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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported):
January 9, 2023

Informatica Inc.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

001-40936
(Commission File Number)

61-1999534
(I.R.S. Employer Identification Number)

2100 Seaport Boulevard
Redwood City, California 94063
(650) 385-5000
(Address, including zip code, and telephone number, including area code, of Registrant’s principal executive offices)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Title of each class
Trading Symbol(s)
Name of each exchange on which registered

Class A common stock, par value $0.01 per share
INFA
The New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐
Item 2.05 Costs Associated with Exit or Disposal Activities

On January 10, 2023, Informatica Inc. (the “Company”) announced a plan to reduce its workforce by approximately 450 employees, representing approximately 7% of the Company’s current global workforce (the “Plan”). The Plan is intended to better align the Company’s global workforce and cost base with its cloud-focused strategic priorities and current business needs.

The Company estimates that it will incur non-recurring charges of approximately $25 million to $35 million in connection with the Plan, primarily related to cash expenditures for employee transition, notice period and severance payments, and employee benefits.

The Company expects that the majority of these charges will be incurred in the first quarter of 2023 and that the implementation of the Plan will be substantially complete by the end of the first quarter of 2023. Potential position eliminations in each country are subject to local law and consultation requirements, which may extend this process beyond the first quarter of 2023 in limited cases. The charges that the Company expects to incur are subject to a number of assumptions, including local law requirements in various jurisdictions, and actual expenses may differ materially from such estimates.

As previously announced, the Company is scheduled to report its fourth quarter and full-year 2022 financial results for the period ended December 31, 2022, on Wednesday, February 8, 2023. Charges associated with the Plan will not impact the financial results of the fourth quarter 2022.

Forward-Looking Statements

Item 2.05 of this Current Report on Form 8-K contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended. These statements, which are not statements of historical fact, may contain estimates, assumptions, projections and/or expectations regarding the Company’s expenses associated with the announced reduction in workforce. Forward-looking statements are often identified by words or phrases such as “may,” “will,” “anticipates,” “estimates,” “plans,” “expects,” “believes,” “intends,” “foresees,” “potential” or the negative of these terms or other similar variations thereof.

Forward-looking statements in this Current Report on Form 8-K include, but are not limited to, statements regarding the Company’s efforts to reduce operating expenses and adjust cash flows in light of current business needs and priorities; the Company’s expected costs related to restructuring and related charges, including the timing of such charges; and the impact of the restructuring and related charges on the Company’s business, results of operations and financial condition. These forward-looking statements are not guarantees of future performance and are subject to a number of factors and uncertainties that could cause the Company’s actual results and experiences to differ materially from the anticipated results and expectations expressed in the forward-looking statements.

Among the factors that may cause actual results and expectations to differ from anticipated results and expectations expressed in forward-looking statements include the possibility that assumptions underlying the Company’s expected benefits and the estimates of expenses associated with the reduction in workforce prove inaccurate, that the Company incurs greater than estimated expenses in connection with the reduction in workforce, and that the Company’s business, results of operations or financial condition are adversely affected by the reduction in workforce. The forward-looking statements contained in this Current Report on Form 8-K are also subject to other risks and uncertainties, including those more fully described in the Company’s filings with the Securities and Exchange Commission (“SEC”), including the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 that was filed with the SEC on March 24, 2022 and the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 that was filed with the SEC on November 10, 2022. The forward-looking statements in this Current Report on Form 8-K are based on information available to the Company as of the date hereof, and the Company disclaims any obligation to update any forward-looking statements, except as required by law.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Chief Financial Officer Transition

On January 9, 2023, the Board of Directors (the “Board”) of Company appointed Michael McLaughlin as EVP Global Finance and Chief Financial Officer (“CFO”) of the Company effective January 16, 2023. Mr. McLaughlin will succeed Eric Brown, who will step down as CFO and cease to be an employee of the Company effective January 13, 2023. Mr. Brown will then continue to serve as a consultant to the Company through March 31, 2023 to support the transition to Mr. McLaughlin as the new CFO.
Mr. McLaughlin, 58, joins Informatica from Fair Isaac Corporation (“FICO”), where he has served as Executive Vice President and Chief Financial Officer since August 2019. At FICO, McLaughlin led the global finance team responsible for FICO’s Software and Scores business segments. Prior to FICO, McLaughlin spent 26 years in investment banking, advising leading technology, financial services and real estate companies on a wide range of strategic and financial topics, most recently serving as Managing Director and Head of Technology Corporate Finance at Morgan Stanley. He holds a B.A. from Stanford University and a Masters of Public and Private Management from the Yale School of Management.

