, projected future cash flows, and various other factors that are believed to be reasonable under the circumstances. Actual amounts could differ significantly from these estimates.

Concentration of Risk

Financial instruments that potentially subject us to significant concentrations of credit risk primarily consist of trade accounts receivable. We perform ongoing credit evaluations of our customers’ financial condition and limit the amount of credit extended when deemed appropriate.

Two
customers accounted for

16.5
% and

14.6
% of our Accounts receivable, net balance at December 31, 2024.

One
customer accounted for

21.4
% of our Accounts receivable, net balance at September 30, 2024.

Allowance for Credit Losses

We are exposed to credit losses primarily through our sales of software licenses and services to customers. We determine credit ratings for each customer in our portfolio based upon public information and information obtained directly from our customers. A credit limit for each customer is established and in certain cases we may require collateral or prepayment to mitigate credit risk. Our expected loss methodology is developed using historical collection experience, current customer credit information, current and future economic and market conditions and a review of the current status of the customer's account balances. We monitor our ongoing credit exposure through reviews of customer balances against contract terms and due dates, current economic conditions, and dispute resolution. Estimated credit losses are written off in the period in which the financial asset is no longer collectible.

The change in the allowance for credit losses for the three months ended December 31, 2024 is as follows (dollars in thousands):

	Allowance for Credit Losses
Balance as of September 30, 2024	$ 1,614
Credit loss provision	207
Write-offs, net of recoveries	(1,745)
Effect of foreign currency translation	(13)
Balance as of December 31, 2024	$ 63

During the three months ended December 31, 2024, we signed a termination agreement with an international electric vehicle maker. As a result, we wrote off a $ 1.7 million balance, of which $ 1.5 million had been previously reserved for within our allowance for credit losses.

Inventory

Inventory, consisting primarily of finished goods related to our Cerence Link product, is accounted for using the first in, first out method, and is valued at the lower of cost and net realizable value. Inventory is included within Prepaid expenses and other current assets. As of December 31, 2024 and September 30, 2024, inventory was $ 1.8 million and $ 1.0 million, respectively.

Recently Adopted Accounting Standards

None.

Issued Accounting Standards Not Yet Adopted

In November 2023, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"), to expand reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in the ASU require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to an entity's chief operating decision maker ("CODM"), a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. ASU 2023-07 applies to entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. A public entity should apply ASU 2023-07 retrospectively to all prior periods presented in the financial statements, with early adoption permitted. We are currently in the process of evaluating the effects of this pronouncement on our condensed consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"), which requires greater disaggregation of income tax disclosures related to the income tax rate reconciliation and income taxes paid and is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued. The amendments should be applied on a prospective basis although retrospective application is permitted. We are currently in the process of evaluating the effects of this pronouncement on our condensed consolidated financial statements and disclosures.

In March 2024, the U.S. Securities and Exchange Commission (the "SEC") adopted the final rule under SEC Release No. 33-11275, "The Enhancement and Standardization of Climate-Related Disclosures for Investors". This rule would require registrants to disclose certain climate-related information in registration statements and annual reports. In April 2024, the SEC voluntarily stayed the final rule as a result of pending legal challenges. The disclosure requirements would apply to our fiscal year beginning October 1, 2025, pending resolution of the stay. We are currently evaluating the final rule to determine its impact on our disclosures.

In November 2024, the FASB issued ASU 2024-03, "Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses" ("ASU 2024-03"), which requires disclosure about the types of costs and expenses included in certain expense captions presented on the income statement. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and for interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted, and may be applied either prospectively or retrospectively. We are currently evaluating this pronouncement to determine its impact on our disclosures.

Note 3. Revenue Recognition

We primarily derive revenue from the following sources: (1) royalty-based software license arrangements, (2) connected services, and (3) professional services. Revenue is reported net of applicable sales and use tax, value-added tax and other transaction taxes imposed on the related transaction including mandatory government charges that are passed through to our customers. We account for a contract when both parties have approved and committed to the contract, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

(a) Disaggregated Revenue

Revenues, classified by the major geographic region in which our customers are located, for the three months ended December 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended December 31, 2024	2023
Revenues:		
United States	$ 9,448	$ 99,469
Other Americas	197	84
Germany	19,409	19,133
Other Europe, Middle East and Africa	5,543	4,775
Japan	5,957	5,623
Other Asia-Pacific	10,342	9,251
Total net revenues	$ 50,896	$ 138,335

For the three months ended December 31, 2024, revenues within China were $ 5.4 million, which were over 10 % of revenues.

Revenues relating to three customers accounted for $ 7.4 million, or 14.5 %, $ 6.2 million, or 12.2 %, and $ 6.0 million, or 11.8 %, of revenues for the three months ended December 31, 2024.

Revenues relating to one customer accounted for $ 78.4 million, or

56.7
%, of revenues for the three months ended December 31, 2023. On October 31, 2023, we entered into an early termination agreement relating to a legacy contract acquired by Nuance Communications Inc. (“Nuance”) through a 2013 acquisition. Previously, the term of the contract ended on December 31, 2025 , whereas the agreement signed on October 31, 2023 updated the termination date to December 31, 2023 . There was no cash flow associated with this legacy contract. For the three months ended December 31, 2023, a total of $

76.3
million was recognized in relation to this contract including $

67.8
million of deferred revenue that was accelerated into the first quarter of fiscal year 2024.

(b) Contract Acquisition Costs

We are required to capitalize certain contract acquisition costs. The capitalized costs primarily relate to paid commissions. The current and noncurrent portions of contract acquisition costs are included in Prepaid expenses and other current assets and in Other assets, respectively. As of December 31, 2024 and September 30, 2024, we had $

6.2
million and $

7.1
million of contract acquisition costs, respectively. We had amortization expense of $

0.6
million and $

0.7
million related to these costs during the three months ended December 31, 2024 and 2023, respectively. There was

no
impairment related to contract acquisition costs.

(c) Capitalized Contract Costs

We capitalize incremental costs incurred to fulfill our contracts that (i) relate directly to the contract, (ii) are expected to generate resources that will be used to satisfy our performance obligation under the contract, and (iii) are expected to be recovered through revenue generated under the contract. The current and noncurrent portions of capitalized contract fulfillment costs are presented as Deferred costs.

We had amortization expense of $

2.4
million and $

4.1
million related to these costs during the three months ended December 31, 2024 and 2023, respectively. There was

no
impairment related to contract costs capitalized. Within the first quarter of fiscal 2024, we had an acceleration of $

2.0
million in expenses associated with the termination of the legacy contract acquired by Nuance through a 2013 acquisition.

(d) Trade Accounts Receivable and Contract Balances

We classify our right to consideration in exchange for deliverables as either a receivable or a contract asset. A receivable is a right to consideration that is unconditional (i.e., only the passage of time is required before payment is due). We present such receivables in Accounts receivable, net at their net estimated realizable value. Accounts receivable, net as of September 30, 2024 and 2023 was $ 62.8 million and $ 61.3 million, respectively. We maintain an allowance for credit losses to provide for the estimated amount of receivables and contract assets that may not be collected.

Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period.

Contract assets include unbilled amounts from long-term contracts when revenue recognized exceeds the amount billed to the customer, and the right to payment is not solely subject to the passage of time. Contract assets were $ 56.7 million as of September 30, 2023. The current and noncurrent portions of contract assets are included in Prepaid expenses and other current assets and Other assets, respectively. The table below shows significant changes in contract assets (dollars in thousands):

	Contract assets
Balance as of September 30, 2024	$ 22,219
Revenues recognized but not billed	7,782
Amounts reclassified to Accounts receivable, net	(11,384)
Effect of foreign currency translation	(1,786)
Balance as of December 31, 2024	$ 16,831

Our contract liabilities, which we present as deferred revenue, consist of advance payments and billings in excess of revenues recognized. Deferred revenues were $ 222.6 million as of September 30, 2023. We classify deferred revenue as current or noncurrent based on when we expect to recognize the revenues. The table below shows significant changes in deferred revenue (dollars in thousands):

	Deferred revenue
Balance as of September 30, 2024	$ 167,176
Amounts billed but not recognized	20,430
Revenue recognized	(19,215)
Effect of foreign currency translation	(7,321)
Balance as of December 31, 2024	$ 161,070

(e) Remaining Performance Obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at December 31, 2024 (dollars in thousands):

	Within One Year	Two to Five Years	Greater than Five Years	Total

Total revenue	$ 72,853	$ 90,877	$ 32,139	$ 195,869

The table above includes fixed remaining performance obligations and does not include contingent usage-based activities, such as royalties and usage-based connected services.

Note 4. Earnings Per Share

Basic earnings per share is computed by dividing net (loss) income by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net (loss) income by the weighted-average number of shares of common stock outstanding during the period, increased to include the number of shares of common stock that would have been outstanding had potential dilutive shares of common stock been issued. The dilutive effect of restricted stock units is reflected in diluted net (loss) income per share by applying the treasury stock method.

The dilutive effect of the Notes (as defined in Note 14) is reflected in net (loss) income per share by application of the “if-converted” method. The “if-converted” method is only assumed in periods where such application would be dilutive. In applying the “if-converted” method for diluted net (loss) income per share, we would assume conversion of the Notes at the respective conversion ratio as further described in Note 14. Assumed converted shares of our common stock are weighted for the period the Notes were outstanding.

The following table presents the reconciliation of the numerator and denominator for calculating net (loss) income per share:

in thousands, except per share data	Three Months Ended December 31, 2024	2023
Numerator:		
Net (loss) income - basic	$ (24,288)	$ 23,857
Interest on the Notes, net of tax	-	2,250
Net (loss) income - diluted	$ (24,288)	$ 26,107
Denominator:		
Weighted average common shares outstanding - basic	42,897	41,186
Dilutive effect of contingently issuable stock awards	-	574
Dilutive effect of the Notes	-	7,495
Weighted average common shares outstanding - diluted	42,897	49,255
Net (loss) income per common share:		
Basic	$ (0.57)	$ 0.58
Diluted	$ (0.57)	$ 0.53

We exclude weighted-average potential shares from the calculations of diluted net (loss) income per share during the applicable periods when their inclusion is anti-dilutive. The following table sets forth potential shares that were considered anti-dilutive during the three months ended December 31, 2024 and 2023.

in thousands	Three Months Ended December 31, 2024	2023
Contingently issuable stock awards	121	-
Conversion option of our Notes	7,431	-

Note 5. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs. When determining fair value measurements for assets and liabilities recorded at fair value, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use in pricing the asset or liability.

The classification of a financial asset or liability within the hierarchy is based upon the lowest level input that is significant to the fair value measurement as of the measurement date as follows:

- Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity.

The following table presents information about our financial assets that are measured at fair value and indicates the fair value hierarchy of the valuation inputs used (dollars in thousands) as of:

	Fair Value	December 31, 2024 Cash and Cash Equivalents	Marketable Securities
Level 1:			
Money market funds, $ 51,119 at cost (a)	$ 51,119	$ 51,119	$ -
Level 2:			
Government securities, $ 2,435 at cost (b)	2,439	-	2,439
Time deposits, $ 4,440 at cost (a)	4,440	4,440	-
Corporate bonds, $ 3,997 at cost (b)	4,002	-	4,002
Debt securities, $ 2,000 at cost (c)	3,166	-	-
Total assets	$ 65,166	$ 55,559	$ 6,441

	Fair Value	September 30, 2024 Cash and Cash Equivalents	Marketable Securities
Level 1:			
Money market funds, $ 77,785 at cost (a)	$ 77,785	$ 77,785	$ -
Level 2:			
Government securities, $ 3,940 at cost (b)	3,950	-	3,950
Time deposits, $ 3,700 at cost (a)	3,700	3,700	-
Corporate bonds, $ 4,984 at cost (b)	5,005	-	5,005
Debt securities, $ 2,000 at cost (c)	3,099	-	-
Total assets	$ 93,539	$ 81,485	$ 8,955

(a) Money market funds and other highly liquid investments with original maturities of 90 days or less are included within Cash and cash equivalents in the Condensed Consolidated Balance Sheets.

(b) Government securities, commercial paper and corporate bonds with original maturities greater than 90 days are included within Marketable securities in the Condensed Consolidated Balance Sheets and classified as current or noncurrent based upon whether the maturity of the financial asset is less than or greater than 12 months.

(c) Debt securities within the Condensed Consolidated Balance Sheets are classified as current or noncurrent based upon whether the maturity of the financial asset is less than or greater than 12 months.

During the three months ended December 31, 2024 and 2023, unrealized (losses) gains related to our marketable securities were immaterial and $ 0.2 million, respectively, within Accumulated other comprehensive loss.

The carrying amounts of certain financial instruments, including cash held in banks, accounts receivable, and accounts payable, approximate fair value due to their short-term maturities and are excluded from the fair value tables above.

Derivative financial instruments are recognized at fair value using quoted forward rates and prices and classified within Level 2 of the fair value hierarchy. See *Note 6 – Derivative Financial Instruments* for additional details.

Long-term debt

The estimated fair value of our Long-term debt is determined by Level 2 inputs and is based on observable market data including prices for similar instruments. As of December 31, 2024 and September 30, 2024, the estimated fair value of our Notes was $

199.0
million and $

184.8
million, respectively. The Notes are recorded at face value less transaction costs on our Condensed Consolidated Balance Sheets.

Equity securities

We have equity securities in a privately held company obtained as part of a non-cash transaction. These equity securities are recognized at fair value and are classified within Level 2 of the fair value hierarchy.

We have non-controlling equity investments in privately held companies. We evaluated the equity investments under the voting model and concluded consolidation was not applicable. We accounted for the investments by electing the measurement alternative for investments without readily determinable fair values and for which we do not have the ability to exercise significant influence. The non-marketable equity securities are carried at cost less any impairment, plus or minus adjustments resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, which is recorded within the Condensed Consolidated Statements of Operations.

Investments without readily determinable fair values were $

2.6

million as of December 31, 2024 and September 30, 2024. The investments are included within Other assets on the Condensed Consolidated Balance Sheets.

No

impairment was recorded for the three months ended December 31, 2024 and 2023.

Note 6. Derivative Financial Instruments

We operate internationally and, in the normal course of business, are exposed to fluctuations in foreign currency exchange rates related to third-party vendor and intercompany payments for goods and services within our non-U.S. subsidiaries. We use foreign exchange forward contracts that are not designated as hedges to manage currency risk. The contracts can have maturities up to two years . As of December 31, 2024 and September 30, 2024, the total notional amount of forward contracts was $

43.2
million and $

59.1
million, respectively. As of December 31, 2024 and September 30, 2024, the weighted-average remaining maturity of these instruments was approximately 9.0 and 9.9 months, respectively.

The following table summarizes the fair value and presentation in the Condensed Consolidated Balance Sheet for derivative instruments as of December 31, 2024 and September 30, 2024 (dollars in thousands):

		Fair Value	
Derivatives not designated as hedges	**Classification**	**December 31, 2024**	**September 30, 2024**
Foreign currency forward contracts	Prepaid expenses and other current assets	$ 551	$ 65
Foreign currency forward contracts	Other assets	225	68
Foreign currency forward contracts	Accrued expenses and other current liabilities	1,097	691
Foreign currency forward contracts	Other liabilities	138	163

The following tables display a summary of the loss related to foreign currency forward contracts for the three months ended December 31, 2024 and 2023 (dollars in thousands):

		Loss recognized in earnings Three Months Ended December 31,	
Derivatives not designated as hedges	**Classification**	**2024**	**2023**
Foreign currency forward contracts	Other income, net	$ (104)	$ (329)

Note 7. Goodwill and Other Intangible Assets

(a) Goodwill

We consider our Chief Executive Officer ("CEO") to be our CODM. Our CEO approves all major decisions, including reorganizations and new business initiatives. Our CODM reviews routine consolidated operating information and makes decisions on the allocation of resources at this level, as such, we have concluded that we have

one
operating segment.

All goodwill is assigned to one or more reporting units. A reporting unit represents an operating segment or a component within an operating segment for which discrete financial information is available and is regularly reviewed by segment management for performance assessment and resource allocation. Upon consideration of our components, we have concluded that our goodwill is associated with

one
reporting unit.

The changes in the carrying amount of goodwill for the three months ended December 31, 2024 are as follows (dollars in thousands):

	Total

Balance as of September 30, 2024	$ 296,858
Effect of foreign currency translation	(7,972)
Balance as of December 31, 2024	$ 288,886

(b) Intangible Assets, Net

The following tables summarizes the gross carrying amounts and accumulated amortization of intangible assets by major class (dollars in thousands):

	December 31, 2024			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life (Years)
Customer relationships	$ 106,043	$ (104,984)	$ 1,059	0.2
Technology and patents	89,013	(89,013)	-	-
Total	$ 195,056	$ (193,997)	$ 1,059	

	September 30, 2024			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life (Years)
Customer relationships	$ 108,659	$ (106,953)	$ 1,706	0.5
Technology and patents	90,042	(90,042)	-	-
Total	$ 198,701	$ (196,995)	$ 1,706	

Amortization expense related to intangible assets in the aggregate was $0.6 million and $0.6 million for the three months ended December 31, 2024 and 2023, respectively. We expect amortization of intangible assets to be approximately $1.1 million for the remainder of fiscal year 2025.

Note 8. Leases

We have entered into a number of facility and equipment leases which qualify as operating leases under GAAP. We also have a limited number of equipment leases that qualify as finance leases.

