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

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____ to

Commission file number 001-27038

NUANCE COMMUNICATIONS, INC.

(Exact name of Registrant as Specified in its Charter)

Delaware	**94-3156479**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
1 Wayside Road **Burlington, Massachusetts**	**01803**
(Address of Principal Executive Offices)	*(Zip Code)*

Registrant's telephone number, including area code: (781) 565-5000

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, $0.001 par value	NUAN	Nasdaq Stock Market LLC

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter 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 and every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the 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 the definitions 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	☐	Emerging growth company	☐
		Smaller reporting 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 has filed a report on attestation to its management's assessment of the effectiveness of its internal control over financial reporting under section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

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 March 31, 2020, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $3.9 billion based on the closing sale price as reported on the Nasdaq Global Select Market for such date.

The number of shares of the registrant's common stock, outstanding as of October 31, 2020, was 282,953,777.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be delivered to stockholders in connection with the registrant's 2021 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

NUANCE COMMUNICATIONS, INC.
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PART I

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks, uncertainties and assumptions that, if they never materialize or if they prove incorrect, could cause our consolidated results to differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking, including statements pertaining to: our future revenue, cost of revenue, research and development expense, selling, general and administrative expenses, amortization of intangible assets and gross margin, earnings, cash flows and liquidity; our strategy relating to our segments; the potential of future product releases; our product development plans and investments in research and development; future acquisitions and anticipated benefits from acquisitions; international operations and localized versions of our products; our contractual commitments; our fiscal year 2021 revenue and expense expectations and legal proceedings and litigation matters. You can identify these and other forward-looking statements by the use of words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “intends,” “potential,” “continue” or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in Item 1A of this Annual Report under the heading “Risk Factors.” All forward-looking statements included in this document are based on information available to us on the date hereof. The forward-looking statements do not include the potential impact of any mergers, acquisitions, divestitures, securities offerings or business combinations that may be announced or closed after the date hereof. We will not undertake and specifically decline any obligation to update any forward-looking statements, except to the extent required by law.

Item 1. *Business*

Overview

Nuance Communications, Inc. ("We", "Nuance", or the "Company") is a technology pioneer and market leader in conversational artificial intelligence ("AI") and ambient clinical intelligence. We deliver intuitive solutions that understand, analyze, and respond to people - amplifying their ability to help others with increased productivity and security. We work with thousands of organizations globally across healthcare, financial services, telecommunications, government, and retail - to create stronger relationships and better experiences for their customers and workforce. We offer our customers a wide range of products and services, including clinical documentation, solutions for clinicians, radiologists and care teams, as well as intelligent customer engagement and security biometric solutions for leading brands. In addition, our solutions increasingly utilize our innovations in AI, including cognitive sciences and machine learning to create smarter, more natural experiences with technology. Using advanced analytics and algorithms, our technologies create personalized experiences and transform the way people interact with information and the technology around them. We market and sell our solutions and technologies around the world directly through a dedicated sales force and a global network of resellers, including system integrators, independent software vendors, value-added resellers, distributors, hardware vendors, telecommunications carriers and e-commerce websites.

We are a global organization steeped in research and development ("R&D"). We have approximately 1,600 language scientists, developers, and engineers dedicated to continually refining our technologies and advancing our portfolio to better meet our customers’ diverse and changing needs. As of September 30, 2020, we had operations and sales force in 28 countries. Our corporate headquarters is in Burlington, Massachusetts, and our international headquarters is in Dublin, Ireland. In fiscal year 2020, our revenue was approximately $1.5 billion.

In connection with our ongoing comprehensive portfolio and business review, during the first quarter of 2021, we announced our strategic plan to sell our medical transcription and EHR go-live businesses to Assured Healthcare Partners and Aeries Technology Group. These businesses provide critical support to healthcare organizations, and upon the closing of the sale, Nuance will be both a minority stakeholder and business partner committed to the success of the new business, named DeliverHealth Solutions.

As a result, we expect the results of medical transcription and EHR go-live businesses to be included within discontinued operations on the consolidated statements of operations, and the related assets and liabilities to be classified as assets and liabilities held for sale on the consolidated balance sheets effective the first quarter of fiscal year 2021.

Our Strategy

With the sale of our Imaging segment, the spin-off of our Automotive segment, the exit of our Mobile Operator Services business and the wind-down of Devices, as well as the anticipated sale of our medical transcription and EHR go-live businesses, we are

positioned to be a simpler and more growth-oriented company, which enables us to prioritize and execute our conversational AI strategies within Healthcare and Enterprise. The key elements of our strategy include:

- **Transitioning to and expansion of our Healthcare cloud-based offerings**. We are transitioning our Healthcare solutions to the cloud, enabling us to shift our revenue mix to a more subscription-based, higher-value recurring model. We have established Nuance as a cloud platform in all our strategic solutions within Healthcare**.** During fiscal year 2020, we continued to make significant progress migrating our customers to the cloud with Dragon Medical One ("DMO") PowerScribe One, and CDE One. We launched new cloud solutions, such as cloud-based Computer-Assisted Physician Documentation ("CAPD") solutions, and Nuance® Dragon Ambient eXperience™ (DAX™), an ambient clinical intelligence ("ACI") solution. We have created a go-to-market approach that aligns sales compensation to our cloud models, and have enabled our channel to sell Dragon Medical cloud. We also launched new Dragon Medical cloud offerings in certain international markets, including France, Belgium, Netherlands, Germany, and Finland.

- **Expanding our Intelligent Engagement portfolio in Enterprise, with a focus on cloud.** While we maintain leadership in interactive voice response ("IVR") offerings, we have increased our focus on Intelligent Engagement growth opportunities, including digital, voice, and Security and Biometrics solutions. We expanded the cloud-native stack with the roll-out of Nuance Mix™ and Intelligent Engagement Services for Conversational AI, Messaging, and Agent AI. We continue to grow our market share of Nuance Gatekeeper, a cloud-native voice biometrics and authentication solution. These solutions offer customers more flexible integration with third-party systems and the ability to deploy across hosted, public, or private clouds. It gives large enterprises flexible deployment options while making Nuance technology available to smaller organizations via the cloud model.

- **Accelerating our innovation activitie**s. We are accelerating investment in research and development ("R&D"), focusing on new AI products that deliver additional value to our existing customer base. In Healthcare we continued to expand the number of specialties supported by Nuance DAX and launched Nuance DAX for telehealth. Building on our Dragon Medical One platform, we offer CAPD solutions for sub-specialties, including surgical, cardiovascular, pediatrics, and the emergency department, as well as new capabilities for the clinical documentation specialists through CDE One. Building on our large radiology installed base, we offer a suite of additional offerings for image sharing, communication, workflow orchestration, incidental findings follow-up, and the AI marketplace for Diagnostic Imaging in Healthcare. In Enterprise, building on our strong footprint in the Fortune 100 with IVR, we increase revenue, cost savings, and customer satisfaction through the addition of digital offerings and security and biometrics solutions for a seamless omnichannel experience. Enterprises have a choice of deployment whether they leverage our world-class professional services team or leverage Nuance Mix, an open enterprise-grade, SaaS tooling suite for creating advanced conversational experiences that power virtual assistants and IVR using Nuance’s industry-leading and cloud-agnostic conversational AI.

- **Expanding our go-to-market presence.** We are increasing sales coverage in new markets and developing solutions to build on our platform approach to increase our customer lifetime value. In Healthcare, we are pursuing under-served markets, including community hospitals, ambulatory clinics, and surgery centers. We also launched new solutions for specialty areas such as pediatrics, the emergency department, cardiovascular, and surgical. In Enterprise, we are expanding our Intelligent Engagement solutions into our existing IVR customer base and delivering new rapid AI development tools that will allow us to increase our penetration into mid-market accounts.

- **Expanding internationally**. In Healthcare, we continue to expand our international presence in the U.K., France, DACH region, Nordics, Australia, and Canada with a growing direct sales force and new offerings. We launched new Dragon Medical cloud offerings in certain international markets, including the Netherlands, Belgium, Luxembourg, Germany, Austria, Sweden, Denmark, Norway, and Finland. In Enterprise, we continue to expand our international presence in the U.K., France, Spain, Germany, Italy, Japan, Australia, New Zealand, Mexico, Brazil, Argentina, and Canada with expanded Intelligent Engagement offerings and sales focus.

- **Growing through targeted acquisitions and strategic investments**. While organic growth is our priority, we also expect to selectively and opportunistically pursue acquisitions and investments in businesses and technologies that advance the strategies described above.

Segments

As of September 30, 2020, we had three reportable segments: Healthcare, Enterprise, and Other. See Note 23 to the consolidated financial statements for additional information about our reportable segments. We offer our solutions and technologies to our customers in a variety of ways, including via hosted cloud-based solutions, perpetual and term software licenses, implementation

and custom solution development services and maintenance and support. Our product revenues include traditional perpetual licensing, term-based licensing, royalties, and consumer sales. Our hosting, royalty, term license and maintenance and support revenues are recurring in nature as our customers use our products on an ongoing basis to handle their needs in clinical documentation, radiology diagnosis, and enterprise customer services. Our professional services offer a continuing revenue stream, whether it is provided in connection with our software solutions or on a standalone basis, as we have a backlog of engagements that take time to complete.

Healthcare

Our Healthcare segment provides intelligent systems that support a more natural and insightful approach to clinical documentation, freeing clinicians to spend more time caring for patients. Our Healthcare solutions capture, improve, and communicate more than 300 million patient stories each year, helping more than 500,000 clinicians in 10,000 global healthcare organizations to drive meaningful clinical and financial outcomes. Our clinical speech recognition, medical transcription, CDI, coding, quality, and medical imaging solutions provide a more complete and accurate view of patient care.

Our Healthcare segment revenues were $915.3 million, $950.6 million, and $984.8 million in fiscal years 2020, 2019 and 2018, respectively. Healthcare segment revenues represented 61.9%, 62.4% and 62.4% of total segment revenue in fiscal years 2020, 2019 and 2018, respectively. For each of fiscal years 2020, 2019, and 2018, no customer accounted for more than 10% of Healthcare revenue.

Our principal solutions for the Healthcare segment include the following:

- ***Dragon Medical One:*** Our cloud-based speech solution provides a consistent and personalized clinical documentation experience across solutions, platforms, and devices, regardless of physical location. Dragon Medical One allows clinicians to use their voice to securely capture the patient story and control applications more naturally and efficiently - anywhere, anytime. Dragon Medical One is HITRUST CSF-certified and uses a secure desktop app to keep data private and protected. It helps increase productivity and offers more flexibility and personalization while establishing a firm foundation for organizations to take advantage of new and future innovations, including virtual assistants and ACI.

- ***Computer-Assisted Physician Documentation:*** Powered by AI, our solutions give physicians in-workflow guidance to drive better data outcomes across the continuum of care. Our CAPD solutions apply workflow and knowledge automation, proven clinical strategies and point-of-care advice to capture complete and accurate documentation while improving productivity and satisfaction. We make it easier to add specificity to existing diagnoses, discover evidence of undocumented diagnoses and support various specialties and care settings, including inpatient, outpatient, pediatrics, emergency medicine, surgical, and cardiovascular. Details are extracted from patient narratives for fast and accurate translation into discrete data, while coding assistance helps capture professional charges, improve quality and reduce retrospective queries.

- ***Diagnostic Imaging Solutions:*** Our diagnostic imaging solutions improve the efficiency and effectiveness of the radiologists' work to improve clinical and financial outcomes across the continuum of care. Driving both speed and precision in how radiology is applied to patient care to maximize reimbursement, we reduce duplications and errors and alleviate burnout. Using AI, we help automate time-consuming, non-value-added tasks, freeing radiologists to perform more important tasks. By focusing more on integrating patients' clinical and imaging information and collaborating better with peers, we help radiologists uplift their role within the care team. Our industry-leading solutions for radiology deliver real-time intelligence in the workflow and include PowerScribe, which is used for 80% of radiology reports in the U.S. and PowerShare, which offers an image sharing network with more than 7,500 connected healthcare facilities. Our PowerScribe One cloud-based platform supports workflow orchestration, communication, incidental findings follow-up management, and works with our AI Marketplace for our diagnostic imaging solutions.

- ***Nuance® Dragon Ambient eXperience™ (DAX™):*** During second quarter of fiscal year 2020, we launched Nuance DAX™ solution, which is a comprehensive, AI-powered, voice-enabled solution that uses ambient sensing technology to securely listen to clinician-patient encounter conversations while offering workflow and knowledge automation to complement the EHR. Exceeding the capabilities of a virtual or on-site scribe, Nuance DAX™ promotes a better patient experience by accurately capturing and appropriately contextualizing every word of the patient encounter and automatically documenting patient care without taking the physician's attention off the patient. The Nuance DAX™ solution is built on Microsoft Azure, a highly secure HITRUST CSF certified platform, compliant with the HITECH Act, and that has implemented the physical, technical, and administrative safeguards required by HIPAA. Nuance DAX™ solution accounted for an insignificant portion of our total revenue in fiscal year 2020.

- ***Clinical Documentation Improvement and Coding:*** Our comprehensive portfolio of cloud-based technologies is designed to help increase the productivity and effectiveness of CDI teams. Our clinically focused program and services deliver documentation guidance, AI-powered encounter prioritization, workflow management, denials support and analytics to drive better documentation across the care continuum. Designed with scale and reliability in mind, these solutions require lower installation, deployment and maintenance costs and are hosted on Microsoft Azure, a HITRUST CSF-certified infrastructure to support privacy, security and compliance. We provide real-time insights that promote a performance-driven program, allow peer comparisons and identify opportunities for improvement. Our Coding solutions offer cloud-based, enterprise-wide products and services that are designed to improve coder productivity and maintain the highest levels of accuracy and compliance. These solutions effectively manage and monitor the types of compliance coding challenges that can put a health system at risk for delayed and reduced reimbursement. We help manage the workflow by bringing together the tools needed to provide better visibility into key coding performance indicators. Coder productivity can be enhanced by enabling a more complete and accurate review of both inpatient and outpatient encounters that are associated with facility and professional service fees.

