Nuance Accelerates Exit of its Non-Core Subscriber Revenue Services (SRS) Business

Actions further simplify business and focus investments on higher-growth opportunities in cloud and conversational AI

BURLINGTON, Mass., June 21, 2019 – Nuance Communications, Inc. (NASDAQ: NUAN), today announced it has accelerated the exit of its non-core Subscription Revenue Services (SRS) business, which provides services to mobile consumers in emerging markets, primarily Brazil and India. The Company has completed the sale of its Brazil SRS operations and has signed a definitive agreement for the sale of its India SRS operations. The latter is expected to close in July of 2019. The terms of both deals were not disclosed.

“In our ongoing effort to drive transformation and simplification, we continue to execute on our strategic initiatives announced at the beginning of our fiscal year,” said Mark Benjamin, Chief Executive Officer of Nuance. “These transactions are a great outcome for everyone as they enable us to exit this non-core business faster than a wind-down, while ensuring continuous support and services for our customers. We remain sharply focused on cloud-based, intelligence-driven solutions, capable of sustainable long-term revenue and earnings growth.”

Although the transactions do not have a significant impact on our business, Nuance has updated its Q3 and full-year 2019 revenue and EPS guidance in the tables below. All other guidance metrics remain unchanged from previous guidance.

Q3 2019 Guidance Key Metrics (ASC605)

	PRIOR			IMPACT OF SALE	REVISED		
($ in millions except earnings per share)	Q3 2019 Guidance (ASC 605)			Q3 2019 Guidance (ASC 605)	Q3 2019 Guidance (ASC 605)		
GAAP Revenue	$451.0	to	$465.0	($4.0)	$447.0	to	$461.0
Non-GAAP Revenue	$453.0	to	$467.0	($4.0)	$449.0	to	$463.0
GAAP Diluted EPS	$0.01	to	$0.05	($0.01)	$0.00	to	$0.04
Non-GAAP Diluted EPS	$0.27	to	$0.30	($0.01)	$0.26	to	$0.29

2019 Guidance Key Metrics (ASC605)

	PRIOR			IMPACT OF SALE	REVISED		
($ in millions except earnings per share)	FY19 ASC 605 Guidance			FY19 ASC 605 Guidance	FY19 ASC 605 Guidance		
GAAP Revenue	$1,845.0	to	$1,877.0	($8.0)	$1,837.0	to	$1,869.0
Non-GAAP Revenue	$1,852.0	to	$1,884.0	($8.0)	$1,844.0	to	$1,876.0
GAAP Diluted EPS	$0.05	to	$0.14	($0.01)	$0.04	to	$0.13
Non-GAAP Diluted EPS	$1.13	to	$1.21	($0.01)	$1.12	to	$1.20

2019 Guidance Key Metrics (ASC606)

	PRIOR			IMPACT OF SALE	REVISED		
($ in millions except earnings per share)	FY19 ASC 606 Guidance			FY19 ASC 606 Guidance	FY19 ASC 606 Guidance		
GAAP Revenue	$1,792.0	to	$1,844.0	($8.0)	$1,784.0	to	$1,836.0
Non-GAAP Revenue	$1,797.0	to	$1,849.0	($8.0)	$1,789.0	to	$1,841.0
GAAP Diluted EPS	($0.13)	to	$0.06	($0.01)	($0.14)	to	$0.05
Non-GAAP Diluted EPS	$0.99	to	$1.14	($0.01)	$0.98	to	$1.13

2019 Segment Revenue Guidance (ASC605)

	PRIOR		IMPACT OF SALE	REVISED	
Current 2019 Segment Revenue Guidance (in $ millions)	**Low**	**High**		**Low**	**High**
Healthcare	$981.0	$995.0	-	$981.0	$995.0
Enterprise	$503.0	$511.0	-	$503.0	$511.0
Automotive	$306.0	$312.0	-	$306.0	$312.0
Strategic	**$1,790.0**	**$1,818.0**	**-**	**$1,790.0**	**$1,818.0**
Organic Growth	2%	4%	-	2%	4%
Other *	$62.0	$66.0	($8.0)	$54.0	$58.0
Current Total Nuance Guidance	**$1,852.0**	**$1,884.0**	**-$8.0**	**$1,844.0**	**$1,876.0**
Organic Growth	-1%	1%	-	-1%	1%

Note: *SRS is included in Other, along with Voicemail-to-Text and Devices.

Nuance Communications, Inc.
Reconciliation of Supplemental Financial Information
GAAP and non-GAAP Revenue and Net Income per Share Guidance
(in thousands, except per share amounts)
Unaudited

	Three months ended June 30, 2019			
	Low		High	
GAAP revenue	$	447,000	$	461,000
Acquisition-related adjustment - revenue		2,000		2,000
Non-GAAP revenue	$	449,000	$	463,000
GAAP net income per share	$	0.00	$	0.04
Acquisition-related adjustment - revenue		0.01		0.01
Acquisition-related costs, net		0.01		0.01
Cost of revenue from amortization of intangible assets		0.03		0.03
Amortization of intangible assets		0.06		0.06
Non-cash stock-based compensation		0.13		0.13
Non-cash interest expense		0.04		0.04
Adjustment to income tax expense		(0.08)		(0.09)
Restructuring and other charges, net		0.06		0.06
Other		0.00		0.00
Non-GAAP net income per share	$	0.26	$	0.29
Shares used in computing GAAP and non-GAAP net income per share:				
Weighted average common shares: basic		287,000		287,000
Weighted average common shares: diluted		290,000		290,000

Nuance Communications, Inc.
Reconciliation of Supplemental Financial Information
GAAP and non-GAAP Revenue and Net Income per Share Guidance
(in thousands, except per share amounts)
Unaudited