The following table presents certain information related to lease term and incremental borrowing rates for leases as of December 31, 2024 and September 30, 2024:

	December 31, 2024	September 30, 2024
Weighted-average remaining lease term (in months):		
Operating leases	47.9	46.0
Finance leases	10.2	13.4
Weighted-average discount rate:		
Operating leases	6.8 %	6.6 %
Finance leases	4.4 %	4.4 %

The following table presents lease expense for the three months ended December 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended December 31,	
	2024	2023

Finance lease costs:				
Amortization of right of use asset	$	96	$	108
Interest on lease liability		3		7
Operating lease cost		1,410		1,628
Variable lease cost		455		764
Sublease income		(43)		(60)
Total lease cost	$	1,921	$	2,447

For the three months ended December 31, 2024 and 2023, cash payments related to operating leases were $1.3 million and $1.7 million, respectively. For the three months ended December 31, 2024 and 2023, cash payments related to finance leases were $0.1 million and $0.1 million, respectively, of which an immaterial amount related to the interest portion of the lease liability. For the three months ended December 31, 2024 and 2023, right of use assets obtained in exchange for lease obligations were $2.0 million and $1.5 million, respectively.

The table below reconciles the undiscounted future minimum lease payments under non-cancelable leases to the total lease liabilities recognized on the Condensed Consolidated Balance Sheet as of December 31, 2024 (dollars in thousands):

Year Ending September 30,	Operating Leases	Financing Leases	Total
2025	$ 3,702	$ 259	$ 3,961
2026	3,698	53	3,751
2027	3,302	—	3,302
2028	2,691	—	2,691
2029	1,986	—	1,986
Thereafter	764	—	764
Total future minimum lease payments	$ 16,143	$ 312	$ 16,455
Less effects of discounting	(2,244)	(4)	(2,248)
Total lease liabilities	$ 13,899	$ 308	$ 14,207
Reported as of December 31, 2024			
Short-term lease liabilities	$ 3,828	$ 282	$ 4,110
Long-term lease liabilities	10,071	26	10,097
Total lease liabilities	$ 13,899	$ 308	$ 14,207

Note 9. Accrued Expenses and Other Liabilities

Accrued expenses and other current liabilities consisted of the following (dollars in thousands):

	December 31, 2024	September 30, 2024
Compensation	$ 17,102	$ 18,755
Professional fees	4,218	4,015
Cost of revenue related liabilities	2,864	2,864
Sales and other taxes payable	2,804	3,668
Interest payable	155	1,735

Legal settlement	-	30,000
Other	5,824	7,368
Total	$ 32,967	$ 68,405

At September 30, 2024, we recorded a $30.0 million legal settlement related to the settlement of the Securities Action (as defined in Note 12) and a corresponding receivable related to the insurance proceeds in Prepaid and other current assets. The entire settlement amount was funded by insurance proceeds in the first quarter of fiscal year 2025. See *Note 12 - Commitments and Contingencies* for additional details.

Note 10. Restructuring and Other Costs, Net

Restructuring and other costs, net includes restructuring expenses as well as other charges that are unusual in nature, are the result of unplanned events, and arise outside of the ordinary course of our business. The following table sets forth accrual activity relating to restructuring reserves for the three months ended December 31, 2024 (dollars in thousands):

	Personnel	Other	Total
Balance as of September 30, 2024	$ 3,758	$ 572	$ 4,330
Restructuring and other costs, net	10,196	866	11,062
Non-cash adjustments	(2,963)	—	(2,963)
Cash payments	(8,428)	(491)	(8,919)
Effect of foreign currency translation	(41)	—	(41)
Balance at December 31, 2024	$ 2,522	$ 947	$ 3,469

The following table sets forth restructuring and other costs, net recognized for the three months ended December 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended December 31, 2024	2023
Personnel	$ 10,196	$ 115
Facilities	—	145
Other	866	445
Restructuring and other costs, net	$ 11,062	$ 705

Fiscal Year 2025

For the three months ended December 31, 2024, we recorded restructuring and other costs, net of $ 11.1 million, which included a $ 10.2 million charge related to the elimination of personnel, of which $ 3.0 million related to the stock-based compensation expense related to the termination of our former senior management employees, and a $ 0.9 million charge relating to our transformation initiatives.

Fiscal Year 2024

For the three months ended December 31, 2023, we recorded restructuring and other costs, net of $ 0.7 million which included a $ 0.1 million severance charge related to the elimination of personnel, a $ 0.1 million charge resulting from the closure of facilities that will no longer be utilized, and $ 0.4 million related to other one-time charges.

Note 11. Stockholders' Equity

On October 2, 2019, we registered the issuance of 6,350,000 shares of Common Stock, par value $ 0.01 per share ("Common Stock"), consisting of 5,300,000 shares of Common Stock reserved for issuance upon the exercise of options granted, or in respect of awards granted, under the Cerence 2019 Equity Incentive Plan ("Equity Incentive Plan"), and 1,050,000 shares of Common Stock that are reserved for issuance under the Cerence 2019 Employee Stock Purchase Plan. The Equity Incentive Plan provides for the grant of incentive stock options, stock awards, stock units, stock appreciation rights, and certain other stock-based awards. The shares available for issuance will automatically increase on January 1st of each year, by the lesser of (A) 3 % of the number of shares of Common Stock outstanding as of the close of business on the immediately preceding December 31st; and (B) the number of shares of Common Stock determined by our board of directors on or prior to such date for such year.

On March 4, 2024, we registered the issuance of 600,000 shares of Common Stock, reserved for issuance under the Cerence Inc. 2024 Inducement Plan (the "Inducement Plan"). On October 6, 2024, we adopted Amendment No. 1 to the Inducement Plan, which increased the number of authorized shares of our Common Stock available for issuance under the 2024 Inducement Plan from 600,000 to 3,000,000. On November 29, 2024, we adopted Amendment No. 2 to the Inducement Plan, which increased the number of authorized shares of our Common Stock available for issuance under the Inducement Plan from 3,000,000 to 4,500,000.

Restricted Units

Information with respect to our non-vested restricted stock units for the three months ended December 31, 2024 was as follows:

	Non-Vested Restricted Stock Units					
	Time-Based Shares	Performance-Based Shares	Total Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Non-vested at September 30, 2024	2,587,386	1,119,437	3,706,823	$ 23.51		
Granted	2,011,534	1,867,288	3,878,822	$ 4.95		
Vested	(923,091)	(143,369)	(1,066,460)	$ 30.80		
Forfeited	(91,259)	(420,577)	(511,836)	$ 24.48		
Non-vested at December 31, 2024	3,584,570	2,422,779	6,007,349	$ 14.18		
Expected to vest			6,007,349	$ 14.18	1.42	$ 47,098

Stock-based Compensation

Stock-based compensation was included in the following captions in our Condensed Consolidated Statements of Operations for the three months ended December 31, 2024 and 2023 (in thousands):

	Three Months Ended December 31, 2024	2023
Cost of connected services	$ 53	$ 81
Cost of professional services	437	560
Research and development	1,829	3,831
Sales and marketing	509	718
General and administrative	1,980	3,190
Restructuring and other costs, net	2,963	—
	$ 7,771	$ 8,380

During the three months ended December 31, 2024, we recorded $ 2.6 million in stock-based compensation due to the termination of employment of our former CEO and the resulting vesting of certain stock-based awards in Restructuring and other costs, net. During the three months ended December 31, 2024, we recorded $ 0.4 million in stock-based compensation due to the termination of employment of our former senior management employee and the resulting vesting of certain stock-based awards in Restructuring and other costs, net.

Note 12. Commitments and Contingencies

Litigation and Other Claims

Similar to many companies in the software industry, we are involved in a variety of claims, demands, suits, investigations and proceedings that arise from time to time relating to matters incidental to the ordinary course of our business, including at times actions with respect to contracts, intellectual property, employment, benefits and securities matters. At each balance sheet date, we evaluate contingent liabilities associated with these matters in accordance with ASC 450 "*Contingencies*." If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Significant judgments are required for the determination of probability and the range of the outcomes, and estimates are based only on the best information available at the time. Due to the inherent uncertainties involved in claims and legal proceedings and in estimating losses that may arise, actual outcomes may differ from our estimates. Contingencies deemed not probable or for which losses were not estimable in one period may become probable, or losses may become estimable in later periods, which may have a material impact on our results of operations and financial position. As of December 31, 2024, accrued losses were not material to our condensed consolidated financial statements, and we do not expect any pending matter to have a material impact on our condensed consolidated financial statements.

City of Miami Fire Fighters' and Police Officers' Retirement Trust Action

On February 25, 2022, a purported shareholder class action captioned as City Of Miami Fire Fighters' and Police Officers' Retirement Trust v. Cerence Inc., et al. (the "Securities Action") was filed in the United States District Court for the District of Massachusetts, naming the Company and two of its former officers as defendants. Following the court's selection of a lead plaintiff and lead counsel, an amended complaint was filed on July 26, 2022. The plaintiff claims to be suing on behalf of anyone who purchased the Company's common stock between November 16, 2020 and February 4, 2022. The lawsuit alleges that material misrepresentations and/or omissions of material fact regarding the Company's operations, financial performance and prospects were made in the Company's public disclosures during the period from November 16, 2020 to February 4, 2022, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. The plaintiff seeks unspecified monetary damages on behalf of the putative class and an award of costs and expenses, including attorney's fees. On September 9, 2022, the defendants in the Securities Action moved to dismiss the action in its entirety. On March 25, 2024, the court granted in part and denied in part the motion to dismiss, dismissing certain of the alleged misrepresentations and omissions while allowing claims challenging certain other alleged misrepresentations and omissions to proceed. On April 15, 2024, the defendants filed their answer to the amended complaint. On August 14, 2024, the parties conducted a mediation and thereafter the parties agreed to settle the matter for $ 30.0 million, subject to court approval. On September 18, 2024, the Court granted preliminary approval of the settlement and, on December 18, 2024 the Court approved the final settlement. During the three months ended December 31, 2024, the entire settlement amount was paid by insurance proceeds.

Derivative Actions

On May 10 and 12, 2022, respectively, plaintiffs William Shafer and Peter Morse filed shareholder derivative complaints in the United States District Court for the District of Massachusetts on behalf of Cerence Inc. against defendants (and former officers) Sanjay Dwahan and Mark J. Gallenberger as well as board members Arun Sarin, Thomas Beaudoin, Marianne Budnik, Sanjay Jha, Kristi Ann Matus, Alfred Nietzel and then-current CEO and board member Stefan Ortmanns. These actions are premised on factual contentions substantially similar to those made in the Securities Action and contain substantially similar legal contentions. As such, on June 13, 2022, at the parties' request, the court consolidated these derivative actions into a single action and appointed co-lead counsel for plaintiffs in that consolidated action. On May 24, 2024, defendants filed a motion to dismiss under the forum selection clause in the Company's charter which the court denied on December 20, 2024. Under the current schedule, defendants have until February 3, 2025 to file a further motion to dismiss on the grounds of demand futility and failure to state a claim, and that motion will be fully briefed by April 3, 2025.

Three shareholder derivative complaints making factual and legal contentions substantially similar to those raised in the consolidated federal derivative action have been also filed in the Delaware Court of Chancery: the first filed on October 19, 2022 by plaintiff Melinda Hipp against the defendants named in the consolidated federal derivative action and board member Douglas Davis, the second filed on August 17, 2023 by plaintiff Catherine Fleming against the defendants named in the consolidated federal derivative action, and the third filed on July 10, 2024 by plaintiff Alberto Goncalves against the defendants named in the consolidated federal derivative action. On October 20, 2023, Ms. Hipp voluntarily dismissed her action with prejudice. On June 26, 2024, the court stayed the Fleming action pending the outcome of mediation. On August 12, 2024, the court stayed the Goncalves action pending the outcome of mediation.

Given the uncertainty of litigation, the preliminary stage of the cases, and the legal standards that must be met for, among other things, derivative standing and success on the merits, we cannot estimate the reasonably possible loss or range of loss that may result from these derivative actions.

A.P., a minor, by and through her guardian, Carlos Pena and Carlos Pena Action

On March 24, 2023 , plaintiffs A.P., a minor, by and through her guardian, Carlos Pena, and Carlos Pena, each individually and on behalf of similarly situated individuals filed a purported class action lawsuit in the Circuit Court of Cook County, Illinois, Chancery Division (Case. No. 2023CH02866 (Cir. Ct. Cook Cnty. 2023)). The case was removed to Federal Court (Case No. 1:23CV2667 (N.D. Ill.)), and then severed and remanded back in part, so there are two pending cases. Plaintiffs subsequently amended the federal complaint twice, with the latest second amended complaint, filed on July 13, 2023, adding plaintiffs Randolph Freshour and Vincenzo Allan, each also filing individually and on behalf of similarly situated individuals. Plaintiffs allege that Cerence violated the Illinois Biometric Information Privacy Act ("BIPA"), 740 ILCS 14/1 et seq. through Cerence's Drive Platform technology, which is integrated in various automobiles. The named plaintiffs allegedly drove or rode in a vehicle with Cerence's Drive Platform technology. Across both cases, plaintiffs allege that Cerence violated: (1) BIPA Section 15(a) by possessing biometrics without any public written policy for their retention or destruction; (2) BIPA Section 15(b) by collecting, capturing, or obtaining biometrics without written notice or consent; (3) BIPA Section 15(c) by profiting from biometrics obtained from Plaintiffs and putative class members; and (4) BIPA Section 15(d) by disclosing biometrics to third party companies without consent. Cerence has filed motions to dismiss both cases. On February 27, 2024, the Circuit Court issued an order denying Cerence's motion to dismiss. On April 16, 2024, Cerence filed its answer and affirmative defenses, a motion to certify the Court's order on Cerence's motion to dismiss, and a motion to stay. Thereafter, in exchange for Cerence withdrawing its motions to certify and stay, plaintiffs filed amended complaints in both the Circuit Court and Federal Court. Cerence's answers in the Federal Court and Circuit Court were due on July 15 and July 18, 2024, respectively, which the Company filed on such dates. Plaintiffs are seeking statutory damages of $5,000 for each willful and/or reckless violation of BIPA and, alternatively, damages of $1,000 for each negligent violation of BIPA. Given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, class certification and success on the merits, we cannot estimate the reasonably possible loss or range of loss that may result from this action.

Samsung Electronics Co. Ltd and Samsung Electronics America, Inc.

March 15, 2024, Cerence filed its second patent infringement complaint against Samsung alleging infringement of four Cerence patents. In its responsive pleading on July 10, 2024, Samsung asserted counterclaims, alleging infringement of U.S. Patent Nos. 10,395,657; 10,720,162; 11,823,682; and 9,583,103 against the Cerence Assistant. Samsung seeks damages, including trebled damages, and its costs and fees. Cerence filed its answer denying the allegations and counterclaims of invalidity and noninfringement on September 4, 2024. Trial is scheduled to begin in January 2026. Given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, success on the merits, we cannot estimate the reasonably possible loss or range of loss that may result from this action.

Guarantees and Other

We include indemnification provisions in the contracts we enter with customers and business partners. Generally, these provisions require us to defend claims arising out of our products' infringement of third-party intellectual property rights, breach of contractual obligations and/or unlawful or otherwise culpable conduct. The indemnity obligations generally cover damages, costs and attorneys' fees arising out of such claims. In most, but not all cases, our total liability under such provisions is limited to either the value of the contract or a specified, agreed-upon amount. In some cases, our total liability under such provisions is unlimited. In many, but not all cases, the term of the indemnity provision is perpetual. While the maximum potential amount of future payments we could be required to make under all the indemnification provisions is unlimited, we believe the estimated fair value of these provisions is minimal due to the low frequency with which these provisions have been triggered.

We indemnify our directors and officers to the fullest extent permitted by Delaware law, which provides among other things, indemnification to directors and officers for expenses, judgments, fines, penalties and settlement amounts incurred by such persons in their capacity as a director or officer of the Company, regardless of whether the individual is serving in any such capacity at the time the liability or expense is incurred. Additionally, in connection with certain acquisitions, we agreed to indemnify the former officers and members of the boards of directors of those companies, on similar terms as described above, for a period of six years from the acquisition date. In certain cases, we purchase director and officer insurance policies related to these obligations, which fully cover the six-year period. To the extent that we do not purchase a director and officer insurance policy for the full period of any contractual indemnification, and such directors and officers do not have coverage under separate insurance policies, we would be required to pay for costs incurred, if any, as described above.

As of December 31, 2024, our letters of credit in connection with security deposits for facility leases totaled $ 0.6 million in the aggregate. These letters of credit have various terms and expiration dates that align with the underlying facilities for which they relate.

Note 13. Income Taxes

The components of (loss) income before income taxes are as follows (dollars in thousands):

	Three Months Ended December 31, 2024		2023	
Domestic	$	(11,825)	$	65,636
Foreign		(6,792)		(7,438)
(Loss) income before income taxes	$	(18,617)	$	58,198

The components of the provision for income taxes are as follows (dollars in thousands):

	Three Months Ended December 31, 2024		2023	
Domestic	$	1,291	$	29,078
Foreign		4,380		5,263
Provision for income taxes	$	5,671	$	34,341
Effective income tax rate		(30.5)%		59.0 %

The effective tax rates for the periods presented are based upon estimated income for the fiscal year and the statutory tax rates enacted in the jurisdictions in which we operate. For all periods presented, the effective tax rate differs from the 21.0 % statutory U.S. tax rate due to the impact of the nondeductible stock-based compensation and our mix of jurisdictional earnings and related differences in foreign statutory tax rates.

Our effective tax rate for the three months ended December 31, 2024 was negative 30.5 % compared to 59.0 % for the three months ended December 31, 2023. Consequently, our provision for income taxes for the three months ended December 31, 2024 was $ 5.7 million, a net change of $

28.6
million from a provision for income taxes of $

34.3
million for the three months ended December 31, 2023. This difference was attributable to the one-time acceleration of legacy deferred revenue in the three months ended December 31, 2023.

Deferred tax assets and liabilities are measured using the statutory tax rates and laws expected to apply to taxable income in the years in which the temporary differences are expected to reverse. Valuation allowances are provided against net deferred tax assets if, based upon all available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the timing of the temporary differences becoming deductible. Management considers, among other available information, scheduled reversals of deferred tax liabilities, projected future taxable income, limitations of availability of net operating loss carryforwards, and other matters in making this assessment.