- ***Transcriptions Solutions:*** These solutions offer cloud-based transcription capabilities for clinical documentation that use background speech recognition to increase Medical Language Specialists' productivity and reduce costs. Helping organizations simplify the documentation process by offering users an automated and flexible workflow with options designed to meet a facility's specific needs, our solutions and services offer fast, accurate, and usable documentation with more seamless and fully automated processes that can identify discrete information and securely upload data directly into the EHR. Clinicians using EHRs can accurately document entire patient encounters using a mobile device or their standard dictation methods.

The channels for distribution in the Healthcare segment utilize our direct sales force to address the market and our professional services organization to support the implementation requirements of the healthcare industry. Direct distribution is supplemented by distributors, resellers, and partnerships with a variety of healthcare IT providers.

Areas of expansion and focus for our Healthcare segment include innovation in AI and development of deeply verticalized and specialized intelligence to integrate with and further enhance our existing products; expansion of Nuance DAX which takes advantage of our cloud-based speech recognition technology and benefits from increasing levels of workflow, task, and knowledge automation; investment in our cloud-based offerings, operations, and network security; entering new and adjacent markets such as ambulatory care; and expanding our international capabilities.

Enterprise

Our Enterprise segment is a leading provider of AI-powered intelligent customer engagement solutions and services, which enable enterprises and contact centers to enhance and automate customer service and sales engagement.

Our market-leading Intelligent Engagement platform powered by conversational AI has been recognized and awarded by independent industry research firms like Forrester, Gartner and Opus. We are also differentiated by our ability to enable enterprises to implement voice and text-based virtual assistants and to provide automated service and sales engagement across voice and digital channels, as well as the ability of our solutions to seamlessly transition to agent-assisted engagement to complete a customer service request. Our intelligent self-service solutions are highly secure, predictive, and accurate, resulting in increased customer acquisition and satisfaction while simultaneously reducing the costs associated with delivering customer service for the enterprise.

Our solutions and services portfolio now spans voice, behavioral and conversational biometrics, digital virtual assistant capabilities, across voice, mobile, web and messaging channels, with inbound and outbound customer service and engagement in over 85 languages for voice, text, dialog and natural language understanding ("NLU"). Our Enterprise segment utilizes a hybrid go-to-market model, selling both direct and through reseller partners.

Enterprise segment revenues were $530.0 million, $510.8 million, and $483.2 million in fiscal years 2020, 2019 and 2018, respectively. Enterprise segment revenues represented 35.8%, 33.5% and 30.6% of total segment revenues in fiscal years 2020, 2019 and 2018, respectively. For each of fiscal years 2020, 2019, and 2018, no customer accounted for more than 10% of Enterprise revenue.

Our principal solutions for the Enterprise segment include the following:

- ***Intelligent Engagement Solutions:*** Our open, modular cloud platform provides enterprises with the ability to implement virtual- and live-engagement across nearly all digital voice and text channels. The platform supports virtual assistant, live engagement and proactive notification services, using our conversational AI, engagement AI and security AI capabilities.

Our Intelligent Engagement cloud is sold both direct and through partners and are largely multi-year agreements with volume-based transactional pricing and associated professional services.

- ***Conversational AI*****:** In 2020 we launched Nuance Mix™, an open enterprise-grade, SaaS tooling suite for creating advanced conversational experiences that power virtual assistants and IVR systems, using our industry-leading and cloud-agnostic conversational AI. As global organizations increasingly look to integrate Conversational AI into their digital and voice customer engagements, the ability to build a conversational experience once and deploy it across channels and modalities has become critical. Nuance Mix allows these organizations to build, maintain and deliver the complex enterprise-grade conversational experiences that help brands acquire customers and get vital customer queries and transactions resolved. Our conversational AI solutions are integrated with IVR systems provided to the customer by us or by a wide range of third-party IVR and contact center vendors, who often resell our IVR Voice Solutions. Our solutions in this category include automated speech recognition ("ASR"), TTS, NLU and dialog engines. We also offer a cloud hosted IVR and voice automation platform which is largely sold direct through multi-year agreements with volume-based transactional pricing and associated professional services.

- ***Engagement AI:*** Our digital solutions are a mix of intelligent virtual assistants and human-assisted customer engagement. This enables companies to target the right visitor with the right message at the right time, delivering a customer-centric experience across all channels. Nuance enables businesses to design a seamless experience once and deploy it on any channel-browsers, inside an app, Apple Business Chat, via text messaging, social media, in third-party messaging apps, such as Facebook Messenger, Google's Business Messages and WhatsApp, or for smart home devices-while adjusting the experience to the individual channel. Our Engagement AI solutions also enable contact center agents to be more productive by giving them easier access to information with relevant, real-time insights, visibility into active conversations, and proactive recommendations to improve the customer and agent experience.

- ***Security AI*****:** These solutions enable organizations to automate the identification and verification of their customers while preventing fraud in digital and voice channels. In 2020, we launched Nuance Gatekeeper, a cloud-native biometric security platform that combines industry-leading voice, behavioral conversational biometrics with intelligent detectors and an underlying risk engine to authenticate customers, identify fraudsters, and detect cases of potential fraud, seamlessly and in seconds. We license this solution via perpetual maintenance and support ("M&S"), on-premise transactional and cloud transactional models.

Areas of focus and expansion for our Enterprise segment include increasing the penetration of our full portfolio into our large existing customer base; bringing our Intelligent Engagement cloud to new customers, the midmarket and new international markets, especially Western Europe, Japan and Australia; expansion of our security and biometrics cloud solution; and continued investment in our AI-powered solutions to ensure we retain leadership throughout our solutions.

Other

Our Other segment currently consists primarily of voicemail transcription services following the sale of our Mobile Operator Services business and the wind-down of our Devices business in 2019.

Other segment revenues were $33.9 million, $61.5 million, and $109.1 million in fiscal years 2020, 2019 and 2018, respectively. Other segment revenues represented 2.3%, 4.0% and 6.9% of total segment revenues in fiscal years 2020, 2019 and 2018, respectively.

Intellectual Property

Over our history, we have developed and acquired extensive technology assets, intellectual property, and industry expertise in ASR and NLU technologies that provide us with a competitive advantage in our markets. Our technologies are based on complex algorithms that require extensive amounts of acoustic and language models, and recognition and understanding techniques. A significant investment in capital and time would be necessary to replicate our current capabilities.

We continue to invest in technologies to maintain our market-leading position and to develop new applications. We rely on a portfolio of patents, copyrights, trademarks, services marks, trade secrets, confidentiality provisions and licensing arrangements to establish and protect our intellectual property and proprietary rights. As of September 30, 2020, we held approximately 2,350 patents and 300 patent applications.

Competition

The markets in which we compete are highly competitive and are subject to rapid technology changes. There are a number of companies that develop or may develop solutions and technologies that compete in our target markets; however, currently no company directly competes with us across all of our solutions and technologies. While we expect competition to continue to increase both from existing competitors and new market entrants, we believe that we will compete effectively based on many factors, including:

- ***Data Driven Technological Superiority.*** We have deep domain expertise and our conversational AI technologies, applications and solutions are often recognized as the most innovative and proficient in their respective categories. Our ASR and NLU solutions have industry-leading recognition accuracy and provide a natural, voice-enabled interaction with systems, devices and applications. This technological superiority and AI verticalization are driven by our massive data repository of over 3,000 terabytes aggregated over more than two decades. Technology publications, analyst research and independent benchmarks have consistently indicated that our solutions and technologies rank at or above performance levels of alternative solutions.

- ***Leverageable Base of Strategic Partnerships.*** We are able to leverage our strong partnerships with EHR vendors, imaging providers, and contact center infrastructure players to integrate tightly into the workflow of our clients, across clinical environments and customer service centers. Additionally, our strategic partnerships with leading technology firms allow us to accelerate the continued progress and delivery of broad suite of offerings, through joint research, development, and selling efforts.

- ***Flexible Deployment with Specialized Professional Services.*** By providing the optionality of supporting various hosting environments as well as offering premise-based solutions, we are flexible in how our superior technology can be deployed to the world's largest companies. This flexibility is coupled with the high quality and domain knowledge of our professional services organization, allowing our customers and partners to place a high degree of confidence and trust in our ability to deliver results. We support our customers in designing and building powerful innovative solutions that specifically address their needs and requirements.

- ***Privileged Footprint with Established, Long-Tenured Client Base***. With a presence in 90% of U.S. hospitals and with 80% of radiologists, we are an established market leader within Healthcare. Our flagship product Dragon Medical has a user base of over 550,000 physicians and over 55% market share of the entire U.S. physician market, creating an exciting opportunity to deploy incremental AI solutions and added intelligence across our installed base. Within our Enterprise division, we service 85% of Fortune 100 companies, reinforcing our established position in the upper end of the market.

- ***International Coverage.*** The international reach of our solutions and technologies is due to the broad language coverage of our offerings, including our ASR and NLU solutions, which provide recognition for approximately 90 languages and dialects and natural-sounding synthesized speech in over 200 voices, and support a broad range of hardware platforms and operating systems.

- ***Broad Distribution Channels.*** Our ability to address the needs of specific markets, such as financial, law, healthcare and government, and to introduce new solutions and technologies quickly and effectively is provided by our direct sales force, our extensive global network of resellers, comprising system integrators, independent software vendors, value-added resellers, hardware vendors, telecommunications carriers and distributors, and our e-commerce website.

Our Healthcare segment competes against Optum, Amazon, Google, 3M and other smaller providers. Our Enterprise segment competes against [24]7, Amazon, Genesys, Google, LivePerson, Salesforce, and Pindrop, among other less frequent competitors. Additionally, a number of smaller companies in voice recognition, natural language understanding, and text input offer technologies or products that are competitive with our solutions.

Current and potential competitors have established, or may establish, cooperative relationships among themselves or with other parties to increase the ability of their technologies to address the needs of our prospective customers.

Some of our current or potential competitors have significantly greater financial, technical and marketing resources than we do. These competitors may be able to respond more rapidly than we can to new or emerging technologies or changes in customer requirements. They may also devote greater resources to the development, promotion and sale of their products than we do.

Employees

As of September 30, 2020, we had approximately 7,100 full-time employees, including approximately 900 in sales and marketing, approximately 1,700 in hosting and maintenance and support services, approximately 600 in professional services, approximately 1,600 in R&D, approximately 700 in general and administrative, and approximately 1,600 who provide transcription and editing services. Approximately 55% of our employees are based outside of the U.S., approximately 36% of whom provide transcription and editing services and are based in India.

None of our employees in the U.S. are represented by a labor union. Employees of certain of our foreign subsidiaries are represented by labor unions or workers' councils. We believe that our relationships with our employees are satisfactory.

Information About Geographic Areas

We have offices in a number of international locations including Australia, Austria, Belgium, Canada, Germany, India, Ireland, Italy, Japan, and the U.K. The responsibilities of our international operations include research and development, healthcare transcription and editing, customer support, sales and marketing and general and administrative. Additionally, we maintain smaller sales, services and support offices throughout the world to support our international customers and to expand international revenue opportunities.

Geographic revenue classification is based on the geographic areas in which our customers are located. For fiscal years 2020, 2019 and 2018, 80%, 81% and 80% of revenue from continuing operations was generated in the U.S. and 20%, 19% and 20% was generated by our international customers, respectively.

Corporate Information and Website

We were incorporated under the laws of the State of Delaware in 1992. Our website is located at www.nuance.com and we trade under the ticker symbol NUAN. We are not including the information contained in our website as part of, or incorporating it by reference into, this annual report on Form 10-K. We make available free of charge through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports, as soon as reasonably practicable after we electronically file these materials with, or otherwise furnish them to, the Securities and Exchange Commission ("SEC").

Item 1A. *Risk Factors*

You should carefully consider the risks and uncertainties described below when evaluating the company and when deciding whether to invest in the company. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we do not currently believe are important to an investor may also harm our business operations. If any of the events, contingencies, circumstances or conditions described below actually occurs, our business, financial condition or our results of operations could be seriously harmed. If that happens, the trading price of our common stock could decline.

Risks Related to Our Business

Our liquidity and operations have been adversely impacted, and our business, financial condition, results of operations and cash flows may continue to be adversely impacted, by the novel coronavirus (COVID-19).

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The global spread of COVID-19 has created significant market volatility, uncertainty and economic disruption. The COVID-19 pandemic has adversely affected our results of operations and liquidity as of September 30, 2020, and may continue to adversely impact our business, results of operations, cash flows and financial condition. While we have not experienced significant disruptions to our ability to conduct business thus far as a result of the pandemic, we are currently conducting business with substantial modifications to employee travel, employee work locations, virtualization or cancellation of customer and employee events, and remote sales, implementation, and support activities, among other modifications.

The extent to which the coronavirus pandemic will impact our business, operations, and financial results in the future will depend on numerous evolving factors that we may not be able to accurately predict, including:

- the duration and scope of the pandemic;
- governmental, business and individual actions taken in response to the pandemic and the impact of those actions on global economic activity;

- the actions taken in response to economic disruption;
- the impact of business disruptions on our customers and partners and the resulting impact on their demand for our products and services;
- our customers' and partners' ability to pay for our products and services; and
- our ability to provide our products and services, including as a result of our employees working remotely and/or closures of offices and facilities.

