

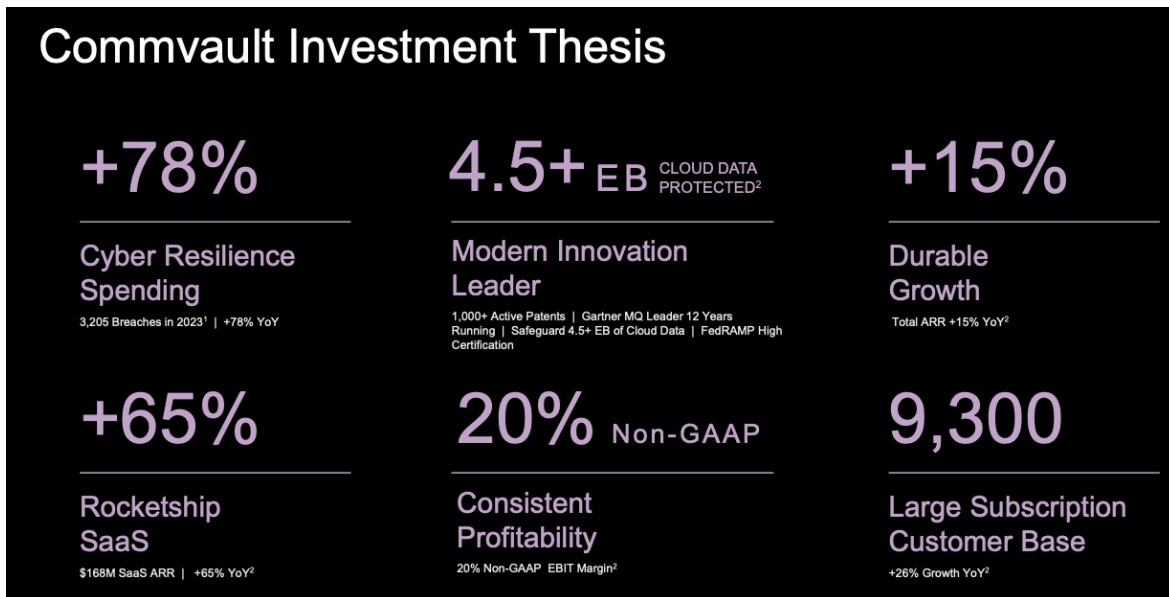
COMMVAULT FQ4 2024 EARNINGS

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CONTEXT

Commvault has released its fiscal Q4 2024 earnings results, closing out its fiscal year '24 on a high note with substantial growth across key financial metrics.

This Research Note delves into the details of Commvault's financial achievements during the quarter, non-financial highlights, and forward-looking guidance. It sheds light on how the company is effectively navigating the challenges posed by increasing cyber threats and positioning itself for sustainable growth in the competitive tech sector.



FINANCIAL PERFORMANCE

Commvault Systems, Inc. demonstrated strong financial performance during the quarter with several key highlights. Let's look at the company's performance for the quarter and its fiscal 2024.

FISCAL 2024 FOURTH QUARTER FINANCIAL HIGHLIGHTS:

Q4 FY'24 Financial Summary (unaudited, \$ in M's)

	Q4'24 GUIDANCE	Q4'24 ACTUAL	YoY Change
Total Revenue	\$210 - \$214	\$223	+10%
Subscription Revenue	\$111 - \$115	\$120	+27%
Non-GAAP Gross Margin	81% - 82%	83.2%	(20) bps
Non-GAAP EBIT Margin	20% - 21%	20.2%	(210) bps
Free Cash Flow (FCF)	n/a	\$79	+18%
Share Repurchases	n/a	\$50	n/a

- Total Revenues: Increased by 10% year-over-year to \$223.3 million.
- Subscription Revenue: Rose by 27% year-over-year to \$119.9 million.
- Income from Operations (EBIT): Stood at \$18.2 million, reflecting an operating margin of 8.1%.
- Non-GAAP EBIT: Reached \$45.2 million, with an operating margin of 20.2%.
- Operating Cash Flow: Was \$80.0 million, alongside a free cash flow of \$79.1 million.
- Share Repurchases: Amounted to \$50.4 million, approximately 547,000 shares of common stock.

FISCAL 2024 FULL-YEAR FINANCIAL HIGHLIGHTS:

FY'24 Financial Summary (unaudited, \$ in M's)

	FY'23 ACTUAL	FY'24 GUIDANCE	FY'24 ACTUAL	YoY Change
Total ARR	\$668	15% YoY	\$770	+15%
Subscription ARR	\$477	25% YoY	\$597	+25%
Total Revenue	\$785	\$826 - \$830	\$839	+7%
Subscription Revenue	\$348	\$420 - \$424	\$429	+23%
Non-GAAP Gross Margin	83.4%	82% - 83%	82.7%	(70) bps
Non-GAAP EBIT Margin	20.4%	+50 - 100 bps YoY	21.1%	+70 bps
Free Cash Flow (FCF)	\$167	\$170	\$200	+20%
Share Repurchases	\$151	> 75% of Free Cash Flows (FCF)	\$184 (92% of FCF)	n/a

- Total Revenues: Grew by 7% to \$839.2 million.
- Total ARR: Increased to \$770 million, up 15%.
- Subscription Revenue: Was \$429.2 million, up 23%.
- Subscription ARR: Expanded by 25% to \$597 million.
- Income from Operations (EBIT): \$75.4 million, with a margin of 9.0%.
- Non-GAAP EBIT: \$177.5 million, achieving a margin of 21.1%.
- Operating Cash Flow: Totaled \$203.8 million, with free cash flow reaching \$200 million.
- Annual Share Repurchases: \$184.0 million, or about 2,479,000 shares of common stock.