Note 14. Long-Term Debt

Long-term debt consisted of the following (in thousands):

Description	Maturity Date	Convertible Debt Coupon Rate	December 31, 2024 Effective Interest Rate	Principal	Unamortized Discount	Deferred Issuance Costs	Carrying Value
2025 Modified Notes	6/1/2025	3.00 %	4.01 %	$ 60,125	$ -	$ (171)	$ 59,954
2025 Modified Notes	7/1/2028	1.50 %	8.51 %	87,500	(2,512)	(9,588)	75,400
2028 Notes	7/1/2028	1.50 %	1.91 %	122,500	-	(1,692)	120,808
Total debt				$ 270,125	$ (2,512)	$ (11,451)	256,162
Less: current portion of long-term debt							(59,954)
Total long-term debt							$ 196,208

Description	Maturity Date	Convertible Debt Coupon Rate	September 30, 2024 Effective Interest Rate	Principal	Unamortized Discount	Deferred Issuance Costs	Carrying Value
2025 Modified Notes	6/1/2025	3.00 %	3.70 %	$ 87,500	$ -	$ (406)	$ 87,094
2025 Modified Notes	7/1/2028	1.50 %	8.55 %	87,500	(2,777)	(10,602)	74,121
2028 Notes	7/1/2028	1.50 %	1.91 %	122,500	-	(1,809)	120,691
Total debt				$ 297,500	$ (2,777)	$ (12,817)	281,906
Less: current portion of long-term debt							(87,094)
Total long-term debt							$ 194,812

The following table summarizes the maturities of our borrowing obligations as of December 31, 2024 (in thousands):

Fiscal Year	2028 Notes	2025 Modified Notes	Total
2025	$ —	$ 60,125	$ 60,125
2026	—	—	—
2027	—	—	—
2028	122,500	87,500	210,000
2029			
Thereafter	—	—	—
Total before unamortized discount and issuance costs and current portion	$ 122,500	$ 147,625	$ 270,125
Less: unamortized discount and issuance costs	(1,692)	(12,271)	(13,963)
Less: current portion of long-term debt	—	(59,954)	(59,954)
Total long-term debt	$ 120,808	$ 75,400	$ 196,208

1.50% Senior Convertible Notes due 2028

On June 26, 2023, we issued $190.0 million in aggregate principal amount of 1.50% Convertible Senior Notes due 2028 (the "2028 Notes"), which are governed by an indenture (the "2028 Indenture"), between us and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). On July 3, 2023, we issued an additional $20.0 million in aggregate principal amount of 2028 Notes. The initial net proceeds from the issuance of the 2028 Notes were $193.2 million after deducting transaction costs.

The 2028 Notes are senior, unsecured obligations and accrue interest payable semiannually in arrears on January 1 and July 1 of each year at a rate of 1.50% per year. The 2028 Notes will mature on July 1, 2028, unless earlier converted, redeemed, or repurchased. The 2028 Notes are convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election.

A holder of 2028 Notes may convert all or any portion of its 2028 Notes at its option at any time prior to the close of business on the business day immediately preceding April 3, 2028 only under the following circumstances: (1) during any fiscal quarter commencing after the fiscal quarter ending on September 30, 2023 (and only during such fiscal quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130 % of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period (the “measurement period”) in which the “trading price” (as defined in the 2028 Indenture) per $ 1,000 principal amount of 2028 Notes for each trading day of the measurement period was less than 98 % of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; (3) if we call such 2028 Notes for redemption, at any time prior to the close of business on the business day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On or after April 3, 2028 until the close of business on the second scheduled trading day immediately preceding the maturity date, a holder may convert all or any portion of its 2028 Notes at any time, regardless of the foregoing circumstances.

The conversion rate is 24.5586 shares of our common stock per $ 1,000 principal amount of 2028 Notes (equivalent to an initial conversion price of approximately $ 40.72 per share of our common stock). The conversion rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date or if we deliver a notice of redemption, we will, in certain circumstances, increase the conversion rate for a holder who elects to convert its 2028 Notes in connection with such a corporate event or convert its 2028 Notes called for redemption in connection with such notice of redemption, as the case may be.

We may not redeem the 2028 Notes prior to July 6, 2026. We may redeem for cash all or any portion of the 2028 Notes (subject to certain limitations), at our option, on a redemption date occurring on or after July 6, 2026 and on or before the 31st scheduled trading day immediately before the maturity date, if the last reported sale price of our common stock has been at least 130 % of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100 % of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2028 Notes.

If we undergo a “fundamental change”, subject to certain conditions, holders may require us to repurchase for cash all or any portion of their 2028 Notes at a fundamental change repurchase price equal to 100 % of the principal amount of the 2028 Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The 2028 Indenture contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of not less than 25 % in aggregate principal amount of the 2028 Notes then outstanding may declare the entire principal amount of all the 2028 Notes plus accrued special interest, if any, to be immediately due and payable.

In connection with the offering of the 2028 Notes, we repurchased $ 87.5 million in aggregate principal amount of the 2025 Notes in a privately negotiated transaction. We specifically negotiated the repurchase of the 2025 Notes with investors who concurrently purchased the 2028 Notes. We evaluated the transaction to determine whether the exchange should be accounted for as a modification or extinguishment under the provisions of ASC 470-50, which allows for an exchange of debt instruments between the same debtor and creditor to be accounted for as a modification so long as the instruments do not have substantially different terms. Because the concurrent redemption of the 2025 Notes and a portion of issuance of the 2028 Notes were executed with the same investors, we evaluated the transaction as a debt modification, on a creditor by creditor basis. The repurchase of the 2025 Notes and issuance of the 2028 Notes were deemed to not have substantially different terms on the basis that (1) the present value of the cash flows under the terms of the new debt instrument were less than

10 % different from the present value of the remaining cash flows under the terms of the original instrument and (2) the fair value of the conversion feature did not change by more than 10 % of the carrying value of the 2025 Notes, and therefore, the repurchase of the 2025 Notes was accounted for as a debt modification.

As a result, $ 87.5 million of the 2028 Notes are considered a modification of the 2025 Notes and are included in the balances of the 2025 Notes along with the remaining $ 87.5 million of the 2025 Notes (together the "2025 Modified Notes" and together with the 2028 Notes, the "Notes") that were not repurchased as part of the transaction. We recorded $ 14.3 million of fees paid directly to the lenders as deferred debt issuance costs, and $ 3.8 million of fees paid to third-parties were expensed in the period. As of December 31, 2024, the carrying amount of the 2025 Modified Notes was $ 135.4 million, net of unamortized costs of $ 12.3 million.

If a convertible debt instrument is modified or exchanged in a transaction that is not accounted for as an extinguishment, an increase in the fair value of the embedded conversion option shall reduce the carrying amount of the debt instrument with a corresponding increase in Additional paid-in capital. We recognized the increase in the fair value of the embedded conversion feature of $ 4.1 million as Additional paid-in capital and an equivalent discount that reduced the carrying value of the 2025 Modified Notes.

We accounted for $

122.5
million of the 2028 Notes, that were not negotiated with the investors of the 2025 Notes, as a single liability. We incurred transaction costs of $

2.4
million relating to the issuance of the 2028 Notes, which were recorded as a direct deduction from the face amount of the 2028 Notes and are being amortized as interest expense over the term of the 2028 Notes using the interest method. As of December 31, 2024, the carrying amount of the 2028 Notes was $

120.8
million and unamortized issuance costs of $

1.7
million. As of December 31, 2024, the 2028 Notes were not convertible. As of December 31, 2024 and September 30, 2024, the if-converted value of the 2028 Notes was $

98.9
million and $

113.0
million, respectively, less than its principal amount.

3.00% Senior Convertible Notes due 2025

On June 2, 2020, we issued $

175.0
million in aggregate principal amount of

3.00
% Convertible Senior Notes due 2025 (the “2025 Notes”), including the initial purchasers’ exercise in full of their option to purchase $

25.0
million principal amount of the 2025 Notes, which are governed by an indenture (the “2025 Indenture”), between us and the Trustee, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The net proceeds from the issuance of the 2025 Notes were $

169.8
million after deducting transaction costs.

The 2025 Notes are senior, unsecured obligations and accrue interest payable semiannually in arrears on June 1 and December 1 of each year at a rate of

3.00
% per year. The 2025 Notes will mature on June 1, 2025 , unless earlier converted, redeemed, or repurchased. The 2025 Notes are convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. As of December 31, 2024 and September 30, 2024, the if-converted value of the 2025 Modified Notes was $

118.1
million and $

160.9
million, respectively, less than its principal amount.

A holder of 2025 Notes may convert all or any portion of its 2025 Notes at its option at any time prior to the close of business on the business day immediately preceding March 1, 2025 only under the following circumstances: (1) during any fiscal quarter commencing after the fiscal quarter ending on September 30, 2020 (and only during such fiscal quarter), if the last reported sale price of our common stock for at least

20
trading days (whether or not consecutive) during a period of

30
consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to

130
% of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period (the “measurement period”) in which the “trading price” (as defined in the 2025 Indenture) per $

1,000
principal amount of 2025 Notes for each trading day of the measurement period was less than

98
% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; (3) if we call such 2025 Notes for redemption, at any time prior to the close of business on the business day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On or after March 1, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date, a holder may convert all or any portion of its 2025 Notes at any time, regardless of the foregoing circumstances.

The conversion rate is

26.7271
shares of our common stock per $

1,000
principal amount of 2025 Notes (equivalent to an initial conversion price of approximately $

37.42 per share of our common stock). The conversion rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date or if we deliver a notice of redemption, we will, in certain circumstances, increase the conversion rate for a holder who elects to convert its 2025 Notes in connection with such a corporate event or convert its 2025 Notes called for redemption in connection with such notice of redemption, as the case may be.

The 2025 Notes did not by their terms permit repayment prior to June 5, 2023. We may redeem for cash all or any portion of the 2025 Notes, at our option, on a redemption date occurring on or after June 5, 2023 and on or before the 31st scheduled trading day immediately before the maturity date, if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2025 Notes.

During the three months ended December 31, 2024, we repurchased $27.4 million aggregate principal amount of our 2025 Notes for $27.0 million in cash, including accrued interest and fees, via privately negotiated transactions with certain holders. The repurchased notes were subsequently cancelled and retired, resulting in a gain on extinguishment of debt of $0.3 million.

See “1.50% Senior Convertible Notes due 2028” section above for discussion on the modification of the 2025 Notes as part of the offering of the 2028 Notes.

The interest expense recognized related to the Notes for the three months ended December 31, 2024 and 2023 was as follows (dollars in thousands):

	Three Months Ended December 31, 2024	2023
Contractual interest expense	$ 1,425	$ 1,442
Amortization of debt discount	265	251
Amortization of issuance costs	1,281	1,217
Total interest expense related to the Notes	$ 2,971	$ 2,910

The conditional conversion feature of the Notes was not triggered during the three months ended December 31, 2024. As of December 31, 2024, the Notes were not convertible. As of this Quarterly Report on Form 10-Q, no Notes have been converted by the holders. Whether any of the Notes will be converted in future quarters will depend on the satisfaction of one or more of the conversion conditions in the future. If one or more holders elect to convert their Notes at a time when any such Notes are convertible, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional shares), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity.

Senior Credit Facilities

On June 12, 2020 (the “Financing Closing Date”), we entered into a Credit Agreement, by and among the Borrower, the lenders and issuing banks party thereto and Wells Fargo Bank, N.A., as administrative agent (the “Credit Agreement”), consisting of a four-year senior secured term loan facility in the aggregate principal amount of $

125.0
million (the “Term Loan Facility”). The net proceeds from the issuance of the Term Loan Facility were $

123.0
million. We also entered into a senior secured first-lien revolving credit facility in an aggregate principal amount of $

50.0
million (the “Revolving Facility” and, together with the Term Loan Facility, the “Senior Credit Facilities”), which may be drawn on in the event that our working capital and other cash needs are not supported by our operating cash flow. In connection with the issuance of the 2028 Notes, in the third quarter of fiscal year 2023, we borrowed $

24.7
million under our Revolving Facility and paid $

106.3
million towards our Term Loan Facility. As a result, we recorded $

104.9
million extinguishment of debt and $

1.3
million loss on the extinguishment of debt. All principal and interest on the Term Loan Facility have been paid in full.

On December 31, 2024, we terminated the Credit Agreement. On the date of termination, there were no revolving loans outstanding under the Credit Agreement. As a result of the Credit Agreement termination, we will not have access to the Revolving Facility and we will not be subject to the applicable Credit Agreement covenants.

Total interest expense relating to the Senior Cre dit Facilities for the three months ended December 31, 2024 and 2023 was $

0.4
million and $

0.1
million, respectively. Amounts reflect the coupon and accretion of the discount.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our Unaudited Condensed Consolidated Financial Statements, and the related notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q ("Quarterly Report"), and our consolidated financial statements and the related notes and other financial information included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2024, filed with the Securities and Exchange Commission ("SEC") on November 25, 2024. Some of the information contained in this discussion and analysis or elsewhere in this Quarterly Report, including information with respect to our plans and strategy for our business, our performance and future success, our liquidity and capital resources, including our ability to meet our liquidity needs after the repayment of the Notes due in the third quarter of fiscal 2025, results of operations and financial condition, macroeconomic conditions, the semiconductor shortage, trends in the global auto industry and adjacent markets, including shipping and production issues, new products, process optimization efforts and cost management, and tax estimates and other tax matters, includes forward-looking statements that involve risks and uncertainties. See "Cautionary Statement Concerning Forward-Looking Statements." You should review the "Risk Factors" sections in Part II, Item 1A of this Quarterly Report on Form 10-Q and Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2024 for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Note that the results of operations for the three months ended December 31, 2024 are not necessarily indicative of what our operating results for the full fiscal year will be. In this Item, "we," "us," "our," "Cerence" and the "Company" refer to Cerence Inc. and its consolidated subsidiaries, collectively.

Overview

Cerence builds AI powered virtual assistants for the mobility/transportation market. Our primary target is the automobile market, but our solutions can apply to all forms of transportation, including, but not limited to, two-wheel vehicles, planes, tractors, cruise ships and elevators. Our solutions power natural conversational and intuitive interactions between automobiles, drivers and passengers, and the broader digital world. We possess one of the world's most popular software platforms for building automotive virtual assistants. Our customers include nearly all major original equipment manufacturers ("OEMs") or their tier 1 suppliers worldwide. We deliver our solutions on a white-label basis, enabling our customers to deliver customized virtual assistants with unique, branded personalities and ultimately strengthening the bond between automobile brands and end users. Our vision is to enable a more enjoyable, safer journey for everyone.

Our principal offering is our software platform, which our customers use to build virtual assistants that can communicate, find information, and take action across an expanding variety of categories. Our software platform has a hybrid architecture combining edge software components with cloud-connected components. Edge software components are installed on a vehicle's head unit and can operate without access to external networks and information. Cloud-connected components are comprised of certain speech and natural language understanding related technologies, AI-enabled personalization and context-based response frameworks, and a content integration platform.

We generate revenue primarily by selling software licenses and cloud-connected services. Our edge software components are typically sold under a traditional per unit perpetual software license model, in which a per unit fee is charged on a variable basis for each software instance installed on an automotive head unit. We typically license cloud-connected software components in the form of a service to the vehicle end user, which is paid for in advance. In addition, we generate professional services revenue from our work with our customers during the design, development, and deployment phases of the vehicle model lifecycle and through maintenance and enhancement projects. We have existing relationships with nearly all major OEMs or their tier 1 suppliers, and while our customer contracts vary, they generally represent multi-year engagements, giving us some level of visibility into future revenue; however, such revenue may not materialize as expected due to delays in automobile production, changing customer forecasts, macroeconomic conditions or other factors discussed elsewhere in this Quarterly Report.

Basis of Presentation

The financial information presented in the accompanying unaudited condensed consolidated financial statements has been prepared in accordance with U.S. GAAP and in accordance with rules and regulations of the SEC regarding interim financial reporting. Accordingly, the financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

The condensed consolidated balance sheet data as of September 30, 2024 was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting primarily of normal recurring accruals, necessary for a fair presentation of our financial position and results of operations. The operating results for the three months ended December 31, 2024 are not necessarily indicative of the results expected for the full fiscal year ending September 30, 2025.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company, as well as those of its wholly owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

Key Financial Metrics

In evaluating our financial condition and operating performance, we focus on revenue, operating margins, and cash flow from operations.

For the three months ended December 31, 2024 as compared to the three months ended December 31, 2023:

- Total revenue decreased by $87.4 million, or 63.2%, to $50.9 million from $138.3 million.
- Operating margin decreased 75.6 percentage points to negative 33.3% from 42.3%.
- Cash provided by operating activities was $9.3 million, a net change of $12.1 million from cash used in operating activities of $2.8 million.