We are closely monitoring the impact of the COVID-19 pandemic and continually assessing its potential effects on our business. Many of our customers are hospitals and other healthcare providers that are facing capital shortages and other changes to their businesses as they focus on fighting the pandemic. As a result, in particular with respect to our healthcare customers, our net new sales may continue to be lower than expected; our ability to recognize revenue may continue to be negatively impacted due to implementation delays, decreased utilization of certain products such as our HIM, PowerScribe and DAX solutions, decrease in volumes where we have transaction-based revenue, or other factors; our collections may continue to be delayed, which will negatively affect our cash flows; some customers may go out of business, and we will be unsecured creditors and may not be able to collect what we are owed; our ability to provide 24x7 worldwide support to our customers may be affected; and our employees' productivity may be negatively impacted as a result of almost all of our workforce working from home. The pandemic and accompanying market volatility, uncertainty and economic disruption may also have the effect of heightening many of the other risks described in the "Risk Factors" set forth in this Annual Report on Form 10-K. The ultimate impact of the COVID-19 pandemic and the effects of the operational changes we have made in response cannot be accurately predicted at this time.

The markets in which we operate are highly competitive and rapidly changing and we may be unable to compete successfully.

There are a number of companies that develop or may develop products that compete in our targeted markets. The markets for our products and services are characterized by intense competition, evolving industry and regulatory standards, emerging business and distribution models, disruptive software and hardware technology developments, short product and service life cycles, price sensitivity on the part of customers, and frequent new product introductions, including alternatives for certain of our products that offer limited functionality at significantly lower costs or free of charge. Current and potential competitors have established, or may establish, cooperative relationships among themselves or with third parties to increase the ability of their technologies to address the needs of our prospective customers. Furthermore, there has been a trend toward industry consolidation in our markets for several years. We expect this trend to continue as companies attempt to strengthen or hold their market positions.

The competition in our targeted markets could adversely affect our operating results by reducing the volume of the products and solutions we license or sell or the prices we can charge. Some of our current or potential competitors have significantly greater financial, technical and marketing resources than we do. These competitors may be able to respond more rapidly than we can to new or emerging technologies or changes in customer requirements. They may also devote greater resources to the development, promotion and sale of their products than we do, and in certain cases may be able to include or combine their competitive products or technologies with other of their products or technologies in a manner whereby the competitive functionality is available at lower cost or free of charge within the larger offering. To the extent they do so, market acceptance and penetration of our products, and therefore our revenue and bookings, may be adversely affected. Our success depends substantially upon our ability to enhance our products and technologies and to develop and introduce, on a timely and cost-effective basis, new products and features that meet changing customer requirements and incorporate technological enhancements. If we are unable to develop or acquire new products and enhance functionalities or technologies to adapt to these changes our business will suffer.

Our operating results may fluctuate significantly from period to period, and this may cause our stock price to decline.

Our revenue, bookings and operating results have fluctuated materially in the past and we expect such fluctuations to continue in the future. These fluctuations may cause our results of operations not to meet the expectations of securities analysts or investors which would likely cause the price of our stock to decline. Factors that may contribute to fluctuations in operating results include:

- volume, timing and fulfillment of customer orders and receipt of royalty reports;
- fluctuating sales by our channel partners to their customers;
- customers delaying their purchasing decisions in anticipation of new versions of our products;
- contractual counterparties failing to meet their contractual commitments to us;
- introduction of new products by us or our competitors;
- cybersecurity or data breaches;
- seasonality in purchasing patterns of our customers;
- reduction in the prices of our products in response to competition, market conditions or contractual obligations;

- returns and allowance charges in excess of accrued amounts;
- timing of significant marketing and sales promotions;
- impairment of goodwill or intangible assets;
- the pace of the transition to an on-demand and transactional revenue model;
- delayed realization of synergies resulting from our acquisitions;
- accounts receivable that are not collectible and write-offs of excess or obsolete inventory;
- increased expenditures incurred pursuing new product or market opportunities;
- higher than anticipated costs related to fixed-price contracts with our customers;
- change in costs due to regulatory or trade restrictions;
- expenses incurred in litigation matters, whether initiated by us or brought by third parties against us, and settlements or judgments we are required to pay in connection with disputes; and
- general economic trends as they affect the customer bases into which we sell.

Due to the foregoing factors, among others, our revenue, bookings and operating results are difficult to forecast. Our expense levels are based in significant part on our expectations of future revenue, and we may not be able to reduce our expenses quickly to respond to near-term shortfalls in projected revenue. Therefore, our failure to meet revenue expectations would seriously harm our operating results, financial condition and cash flows.

A significant portion of our revenue and bookings are derived, and a significant portion of our research and development activities are based, outside the United States. Our results could be harmed by economic, political, regulatory, foreign currency fluctuation and other risks associated with these international regions.

Because we operate worldwide, our business is subject to risks associated with doing business internationally. We generate most of our international revenue and bookings in Canada and Europe, and we anticipate that revenue and bookings from international operations could increase in the future. In addition, some of our products are developed outside the United States and we have a large number of employees in India who provide transcription and development services, and we also have a large number of employees in Canada, Germany and the United Kingdom who provide professional services. We conduct a significant portion of the development of our voice recognition and natural language understanding solutions in Canada and Germany. We also have significant research and development resources in Austria, Belgium, Italy, and the United Kingdom. We are exposed to fluctuating exchange rates of foreign currencies including the Euro, British pound, Australian dollar, Canadian dollar, Japanese yen, and Indian rupee. Accordingly, our future results could be harmed by a variety of factors associated with international sales and operations, including:

- adverse political and economic conditions, or changes to such conditions, in a specific region or country;
- trade protection measures, including tariffs and import/export controls, imposed by the United States and/or by other countries or regional authorities such as Canada or the European Union;
- the impact on local and global economies of the United Kingdom leaving the European Union;
- changes in foreign currency exchange rates or the lack of ability to hedge certain foreign currencies;
- compliance with laws and regulations in many countries and any subsequent changes in such laws and regulations;
- geopolitical turmoil, including terrorism and war;
- changing data privacy regulations and customer requirements to locate data centers in certain jurisdictions;
- evolving restrictions on cross-border investment, including recent enhancements to the oversight by the Committee on Foreign Investment in the United States pursuant to the Foreign Investment Risk Preview Modernization Act;
- changes in applicable tax laws;
- difficulties in staffing and managing operations in multiple locations in many countries;
- longer payment cycles of foreign customers and timing of collections in foreign jurisdictions; and
- less effective protection of intellectual property outside the United States.

If we are unable to attract and retain key personnel, our business could be harmed.

To execute our business strategy, we must attract and retain highly qualified personnel. If any of our key employees were to leave, we could face substantial difficulty in hiring qualified successors and could experience a loss in productivity while any successor obtains the necessary training and experience. Although we have arrangements with some of our executive officers designed to promote retention, our employment relationships are generally at-will and we have had key employees leave in the past. We cannot assure you that one or more key employees will not leave in the future. In particular, we compete with many other companies for

software developers with high levels of experience in designing, developing and managing software, as well as for skilled information technology, marketing, sales and operations professionals, and we may not be successful in attracting and retaining the professionals we need. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and difficulty in retaining highly skilled employees with appropriate qualifications. In particular, we have experienced a competitive hiring environment in the Greater Boston area, where we are headquartered. Many of the companies with which we compete for experienced personnel have greater resources than we do. In addition, in making employment decisions, particularly in the software industry, job candidates often consider the value of the equity incentives they are to receive in connection with their employment. If the price of our stock declines, or experiences significant volatility, our ability to attract or retain key employees will be adversely affected. We intend to continue to hire additional highly qualified personnel, including research and development and operational personnel, but may not be able to attract, assimilate or retain qualified personnel in the future. Any failure to attract, integrate, motivate and retain these employees could harm our business.

Cybersecurity and data privacy incidents or breaches may damage client relations and inhibit our growth.

The confidentiality and security of our information, and that of third parties, is critical to our business. Our services involve the transmission, use, and storage of our customers' and their customers' confidential information. We were the victim of a cybercrime in 2017, and future cybersecurity or data privacy incidents could have a material adverse effect on our results of operations and financial condition. While we maintain a broad array of information security and privacy measures, policies and practices, our networks may be breached through a variety of means, resulting in someone obtaining unauthorized access to our information, to information of our customers or their customers, or to our intellectual property; disabling or degrading service; or sabotaging systems or information. In addition, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud or other forms of deceiving our employees, contractors, and vendors. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. We will continue to incur significant costs to continuously enhance our information security measures to defend against the threat of cybercrime. Any cybersecurity or data privacy incident or breach may result in:

- loss of revenue resulting from the operational disruption;
- loss of revenue or increased bad debt expense due to the inability to invoice properly or to customer dissatisfaction resulting in collection issues;
- loss of revenue due to loss of customers;
- material remediation costs to restore systems;
- material investments in new or enhanced systems in order to enhance our information security posture;
- cost of incentives offered to customers to restore confidence and maintain business relationships;
- reputational damage resulting in the failure to retain or attract customers;
- costs associated with potential litigation or governmental investigations;
- costs associated with any required notices of a data breach;
- costs associated with the potential loss of critical business data; and
- other consequences of which we are not currently aware but will discover through the remediation process.

Our business is subject to a variety of domestic and international laws, rules, policies and other obligations including data protection, anticorruption and health care reimbursement.

We must comply with, numerous, and sometimes conflicting, legal regimes on matters such as data privacy and protection, anticorruption, employment and labor relations, tax, foreign currency, anti-competition, import/export controls, trade regulations, immigration, anti-kickback laws and healthcare reimbursement laws. The global nature of our operations increases the difficulty of compliance. Compliance with diverse legal requirements is costly, time-consuming and requires significant resources. Violations of one or more of these laws in the conduct of our business could result in significant fines, criminal sanctions against us and/or our employees, prohibitions on doing business, breach of contract damages and harm to our reputation.

In particular, we are subject to a complex array of federal, state and international laws relating to the collection, use, retention, disclosure, security and transfer of personally identifiable information and personal health information, with additional laws applicable in some jurisdictions where the information is collected from children. In many cases, these laws apply not only to transfers between unrelated third parties but also to transfers between us and our subsidiaries. Many of the laws passed in this area are relatively new and their interpretation is evolving and changing. In the United States, the California Consumer Privacy Act ("CCPA"), went into effect in January 2020. The CCPA imposes privacy and data security obligations on companies and provides

California consumers with certain rights as data subjects. Several other U.S. states have proposed data privacy laws that impose similar but non-identical obligations. In addition, some states have passed laws imposing increased data security and breach notification obligations on companies operating in the U.S. In the EU, the European General Data Protection Regulation (the "GDPR"), which went into effect in May 2018, imposes privacy and data security compliance obligations and significant penalties for noncompliance. The GDPR presents numerous privacy-related changes for companies operating in the EU, including rights guaranteed to data subjects, requirements for data portability for EU consumers, data breach notification requirements and significant fines for noncompliance. In GDPR enforcement matters, companies have faced fines for violations of certain provisions. Fines can reach as high as 4% of a company's annual total revenue, potentially including the revenue of a company's international affiliates. On July 16, 2020, the Court of Justice of the European Union issued a decision that invalidates the EU-U.S. Privacy Shield framework, a mechanism that companies had previously relied on to transfer information between the EU and U.S., on the basis that such transfer mechanism does not comply with the level of protection required under the GDPR. There is also an increase in regulation of biometric data globally, which may include voiceprints. In addition, we are subject to laws relating specifically to personal health information, including the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the Health Information Technology for Economic and Clinical Health ("HITECH") Act.

Changes in these data privacy and protection laws and regulations and inconsistencies in the standards that apply to our business in different jurisdictions may impose significant compliance costs, reduce the efficiency of our operations, expose us to enforcement risks, and materially adversely affect our ability to market and sell our products and solutions. Any alleged or actual failure by us, our customers, suppliers or other parties with whom we do business to comply with federal, state or international privacy-related or data protection laws and regulations could cause our customers to lose confidence in our solutions; harm our reputation; expose us to litigation, regulatory investigations and to resulting liabilities including reimbursement of customer costs, damages penalties or fines imposed by regulatory agencies, and require us to incur significant expenses for remediation.

We are also subject to a variety of anticorruption laws in respect of our international operations, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and the Canadian Corruption of Foreign Public Officials Act, and regulations issued by the U.S. Customs and Border Protection, the U.S. Bureau of Industry and Security, the U.S Treasury Department's Office of Foreign Assets Control, and various other foreign governmental agencies. We cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted. Actual or alleged violations of these laws and regulations could lead to enforcement actions and financial penalties that could result in substantial costs.

Many of our customers are subject to various federal and state laws concerning their submission of claims for reimbursement by Medicare, Medicaid and other federal and state government-sponsored health care programs. Such laws include the federal False Claims Act (the "False Claims Act"), the federal anti-kickback statute, state false claims acts and anti-kickback statutes in most states, the federal "Stark Law" and related state laws. In particular, the False Claims Act prohibits knowingly submitting, conspiring to submit, or causing to be submitted, false claims, records, or statements to the federal government, or knowingly and improperly failing to return overpayments, in connection with reimbursement by federal government programs and can be used as a vehicle to enforce each of these other laws. Claims under federal and state false claims acts can be brought by the government or by private individuals on behalf of the government through a qui tam or "whistleblower" suit. If there is an adverse decision against us or our customers under these laws relating to use of our products or solutions, we may be required to pay damages, significant fines and/or other monetary penalties, and our ability to market and sell such products or solutions to customers may be materially adversely impacted.

Interruptions or delays in our services, including from data center hosting facilities, could impair the delivery of our services and harm our business.

Because our services are complex and incorporate a variety of third-party hardware and software, our services may have errors or defects that could result in unanticipated downtime for our customers and harm to our reputation and our business. We have from time to time, found defects in our services, and new errors in our services may be detected in the future. In addition, we currently serve our customers from data center hosting facilities we directly manage and from third party public cloud facilities. Any damage to, or failure of, the systems that serve our customers in whole or in part could result in interruptions in our service. Interruptions in our service may reduce our revenue, cause us to issue credits or pay service-level agreement penalties, cause customers to terminate their on-demand services, and adversely affect our renewal rates and our ability to attract new customers.

We may be unable to fully capture the expected value from strategic transactions.