These results demonstrate Commvault's strong fiscal discipline and ability to navigate the complexities of the market, particularly in an era dominated by cybersecurity concerns. The company's focus on enhancing its cloud-based solutions has resonated with its customer base, positioning it well for sustained growth in the cybersecurity sector.

QUARTER HIGHLIGHTS

During the earnings call, Commvault highlighted several achievements for the quarter, particularly in enhancing cyber resilience capabilities and expanding its market footprint:

- **Cyber Resilience Focus:** Commvault is shifting its company positioning towards cyber resilience.
- **Product Innovation:** Commvault's new Cleanroom Recovery solution was a significant development during the quarter. The latest offering provides organizations with a clean, isolated, and on-demand recovery location in the cloud, enabling quick recovery from cyber-attacks.
- **Strategic Acquisition:** Commvault completed the acquisition of Appranix, which enhances Commvault's capabilities in rapid cloud application recovery.
- **Customer Success Stories:**
 - **Albertsons Companies:** A Fortune 100 grocer migrated all its applications and infrastructure to the cloud and implemented Commvault's platform to strengthen its cyber resilience.
 - **Latin American Hospital Network:** Faced with a high risk of cyber and ransomware attacks, this network leveraged Commvault's platform to

ensure quick and effective recovery capabilities, enhancing its operational resilience.

- **Enhanced AI Capabilities:** Commvault incorporated AI technology to improve the efficiency and effectiveness of the recovery processes, allowing for proactive health checks, anomaly detection, and threat mitigation.
- **Broad Platform Capabilities:** The company highlighted the versatility of Commvault Cloud, which supports recovery efforts across any workload, infrastructure, and location, optimizing customers' TCO.

GUIDANCE & OUTLOOK

Commvault's outlook and guidance for the upcoming fiscal year project continued growth and an optimistic financial trajectory based on the achievements and strategic initiatives outlined during the earnings call.

Q1 and FY'25 Guidance (unaudited, \$ in M's)

	Q1'25 GUIDANCE	FY'25 GUIDANCE
Total ARR		14% YoY
Subscription ARR		21% - 23% YoY
Total Revenue	\$213 - \$216 <small>(+8% YoY at midpoint)</small>	\$904 - \$914 <small>(+8% YoY at midpoint)</small>
Subscription Revenue	\$116 - \$119 <small>(+21% YoY at midpoint)</small>	\$514 - \$518 <small>(+20% YoY at midpoint)</small>
Non-GAAP Gross Margin	81% - 82%	81.5% - 82.5%
Non-GAAP EBIT Margin	18% - 19%	20% - 21%
Free Cash Flow (FCF)		\$200
Share Repurchases		> 75% of FCF

Here's what the company projects:

1. Annual Recurring Revenue (ARR) Growth:

- The company forecasts a 14% year-over-year growth in total ARR.
- Subscription ARR is expected to increase by 21% to 23% year-over-year.

2. Revenue Projections:

- Commvault anticipates subscription revenue between \$514 million and \$518 million for the fiscal year, representing a midpoint growth of approximately 20%.

- Total revenue for the fiscal year is expected to range from \$904 million to \$914 million, marking an 8% increase at the midpoint.

3. **Margin and Profitability:**

- Gross margins are projected to be between 81.5% and 82.5%, reflecting the accelerating contribution from the SaaS business.
- Non-GAAP EBIT margin is anticipated to be between 20% and 21%, inclusive of first quarter event costs and targeted investments aimed at accelerating revenue momentum.

4. **Cash Flow and Shareholder Returns:**

- Commvault expects to generate at least \$200 million in free cash flow during the fiscal year.
- The Board of Directors has increased the authorization on the share repurchase program to \$250 million, to repurchase at least 75% of the annual free cash flows.

5. **Strategic Events and Investments:**

- The guidance includes the impact of costs related to a live fiscal year sales kickoff and participation in the RSA conference, which are expected to influence Q1 expenses.

6. **Tax Rate Adjustment:**

- The company plans to lower its non-GAAP tax rate from 27% to 24%, aligning it closer with expected effective tax rates in the coming years.

7. **Long-Term Vision:**

- By the end of fiscal year '26, Commvault expects to achieve a total ARR of \$1 billion, with subscription ARR constituting 90% of this total, bolstered by an accelerating contribution from SaaS, projected to be between \$310 million and \$330 million.

This forward-looking guidance from Commvault indicates a robust growth strategy, focusing on expanding its subscription base, enhancing SaaS offerings, and maintaining strong financial health through prudent capital management and strategic investments.

ANALYSIS

Commvault's fiscal year 2024 demonstrated solid performance, highlighted by a 10% increase in total revenue and significant strides in subscription and SaaS-based



revenues. Such growth aligns with industry trends favoring subscription models and shows that Commvault's pivot away from legacy perpetual licenses is successful.

Commvault's strategic focus on cyber resilience—reinforced by recent product launches and the acquisition of Appratrix—further enhances its value proposition by significantly shortening recovery times, a critical factor amidst escalating cyber risks.

Commvault's guidance for fiscal year '25 is optimistic yet realistic. The projected 14% year-over-year growth in total ARR and the commitment to substantial free cash flows show that the company is confident in its strategic direction and operational efficiency.

Commvault appears well-positioned to capitalize on the growing need for advanced cyber resilience solutions. Its strong end to fiscal year '24, coupled with aggressive goals for '25, indicates a company that is not only keeping pace with industry demands but also shaping the future trajectory of the cyber resilience market.

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