Operating Results

The following table shows the Condensed Consolidated Statements of Operations for the three months ended December 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended December 31, 2024	2023
Revenue:		
License	$ 22,725	$ 20,823
Connected services	13,707	96,820
Professional services	14,464	20,692
Total revenues	50,896	138,335
Cost of revenue:		
License	1,782	1,604
Connected services	6,311	7,303
Professional services	9,731	17,325
Amortization of intangible assets	—	103
Total cost of revenues	17,824	26,335
Gross profit	33,072	112,000
Operating expenses:		
Research and development	20,869	33,306
Sales and marketing	4,766	6,071
General and administrative	12,754	12,793
Amortization of intangible assets	554	545
Restructuring and other costs, net	11,062	705
Total operating expenses	50,005	53,420
(Loss) income from operations	(16,933)	58,580
Interest income	1,437	1,432
Interest expense	(3,393)	(3,236)
Other income, net	272	1,422
(Loss) income before income taxes	(18,617)	58,198
Provision for income taxes	5,671	34,341
Net (loss) income	$ (24,288)	$ 23,857

Our revenue consists primarily of license revenue, connected services revenue and revenue from professional services. License revenue primarily consists of license royalties associated with our edge software components. Our edge software components are typically sold under a traditional per unit perpetual software license model, in which a per unit fee is charged for each software instance installed on an automotive head unit. Our contracts contain variable, fixed prepaid or fixed minimum purchase commitment components. Revenue is recognized and cash is collected for variable contracts over the license distribution period. The fixed contracts typically provide the customer with a price discount and can include the conversion of a variable contract that is already in our variable backlog. Revenue for fixed contracts is recognized when the software is made available to the customer, which has typically occurred at the time the contract is signed. Cash is typically expected to be collected for a fixed prepaid deal at the inception of the contract. Cash is expected to be collected for a fixed minimum commitment deal over the license distribution period. Going forward, we will continue to assess the levels of fixed license contracts and make adjustments, as necessary. See Note 3 to the accompanying unaudited condensed consolidated financial statements for further discussion of our revenue, deferred revenue performance obligations and the timing of revenue recognition. Costs of license revenue primarily consists of third-party royalty expenses for certain external technologies we leverage and costs associated with our Cerence Link product.

Connected services revenue primarily represents the subscription fee that provides access to our connected services components, including the customization and construction of our connected services solutions. We also derive revenue within our connected services business from usage contracts and there can be instances where a customer purchases a software license that allows them to take possession of the software to enable hosting by the customer or a third-party. Subscription and usage contracts typically have a term of one to five years. Subscription revenue is recognized over the subscription period and cash is expected to be collected at the start of the subscription period. Usage based revenue is recognized and cash is collected as the service is used. If the customer takes possession of the software to have it hosted by the customer or a third-party, revenue is recognized, and cash is collected at the time the license is delivered. On October 31, 2023, we entered into an early termination agreement relating to a legacy contract acquired by Nuance through a 2013 acquisition. Previously, the term of the contract ended on December 31, 2025, whereas the agreement signed on October 31, 2023 updated the termination date to December 31, 2023. For the three months ended December 31, 2023, a total of $76.3 million was recognized in relation to this contract including $67.8 million of deferred revenue that was accelerated into the first quarter of fiscal year 2024 as a result of the termination. There was no cash flow associated with this legacy contract. We provided services to a separate customer, who in turn provided services to our legacy customer. This separate customer terminated services on October 31, 2023. There was no cash flow associated with this contract. For the three months ended December 31, 2023, a total of $10.3 million was recognized in relation to this contract including $9.9 million of deferred revenue that was accelerated into the first quarter of fiscal year 2024. See Note 3 to the accompanying unaudited condensed consolidated financial statements for further discussion of our revenue, deferred revenue performance obligations and the timing of revenue recognition. Cost of connected service revenue primarily consists of labor costs of software delivery services, infrastructure, and communications fees that support our connected services solutions.

Professional services revenue is primarily comprised of porting, integrating, and customizing our embedded solutions, with costs primarily consisting of compensation for services personnel, contractors and overhead.

Our operating expenses include R&D, sales and marketing and general and administrative expenses. R&D expenses primarily consist of salaries, benefits, and overhead relating to research and engineering staff. Sales and marketing expenses includes salaries, benefits, and commissions related to our sales, product marketing, product management, and business unit management teams. General and administrative expenses primarily consist of personnel costs for administration, finance, human resources, general management, fees for external professional advisers including accountants and attorneys, and provisions for credit losses.

Amortization of acquired patents and core technology are included within cost of revenues whereas the amortization of other intangible assets, such as acquired customer relationships, trade names and trademarks, are included within operating expenses. Customer relationships are amortized over their estimated economic lives based on the pattern of economic benefits expected to be generated from the use of the asset. Other identifiable intangible assets are amortized on a straight-line basis over their estimated useful lives.

Restructuring and other costs, net include restructuring expenses as well as other charges that are unusual in nature, are the result of unplanned events, and arise outside the ordinary course of our business.

Total other expense, net consists primarily of foreign exchange gains (losses), interest income and interest expense related to the Notes and Senior Credit Facilities.

We expect our revenue to continue to be impacted by the changing dynamics in the global automotive industry which have resulted in production delays and slowdowns. Macroeconomic conditions such as high interest rates and lack of credit availability have contributed to these production delays and slowdowns. In addition, the software and technology systems in automobiles have become increasingly complex, leading to substantial challenges and delays in production for some of our customers. Our business in adjacent markets, such as two-wheeled vehicles, trucks and AIoT, is also developing slower than anticipated due to the challenges of introducing different technology into a new market. In light of these challenges, we intend to focus on our cost structure and expect to take future cost reduction actions, which may result in additional restructuring costs and impairment charges. In particular, in August 2024, we announced a restructuring plan intended to reduce operating expenses and position us for profitable future growth (the "Plan"). The implementation of the Plan was substantially complete by the end of the first quarter of fiscal year 2025. The charges that we incur are subject to a number of assumptions, including legal requirements in various jurisdictions. For additional details, refer to the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2024.

Three Months Ended December 31, 2024 Compared with Three Months Ended December 31, 2023

Total Revenues

The following table shows total revenues by product type, including the corresponding percentage change, for the three months ended December 31, 2024 and 2023 (dollars in thousands):

	Three Months Ended December 31,				% Change
	2024	% of Total	2023	% of Total	2024 vs. 2023
License	$ 22,725	44.6%	$ 20,823	15.1%	9.1 %
Connected services	13,707	26.9%	96,820	70.0%	(85.8)%
Professional services	14,464	28.5%	20,692	14.9%	(30.1)%
Total revenues	$ 50,896		$ 138,335		(63.2)%

Total revenues for the three months ended December 31, 2024 were $50.9 million, a decrease of $87.4 million, or 63.2%, from $138.3 million for the three months ended December 31, 2023. The decrease in revenues was driven by a decrease in connected services and professional services revenues. The decrease was partly offset by an increase in license revenue.

License Revenue

License revenue for the three months ended December 31, 2024 was $22.7 million, an increase of $1.9 million, or 9.1%, from $20.8 million for the three months ended December 31, 2023. The increase in license revenue was driven by a $1.6 million increase in variable license revenue due to higher volume of licensing royalties. As a percentage of total revenues, license revenue increased 29.5 percentage points from 15.1% for the three months ended December 31, 2023 to 44.6% for the three months ended December 31, 2024.

Connected Services Revenue

Connected services revenue for the three months ended December 31, 2024 was $13.7 million, a decrease of $83.1 million, or 85.8%, from $96.8 million for the three months ended December 31, 2023. This decrease was primarily driven by the early termination of a legacy contract acquired by Nuance through a 2013 acquisition and the termination of services provided to a separate customer, who in turn provided services to our legacy customer. These terminations resulted in a decrease of $86.6 million in revenue compared to the first quarter of fiscal 2024. The decrease was offset by a $3.5 million increase in demand for our connected services solutions. As a percentage of total revenues, connected services revenue decreased by 43.1 percentage points from 70.0% for the three months ended December 31, 2023 to 26.9% for the three months ended December 31, 2024.

Professional Services Revenue

Professional service revenue for the three months ended December 31, 2024 was $14.5 million, a decrease of $6.2 million, or 30.1%, from $20.7 million for the three months ended December 31, 2023. This decrease was driven by the composition of our arrangements and the related timing of fulfilling performance obligations under the contracts. As a percentage of total revenues, professional services revenue increased by 13.6 percentage points from 14.9% for the three months ended December 31, 2023 to 28.5% for the three months ended December 31, 2024.

Three Months Ended December 31, 2024 Compared with Three Months Ended December 31, 2023

Total Cost of Revenues and Gross Profits

The following table shows total cost of revenues by product type and the corresponding percentage change (dollars in thousands):

	Three Months Ended December 31, 2024	2023	% Change 2024 vs. 2023
License	$ 1,782	$ 1,604	11.1 %
Connected services	6,311	7,303	(13.6)%
Professional services	9,731	17,325	(43.8)%
Amortization of intangibles	-	103	(100.0)%
Total cost of revenues	$ 17,824	$ 26,335	(32.3)%

The following table shows total gross profit by product type and the corresponding percentage change (dollars in thousands):

	Three Months Ended December 31, 2024	2023	% Change 2024 vs. 2023
License	$ 20,943	$ 19,219	9.0 %
Connected services	7,396	89,517	(91.7)%
Professional services	4,733	3,367	40.6 %
Amortization of intangibles	—	(103)	100.0 %
Total gross profit	$ 33,072	$ 112,000	(70.5)%

Total cost of revenues for the three months ended December 31, 2024 were $17.8 million, a decrease of $8.5 million, or 32.3%, from $26.3 million for the three months ended December 31, 2023.

We experienced a decrease in total gross profit of $78.9 million, or 70.5%, from $112.0 million for the three months ended December 31, 2023 to $33.1 million for the three months ended December 31, 2024. The decrease was primarily driven by the decrease in connected service revenue due to the early termination of a legacy contract acquired by Nuance through a 2013 acquisition and the termination of services provided to a separate customer, who in turn provided services to our legacy customer.

Cost of License Revenue

Cost of license revenue for the three months ended December 31, 2024 was $1.8 million, an increase of $0.2 million, or 11.1%, from $1.6 million for the three months ended December 31, 2023. Cost of license revenues increased primarily due to costs associated with our Cerence Link product. As a percentage of total cost of revenues, cost of license revenue increased by 3.9 percentage points from 6.1% for the three months ended December 31, 2023 to 10.0% for the three months ended December 31, 2024.

License gross profit increased by $1.7 million, or 9.0%, for the three months ended December 31, 2024 when compared to the three months ended December 31, 2023, primarily due to increases in license revenues.

Cost of Connected Services Revenue

Cost of connected services revenue for the three months ended December 31, 2024 was $6.3 million, a decrease of $1.0 million, or 13.6%, from $7.3 million for the three months ended December 31, 2023. Cost of connected services revenue decreased primarily due to an acceleration of $2.0 million of expenses within the first quarter of fiscal 2024 associated with the termination of the legacy contract acquired by Nuance through a 2013 acquisition. The decrease was partially offset by a one-time $0.8 million expense of previously deferred costs related to a termination agreement with an international electric vehicle maker. As a percentage of total cost of revenues, cost of connected services revenue increased by 7.7 percentage points from 27.7% for the three months ended December 31, 2023 to 35.4% for the three months ended December 31, 2024.

Connected services gross profit decreased $82.1 million, or 91.7%, from $89.5 million for the three months ended December 31, 2023 to $7.4 million for the three months ended December 31, 2024, primarily due to declines in connected services revenues.

Cost of Professional Services Revenue

Cost of professional services revenue for the three months ended December 31, 2024 was $9.7 million, a decrease of $7.6 million, or 43.8%, from $17.3 million for the three months ended December 31, 2023. Cost of professional services revenue decreased primarily due to a $5.1 million decrease in third-party contractor costs, a $1.2 million decrease in internal allocated labor, a $0.6 million decrease in salary-related expenditures, and a $0.2 million decrease in amortization of costs previously deferred. As a percentage of total cost of revenues, cost of professional services revenue decreased by 11.2 percentage points from 65.8% for the three months ended December 31, 2023 to 54.6% for the three months ended December 31, 2024.

Professional services gross profit increased $1.3 million, or 40.6%, from $3.4 million for the three months ended December 31, 2023 to $4.7 million for the three months ended December 31, 2024, which was primarily due to the composition of our professional service arrangements.

Operating Expenses

The tables below show each component of operating expense. Total other expense, net and provision for income taxes are non-operating expenses and presented in a similar format (dollars in thousands).

R&D Expenses

Three Months Ended December 31, 2024 Compared with Three Months Ended December 31, 2023

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	% Change 2024 vs. 2023
Research and development	$ 20,869	$ 33,306	(37.3)%

Historically, R&D expenses are our largest operating expense as we continue to build on our existing software platforms and develop new technologies. R&D expenses for the three months ended December 31, 2024 were $20.9 million, a decrease of $12.4 million, or 37.3%, from $33.3 million for the three months ended December 31, 2023. The decrease was primarily attributable to a $4.2 million decrease in salary-related expenditures, a $2.9 million decrease in third-party contractor costs, a $2.5 million R&D international tax credit refund, a $2.0 million decrease in stock-based compensation costs, and a $1.1 increase in capitalized costs associated with internally developed software. The decrease was partially offset by a $1.3 million increase in internally allocated labor. As a percentage of total operating expenses, R&D expenses decreased by 20.6 percentage points from 62.3% for the three months ended December 31, 2023 to 41.7% for the three months ended December 31, 2024.

Sales & Marketing Expenses

Three Months Ended December 31, 2024 Compared with Three Months Ended December 31, 2023

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	% Change 2024 vs. 2023
Sales and marketing	$ 4,766	$ 6,071	(21.5)%

Sales and marketing expenses for the three months ended December 31, 2024 were $4.8 million, a decrease of $1.3 million, or 21.5%, from $6.1 million for the three months ended December 31, 2023. The decrease in sales and marketing expenses was primarily attributable to a $0.7 million decrease in salary-related expenditures, a $0.6 million decrease in travel-related expenditures, and a $0.2 million decrease in stock-based compensation costs. The decrease was partially offset by a $0.3 million increase in commissions expenditures. As a percentage of total operating expenses, sales and marketing expenses decreased by 1.9 percentage points from 11.4% for the three months ended December 31, 2023 to 9.5% for the three months ended December 31, 2024.

General & Administrative Expenses

Three Months Ended December 31, 2024 Compared with Three Months Ended December 31, 2023

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	% Change 2024 vs. 2023
General and administrative	$ 12,754	$ 12,793	(0.3)%

General and administrative expenses for the three months ended December 31, 2024 were $12.8 million, which was flat from $12.8 million for the three months ended December 31, 2023. Within general and administrative expenses there was a $1.4 million decrease in salary-related expenditures and a $1.2 million decrease in stock-based compensation costs. The decrease was partially offset by a $1.4 million increase in professional fees, a $0.3 million increase in third-party contractor costs, and a $0.2 million increase in bad debt expenses related to a termination agreement with an international electric vehicle maker. As a percentage of total operating expenses, general and administrative expenses increased by 1.6 percentage points from 23.9% for the three months ended December 31, 2023 to 25.5% for the three months ended December 31, 2024.

Amortization of Intangible Assets

Three Months Ended December 31, 2024 Compared with Three Months Ended December 31, 2023

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	% Change 2024 vs. 2023
Cost of revenues	$ —	$ 103	(100.0)%
Operating expense	554	545	1.7%
Total amortization	$ 554	$ 648	(14.5)%

Intangible asset amortization for the three months ended December 31, 2024 and 2023 remained flat at $0.6 million. Amortization expense for acquired technology and patents is included in the cost of revenues in the accompanying Condensed Consolidated Statements of Operations. Amortization expense for customer relationships is included in operating expenses in the accompanying Condensed Consolidated Statements of Operations.

As a percentage of total cost of revenues, intangible asset amortization within cost of revenues decreased by 0.4 percentage points from 0.4% for the three months ended December 31, 2023 to 0.0% for the three months ended December 31, 2024. As a percentage of total operating expenses, intangible asset amortization expenses within operating expenses increased by 0.1 percentage point from 1.0% for the three months ended December 31, 2023 as compared to 1.1% for the three months ended December 31, 2024.

Other Components of Operating Expense

Three Months Ended December 31, 2024 Compared with Three Months Ended December 31, 2023

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	% Change 2024 vs. 2023
Restructuring and other costs, net	$ 11,062	$ 705	1469.1%

Fiscal Year 2025

For the three months ended December 31, 2024, we recorded restructuring and other costs, net of $11.1 million, which included a $10.2 million charge related to the elimination of personnel, of which $3.0 million related to the stock-based compensation expense related to the termination of our former senior management employees, and a $0.9 million charge relating to our transformation initiatives.

Fiscal Year 2024

For the three months ended December 31, 2023, we recorded restructuring and other costs, net of $0.7 million, which included a $0.1 million severance charge related to the elimination of personnel, a $0.1 million charge resulting from the closure of facilities that will no longer be utilized, and $0.4 million related to other one-time charges.

As a percentage of total operating expenses, restructuring and other costs, net increased by 20.8 percentage points from 1.3% for the three months ended December 31, 2023 to 22.1% for the three months ended December 31, 2024.

Total Other Expense, Net

Three Months Ended December 31, 2024 Compared with Three Months Ended December 31, 2023

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	% Change 2024 vs. 2023
Interest income	$ 1,437	$ 1,432	0.3%
Interest expense	(3,393)	(3,236)	4.9%
Other income, net	272	1,422	(80.9)%
Total other expense, net	$ (1,684)	$ (382)	340.8%

Total other expense, net for the three months ended December 31, 2024 was expense of $1.7 million, a change of $1.3 million from $0.4 million of expense for the three months ended December 31, 2023. The change in Other income, net was primarily driven by a reduction in gains from foreign exchange offset by a $0.3 million gain on the extinguishment of debt related to our repurchase of $27.4 million principal value of the 2025 Notes. For further information, see "Liquidity and Capital Resources" below.

Provision For Income Taxes

Three Months Ended December 31, 2024 Compared with Three Months Ended December 31, 2023

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	% Change 2024 vs. 2023
Provision for income taxes	$ 5,671	$ 34,341	(83.5)%
Effective income tax rate %	(30.5)%	59.0%	

Our effective income tax rate for the three months ended December 31, 2024 was negative 30.5%, compared to 59.0% for the three months ended December 31, 2023. Our provision for income taxes for the three months ended December 31, 2024 was $5.7 million, a net change of $28.6 million from a provision for income taxes of $34.3 million for the three months ended December 31, 2023. This difference was attributable to the one-time acceleration of legacy deferred revenue in the three months ended December 31, 2023.

