

# Covisint Corporation

## Fourth Quarter and Full Year Fiscal 2016 Results

June 6, 2016

# Forward Looking Statements

This presentation contains “forward-looking” statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, our results may differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact could be deemed forward-looking, including, but not limited to, any projections of financial information; any statements about historical results that may suggest trends for our business and results of operations; any statements of the plans, strategies and objectives of management for future operations; any statements of expectation or belief regarding future events, potential markets or market size, technology developments, or enforceability of our intellectual property rights; and any statements of assumptions underlying any of the foregoing.

These statements are based on estimates and information available to us at the time of this presentation and are not guarantees of future performance. Actual results could differ materially from our current expectations as a result of many factors, including but not limited to: our ability to attract new customers; the extent to which customers renew their contracts for our solutions; the extent we are able to maintain pricing with our customers at renewal; the seasonality of our business; our ability to manage our growth; the continued growth of the market for our solutions; the success of our channel partner and certified partner strategies; competition from current competitors and new market entrants; our ability to penetrate new vertical markets; unpredictable macro-economic conditions; the loss of any of our key employees; the length of the sales and implementation cycles for our solutions; increased demands on our infrastructure and costs associated with operating as a public company; and failure to protect our intellectual property. These and other risks and uncertainties associated with our business are described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016. We assume no obligation and do not intend to update these forward-looking statements.

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These historical and forward-looking non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with GAAP. A reconciliation between GAAP and non-GAAP measures is included in the appendix to this presentation.

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# Fiscal 2016: Summary

- **Improvement in Margins**
  - Primarily driven by the transition out of services and the healthcare application market
- **Reduced Expense Structure**
- **Excellent Progress on Platform**
  - June release accomplished ahead of schedule: 120 APIs opened up Platform use by Customers and Partners
  - IoT Platform released in October: Forefront of securely connecting all devices
- **Subscription Revenue and ASR Bookings Below Expectations**
  - Direct Sales and Strategic Partners underperformed
  - Continued success in Automotive

# Fiscal 2017: The Path Forward

## **Strategic Partnerships:**

- Continue to work with existing Partners to close deals in the pipeline
- Focused on adding new Partners – new methodology to accelerate time to revenue

## **Direct Sales:**

- Shifting people and investment to re-focus on the Automotive vertical
  - Demonstrated track record of successful contract renewals in Automotive
  - Multiple use cases provide white space opportunity to increase wallet share with current customers – current use cases provide great reference-ability
  - Engage OEMs not in our backlog
- Building upon our established presence in Europe

# Fiscal 2016: Financial Overview

## Key Metrics (\$ in thousands)

	Q4'FY16	Y/Y	Q/Q	FY16	Y/Y
<b>Subscription Revenue</b>	\$ 17,198	(6%)	13%	\$ 63,367	(4%)
<b>Services Revenue</b>	\$ 2,789	(45%)	(29%)	\$ 12,657	(43%)
<b>Total Revenue</b>	<b>\$ 19,987</b>	<b>(15%)</b>	<b>4%</b>	<b>\$ 76,024</b>	<b>(14%)</b>

	Q4'FY16	Y/Y	Q/Q	FY16	Y/Y
<b>Gross Profit</b>	<b>\$ 12,102</b>	<b>1077%</b>	<b>17%</b>	<b>\$ 41,071</b>	<b>86%</b>
<i>Gross Margin</i>	61%			54%	
Stock Compensation Expense	\$ 3			\$ 71	
Amortization of Capitalized Software	\$ 787			\$ 3,398	
<b>Non-GAAP Gross Profit*</b>	<b>\$ 12,892</b>	<b>17%</b>	<b>16%</b>	<b>\$ 44,540</b>	<b>18%</b>
<i>Non-GAAP Gross Margin</i>	65%			59%	

<b>Net Loss</b>	<b>\$ (110)</b>			<b>\$(14,894)</b>	
Stock Compensation Expense	\$ 478			\$ 2,817	
Capitalized internal software costs	\$ (1,673)			\$ (4,238)	
Amortization of Capitalized Software	\$ 787			\$ 3,398	
<b>Non-GAAP Net Loss*</b>	<b>\$ (518)</b>			<b>\$(12,917)</b>	

	Q4'FY16	FY16
<b>Cash Flow</b>	<b>\$ 2,066</b>	<b>\$(10,396)</b>
Net proceeds from exercise of stock awards	\$ (117)	\$ (2,191)
Vendor Financing Repayment	\$ 180	\$ 728
Effect of Exchange Rate Changes on Cash	\$ (70)	\$ (29)
<b>Free Cash Flow***</b>	<b>\$ 2,059</b>	<b>\$(11,888)</b>