	ASC 605 Twelve months ended September 30, 2019		ASC 606 Twelve months ended September 30, 2019	
	Low	High	Low	High
GAAP revenue	$1,837,000	$1,869,000	$1,784,000	$1,836,000
Acquisition-related adjustment - revenue	7,000	7,000	5,000	5,000
Non-GAAP revenue	$1,844,000	$1,876,000	$1,789,000	$1,841,000
GAAP net income per share	$ 0.04	$ 0.13	$ (0.14)	$ 0.05
Acquisition-related adjustment - revenue	0.02	0.02	0.02	0.02
Acquisition-related costs, net	0.03	0.03	0.03	0.03
Cost of revenue from amortization of intangible assets	0.13	0.13	0.13	0.13
Amortization of intangible assets	0.23	0.23	0.23	0.23
Non-cash stock-based compensation	0.49	0.49	0.49	0.49
Non-cash interest expense	0.17	0.17	0.17	0.17
Adjustment to income tax expense	(0.29)	(0.30)	(0.25)	(0.29)
Restructuring and other charges, net	0.27	0.27	0.27	0.27
Other	0.03	0.03	0.03	0.03
Non-GAAP net income per share	$ 1.12	$ 1.20	$ 0.98	$ 1.13
Shares used in computing GAAP and non-GAAP net income per share:				
Weighted average common shares: basic	287,000	287,000	287,000	287,000
Weighted average common shares: diluted	291,000	291,000	291,000	291,000

About Nuance Communications, Inc.
Nuance Communications, Inc. (NASDAQ: NUAN) is the pioneer and leader in conversational AI innovations that bring intelligence to everyday work and life. The company delivers solutions that understand, analyze and respond to human language to increase productivity and amplify human intelligence. With decades of domain and artificial intelligence expertise, Nuance works with thousands of organizations – in global industries that include healthcare, telecommunications, automotive, financial services, and retail – to create stronger relationships and better experiences for their customers and workforce. For more information, please visit www.nuance.com.

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Safe Harbor and Forward-Looking Statements
Statements in this document regarding future performance and our management’s future expectations, beliefs, goals, plans or prospects constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact (including statements containing the words “believes,” “plans,” “anticipates,” “expects,” "intends" or “estimates” or similar

expressions) should also be considered to be forward-looking statements. There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including but not limited to: the ability to effect the separation and spin-off of our Auto business; our ability to successfully wind-down certain products or business lines; fluctuations in demand for our existing and future products; fluctuations in the mix of products and services sold in specific periods; further unanticipated costs resulting from the FY17 malware incident including potential costs associated with governmental investigations that may result from the incident; our ability to control and successfully manage our expenses and cash position; our ability to develop and execute in a timely manner our productivity and cost initiatives; the effects of competition, including pricing pressure, and changing business models in the markets and industries we serve; changes to economic conditions in the United States and internationally; the imposition of tariffs or other trade measures particularly between the United States and China; potential future impairment charges related to our reorganized business reporting units; fluctuating currency rates; possible quality issues in our products and technologies; our ability to successfully integrate operations and employees of acquired businesses; the ability to realize anticipated synergies from acquired businesses; and to cut stranded costs related to divested businesses; and the other factors described in our most recent Form 10-K, Form 10-Q and other filings with the Securities and Exchange Commission. We disclaim any obligation to update any forward-looking statements as a result of developments occurring after the date of this document.

Discussion of non-GAAP Financial Measures

We believe that providing the non-GAAP ("Generally Accepted Accounting Principles") information to investors, in addition to the GAAP presentation, allows investors to view the financial results in the way management views the operating results. We further believe that providing this information allows investors to not only better understand our financial performance, but more importantly, to evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance. The non- GAAP information included in this press release should not be considered superior to, or a substitute for, financial statements prepared in accordance with GAAP.

We utilize a number of different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of the business, for making operating decisions and for forecasting and planning for future periods. Our annual financial plan is prepared both on a GAAP and non-GAAP basis, and the non-GAAP annual financial plan is approved by our board of directors. Continuous budgeting and forecasting for revenue and expenses are conducted on a consistent non-GAAP basis (in addition to GAAP) and actual results on a non-GAAP basis are assessed against the non-GAAP annual financial plan. The board of directors and management utilize these non-GAAP measures and results (in addition to the GAAP results) to determine our allocation of resources. In addition, and as a consequence of the importance of these measures in managing the business, we use non-GAAP measures and results in the evaluation process to establish management’s compensation. For example, our annual bonus program payments are based upon the achievement of consolidated non-GAAP revenue and consolidated non-GAAP earnings per share financial targets. We consider the use of non-GAAP revenue helpful in understanding the performance of our business, as it excludes the purchase accounting impact on acquired deferred revenue and other acquisition- related adjustments to revenue. We also consider the use of non-GAAP earnings per share helpful in assessing the organic performance of the continuing operations of our business. By organic performance we mean performance as if we had owned an acquired business in the same period a year ago. By constant currency organic performance, we mean performance excluding the effect of current foreign currency rate fluctuations. By continuing operations, we mean the ongoing results of the business excluding certain unplanned costs. While our management uses these non-GAAP financial measures as a tool to enhance their understanding of certain aspects of our financial performance, our management does not consider these measures to be a substitute for, or superior to, the information provided by GAAP financial statements.

Consistent with this approach, we believe that disclosing non-GAAP financial measures to the readers of our financial statements provides such readers with useful supplemental data that, while not a substitute for GAAP financial statements, allows for greater transparency in the review of our financial and operational performance.

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https://news.nuance.com/2019-06-21-Nuance-Accelerates-Exit-of-its-Non-Core-Subscriber-Revenue-Services-SRS-Business