Summary of Terms of Mr. McLaughlin’s Employment Letter

The Company and Mr. McLaughlin have executed an employment letter (the “Employment Letter”), which includes the following financial terms: (i) an annual base salary of $550,000 (the “Base Salary”), (ii) an annual target bonus equal to the Base Salary based on meeting both Company and individual goals under the Company’s Corporate Bonus Plan for senior executives of the Company to be prorated based on his hire date, and (iii) an equity award to be granted under the Company’s 2021 Equity Incentive Plan of restricted stock units (the “RSU Awards”) valued at a total of $12 million based on a 30 calendar-day average of the price of the Company’s common stock. Of the RSU Awards, 60% will be time-based and will vest into shares of common stock over four years according to the following vesting schedule: 12.5% of the time-based award will vest on the first quarterly vesting date after the six-month anniversary of the grant date (expected to be August 15, 2023) and the remainder will vest as to 1/16 for each quarter of continued service thereafter. Quarterly vesting dates will be February 15, May 15, August 15 and November 15 of each year. The remaining 40% of the RSU Awards will be performance-based rights to acquire shares of common stock based on Company performance goals established by the Board for 2023, with 1/3 of the eligible shares to vest on the quarterly vesting date following certification of achievement of the performance goals (anticipated to be in Q1 2024), and 1/3 of the eligible shares will be scheduled to vest on the one-year and two-year anniversaries thereafter. Mr. McLaughlin will also be eligible for additional annual awards of RSUs in the future based on the Company’s granting practices at the time of the award.

In addition, Mr. McLaughlin will receive a signing bonus of $1 million, which will be paid in his first paycheck following 30 days of employment. If (a) he resigns or otherwise terminates his employment with the Company within 12 months of his date of hire for any reason other than Good Reason as defined in the Company’s Change in Control and Severance Agreement (the “Severance Agreement”) or (b) the Company terminates his employment for Cause as defined in the Severance Agreement, Mr. McLaughlin will be obligated to reimburse the Company for the entire signing bonus.

If Mr. McLaughlin’s employment is terminated by the Company without “cause” or if he resigns for “good reason” as defined in the Severance Agreement, he will become entitled to (i) an amount equal to 75% of the annual base salary paid to him during the twelve-month period immediately preceding such termination, (ii) 12 months of continued COBRA coverage and (iii) 12 months post separation to exercise any options that are vested at the time of his separation. Mr. McLaughlin’s receipt of the foregoing severance payments and benefits is subject to his delivery of an effective release of claims against the Company and its affiliates. Mr. McLaughlin will be entitled to receive additional severance benefits if his employment is terminated in connection with a change in control of the Company pursuant to the Severance Agreement, which is applicable to other senior executives and is attached as Exhibit 10.5 to the Company’s Registration Statement on Form S-1 filed with the U.S. Securities and Exchange Commission on October 18, 2021 (File No. 333-259963).

In connection with his appointment, Mr. McLaughlin will enter into the Company’s standard form of Indemnification Agreement, which is attached as Exhibit 10.1 to the Company’s Registration Statement on Form S-1 filed with the U.S. Securities and Exchange Commission on October 18, 2021 (File No. 333-259963).

The foregoing description of Mr. McLaughlin’s Employment Letter is qualified in its entirety by reference to the full text of his Employment Letter, which will be filed as an exhibit to the Company’s annual report on Form 10-K for the year ended December 31, 2022.

Summary of Terms of Transition Agreement with Mr. Brown

On January 9, 2023, the Company entered into a Transition and Consulting Agreement (the “Transition Agreement”) with Mr. Brown. Pursuant to the Transition Agreement, Mr. Brown will become a consultant to the Company to provide certain transitional services to the Company during the period from January 14, 2023 through March 31, 2023 (the “Consulting Period”) to support the Company in its preparation to report its 2022 financial results, file its annual report on Form 10-K with the Securities and Exchange Commission for 2022, and other transition matters.