Liquidity and Capital Resources

Financial Condition

As of December 31, 2024, we had $110.5 million in cash, cash equivalents, and marketable securities. Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. Marketable securities include corporate bonds and government securities. As of December 31, 2024, our net working capital, excluding deferred revenue and deferred costs, was $91.0 million. This balance is representative of the short-term net cash inflows based on the working capital at that date.

Sources and Material Cash Requirements

Our principal sources of liquidity are our cash, cash equivalents, and marketable securities, as well as the cash flows we generate from our operations. The primary uses of cash include costs of revenues, funding of R&D activities, capital expenditures and debt obligations.

Our ability to fund future operating needs will depend on our ability to generate positive cash flows from operations and finance additional funding in the capital and debt markets as needed. Based on our expectations to generate positive cash flows and the $110.5 million of cash, cash equivalents, and marketable securities as of December 31, 2024, we believe that we will be able to meet our liquidity needs over the next 12 months. Our assessment included the repayment of the $60.1 million of the 2025 Modified Notes due in the third quarter of fiscal 2025.

The following table presents our material cash requirements for future periods (dollars in thousands):

	Material Cash Requirements Due by Period				
	2025	2026-2027	2028-2029	Thereafter	Total
2028 Notes	$ -	$ -	$ 122,500	$ -	$ 122,500
Cash interest payable on the 2028 Notes [(a)]	1,373	3,672	1,383	-	6,428
2025 Modified Notes	60,125	-	87,500	-	147,625
Cash interest payable on the 2025 Modified Notes [(a)]	1,727	2,623	988	-	5,338
Operating leases	3,702	7,000	4,677	764	16,143
Financing leases	259	53	-	-	312
Total material cash requirements	$ 67,186	$ 13,348	$ 217,048	$ 764	$ 298,346

(a) Interest per annum is due and payable semiannually and is determined based on the outstanding principal as of December 31, 2024.

Should we need to secure additional sources of liquidity, we believe that we could finance our needs through the issuance of equity securities or debt offerings. However, we cannot guarantee that we will be able to obtain financing through the issuance of equity securities or debt offerings or that, if such financing is obtained, that it will be on acceptable terms. Our ability to issue debt or enter into other financing arrangements on acceptable terms could be adversely affected if there is a material decline in the demand for our products or in the solvency of our customers or suppliers or if there are other significantly unfavorable changes in economic conditions. For instance, inflation and persistently high interest rates, and disruptions and instability in the banking industry have negatively impacted the global economy and created significant volatility and disruption of financial markets. An extended period of economic disruption or market volatility, could materially affect our business, results of operations, access to sources of liquidity and financial condition.

1.50% Senior Convertible Notes due 2028

On June 26, 2023, we issued $190.0 million in aggregate principal amount of 2028 Notes, which are governed by the 2028 Indenture, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. On July 3, 2023, we issued an additional $20.0 million in aggregate principal amount of 2028 Notes. The initial net proceeds from the issuance of the 2028 Notes were $193.2 million after deducting transaction costs.

The 2028 Notes are senior, unsecured obligations and accrue interest payable semiannually in arrears on January 1 and July 1 of each year at a rate of 1.50% per year. The 2028 Notes will mature on July 1, 2028, unless earlier converted, redeemed, or repurchased. The 2028 Notes are convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election.

The conversion rate is 24.5586 shares of our common stock per $1,000 principal amount of 2028 Notes (equivalent to an initial conversion price of approximately $40.72 per share of our common stock). The conversion rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest.

In connection with the offering of the 2028 Notes, we repurchased $87.5 million in aggregate principal amount of the 2025 Notes in a privately negotiated transaction. We specifically negotiated the repurchase of the 2025 Notes with investors who concurrently purchased the 2028 Notes. We evaluated the transaction to determine whether the exchange should be accounted for as a modification or extinguishment under the provisions of ASC 470-50, which allows for an exchange of debt instruments between the same debtor and creditor to be accounted for as a modification so long as the instruments do not have substantially different terms. Because the concurrent redemption of the 2025 Notes and a portion of issuance of the 2028 Notes were executed with the same investors, we evaluated the transaction as a debt modification, on a creditor by creditor basis. The repurchase of the 2025 Notes and issuance of the 2028 Notes were deemed to not have substantially different terms on the basis that (1) the present value of the cash flows under the terms of the new debt instrument were less than 10% different from the present value of the remaining cash flows under the terms of the original instrument and (2) the fair value of the conversion feature did not change by more than 10% of the carrying value of the 2025 Notes, and therefore, the repurchase of the 2025 Notes was accounted for as a debt modification.

As a result, $87.5 million of the 2028 Notes are considered a modification of the 2025 Notes and are included in the balances of the 2025 Notes along with the remaining $87.5 million of the 2025 Notes (together the "2025 Modified Notes") that were not repurchased as part of the transaction. We recorded $14.3 million of fees paid directly to the lenders as deferred debt issuance costs, and $3.8 million of fees paid to third-parties were expensed in the period. As of December 31, 2024, the carrying amount of the 2025 Modified Notes was $135.4 million, net of unamortized costs of $12.3 million.

If a convertible debt instrument is modified or exchanged in a transaction that is not accounted for as an extinguishment, an increase in the fair value of the embedded conversion option shall reduce the carrying amount of the debt instrument with a corresponding increase in Additional paid-in capital. We recognized the increase in the fair value of the embedded conversion feature of $4.1 million as Additional paid-in capital and an equivalent discount that reduced the carrying value of the 2025 Modified Notes.

We accounted for $122.5 million of the 2028 Notes, that were not negotiated with the investors of the 2025 Notes, as a single liability. We incurred transaction costs of $2.4 million relating to the issuance of the 2028 Notes, which were recorded as a direct deduction from the face amount of the 2028 Notes and are being amortized as interest expense over the term of the 2028 Notes using the interest method. As of December 31, 2024, the carrying amount of the 2028 Notes was $120.8 million and unamortized issuance costs of $1.7 million. As of December 31, 2024, the 2028 Notes were not convertible.

3.00% Senior Convertible Notes due 2025

On June 2, 2020, we issued $175.0 million in aggregate principal amount of 2025 Notes, including the initial purchasers' exercise in full of their option to purchase $25.0 million principal amount of the 2025 Notes, which are governed by the 2025 Indenture, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The net proceeds from the issuance of the 2025 Notes were $169.8 million after deducting transaction costs.

The 2025 Notes are senior, unsecured obligations and accrue interest payable semiannually in arrears on June 1 and December 1 of each year at a rate of 3.00% per year. The 2025 Notes will mature on June 1, 2025, unless earlier converted, redeemed, or repurchased. The repayment of the 2025 Notes in cash upon maturity could adversely affect our liquidity.

The 2025 Notes are convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. The conversion rate is 26.7271 shares of our common stock per $1,000 principal amount of 2025 Notes (equivalent to an initial conversion price of approximately $37.42 per share of our common stock). The conversion rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date or if we deliver a notice of redemption, we will, in certain circumstances, increase the conversion rate for a holder who elects to convert its 2025 Notes in connection with such a corporate event or convert its 2025 Notes called for redemption in connection with such notice of redemption, as the case may be.

During the three months ended December 31, 2024, we repurchased $27.4 million aggregate principal amount of our 2025 Notes for $27.0 million in cash, including accrued interest and fees, via privately negotiated transactions with certain holders. The repurchased notes were subsequently cancelled and retired, resulting in a gain on extinguishment of debt of $0.3 million.

See "1.50% Senior Convertible Notes due 2028" section above for discussion on the modification of the 2025 Notes as part of the offering of the 2028 Notes.

The interest expense recognized related to the Notes for the three months ended December 31, 2024 and 2023 was as follows (dollars in thousands):

	Three Months Ended December 31,	
	2024	2023
Contractual interest expense	$ 1,425	$ 1,442
Amortization of debt discount	265	251
Amortization of issuance costs	1,281	1,217
Total interest expense related to the Notes	$ 2,971	$ 2,910

The conditional conversion feature of the Notes was not triggered during the three months ended December 31, 2024. As of December 31, 2024, the Notes were not convertible. As of this Quarterly Report, no Notes have been converted by the holders. Whether any of the Notes will be convertible in future quarters will depend on the satisfaction of one or more of the conversion conditions in the future. If one or more holders elect to convert their Notes at a time when any such Notes are convertible, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional shares), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity.

Senior Credit Facilities

On June 12, 2020, we entered into the Term Loan Facility. The net proceeds from the issuance of the Term Loan Facility were $123.0 million. We also entered into the Revolving Facility, which would be drawn on in the event that our working capital and other cash needs are not supported by our operating cash flow. In connection with the issuance of the 2028 Notes, in the third quarter of fiscal year 2023, we borrowed $24.7 million under our Revolving Facility and paid $106.3 million towards our Term Loan Facility. As a result, we recorded $104.9 million extinguishment of debt and $1.3 million loss on the extinguishment of debt. All principal and interest on the Term Loan Facility have been paid in full.

On December 31, 2024, we terminated the Credit Agreement. On the date of termination, there were no revolving loans outstanding under the Credit Agreement. As a result of the Credit Agreement termination, we will not have access to the Revolving Facility and we will not be subject to the applicable Credit Agreement covenants.

Total interest expense relating to the Senior Credit Facilities for the three months ended December 31, 2024 and 2023 was $0.4 million and $0.1 million, respectively. Amounts reflect the coupon and accretion of the discount.

Cash Flows

Cash flows from operating, investing and financing activities for the three months ended December 31, 2024 and 2023, as reflected in the unaudited Condensed Consolidated Statements of Cash Flows included in Item 1 of this Form 10-Q, are summarized in the following table (dollars in thousands):

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	% Change 2024 vs. 2023
Net cash provided by (used in) operating activities	$ 9,254	$ (2,815)	428.7%
Net cash provided by investing activities	759	1,189	(36.2)%
Net cash used in financing activities	(27,084)	(130)	(20733.8)%
Effect of foreign currency exchange rates on cash and cash equivalents	(311)	(662)	53.0%
Net changes in cash and cash equivalents	$ (17,382)	$ (2,418)	(618.9)%

Net Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities for the three months ended December 31, 2024 was $9.3 million, a net change of $12.1 million, or 428.7%, from net cash used in operating activities of $2.8 million for the three months ended December 31, 2023. The change in cash flows were primarily due to:

- A decrease of $70.5 million from income before non-cash charges;
- A decrease of $6.2 million due to unfavorable changes in working capital primarily related to accrued expenses and other liabilities; and
- An increase of $88.8 million from changes in deferred revenue.

Deferred revenue represents a significant portion of our net cash used in or provided by operating activities and, depending on the nature of our contracts with customers and foreign currency exchange rates, this balance can fluctuate significantly from period to period. Fluctuations in deferred revenue are not a reliable indicator of future performance and the related revenue associated with these contractual commitments. We do not expect any changes in deferred revenue to affect our ability to meet our obligations.

Net Cash Provided by Investing Activities

Net cash provided by investing activities for the three months ended December 31, 2024 was $0.8 million, a net change of $0.4 million, or 36.2%, from $1.2 million of cash provided by investing activities for the three months ended December 31, 2023. The change in cash flows were primarily due to an increase of $0.4 million in payments related to capital expenditures.

Net Cash Used in Financing Activities

Net cash used in financing activities for the three months ended December 31, 2024 was $27.1 million, a net change of $27.0 million, from cash used in financing activities of $0.1 million for the three months ended December 31, 2023. The change in cash flows were primarily due to:

- An increase of $27.0 million in principal payments for short-term debt;
- A decrease of $4.8 million in proceeds from the issuance of our common stock; and
- A decrease of $4.8 million in payments of tax related withholdings due to the net settlement of equity awards.

Critical Accounting Estimates

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that have a material impact on the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We base our estimates on historical experience and various other factors we believe to be reasonable under the circumstances, the results of which form the basis for judgments about the carrying values of assets and liabilities and the amounts of revenues and expenses. Actual results may differ from these estimates.

We believe that our critical accounting estimates are those related to revenue recognition; allowance for credit losses; accounting for deferred costs; accounting for internally developed software; the valuation of goodwill and intangible assets; accounting for stock-based compensation; accounting for income taxes; accounting for convertible debt; and loss contingencies. We believe these estimates are critical because they most significantly affect the portrayal of our financial condition and results of operations and involve our most complex and subjective estimates and judgments. A discussion of our critical accounting estimates may be found in our Annual Report on Form 10-K for the fiscal year ended September 30, 2024 in Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” under the heading “Critical Accounting Estimates” and below.

Recently Adopted Accounting Pronouncements and Recent Accounting Pronouncements To Be Adopted

Refer to Note 2 to the accompanying unaudited condensed consolidated financial statements for a description of certain issued accounting standards that have been recently adopted and are expected to be adopted by us and may impact our results of operations in future reporting periods.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk from changes in foreign currency exchange rates and interest rates which could affect our operating results, financial position and cash flows. We manage our exposure to these market risks through our regular operating and financing activities, and through the use of derivative financial instruments.

Exchange Rate Sensitivity

We are exposed to changes in foreign currency exchange rates. Any foreign currency transaction, defined as a transaction denominated in a currency other than the local functional currency, will be reported in the functional currency at the applicable exchange rate in effect at the time of the transaction. A change in the value of the functional currency compared to the foreign currency of the transaction will have either a positive or negative impact on our financial position and results of operations.

Assets and liabilities of our foreign entities are translated into U.S. dollars at exchange rates in effect at the balance sheet date and income and expense items are translated at average rates for the applicable period. Therefore, the change in the value of the U.S. dollar compared to foreign currencies will have either a positive or negative effect on our financial position and results of operations. Historically, our primary exposure has been related to transactions denominated in the Canadian dollar, Chinese yuan, Euro, and Japanese yen.

We use foreign currency forward contracts to hedge the foreign currency exchange risk associated with forecasted foreign denominated payments related to our ongoing business. The aggregate notional amount of our outstanding foreign currency forward contracts was $43.2 million at December 31, 2024. Foreign currency forward contracts are sensitive to changes in foreign currency exchange rates. A 10% unfavorable exchange rate movement in our portfolio of foreign currency contracts would have resulted in unrealized losses of $3.7 million at December 31, 2024. Such losses would be offset by corresponding gains in the remeasurement of the underlying transactions being hedged. We believe these foreign currency forward exchange contracts and the offsetting underlying commitments, when taken together, do not create material market risk.

Interest Rate Sensitivity

We are exposed to interest rate risk as a result of our cash and cash equivalents. At December 31, 2024, we held approximately $104.1 million of cash and cash equivalents consisting of cash and highly liquid investments, including money-market funds and time deposits. Assuming a 1% increase in interest rates, our interest income on our highly liquid investments would increase by $0.6 million per annum, based on December 31, 2024 reported balances.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures. Under the supervision and with the participation of management, including our Chief Executive Officer and Interim Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this Quarterly Report. Based on this evaluation, our management, including our Chief Executive Officer and Interim Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of December 31, 2024 to ensure that all material information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to them as appropriate to allow timely decisions regarding required disclosure and that all such information is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

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

Limitations of the effectiveness of internal control. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of the inherent limitations of any internal control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

City of Miami Fire Fighters' and Police Officers' Retirement Trust Action

On February 25, 2022, a purported shareholder class action captioned as City Of Miami Fire Fighters' and Police Officers' Retirement Trust v. Cerence Inc., et al. (the "Securities Action") was filed in the United States District Court for the District of Massachusetts, naming the Company and two of its former officers as defendants. Following the court's selection of a lead plaintiff and lead counsel, an amended complaint was filed on July 26, 2022. The plaintiff claims to be suing on behalf of anyone who purchased the Company's common stock between November 16, 2020 and February 4, 2022. The lawsuit alleges that material misrepresentations and/or omissions of material fact regarding the Company's operations, financial performance and prospects were made in the Company's public disclosures during the period from November 16, 2020 to February 4, 2022, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. The plaintiff seeks unspecified monetary damages on behalf of the putative class and an award of costs and expenses, including attorney's fees. On September 9, 2022, the defendants in the Securities Action moved to dismiss the action in its entirety. On March 25, 2024, the court granted in part and denied in part the motion to dismiss, dismissing certain of the alleged misrepresentations and omissions while allowing claims challenging certain other alleged misrepresentations and omissions to proceed. On April 15, 2024, the defendants filed their answer to the amended complaint. On August 14, 2024, the parties conducted a mediation and thereafter the parties agreed to settle the matter for $30.0 million, subject to court approval. On September 18, 2024, the Court granted preliminary approval of the settlement and, on December 18, 2024 the Court approved the final settlement. During the three months ended December 31, 2024, the entire settlement amount was paid by insurance proceeds.

Derivative Actions

On May 10 and 12, 2022, respectively, plaintiffs William Shafer and Peter Morse filed shareholder derivative complaints in the United States District Court for the District of Massachusetts on behalf of Cerence Inc. against defendants (and former officers) Sanjay Dwahan and Mark J. Gallenberger as well as board members Arun Sarin, Thomas Beaudoin, Marianne Budnik, Sanjay Jha, Kristi Ann Matus, Alfred Nietzel and then-current CEO and board member Stefan Ortmanns. These actions are premised on factual contentions substantially similar to those made in the Securities Action and contain substantially similar legal contentions. As such, on June 13, 2022, at the parties' request, the court consolidated these derivative actions into a single action and appointed co-lead counsel for plaintiffs in that consolidated action. On May 24, 2024, defendants filed a motion to dismiss under the forum selection clause in the Company's charter which the court denied on December 20, 2024. Under the current schedule, defendants have until February 3, 2025 to file a further motion to dismiss on the grounds of demand futility and failure to state a claim, and that motion will be fully briefed by April 3, 2025.