As part of our business strategy, we have in the past acquired and divested, and expect to continue to acquire and may divest, other businesses and technologies. We also expect to from time to time pursue other strategic transactions including divestitures, joint ventures, minority stakes and strategic alliances. Our acquisitions and divestitures have required substantial integration and

management efforts, and we expect future acquisitions, divestitures and other strategic transactions to require similar efforts. Successfully realizing the benefits of acquisitions, divestitures and other strategic transactions involves a number of risks, including:

- difficulty in transitioning and integrating the operations and personnel of the acquired businesses;
- difficulty in separating the operations, personnel and systems of divested businesses:
- potential negative impact on our profitability as a result of losses that may result from a divestiture, including the loss of sales and operating income or decrease in cash flows;
- retained exposure on financial guarantee leases, real estate and other contractual, employment, pension and severance obligations of divested business, and potential liabilities that may arise under law as a result of the disposition or the subsequent failure of an acquirer;
- potential disruption of our ongoing business and distraction of management;
- difficulty in incorporating acquired products and technologies into our products and technologies;
- potential difficulties in completing projects associated with in-process research and development;
- unanticipated expenses and delays in completing acquired development projects and technology integration and upgrades;
- challenges associated with managing additional, geographically remote businesses;
- impairment of relationships with partners and customers;
- assumption of unknown material liabilities of acquired companies;
- the accuracy of revenue and bookings projections of acquired companies;
- customers delaying purchases of our products pending resolution of product integration between our existing and our newly acquired products;
- entering markets or types of businesses in which we have limited experience; and
- potential loss of key employees of the acquired business or loss of key employees of a divested business.

As a result of these and other risks, we may not realize the anticipated benefits from our acquisitions, divestitures, and other strategic transactions. Any failure to achieve these benefits or failure to successfully integrate acquired businesses and technologies or disaggregate divested businesses and technologies could seriously harm our business.

We may be exposed to claims and liabilities as a result of the spin-off of our Automotive business segment.

We entered into a separation and distribution agreement and various other agreements with Cerence to govern the spin-off and the relationship between the two companies going forward. These agreements provide for specific indemnity and liability obligations and could lead to disputes between us and Cerence. For example, in the Tax Matters Agreement, dated September 30, 2019, between Nuance and Cerence, Cerence agreed to indemnify Nuance for resulting taxes and related expenses if, as a result of any of Cerence's breach of certain of its representations or covenants, the spin-off and certain related reorganization transactions are determined not to qualify for non-recognition of gain or loss under Section 355 and related provisions of the Internal Revenue Code of 1986, as amended. The indemnity rights we have against Cerence under the agreements may not be sufficient to protect us, for example if our losses exceed our indemnity rights or if Cerence did not have the financial resources to meet its indemnity obligations. In addition, our indemnity obligations to Cerence may be significant, and these risks could negatively affect our results of operations and financial condition.

Charges to earnings as a result of our acquisitions may adversely affect our operating results in the foreseeable future, which could have a material and adverse effect on the market value of our common stock.

Under accounting principles generally accepted in the United States, we record the market value of our common stock and other forms of consideration issued in connection with an acquisition as the cost of acquiring the company or business. We allocate that cost to the individual assets acquired and liabilities assumed, including various identifiable intangible assets such as acquired technology, acquired trade names and acquired customer relationships, based on their respective fair values. We base our estimates of fair value upon assumptions believed to be reasonable, but which are inherently uncertain. After we complete an acquisition, the following factors could result in material charges and may adversely affect our operating results and cash flows:

- costs incurred to integrate the operations of businesses we acquire, such as transitional employee expenses and employee retention, redeployment or relocation expenses;
- impairment of goodwill or intangible assets;
- amortization of intangible assets acquired;
- a reduction in the useful lives of intangible assets acquired;

- identification of or changes to assumed contingent liabilities, both income tax and non-income tax related, after our final determination of the amounts for these contingencies or the conclusion of the measurement period (generally up to one year from the acquisition date), whichever comes first;
- charges to our operating results to eliminate certain duplicative pre-merger activities, to restructure our operations or to reduce our cost structure;
- charges to our operating results arising from expenses incurred to effect the acquisition; and
- charges to our operating results due to the expensing of stock awards assumed in acquisitions.

Intangible assets are generally amortized over three to ten years. Goodwill is not subject to amortization but is subject to an impairment analysis, at least annually, which may result in an impairment charge if the carrying value exceeds its implied fair value. As of September 30, 2020, we recorded goodwill of $2,133.7 million and intangible assets of $213.5 million, net of accumulated amortization and impairment charges. In addition, purchase accounting limits our ability to recognize certain revenue that otherwise would have been recognized by the acquired company as an independent business. As a result, the combined company may delay revenue recognition or recognize less revenue than we and the acquired company would have recognized as independent companies.

Impairment of our intangible assets could result in significant charges that would adversely impact our future operating results.

We have significant intangible assets, including goodwill and other intangible assets, which are susceptible to valuation adjustments as a result of changes in various factors or conditions. The most significant intangible assets are customer relationships, patents and core technologies, technologies and trademarks. Customer relationships are amortized on an accelerated basis based upon the pattern in which the economic benefits of customer relationships are being utilized. Other identifiable intangible assets are amortized on a straight-line basis over their estimated useful lives. We assess the potential impairment of intangible assets on an annual basis, as well as whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that could trigger an impairment of such assets include the following:

- significant adjustments to our multi-year operating plans, in connection with our ongoing portfolio review;
- changes in our organization or management reporting structure that could result in additional reporting units, which may require alternative methods of estimating fair values or greater disaggregation or aggregation in our analysis by reporting unit;
- significant under performance relative to historical or projected future operating results;
- significant changes in the manner of or use of the acquired assets or the strategy for our overall business;
- significant negative industry or economic trends;
- significant decline in our stock price for a sustained period; and
- our market capitalization declining to below net book value.

Future adverse changes in these or other unforeseeable factors could result in an impairment charge that would impact our results of operations and financial position in the reporting period identified.

We have grown, and may continue to grow, through acquisitions, which could dilute our existing stockholders and/or increase our debt levels.

In connection with past acquisitions, we have in the past issued a substantial number of shares of our common stock as transaction consideration, including contingent consideration, and also incurred significant debt to finance the cash consideration used for our acquisitions. We may continue to issue equity securities for future acquisitions, which would dilute existing stockholders, perhaps significantly, depending on the terms of such acquisitions. We may also incur additional debt in connection with future acquisitions, which, if available at all, may place additional restrictions on our ability to operate our business.

Our strategy to transition to cloud-based recurring revenue may adversely affect our near-term revenue growth and results of operations.

We expect our ongoing shift from a software license model to cloud-based services revenue models to create a recurring revenue stream that is more predictable. The transition, however, creates risks related to the timing of revenue recognition. We also incur certain expenses associated with the infrastructures and selling efforts of our hosting offerings in advance of our ability to recognize the revenues associated with these offerings, which may adversely affect our near-term reported revenues, results of operations and cash flows. A decline in renewals of recurring revenue offerings in any period may not be immediately reflected in our results for that period but may result in a decline in our revenue and results of operations in future quarters.

We have a history of operating losses, and may incur losses in the future, which may require us to raise additional capital on unfavorable terms.

We had a total accumulated deficit of $272.2 million and $293.6 million as of September 30, 2020 and 2019, respectively. If we are unable to return to and sustain our profitability, the market price for our stock may decline, perhaps substantially. We cannot assure you that our revenue or bookings will grow or that we will sustain profitability in the future. If we do not achieve profitability, we may be required to raise additional capital to maintain or grow our operations. Additional capital, if available at all, may be highly dilutive to existing investors or contain other unfavorable terms, such as a high interest rate and restrictive covenants.

Tax matters may cause significant variability in our financial results.

Our businesses are subject to income taxation in the United States, as well as in many tax jurisdictions throughout the world. Tax rates in these jurisdictions may be subject to significant change. If our effective tax rate increases, our operating results and cash flow could be adversely affected. Our effective income tax rate can vary significantly between periods due to a number of complex factors including:

- projected levels of taxable income;
- pre-tax income being lower than anticipated in countries with lower statutory rates or higher than anticipated in countries with higher statutory rates;
- increases or decreases to valuation allowances recorded against deferred tax assets;
- tax audits conducted and settled by various tax authorities;
- adjustments to income taxes upon finalization of income tax returns;
- the ability to claim foreign tax credits;
- the repatriation of non-U.S. earnings for which we have not previously provided for income taxes; and
- changes in tax laws and their interpretations in countries in which we are subject to taxation.

During 2014, Ireland enacted changes to the taxation of certain Irish incorporated companies effective as of January 2021. On October 5, 2015, the Organization for Economic Cooperation and Development released the Final Reports for its Action Plan on Base Erosion and Profit Shifting. The implementation of one or more of these reports in jurisdictions in which we operate, together with the 2014 enactment by Ireland, could result in an increase to our effective tax rate. In addition, in December 2017, the United States enacted the Tax Cut and Jobs Act of 2017. We expect this to continue having a material impact on our tax financial results under United States generally accepted accounting principles. Future changes in U.S. and non-U.S. tax laws and regulations could have a material effect on our results of operations in the periods in which such laws and regulations become effective as well as in future periods.

The failure to successfully maintain the adequacy of our system of internal control over financial reporting could have a material adverse impact on our ability to report our financial results in an accurate and timely manner.

Under the Sarbanes-Oxley Act of 2002, we were required to develop and are required to maintain an effective system of disclosure controls and internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. In addition, our management is required to assess and certify the adequacy of our controls on a quarterly basis, and our independent auditors must attest and report on the effectiveness of our internal control over financial reporting on an annual basis. Any failure in the effectiveness of our system of internal control over financial reporting could have a material adverse impact on our ability to report our financial statements in an accurate and timely manner. Inaccurate and/or untimely financial statements could subject us to regulatory actions, civil or criminal penalties, stockholder litigation, or loss of customer confidence, which could result in an adverse reaction in the financial marketplace and ultimately could negatively impact our stock price due to a loss of investor confidence in the reliability of our financial statements.

Our sales to government clients subject us to risks, including early termination, audits, investigations, sanctions and penalties.

We derive a portion of our revenues and bookings from arrangements with governmental users in the U.S., the U.K. and elsewhere, contracts with the government in the U.S., the U.K. and elsewhere, as well as various state and local governments, and their respective agencies. Government contracts are generally subject to oversight, including audits and investigations which could identify violations of these agreements. Government contract violations could result in a range of consequences including, but not limited to, contract price adjustments, civil and criminal penalties, contract termination, forfeiture of profit and/or suspension of payment, and suspension or debarment from future government contracts. We could also suffer serious harm to our reputation if we were found to have violated the terms of our government contracts.

Risks Related to Our Intellectual Property and Technology

Third parties have claimed and may claim in the future that we are infringing their intellectual property, and we could be exposed to significant litigation or licensing expenses or be prevented from selling our products if such claims are successful.

From time to time, we are subject to claims and legal actions alleging that we or our customers may be infringing or contributing to the infringement of the intellectual property rights of others. We may be unaware of intellectual property rights of others that may cover some of our technologies and products. If it appears necessary or desirable, we may seek licenses for these intellectual property rights. However, we may not be able to obtain licenses from some or all claimants, the terms of any offered licenses may not be acceptable to us, and we may not be able to resolve disputes without litigation. Any litigation regarding intellectual property could be costly and time-consuming and could divert the attention of our management and key personnel from our business operations. Intellectual property disputes could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from manufacturing or licensing certain of our products, cause severe disruptions to our operations or the markets in which we compete, or require us to satisfy indemnification commitments to our customers. Any of these could seriously harm our business.

Unauthorized use of our proprietary technology and intellectual property could adversely affect our business and results of operations.

Our success and competitive position depend in large part on our ability to obtain and maintain intellectual property rights protecting our products and services. We rely on a combination of patents, copyrights, trademarks, service marks, trade secrets, confidentiality provisions and licensing arrangements to establish and protect our intellectual property and proprietary rights. Unauthorized parties may attempt to copy or discover aspects of our products or to obtain, license, sell or otherwise use information that we regard as proprietary. Policing unauthorized use of our products is difficult and we may not be able to protect our technology from unauthorized use. Additionally, our competitors may independently develop technologies that are substantially the same or superior to our technologies and that do not infringe our rights. In these cases, we would be unable to prevent our competitors from selling or licensing these similar or superior technologies. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States. Although the source code for our proprietary software is protected both as a trade secret and as a copyrighted work, litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Litigation, regardless of the outcome, can be very expensive and can divert management efforts.

Our software products may have bugs, which could result in delayed or lost revenue and bookings, expensive correction, liability to our customers and claims against us.

Complex software products such as ours may contain errors, defects or bugs. Defects in the solutions or products that we develop and sell to our customers could require expensive corrections and result in delayed or lost revenue and bookings, adverse customer reaction and negative publicity about us or our products and services. Customers who are not satisfied with any of our products may also bring claims against us for damages, which, even if unsuccessful, would likely be time-consuming to defend, and could result in costly litigation and payment of damages. Such claims could harm our reputation, financial results and competitive position.

Risks Related to our Indebtedness, Investments and Common Stock

Our debt agreements contain covenant restrictions that may limit our ability to operate our business.

Our debt agreements contain, and any of our other future debt agreements or arrangements may contain, covenant restrictions that limit our ability to operate our business, including restrictions on our ability to:

- incur additional debt or issue guarantees;
- create liens;
- make certain investments;
- enter into transactions with our affiliates;
- sell certain assets;
- repurchase capital stock or make other restricted payments;
- declare or pay dividends or make other distributions to stockholders; and
- merge or consolidate with any entity.

