

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

FORM 10-Q

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

For the quarterly period ended: September 30, 2020

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

Commission File Number: 1-33026

**Commvault Systems, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

22-3447504  
(I.R.S. Employer  
Identification No.)

1 Commvault Way  
Tinton Falls, New Jersey  
07724  
(Address of principal executive offices)  
(Zip Code)  
(732) 870-4000  
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	CVLT	The NASDAQ Stock Market
Preferred Stock Purchase Rights		The NASDAQ Stock Market

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

Indicate by check mark whether the registrant has submitted electronically 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 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 definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in rule 12b-2 of the Exchange Act. (Check one):

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 October 27, 2020, there were 47,130,331 shares of the registrant's common stock, \$0.01 par value, outstanding.

COMMVAULT SYSTEMS, INC.  
FORM 10-Q

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**Commvault Systems, Inc.**  
**Consolidated Balance Sheets**  
(In thousands, except per share data)  
(Unaudited)

<b>ASSETS</b>	<b>September 30, 2020</b>	<b>March 31, 2020</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 383,153	\$ 288,082
Restricted cash	—	8,000
Short-term investments	10,845	43,645
Trade accounts receivable, net	138,957	146,990
Other current assets	26,038	26,969
<b>Total current assets</b>	<b>558,993</b>	<b>513,686</b>
Property and equipment, net	113,014	114,519
Operating lease assets	18,691	15,009
Deferred commissions cost	32,726	31,394
Intangible assets, net	—	46,350
Goodwill	112,435	112,435
Other assets	16,119	11,683
<b>Total assets</b>	<b>\$ 851,978</b>	<b>\$ 845,076</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 253	\$ 307
Accrued liabilities	79,112	87,051
Current portion of operating lease liabilities	7,563	7,699
Deferred revenue	227,777	233,497
<b>Total current liabilities</b>	<b>314,705</b>	<b>328,554</b>
Deferred revenue, less current portion	97,506	92,723
Deferred tax liabilities, net	739	849
Long-term operating lease liabilities	12,574	8,808
Other liabilities	6,978	2,238
Commitments and contingencies		
<b>Stockholders' equity:</b>		
Preferred stock, \$0.01 par value: 50,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.01 par value: 250,000 shares authorized, 46,685 shares and 46,011 shares issued and outstanding at September 30, 2020 and March 31, 2020, respectively	464	458
Additional paid-in capital	1,023,459	978,659
Accumulated deficit	(592,762)	(553,790)
Accumulated other comprehensive loss	(11,685)	(13,423)
<b>Total stockholders' equity</b>	<b>419,476</b>	<b>411,904</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 851,978</b>	<b>\$ 845,076</b>

See accompanying unaudited notes to consolidated financial statements

**Commvault Systems, Inc.**  
**Consolidated Statements of Operations**  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
<b>Revenues:</b>				
Software and products	\$ 72,309	\$ 68,595	\$ 148,863	\$ 132,269
Services	98,830	98,987	195,276	197,516
Total revenues	171,139	167,582	344,139	329,785
<b>Cost of revenues:</b>				
Software and products	7,903	8,831	13,750	14,861
Services	18,896	22,410	37,600	45,100
Total cost of revenues	26,799	31,241	51,350	59,961
Gross margin	144,340	136,341	292,789	269,824
<b>Operating expenses:</b>				
Sales and marketing	79,069	80,960	160,745	168,345
Research and development	30,955	23,227	62,097	46,807
General and administrative	24,748	24,753	46,307	47,260
Restructuring	5,767	12,851	8,091	16,930
Impairment of intangible assets	40,700	—	40,700	—
Depreciation and amortization	5,053	2,719	10,118	5,325
Total operating expenses	186,292	144,510	328,058	284,667
Loss from operations	(41,952)	(8,169)	(35,269)	(14,843)
Interest income	249	1,561	592	3,484
Loss before income taxes	(41,703)	(6,608)	(34,677)	(11,359)
Income tax expense (benefit)	(532)	476	4,211	2,571
Net loss	\$ (41,171)	\$ (7,084)	\$ (38,888)	\$ (13,930)
<b>Net loss per common share:</b>				
Basic	\$ (0.89)	\$ (0.16)	\$ (0.84)	\$ (0.31)
Diluted	\$ (0.89)	\$ (0.16)	\$ (0.84)	\$ (0.31)
<b>Weighted average common shares outstanding:</b>				
Basic	46,516	45,277	46,354	45,363
Diluted	46,516	45,277	46,354	45,363

See accompanying unaudited notes to consolidated financial statements

**Commvault Systems, Inc.**  
**Consolidated Statements of Comprehensive Loss**  
(In thousands)  
(Unaudited)

	<u>Three Months Ended September 30,</u>		<u>Six Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net loss	(41,171)	(7,084)	(38,888)	\$ (13,930)
Other comprehensive income (loss):				
Foreign currency translation adjustment	788	(1,138)	1,738	\$ (1,165)
Comprehensive loss	<u>\$ (40,383)</u>	<u>\$ (8,222)</u>	<u>\$ (37,150)</u>	<u>\$ (15,095)</u>

See accompanying unaudited notes to consolidated financial statements

Commvault Systems, Inc.

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

	Common Stock		Additional Paid - In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance as of June 30, 2020	46,321	\$ 461	\$ 997,838	\$ (551,591)	\$ (12,473)	\$ 434,235
Stock-based compensation			20,584			20,584
Share issuances related to stock-based compensation	364	3	5,037			5,040
Net loss				(41,171)		(41,171)
Other comprehensive income					788	788
Balance as of September 30, 2020	<u>46,685</u>	<u>\$ 464</u>	<u>\$ 1,023,459</u>	<u>\$ (592,762)</u>	<u>\$ (11,685)</u>	<u>\$ 419,476</u>

	Common Stock		Additional Paid - In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance as of March 31, 2020	46,011	\$ 458	\$ 978,659	\$ (553,790)	\$ (13,423)	\$ 411,904
Stock-based compensation			39,535			39,535
Share issuances related to stock-based compensation	674	6	5,265			5,271
Cumulative effect change in accounting for ASU 2016-13				(84)		(84)
Net loss				(38,888)		(38,888)
Other comprehensive income					1,738	1,738
Balance as of September 30, 2020	<u>46,685</u>	<u>\$ 464</u>	<u>\$ 1,023,459</u>	<u>\$ (592,762)</u>	<u>\$ (11,685)</u>	<u>\$ 419,476</u>

Commvault Systems, Inc.

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

	Common Stock		Additional Paid – In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance as of June 30, 2019	45,077	\$ 449	\$ 896,383	\$ (525,420)	\$ (11,595)	\$ 359,817
Stock-based compensation			14,857			14,857
Share issuances related to stock-based compensation	332	3	5,659			5,662
Net loss				(7,084)		(7,084)
Other comprehensive loss					(1,138)	(1,138)
Balance as of September 30, 2019	<u>45,409</u>	<u>\$ 452</u>	<u>\$ 916,899</u>	<u>\$ (532,504)</u>	<u>\$ (12,733)</u>	<u>\$ 372,114</u>

	Common Stock		Additional Paid – In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance as of March 31, 2019	45,582	\$ 454	\$ 887,907	\$ (485,490)	\$ (11,568)	\$ 391,303
Stock-based compensation			29,607			29,607
Share issuances related to stock-based compensation	657	6	6,319			6,325
Repurchase of common stock	(830)	(8)	(6,934)	(33,084)		(40,026)
Net loss				(13,930)		(13,930)
Other comprehensive loss					(1,165)	(1,165)
Balance as of September 30, 2019	<u>45,409</u>	<u>\$ 452</u>	<u>\$ 916,899</u>	<u>\$ (532,504)</u>	<u>\$ (12,733)</u>	<u>\$ 372,114</u>

See accompanying unaudited notes to consolidated financial statements

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

	<b>Six Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (38,888)	\$ (13,930)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	10,743	6,054
Noncash stock-based compensation	39,535	29,607
Amortization of deferred commissions cost	9,526	8,730
Impairment of operating lease assets	692	2,050
Impairment of intangible asset	40,700	—
Changes in operating assets and liabilities:		
Trade accounts receivable	3,637	45,625
Operating lease assets and liabilities, net	(808)	42
Other current assets and Other assets	9,982	(1,796)
Deferred commissions cost	(9,965)	(6,962)
Accounts payable	(67)	(425)
Accrued liabilities	(17,151)	(1,015)
Deferred revenue	(10,222)	(12,079)
Other liabilities	4,528	(782)
Net cash provided by operating activities	42,242	55,119
<b>Cash flows from investing activities</b>		
Purchase of short-term investments	—	(32,800)
Proceeds from maturity of short-term investments	32,800	65,519
Purchase of property and equipment	(3,662)	(1,457)
Net cash provided by investing activities	29,138	31,262
<b>Cash flows from financing activities</b>		
Repurchase of common stock	—	(40,026)
Proceeds from stock-based compensation plans	5,271	6,325
Net cash provided by (used in) financing activities	5,271	(33,701)
Effects of exchange rate — changes in cash	10,420	(3,047)
Net increase in cash, cash equivalents and restricted cash	87,071	49,633
Cash, cash equivalents and restricted cash at beginning of period	296,082	327,992
Cash, cash equivalents and restricted cash at end of period	\$ 383,153	\$ 377,625

See accompanying unaudited notes to consolidated financial statements



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

**1. Basis of Presentation**

Commvault Systems, Inc. and its subsidiaries ("Commvault," "we," "us," or "our") is a provider of data protection and information management software applications and products. We develop, market and sell a suite of software applications and services, globally, that provides our customers with data protection solutions. We also provide our customers with a broad range of professional and customer support services.

The consolidated financial statements of Commvault as of September 30, 2020 and for the three and six months ended September 30, 2020 and 2019 are unaudited, and in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements and should be read in conjunction with the financial statements and notes in our Annual Report on Form 10-K for fiscal 2020. The results reported in these financial statements should not necessarily be taken as indicative of results that may be expected for the entire fiscal year.

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make judgments and estimates that affect the amounts reported in our consolidated financial statements and the accompanying notes. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The amounts of assets and liabilities reported in our balance sheets and the amounts of revenues and expenses reported for each of our periods presented are affected by estimates and assumptions, which are used for, but not limited to, the accounting for revenue recognition, income taxes and related reserves, and goodwill and purchased intangible assets. Actual results could differ from those estimates.

**2. Summary of Significant Accounting Policies**

*Recently Adopted Accounting Standards*

Standard	Description	Effective Date	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Accounting Standards Update ("ASU") No. 2016-13 (Topic 326), Financial Instruments-Credit Losses	The standard amends guidance on the impairment of financial instruments. The ASU estimates credit losses based on expected losses and provides for a simplified accounting model for purchased financial assets with credit deterioration. The standard requires a modified retrospective basis adoption through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.	We adopted this new standard as of April 1, 2020, using the modified retrospective method recognized as of the date of initial application.	The adoption of this new standard resulted in an \$84 thousand cumulative effect on our unaudited consolidated financial statements related to an adjustment to our allowance for doubtful accounts.  Under the new standard, we assess credit losses on accounts receivable by taking into consideration past collection experience, credit quality of the customer, age of the receivable balance, current economic conditions, and forecasts that affect the collectability of the reported amount.

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

### **Recently Issued Accounting Standards Not Yet Adopted**

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>	<b>Effect on the Consolidated Financial Statements (or Other Significant Matters)</b>
ASU No. 2019-12 (Topic 740), Income Taxes	In December 2019, the Financial Accounting Standards Board ("FASB") issued a new standard to simplify the accounting for income taxes. The guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences related to changes in ownership of equity method investments and foreign subsidiaries. The guidance also simplifies aspects of accounting for franchise taxes and enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill.	The standard will be effective for us beginning April 1, 2021, with early adoption permitted.	We are currently evaluating the impact of this standard in our consolidated financial statements, including accounting policies, processes, and systems.

### **Concentration of Credit Risk**

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

Sales through our distribution agreement with Arrow Enterprise Computing Solutions, Inc. ("Arrow") totaled 36% and 37% of total revenues for the six months ended September 30, 2020 and 2019, respectively. Arrow accounted for approximately 26% and 31% of total accounts receivable as of September 30, 2020 and March 31, 2020, respectively.

Tech Data Corporation ("Tech Data") accounted for approximately 11% of total accounts receivable as of September 30, 2020.

### **Fair Value of Financial Instruments**

The carrying amounts of our cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these instruments. Our short-term investments balance consists of U.S. Treasury Bills with maturities of one year or less. We account for our short-term investments as held to maturity.

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

The following table summarizes the composition of our financial assets and liabilities measured at fair value on a recurring basis at September 30, 2020 and March 31, 2020:

<u>September 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments	\$ —	10,996	—	\$ 10,996

<u>March 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments	\$ —	44,484	—	\$ 44,484

### 3. Revenue

We derive revenues from two primary sources: software and products, and services. Software and products revenue includes our software and integrated appliances that combine our software with hardware. Services include customer support (software updates and technical support), consulting, assessment and design services, installation services, customer education and Commvault software-as-a-service, which is branded as Metallic.