Three shareholder derivative complaints making factual and legal contentions substantially similar to those raised in the consolidated federal derivative action have been also filed in the Delaware Court of Chancery: the first filed on October 19, 2022 by plaintiff Melinda Hipp against the defendants named in the consolidated federal derivative action and board member Douglas Davis, the second filed on August 17, 2023 by plaintiff Catherine Fleming against the defendants named in the consolidated federal derivative action, and the third filed on July 10, 2024 by plaintiff Alberto Goncalves against the defendants named in the consolidated federal derivative action. On October 20, 2023, Ms. Hipp voluntarily dismissed her action with prejudice. On June 26, 2024, the court stayed the Fleming action pending the outcome of mediation. On August 12, 2024, the court stayed the Goncalves action pending the outcome of mediation.

Given the uncertainty of litigation, the preliminary stage of the cases, and the legal standards that must be met for, among other things, derivative standing and success on the merits, we cannot estimate the reasonably possible loss or range of loss that may result from these derivative actions.

A.P., a minor, by and through her guardian, Carlos Pena and Carlos Pena Action

On March 24, 2023, plaintiffs A.P., a minor, by and through her guardian, Carlos Pena, and Carlos Pena, each individually and on behalf of similarly situated individuals filed a purported class action lawsuit in the Circuit Court of Cook County, Illinois, Chancery Division (Case. No. 2023CH02866 (Cir. Ct. Cook Cnty. 2023)). The case was removed to Federal Court (Case No. 1:23CV2667 (N.D. Ill.)), and then severed and remanded back in part, so there are two pending cases. Plaintiffs subsequently amended the federal complaint twice, with the latest second amended complaint, filed on July 13, 2023, adding plaintiffs Randolph Freshour and Vincenzo Allan, each also filing individually and on behalf of similarly situated individuals. Plaintiffs allege that Cerence violated the Illinois Biometric Information Privacy Act ("BIPA"), 740 ILCS 14/1 et seq. through Cerence's Drive Platform technology, which is integrated in various automobiles. The named plaintiffs allegedly drove or rode in a vehicle with Cerence's Drive Platform technology. Across both cases, plaintiffs allege that Cerence violated: (1) BIPA Section 15(a) by possessing biometrics without any public written policy for their retention or destruction; (2) BIPA Section 15(b) by collecting, capturing, or obtaining biometrics without written notice or consent; (3) BIPA Section 15(c) by profiting from biometrics obtained from Plaintiffs and putative class members; and (4) BIPA Section 15(d) by disclosing biometrics to third party companies without consent. Cerence has filed motions to dismiss both cases. On February 27, 2024, the Circuit Court issued an order denying Cerence's motion to dismiss. On April 16, 2024, Cerence filed its answer and affirmative defenses, a motion to certify the Court’s order on Cerence’s motion to dismiss, and a motion to stay. Thereafter, in exchange for Cerence withdrawing its motions to certify and stay, plaintiffs filed amended complaints in both the Circuit Court and Federal Court. Cerence’s answers in the Federal Court and Circuit Court were due on July 15 and July 18, 2024, respectively, which the Company filed on such dates. Plaintiffs are seeking statutory damages of $5,000 for each willful and/or reckless violation of BIPA and, alternatively, damages of $1,000 for each negligent violation of BIPA. Given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, class certification and success on the merits, we cannot estimate the reasonably possible loss or range of loss that may result from this action.

Samsung Electronics Co. Ltd and Samsung Electronics America, Inc.

March 15, 2024, Cerence filed its second patent infringement complaint against Samsung alleging infringement of four Cerence patents. In its responsive pleading on July 10, 2024, Samsung asserted counterclaims, alleging infringement of U.S. Patent Nos. 10,395,657; 10,720,162; 11,823,682; and 9,583,103 against the Cerence Assistant. Samsung seeks damages, including trebled damages, and its costs and fees. Cerence filed its answer denying the allegations and counterclaims of invalidity and noninfringement on September 4, 2024. Trial is scheduled to begin in January 2026. Given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, success on the merits, we cannot estimate the reasonably possible loss or range of loss that may result from this action.

Other Legal Proceedings

From time to time, we may become a party to other legal proceedings, including, without limitation, product liability claims, employment matters, commercial disputes, governmental inquiries and investigations (which may in some cases involve our entering into settlement arrangements or consent decrees), and other matters arising out of the ordinary course of our business. While the results of any legal proceeding cannot be predicted with certainty, in our opinion none of our pending matters are currently anticipated to have a material adverse effect on our consolidated financial position, liquidity or results of operations.

Item 1A. Risk Factors.

In addition to the other information set forth in this Quarterly 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 fiscal year ended September 30, 2024, which could materially affect our business, financial condition or future results of operations. The risks described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2024 and those described in this Quarterly Report are not the only risks facing our Company. 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. There are no material changes to the risk factors described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2024.

Item 5. Other Information.

Rule 10b5-1 Plans. Our policy governing transactions in our securities by directors, officers and employees permits our officers, directors and certain other persons to enter into trading plans complying with Rule 10b5-1 under the Exchange Act. Generally, under these trading plans, the individual relinquishes control over the transactions once the trading plan is put into place. Accordingly, sales under these plans may occur at any time, including possibly before, simultaneously with, or immediately after significant events involving our company.

During the three-month period ended December 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

We anticipate that, as permitted by Rule 10b5-1 and our policy governing transactions in our securities, some or all of our officers, directors and employees may establish trading plans in the future. We intend to disclose the names of executive officers and directors who establish a trading plan in compliance with Rule 10b5-1 and Regulation S-K, Item 408(a) and the requirements of our policy governing transactions in our securities in our future quarterly and annual reports on Form 10-Q and 10-K filed with the SEC. However, we undertake no obligation to update or revise the information provided herein, including for revision or termination of an established trading plan, other than in such quarterly and annual reports.

Item 6. Exhibits.

The exhibits listed on the Exhibit Index are filed as part of this Quarterly Report on Form 10-Q.

EXHIBIT INDEX

			Incorporated by Reference			
Exhibit Index #	**Exhibit Description**	**Filed Herewith**	**Form**	**File No.**	**Exhibit**	**Filing Date**
3.1	Amended and Restated Certificate of Incorporation of Cerence Inc.		8-K	001-39030	3.1	October 2, 2019
3.2	Second Amended and Restated By-laws of Cerence Inc.		8-K	001-39030	3.1	May 4, 2023
10.1†	Termination Agreement by and between the Company and Stefan Ortmanns	X				
10.2†	Offer Letter by and between the Company and Brian Krzanich		8-K	001-39030	10.1	October 7, 2024
10.3†	Change of Control and Severance Agreement, dated October 7, 2024, by and between the Company and Brian Krzanich		8-K	001-39030	10.2	October 7, 2024
10.4†	Amendment No. 1 to Cerence Inc. 2024 Inducement Plan		8-K	001-39030	10.3	October 7, 2024
10.5†	Offer Letter by and between the Company and Antonio Rodriquez, dated November 29, 2024		8-K	001-39030	10.1	December 3, 2024
10.5†	Change of Control and Severance Agreement by and between the Company and Antonio Rodriquez, dated December 2, 2024		8-K	001-39030	10.2	December 3, 2024
10.6†	Amendment No. 2 to Cerence Inc. 2024 Inducement Plan		8-K	001-39030	10.3	December 3, 2024
10.7†	Promotion Offer Letter, dated January 2, 2025, by and between Cerence Inc. and Christian Mentz	X				
10.8†	Retention Bonus Agreement, dated January 2, 2025, by and between Cerence Inc. and Christian Mentz	X				
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					
101.INS	Inline XBRL Instance Document	X				
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents	X				
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)	X				

* Furnished herewith.
† Management contract or compensatory plan or arrangement.

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.

	Cerence Inc.	
Date: February 6, 2025	By:	/s/ Brian Krzanich Brian Krzanich Chief Executive Officer *(Principal Executive Officer)*
Date: February 6, 2025	By:	/s/ Tony Rodriquez Tony Rodriquez Executive Vice President, Chief Financial Officer *(Principal Financial and Accounting Officer)*

Exhibit 10.1

AUFHEBUNGSVERTRAG	TERMINATION AGREEMENT
zwischen	between

Cerence GmbH
Jülicher Straße 376, 52070 Aachen
Deutschland / Germany

- die „**Gesellschaft**" -	- the "**Company**" -
und	and

Dr. Stefan Ortmanns
Walter-Scheibler-Straße 24, 52156 Monschau
Deutschland / Germany

- der „**Mitarbeiter**" -	- the "**Employee**" -
nachfolgend gemeinsam die „**Parteien**“ und jeweils einzeln auch die „**Partei**“	hereinafter together the "**Parties**" and each individually also the "**Party**"

Präambel	**Preamble**
Der Mitarbeiter steht in einem Arbeitsverhältnis mit der Gesellschaft. Grundlage ist gegenwärtig der Arbeitsvertrag der Parteien vom 23. / 24. Dezember 2021 einschließlich sämtlicher etwaiger Änderungen und Ergänzungen (der „**Arbeitsvertrag**“).	The Employee is employed by the Company. Basis of the employment is currently the employment agreement between the Parties dated 23 / 24 December 2021, including any amendments and supplements (the "**Employment Agreement**").

Die Parteien halten einen Wechsel an der Unternehmensspitze für sinnvoll und wollen ihre Zusammenarbeit daher einvernehmlich beenden.

Vor diesem Hintergrund schließen die Parteien den folgenden Aufhebungsvertrag.

The Parties agree that the Company will benefit from a change in leadership and therefore wish to terminate their cooperation on an amicable basis.

In view of the above, the Parties enter into the following Termination Agreement.

§ 1

Beendigung

§ 1

Termination

1\. Die Parteien heben hiermit das zwischen ihnen bestehende Arbeitsverhältnis, insbesondere den Arbeitsvertrag, mit Wirkung zum Ablauf des 31. Dezember 2024 (der „**Beendigungstermin**") einvernehmlich auf.

1\. The Parties herewith terminate their employment relationship, in particular the Employment Agreement, with effect from the end of 31 December 2024 (the "**Termination Date**") by mutual consent.

2\. Zum Beendigungstermin enden auch, soweit vorhanden, sämtliche weiteren Arbeits- und Dienstverträge zwischen den Parteien sowie zwischen dem Mitarbeiter und jedem anderen im Sinne der §§ 15 ff. Aktiengesetz (AktG) mit der Gesellschaft verbundenen Unternehmen (das "**Verbundene Unternehmen**"); die Gesellschaft handelt insoweit als bevollmächtige Vertreterin des betreffenden Verbundenen Unternehmens.

Verbundenes Unternehmen im vorstehenden Sinn ist insbesondere, aber nicht ausschließlich, die Cerence Inc mit Sitz in Burlington, Massachusetts (U.S.).

2\. Upon the Termination Date, all other employment or service contracts, if any, between the Parties as well as between the Employee and any other company affiliated with the Company in accordance with Sec. 15 et seq. German stock corporation Act (AktG) ("**Affiliate**") shall end; in this respect, the Company acts as authorised representative of the respective Affiliate.

An Affiliate in the above sense is in particular, but not exclusively, Cerence Inc. with its business seat in Burlington, Massachusetts (U.S.).

§ 2

Vergütung / Abwicklung

§ 2

Remuneration / Settlement

1.

Die Parteien sind sich einig, dass die vertraglich vereinbarte Festvergütung des Mitarbeiters bis zum 31. Oktober 2024 bereits ordnungsgemäß abgerechnet und vollständig an den Mitarbeiter ausgezahlt wurde.

1.

The Parties agree that the contractually stipulated base remuneration of the Employee has already been settled until 31 October 2024 in due form and has been paid to the Employee entirely.

2.

Die Gesellschaft wird das Arbeitsverhältnis für die Zeit bis zum Beendigungstermin auf Grundlage des festen monatlichen Gehalts in Höhe von **EUR 46.375,00** (in Worten: sechsundvierzigtausenddreihundertfünfundsiebzig Euro) brutto abrechnen und die sich hieraus ergebenden Nettobeträge bei Fälligkeit auf das Gehaltskonto des Mitarbeiters auszahlen.

Die Gesellschaft wird dabei die Eigenbeteiligung des Mitarbeiters an den Leasingkosten seines Firmenwagens in Höhe von **EUR 635,59** (in Worten: sechshundertfünfunddreißig Euro und neunundfünfzig Cent) berücksichtigen und in Abzug bringen.

2.

For the period until the Termination Date, the Company shall properly settle the employment relationship based on the fixed monthly salary in the amount of **EUR 46,375.00** (in words: forty-six thousand three hundred seventy-five Euro) gross and pay the resulting net amounts to the Employee’s salary account when due.

The Company will take into account and deduct the Employee's contribution to the leasing costs of his company car in the amount of **EUR 635.59** (in words: six hundred and thirty-five Euro and fifty-nine Cent).

3.

Der Mitarbeiter erhält für das Geschäftsjahr 2024 (1. Oktober 2023 bis 30. September 2024) eine Bonuszahlung in Höhe von **EUR 188.597,85** (in Worten: einhundertachtundachtzigtausendfünfhundertsiebenundneunzig Euro und fünfundachtzig Cent) brutto. Die Gesellschaft rechnet diese Zahlung ordnungsgemäß ab und zahlt den sich hieraus ergebenden Nettobetrag mit der Gehaltsabrechnung für den Monat Dezember 2024 auf das Gehaltskonto des Mitarbeiters aus.

3.

For the financial year 2024 (1 October 2023 to 30 September 2024), the Employee shall receive a bonus payment in the amount of **EUR 188,597.85** (in words: one hundred eighty-eight thousand five hundred ninety-seven Euro and eighty-five Cent) gross. The Company shall properly settle this payment and pay the resulting net amount to the Employee`s salary account with the salary statement for the month of December 2024.

4.

Die Parteien sind sich einig, dass der Mitarbeiter keinen Anspruch auf eine Bonuszahlung für das Geschäftsjahr 2025 (1. Oktober 2024 bis 30. September 2025) hat.

4.

The Parties agree that the Employee shall not be entitled to any bonus payment for the financial year 2025 (1 October 2024 to 30 September 2025).

5.

Ansprüche des Mitarbeiters auf Grundlage des Cerence Inc. 2019 Equity Incentive Plan richten sich ausschließlich gegen die Cerence Inc. und nach Maßgabe der zwischen der Cerence Inc. und dem Mitarbeiter getroffenen Vereinbarungen. Diese Ansprüche sind nicht Gegenstand dieses Aufhebungsvertrags.

5.

Any entitlements of the Employee based on the Cerence Inc. 2019 Equity Incentive Plan are exclusively directed against Cerence Inc. and are subject to the corresponding agreements between Cerence Inc. and the Employee. Such entitlements are not subject to this Termination Agreement.

6.

Mit den vorstehenden Gehaltszahlungen sind alle Ansprüche des Mitarbeiters auf feste oder variable Vergütungskomponenten auf Grundlage des Arbeitsvertrages vollständig abgegolten. Weitere Arbeitsvergütung (Boni, Kommissionen, Zulagen, Prämien, Jubiläumszahlungen etc.) ist nicht geschuldet.

6.

With the aforementioned salary payments, the Employee's entitlement to any fixed or variable remuneration components under the Employment Agreement shall be deemed fully settled. The Company does not owe any further remuneration (bonus, commissions, allowance, premium, jubilee payments etc.).

7.

Die Gesellschaft erstattet dem Mitarbeiter, soweit noch nicht geschehen, nach Maßgabe der bei der Gesellschaft geltenden Bestimmungen die Kosten für einen Hin- und Rückflug (Business Class) nach Bosten (U.S.) im Oktober 2024.

7.

The Company will reimburse the Employee for a return flight (business class) in October 2024 to Boston (U.S.) in accordance with the Company's applicable regulations, if not already settled.

§ 3

Firmenwagen / Mobiltelefon

1.

Der Mitarbeiter ist berechtigt, seinen aktuellen Firmenwagen, Porsche Cayenne Coupe, amtliches Kennzeichen MON-CN-24, bis zum Beendigungstermin entsprechend den bisherigen Regelungen weiter zu nutzen. Der Mitarbeiter wird den Firmenwagen nebst vollständigem Zubehör, sämtlichen Schlüsseln und Fahrzeugpapieren, spätestens zum Beendigungstermin in ordnungsgemäßem Zustand an die Gesellschaft zurückgeben.

2.

Die Pflicht des Mitarbeiters zur Zahlung der Eigenbeteiligung an den Leasingkosten für den Firmenwagen auf Grundlage der Vereinbarung vom 21. / 27. November 2023 endet zum Beendigungstermin, nicht jedoch vor Erfüllung der Rückgabepflichten nach § 3.1.

3.

Der Mitarbeiter ist berechtigt nach Maßgabe der nachstehenden Regelungen, die von ihm dienstlich genutzte Mobilfunknummer (+49(0)171/9719687) sowie sein dienstliches Mobiltelefon zum Beendigungstermin zu behalten und zu übernehmen. Die Gesellschaft wird alle hierzu erforderlichen und angemessenen Erklärungen abgeben und Handlungen vornehmen. Etwaig durch die Übernahme der Rufnummer entstehende Kosten trägt der Mitarbeiter.

§ 3

Company Car / Mobile Phone

1.

The Employee shall be entitled to use his current company car, Porsche Cayenne Coupe, registration number MON-CN-24, until the Termination Date pursuant to the previous regulations. The Employee shall return the company car to the Company, complete with all extras, keys and accessories in proper condition no later than the Termination Date.

2.

The Employee's obligation to pay the personal contributions towards the leasing costs for the company car on the basis of the agreement dated 21/27 November 2023 ends on the Termination Date, but not before the return obligations under § 3.1 have been fulfilled.

3.

In accordance with the following provisions, the Employee is entitled to retain and take over the mobile telephone number (+49(0)171/9719687) and his cell phone used for business purposes as of the Termination Date. The Company will make all necessary declarations and take all necessary and reasonable actions. Any costs arising from the transfer of the telephone number shall be borne by the Employee.