Our ability to comply with these limitations is dependent on our future performance, which will be subject to many factors, some of which are beyond our control, including prevailing economic conditions. As a result of these limitations, our ability to respond

to changes in business and economic conditions and to obtain additional financing, if needed, may be significantly restricted, and we may be prevented from engaging in transactions that might otherwise be beneficial to us. In addition, our failure to comply with our debt covenants could result in a default under our debt agreements, which could permit the holders to accelerate our obligation to repay the debt. If any of our debt is accelerated, we may not have sufficient funds available to repay the accelerated debt.

Our significant debt could adversely affect our financial health and prevent us from fulfilling our obligations under our credit facility and our convertible debentures.

We have a significant amount of debt. As of September 30, 2020, we had $1,666.5 million outstanding principal of debt, including $500.0 million of senior notes due in 2026, $227.4 million of 1.5% 2035 Convertible Debentures redeemable in November 2021, $676.5 million of 1.0% 2035 Convertible Debentures redeemable in December 2022, and $262.7 million of 1.25% 2025 Convertible Debentures redeemable in April 2025. Investors may require us to redeem these convertible debentures earlier than the dates indicated if the closing sale price of our common stock is more than 130% of the then current conversion price of the respective debentures for certain specified periods. If a holder elects to convert, we will be required to pay the principal amount in cash and any amounts payable in excess of the principal amount in cash or shares of our common stock, at our election. For example, on November 1, 2017, holders of $331.2 million of our 2.75% 2031 Convertible Debentures exercised their rights to require us to repurchase such debentures. We also have a $242.5 million Revolving Credit Facility under which $2.4 million was committed to backing outstanding letters of credit issued and $240.1 million was available for borrowing at September 30, 2020. Our debt level could have important consequences. For example, it could:

- require us to use a large portion of our cash flow to pay principal and interest on debt, including the convertible debentures and the credit facility, which will reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions, research and development, exploit business opportunities, and undertake other business activities;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit, along with the financial and other restrictive covenants related to our debt, our ability to borrow additional funds, dispose of assets or pay cash dividends.

Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that additional capital will be available to us, in an amount sufficient to enable us to meet our payment obligations under the convertible debentures and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the convertible debentures, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the convertible debentures and our other debt.

Current uncertainty in the global financial markets and the global economy may negatively affect the value of our investment portfolio.

Our investment portfolios, which include investments in money market funds, bank deposits and separately managed investment portfolios, are generally subject to credit, liquidity, counterparty, market and interest rate risks that may be exacerbated by a global financial crisis or by uncertainty surrounding the terms of the United Kingdom's relationship with the European Union or recent changes in tariffs and trade agreements. If the banking system or the fixed income, credit or equity markets deteriorate or remain volatile, our investment portfolio may be impacted, and the values and liquidity of our investments could be adversely affected.

The market price of our common stock has been and may continue to be subject to wide fluctuations, and this may make it difficult for our stockholders to resell the common stock when they want or at prices they find attractive.

Our stock price historically has been, and may continue to be, volatile. Various factors contribute to the volatility of our stock price, including, for example, quarterly variations in our financial results, new product introductions by us or our competitors and general economic and market conditions. Sales of a substantial number of shares of our common stock by our largest stockholders, or the perception that such sales could occur, could also contribute to the volatility or our stock price. While we cannot predict the individual effect that any of these factors may have on the market price of our common stock, these factors, either individually or in the aggregate, could result in significant volatility in our stock price. Moreover, companies that have experienced volatility in the market price of their stock may be subject to securities class action litigation. Any such litigation could result in substantial costs and divert management's attention and resources.

Future issuances of our common stock could adversely affect the trading price of our common stock and our ability to raise funds in new stock offerings.

Future issuances of substantial amounts of our common stock, whether in the public market or through private placements, including issuances in connection with acquisition activities, or the perception that such issuances could occur, could adversely affect prevailing trading prices of our common stock and could impair our ability to raise capital through future offerings of equity or equity-related securities. In connection with past acquisitions, we issued a substantial number of shares of our common stock as transaction consideration or contingent consideration. We may continue to issue equity securities for future acquisitions, which would dilute existing stockholders, perhaps significantly depending on the terms of such acquisitions. No prediction can be made as to the effect, if any, that future sales of shares of common stock, or the availability of shares of common stock for future sale, will have on the trading price of our common stock.

Our business could be negatively affected by the actions of activist stockholders.

In the past, certain stockholders have publicly and privately expressed concerns with our performance and with certain governance matters. Responding to actions by activist stockholders can be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees. Furthermore, any perceived uncertainties as to our future direction could result in the loss of potential business opportunities, and may make it more difficult to attract and retain qualified personnel and business partners. In addition, we have enacted certain changes to our bylaws in the past year that may weaken our ability to prevent an unsolicited takeover.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Our corporate headquarters are located in Burlington, Massachusetts. As of September 30, 2020, we leased approximately 1.1 million square feet of building space, primarily in the United States, and to a lesser extent, in the Asia-Pacific regions, Europe and Canada. Larger leased sites include properties located in Montreal, Canada and Bangalore, India. In addition, we own 130,000 square feet of building space located in Melbourne, Florida.

We also include in the total square feet leased space leased in specialized data centers in Massachusetts, Washington, Texas, and smaller facilities around the world.

We believe our existing facilities and equipment are in good operating condition and are suitable for the conduct of our business.

Item 3. *Legal Proceedings*

Similar to many companies in the software industry, we are involved in a variety of claims, demands, suits, investigations and proceedings that arise from time to time relating to matters incidental to the ordinary course of our business, including actions with respect to contracts, intellectual property, employment, benefits and securities matters. We evaluate the probability of adverse outcomes and, as applicable, estimate the amount of probable losses that may result from pending matters. Probable losses that can be reasonably estimated are reflected in our consolidated financial statements. These recorded amounts are not material to our consolidated financial statements for any of the periods presented in the accompanying consolidated financial statements. While it is not possible to predict the outcome of these matters with certainty, we do not expect the results of any of these actions to have a material adverse effect on our results of operations or financial position. However, each of these matters is subject to uncertainties, the actual losses may prove to be larger or smaller than the accruals reflected in our consolidated financial statements, and we could incur judgments or enter into settlements of claims that could adversely affect our financial position, results of operations or cash flows.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. *Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

Our common stock is traded on the Nasdaq Global Select Market under the symbol "NUAN".

As of October 31, 2020, there were 555 stockholders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial owners represented by these record holders.

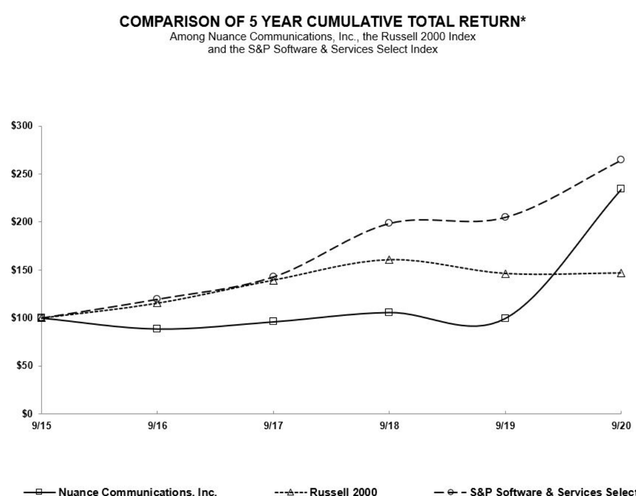
Dividend Policy

We have never declared or paid any cash dividends on our common stock. We currently expect to retain future earnings, if any, to finance the growth and development of our business, or to purchase common stock under our share repurchase program and do not anticipate paying any cash dividends in the foreseeable future. Furthermore, the terms of our debt agreements place restrictions on our ability to pay dividends.

Stock Performance Graph

The following performance graph compares the Company's cumulative total return on its common stock between September 30, 2015 and September 30, 2020 to the cumulative total return of the Russell 2000, and to the S&P Information Technology indices assuming $100 was invested in the Company's common stock and each of the indices upon the closing of trading on September 30, 2015 and assuming the reinvestment of dividends, if any. The Company has have never declared or paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future.

The comparisons shown in the graph below are based upon historical data. We caution that the stock price performance shown in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock.



* $100 invested on September 30, 2015 in stock or index, including reinvestment of dividends, for each of the fiscal years below.

	9/15	9/16	9/17	9/18	9/19	9/20
Nuance Communications, Inc.	**100.00**	**88.58**	**96.03**	**105.80**	**99.63**	**234.36**
Russell 2000	**100.00**	**115.47**	**139.42**	**160.66**	**146.38**	**146.95**
S&P Software & Services Select	**100.00**	**119.58**	**142.85**	**198.56**	**204.95**	**264.51**

Issuer Purchases of Equity Securities

The following is a summary of our share repurchases for the three months ended September 30, 2020:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program [1]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program [1]
July 1, 2020 - July 31, 2020	—	$ —	—	$261.2 Million
August 1, 2020 - August 31, 2020	—	$ —	—	$261.2 Million
September 1, 2020 - September 30, 2020	—	$ —	—	$261.2 Million
Total	—		—	

[1] On April 29, 2013, our Board of Directors approved a share repurchase program for up to $500.0 million, which was increased by $500.0 million on April 29, 2015. On August 1, 2018, our Board of Directors approved an additional $500.0 million under our share repurchase program. The program has no expiration date. As of September 30, 2020, approximately $261.2 million remained available for future repurchases under the program.

For the majority of restricted stock units granted to employees, the number of shares issued on the date the restricted stock units vest is net of the minimum statutory income withholding tax requirements that we pay in cash to the applicable taxing authorities on behalf of our employees. We do not consider these transactions to be common stock repurchases.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 6. ***Selected Consolidated Financial Data***

The following selected consolidated financial data is not necessarily indicative of the results of future operations and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

(In millions, except per share amounts)	Fiscal Year Ended September 30,				
	2020	2019	2018	2017	2016
	(ASC 606)	(ASC 606)	(ASC 605)	(ASC 605)	(ASC 605)
Continuing Operations [a]:					
Total revenues	$ 1,478.9	$ 1,521.3	$ 1,567.6	$ 1,479.7	$ 1,509.8
Gross profit	$ 840.0	$ 837.8	$ 824.2	$ 745.7	$ 797.1
Income (loss) from operations	$ 112.6	$ 107.2	$ (184.3)	$ (76.0)	$ 20.1
(Benefit) provision for income taxes	$ (18.8)	$ 12.1	$ (77.2)	$ 4.8	$ 6.0
Net income (loss) from continuing operations	$ 28.8	$ (12.2)	$ (236.8)	$ (251.4)	$ (121.9)
Net Income (Loss) Per Share - continuing operations:					
Basic	$ 0.10	$ (0.04)	$ (0.81)	$ (0.87)	$ (0.42)
Diluted	$ 0.10	$ (0.04)	$ (0.81)	$ (0.87)	$ (0.42)
Weighted average common shares outstanding:					
Basic	282.6	286.3	291.3	289.3	292.1
Diluted	292.0	286.3	291.3	289.3	292.1
Financial Position:					
Cash and cash equivalents and marketable securities	$ 372.3	$ 764.8	$ 473.5	$ 874.1	$ 608.1
Total assets	$ 3,593.3	$ 5,365.8	$ 5,302.4	$ 5,931.9	$ 5,661.5
Total debt	$ 1,536.7	$ 1,936.4	$ 2,185.4	$ 2,617.4	$ 2,433.2
Total deferred revenue [a]	$ 365.6	$ 348.0	$ 416.4	$ 370.3	$ 371.6
Total stockholders' equity	$ 1,143.9	$ 2,173.2	$ 1,717.5	$ 1,931.4	$ 1,931.3
Selected Data and Ratios [a]:					
Working capital [b]	$ (250.2)	$ (551.6)	$ 235.9	$ (112.7)	$ 397.8
Depreciation of property and equipment	$ 37.8	$ 47.4	$ 51.4	$ 47.1	$ 54.1
Amortization of intangible assets	$ 78.7	$ 81.6	$ 105.4	$ 134.0	$ 121.2
Gross margin percentage	56.8%	55.1%	52.6%	50.4%	52.8%

[a] Amounts exclude those related to our Imaging and Automotive businesses, which were included in discontinued operations for all the periods presented.

[b] Our working capital is defined as total current assets less total current liabilities of continuing operations. Our working capital takes into accounts $432.2 million, $1,142.9 million, and $376.1 million short-term debt as of September 30, 2020, 2019, and 2017, respectively.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following Management's Discussion and Analysis is intended to help the reader understand the results of operations and financial condition of our business. The Management's Discussion and Analysis is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes to the consolidated financial statements.

Overview

Business Overview

We are a pioneer and leader in conversational and cognitive AI innovations that bring intelligence to everyday work and life. Our solutions and technologies can understand, analyze and respond to human language to increase productivity and amplify human intelligence. Our solutions are used by businesses in the healthcare, financial services, telecommunications and travel industries, among others. We see several trends in our markets, including (i) the growing adoption of cloud-based, connected services and highly interactive mobile applications, (ii) deeper integration of virtual assistant capabilities and services, and (iii) the continued expansion of our core technology portfolio including automated speech recognition, natural language understanding, semantic

processing, domain-specific reasoning, dialog management capabilities, AI, and voice biometric speaker authentication. We report our business in three segments, Healthcare, Enterprise, and Other.

- *Healthcare.* Our healthcare segment provides intelligent systems that support a more natural and insightful approach to clinical documentation, freeing clinicians to spend more time caring for patients and helping care teams and health organizations drive meaningful financial and clinical outcomes. Our principal solutions include dragon medical cloud-based solutions ("Dragon Medical One"), computer assisted physician documentation, diagnostic imaging solutions, Nuance® Dragon Ambient eXperience™, clinical documentation improvement and coding, and medical transcription services.

- *Enterprise.* Our Enterprise segment is a leading provider of AI-powered intelligent customer engagement solutions and services, which enable enterprises and contact centers to enhance and automate customer service and sales engagement. Our principal solutions include interactive voice responses solutions, intelligent engagement solutions and security & biometric solutions.