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

We also sell appliances that integrate our software with hardware and address a wide-range of business needs and use cases, ranging from support for remote or branch offices with limited IT staff up to large corporate data centers. Revenue related to appliances is recognized when control of the appliances passes to the customer; typically upon delivery.

Services revenue includes revenue from customer support and other professional services. Customer support includes software updates on a when-and-if-available basis, telephone support, integrated web-based support and bug fixes or patches. The Company sells its customer support contracts as a percentage of net software purchases the support is related to. Customer support revenue is recognized ratably over the term of the customer support agreement, which is typically one year.

Our other professional services include consulting, assessment and design services, installation services and customer education. Customer education services include courses taught by our instructors or third-party contractors. Revenue related to other professional services and customer education services is typically recognized as the services are performed. In fiscal 2020 Commvault launched Metallic, which is a Commvault software-as-a-service offering. Revenue from Metallic is recognized ratably as services revenue. Revenue to date from Metallic has not been material.

Most of our contracts with customers contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. Standalone selling prices of software and appliances are typically estimated using the residual approach. Standalone selling prices of services are typically estimated based on observable transactions when these services are sold on a standalone basis.

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

Our typical performance obligations include the following:

Performance Obligation	When Performance Obligation is Typically Satisfied	When Payment is Typically Due	How Standalone Selling Price is Typically Estimated
<i>Software and Products Revenue</i>			
Software Licenses	Upon shipment or made available for download (point in time)	Within 90 days of shipment except for certain subscription licenses which are paid for over time	Residual approach
Appliances	When control of the appliances passes to the customer; typically upon delivery	Within 90 days of delivery	Residual approach
<i>Customer Support Revenue</i>			
Software Updates	Ratably over the course of the support contract (over time)	At the beginning of the contract period	Observable in renewal transactions
Customer Support	Ratably over the course of the support contract (over time)	At the beginning of the contract period	Observable in renewal transactions
<i>Other Services Revenue</i>			
Other Professional Services (except for education services)	As work is performed (over time)	Within 90 days of services being performed	Observable in transactions without multiple performance obligations
Education Services	When the class is taught (point in time)	Within 90 days of services being performed	Observable in transactions without multiple performance obligations
Software-as-a-service (Metallic)	Ratably over the course of the contract (over time)	Annual or monthly payments	Observable in transactions without multiple performance obligations

*Disaggregation of Revenue*

We disaggregate revenue from contracts with customers into the nature of the products and services and geographical regions. The geographic regions that are tracked are the Americas (United States, Canada, Latin America), EMEA (Europe, Middle East, Africa) and APJ (Australia, New Zealand, Southeast Asia, China). We operate in one segment.

**Three Months Ended September 30, 2020**

	Americas	EMEA	APJ	Total
Software and Products Revenue	\$ 39,241	\$ 22,063	\$ 11,005	\$ 72,309
Customer Support Revenue	54,177	24,911	10,359	89,447
Other Services Revenue	4,794	3,084	1,505	9,383
Total Revenue	\$ 98,212	\$ 50,058	\$ 22,869	\$ 171,139

**Three Months Ended September 30, 2019**

	Americas	EMEA	APJ	Total
Software and Products Revenue	\$ 35,863	\$ 21,440	\$ 11,292	\$ 68,595
Customer Support Revenue	57,864	21,906	10,233	90,003
Other Services Revenue	4,430	2,680	1,874	8,984
Total Revenue	\$ 98,157	\$ 46,026	\$ 23,399	\$ 167,582

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

**Six Months Ended September 30, 2020**

	Americas	EMEA	APJ	Total
Software and Products Revenue	\$ 89,886	\$ 40,858	\$ 18,119	\$ 148,863
Customer Support Revenue	109,415	48,221	20,454	178,090
Other Services Revenue	8,907	5,639	2,640	17,186
Total Revenue	\$ 208,208	\$ 94,718	\$ 41,213	\$ 344,139

**Six Months Ended September 30, 2019**

	Americas	EMEA	APJ	Total
Software and Products Revenue	\$ 67,084	\$ 42,815	\$ 22,370	\$ 132,269
Customer Support Revenue	115,594	43,573	20,318	179,485
Other Services Revenue	9,296	5,362	3,373	18,031
Total Revenue	\$ 191,974	\$ 91,750	\$ 46,061	\$ 329,785

*Information about Contract Balances*

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

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

	Accounts Receivable	Unbilled Receivable (current)	Unbilled Receivable (long-term)	Deferred Revenue (current)	Deferred Revenue (long-term)
Opening Balance as of March 31, 2020	\$ 129,856	\$ 17,134	\$ 7,857	\$ 233,497	\$ 92,723
Increase/(decrease), net	(12,135)	4,102	3,736	(5,720)	4,783
Ending Balance as of September 30, 2020	\$ 117,721	\$ 21,236	\$ 11,593	\$ 227,777	\$ 97,506

The decrease in accounts receivable (inclusive of unbilled receivables) is a result of a concentration of customer support renewals in the second half of the prior fiscal year. The decrease in deferred revenue is primarily due to the decrease in deferred customer support revenue related to software and products revenue transactions and customer support renewals relative to the fourth quarter of fiscal 2020.

The amount of revenue recognized in the period that was included in the March 31, 2020 balance of deferred revenue was \$69,025 and \$155,728 for the three and six months ended September 30, 2020. The vast majority of this revenue consists of customer support arrangements. The amount of software and products revenue recognized in the three and six months ended September 30, 2020 related to performance obligations from prior periods was not significant.

*Remaining Performance Obligations*

In addition to the amounts included in deferred revenue as of September 30, 2020, \$32,238 of revenue may be recognized from remaining performance obligations, of which approximately \$3,000 was related to software and products. We expect the majority of this software and products revenue to be recognized during the three months ended December 31, 2020. The vast majority of the services revenue is related to other professional services which may be recognized over the next twelve months but is contingent upon a number of factors, including customers' needs and schedules.

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

#### 4. Goodwill and Intangible Assets, Net

##### Goodwill

There were no additions, impairments or any other changes to the carrying amount of goodwill during the three and six months ended September 30, 2020.

##### Intangible assets, net

Intangible assets subject to amortization as of September 30, 2020 are as follows:

	Gross Carrying Amount	Accumulated Amortization	Impairment Charge	Net Carrying Value
Developed technology	\$ 49,000	\$ (9,800)	\$ (39,200)	\$ —
Customer relationships	3,000	(1,500)	(1,500)	—
Total intangible assets, net	<u>\$ 52,000</u>	<u>\$ (11,300)</u>	<u>\$ (40,700)</u>	<u>\$ —</u>

Amortization expense from acquired intangible assets was \$2,825 and \$5,650 for the three and six months ended September 30, 2020, respectively. There were no intangible assets subject to amortization for the three and six months ended September 30, 2019.

Our intangible assets (developed technology and customer relationships) were acquired in connection with the Hedvig, Inc. ("Hedvig") transaction. The most material of these assets was the developed technology. The value of this asset was attributable to forecasted incremental revenues directly attributable to this technology. While we have successfully integrated this technology into our existing Hyperscale technology, we have not met our forecasts for standalone sales of this acquired technology. During the second quarter of fiscal year 2021 we identified an indicator of impairment and concluded that the carrying values of the developed technology and customer relationships acquired in connection with the Hedvig transaction were not recoverable on an undiscounted basis. As a result, we remeasured the fair value of these assets and concluded their value was de minimis. We recorded a \$40,700 impairment charge in the accompanying Consolidated Statements of Operations for the three months ended September 30, 2020. These non-recurring fair value measurements were categorized as Level 3, as significant unobservable inputs were used in the valuation analysis. Key assumptions used in the valuation include forecasts of revenue and expenses over an extended period, the useful life of the asset, tax rates, and estimated costs of debt and equity capital to discount the projected cash flows. Certain of these assumptions involve significant judgment and are based on management's estimate of current and forecasted market conditions.

#### 5. Net Income per Common Share

The diluted weighted-average shares outstanding exclude outstanding stock options, restricted stock units, performance restricted stock units and shares to be purchased under the employee stock purchase plan totaling 5,040 and 4,780 for the three months ended September 30, 2020 and 2019, respectively, and 5,031 and 4,810 for the six months ended September 30, 2020 and 2019 because the effect would have been anti-dilutive.

#### 6. Commitments and Contingencies

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

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

## 7. Capitalization

As of September 30, 2020, \$162,829 remained in our current stock repurchase authorization which expires on March 31, 2021.

### *Subsequent Event*

On October 22, 2020, the Board of Directors authorized an increase to the existing share repurchase program so that \$200,000 was available. The authorization will expire on March 31, 2022.

## 8. Stock Plans

The following table presents the stock-based compensation expense included in Cost of services revenue, Sales and marketing, Research and development, General and administrative expenses and Restructuring expenses for the three and six months ended September 30, 2020 and 2019. Stock-based compensation is attributable to stock options, restricted stock units, performance based awards and the employee stock purchase plan.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Cost of services revenue	\$ 740	\$ 698	\$ 1,406	\$ 1,388
Sales and marketing	8,988	7,359	16,192	15,005
Research and development	5,578	2,011	11,519	4,004
General and administrative	4,631	4,184	9,714	8,237
Restructuring	647	605	704	973
Stock-based compensation expense	<u>\$ 20,584</u>	<u>\$ 14,857</u>	<u>\$ 39,535</u>	<u>\$ 29,607</u>

As of September 30, 2020, there was \$110,911 of unrecognized stock-based compensation expense related to restricted stock unit awards that is expected to be recognized over a weighted-average period of 1.90 years. We account for forfeitures as they occur. To the extent that awards are forfeited, stock-based compensation will be different from our current estimate.

Stock option activity was not significant in the three and six months ended September 30, 2020.

### **Restricted Stock Units**

Restricted stock unit activity for the six months ended September 30, 2020 is as follows:

<b>Non-vested Restricted Stock Units</b>	<b>Number of Awards</b>	<b>Weighted- Average Grant Date Fair Value</b>
Non-vested as of March 31, 2020	3,237	\$ 50.47
Awarded	857	37.42
Vested	(521)	55.29
Forfeited	(189)	52.45
Non-vested as of September 30, 2020	<u>3,384</u>	<u>\$ 46.38</u>

The weighted-average fair value of restricted stock units awarded was \$42.02 and \$37.42 per unit during the three and six months ended September 30, 2020, and \$43.39 and \$48.17 per unit during the three and six months ended September 30, 2019. The weighted-average fair value of awards includes the awards with a market condition described below.

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

**Awards with a Market Condition**

In the six months ended September 30, 2020, we granted 299 market performance stock units to certain executives. The vesting of these awards is contingent upon us meeting certain total shareholder return ("TSR") levels as compared to the Russell 3000 market index over the next three years. The awards vest in three annual tranches and have a maximum potential to vest at 200% (598 shares) based on TSR performance. The related stock-based compensation expense is determined based on the estimated fair value of the underlying shares on the date of grant and is recognized using the accelerated method over the vesting term. The estimated fair value was calculated using a Monte Carlo simulation model. The fair value of the awards granted during the six months ended September 30, 2020 was \$36.76 per unit. The awards are included in the restricted stock unit table above.

**Employee Stock Purchase Plan**

The Employee Stock Purchase Plan (the "Purchase Plan") is a shareholder approved plan under which substantially all employees may purchase Commvault's common stock through payroll deductions at a price equal to 85% of the lower of the fair market values of the stock as of the beginning or the end of the six-month offering periods. An employee's payroll deductions under the Purchase Plan are limited to 10% of the employee's salary and employees may not purchase more than \$25 of stock during any calendar year. Employees purchased 129 shares in exchange for \$4,652 of proceeds in the six months ended September 30, 2020 and 136 shares in exchange for \$4,833 in the six months ended September 30, 2019. The total expense associated with the Purchase Plan was \$1,511 for the six months ended September 30, 2020 and \$1,521 for the six months ended September 30, 2019.

**9. Income Taxes**

Income tax expense was \$4,211 in the six months ended September 30, 2020 compared to expense of \$2,571 in the six months ended September 30, 2019. In the fourth quarter of fiscal 2020, we recorded a current tax benefit of approximately \$10,000 which represented our estimate of the net operating loss carryback resulting from the CARES Act. In the first quarter of fiscal 2021, we recorded an adjustment of \$3,200 to reduce the current benefit of the net operating loss carryback benefit we will realize from the CARES Act. In fiscal 2018, we determined that it was more likely than not that we will not realize the benefits of our gross deferred tax assets and therefore recorded a valuation allowance to reduce the carrying value of these gross deferred tax assets, net of the impact of the reversal of taxable temporary differences, to zero. Our position remains unchanged with respect to the realizability of our deferred tax assets as of September 30, 2020.

**10. Restructuring**

Our restructuring plan, initiated in the first quarter of fiscal 2019, is aimed to increase efficiency in our sales, marketing and distribution functions as well as reduce costs across all functional areas. These restructuring charges relate primarily to severance and related costs associated with headcount reductions and lease abandonment charges.

During the three months ended September 30, 2020 and 2019, we incurred total restructuring charges of \$5,767 and \$12,851, respectively. These restructuring charges include \$647 and \$605 of stock-based compensation related to modifications of existing unvested awards granted to certain employees impacted by the restructuring plan for the three months ended September 30, 2020 and 2019, respectively.