Pursuant to his existing Severance Agreement, Mr. Brown will receive a lump sum payment equal to 75% of his annual salary, the Company will continue to pay the premiums for his COBRA coverage under the Company’s group health, dental and vision care plans for him and his eligible dependents for up to 12 months following the date of his termination of employment, and the Company will provide him with 12 months post separation to exercise any options that are vested at the time of his separation.
Pursuant to the Transition Agreement, Mr. Brown will be paid a consulting fee equal to his current monthly base salary of $49,000 per month during the Consulting Period provided that the Company may terminate the Consulting Period at any time if Mr. Brown does not provide the transitional assistance that the Company reasonably requests pursuant to the Transition Agreement, or otherwise materially breaches that agreement. If Mr. Brown provides the transitional assistance requested through March 31, 2023 and complies with his post-employment obligations under his existing Confidentiality and Intellectual Property Agreement and the Transition Agreement (including but not limited to confidentiality and certain restrictive covenant provisions) all as determined by the CFO Subcommittee of the Board (the “CFO Subcommittee”), the Company will pay him a cash payment on March 31, 2023 equal to 100% of his target bonus for 2022, adjusted based on the Company’s achievement percentage applied to all members of the Company’s Executive Committee. If Mr. Brown continues to comply with his post-employment obligations through December 1, 2023 as determined by the CFO Subcommittee, he will continue the vesting of his outstanding equity grants (except for one RSU grant on December 13, 2022) that would have otherwise vested in calendar year 2023 and those grants will be deemed vested as of December 1, 2023, with any performance-based grants to be determined at the same performance attainment level as the other members of the Company’s Executive Committee as determined by the Compensation Committee of the Board. Any options that are vested as of December 1, 2023 will remain exercisable until January 31, 2024. The maximum number of RSUs that may vest on December 1, 2023 represent 56,162 shares of common stock and the total number of options that may vest on that date would permit Mr. Brown to purchase up to 361,084 shares of common stock.

The foregoing description of Mr. Brown’s Transition Agreement is qualified in its entirety by reference to the full text of the Transition Agreement, which will be filed as an exhibit to the Company’s annual report on Form 10-K for the year ended December 31, 2022.

Item 7.01 Regulation FD Disclosure

On January 10, 2023, the Company issued a press release announcing the foregoing events and reaffirming its fourth quarter and full-year 2022 guidance provided in its October 26, 2022 earnings press release. A copy of the press release is furnished as Exhibit 99.1. This announcement regarding guidance is based on information available to the Company as of the date of this Current Report on Form 8-K.

The information furnished under this Item 7.01, including Exhibit 99.1, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or incorporated by reference in any filing under the Securities Act of 1933, as amended or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

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<th>Exhibit No.</th>
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<td>104</td>
<td>Cover Page Interactive Data File (embedded within the Inline XBRL document).</td>
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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Date: January 10, 2023

INFORMATICA INC.

By: /s/ AMIT WALIA
Amit Walia
Chief Executive Officer
Informatica Announces CFO Transition

Names Michael McLaughlin as Chief Financial Officer; Current CFO Eric Brown to Step Down
Reaffirms Fourth Quarter and Full-Year 2022 Financial Outlook
Schedules Fourth Quarter and Full-Year 2022 Earnings Conference Call for February 8, 2023

REDWOOD CITY, Calif., – Jan. 10, 2023 – Informatica® (NYSE: INFA), an enterprise cloud data management leader, today announced the appointment of Michael McLaughlin, a seasoned finance leader and most recently Chief Financial Officer of FICO, as Informatica’s Executive Vice President and Chief Financial Officer effective January 16, 2023. McLaughlin succeeds Eric Brown, who has notified the Informatica Board of Directors of his intention to step down to pursue other opportunities. Brown’s departure follows more than four years as Informatica’s Chief Financial Officer. Brown will remain a consultant to the company through March 31, 2023, to support a seamless transition.

“On behalf of Informatica, I would like to thank Eric for his leadership and stewardship over the past four years,” said Amit Walia, Chief Executive Officer of Informatica. “He played an instrumental role in driving our successful public listing, our transition to a SaaS operating model, and setting the foundation for our leadership in cloud. We wish him well in all future endeavors.”

“It’s been a privilege to have played a key part in the evolution of Informatica. I am excited about the strong financial position that I leave Informatica in and have tremendous confidence in the team, its long-term strategy, and its future growth opportunities,” said Brown.

McLaughlin joins Informatica from FICO, where he has served as Executive Vice President and Chief Financial Officer since August 2019. At FICO, McLaughlin led the global finance team responsible for FICO’s Software and Scores business segments. Prior to FICO, McLaughlin spent 26 years in investment banking, advising leading technology, financial services and real estate companies on a wide range of strategic and financial topics, most recently serving as Managing Director and Head of Technology Corporate Finance at Morgan Stanley. He holds a B.A. from Stanford University and a Masters of Public and Private Management from the Yale School of Management.

Walia continued, “We’re thrilled to welcome Michael to the Informatica team. He is a well-rounded and deeply experienced leader with extensive financial experience, and I’m confident that his expertise will help us deliver value for our customers, as we help them tackle their greatest cloud data management challenges, and our shareholders.”

“I am honored to step into this role and to support Informatica’s continued transformation to a cloud-only company,” said McLaughlin. “The company has significant momentum and I look forward to working together with my talented new colleagues to capitalize on the remarkable growth opportunities ahead.”