- *Other.* Our Other segment currently consists primarily of voicemail transcription services following the sale of our Mobile Operator Services business and the wind-down of Devices in 2019.

- *Discontinued Operations.* On February 1, 2019, we completed the sale of our Imaging business and received approximately $404.0 million in cash, after estimated transaction expenses. On October 1, 2019, we completed the previously announced spin-off of our Automotive business, Cerence, into an independent public company. As a result, the historical results of operations for Imaging and Automotive have been included within discontinued operations in our condensed consolidated financial statements.

COVID-19 Impact

The novel coronavirus ("COVID-19") pandemic has disrupted economic markets, and the future economic impact, duration and spread of COVID-19 is still uncertain at this time. Our fiscal year 2020 results of operations and liquidity position were adversely impacted by the pandemic. During the second and the third quarters, we saw reduced transaction volume in our medical transcription business and PowerScribe radiology solution, as well as well as deferral in professional services and software license transactions. Additionally, our operating cash flows for the second and third quarters were negatively impacted by delayed collections, especially from smaller healthcare providers, as their cash flows deteriorated due to the postponement of elective surgeries and the sharp decline in inpatient visits.

As multiple states commenced phased re-openings, by the end of June, our transaction volumes in medical transcription and radiology businesses mostly recovered from the lows in April. Although during the fourth quarter, we saw our results of operations and liquidity slightly improved from the second and the thirds quarter, we expect the negative effect of the pandemic to continue into the first quarter of fiscal year 2021, particularly if certain markets implement new restrictions to limit the spread of the coronavirus.

As a precaution amidst the pandemic, we ceased our share repurchase activities and borrowed $230.0 million under our revolving credit facility in March, which was fully repaid in June as we became more confident in our liquidity position. We remain committed to maximizing stockholders' return, and may resume our share repurchase activities based upon the prevailing market conditions, general economic conditions, capital allocation alternatives, and other factors.

We estimated our fiscal year 2020 revenue to be approximately $20 million to $60 million lower due to the pandemic. Nevertheless, the negative effects of the pandemic were partially mitigated by our proactive expense reduction and cash management efforts. As a result, our fiscal year 2020 operating margin was approximately 7.6%, compared to 7.0% for fiscal year 2019. Additionally, our full year operating cash flows from continuing operations was $267.9 million, which reflects lower revenue and cash collection delays due to the pandemic, offset in part by our proactive expense and liquidity management efforts. As the pandemic situation develops, we are continuing to monitor the impact on our business, results of operations, and our liquidity position .

Key Metrics

In evaluating the financial condition and operating performance of our business, management focuses on revenue, net income, gross margins, operating margins, cash flow from operations, and changes in deferred revenue. A summary of these financial metrics for the year ended September 30, 2020, as compared to the year ended September 30, 2019 is as follows:

- Total revenues were $1,478.9 million for the year ended September 30, 2020, as compared to $1,521.3 million for the year ended September 30, 2019;

- Net income from continuing operations for the year ended September 30, 2020 was $28.8 million, compared to a net loss from continuing operations of $12.2 million for the year ended September 30, 2019;
- Gross margins for the year ended September 30, 2020 were 56.8%, compared to 55.1% for the year ended September 30, 2019;
- Operating margins for the year ended September 30, 2020 were 7.6%, compared to 7.0% for year ended September 30, 2019; and
- Operating cash flows from continuing operations decreased by $36.7 million to $267.9 million for the year ended September 30, 2020, compared to $304.6 million for the year ended September 30, 2019.

RESULTS OF OPERATIONS

Total Revenues

The following table shows total revenues by product type and by geographic location, based on the location of our customers, in dollars and percentage change (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
	(ASC 606)	(ASC 606)	(ASC 605)	(ASC 605)	(ASC 606)	(ASC 605)
Hosting and professional services	$ 926.0	$ 913.6	$ 947.5	$ 940.0	1.4 %	0.8 %
Product and licensing	296.1	338.7	359.9	375.2	(12.6)%	(4.1)%
Maintenance and support	256.7	268.9	243.5	252.3	(4.5)%	(3.5)%
Total revenues	$ 1,478.9	$ 1,521.3	$ 1,551.0	$ 1,567.6	(2.8)%	(1.1)%
United States	$ 1,185.8	$ 1,237.4	$ 1,270.0	$ 1,255.2	(4.2)%	1.2 %
International	293.1	283.9	281.0	312.4	3.3 %	(10.1)%
Total revenues	$ 1,478.9	$ 1,521.3	$ 1,551.0	$ 1,567.6	(2.8)%	(1.1)%

Fiscal Year 2020 compared to Fiscal Year 2019

For fiscal year 2020, the geographic split was 80% of total revenues in the United States and 20% internationally, as compared to 81% of total revenues in the United States and 19% internationally for fiscal year 2019.

Fiscal Year 2019 compared to Fiscal Year 2018

For fiscal year 2019, the geographic split under ASC 606 was 81% of total revenues in the United States and 19% internationally. For fiscal year 2019, the geographic split under ASC 605 was 82% of total revenues in the United States and 18% internationally, as compared to 80% of total revenues in the United States and 20% internationally for fiscal year 2018.

Hosting and Professional Services Revenue

Hosting revenue primarily relates to delivering on-demand hosted services, such as medical transcription, and automated customer care applications, over a specified term. Professional services revenue primarily consists of consulting, implementation and training services for customers. The following table shows hosting and professional services revenue, in dollars, and as a percentage of total revenues (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
	(ASC 606)	(ASC 606)	(ASC 605)	(ASC 605)	(ASC 606)	(ASC 605)
Hosting revenue	$ 784.1	$ 748.8	$ 771.0	$ 710.9	4.7 %	8.5 %
Professional services revenue	142.0	164.8	176.5	229.1	(13.9)%	(23.0)%
Hosting and professional services revenue	$ 926.0	$ 913.6	$ 947.5	$ 940.0	1.4 %	0.8 %
As a percentage of total revenues	62.6%	60.1%	61.1%	60.0%		

Fiscal Year 2020 compared to Fiscal Year 2019

Hosting revenue for the year ended September 30, 2020 increased by $35.2 million, or 4.7%, primarily due to a $55.0 million increase in Healthcare, offset in part by a $20.1 million decrease in our Other segment. Healthcare hosting revenue increased primarily due to the continued growth in our Dragon Medical cloud-based solutions, offset in part by a decline in our medical transcription services, which was exacerbated by the transaction volume loss during the COVID-19 pandemic. Other hosting revenue decreased due to the wind-down of Devices and the sale of our Mobile Operator Services business in fiscal year 2019. As a percentage of total revenues, hosting revenue increased from 49.2% for fiscal year 2019 to 53.0% for fiscal year 2020.

Professional services revenue for the year ended September 30, 2020 decreased by $22.8 million, or 13.9%, primarily due to a $23.2 million decrease in Healthcare as of result of the deferrals of EHR implementation projects during the pandemic, as well as our shifting away from lower-margin professional services. As a percentage of total revenues, professional services revenue decreased from 10.8% for fiscal year 2019 to 9.6% for fiscal year 2020.

Fiscal Year 2019 compared to Fiscal Year 2018

Hosting revenue under ASC 606 for the year ended September 30, 2019 is $22.2 million lower than revenue under ASC 605 for the same period, primarily as due to the re-allocation of contract consideration to multiple performance obligations based on standalone selling prices and the timing of revenue recognition for transactions with extended payment terms. Under ASC 605, hosting revenue increased by $60.1 million, or 8.5%, primarily due to a $52.3 million increase in Healthcare and a $29.8 million increase in our Enterprise segment, which was partially offset by a $22.1 million decrease in our Other segment. Healthcare hosting revenue increased primarily due to the continued growth in our Dragon Medical cloud-based solutions, offset in part by a decline in our medical transcription services. Enterprise hosting revenue increased primarily due to the strength in our omni-channel hosting solutions. Other segment hosting revenue decreased due to the wind-down of Devices and the sale of Mobile Operator Services business in Brazil and India in fiscal year 2019. As a percentage of total revenues, hosting revenue under ASC 605 increased from 45.3% for fiscal year 2018 to 49.7% for fiscal year 2019.

Professional services revenue under ASC 606 for the year ended September 30, 2019 is $11.7 million lower compared to revenue under ASC 605 for the same period, primarily due to the loss of deferred revenue upon the ASC 606 implementation as a result of change from completed contract method to the percentage of completion method. Under ASC 605, professional services revenue decreased by $52.6 million, or 23.0%, primarily due to a $58.9 million decrease in Healthcare, offset in part by a $6.5 million increase in Enterprise. Healthcare professional services revenue decreased primarily due to lower revenue from the EHR implementation and optimization services. Enterprise professional services revenue increased primarily due to higher contact center service revenue as a result of the timing of the services rendered. As a percentage of total revenues, professional services revenue under ASC 605 decreased from 14.6% for fiscal year 2018 to 11.4% for fiscal year 2019.

Product and Licensing Revenue

Product and licensing revenue primarily consist of sales and licenses of our technology. The following table shows product and licensing revenue, in dollars, and as a percentage of total revenues (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
	(ASC 606)	(ASC 606)	(ASC 605)	(ASC 605)	(ASC 606)	(ASC 605)
Product and licensing revenue	$ 296.1	$ 338.7	$ 359.9	$ 375.2	(12.6)%	(4.1)%
As a percentage of total revenues	20.0%	22.3%	23.2%	23.9%		

Fiscal Year 2020 compared to Fiscal Year 2019

Product and licensing revenue for the year ended September 30, 2020 decreased by $42.6 million, or 12.6%, primarily due to a $45.6 million decrease in Healthcare and a $4.9 million decrease in other, offset in part by a $7.9 million increase in Enterprise. Healthcare product and licensing revenue decreased primarily due to the continued transition from term licenses to cloud-based solutions. Enterprise product and licensing revenue increased primarily due to the growth in our digital engagement solutions. Other product and licensing revenue decreased primarily due to the wind-down of Devices during fiscal year 2019. As a percentage of total revenues, product and licensing revenue decreased from 22.3% for fiscal year 2019 to 20.0% for fiscal year 2020.

Fiscal Year 2019 compared to Fiscal Year 2018

Product and licensing revenue under ASC 606 for the year ended September 30, 2019 is $21.2 million lower compared to revenue under ASC 605 for the same period, primarily due to the loss of revenue as a result of the upfront recognition of term license revenue on the opening balance sheet under ASC 606. Under ASC 605, product and licensing revenue decreased by $15.3 million, or 4.1%, primarily due to a $23.7 million decrease in Other and a $12.3 million decrease in Enterprise, offset in part by a $20.7 million increase in Healthcare. Other segment product and licensing revenue decreased primarily due to the wind-down of Devices and the sale of Mobile Operator Services business in Brazil and India in fiscal year 2019. Enterprise product and licensing revenue decreased primarily due to the timing of contact center license deals signed in fiscal year 2018. Healthcare product and licensing revenue increased primarily driven by higher Dragon Medical software license revenue from international markets. As a percentage of total revenues, product and licensing revenue under ASC 605 decreased from 23.9% for fiscal year 2018 to 23.2% for fiscal year 2019.

Maintenance and Support Revenue

Maintenance and support revenue primarily consist of technical support and maintenance services. The following table shows maintenance and support revenue, in dollars, and as a percentage of total revenues (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
	(ASC 606)	(ASC 606)	(ASC 605)	(ASC 605)	(ASC 606)	(ASC 605)
Maintenance and support revenue	$ 256.7	$ 268.9	$ 243.5	$ 252.3	(4.5)%	(3.5)%
As a percentage of total revenues	17.4%	17.7%	15.7%	16.1%		

Fiscal Year 2020 compared to Fiscal Year 2019

Maintenance and support revenue for the year ended September 30, 2020 decreased by $12.2 million, or 4.5%, primarily due to $20.6 million decrease in Healthcare, offset in part by a $8.6 million increase in Enterprise. Healthcare maintenance and support revenue decreased primarily due to the continued transition from term licenses with maintenance and support to cloud-based solutions in Healthcare. Enterprise maintenance and support revenue increased primarily driven by the growths in digital engagement and security biometrics license transactions. As a percentage of total revenues, maintenance and support revenue decreased from 17.7% for fiscal year 2019 to 17.4% for fiscal year 2020.

Fiscal Year 2019 compared to Fiscal Year 2018

Maintenance and support revenue under ASC 606 for the year ended September 30, 2019 is $25.4 million higher compared to revenue under ASC 605 for the same period, primarily due to the re-allocation of contract consideration to multiple performance obligations based on standalone selling prices. Under ASC 605, maintenance and support revenue decreased by $8.8 million, or 3.5%, primarily due to customers' continued transition from licenses to cloud-based solutions in Healthcare. As a percentage of total revenues, maintenance and support revenue under ASC 605 decreased from 16.1% for fiscal year 2018 to 15.7% for the fiscal year 2019.

COSTS AND EXPENSES

Cost of Hosting and Professional Services Revenue

Cost of hosting and professional services revenue primarily consists of compensation for services personnel, outside consultants and overhead, as well as the hardware, infrastructure and communications fees that support our hosting solutions. The following table shows the cost of hosting and professional services revenue, in dollars and as a percentage of professional services and hosting revenue (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
	(ASC 606)	(ASC 606)	(ASC 605)	(ASC 605)	(ASC 606)	(ASC 605)
Cost of hosting and professional services revenue	$ 518.1	$ 551.4	$ 554.5	$ 608.3	(6.0)%	(8.8)%
As a percentage of hosting and professional services revenue	56.0%	60.4%	58.5%	64.7%		

Fiscal Year 2020 compared to Fiscal Year 2019

Cost of hosting and professional services revenue for the year ended September 30, 2020 decreased by $33.3 million, or 6.0%, primarily driven by lower transaction volume and professional services project deferrals due to the COVID-19 pandemic, as well as our costs reduction efforts. Gross margin increased by 4.4 percentage points primarily due to a favorable shift in revenue mix towards higher-margin Dragon Medical cloud-based solutions from lower-margin medical transcription and EHR implementation services.