During the six months ended September 30, 2020 and 2019, we incurred total restructuring charges of \$8,091 and \$16,930, respectively. These charges include \$704 and \$973 of stock-based compensation related to modifications of existing unvested awards granted to certain employees impacted by the restructuring plan for the six months ended September 30, 2020 and 2019, respectively.



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

The activity in our restructuring accruals for the three and six months ended September 30, 2020 and 2019 is summarized as follows:

	<b>Three Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
Balance as of June 30,	\$ 3,228	\$ 2,218
Restructuring charges, net <sup>(1)</sup>	4,895	11,132
Payments	(3,085)	(2,992)
Balance as of September 30,	<u>\$ 5,038</u>	<u>\$ 10,358</u>

	<b>Six Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
Balance as of March 31,	\$ 2,531	\$ 1,089
Restructuring charges, net <sup>(1)</sup>	6,695	13,907
Payments	(4,188)	(4,638)
Balance as of September 30,	<u>\$ 5,038</u>	<u>\$ 10,358</u>

(1) Net restructuring charges of \$4,895 and \$6,695 in the tables above excludes restructuring charges for three of our leases in the amount of \$225 and five in the amount of \$692 for the three and six months ended September 30, 2020, respectively. It also excludes stock-based compensation related to modifications for the three and six months ended September 30, 2020 of \$647 and \$704, respectively. Net restructuring charges of \$11,132 and \$13,907 in the tables above excludes restructuring charges for one of our leases in the amount of \$1,114 and three in the amount of \$2,050 for the three and six months ended September 30, 2019, respectively. It also excludes stock-based compensation related to modifications for the three and six months ended September 30, 2019 of \$605 and \$973, respectively.

As of September 30, 2020, the outstanding restructuring accruals primarily relate to future severance payments.

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

*You should read the following discussion and analysis along with our consolidated financial statements and the related notes included elsewhere in this quarterly report on Form 10-Q. The statements in this discussion regarding our expectations of our future performance, liquidity and capital resources, and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020. Our actual results may differ materially from those contained in or implied by any forward-looking statements.*

### Overview

Commvault is a leading provider of data protection and information management software applications and related services. Commvault was incorporated in 1996 as a Delaware corporation. The Commvault software platform is an enterprise level, integrated data and information management solution, built from the ground up on a single platform and unified code base. All software functionality share the same back-end technologies to deliver the benefits of a holistic approach to protecting, managing, and accessing data. The software addresses many aspects of data management in the enterprise, while providing scalability and control of data and information. We also sell appliances that integrate the Commvault software with hardware and address a wide-range of business needs and use cases, ranging from support for remote or branch offices with limited IT staff up to large corporate data centers. Commvault also provides customers with a broad range of professional services that are delivered by our worldwide support and field operations.

### Sources of Revenues

We derive a significant portion of our total revenues from sales of licenses of our software applications and related appliance products. We do not customize our software or products for a specific end-user customer. We sell our software applications and products to end-user customers both directly through our sales force and indirectly through our global network of value-added reseller partners, systems integrators, corporate resellers and original equipment manufacturers. Our software and products revenue was 43% and 40% of our total revenues for the six months ended September 30, 2020 and 2019, respectively.

Our total software and products revenue in any particular period is, to a certain extent, dependent upon our ability to generate revenues from large customer software and products deals. Larger deals (transactions greater than \$0.1 million) represented 69% and 63% of our total software and products revenue in the six months ended September 30, 2020 and 2019, respectively.

Software and products revenue generated through indirect distribution channels was 95% of total software and products revenue in both the six months ended September 30, 2020 and September 30, 2019. Software and products revenue generated through direct distribution channels was 5% of total software and products revenue in both the six months ended September 30, 2020 and September 30, 2019. The dollar value of software and products revenue generated through indirect distribution channels increased \$15.0 million in the six months ended September 30, 2020 compared to the six months ended September 30, 2019. The dollar value of software and products revenue generated through direct distribution channels increased \$1.6 million in the six months ended September 30, 2020 compared to the six months ended September 30, 2019. Deals initiated by our direct sales force are sometimes transacted through indirect channels based on end-user customer requirements, which are not always in our control and can cause this overall percentage split to vary from period-to-period. As such, there may be fluctuations in the dollars and percentage of software and products revenue generated through our direct distribution channels from time-to-time. We believe that the growth of our software and products revenue, derived from both our indirect channel partners and direct sales force, are key attributes to our long-term growth strategy. We will continue to invest in both our channel relationships and direct sales force in the future, but we continue to expect more revenue to be generated through indirect distribution channels over the long term. The failure of our indirect distribution channels or our direct sales force to effectively sell our software applications could have a material adverse effect on our revenues and results of operations.

We also have a non-exclusive distribution agreement covering our North American commercial markets and our U.S. Federal Government market with Arrow Enterprise Computing Solutions, Inc. ("Arrow"), a subsidiary of Arrow Electronics, Inc. Pursuant to this distribution agreement, Arrow's primary role is to enable a more efficient and effective distribution channel for our products and services by managing our reseller partners and leveraging their own industry experience. We generated 36% and 37% of our total revenues through Arrow in the six months ended September 30, 2020 and 2019, respectively. If Arrow were to discontinue or reduce the sales of our products, or if

our agreement with Arrow was terminated, and if we were unable to take back the management of our reseller channel or find another North American distributor to replace Arrow, then it would have a material adverse effect on our future business.

Our services revenue was 57% of our total revenues for the six months ended September 30, 2020 and 60% of our total revenues for the six months ended September 30, 2019. Our services revenue is made up of fees from the delivery of customer support and other professional services, which are typically sold in connection with the sale of our software applications. Customer support agreements provide technical support and unspecified software updates on a when-and-if-available basis for an annual fee based on licenses purchased and the level of service subscribed. Other professional services include consulting, assessment and design services, implementation and post-deployment services and training, all of which to date have predominantly been sold in connection with the sale of software applications. Our newly launched software-as-a-service solution, branded Metallic, is also included in services revenue. Revenue from Metallic, which has not been material to date, is recognized ratably over the contract period.

### Foreign Currency Exchange Rates' Impact on Results of Operations

Sales outside the United States were 45% of our total revenue for the six months ended September 30, 2020 and 49% of our total revenue for the six months ended September 30, 2019. The results of our non-U.S. operations are translated into U.S. dollars at the average exchange rates for each applicable month in a period. To the extent the U.S. dollar weakens against foreign currencies, the translation of these foreign currency denominated transactions generally results in increased revenue, operating expenses and income from operations for our non-U.S. operations. Similarly, our revenue, operating expenses and net income will generally decrease for our non-U.S. operations if the U.S. dollar strengthens against foreign currencies.

Using the average foreign currency exchange rates from the three months ended September 30, 2019, our software and products revenue would have been lower by \$1.1 million, our services revenue would have been lower by \$1.6 million, our cost of sales would have been lower by \$0.4 million and our operating expenses would have been lower by \$1.2 million from non-U.S. operations for the three months ended September 30, 2020. Using the average foreign currency exchange rates for the six months ended September 30, 2019, our software and products revenue would have been lower by \$0.7 million, our services revenue would have been lower by \$0.4 million, our cost of sales would have been lower by \$0.2 million and our operating expenses would have been higher by \$0.2 million from non-U.S. operations for the six months ended September 30, 2020.

In addition, we are exposed to risks of foreign currency fluctuation primarily from cash balances, accounts receivables and intercompany accounts denominated in foreign currencies and are subject to the resulting transaction gains and losses, which are recorded as a component of General and administrative expenses. We recognized net foreign currency transaction losses of \$1.2 million and \$0.4 million for the three and six months ended September 30, 2020, respectively. We recognized net foreign currency transaction gain of \$0.1 million in the three months ended September 30, 2019, and a loss of less than \$0.1 million in the six months ended September 30, 2019

## Critical Accounting Policies

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. In many instances, we could have reasonably used different accounting estimates, and in other instances changes in the accounting estimates are reasonably likely to occur from period-to-period. Accordingly, actual results could differ significantly from the estimates made by our management. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

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

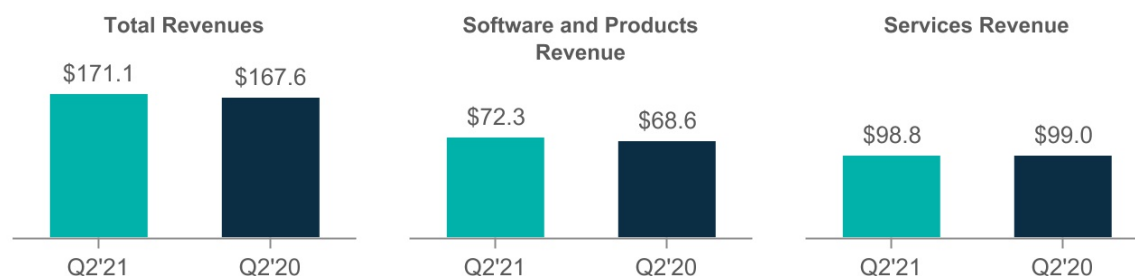
- Revenue Recognition;
- Accounting for Income Taxes
- Goodwill and Purchased Intangible Assets

There have been no significant changes in our critical accounting policies during the six months ended September 30, 2020 as compared to the critical accounting policies and estimates disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" included in our Annual Report on Form 10-K for the year ended March 31, 2020.

## Results of Operations

### Three months ended September 30, 2020 compared to three months ended September 30, 2019

Revenues (in millions)



– Total revenues increased \$3.6 million, or 2%.

- Software and products revenue represented 42% of our total revenue in the three months ended September 30, 2020 and 41% of our total revenue in the three months ended September 30, 2019.
- Larger deal revenue (deals greater than \$0.1 million) represented 66% of our software and products revenue in the three months ended September 30, 2020 and 64% of our software and products revenue in the three months ended September 30, 2019.

– Software and products revenue increased \$3.7 million, or 5%, as a result of the following:

- An increase of \$3.5 million, or 8%, in larger deal revenue.
- An increase of 11% in the volume of larger deal revenue transactions, offset by a decrease of 3% in the average dollar amount of such transactions.
- The average dollar amount of larger deal revenue transactions was approximately \$319 thousand and \$328 thousand for the three months ended September 30, 2020 and 2019, respectively.
- An increase of \$0.2 million in transactions less than \$0.1 million.

– Services revenue represented 58% of our total revenue in the three months ended September 30, 2020 and 59% of our total revenue in the three months ended September 30, 2019. Services revenue decreased \$0.2 million primarily due to the following:

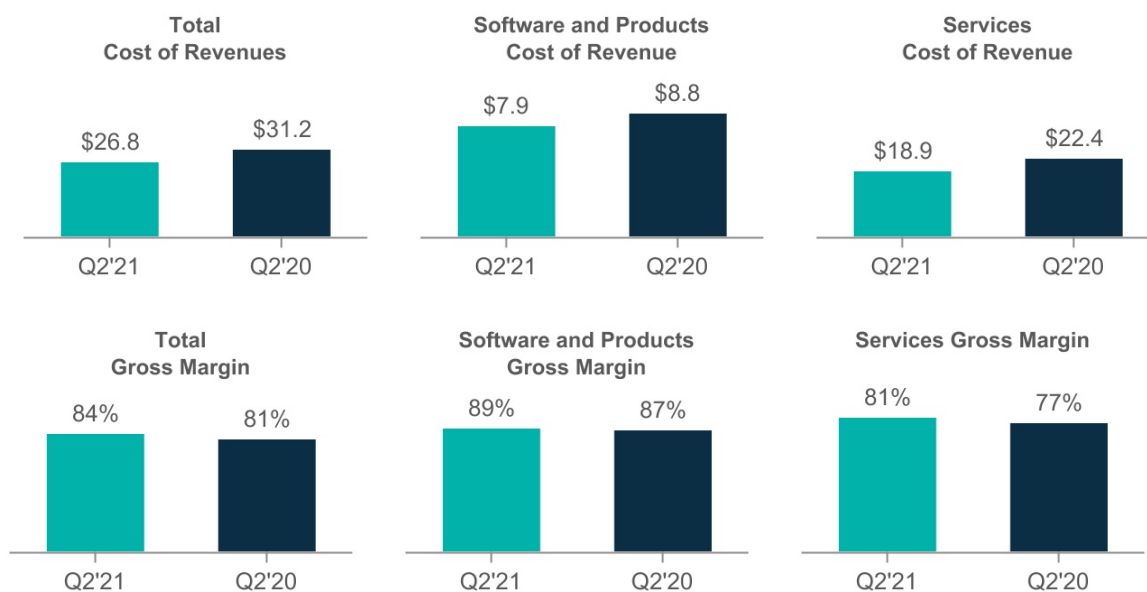
- An increase of \$0.4 million in training and consulting services.
- Offset by a decrease of \$0.6 million in revenue from customer support agreements.

We track software and products revenue on a geographic basis. The geographic regions that are tracked are the Americas (United States, Canada, Latin America), EMEA (Europe, Middle East, Africa) and APJ (Australia, New Zealand, Southeast Asia, China, Japan). Americas, EMEA and APJ represented 54%, 31% and 15% of total software and products revenue, respectively, for the three months ended September 30, 2020. Software and products revenue increased 9% year over year in the Americas and 3% in EMEA; whereas APJ declined 3%.