Der Mitarbeiter ist verpflichtet, alle geschäftlichen Anrufe, die die Gesellschaft und/oder ein Verbundenes Unternehmen betreffen, an Brian Krzanich, Chief Executive Officer, unter Mitteilung der entsprechenden Kontaktdaten weiterzuleiten. Diese Verpflichtung gilt sowohl während einer Freistellung als auch über den Beendigungstermin hinaus.

The Employee is obliged to forward all business calls concerning the Company and/or an Affiliate to Brian Krzanich, Chief Executive Officer, providing the relevant contact details. This obligation applies both during the Garden Leave and beyond the Termination Date.

§ 4

Urlaub / Freistellung

§ 4

Vacation / Garden Leave

1.

Die Parteien sind sich einig, dass sämtliche Ansprüche des Mitarbeiters auf Urlaub oder Freizeitausgleich für das Kalenderjahr 2024 sowie für die Vorjahre bereits *in natura* gewährt und vollständig in Anspruch genommen wurden.

1.

The Parties agree that all entitlements to vacation or compensatory time off for the calendar year 2024 and previous years have already been granted by the Company and in full taken by the Employee *in natura*.

2.

Die Gesellschaft stellt den Mitarbeiter mit sofortiger Wirkung unter Fortzahlung des festen monatlichen Gehalts sowie unter Anrechnung eventueller Ansprüche auf Urlaub und Freizeitausgleich unwiderruflich bis zum Beendigungstermin von seiner Pflicht zur weiteren Arbeitsleistung frei. Ein während der Freistellung anderweitig erzielter Verdienst wird angerechnet.

2.

With immediate effect, the Employee is irrevocably released from his duty to work until the Termination Date with continued payment of the fixed monthly salary and any possible entitlements to vacation or compensation time being set off against the period of release. Any other earnings during the period of release shall be set off against the contractual remuneration.

3.

Der Arbeitsvertrag wird durch die Freistellung im Übrigen nicht berührt; die Nebenpflichten, namentlich das vertragliche

3.

The release from the duty to work does not affect the

Wettbewerbsverbot und die Verschwiegenheitspflicht, bestehen unverändert fort.

contractual obligations under the Employment Agreement. Any ancillary obligations, namely the contractual non-competition clause and the duty of confidentiality, remain unaffected.

§ 5

Abfindungszahlungen

§ 5

Severance Payments

1.

Die Gesellschaft zahlt dem Mitarbeiter in entsprechender Anwendung der §§ 9, 10 KSchG eine einmalige Abfindung in Höhe von

EUR 328.250,00

(in Worten: dreihundertachtundzwanzigtausendzweihundertfünfzig Euro) brutto als Entschädigung für die vorzeitige Beendigung des Arbeitsverhältnisses.

1.

The Company shall make a one-time severance payment in the amount of

EUR 328,250.00

(in words: three hundred twenty-eight thousand two hundred fifty Euro) gross to the Employee as compensation for the premature termination of his employment with the corresponding application of Sec. 9, 10 German Protection Against Dismissal Act (KSchG).

2.

Die Gesellschaft zahlt dem Mitarbeiter zudem nach dem „Change of Control and Severance Agreement – CEO“ vom 19. / 21. Juni 2022 (die „**Abfindungsvereinbarung**“) einmalig eine Abfindung in entsprechender Anwendung der §§ 9, 10 KSchG in Höhe von insgesamt

EUR 1.808.625,00

2.

Additionally, the Company shall make a one-time severance payment with the corresponding application of Sec. 9, 10 German Protection Against Dismissal Act (KSchG) under the „Change of Control and Severance Agreement – CEO dated 19 / 21 June 2022 (the “**Severance Agreement**”) in the amount of totally

EUR 1,808,625.00

(in Worten: eine Million achthundertachttausendsechshundertfünfundzwanzig Euro) brutto.

(in words: one million eight hundred eight thousand six hundred twenty-five Euro) gross.

3.

Der Anspruch auf Zahlung dieser Abfindungen nach den vorstehenden Ziffern dieses § 5 entsteht mit Abschluss dieses Aufhebungsvertrags und ist vererblich. Die Abfindungen sind zum Beendigungstermin fällig. Die Gesellschaft wird die Abfindungen ordnungsgemäß abrechnen und die sich ergebenden Nettobeträge bei Fälligkeit auf das Gehaltskonto des Mitarbeiters auszahlen.

3.

The entitlement to the severance payments pursuant to the above sections of this § 5 comes into existence upon signing of this Termination Agreement and shall be hereditary. The severance payments shall be due at the Termination Date. The Company shall settle the severance payment properly and pay the resulting net amounts to the Employee`s salary account when due.

4.

Mit diesen Zahlungen erfüllt die Gesellschaft vollständig jegliche Abfindungsansprüche des Mitarbeiters gegen die Gesellschaft, insbesondere auch aufgrund der Abfindungsvereinbarung, sowie gegen Verbundene Unternehmen.

4.

By making these severance payments, the Company fulfills any severance claims of the Employee against the Company, in particular also under the Severance Agreement, as well as against any Affiliate.

§ 6

Nachvertragliches Wettbewerbsverbot / Abwerbeverbot / Kundenschutz

§ 6

Post-Contractual Non-Compete Covenant / Non-Solicitation / Customer Protection

1.

Die Parteien bestätigen ausdrücklich, dass das nachvertragliche Wettbewerbsverbot gemäß § 7 des Arbeitsvertrags (das „**Nachvertragliche Wettbewerbsverbot**“) aufrechterhalten bleibt. Das Nachvertragliche Wettbewerbsverbot beginnt am 1. Januar 2025 und endet mit Ablauf des 31. Dezember 2025 (der „**Verbotszeitraum**“).

1.

The Parties explicitly confirm the post-contractual non-compete covenant pursuant to § 7 of the Employment Contract (the “**Post-Contractual Non-Compete**”), which shall take effect as of 1 January 2025 and shall expire as per 31

December 2025 (the “**Restricted Period**”).

2.

In Bezug auf die Entschädigung zur Einhaltung des Nachvertraglichen Wettbewerbsverbots (die „**Karenzentschädigung**“) vereinbaren die Parteien Folgendes:

2.

With regard to the compensation for compliance with the Post-Contractual Non-Compete (the “**Indemnity**”), the Parties agree the following:

a)

In der Abfindung nach § 5.2 dieses Aufhebungsvertrags ist zugleich eine Karenzentschädigung in der vertraglich vereinbarten und von § 74 Abs. 2 HGB geforderten Höhe enthalten. Es besteht Einigkeit zwischen den Parteien, dass der Abfindungsbetrag nach § 5.2 dieses Aufhebungsvertrags den vertraglich vereinbarten und von § 74 Abs. 2 HGB geforderten Betrag einer Karenzentschädigung deutlich übersteigt.

a)

The severance payment pursuant to § 5.2 of this Termination Agreement also includes an Indemnity in the amount contractually agreed and required by Sec. 74 (2) German Commercial Code (HGB). The Parties agree that the severance payment pursuant to § 5.2 of this Termination Agreement significantly exceeds the Indemnity amount contractually agreed and required by Sec. 74 (2) HGB.

b)

Die Karenzentschädigung wird zusammen mit der Auszahlung des Abfindungsbetrags und somit im Voraus des Verbotszeitraums geleistet. Entgegen der Regelung im Arbeitsvertrag erfolgen keine monatlichen Zahlungen.

b)

The Indemnity is settled along with the severance payment and therefore in advance of the Restricted Period. Contrary to the provisions of the Employment Contract, there are no monthly payments.

Die Gesellschaft schuldet für die Einhaltung des Nachvertraglichen Wettbewerbsverbots durch den Mitarbeiter neben der Abfindung keine weiteren Zahlungen.

The Company owes no further payments in addition to the severance payment for the Employee's compliance with the Post-Contractual Non-Compete.

c) Eine Anrechnung anderweitigen Erwerbs gemäß § 74c HGB erfolgt nicht.

c) An offset of other income pursuant to Sec. 74c HGB shall not take place.

3. Die Parteien bestätigen zudem ausdrücklich, dass auch die zum Nachvertraglichen Wettbewerbsverbot vereinbarte Vertragsstrafe (§ 7 des Arbeitsvertrags) aufrechterhalten bleibt.

3. The Parties also explicitly confirm that the contractual penalty for the Post-Contractual Non-Compete (§ 7 of the Employment Contract) shall remain in force.

4. Die vorstehenden Ziffern dieses § 6 geltend entsprechend für das nachvertragliche Abwerbeverbot bezogen auf Mitarbeiter und Kunden gemäß § 8 des Arbeitsvertrags (das „**Nachvertragliche Abwerbeverbot**"), mit der Maßgabe, dass das Nachvertragliche Abwerbeverbot am 1. Januar 2025 beginnt und mit Ablauf des 30. Juni 2025 endet.

4. The above sections of this § 6 shall apply accordingly to the post-contractual non-solicitation covenant with regard to employees and customers in accordance with § 8 of the Employment Contract (the "**Post-Contractual Non-Solicitation**"), provided that the Post-Contractual Non-Solicitation shall take effect as of 1 January 2025 and shall expire as per 30 June 2025.

§ 7

Betriebliche Altersversorgung

Die Parteien sind sich einig, dass der Mitarbeiter durch seine Tätigkeit für die Gesellschaft keine unverfallbaren Anwartschaften auf Leistungen der betrieblichen Altersversorgung erworben hat.

§ 7

Pension Commitment

The Parties agree that the Employee has not acquired any vested rights to benefits under any company pension scheme as a result of his work for the Company.

§ 8

Rückgabe und Überlassung / Löschung von Daten / Passwörter

1. Der Mitarbeiter wird, soweit noch nicht geschehen, unverzüglich sämtliche in seinem Besitz befindlichen Gegenstände, Unterlagen, Aufzeichnungen und andere Materialien, vollständig und unbeschädigt an die Gesellschaft zurückgeben, die:

a) der Gesellschaft gehören;

b) welche dem Mitarbeiter im Zusammenhang mit seiner Tätigkeit für die Gesellschaft von dieser, einem Verbundenen Unternehmen oder einem Dritten überlassen wurden; oder

c) die im Zusammenhang mit der Tätigkeit des Mitarbeiters für die Gesellschaft entstanden sind;

dies gilt insbesondere für Gegenstände wie Laptop, Schlüssel und andere Zugangskarten. Der Mitarbeiter ist nicht berechtigt, insoweit Kopien für eigene Zwecke oder Zwecke Dritter zurückzubehalten. Die obigen Pflichten gelten sinngemäß für elektronisch gespeicherte Daten und Datenträger. Im Übrigen gelten die für den Fall des Ausscheidens einschlägigen Regelungen und Richtlinien der Gesellschaft, insbesondere auch zu IT und Datensicherheit

§ 8

Return and Transfer / Deletion of Data / Passwords

1. The Employee shall, if he has not already done so, immediately return to the Company without undue delay, completely and in proper condition, all objects, documents, notes and other assets in his possession, which:

a) belong to the Company;

b) have been handed over to the Employee in connection with his work for the Company by the Company, by an Affiliate or a third party; or

c) have been created in connection with the Employee’s work for the Company;

this applies, in particular, to objects such as laptop, keys and other access devices. The Employee is not entitled to retain any copies of such for his own purposes or those of third parties. The aforementioned obligations shall apply accordingly to electronically stored data and data carriers. Additionally, the Company rules and policies which apply in case of a termination, in particular, on IT and the safety of data shall apply.

§ 3 des Aufhebungsvertrags bleibt von den vorstehenden Regelungen unberührt.

Section 3 of the Termination Agreement remains unaffected by the above provisions.

2.

Der Mitarbeiter ist zudem verpflichtet unverzüglich, alle auf den von ihm privat genutzten Computern gespeicherten Daten und Programme, die ihm im Hinblick auf seine Tätigkeit für die Gesellschaft überlassen bzw. wegen seiner Tätigkeit für die Gesellschaft oder für ein Verbundenes Unternehmen gespeichert wurden, der Gesellschaft auf Datenträger kopiert zur Verfügung zu stellen und anschließend nach Rücksprache mit der Gesellschaft auf den betreffenden privaten Computern unwiederbringlich zu löschen.

2.

Furthermore, any data and programs that were delivered to the Employee in connection with his work for the Company or an Affiliate and/or that were stored by him in the course of his work for the Company and that are stored on any computers he uses for private purposes shall be immediately transferred by the Employee to a data carrier and be delivered to the Company as well as irretrievably deleted from such private computers after prior consultation with the Company.

Der vorstehende Absatz gilt sinngemäß für die auf dem dienstlichen Mobiltelefon gespeicherten geschäftlichen Daten. Der Mitarbeiter wird dieser Verpflichtung spätestens zum Zeitpunkt der Übernahme des Mobiltelefons gemäß § 3.3 des Aufhebungsvertrags nachkommen.

The preceding paragraph applies accordingly to the business data stored on the business cell phone. The Employee will fulfil this obligation at the latest when he takes over the cell phone pursuant to § 3.3 of the Termination Agreement.

3.

Der Mitarbeiter teilt der Gesellschaft unverzüglich alle Codes, Passwörter und Zugangssperren im Hinblick auf die EDV-Systeme der Gesellschaft mit und wird von diesen ab sofort keinen Gebrauch mehr machen. Der Mitarbeiter willigt ausdrücklich ein, dass die Gesellschaft das Recht hat:

3.

The Employee shall inform the Company immediately about all codes, passwords and access barriers with regard to the Company’s IT systems and will refrain from using those. The Employee explicitly consents to the Company having the right to:

a)

vollumfänglich auf den betrieblichen E-Mail-Account des Mitarbeiters und sonstige dienstliche Accounts zuzugreifen

a)

comprehensively access the Employee's company e-mail account and other und eingehende Nachrichten an einen anderen Account weiterzuleiten;

business accounts and to forward incoming messages to another account;

b)

für den betrieblichen E-Mail-Account des Mitarbeiters eine Autoreply in Form einer Abwesenheitsnachricht einzurichten, die die Informationen enthält, dass der Empfänger die E-Mail nicht mehr beantworten wird und an wen sich der Absender der E-Mail mit seinem Anliegen wenden kann.

b)

set up an autoreply for the Employee's company e-mail account in the form of an absence message containing the information that the recipient will no longer reply to the e-mail and to whom the sender of the e-mail can turn to with his request.

Der Mitarbeiter wird eine ggf. erforderliche Sicherung privater E-Mail-Datenbestände eigenständig vornehmen.

The Employee will carry out any necessary backup of private e-mail databases on his own.

4.

Der Mitarbeiter wird der Gesellschaft auf Wunsch in Textform bestätigen, dass er zum Zeitpunkt dieser Bestätigung keine der zuvor beschriebenen Gegenstände, Unterlagen, Aufzeichnungen und andere Materialien mehr in seinem Besitz und ihm keine der genannten Daten und Programme mehr zur Verfügung stehen.

4.

Upon the Company's request, the Employee shall confirm in text form that at the time of this confirmation none of the above-mentioned objects, documents, notes and other assets are in his possession anymore and none of the above-mentioned data or programs are at his disposal any longer.

5.

Ein Zurückbehaltungsrecht an den zuvor beschriebenen Gegenständen, Unterlagen, Aufzeichnungen, anderen Materialien, Daten und Programmen wird ausdrücklich ausgeschlossen.

5.

The right to retain any of the above-mentioned objects, documents, notes, other assets, data or programs is hereby expressly excluded.

§ 9

Geheimhaltung

§ 9

Confidentiality

1.

Der Mitarbeiter wird auch nach Beendigung des Arbeitsverhältnisses alle ihm im Zusammenhang mit seiner

1.

Following termination of the employment relationship, the

Tätigkeit für die Gesellschaft bekannt gewordenen Geschäftsgeheimnisse der Gesellschaft im Sinne des § 2 Geschäftsgeheimnisschutzgesetz (GeschGehG) streng geheim halten und weder gegenüber Dritten noch gegenüber nicht berechtigten Beschäftigten der Gesellschaft offenlegen.

Employee shall keep strictly confidential, both vis-à-vis third parties and unauthorized employees of the Company, all business secrets of the Company in the meaning of Sec. 2 German Business Secret Protection Act (GeschGehG) of which he has become aware of in connection with his work for the Company.

2.

In gleicher Weise wird der Mitarbeiter auch sonstige vertrauliche Informationen der Gesellschaft, welche von der Gesellschaft ausdrücklich als solche bezeichnet worden sind oder deren Vertraulichkeit aus der Sicht eines objektiven Dritten erkennbar ist und die dem Mitarbeiter im Zusammenhang mit seiner Tätigkeit für die Gesellschaft bekannt geworden oder ihm von der Gesellschaft zur Verfügung gestellt worden sind, streng geheim halten (diese vertraulichen Informationen einschließlich Geschäftsgeheimnisse zusammen die „**Vertraulichen Informationen**“).

2.

In the same way, the Employee shall keep strictly confidential all other confidential information of the Company that the Company has explicitly designated as such or the confidentiality of which is recognisable from the perspective of an objective third party and of which the Employee has become aware of in connection with his work for the Company or which have been provided to him by the Company (such confidential information including business secrets the “**Confidential Information**”).

3.

Zu den Vertraulichen Informationen gehören insbesondere:

3.

Confidential Information, in particular, includes:

a)

nicht-öffentliche Informationen über die Gesellschaft, die für die Gesellschaft von Wert sind und deren Offenlegung zu einer Verletzung der Vertraulichkeit führen oder einen anderen, nicht unerheblichen Nachteil für die Gesellschaft beinhalten kann;

a)

non-public information concerning the Company that is of value to the Company and the disclosure of which could result in a breach of confidentiality or any other disadvantage to the Company which is not insignificant;

b)

Finanzinformationen, Berichte und Prognosen, Marktinformationen, Mark- und Geschäftspläne, Perspektiven, Strategien, vertrauliche Personalinformationen, Kundenlisten, Wissensmanagementmaterialien, einschließlich Vorlagen, Formulare oder Muster.

4.