Fiscal Year 2019 compared to Fiscal Year 2018

Cost of hosting and professional services revenue under ASC 606 for the year ended September 30, 2019 is $3.1 million lower than the amount under ASC 605 for the same period, primarily due to the upfront recognition of costs upon the ASC 606 implementation as a result of change from completed contract method to the percentage of completion method. Under ASC 605, cost of hosting and professional services revenue decreased by $53.8 million, or 8.8%, primarily due to lower revenue related to EHR implementation and optimization services, offset in part by higher costs related to our Dragon Medical cloud-based software. Under ASC 605, gross margin increased by 6.2 percentage points primarily due to a favorable shift in revenue mix towards higher-margin Dragon Medical cloud-based solutions from lower-margin medical transcription and EHR implementation services.

Cost of Product and Licensing Revenue

Cost of product and licensing revenue primarily consists of material and fulfillment costs, manufacturing and operations costs and third-party royalty expenses. The following table shows the cost of product and licensing revenue, in dollars and as a percentage of product and licensing revenue (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
	(ASC 606)	(ASC 606)	(ASC 605)	(ASC 605)	(ASC 606)	(ASC 605)
Cost of product and licensing revenue	$ 62.0	$ 71.3	$ 65.4	$ 55.7	(13.0)%	17.5%
As a percentage of product and licensing revenue	20.9%	21.0%	18.2%	14.8%		

Fiscal Year 2020 compared to Fiscal Year 2019

Cost of product and licensing revenue for the year ended September 30, 2020 decreased by $9.3 million, or 13.0%. Gross margin increased by 0.1 percentage points year-over-year. The decrease in cost and increase in gross margin were primarily due to the upfront recognition of certain project costs associated with digital engagement in the third quarter of fiscal year 2019.

Fiscal Year 2019 compared to Fiscal Year 2018

Cost of product and licensing revenue under ASC 606 for the year ended September 30, 2019 is $5.9 million higher than the amount under ASC 605 for the same period, primarily due to the upfront recognition of third-party license royalties in connection with the upfront recognition of term license revenue. Under ASC 605, cost of product and licensing revenue increased by $9.7 million,

or 17.5%, primarily due to higher royalty costs in Healthcare. As a result, under ASC 605 gross margins decreased by 3.4 percentage points.

Cost of Maintenance and Support Revenue

Cost of maintenance and support revenue primarily consists of compensation for product support personnel and overhead. The following table shows cost of maintenance and support revenue, in dollars and as a percentage of maintenance and support revenue (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
	(ASC 606)	(ASC 606)	(ASC 605)	(ASC 605)	(ASC 606)	(ASC 605)
Cost of maintenance and support revenue	$ 31.0	$ 33.4	$ 33.5	$ 39.2	(7.1)%	(14.5)%
As a percentage of maintenance and support revenue	12.1%	12.4%	13.8%	15.5%		

Fiscal Year 2020 compared to Fiscal Year 2019

Cost of maintenance and support revenue for the year ended September 30, 2020 decreased by $2.4 million, or 7.1%, primarily due to the continued transition from license transactions with maintenance and support to cloud-based solutions in Healthcare. Gross margins increased by 0.3 percentage points, primarily driven by higher margin on Dragon Medical maintenance and support services in Healthcare.

Fiscal Year 2019 compared to Fiscal Year 2018

Cost of maintenance and support revenue under ASC 606 for the year ended September 30, 2019 is $0.1 million lower than the amount under ASC 605 for the same period, primarily due to the timing of recognition of third-party service costs. Under ASC 605, cost of maintenance and support revenue decreased by $5.7 million, or 14.5%, primarily due to customers' continued transition from licenses to cloud-based solutions in Healthcare. Under ASC 605, gross margins increased by 1.7 percentage points, primarily driven by higher margin on Dragon Medical maintenance and support services in Healthcare.

Research and Development Expenses

Research and development ("R&D") expense primarily consists of salaries, benefits, and overhead relating to engineering staff as well as third party engineering costs. The following table shows research and development expense, in dollars and as a percentage of total revenues (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
	(ASC 606)	(ASC 606)	(ASC 605)	(ASC 605)	(ASC 606)	(ASC 605)
Research and development expense	$ 226.2	$ 192.6	$ 192.6	$ 207.2	17.4%	(7.0)%
As a percentage of total revenues	15.3%	12.7%	12.4%	13.2%		

Fiscal Year 2020 compared to Fiscal Year 2019

R&D expense for the year ended September 30, 2020 increased by $33.6 million, or 17.4%, primarily due to higher compensation costs as we continued to invest in our core technologies to power new products and solutions.

Fiscal Year 2019 compared to Fiscal Year 2018

R&D expense for the year ended September 30, 2019 decreased by $14.6 million, or 7.0%, primarily driven by lower compensation costs due to our recent costs saving initiatives, offset in part by our continued investment in product development and new technologies to support our long-term growth.

Sales and Marketing Expense

Sales and marketing expense include salaries and benefits, commissions, advertising, direct mail, public relations, tradeshow costs and other costs of marketing programs, travel expenses associated with our sales organization and overhead. The following table shows sales and marketing expense, in dollars and as a percentage of total revenues (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
	(ASC 606)	(ASC 606)	(ASC 605)	(ASC 605)	(ASC 606)	(ASC 605)
Sales and marketing expense	$ 273.3	$ 274.0	$ 279.2	$ 286.6	(0.3)%	(2.6)%
As a percentage of total revenues	18.5%	18.0%	18.0%	18.3%		

Fiscal Year 2020 compared to Fiscal Year 2019

Sales and marketing expenses for the year ended September 30, 2020 decreased by $0.7 million, or 0.3%, as lower traveling and entertainment expenses during the COVID-19 pandemic were mostly offset by our investment in sales force to support new products and solutions.

Fiscal Year 2019 compared to Fiscal Year 2018

Sales and marketing expense under ASC 606 for the year ended September 30, 2019 is $5.1 million lower than the amount under ASC 605 for the same period, primarily due to the amortization of capitalized sales commission expenses over the period of benefit. Under ASC 605, sales and marketing expenses decreased by $7.5 million, or 2.6%, primarily driven by lower sales headcount as a result of ongoing portfolio review and optimization.

General and Administrative Expenses

General and administrative ("G&A") expense primarily consists of personnel costs for administration, finance, human resources, general management, fees for external professional advisers including accountants and attorneys, and provisions for doubtful accounts. The following table shows G&A expense, in dollars and as a percentage of total revenues (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
	(ASC 606)	(ASC 606)	(ASC 605)	(ASC 605)	(ASC 606)	(ASC 605)
General and administrative expense	$ 156.4	$ 172.6	$ 172.6	$ 213.8	(9.4)%	(19.3)%
As a percentage of total revenues	10.6%	11.3%	11.1%	13.6%		

Fiscal Year 2020 compared to Fiscal Year 2019

General and administrative expenses decreased by $16.3 million, or 9.4%, primarily driven by decreases in compensation and professional services costs due to our cost saving initiatives, and lower traveling and entertainment expenses during the COVID-19 pandemic.

Fiscal Year 2019 compared to Fiscal Year 2018

General and administrative expenses decreased by $41.2 million, or 19.3%, primarily due to higher professional service costs incurred in fiscal year 2018 related to evaluating strategic alternatives for certain businesses and legal expenses related to enforcing our intellectual property rights. Also contributing to the decrease was lower employee-related costs as a result of our cost saving initiatives.

Amortization of Intangible Assets

Amortization of acquired patents and technologies are included within cost of revenue and the amortization of acquired customer and contractual relationships, non-compete agreements, acquired trade names and trademarks, and other intangibles are included within Operating expenses. Customer relationships are amortized based upon the pattern in which the economic benefits of the customer relationships are expected to be realized. Other identifiable intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization expense was recorded as follows (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
Cost of revenues	$ 27.8	$ 27.4	$ 40.2	1.4 %	(31.8)%
Operating expenses	50.9	54.2	65.2	(6.1)%	(16.8)%
Total amortization expense	$ 78.7	$ 81.6	$ 105.4	(3.6)%	(22.5)%
As a percentage of total revenues	5.3%	5.4%	6.7%		

Fiscal Year 2020 compared to Fiscal Year 2019

Amortization of intangible assets expense for fiscal year 2020 decreased by $2.9 million, primarily due to certain intangible assets having been fully amortized or written off during fiscal year 2020.

Fiscal Year 2019 compared to Fiscal Year 2018

Amortization of intangible assets expense for fiscal year 2019 decreased by $23.8 million, as certain intangible assets became fully amortized in fiscal years 2018 and 2019.

Acquisition-Related Costs, Net

Acquisition-related costs, net include costs related to business and asset acquisitions. These costs consist of (i) transition and integration costs, including retention payments, transitional employee costs, earn-out payments, and other costs related to integration activities; (ii) professional service fees, including financial advisory, legal, accounting, and other outside services incurred in connection with acquisition activities, and disputes and regulatory matters related to acquired entities; and (iii) fair value adjustments to acquisition-related contingencies. A summary of the Acquisition-related costs, net is as follows (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
Transition and integration costs	$ 3.8	$ 7.6	$ 14.4	(50.1)%	(47.6)%
Professional service fees	—	1.9	1.0	(101.2)%	97.4 %
Acquisition-related adjustments	(0.9)	(1.5)	(3.4)	(43.6)%	(54.8)%
Total acquisition-related costs, net	$ 2.9	$ 8.0	$ 12.0	(63.8)%	(33.7)%
As a percentage of total revenues	0.2%	0.5%	0.8%		

Fiscal Year 2020 compared to Fiscal Year 2019

Acquisition-related costs, net decreased by $5.1 million, primarily due to overall reduced acquisition and integration activities as we focus on portfolio optimization and organizational simplification to drive organic growth.

Fiscal Year 2019 compared to Fiscal Year 2018

Acquisition-related costs, net decreased by $4.0 million, primarily due to reduced acquisition activities during fiscal year 2019.

Restructuring and Other Charges, Net

Restructuring and other charges, net include restructuring expenses together with other charges that are unusual in nature, are the result of unplanned events, or arise outside of the ordinary course of our business. While restructuring and other charges, net are excluded from segment profits, the table below presents the restructuring and other charges, net associated with each segment (dollars in thousands):

	Personnel	Facilities	Total Restructuring Expenses	Other Charges	Total
Fiscal Year 2020					
Healthcare	$ 1,953	$ 2,819	4,772	$ —	4,772
Enterprise	1,417	1,998	3,415	—	3,415
Other	—	(63)	(63)	—	(63)
Corporate	1,935	777	2,712	6,844	9,556
Total fiscal year 2020	$ 5,305	$ 5,531	$ 10,836	$ 6,844	$ 17,680
Fiscal Year 2019					
Healthcare	$ 4,679	$ 191	$ 4,870	$ —	$ 4,870
Enterprise	5,037	933	5,970	—	5,970
Other	1,457	337	1,794	3,306	5,100
Corporate	3,039	764	3,803	9,404	13,207
Total fiscal year 2019	$ 14,212	$ 2,225	$ 16,437	$ 12,710	$ 29,147
Fiscal Year 2018					
Healthcare	$ 11,563	$ 25	$ 11,588	$ —	$ 11,588
Enterprise	4,217	2,243	6,460	—	6,460
Other	1,473	647	2,120	7,103	9,223
Corporate	10,107	953	11,060	14,515	25,575
Total fiscal year 2018	$ 27,360	$ 3,868	$ 31,228	$ 21,618	$ 52,846

***Fiscal Year* 2020**

For fiscal year 2020, we recorded restructuring charges of $10.8 million, which included $5.3 million related to the termination of approximately 191 employees and $5.5 million charge related to closing certain idle facilities. These actions were part of our strategic initiatives focused on investment rationalization, process optimization and cost reduction as we continue to evaluate the footprint of our offices and facilities. We expect the remaining outstanding severance of $1.2 million to be substantially paid during fiscal year 2021, and the remaining $15.6 million for the facilities to be made through fiscal year 2027, in accordance with the terms of the applicable leases.

Additionally, during fiscal year 2020, we recorded $5.1 million expenses related to the separation of our Automotive business, and a $2.0 million impairment charge related to a right-of-use asset due to the COVID-19 pandemic, offset in part by a $0.3 million insurance reimbursement related to a malware incident that occurred in the third quarter of fiscal year 2017 (the "2017 Malware Incident").

Fiscal Year 2019

For fiscal year 2019, we recorded restructuring charges of $16.4 million, which included $14.2 million related to the termination of approximately 305 employees and $2.2 million in charges related to the closing of certain idle facilities. These actions were part of our strategic initiatives focused on investment rationalization, process optimization and cost reduction.

Additionally, during fiscal year 2019, we recorded $9.9 million of professional services fees related to our corporate transformational efforts and $3.3 million accelerated depreciation related to our Mobile Operator Services, offset in part by a $0.5 million insurance reimbursement related to the 2017 Malware Incident.

Fiscal Year 2018

For fiscal year 2018, we recorded restructuring charges of $31.2 million, which included $27.4 million related to the termination of approximately 1,250 terminated employees and $3.9 million in charges related to the closing of certain idle facilities, including adjustment to sublease assumptions associated with these facilities. These actions were part of our strategic initiatives focused on investment rationalization, process optimization and cost reduction.

Additionally, during fiscal year 2018, we recorded $5.7 million for costs related to the transition agreement of our former CEO, $4.8 million of professional services fees related to assessment and establishment of our corporate transformational efforts, $4.0

million related to our remediation and restoration effort after the 2017 Malware Incident, and fixed asset impairment charges of $7.1 million for SRS and Devices, as more fully described in Note 6 of the accompanying consolidated financial statements.