## Highlights

- Cash at \$39.7 million
- Gross Margin improved to 59% from 43% year over year
- Expense structure improved \$20 million year over year
- ASR Bookings of \$9.3 million for FY16
- Revenue below plan
- Cash Flow better than plan

## Guidance Summary

	FY17	Q1'FY17
<b>Subscription Revenue**</b>	<b>Flat</b>	<b>(8)%</b>
<b>Services Revenue</b>	<b>15-20% of Total Revenue</b>	<b>15-20% of Total Revenue</b>
<b>Non-GAAP Net Loss*</b>	<b>\$(11) – (12) mil</b>	<b>\$(4) – (5) mil</b>
<b>Cash on Hand (EOP)</b>	<b>\$30 mil</b>	<b>\$39 mil</b>
<b>Total Shares Outstanding</b>	<b>40.7 mil</b>	<b>40.5 mil</b>

\* Excludes the impact of stock compensation and the expensing of certain R&D costs (rather than capitalizing such costs), refer to the reconciliation of Q4'FY16 and FY16 results on slide 7 and the reconciliation of guidance on slide 8.

\*\* Y/Y growth

\*\*\* Includes GAAP Cash Flow from Operating activities and Investing Activities and excludes Financing activities; refer to slide 7 for reconciliation.

# Appendix

# Fiscal 2016: Non-GAAP Reconciliation

	Q4'FY16	FY16
Cost of revenue	7,885	34,953
<i>Adjustments:</i>		
Stock compensation expense	3	71
Cost of revenue - amortization of capitalized software	787	3,398
<b>Cost of revenue, non-GAAP</b>	<b>7,095</b>	<b>31,484</b>
	Q4'FY16	FY16
Research and development	3,129	13,019
<i>Adjustments:</i>		
Capitalized internal software costs	(1,673)	(4,238)
Stock compensation expense	2	78
<b>Research and development, non-GAAP</b>	<b>4,800</b>	<b>17,179</b>
	Q4'FY16	FY16
Sales and marketing	6,225	29,448
<i>Adjustments:</i>		
Stock compensation expense	92	501
<b>Sales and marketing, non-GAAP</b>	<b>6,133</b>	<b>28,947</b>

	Q4'FY16	FY16
General and administrative	2,770	13,286
<i>Adjustments:</i>		
Stock compensation expense	381	2,166
<b>General and administrative, non-GAAP</b>	<b>2,389</b>	<b>11,120</b>
	Q4'FY16	FY16
Net loss	(110)	(14,894)
<i>Adjustments:</i>		
Capitalized internal software costs	(1,673)	(4,238)
Stock compensation expense	478	2,817
Amortization of capitalized software and other intangibles	787	3,398
<b>Net loss, non-GAAP</b>	<b>(518)</b>	<b>(12,917)</b>
	Q4'FY16	FY16
Diluted EPS	(0.00)	(0.38)
<i>Adjustments:</i>		
Capitalized internal software costs	(0.04)	(0.11)
Stock compensation expense	0.01	0.07
Amortization of capitalized software and other intangibles	0.02	0.09
<b>Diluted EPS, non-GAAP</b>	<b>(0.01)</b>	<b>(0.33)</b>

	Q4'FY16	FY16
<b>Cash Flow</b>	<b>\$ 2,066</b>	<b>\$(10,396)</b>
Net proceeds from exercise of stock awards	\$ (117)	\$ (2,191)
Vendor Financing Repayment	\$ 180	\$ 728
Effect of Exchange Rate Changes on Cash	\$ (70)	\$ (29)
<b>Free Cash Flow</b>	<b>\$ 2,059</b>	<b>\$(11,888)</b>

(\$ in thousands, except per share)

# Fiscal 2017: Non-GAAP Forecast Reconciliation

(\$ in millions)	FY17			Q1'FY17		
Forecast Net Loss	(12.0)	-	(16.0)	(3.8)	-	(5.7)
Capitalized internal software costs	(5.0)	-	(3.0)	(1.5)	-	(1.0)
Stock compensation expense	2.5	-	3.0	0.5	-	0.7
Amortization of capitalized software	3.5	-	4.0	0.8	-	1.0
Forecast Non-GAAP Net Loss	(11.0)	-	(12.0)	(4.0)	-	(5.0)
Forecast Net Change in Cash	(9.0)	-	(11.0)	0.0	-	0.0
Net proceeds from exercise of stock awards	-	-	-	-	-	-
Vendor Financing Repayment	-	-	-	-	-	-
Effect of exchange rate changes on cash	-	-	-	-	-	-
Forecast Free Cash Flow	(9.0)	-	(11.0)	0.0	-	0.0