- The increase in Americas software and products revenue was the result of a 9% increase in larger deal transactions revenue driven by an increase in the volume of larger deal transactions.
- EMEA software and products revenue increased as a result of a 4% increase in revenue on deals under \$0.1 million.
- The decrease in APJ was the result of a 19% decrease in revenue from deals under \$0.1 million partially offset by a 13% increase in larger deal transactions.

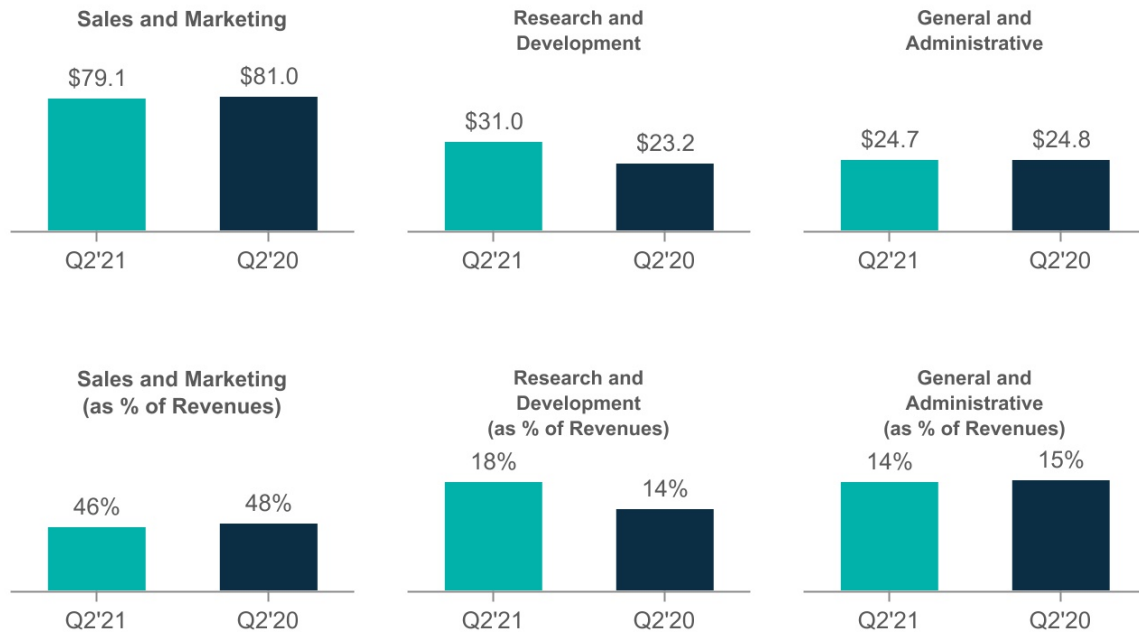
Our software and products revenue in EMEA and APJ is subject to changes in foreign exchange rates as more fully discussed above in the “Foreign Currency Exchange Rates’ Impact on Results of Operations” section.

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



- Total cost of revenues decreased \$4.4 million, representing 16% of our total revenues for the three months ended September 30, 2020 compared to 19% for the three months ended September 30, 2019. Temporary salary cuts during the second quarter of fiscal year 2021 related to COVID-19 resulted in savings in cost of revenues.
- Cost of software and products revenue decreased \$0.9 million, representing 11% of our total software and products revenue for the three months ended September 30, 2020 compared to 13% for the three months ended September 30, 2019. The decrease is the result of lower cost of sales associated with our appliance.
- Cost of services revenue decreased \$3.5 million, representing 19% of our total services revenue for the three months ended September 30, 2020 compared to 23% for the three months ended September 30, 2019. The decline in cost of services revenue is primarily related to the temporary salary cuts during the second quarter of fiscal year 2021 related to COVID-19.

Operating Expenses (\$ in millions)



- Sales and marketing expenses decreased \$1.9 million, or 2%, primarily due to the following:
  - Decreases related to the decline of travel expenses as a result of COVID-19.
  - Temporary salary cuts during the second quarter of fiscal year 2021 related to COVID-19.
- Research and development expenses increased \$7.7 million, or 33%, as a result of an increase in employee compensation and related expenses attributable to the expansion of our engineering group.
  - The increase is the result of additional headcount related to the acquisition of Hedvig including the stock-based compensation issued in connection with the transaction.
  - Additionally, certain Hedvig shareholders will receive cash payments totaling \$14.1 million over the course of the 30 months following the date of acquisition, subject to their continued employment with the Company. While these payments are proportionate to these shareholders' ownership of Hedvig, under GAAP they are accounted for as compensation expense over the course of the 30 month service period. Research and development expenses in the three months ended September 30, 2020 includes \$1.4 million of expense related to this arrangement.
  - These increases were partially offset by \$0.6 million in savings related to temporary pay cuts during the second quarter of fiscal year 2021.
  - Investing in research and development has been a priority for Commvault, and we anticipate continued spending related to the development of our data and information management software applications.
- General and administrative expenses remained flat primarily due to the following:
  - Reduction of \$3.6 million related to prior year expenses associated with a non-routine shareholder matter and Hedvig acquisition costs.
  - Offset by increases in legal expenses for intellectual property associated with ongoing litigation and foreign currency losses due to the weakening of the US dollar.

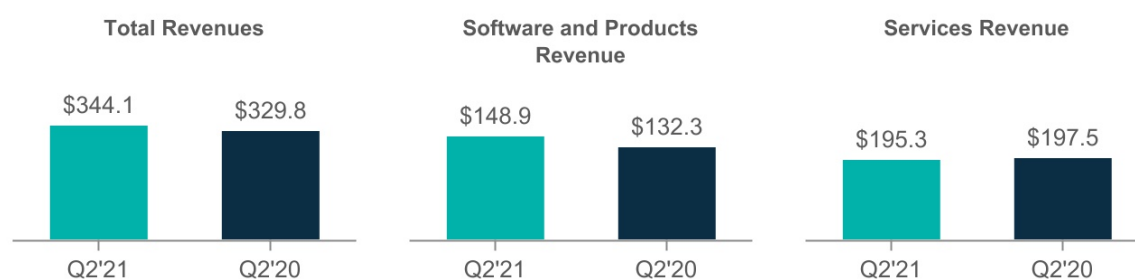
- **Restructuring:** Our restructuring plan is intended to increase efficiency in our sales, marketing and distribution functions as well as reduce costs across all functional areas. Restructuring expenses were \$5.8 million and \$12.9 million in the three months ended September 30, 2020 and 2019, respectively. These restructuring charges relate primarily to severance and related costs associated with headcount reductions as well as lease abandonment charges related to the closure of three offices in the second quarter of fiscal year 2021. These charges include \$0.6 million in both the three months ended September 30, 2020 and 2019, respectively, of stock-based compensation related to modifications of existing awards granted to certain employees included in the restructuring. We cannot guarantee the restructuring program will achieve its intended result. Risks associated with this restructuring program also include additional unexpected costs, adverse effects on employee morale and the failure to meet operational and growth targets due to the loss of key employees, any of which may impair our ability to achieve anticipated results of operations or otherwise harm our business.
- **Impairment of intangible assets:** In the second quarter of fiscal year 2021, we recorded non-cash impairment charges of \$40.7 million on the intangible assets (developed technology and customer relationships) acquired in connection with Hedvig, Inc. The charges were the result of a moderated view of acquisition assumptions.
- **Depreciation and amortization expense** increased \$2.3 million, from \$2.7 million in the three months ended September 30, 2019 to \$5.1 million in the three months ended September 30, 2020, driven by the amortization of intangible assets acquired as a result of the Hedvig business combination in October 2019.

### Income Tax Expense

Income tax benefit was \$0.5 million in the three months ended September 30, 2020 compared to expense of \$0.5 million in the three months ended September 30, 2019. The income tax benefit for the three months ended September 30, 2020 relates primarily to current federal and foreign benefits.

### Six months ended September 30, 2020 compared to six months ended September 30, 2019

#### Revenues (in millions)



- Total revenues increased \$14.4 million, or 4%.
  - Software and products revenue represented 43% of our total revenue in the six months ended September 30, 2020 and 40% of our total revenue in the six months ended September 30, 2019.
  - Larger deal revenue (deals greater than \$0.1 million) represented approximately 69% of our software and products revenue in the six months ended September 30, 2020 and 63% of our software and products revenue in the six months ended September 30, 2019.
- Software and products revenue increased \$16.6 million, or 13%, as a result of the following:
  - An increase of \$19.8 million, or 24%, in larger deal revenue.
  - An increase of 8% in the number of larger deal revenue transactions and an increase of 15% in the average dollar amount of such transactions.
  - The average dollar amount of larger deal revenue transactions was approximately \$359 thousand and \$313 thousand for the six months ended September 30, 2020 and 2019, respectively.
  - These increases were partially offset by a decrease of \$3.2 million in transactions less than \$0.1 million.



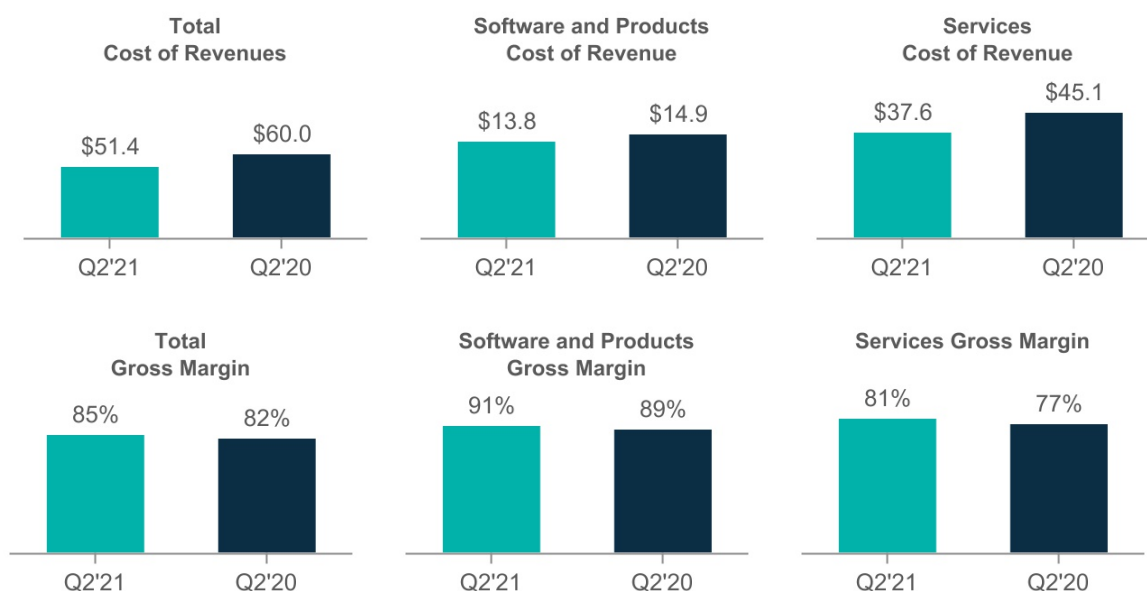
- Services revenue represented 57% of our total revenue in the six months ended September 30, 2020 and 60% of our total revenue in the six months ended September 30, 2019. Services revenue decreased \$2.2 million, or 1%, primarily due to the following:
  - A decrease of \$0.8 million in training and consulting services. In certain cases, the COVID-19 pandemic has impacted our ability to perform on-site professional services during the first half of the year.
  - A decrease of \$1.4 million in revenue from customer support agreements.

We track software and products revenue on a geographic basis. The geographic regions that are tracked are the Americas (United States, Canada, Latin America), EMEA (Europe, Middle East, Africa) and APJ (Australia, New Zealand, Southeast Asia, China, Japan). Americas, EMEA and APJ represented 61%, 27% and 12% of total software and products revenue, respectively, for the six months ended September 30, 2020. Software and products revenue increased 34% year over year in the Americas; whereas EMEA and APJ declined 5% and 19%, respectively.

- The increase in Americas software and products revenue was primarily the result of a 46% increase in revenue from larger deal transactions compared to the first half of prior year.
- EMEA software and products revenue decreased as a result of a 5% decrease in larger deal transactions revenue.
- The decrease in APJ was primarily the result of a decrease in the volume of revenue from larger deal transactions.

Our software and products revenue in EMEA and APJ is subject to changes in foreign exchange rates as more fully discussed above in the “Foreign Currency Exchange Rates” Impact on Results of Operations” section.