Die Geheimhaltungspflicht gilt entsprechend zum Schutz der Vertraulichen Informationen von Verbundenen Unternehmen, Kunden und sonstigen Geschäftspartnern der Gesellschaft, soweit der Mitarbeiter diese im Zusammenhang mit seiner Tätigkeit für die Gesellschaft bekannt geworden sind.

5.

Ausgenommen von der Geheimhaltungspflicht sind Vertrauliche Informationen, zu denen der Mitarbeiter beweisen kann, dass deren Weitergabe:

a)

aufgrund zwingender gesetzlicher Bestimmungen oder Anordnungen staatlicher Organe erfolgt; der Mitarbeiter wird die Gesellschaft vor der Offenlegung entsprechend in Textform informieren;

b)

zur legitimen Wahrung bzw. Abwehr von Rechtsansprüchen im Rahmen behördlicher oder gerichtlicher Verfahren erforderlich ist;

b)

financial information, reports and forecasts, market information, market and business plans, prospects, strategies, confidential personnel information, client lists, knowledge management materials, including any templates, forms or samples.

4.

The confidentiality obligation shall apply mutatis mutandis to protect Confidential Information of Affiliates, clients and other business partners of the Company, to the extent that the Employee has become aware of that in connection with his work for the Company.

5.

Excluded from the confidentiality obligation shall be Confidential Information on which the Employee can prove that such information needs to be passed on:

a)

due to compulsory legal provisions or public authority regulations; the Employee shall accordingly inform the Company prior to disclosure in text form;

b)

in order to legitimately exercise or defend legal claims in administrative proceedings or in court;

c) seitens der Gesellschaft ausdrücklich vorher schriftlich gestattet worden ist; oder

c) where the Company has given its explicit prior written approval to the disclosure; or

d) unter eine gesetzliche Ausnahme von Geheimhaltungspflichten fällt, wie etwa nach dem Geschäftsgeheimnisschutzgesetz (GeschGehG) oder dem Hinweisgeberschutzgesetz (HinSchG).

d) in the course of statutory exception from confidentiality obligations, such as any under the German Business Secret Protection Act (GeschGehG) or the German Whistleblower Protection Act (HinSchG).

6. Soweit die Verpflichtung zu strengster Geheimhaltung den Mitarbeiter in seinem beruflichen Fortkommen unbillig einschränkt oder vollständig behindert, kann er von der Gesellschaft eine Einschränkung dieser Verpflichtung verlangen.

6. As far as this confidentiality obligation should restrict the Employee’s professional advancement in an unreasonable way or completely, he may demand a release from this obligation vis-à-vis the Company.

7. Etwaig weitergehende Geheimhaltungspflichten aus dem GeschGehG, anderen Gesetzen oder dem Arbeitsvertrag bleiben unberührt.

7. More protective confidentiality obligations arising from the GeschGehG, other laws or the Employment Agreement shall remain unaffected.

§ 10

Verbot der Herabwürdigung

§ 10

Non-Disparagement

1.

Der Mitarbeiter wird zu keinem Zeitpunkt wahrheitswidrige oder verunglimpfende Äußerungen über die Gesellschaft oder ein mit ihr Verbundenes Unternehmen oder ihre jeweiligen Organmitglieder, Mitarbeiter, Geschäftspartner, Anteilseigner, Vertreter, Produkte und/oder Dienstleistungen veröffentlichen und/oder verbreiten bzw. dies veranlassen. Diese Verpflichtung gilt in entsprechender Weise auch für die Organe der Gesellschaft sowie die Organe der Cerence Inc. gegenüber dem Mitarbeiter.

1.

The Employee shall not at any time publish and/or spread or cause to be publish and/or spread any untruthful or disparaging statements about the Company or any of its Affiliates or their respective board members, employees, business partners, shareholders, representatives, products and/or services. This obligation also applies in a corresponding manner to the executive bodies of the Company as well as of Cerence Inc. vis-à-vis the Employee.

2.

Von der vorstehenden Verpflichtung unberührt bleibt das Recht des Mitarbeiters in berechtigten Fällen Missstände zu melden, bei Untersuchungen der US-Börsenaufsichtsbehörde (SEC) oder einer anderen US-Regierungsbehörde mitzuwirken und/oder, falls einschlägig, eine Belohnung für Whistleblower in Anspruch zu nehmen.

2.

The foregoing obligation is without prejudice to the Employee's right to report wrongdoing in the appropriate instances, to cooperate with U.S. Securities Exchange Commission (SEC) or other U.S. government agencies investigations, and/or, if applicable, seek whistleblower awards.

§ 11

Erledigungsklausel

§ 11

Settlement Clause

1.

Mit Erfüllung der Verpflichtungen aus diesem Vertrag sind alle wechselseitigen finanziellen Ansprüche aus und im Zusammenhang mit dem Arbeitsverhältnis und seiner Beendigung und für die Zeit danach, gleich aus welchem Rechtsgrund – ob bekannt oder unbekannt – abgegolten und erledigt.

1.

Subject to fulfilment of the obligations under this Agreement, all mutual financial claims arising from or in the context of the employment relationship and its termination as well as for the period after termination shall be deemed finally settled and satisfied, based on whatever legal grounds – may they be known or unknown.

2.

Dies gilt entsprechend für Ansprüche von und gegenüber Verbundenen Unternehmen; die Gesellschaft handelt insoweit als bevollmächtige Vertreterin des betreffenden Verbundenen Unternehmens.

2.

This applies accordingly to claims of and against Affiliates; in this respect, the Company acts as authorised representative of the respective Affiliate.

3. Ausgenommen von dieser Erledigungsklausel sind:

3. This settlement clause shall not apply to:

a) Ansprüche wegen Verletzung des Lebens, des Körpers oder der Gesundheit;

a) claims due to an injury to life, limb or health;

b) Ansprüche wegen einer grob fahrlässigen oder vorsätzlichen Pflichtverletzung; und

b) claims due to an intentional or grossly negligent breach of duty; and

c) solche zwingenden Ansprüche, die jeweils kraft Gesetzes einer Erledigungsklausel entzogen sind wie beispielsweise Ansprüche auf Zahlung des Mindestlohns nach dem MiLoG.

c) such compulsory claims which cannot be subject of a settlement clause due to law, such as e.g., claims on paying minimum wage pursuant the Minimum Wages Act (MiLoG).

§ 12

Anwendbares Recht / Bindende Fassung

§ 12

Governing Law / Binding Version

1. Dieser Vertrag unterliegt deutschem Recht.

1. This Agreement shall be governed by German law.

2.

Dieser Vertrag liegt den Parteien zugleich in einer deutschen und einer englischen Version vor. Die deutsche Fassung ist verbindlich.

2.

This Agreement has been provided to the Parties in both, a German and English version. The German version shall be binding.

§ 13

Schlussbestimmungen

1.

Dieser Vertrag stellt die vollständige und einzige Vereinbarung der Parteien über die Aufhebung ihres Arbeitsverhältnisses dar. Nebenabreden wurden nicht getroffen.

2.

Mit Ausnahme individuell ausgehandelter Vereinbarungen haben Änderungen und Ergänzungen dieses Vertrages nur Gültigkeit, wenn sie schriftlich erfolgen (von beiden Parteien unterzeichnet). Dies gilt auch für die Aufhebung dieses Schriftformerfordernisses.

3.

Sollte eine Bestimmung dieses Vertrags ganz oder teilweise nichtig, unwirksam oder nicht durchsetzbar sein oder werden, wird die Wirksamkeit und Durchsetzbarkeit aller übrigen verbleibenden Bestimmungen davon nicht berührt. Die nichtige, unwirksame oder nicht durchsetzbare Bestimmung ist als durch diejenige wirksame und durchsetzbare Bestimmung ersetzt anzusehen, die dem mit der nichtigen, unwirksamen oder nicht durchsetzbaren Bestimmung verfolgten Sinn und Zweck nach Gegenstand, Maß, Zeit, Ort und Geltungsbereich am nächsten kommt. Entsprechendes gilt für die Füllung etwaiger Lücken in diesem Vertrag.

§ 13

Final Provisions

1.

This Agreement represents the Parties' entire and sole arrangement relating to the termination of their employment relationship. There are no side agreements.

2.

Except for individually negotiated terms, changes and amendments to this Agreement are valid only if made in writing (signed by both Parties). The same applies to the termination of this written form requirement.

3.

If any provision of this Agreement should be or become wholly or partially void, ineffective or unenforceable, the validity, effectiveness and enforceability of the other provisions of this Agreement shall not be affected thereby. Any such invalid, ineffective or unenforceable provision shall be deemed replaced by such valid, effective and enforceable provision as comes closest to the economic intent and purpose of the invalid, ineffective or unenforceable provision as regards subject-matter, extent, time, place and scope. The aforesaid shall apply mutatis mutandis to any gap in this Agreement.

Unterschriftenseite folgt / signature page follows

Burlington, MA 11/22/2024	Alsdorf, Germany 11/22/2024
Ort, Datum / Place, date	Ort, Datum / Place, date
Cerence GmbH	
/s/ Jennifer Salinas	/s/ Dr. Stefan Ortmanns
Jennifer Salinas Geschäftsführerin / Managing Director	**Dr. Stefan Ortmanns**

Der Mitarbeiter bestätigt mit seiner nochmaligen Unterschrift, am heutigen Tage eine von beiden Parteien im **Original** unterzeichnete Ausfertigung dieses Vertrages erhalten zu haben.

By his additional signature, the Employee confirms receipt of this Agreement today, **originally** signed by both Parties.

Alsdorf, Germany 11/22/2024	/s/ Dr. Stefan Ortmanns
Ort, Datum / Place, date	**Dr. Stefan Ortmanns**

Exhibit 10.7

January 2, 2025

Christian Mentz

Dear Christian,

Congratulations! It is with great pleasure that I confirm the offer to promote you to the position of Executive Vice President – Chief Revenue Officer of Cerence, Inc. ("Cerence" or the "Company"). This offer is contingent on you entering into this letter agreement and satisfying the Terms and Conditions set forth below.

Your promotion will be effective on January 6, 2025 (the "Promotion Date").

You will continue to report to Brian Krzanich, the Company's Chief Executive Officer. Your work location will continue to be your home office.

Your new compensation and benefits package is as follows:

Base Salary and Employment Status

Starting on the Promotion Date, your starting annual base salary will be 416,000 Euros.

Bonus Program ("STIP")

In addition to your base salary, you will be eligible to participate in the Cerence Short Term Incentive Plan ("STIP") at 75% of your base salary. The STIP coincides with Cerence's fiscal year, which is October 1st through September 30th. Eligibility to participate and any payment under the STIP will be at the Company's discretion, and the Company has the right to vary, suspend, revoke, or replace the STIP at any time. Please note you will participate in STIP for the entirety of Fiscal Year 2025. Your participation in the Sales Incentive Plan (SIP) will cease as of September 30, 2024.

Long Term Incentive Plan ("LTIP")

Subject to your satisfaction of the Terms and Conditions, the Compensation Committee of the Board of Directors of Cerence has approved the following awards to be granted:

A number of restricted stock units under the Cerence 2019 Equity Incentive Plan (the “Plan”) having an aggregate target value of $2,000,000. It is anticipated that the number of restricted stock units will be calculated based on the average closing price of Cerence common stock over the trailing 20 trading days ending on the date of grant. The restricted stock units will be 50% in the form of time-based restricted stock units (“RSUs”) and 50% in the form of performance-based restricted stock units (“PSUs”), as follows in (a) and (b) below:

A. RSUs: The RSUs will be granted in January subject to the terms and conditions for time-based restricted stock units under the Plan, all as reflected in the applicable RSU agreement. The RSUs will vest as follows: one-third of the RSUs on each of October 1, 2025, October 1, 2026, and October 1, 2027, subject to your continued service with Cerence through each vesting date except as provided in the Change of Control and Severance Agreement (as described below and hereinafter referred to as the “Severance Agreement”).

B. PSUs: The PSUs will be granted at the same time as the RSUs subject to the terms and conditions for performance-based restricted stock units under the Plan, all as reflected in the applicable PSU agreement. The PSUs will be earned based on Company performance upon the completion of fiscal years 2025, 2026 and 2027, subject to your continued service with Cerence though the vesting date. 100% vesting will occur upon the release of FY 2027 earnings.

Please note that any equity awards granted to you are subject to the terms of the Plan (or any successor plan) and the applicable grant agreement.

<u>Benefits</u>

The benefit programs including paid time off you are eligible for as a Cerence employee are unchanged.

<u>Severance</u>

Your Change of Control and Severance Agreements fully executed on September 5, 2023 are unchanged.

<u>Taxes</u>

All forms of compensation are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law. You are encouraged to obtain your own tax advice regarding your compensation from the Company. You acknowledge and agree that the Company does not have a duty to design its compensation policies or offer to you in a manner that minimizes your tax liabilities.

If you have further questions regarding our offer, please contact me at (781) 565-8340. On behalf of the Company, I wish you a long and rewarding career with Cerence.

Sincerely,

/s/ Christopher Popadic
Christopher Popadic
VP Global Head of Human Resources

I ACKNOWLEDGE THAT I HAVE RECEIVED, I UNDERSTAND AND THAT I AGREE TO THIS LETTER OF PROMOTION:

/s/ Christian Mentz	**January 2, 2025**
Christian Mentz	**Date**
Signature	

Exhibit 10.8

Christian Mentz
EVP – Chief Revenue Officer

Retention Bonus Opportunity

At this time, Cerence ("the Company") considers it to be in the best interest of the Company to promote and preserve the employment of certain employees (the "Designated Employees"). You are a Designated Employee and, therefore, the Company has determined that appropriate steps should be taken to reinforce and encourage your continued attention and dedication to your duties and responsibilities during this important period. Accordingly, Cerence is pleased to confirm the details of this Retention Bonus Opportunity.

Provided that you satisfy the conditions set forth in this letter, you will be eligible to earn a one-time **retention bonus of $600,000 USD** (the "Retention Bonus"). Except as otherwise provided herein, the Retention Bonus will be paid in installments as follows: (1) 60% within 30 days of signing this letter (hereinafter the "First Installment") and (2) 40% within 30 days of October 1, 2025 (hereinafter the "Second Installment") (hereinafter the October 1, 2025 date will be referred to as the "Retention Date"), provided that you remain continuously employed by the Company up to and including the Retention Date. Except as otherwise provided herein, in the event your employment with the Company is terminated before the Retention Date, you will be obligated to repay the First Installment within 30 days of your termination date and you will forfeit any right to the Second Installment. The Company retains the right to prorate the Retention Bonus (i) for periods of any part-time status on your initiative, which proration will correspond to the reduced working hours or (ii) for each full calendar month in which the employment relationship is suspended or in which there is no entitlement to remuneration for other reasons. Both the First Installment and Second Installment, if earned, are payable by the Company less applicable deductions and withholdings.

For the avoidance of doubt and except as otherwise provided herein, if for any reason you are not actively employed on the Retention Date, you will not be entitled to, in whole or in part, any Retention Bonus. For the purpose of this letter, "actively employed" means that at any time prior to the Retention Date you have not: (1) resigned; (2) given notice of resignation; and/or (3) received a notice of termination for Cause. Except as otherwise provided herein, if you are terminated by the Company without Cause, you will be entitled to retain the First Installment but you will not be entitled to the Second Installment.

The receipt of this Retention Bonus Opportunity does not give rise to any expectation or entitlement that you will receive any other retention bonus or payment in the future. The retention bonus will not be taken into account for the purposes of any earnings-based compensation, severance, benefits or other employment-related entitlements, unless otherwise required by applicable law or as provided herein.

If prior to the Retention Date there is a Change of Control and during the Change of Control Period (i) your employment with the Company and its subsidiaries is terminated by the Company other than for Cause and for a reason other than due to your death or Disability or (ii) you resign for Good Reason, then, subject to Section 4 and the other provisions of your September 5, 2023 Change of Control and Severance Agreement, you will receive the Second Installment.

The terms Cause, Change of Control, Change of Control Period, Disability and Good Reason are defined in your September 5, 2023 Change of Control and Severance Agreement.

Nothing in this letter confers upon you any right to continued employment with the Company, or an agreement for the Company to employ you for any specified period of time, and either you or the Company may terminate your employment at any time, with or without cause, in accordance with applicable law.

This Agreement contains the entire agreement between you and the Company relating to a Retention Bonus Opportunity and supersedes any and all prior representations, agreements or understandings related to any Retention Bonus Opportunity, whether written or verbal. This Agreement cannot be changed or modified except by a formal written instrument executed by you and the Chief Executive Officer of Company or another person authorized by the Chief Executive Officer.

Christian, we appreciate your hard work and efforts in making Cerence successful.

Acknowledged and Agreed:

THE COMPANY

By: /s/ Christopher Popadic
Name: Christopher Popadic
Title: VP Global Head of HR

/s/ Christian Mentz	**January 2, 2025**
Christian Mentz	**Date**

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brian Krzanich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cerence 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(s) 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(s) 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 the 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.

Date: February 6, 2025	By:	/s/ Brian Krzanich Brian Krzanich Chief Executive Officer *(Principal Executive Officer)*

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Tony Rodriquez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cerence 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(s) 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(s) 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 the 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.

Date: February 6, 2025	By:	/s/ Tony Rodriquez Tony Rodriquez Executive Vice President, Chief Financial Officer *(Principal Financial and Accounting Officer)*

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 Cerence Inc. (the “Company”) on Form 10-Q for the period ending December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I 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 result of operations of the Company.

Date: February 6, 2025	By:	/s/ Brian Krzanich Brian Krzanich Chief Executive Officer *(Principal Executive Officer)*

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 Cerence Inc. (the “Company”) on Form 10-Q for the period ending December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I 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 result of operations of the Company.

Date: February 6, 2025	By:	/s/ Tony Rodriquez Tony Rodriquez Executive Vice President, Chief Financial Officer *(Principal Financial and Accounting Officer)*