Fourth Quarter and Full-Year 2022 Financial Outlook and Conference Call

Informatica also today reaffirmed its guidance for the fourth quarter and full-year 2022, which was previously provided on October 26, 2022.

Fourth Quarter 2022 ending December 31, 2022:
• GAAP Total Revenues are expected to be in the range of $398 million to $408 million.
• Subscription ARR is expected to be in the range of $980 million to $990 million.
• Cloud ARR is expected to be in the range of $425 million to $431 million.
• Non-GAAP Operating Income is expected to be in the range of $93 million to $103 million.

Full-Year 2022 ending December 31, 2022:
• GAAP Total Revenues are expected to be in the range of $1,505 million to $1,515 million.
• Total ARR is expected to be in the range of $1,505 million to $1,521 million.
• Subscription ARR is expected to be in the range of $980 million to $990 million.
• Cloud ARR is expected to be in the range of $425 million to $431 million.
• Non-GAAP Operating Income is expected to be in the range of $330 million to $340 million.
• Unlevered Free Cash Flow (after-tax) is expected to be in the range of $290 million to $310 million.

Informatica will report financial results for the fourth quarter and full-year 2022 following the close of the U.S. markets on Wednesday, February 8, 2023. Informatica will hold a conference call on the same day at 1:30 p.m. Pacific Time (4:30 p.m. Eastern Time) to discuss its results. The conference call can be accessed by dialing (844) 200-6205 from the United States or (929) 526-1599 internationally with access code 830565. A live webcast and replay of the conference call can be accessed from the investor relations page of Informatica’s company website at https://investors.informatica.com.

About Informatica
Informatica (NYSE: INFA), an Enterprise Cloud Data Management leader, empowers businesses to realize the transformative power of data. We have pioneered a new category of software, the Informatica Intelligent Data Management Cloud™ (IDMC), powered by AI and a cloud-first, cloud-native, end-to-end data management platform that connects, manages, and unifies data across any multi-cloud, hybrid system, empowering enterprises to modernize and advance their data strategies. Over 5,000 customers in more than 100 countries and 85 of the Fortune 100 rely on Informatica to drive data-led digital transformation. Learn more at informatica.com.

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Forward-Looking Statements
This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may relate to, but are not limited to, expectations of future operating results or financial performance, including expectations regarding achieving profitability and our GAAP and non-GAAP guidance for the fourth quarter and full-year 2022, the timing and effect of fluctuations in foreign currency exchange rates, the effect of macroeconomic conditions,
management’s plans, priorities, initiatives, and strategies, the CFO transition, and management's estimates and expectations regarding growth of our business, market, and partnerships. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “toward,” “will,” or “would,” or the negative of these words or other similar terms or expressions. You should not put undue reliance on any forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved, if at all.

Forward-looking statements are based on information available at the time those statements are made and are based on current expectations, estimates, forecasts, and projections as well as the beliefs and assumptions of management as of that time with respect to future events. These statements are subject to risks and uncertainties, many of which involve factors or circumstances that are beyond our control, that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this press release may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. These risks, uncertainties, assumptions, and other factors include, but are not limited to, those related to our business and financial performance, the effects of adverse global macroeconomic conditions and geopolitical uncertainty, the timing and effect of fluctuations in foreign currency exchange rates, the effects of COVID-19 or other public health crises on our business, results of operations, and financial condition, our ability to attract and retain customers, our ability to develop new products and services and enhance existing products and services, our ability to respond rapidly to emerging technology trends, our ability to execute on our business strategy, including our strategy related to the Informatica IDMC platform and key partnerships, our ability to increase and predict customer consumption of our platform, our ability to compete effectively, and our ability to manage growth.

Further information on these and additional risks, uncertainties, and other factors that could cause actual outcomes and results to differ materially from those included in or contemplated by the forward-looking statements contained in this release are included under the caption “Risk Factors” and elsewhere in our Annual Report on Form 10-K that was filed with the Securities and Exchange Commission (SEC) on March 24, 2022 for the fiscal year ended December 31, 2021, and other filings and reports we make with the SEC from time to time, including our Quarterly Report on Form 10-Q that was filed with the SEC on November 10, 2022 for the third quarter ended September 30, 2022. All forward-looking statements contained herein are based on information available to us as of the date hereof and we do not assume any obligation to update these statements as a result of new information or future events.