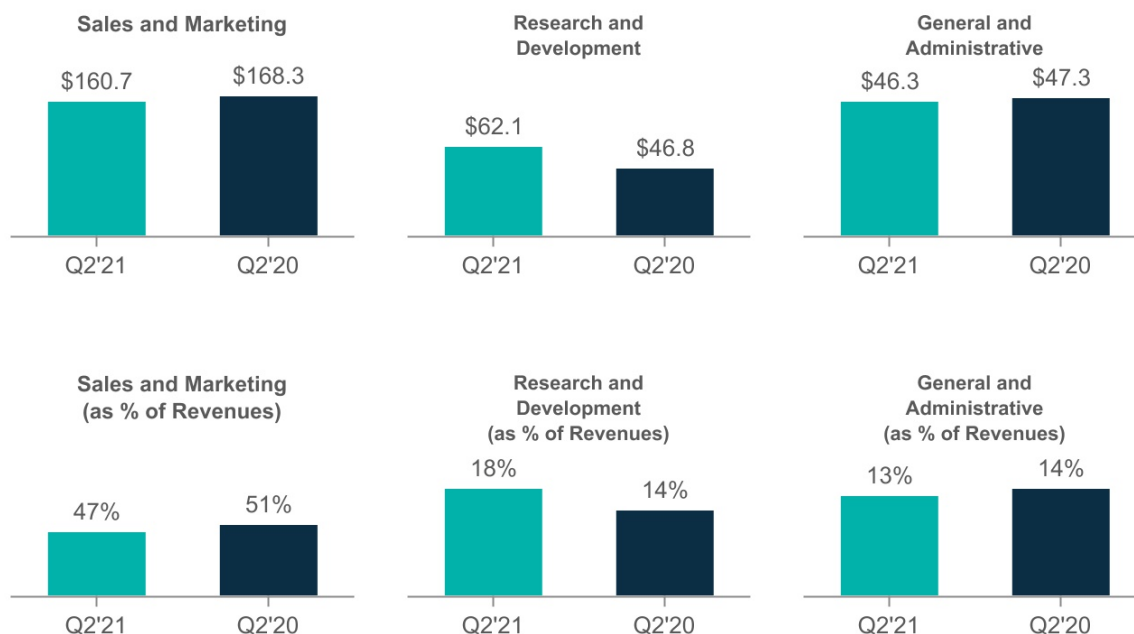
#### Cost of Revenues and Gross Margin (\$ in millions)



- Total cost of revenues decreased \$8.6 million, representing 15% of our total revenues for the six months ended September 30, 2020 compared to 18% for the six months ended September 30, 2019. Temporary salary cuts during fiscal year 2021 related to COVID-19 resulted in savings of \$1.1 million in cost of revenues.

- Cost of software and products revenue decreased \$1.1 million, representing 9% of our total software and products revenue for the six months ended September 30, 2020 compared to 11% for the six months ended September 30, 2019. The decrease is the result of lower cost of sales associated with our appliance.
- Cost of services revenue decreased \$7.5 million, representing 19% of our total services revenue for the six months ended September 30, 2020 compared to 23% for the six months ended September 30, 2019. The decline in cost of services revenue is primarily related to the decrease in expenses associated with the delivery of professional services revenue as well as temporary salary cuts during fiscal year 2021 related to COVID-19.

### Operating Expenses (\$ in millions)



- Sales and marketing expenses decreased \$7.6 million, or 5%, primarily due to the following:
  - Decreases related to the decline of travel expenses as a result of COVID-19.
  - Temporary salary cuts during fiscal year 2021 related to COVID-19.
- Research and development expenses increased \$15.3 million, or 33%, as a result of an increase in employee compensation and related expenses attributable to the expansion of our engineering group.
  - The increase is the result of additional headcount related to the acquisition of Hedvig including the stock-based compensation issued in connection with the transaction.
  - Additionally, certain Hedvig shareholders will receive cash payments totaling \$14.1 million over the course of the 30 months following the date of acquisition, subject to their continued employment with the Company. While these payments are proportionate to these shareholders' ownership of Hedvig, under GAAP they are accounted for as compensation expense over the course of the 30 month service period. Research and development expenses in the six months ended September 30, 2020 includes \$2.8 million of expense related to this arrangement.
  - These increases were partially offset by \$1.7 million in savings related to temporary pay cuts in the first half of fiscal year 2021.
  - Investing in research and development has been a priority for Commvault, and we anticipate continued spending related to the development of our data and information management software applications.
- General and administrative expenses decreased \$1.0 million, or 2%, primarily due to the following:

- Reduction of \$5.5 million related to prior year expenses associated with a non-routine shareholder matter and Hedvig acquisition costs.
  - Partially offset by increases in legal expenses for intellectual property associated with ongoing litigation and foreign currency losses due to the weakening of the US dollar.
- Restructuring: Our restructuring plan is intended to increase efficiency in our sales, marketing and distribution functions as well as reduce costs across all functional areas. Restructuring expenses were \$8.1 million and \$16.9 million in the six months ended September 30, 2020 and 2019, respectively. These restructuring charges relate primarily to severance and related costs associated with headcount reductions as well as lease abandonment charges related to the closure of five offices in the first half of fiscal year 2021 and three offices in the first half of fiscal year 2020. These charges include \$0.7 million for the six months ended September 30, 2020 and \$1.0 million for the six months ended September 30, 2019 of stock-based compensation related to modifications of existing awards granted to certain employees included in the restructuring. We cannot guarantee the restructuring program will achieve its intended result. Risks associated with this restructuring program also include additional unexpected costs, adverse effects on employee morale and the failure to meet operational and growth targets due to the loss of key employees, any of which may impair our ability to achieve anticipated results of operations or otherwise harm our business.
- Impairment of intangible assets: In the second quarter of fiscal year 2021, we recorded non-cash impairment charges of \$40.7 million on the intangible assets (developed technology and customer relationships) acquired in connection with Hedvig, Inc. The charges were the result of a moderated view of acquisition assumptions.
- Depreciation and amortization expense increased \$4.8 million, from \$5.3 million in the six months ended September 30, 2019 to \$10.1 million in the six months ended September 30, 2020, driven by the amortization of intangible assets acquired as a result of the Hedvig business combination in October 2019.

### *Income Tax Expense*

Income tax expense was \$4.2 million in the six months ended September 30, 2020 compared to expense of \$2.6 million in the six months ended September 30, 2019. In the fourth quarter of fiscal 2020, we recorded a current tax benefit of approximately \$10.0 million which represented our estimate of the net operating loss carryback resulting from the CARES Act. In the first quarter of fiscal 2021, we recorded an adjustment of \$3.2 million to reduce the current benefit of the net operating loss carryback benefit we will realize from the CARES Act.

### **Liquidity and Capital Resources**

As of September 30, 2020, our cash and cash equivalents balance of \$383.2 million primarily consisted of cash. In addition, we have approximately \$10.8 million of short-term investments invested in U.S. Treasury Bills. In recent fiscal years, our principal source of liquidity has been cash provided by operations.

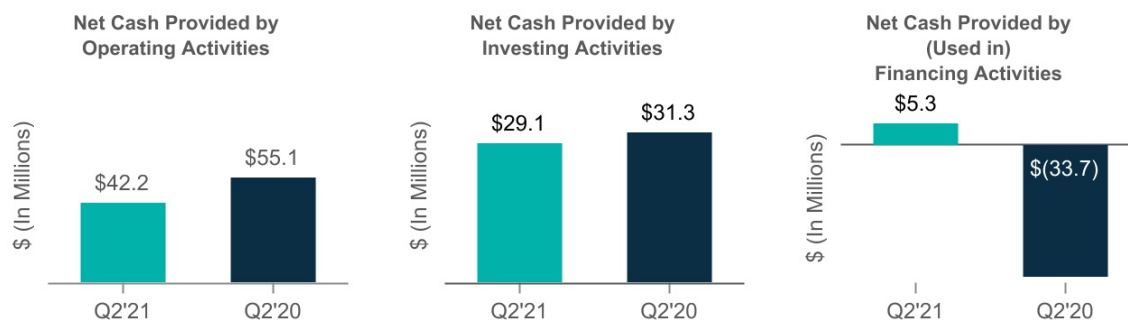
As of September 30, 2020, the amount of cash and cash equivalents held outside of the United States by our foreign legal entities was approximately \$162.7 million. These balances are dispersed across many international locations around the world. We believe that such dispersion meets the current and anticipated future liquidity needs of our foreign legal entities. In the event we needed to repatriate funds from outside of the United States, such repatriation would likely be subject to restrictions by local laws and/or tax consequences including foreign withholding taxes.

We did not repurchase any shares of our common stock under our share repurchase program during the three and six months ended September 30, 2020. Under our stock repurchase program, repurchased shares are constructively retired and returned to unissued status. Our stock repurchase program has been funded by our existing cash and cash equivalent balances as well as cash flows provided by our operations. As of October 27, 2020, \$200.0 million remained in our current stock repurchase authorization which expires on March 31, 2022.

Our future stock repurchase activity is subject to the business judgment of our management and Board of Directors, taking into consideration our historical and projected results of operations, financial condition, cash flows and other anticipated capital requirements or investment alternatives. Our stock repurchase program reduces the dilutive impact on our common shares outstanding associated with stock option exercises and our previous public and private stock offerings through the repurchase of common stock.

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

	<b>Six Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
Net cash provided by operating activities	\$ 42,242	\$ 55,119
Net cash provided by investing activities	29,138	31,262
Net cash provided by (used in) financing activities	5,271	(33,701)
Effects of exchange rate-changes in cash	10,420	(3,047)
Net increase in cash, cash equivalents and restricted cash	<u>\$ 87,071</u>	<u>\$ 49,633</u>



- Net cash provided by operating activities was impacted by net loss adjusted for the impact of non-cash charges partially offset by a decrease in accrued expenses.
- Net cash provided by investing activities was related to net proceeds from the maturity of short-term investments of \$32.8 million partially offset by \$3.7 million of capital expenditures.
- Net cash provided by financing activities was the result of \$5.3 million of proceeds from the exercise of stock options and purchases of our stock under the Employee Stock Purchase Plan.

Working capital increased \$59.2 million from \$185.1 million as of March 31, 2020 to \$244.3 million as of September 30, 2020. The net increase in working capital is primarily the result of cash flow from operations.

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

### Off-Balance Sheet Arrangements

As of September 30, 2020, we did not have off-balance sheet financing arrangements, including any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities.

## Indemnifications

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

## Impact of Recently Issued Accounting Standards

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

## Item 3 - Quantitative and Qualitative Disclosures about Market Risk

### *Interest Rate Risk*

As of September 30, 2020, our cash and cash equivalents and short-term investments consisted primarily of cash and U.S. Treasury Bills. Due to the short-term nature of these investments, we are not subject to any material interest rate risk on these balances.

### *Foreign Currency Risk*

#### *Economic Exposure*

As a global company, we face exposure to adverse movements in foreign currency exchange rates. Our international sales are generally denominated in foreign currencies and this revenue could be materially affected by currency fluctuations. Approximately 45% of our sales were outside the United States for the six months ended September 30, 2020. Our primary exposures are to fluctuations in exchange rates for the U.S. dollar versus the Euro, and to a lesser extent, the Australian dollar, British pound sterling, Canadian dollar, Chinese yuan, Indian rupee, Korean won and Singapore dollar. Changes in currency exchange rates could adversely affect our reported revenues and require us to reduce our prices to remain competitive in foreign markets, which could also have a material adverse effect on our results of operations. Historically, we have periodically reviewed and revised the pricing of our products available to our customers in foreign countries and we have not maintained excess cash balances in foreign accounts.

#### *Transaction Exposure*

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

Foreign currency transaction gains and losses are recorded in General and administrative expenses in the Consolidated Statements of Operations. We recognized net foreign currency transaction losses of \$1.2 million and \$0.4 million for the three and six months ended September 30, 2020, respectively. We recognized net foreign transaction gain of \$0.1 million and a loss of less than \$0.1 million for the three and six months ended September 30, 2019, respectively. The net foreign currency transaction gains and losses recorded in General and administrative expenses include settlement gains and losses on forward contracts disclosed below.

## Item 4 - Controls and Procedures

### *Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of September 30, 2020. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2020.

### ***Changes in Internal Control over Financial Reporting***

There was no change in our internal control over financial reporting that occurred during the second quarter of fiscal 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### ***Inherent Limitations on Internal Controls***

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

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

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

### Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended March 31, 2020, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. If any of the risks actually occur, our business, financial conditions or results of operations could be negatively affected. In that case, the trading price of our stock could decline, and our stockholders may lose part or all of their investment.

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

#### *Purchases of Equity Securities by the Issuer*

There were no purchases of our common stock during the three months ended September 30, 2020.

### Item 3. Defaults upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not Applicable.

### Item 5. Other Information

As reported in our 8-K filed on August 28, 2020, at our fiscal 2020 Annual Meeting of Stockholders held on August 27, 2020, the stockholders approved the Commvault Systems, Inc. Omnibus Incentive Plan as amended by the Fourth Amendment (the "Incentive Plan"), pursuant to which we may grant awards to its officers, employees, directors, consultants, independent contractors and agents and those of its affiliates. Awards that may be granted under the Incentive Plan include stock options, stock appreciation rights, full value awards (including restricted stock, restricted stock units, performance shares or units and other stock-based awards) and cash-based awards. The Fourth Amendment increased the number of shares available for issuance under the Incentive Plan by 1,000,000 shares for a total of 8,050,000 shares of Common Stock.

A more complete description of the Incentive Plan is contained in our [proxy statement](#), dated July 7, 2020, as filed with the Securities and Exchange Commission ("Proxy Statement"), under the heading "[Proposal 4 - Approval of Commvault Systems, Inc. Omnibus Incentive Plan, as amended by the Fourth Amendment](#)" which is incorporated herein by reference. The descriptions of the Incentive Plan set forth herein and in the Proxy Statement are qualified in their entirety by reference to the complete text of the Commvault Systems, Inc. Omnibus Incentive Plan (as amended by the Fourth Amendment Thereof), which is incorporated by reference to [Exhibit 10.1](#) hereof.

## Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
<a href="#">3.1</a>	Amended and Restated Certificate of Incorporation of Commvault Systems, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed August 28, 2020)
<a href="#">3.2</a>	Third Amended and Restated Bylaws of Commvault Systems, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Form 8-K filed August 28, 2020)
<a href="#">10.1</a>	Commvault Systems, Inc. Omnibus Incentive Plan (as amended by the Fourth Amendment Thereof)
<a href="#">31.1</a>	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<a href="#">31.2</a>	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<a href="#">32.1</a>	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<a href="#">32.2</a>	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)



## Signatures

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

Commvault Systems, Inc.

Dated: October 28, 2020

By: /s/ Sanjay Mirchandani  
Sanjay Mirchandani  
Director, President and Chief Executive Officer

Dated: October 28, 2020

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

**COMMVault SYSTEMS, INC.  
OMNIBUS INCENTIVE PLAN**

**(As Amended Through the Fourth Amendment Thereof)**

1. **PURPOSE.** Commvault Systems, Inc. (the “Company”) has established the Commvault Systems, Inc. Omnibus Incentive Plan (the “Plan”) to (a) attract and retain employees, directors and other persons providing services to the Company and its Related Companies (as defined herein); (b) advance the interests of the Company and its stockholders by providing employees, directors and other persons providing services to the Company and its Related Companies, upon whose judgment, initiative and efforts the Company largely depend, with appropriate incentives to perform in a superior manner and achieve long-range goals, (c) to provide incentive compensation opportunities that are competitive with other similar companies, and (d) to further align the interests of Participants’ (as defined herein) with those of the Company’s stockholders, and to thereby promote the long-term financial interests of the Company and the Related Companies, including the growth in value of the Company’s equity and long-term stockholder return.

2. **DEFINITIONS.** As used in the Plan, the following defined terms have the meanings indicated below:

2.1 “**Agreement**” has the meaning set forth in subsection 9.8.

2.2 “**Award**” means any award permitted to be granted pursuant to the provisions of the Plan.

2.3 “**Board**” means the Board of Directors of the Company.

2.4 “**Cash Incentive Award**” has the meaning set forth in subsection 7.1(b).

2.5 “**Cause**” means, unless otherwise provided by the Committee or as set forth in a separate agreement between the Company and the Participant, a Participant’s termination of employment or other services for gross negligence, personal dishonesty, incompetence, willful misconduct, any breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, or the willful violation of any law, rule or regulation (other than traffic violations or similar offenses).

2.6 “**Code**” means the Internal Revenue Code of 1986, as amended. Any reference to a specific provision of the Code includes the successor provision(s) and the regulations promulgated.

2.7 “**Committee**” has the meaning specified in subsection 3.1.

2.8 “**Common Stock**” means the common stock of the Company.

2.9 “**Company**” has the meaning set forth in Section 1.

2.10 “**Disability**” shall mean, unless otherwise provided by the Committee, that an individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. Whether an individual has a “Disability” shall be determined in a manner that is consistent with Code Section 22(e)(3). Notwithstanding the foregoing, if a Participant has an employment

agreement with the Company or Related Company and such employment agreement defines “disability”, then “Disability used herein shall have the meaning as set forth in such employment agreement.

2.11 “Effective Date” has the meaning set forth in subsection 9.1.

2.12 “Eligible Individual” means any officer, director or other employee of the Company or a Related Company, consultants, independent contractors or agents of the Company or a Related Company, and persons who are expected to become officers, employees, directors, consultants, independent contractors or agents of the Company or a Related Company (but effective no earlier than the date on which such Person begins to provide services to the Company or a Related Company), including, in each case, Outside Directors.

2.13 “Exchange Act” means the Securities Exchange Act of 1934, as amended. Any reference to a specific provision of the Exchange Act includes the successor provision(s) and the regulations promulgated thereunder.

2.14 “Expiration Date” has the meaning set forth in subsection 6.10 of the Plan.

2.15 “Fair Market Value” of a share of Common Stock means, as of any date, the value determined in accordance with the following rules:

- (a) If the Common Stock is at the time listed or admitted to trading on any stock exchange, then the Fair Market Value shall be the closing price per share of Common Stock on such date on the principal exchange on which the Common Stock is then listed or admitted to trading or, if no such sale is reported on that date, on the last preceding date on which a sale was so reported.
- (b) If the Common Stock is not at the time listed or admitted to trading on a stock exchange, the Fair Market Value shall be the closing average of the closing bid and asked price of a share of Common Stock on the date in question in the over-the-counter market, as such price is reported in a publication of general circulation selected by the Committee and regularly reporting the market price of Common Stock in such market.
- (c) If the Common Stock is not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, the Fair Market Value shall be as determined by the Committee in good faith.

2.16 “Full Value Award” has the meaning set forth in subsection 7.1(a).

2.17 “Incentive Stock Option” means an Option that is intended to satisfy the requirements applicable to an “incentive stock option” described in Code Section 422.

2.18 “Non-Qualified Stock Option” means an Option that is not intended to be an Incentive Stock Option.

2.19 “Option” has the meaning set forth in subsection 6.1(a) of the Plan.

2.20 “Outside Director” means a director of the Company who is not an officer or employee of the Company or the Related Companies.

2.21 “Participant” means an Eligible Individual who receives an Award under the Plan as described in Section 5.

2.22 “Performance-Based Compensation” has the meaning set forth in subsection 7.3.

2.23 “Performance Criteria” means one or more of the following criteria (i) earnings including operating income, net operating income, earnings before or after taxes, earnings before or after interest, depreciation, amortization, or extraordinary or special items or book value per share (which may exclude nonrecurring items) or net earnings; (ii) pre-tax income or after-tax income; (iii) earnings per share (basic or diluted); (iv) operating profit; (v) revenue, revenue growth or rate of revenue growth; (vi) return on assets (gross or net), return on investment (including cash flow return on investment), return on capital (including return on total capital or return on invested capital), or return on equity; (vii) returns on sales or revenues; (viii) operating expenses; (ix) stock price appreciation; (x) cash flow (before or after dividends), free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, cash flow in excess of cost of capital or cash flow per share (before or after dividends); (xi) implementation or completion of critical projects or processes; (xii) economic value created; (xiii) cumulative earnings per share growth; (xiv) operating margin or profit margin; (xv) stock price or total stockholder return; (xvi) cost targets, reductions and savings, productivity and efficiencies; (xvii) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion, customer satisfaction, employee satisfaction, human resources management, supervision of litigation and other legal matters, information technology, and goals relating to contributions, dispositions, acquisitions, development and development related activity, capital markets activity and credit ratings, joint ventures and other private capital activity including generating incentive and other fees and raising equity commitments, and other transactions, and budget comparisons; (xviii) personal professional objectives, including any of the foregoing performance targets, the implementation of policies and plans, the negotiation of transactions, the development of long term business goals, formation and reorganization of joint ventures and other private capital activity including generating incentive and other fees and raising equity commitments, research or development collaborations, and the completion of other corporate transactions; (xix) economic value added (or an equivalent metric); (xx) stock price performance; (xxi) improvement in or attainment of expense levels or working capital levels; (xxii) operating metrics including projects added, construction value added, active projects and number of organizations, (xxiii) contract value or bookings, or (xxiv) any combination of, or a specified increase in, any of the foregoing. Where applicable, the performance targets may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the Company, a Related Company, or a division or strategic business unit of the Company, or may be applied to the performance of the Company relative to a market index, a group of other companies or a combination thereof, all as determined by the Committee. The performance targets may include a threshold level of performance below which no payment will be made (or no vesting will occur), levels of performance at which specified payments will be made (or specified vesting will occur), and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur).

2.24 “Plan” has the meaning set forth in Section 1.

2.25 “Prior Plan” means the Commvault Systems, Inc. Long-Term Stock Incentive Plan.

2.26 “Related Company” shall mean any corporation, partnership, joint venture or other entity during any period in which (i) the Company, directly or indirectly, owns at least 50% of the combined voting power of all classes of stock of such entity or at least 50% of the ownership interests in such entity or (ii) such entity, directly or indirectly, owns at least 50% of the combined voting power of all classes of stock of the Company.

2.27 “SAR” or “Stock Appreciation Right” means the grant of an Award under the Plan that entitles the Participant to receive, in cash or shares of Common Stock (as determined in accordance with the terms of the Plan) value equal to the excess of: (i) the Fair Market Value of a specified number of shares of Common Stock at the time of exercise; over (ii) an Exercise Price established by the Committee at the time of grant.

2.28 “SEC” means the United States Securities and Exchange Commission.

2.29 “Stockholders’ Meeting” means the first regular annual meeting of the Company’s stockholders that occurs after the Effective Date.

2.30 “Subsidiary” shall mean a corporation that is a subsidiary of the Company within the meaning of Code Section 424(f).

2.31 “Substitute Award” means an Award granted or shares of Common Stock issued by the Company in assumption of, or in substitution or exchange for, an award previously granted, or the right or obligation to make a future award, in all cases by a company acquired by the Company or any Related Company or with which the Company or any Related Company combines. In no event shall the issuance of Substitute Awards change the terms of such previously granted awards such that the change, if applied to a current Award, would be prohibited under subsection 6.8.

2.32 “Termination Date” means the date on which a Participant both ceases to be an employee of the Company and the Related Companies and ceases to perform material services for the Company and the Related Companies (whether as a director or otherwise), regardless of the reason for the cessation; provided that a “Termination Date” shall not be considered to have occurred during the period in which the reason for the cessation of services is a leave of absence approved by the Company or the Related Company which was the recipient of the Participant’s services; and provided further that, with respect to an Outside Director, “Termination Date” means date on which the Outside Director’s service as an Outside Director terminates for any reason.

### 3. ADMINISTRATION.

3.1 General. The authority to control and manage the operation and administration of the Plan shall be vested in the committee described in subsection 3.2 (the “Committee”) in accordance with this Section 3. If the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

3.2 Selection of Committee. So long as the Company is subject to Section 16 of the Exchange Act, the Committee shall be selected by the Board and shall consist of not fewer than two members of the Board or such greater number as may be required for compliance with Rule 16b-3 issued under the Exchange Act and shall be comprised of persons who are independent for purposes of applicable stock exchange listing requirements. Any Award granted under the Plan which is intended to constitute Performance-Based Compensation (including Options and SARs) shall be granted by a Committee consisting solely of two or more “outside directors” within the meaning of Code Section 162(m) and applicable regulations. Notwithstanding any other provision of the Plan to the contrary, with respect to any Awards to Outside Directors, the Committee shall be the Board.

3.3 Powers of Committee. The authority to manage and control the operation and administration of the Plan shall be vested in the Committee, subject to the following:

- (a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to (i) select Eligible Individuals who will receive Awards under the Plan, (ii) determine the time or times of receipt of Awards, (iii) determine the types of Awards and the number of shares of Common Stock covered by the Awards, (iv) establish the terms, conditions, performance targets, restrictions, and other provisions of Awards, (v) modify the terms of, cancel or suspend Awards, (vi) reissue or repurchase Awards, and (vii) accelerate the exercisability or vesting of any Award. In making such Award determinations, the Committee may take into account the nature of services rendered by the respective employee, the individual's present and potential contribution to the Company's or a Related Company's success and such other factors as the Committee deems relevant.
- (b) Subject to the provisions of the Plan, the Committee will have the authority and discretion to determine the extent to which Awards under the Plan will be structured to conform to the requirements applicable to Performance-Based Compensation, and to take such action, establish such procedures, and impose such restrictions at the time such Awards are granted as the Committee determines to be necessary or appropriate to conform to such requirements.
- (c) Subject to the provisions of the Plan, the Committee will have the authority and discretion to conclusively interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any agreements made pursuant to the Plan and to make all other determinations that may be necessary or advisable for the administration of the Plan.
- (d) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.
- (e) Except as otherwise expressly provided in the Plan, where the Committee is authorized to make a determination with respect to any Award, such determination shall be made at the time the Award is made, except that the Committee may reserve the authority to have such determination made by the Committee in the future.

3.4 Delegation by Committee. Except to the extent prohibited by applicable law or the rules of any stock exchange on which the Common Stock is listed, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

3.5 Information to be Furnished to Committee. The Company and the Related Companies shall furnish the Committee such data and information as may be required for it to discharge its duties. The records of the Company and the Related Companies as to an employee's or Participant's employment or provision of services, termination of employment or cessation of the provision of services, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee consider desirable to carry out the terms of the Plan.

3.6 Limitation on Liability and Indemnification of Committee. No member or authorized delegate of the Committee shall be liable to any person for any action taken or omitted in connection with the administration of

the Plan unless attributable to his own fraud or willful misconduct; nor shall the Company or any Related Company be liable to any person for any such action unless attributable to fraud or willful misconduct on the part of a director or employee of the Company or Related Company. The Committee, the individual members thereof, and persons acting as the authorized delegates of the Committee under the Plan, shall be indemnified by the Company against any and all liabilities, losses, costs and expenses (including legal fees and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Committee or its members or authorized delegates by reason of the performance of a Committee function if the Committee or its members or authorized delegates did not act dishonestly or in willful violation of the law or regulation under which such liability, loss, cost or expense arises. This indemnification shall not duplicate but may supplement any coverage available under any applicable insurance.