**Non-GAAP Financial Measures and Key Business Metrics**

We review several operating and financial metrics, including the following unaudited non-GAAP financial measures and key business metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions:

**Non-GAAP Financial Measures**

In addition to our results determined in accordance with U.S. generally accepted accounting principles (GAAP), we believe the following non-GAAP measures are useful in evaluating our operating performance. We use the following non-GAAP financial measures to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that these non-GAAP financial measures, when taken collectively, may be helpful to investors because they provide consistency and comparability with past financial performance. However, non-GAAP financial measures are presented for supplemental informational purposes only, have limitations as an
analytical tool, and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate similarly titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. Investors should consider these non-GAAP financial measures in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with GAAP and should not rely on any single financial measure to evaluate our business.

**Non-GAAP Operating Income and Non-GAAP Net Income** exclude the effect of stock-based compensation expense-related charges, amortization of acquired intangibles, equity compensation-related payments, expenses associated with acquisitions, strategic investments and sponsor-related costs, and are adjusted for income tax effects. We believe the presentation of operating results that exclude these non-cash or non-recurring items provides useful supplemental information to investors and facilitates the analysis of our operating results and comparison of operating results across reporting periods.

**Adjusted EBITDA** represents GAAP net income (loss) as adjusted for income tax benefit (expense), interest income, interest expense, loss on debt refinancing, other income (expense), stock-based compensation, amortization of intangibles, equity compensation-related payments, one time fees related to acquisitions, costs related to discrete payments for legal settlements, restructuring costs and executive severance, one-time impairment on restructured facilities, sponsor-related costs, and depreciation. Equity compensation-related payments are related to the repurchase of employee stock options. We believe adjusted EBITDA is an important metric for understanding our business to assess our relative profitability adjusted for balance sheet debt levels.

**Unlevered Free Cash Flow (after-tax)** represents operating cash flow less purchases of property and equipment and is adjusted for interest payments, equity compensation-related payments, sponsor management fees, legal settlements, restructuring costs (including payments for impaired leases), and executive severance. We believe this measure provides useful supplemental information to investors because it is an indicator of the strength and performance of our core business operations.

**Key Business Metrics**

**Total Annual Recurring Revenue (ARR)** represents the expected annual billing amounts from all active maintenance and subscription agreements. ARR is calculated based on the contract Monthly Recurring Revenue (MRR) multiplied by 12. MRR is calculated based on the accounting adjusted total contract value divided by the number of months of the agreement based on the start and end dates of each contracted line item. The aggregate ARR calculated at the end of each reported period represents the value of all contracts that are active as of the end of the period, including those contracts that have expired but are still under negotiation for renewal. We typically allow for a grace period of up to 6 months past the original contract expiration quarter during which we engage in the renewal process before we report the contract as lost/inactive. This grace-period ARR amount has been less than 2% of the reported ARR in each period presented. If there is an actual cancellation of an ARR contract, we remove that ARR value at that time. We believe ARR is an important metric for understanding our business since it tracks the annualized cash value collected over a 12-month period for all our recurring contracts, irrespective of whether it is a maintenance contract on a perpetual license, a ratable cloud contract, or an on-premise term-based subscription license.

**Maintenance Annual Recurring Revenue** represents the portion of ARR only attributable to our maintenance contracts. We believe that Maintenance ARR is a helpful metric for understanding our business since it represents the approximate annualized cash value collected over a 12-month period for all our maintenance contracts. Maintenance ARR includes maintenance contracts supporting our on-premise perpetual licenses. Maintenance ARR should be viewed independently of
maintenance revenue and deferred revenue related to our maintenance contracts and is not intended to be combined with or to replace either of those items.

**Subscription Annual Recurring Revenue** represents the portion of ARR only attributable to our subscription contracts. We believe that Subscription ARR is a helpful metric for understanding our business since it represents the approximate annualized cash value collected over a 12-month period for all our recurring subscription contracts. Subscription ARR excludes maintenance contracts on our perpetual licenses to provide information regarding the period-to-period performance and overall size and scale of our subscription business as we continue to focus our efforts on subscription-based licensing. Subscription ARR should be viewed independently of subscription revenue and deferred revenue related to our subscription contracts and is not intended to be combined with or to replace either of those items.

**Cloud Annual Recurring Revenue** represents the portion of ARR that is attributable to our hosted cloud contracts. We believe that Cloud ARR is a helpful metric for understanding our business since it represents the approximate annualized cash value collected over a 12-month period for all our recurring Cloud contracts. Cloud ARR is a subset of our overall Subscription ARR, and by providing this breakdown of Cloud ARR, it provides visibility on the size and growth rate of our Cloud ARR within our overall Subscription ARR. Cloud ARR should be viewed independently of subscription revenue and deferred revenue related to our subscription contracts and is not intended to be combined with or to replace either of those items.