#### 4. STOCK RESERVED AND LIMITATIONS.

4.1 Shares and Other Amounts Subject to the Plan. The shares of Common Stock for which Awards may be granted under the Plan shall be subject to the following:

- (a) The shares of Common Stock with respect to which Awards may be made under the Plan shall be shares currently authorized but unissued or currently held or subsequently acquired by the Company as treasury shares, including shares purchased in the open market or in private transactions.
- (b) Subject to the provisions of subsection 4.2, the number of shares of Common Stock which may be issued with respect to Awards under the Plan shall be equal to 8,050,000. Except as otherwise provided herein, any shares of Common Stock subject to an Award under the Plan which for any reason is forfeited, expires or is terminated without issuance of shares of Common Stock (including shares that are attributable to Awards that are settled in cash) and shares of Stock that are withheld in payment of taxes payable with respect to the vesting or settlement of a Full Value Award shall thereafter be available for further grants under the Plan. Shares of Stock that are tendered or withheld in payment of the Exercise Price of an Option or shares of Stock that are withheld in payment of taxes payable with respect to the exercise of an Option or SAR shall not be available for further grants under the Plan.
- (c) Substitute Awards shall not reduce the number of shares of Common Stock that may be issued under the Plan or that may be covered by Awards granted to any one Participant during any period pursuant to subsections 4.1(g) and 4.1(h).
- (d) Except as expressly provided by the terms of this Plan, the issue by the Company of stock of any class, or securities convertible into shares of stock of any class, for cash or property or for labor or services, either upon direct sale, upon the exercise of rights or warrants to subscribe therefor or upon conversion of stock or obligations of the Company convertible into such stock or other securities, shall not affect, and no adjustment by reason thereof, shall be made with respect to Awards then outstanding hereunder.
- (e) To the extent provided by the Committee, any Award may be settled in cash rather than in Common Stock.

- (f) Subject to the terms and conditions of the Plan, the maximum number of shares of Common Stock that may be delivered to Participants and their beneficiaries with respect to Incentive Stock Options under the Plan shall be 3,550,000; provided, however, that to the extent that shares not delivered must be counted against this limit as a condition of satisfying the rules applicable to Incentive Stock Options, such rules shall apply to the limit on Incentive Stock Options granted under the Plan.
- (g) The maximum number of shares of Common Stock that may be covered by Awards granted to any one Participant during any one calendar-year period pursuant to Section 6 (relating to Options and SARs) shall be 500,000 shares if such awards are intended to constitute Performance-Based Compensation. For purposes of this subsection 4.1(g), if an Option is in tandem with an SAR, such that the exercise of the Option or SAR with respect to a share of Common Stock cancels the tandem SAR or Option right, respectively, with respect to such share, the tandem Option and SAR rights with respect to each share of Common Stock shall be counted as covering only one share of Common Stock for purposes of applying the limitations of this subsection 4.1(g). For purposes of the Plan, it will be assumed that the grant of any Option or SAR is intended to constitute Performance-Based Compensation unless the Committee specified otherwise.
- (h) For Full Value Awards that are intended to be Performance-Based Compensation, no more than 250,000 shares of Common Stock may be delivered pursuant to such Awards granted to any one Participant during any one calendar year period (regardless of whether settlement of the Award is to occur prior to, at the time of, or after the time of vesting); provided that Awards described in this 4.1(h) shall be subject to the following:
  - (i) If the Awards are denominated in Common Stock but an equivalent amount of cash is delivered in lieu of delivery of shares of Common Stock, the foregoing limit shall be applied based on the methodology used by the Committee to convert the number of shares of Common Stock into cash.
  - (ii) If delivery of Common Stock or cash is deferred until after the Common Stock has been earned, any adjustment in the amount delivered to reflect actual or deemed investment experience after the date the Common Stock is earned shall be disregarded.
- (i) For Cash Incentive Awards that are intended to be Performance-Based Compensation, the maximum amount payable to any Participant with respect to any twelve (12) month performance period shall equal \$2,500,000 (pro rated for performance periods that are greater or lesser than twelve (12) months); provided that Awards described in this subsection 4.1(i), shall be subject to the following:
  - (i) If the Awards are denominated in cash but an equivalent amount of Common Stock is delivered in lieu of delivery of cash, the foregoing limit shall be applied to the cash based on the methodology used by the Committee to convert the cash into Common Stock.
  - (ii) If delivery of Common Stock or cash is deferred until after cash has been earned, any adjustment in the amount delivered to reflect actual or deemed investment experience after the date the cash is earned shall be disregarded.



- (j) In the case of any Award to an Outside Director, in no event shall the dollar value of the Award granted to any Outside Director for any calendar year (determined as of the date of grant) exceed \$500,000, except for the initial year of directorship in which the dollar value shall not exceed \$1,000,000.

4.2 Adjustments to Shares of Common Stock. In the event of a stock dividend, stock split, reverse stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, exchange of shares, sale of assets or subsidiaries, combination, or other corporate transaction that affects the Common Stock such that the Committee determines, in its sole discretion, that an adjustment is warranted in order to preserve the benefits or prevent the enlargement of benefits of Awards under the Plan, the Committee shall, in the manner it determines equitable in its sole discretion, (a) adjust the number and kind of shares which may be delivered under the Plan (including adjustments to the number and kind of shares that may be granted to an individual during any specified time as described in subsection 4.1); (b) adjust the number and kind of shares subject to outstanding Awards; (c) adjust the Exercise Price of outstanding Options and SARs; and (d) make any other adjustments that the Committee determines to be equitable (which may include, without limitation, (i) replacement of Awards with other awards which the Committee determines have comparable value and which are based on stock of a company resulting from the transaction, and (ii) cancellation of the Award in return for cash payment of the current value of the Award, determined as though the Award is fully vested at the time of payment, provided that in the case of an Option or SAR, the amount of such payment may be the excess of value of the shares of Common Stock subject to the Option or SAR at the time of the transaction over the exercise price).

5. PARTICIPATION. For purposes of the Plan, a "Participant" is any person to whom an Award is granted under the Plan. Subject to the terms and conditions of the Plan, the Committee shall determine and designate, from time to time, from among the Eligible Individuals those persons who will be granted one or more Awards under the Plan and, subject to the terms and conditions of the Plan, a Participant may be granted any Award permitted under the provisions of the Plan and more than one Award may be granted to a Participant. Except as otherwise agreed by the Company and the Participant, or except as otherwise provided in the Plan, an Award under the Plan shall not affect any previous Award under the Plan or an award under any other plan maintained by the Company or the Related Companies.

## 6. STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

### 6.1 Definitions.

- (a) The grant of an "Option" under the Plan entitles the Participant to purchase shares of Common Stock at an Exercise Price established by the Committee at the time the Option is granted. Options granted under this Section 6 may be either Incentive Stock Options or Non-Qualified Stock Options, as determined in the discretion of the Committee; provided, however, that Incentive Stock Options may only be granted to employees of the Company or a Subsidiary. An Option will be deemed to be a Non-Qualified Stock Option unless it is specifically designated by the Committee as an Incentive Stock Option.
- (b) A grant of a "Stock Appreciation Right" or "SAR" entitles the Participant to receive, in cash or shares of Common Stock (as determined in accordance with the terms of the Plan) value equal to the excess of: (i) the Fair Market Value of a specified number of shares of Common Stock at the time of exercise; over (ii) an Exercise Price established by the Committee at the time of grant.

6.2 Eligibility. The Committee shall designate the Participants to whom Options or SARs are to be granted under this Section 6 and shall determine the number of shares of Common Stock subject to each such Option or SAR and the other terms and conditions thereof, not inconsistent with the Plan. Without limiting the generality of the foregoing, the Committee may not grant dividend equivalents (current or deferred) with respect to any Option or SAR granted under the Plan.

6.3 Limits on Incentive Stock Options. If the Committee grants Incentive Stock Options, then to the extent that the aggregate fair market value of shares of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any individual during any calendar year (under all plans of the Company and all Subsidiaries) exceeds \$100,000, such Options shall be treated as Non-Qualified Stock Options to the extent required by Code Section 422. Any Option that is intended to constitute an Incentive Stock Option shall satisfy any other requirements of Code Section 422 and, to the extent such Option does not satisfy such requirements, the Option shall be treated as a Non-Qualified Stock Option.

6.4 Exercise Price. The "Exercise Price" of an Option or SAR shall be established by the Committee at the time the Option or SAR is granted; provided, however, that in no event shall such price be less than 100% of the Fair Market Value of a share of Common Stock on such date (or, if greater, the par value of a share of Common Stock on such date).

6.5 Exercise/Vesting. Except as otherwise expressly provided in the Plan, an Option or SAR granted under the Plan shall be exercisable in accordance with the following:

- (a) The terms and conditions relating to exercise and vesting of an Option or SAR shall be established by the Committee to the extent not inconsistent with the Plan, and may include, without limitation, conditions relating to completion of a specified period of service, achievement of performance standards prior to exercise or the achievement of stock ownership guidelines by the Participant.
- (b) No Option or SAR may be exercised by a Participant prior to the date on which it is exercisable (or vested) or after the Expiration Date applicable thereto.

6.6 Payment of Exercise Price. The payment of the Exercise Price of an Option granted under this Section 6 shall be subject to the following:

- (a) Subject to the following provisions of this subsection 6.6, the full Exercise Price of each share of Common Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise through the use of cash equivalents, payment may be made as soon as practicable after the exercise) and, as soon as practicable thereafter, a certificate representing the shares of Common Stock so purchased shall be delivered to the person entitled thereto or shares of Common Stock so purchased shall otherwise be registered in the name of the Participant on the records of the Company's transfer agent and credited to the Participant's account.
- (b) Subject to applicable law, the Exercise Price shall be payable in cash or cash equivalents, by tendering, by actual delivery or by attestation, shares of Common Stock valued at Fair Market Value as of the day of exercise or by a combination thereof; provided, however, that shares of Common Stock may not be used to pay any portion of the Exercise Price unless the holder thereof has good title, free and clear of all liens and encumbrances.

6.7 Post-Exercise Limitations. The Committee, in its discretion, may impose such restrictions on shares of Common Stock acquired pursuant to the exercise of an Option as it determines to be desirable, including, without limitation, restrictions relating to disposition of the shares and forfeiture restrictions based on service, performance, Common Stock ownership by the Participant, conformity with the Company's recoupment or clawback policies and such other factors as the Committee determines to be appropriate.

6.8 No Repricing. Except for either adjustments pursuant to subsection 4.2 (relating to the adjustment of shares), or reductions of the Exercise Price approved by the Company's stockholders, the Exercise Price for any outstanding Option or SAR may not be decreased after the date of grant nor may an outstanding Option or SAR granted under the Plan be surrendered to the Company as consideration for the grant of a replacement Option or SAR with a lower exercise price or a Full Value Award. Except as approved by the Company's stockholders, in no event shall any Option or SAR granted under the Plan be surrendered to the Company in consideration for a cash payment if, at the time of such surrender, the Exercise Price of the Option or SAR is greater than the then current Fair Market Value of a share of Common Stock.

6.9 Tandem Grants of Options and SARs. An Option may but need not be in tandem with an SAR, and an SAR may but need not be in tandem with an Option (in either case, regardless of whether the original award was granted under this Plan or another plan or arrangement). If an Option is in tandem with an SAR, the exercise price of both the Option and SAR shall be the same, and the exercise of the corresponding tandem SAR or Option shall cancel the corresponding tandem SAR or Option with respect to such share. If an SAR is in tandem with an Option but is granted after the grant of the Option, or if an Option is in tandem with an SAR but is granted after the grant of the SAR, the later granted tandem Award shall have the same exercise price as the earlier granted Award, but in no event less than the Fair Market Value of a share of Common Stock at the time of such grant.

6.10 Expiration Date. The "Expiration Date" with respect to an Option or SAR means the date established as the Expiration Date by the Committee at the time of the grant (as the same may be modified in accordance with the terms of the Plan); provided, however, that the Expiration Date with respect to any Option or SAR shall not be later than the earliest to occur of the ten-year anniversary of the date on which the Option or SAR is granted or the following dates, unless the following dates are determined otherwise by the Committee:

- (a) if the Participant's Termination Date occurs by any reason other than termination for Cause, the thirtieth (30<sup>th</sup>) day after the Termination Date; or
- (b) if the Participant's Termination Date occurs for reasons of Cause, the Termination Date.

In no event shall the Expiration Date of an Option or SAR be later than the ten-year anniversary of the date on which the Option or SAR is granted (or such shorter period required by law or the rules of any stock exchange on which the Common Stock is listed).

## 7. FULL VALUE AWARDS AND CASH INCENTIVE AWARDS.

### 7.1 Definitions.

- (a) A "Full Value Award" is a grant of one or more shares of Common Stock or a right to receive one or more shares of Common Stock in the future (including restricted stock, restricted stock units, deferred stock units, performance stock and performance stock units). Such grants may be subject to such conditions, restrictions and contingencies, as determined by the Committee, including provisions relating to dividend or dividend equivalent rights and deferred payment or settlement.

Notwithstanding the foregoing, no dividends or dividend equivalent rights will be paid or settled on performance-based awards that have not been earned based on the performance criteria established.

- (b) A “Cash Incentive Award” is the grant of a right to receive a payment of cash (or in the discretion of the Committee, shares of Common Stock having value equivalent to the cash otherwise payable) that is contingent on achievement of performance objectives over a specified period established by the Committee. The grant of Cash Incentive Awards may also be subject to such other conditions, restrictions and contingencies, as determined by the Committee, including provisions relating to deferred payment.

7.2 Special Vesting Rules. Except for awards granted under the Plan with respect to, shares of Stock which do not exceed, in the aggregate, five percent of the total number of shares of Stock reserved for issuance pursuant to subsection 4.1(b), a Participant’s right to become vested in a Full Value Award, an Option or SAR is conditioned on the completion of a specified period of service with the Company or the Related Companies of at least one year, except if accelerated in the event of the Participant’s death or Disability.

7.3 Performance-Based Compensation. The Committee may designate a Full Value Award or Cash Incentive Award granted to any Participant as “Performance-Based Compensation” within the meaning of Code Section 162(m) and regulations thereunder. To the extent required by Code Section 162(m), any Full Value Award or Cash Incentive Award so designated shall be conditioned on the achievement of one or more performance targets as determined by the Committee and the following additional requirements shall apply:

- (a) The performance targets established for the performance period established by the Committee shall be objective (as that term is described in regulations under Code Section 162(m)), and shall be established in writing by the Committee not later than ninety (90) days after the beginning of the performance period (but in no event after 25% of the performance period has elapsed), and while the outcome as to the performance targets is substantially uncertain. The performance targets established by the Committee may be with respect to corporate performance, operating group or sub-group performance, individual company performance, other group or individual performance, or division performance, and shall be based on one or more of the Performance Criteria.
- (b) A Participant otherwise entitled to receive a Full Value Award or Cash Incentive Award for any performance period shall not receive a settlement or payment of the Award until the Committee has determined that the applicable performance target(s) have been attained. To the extent that the Committee exercises discretion in making the determination required by this subsection 7.3(b), such exercise of discretion may not result in an increase in the amount of the payment.
- (c) If a Participant’s employment terminates because of death or Disability, or if a change in control occurs prior to the Participant’s Termination Date, the Participant’s Cash Incentive Award may, to the extent provided by the Committee, become vested without regard to whether the Cash Incentive Award would be Performance-Based Compensation.
- (d) A Full Value Award designated as Performance-Based Compensation shall not vest prior to the first anniversary of the date on which it is granted (subject to acceleration of vesting, to the extent

provided by the Committee, in the event of the Participant's death, Disability or change in control).

Nothing in this Section 7 shall preclude the Committee from granting Full Value Awards or Cash Incentive Awards under the Plan or the Committee, the Company or any Related Company from granting any Cash Incentive Awards outside of the Plan that are not intended to be Performance-Based Compensation; provided, however, that, at the time of grant of Full Value Awards or Cash Incentive Awards by the Committee, the Committee shall designate whether such Awards are intended to constitute Performance-Based Compensation. To the extent that the provisions of this Section 7 reflect the requirements applicable to Performance-Based Compensation, such provisions shall not apply to the portion of the Award, if any, that is not intended to constitute Performance-Based Compensation. Without limiting the generality of the foregoing, Options and SARs granted under the Plan shall be assumed to constitute Performance-Based Compensation provided that the requirements of section 162(m) of the Code are met with respect thereto and provided that the Committee does not make a determination to the contrary.

## 8. CHANGE IN CONTROL.

8.1 Definitions. For purposes of this Section 8, the term "Change in Control" means (a) the acquisition by any person, entity or group of persons or entities, directly or indirectly, acting in concert of securities representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities, whether acquired in one transaction or a series of transactions, (b) a merger, consolidation or similar transaction which results in the Company's shareholders immediately prior to such transaction not holding securities representing fifty percent (50%) or more of the total voting power of the outstanding securities of the surviving corporation, or (c) a sale of all or substantially all of the Company's assets (other than to an entity owned by the Company or under common ownership with the Company).

8.2 Vesting of Awards Upon Change in Control. Subject to the provisions of subsection 4.2 (relating to the adjustment of shares), if a Change in Control occurs prior to the date on which an Award is vested and prior to the Participant's separation from service, if such Award remains outstanding following the Change in Control (whether by substitution with another award or otherwise), and if the Participant's service is involuntarily terminated by the Company or a Related Company (or any successor thereto), other than for cause, on or within two years following the Change in Control, then:

(a) All outstanding Options (regardless of whether in tandem with SARs) shall become fully exercisable.

(b) All outstanding SARs (regardless of whether in tandem with Options) shall become fully exercisable.

(c) All Full Value Awards shall become fully vested and the Committee shall determine the extent to which performance conditions are met taking into account actual performance and/or the passage of time, in accordance with the terms of the Plan and the applicable Award Agreement.

Notwithstanding anything in this Plan or any Award Agreement to the contrary, to the extent any provision of this Plan or an Award Agreement would cause a payment of deferred compensation that is subject to Code Section 409A to be made upon the occurrence of a Change in Control, then such payment shall not be made unless such Change in Control also constitutes a "change in ownership", "change in effective control" or "change in ownership of a substantial portion of the Company's assets" within the meaning of Code Section 409A. In addition, if an Award does not remain outstanding following a Change in Control, the Committee shall determine the vesting and other

terms and conditions of the Award in connection with the Change in Control in accordance with the terms of the Plan.

## 9. MISCELLANEOUS.

9.1 Effective Date and Effect on Prior Plan. This Plan shall be effective as of the date that it is approved by the Board (the date on which such approval is completed being referred to herein as the “Effective Date”); provided, however, that no Awards granted under the Plan after the Effective Date prior to the Stockholders’ Meeting will vest or become exercisable prior to the date of the Stockholders’ Meeting (and only if the Plan is approved by the stockholders at the Stockholders’ Meeting) and all such Awards shall be forfeited as of the date of the Stockholders’ Meeting if the Plan is not approved by the Company’s stockholders at the Stockholders Meeting. The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any shares of Common Stock awarded under it are outstanding and not fully vested; provided, however, that no new Awards will be made under the Plan on or after the tenth anniversary of the Effective Date. Any awards made under the Prior Plan prior to the Effective Date shall continue to be subject to the terms and conditions of the Prior Plan. Following the Effective Date and if the Plan is approved at the Stockholders’ Meeting, no further awards will be made under the Prior Plan.

9.2 Limit on Distribution. Distribution of Common Stock or other amounts under the Plan shall be subject to the following:

- (a) Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any Common Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity.
- (b) In the case of a Participant who is subject to Section 16(a) and 16(b) of the Exchange Act, the Committee may, at any time, add such conditions and limitations to any Award to such Participant, or any feature of any such Award, as the Committee, in its sole discretion, deems necessary or desirable to comply with Section 16(a) or 16(b) and the rules and regulations thereunder or to obtain any exemption therefrom.
- (c) To the extent that the Plan provides for issuance of certificates to reflect the transfer of Common Stock, the transfer of such Common Stock may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange on which the Common Stock is listed.

9.3 Liability for Cash Payments. Subject to the provisions of this Section 8, each Related Company shall be liable for payment of cash due under the Plan with respect to any Participant to the extent that such payment is attributable to the services rendered for that Related Company by the Participant. Any disputes relating to liability of a Related Company for cash payments shall be resolved by the Committee.

9.4 Withholding. All Awards and other payments under the Plan are subject to withholding of all applicable taxes, which withholding obligations may be satisfied, with the consent of the Committee, through the surrender of Common Stock which the Participant already owns or to which a Participant is otherwise entitled under the Plan; provided, however, previously-owned Common Stock that has been held by the Participant or Common Stock to which the Participant is entitled under the Plan may only be used to satisfy the minimum tax withholding required by applicable law (or other rates that will not have a negative accounting impact).

9.5 Transferability. Awards under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution or, if provided by the Committee, pursuant to a qualified domestic relations order (within the meaning of the Code and applicable rules thereunder). To the extent that Participant who receives an Award under the Plan has the right to exercise such Award, the Award may be exercised during the lifetime of the Participant only by the Participant. Notwithstanding the foregoing provisions of this subsection 9.5, if provided by the Committee, Awards may be transferred to or for the benefit of the Participant's family (including, without limitation, to a trust or partnership for the benefit of a Participant's family), subject to such procedures as the Committee may establish. In no event shall an Incentive Stock Option be transferable to the extent that such transferability would violate the requirements applicable to such option under Code Section 422.

9.6 Notices. Any notice or document required to be filed with the Committee under the Plan will be properly filed if delivered or mailed by registered mail, postage prepaid, to the Committee, in care of the Company or the Related Company, as applicable, at its principal executive offices. The Committee may, by advance written notice to affected persons, revise such notice procedure from time to time. Any notice required under the Plan (other than a notice of election) may be waived by the person entitled to notice.

9.7 Form and Time of Elections. Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification or revocation thereof, shall be in writing filed with the applicable Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

9.8 Agreement With the Company. At the time of an Award to a Participant under the Plan, the Committee may require a Participant to enter into an agreement with the Company (the "Agreement"), in a form specified by the Committee, agreeing to the terms and conditions of the Plan and to such additional terms and conditions, not inconsistent with the Plan, as the Committee may, in its sole discretion, prescribe.

9.9 Limitation of Implied Rights.

- (a) Neither a Participant nor any other person shall, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Company or any Related Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Related Company, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the amounts, if any, payable under the Plan, unsecured by any assets of the Company and any Related Company. Nothing contained in the Plan shall constitute a guarantee by the Company or any Related Company that the assets of such companies shall be sufficient to pay any benefits to any person.
- (b) The Plan does not constitute a contract of employment or continued service, and selection as a Participant will not give any employee the right to be retained in the employ or service of the Company or any Related Company, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any right as a stockholder of the Company prior to the date on which he fulfills all service requirements and other conditions for receipt of such rights and shares of Common Stock are registered in his name.

9.10 Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

9.11 Action by the Company or Related Company. Any action required or permitted to be taken by the Company or any Related Company shall be by resolution of its board of directors or governing body or by action of one or more members of the board or governing body (including a committee of the board or governing body) who are duly authorized to act for the board or, in the case of any Related Company which is a partnership, by action of its general partner or a person or persons authorized by the general partner, or (except to the extent prohibited by applicable law or the rules of any stock exchange on which the Common Stock is listed) by a duly authorized officer of the Company.

9.12 Gender and Number. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

9.13 Applicable Law. The provisions of the Plan shall be construed in accordance with the laws of the State of Delaware, without giving effect to choice of law principles.

9.14 Foreign Employees. Notwithstanding any other provision of the Plan to the contrary, the Committee may grant Awards to eligible persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan. In furtherance of such purposes, the Committee may make such modifications, amendments, procedures and subplans as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Company or a Related Company operates or has employees. The foregoing provisions of this subsection 9.14 shall not be applied to increase the share limitations of Section 4 or to otherwise change any provision of the Plan that would otherwise require the approval of the Company's stockholders.

## 10. TERMINATION AND AMENDMENT OF THE PLAN

The Board may, at any time, amend or terminate the Plan, and the Board or the Committee may amend any Agreement, provided that no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board (or the Committee, if applicable); and further provided that adjustments pursuant to subsection 4.2 shall not be subject to the foregoing limitations of this Section 9; and further provided that the provisions of subsection 6.8 (relating to Option and SAR repricing) cannot be amended unless the amendment is approved by the Company's stockholders; and provided further that, no other amendment shall be made to the Plan without the approval of the Company's stockholders if such approval is required by law or the rules of any stock exchange on which the Common Stock is listed. It is the intention of the Company that, to the extent that any provisions of this Plan or any Awards granted hereunder are subject to Code Section 409A, the Plan and the Awards comply with the requirements of Code Section 409A and that the Board shall have the authority to amend the Plan or any Award as it deems necessary or desirable to conform to Code Section 409A without regard to the foregoing provisions (other than the provisions requiring stockholder approval). Notwithstanding the foregoing, the Company does not guarantee that Awards under the Plan will comply with Code Section 409A and the Committee is under no obligation to make any changes to any Award to cause such compliance.



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

I, Sanjay Mirchandani, certify that:

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

/s/ Sanjay Mirchandani

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Sanjay Mirchandani

Director, President and Chief Executive Officer

Date: October 28, 2020

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

I, Brian Carolan, certify that:

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

/s/ Brian Carolan

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Brian Carolan

Vice President and Chief Financial Officer

Date: October 28, 2020

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

In connection with the Quarterly Report of Commvault Systems, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Sanjay Mirchandani, Director, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Sanjay Mirchandani

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Sanjay Mirchandani

Director, President and Chief Executive Officer

October 28, 2020

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

In connection with the Quarterly Report of Commvault Systems, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Brian Carolan, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Brian Carolan

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Brian Carolan

Vice President and Chief Financial Officer

October 28, 2020