Impairment of Goodwill and Other Intangible Assets

There were no impairment of goodwill or other intangible assets during fiscal years 2020 and 2019. As more fully described in Note 6 of the accompanying consolidated financial statements, we recorded $170.9 million impairment charges of goodwill and other intangible assets for Devices and Mobile Operator Services for fiscal year 2018.

Other Expense (Income), Net

Other expenses, net consists primarily of interest income, interest expense, foreign exchange gains (losses), and net gains (losses) from other non-operating activities. A summary of other income (expense), net is as follows (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
Interest income	$ 4.5	$ 13.7	$ 9.3	(67.0)%	46.9 %
Interest expense	(94.0)	(120.1)	(137.3)	(21.8)%	(12.5)%
Other expense, net	(13.1)	(0.9)	(1.8)	1,407.7 %	(50.8)%
Total other expenses, net	$ (102.6)	$ (107.3)	$ (129.7)		

Fiscal Year 2020 compared to Fiscal Year 2019

The decrease in interest income was primarily due to lower yields on marketable securities for the current year period.

The decrease in interest expense was primarily due to the repayments of $300.0 million of the 2020 Senior Notes in March 2019 and $300.0 million of the 2024 Senior Notes in October 2019, as well as the repurchases of $123.8 million notional amounts of the 1.25% and 1.5% Convertible Debentures during the second quarter of fiscal year 2020.

The increase of other expense, net was primarily due to losses on redemption and repurchases of debt in fiscal year 2020, offset in part by higher gains on foreign currency transactions.

Fiscal Year 2019 compared to Fiscal Year 2018

The decrease in interest expense was primarily due to the repurchase of $150.0 million of outstanding 5.375% Senior Notes due 2020 in September 2018, and the redemption of the $331.2 million then outstanding 2.75% Senior Convertible Debentures due in 2031 (the "2.75% 2031 Debentures") in November 2017. Additionally, in March 2019, we redeemed $300.0 million of our 5.375% Senior Notes due 2020 with the net proceeds from the sale of Imaging.

(Benefit) Provision for Income Taxes

The following table shows the (benefit) provision for income taxes on continuing operations and the effective income tax rate (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
(Benefit) provision for income taxes	$ (18.8)	$ 12.1	$ (77.2)	(254.9)%	(115.7)%
Effective income tax rate	(187.0)%	(13,016.1)%	24.6%		

Fiscal Year 2020 compared to Fiscal Year 2019

The effective income tax rate in fiscal year 2020 differs from the U.S. federal statutory rate of 21.0% primarily due to a net $29.9 million deferred tax benefit from adjustments to domestic valuation allowance primarily related to the Cerence spin-off, a foreign tax benefit of $14.8 million related to prior year intangible property transfers, offset in part by uncertain tax positions of $18.0 million and the base erosion and anti-abuse tax of $6.6 million.

Provision for income taxes decreased by $30.9 million in fiscal year 2020 compared to fiscal year 2019, primarily due to a $29.9 million net deferred tax benefit from adjustments to the domestic valuation allowance primarily related to the Cerence spin-off.

Fiscal Year 2019 compared to Fiscal Year 2018

The effective income tax rate in fiscal year 2019 differs from the U.S. federal statutory rate of 21.0% primarily due to a net tax benefit of $23.4 million related to intangible property transfers, partially offset by the base erosion and anti-abuse tax and uncertain tax positions. As part of the restructuring for the spin-off of our Automotive business, we recognized an $857.8 million gross U.S. capital loss with a potential tax benefit of $180.1 million. We believe that it is not more likely than not that the tax benefit from the U.S. capital loss will be realized. As a result, we recorded a full valuation allowance against the capital loss.

Provision for income taxes increased by $89.3 million in fiscal year 2019 compared to fiscal year 2018, primarily due to the deferred tax benefit of $87.1 million related to the Tax Cuts and Jobs Act ("TCJA") remeasurement of deferred tax assets and liabilities at the lower enacted rate in fiscal year 2018.

Net (Loss) Income from Discontinued Operations

As more fully described in Note 4 to the accompanying condensed consolidated financial statements, on February 1, 2019, we completed the sale of our Imaging business and received approximately $404.0 million in cash, after estimated transaction expenses. On October 1, 2019, we completed the spin-off of our Automotive business into an independent public company, Cerence. As a result, the historical results of operations for Imaging and Automotive have been included within discontinued operations in our condensed consolidated financial statements.

SEGMENT ANALYSIS

For further details of financial information about our operating segments, see Note 23 to the accompanying consolidated financial statements included in Item 8 of this Annual Report on Form 10-K. The following table presents certain financial information about our operating segments (dollars in millions):

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2019	Fiscal Year 2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
	(ASC 606)	(ASC 606)	(ASC 605)	(ASC 605)	(ASC 606)	(ASC 605)
Segment Revenues [(a)]:						
Healthcare	$ 915.3	$ 950.6	$ 984.4	$ 984.8	(3.7)%	— %
Enterprise	530.0	510.8	507.4	483.2	3.8 %	5.0 %
Other	33.9	61.5	61.8	109.1	(44.9)%	(43.3)%
Total segment revenues	1,479.2	1,522.8	1,553.6	1,577.1	(2.9)%	(1.5)%
Less: acquisition related revenues adjustments	(0.3)	(1.5)	(2.6)	(9.5)	(80.4)%	(72.6)%
Total revenues	$ 1,478.9	$ 1,521.3	$ 1,551.0	$ 1,567.6	(2.8)%	(1.1)%
Segment Profit:						
Healthcare	$ 298.8	$ 333.5	$ 360.5	$ 322.7	(10.4)%	11.7 %
Enterprise	146.9	131.2	131.6	130.2	12.0 %	1.1 %
Other	19.7	19.6	20.1	24.2	0.9 %	(17.0)%
Total segment profit	$ 465.4	$ 484.3	$ 512.2	$ 477.0	(3.9)%	7.4 %
Segment Profit Margin:						
Healthcare	32.6%	35.1%	36.6%	32.8%	(2.4)%	3.9 %
Enterprise	27.7%	25.7%	25.9%	26.9%	2.0 %	(1.0)%
Other	58.2%	31.7%	32.4%	22.1%	26.5 %	10.3 %
Total segment profit margin	31.5%	31.8%	33.0%	30.2%	(0.3)%	2.7 %

(a) Segment revenues differ from reported revenues due to certain revenue adjustments related to acquisitions that would otherwise have been recognized but for the purchase accounting treatment of the business combinations. These revenues are included to allow for more complete comparisons to the financial results of historical operations and in evaluating management performance.

Segment Revenues

Fiscal Year 2020 compared to Fiscal Year 2019

- Healthcare segment revenue for fiscal year 2020 decreased by $35.3 million, or 3.7%, primarily driven by:
  - Revenue from Dragon Medical cloud offerings increased by $77.2 million, or 38.0%, to $280.1 million for fiscal year 2020 from $202.9 million for fiscal year 2019, primarily due to the continued market penetration and customer transition to our cloud-based solutions.
  - Revenue from radiology and other decreased by $11.5 million, or 4.9%, to $222.5 million for fiscal year 2020 from $234.1 million for fiscal year 2019, primarily due to the timing of multi-year term license renewals and the loss of transaction volume during the pandemic.
  - Revenue from transcription services decreased by $40.8 million, or 19.0%, to $174.4 million for fiscal year 2020 from $215.2 million for fiscal year 2019, primarily driven by continued erosion from customers' transition to our cloud-based solutions and lower transaction volume due to COVID-19.
  - Revenue from Dragon Medical licensing and maintenance and support decreased by $38.1 million or 32.4%, to $79.6 million for fiscal year 2020 from $117.7 million for fiscal year 2019, primarily driven by the continued transition from term licenses sold with maintenance and support to cloud-based solutions.
  - Professional services revenue decreased by $21.6 million or 29.2%, to $52.2 million for fiscal year 2020 from $73.8 million for fiscal year 2019, primarily driven by lower revenue related to EHR implementations due to certain project deferrals during the pandemic, as well as our shift away from lower-margin professional services.
- Enterprise segment revenue for fiscal year 2020 increased by $19.2 million, or 3.8%, primarily due to the growth in digital engagement solutions.
- Other segment revenue for fiscal year 2020 decreased by $27.6 million, or 44.9%, due to the wind-down of Devices and the sale of our Mobile Operator Services business in fiscal year 2019.

Fiscal Year 2019 compared to Fiscal Year 2018

- Healthcare segment revenue for the year ended September 30, 2019 reflected the up-front recognition of term license revenue from Clintegrity, Dragon Medical, and radiology business under ASC 606. Under ASC 605, Healthcare segment revenue decreased by $0.4 million, primarily driven by:
  - Revenue from Dragon Medical cloud offerings increased by $74.6 million, or 54.0%, to $212.7 million for fiscal year 2019 from $138.1 million for fiscal year 2018, primarily due to the continued market penetration and customer transition to our cloud-based offering.
  - Revenue from transcription services decreased by $43.0 million, or 16.3%, to $220.5 million for fiscal year 2019 from $263.5 million for fiscal year 2018, primarily due to the continued erosion of our medical transcription services revenue and customer's transition to Dragon Medical cloud-based software.
  - Professional services revenue decreased by $59.1 million or 40.8%, to $85.8 million for fiscal year 2019 from $144.9 million for fiscal year 2018, primarily driven by lower revenue from EHR implementation and optimization services.
- Enterprise segment revenue for the year ended September 30, 2019 reflected the allocation of contract consideration to multiple performance obligations based on standalone selling prices, and the up-front recognition of term license revenue and related costs under ASC 606. Under ASC 605, Enterprise segment revenue increased by $24.2 million, or 5.0%, during fiscal year 2019 primarily due to the growth in our omni-channel hosting solutions.
- Other segment revenue for the year ended September 30, 2019 reflected the allocation of contract consideration to multiple performance obligations based on standalone selling prices under ASC 606. Under ASC 605, Other segment revenue decreased by $47.3 million, or 43.3%, primarily due to the wind-down of Devices and the sale of Mobile Operator Services business in Brazil and India in fiscal year 2019.

Segment Profit

Fiscal Year 2020 compared to Fiscal Year 2019

- Healthcare segment profit for the year ended September 30, 2020 decreased by $34.8 million, or 10.4%, primarily due to lower revenue and higher R&D and sales and marketing expenses, offset in part by gross margin improvement. Gross margin increased primarily due to a favorable shift in mix to higher margin Dragon Medical cloud-based solution from lower margin medical transcription and EHR implementation services. The increases in R&D and sales and marketing expenses were primarily due to higher spend to support the development and launch of new products and solutions. As a result, segment profit margin decreased by 2.4 percentage points to 32.6%.

- Enterprise segment profit for the year ended September 30, 2020 increased by $15.8 million, or 12.0%, primarily due to higher segment revenue and gross margin, offset in part by higher R&D and sales expenses. Gross margin improvement was primarily driven by a favorable shift in revenue mix towards higher-margin license revenue. The increase in R&D expense was primarily due to higher spend on core technologies to support future growth. The increase in sales expense was primarily driven by higher commission costs due to higher bookings, offset in part by lower travel and entertainment expenses during the pandemic. As a result, segment profit margin increased by 2.0 percentage points to 27.7%.

- Other segment profit for the year ended September 30, 2020 increased by $0.2 million, or 0.9%, primarily driven by lower expense profile of the remaining business, offset in part by lower revenue. As a result, segment profit margin increased by 26.5 percentage points to 58.2%.

Fiscal Year 2019 compared to Fiscal Year 2018

- Healthcare segment profit for the year ended September 30, 2019 reflected the upfront recognition of term license revenue and related costs for Clintegrity, Dragon Medical, and radiology business under ASC 606. Under ASC 605, Healthcare segment profit increased by $37.8 million, or 11.7%, primarily due to higher gross margin. The gross margin improvement was primarily due to a favorable shift in mix to higher margin Dragon Medical cloud-based solution from lower margin medical transcription services, and lower revenue from EHR implementation and optimization services which carried lower margins. As a result, segment profit margin increased by 3.9 percentage points, to 36.6% for fiscal year 2019.

- Enterprise segment profit for the year ended September 30, 2019 reflected the allocation of contract consideration to multiple performance obligations based on standalone selling prices and the up-front recognition of term license revenue and related costs under ASC 606. Under ASC 605, Enterprise segment profit increased by $1.4 million, or 1.1%, primarily due to higher segment revenue and lower sales and marketing expense, offset in part by lower gross margin. Gross margin decline was primarily due to lower license revenue, which carries higher margins. The decrease in sales and marketing expenses was primarily due to lower compensation expenses. As a result, segment profit margin decreased by 1.0 percentage points to 25.9% for fiscal year 2019 from 26.9% for fiscal year 2018.

- Other segment profit for the year ended September 30, 2019 reflected the allocation of contract consideration to multiple performance obligations based on standalone selling prices and the upfront recognition of term license costs under ASC 606. Under ASC 605, Other segment profit decreased by $4.1 million, or 17.0%, primarily driven by our costs saving initiatives related to the wind-down of our Devices and Mobile Operator Services businesses, offset in part by lower segment revenue.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We had cash and cash equivalents and marketable securities of $372.3 million as of September 30, 2020, a decrease of $392.5 million from $764.8 million as of September 30, 2019. Our working capital, defined as total current assets less total current liabilities of continuing operations, was $(250.2) million as of September 30, 2020, compared to $(551.6) million as of September 30, 2019. Our working capital takes into accounts $432.2 million, and $1,142.9 million short-term debt as of September 30, 2020 and 2019, respectively. As of September 30, 2020, we had $240.1 million available for borrowing under our revolving credit facility. We believe that our existing sources of liquidity are sufficient to support our operating needs, capital requirements and any debt service requirements for the next twelve months.

Cash and cash equivalents and marketable securities held by our international operations totaled $60.9 million as of September 30, 2020 and $135.9 million as of September 30, 2019. We utilize a variety of financing strategies to ensure that our worldwide cash is available to meet our liquidity needs. We expect the cash held overseas to be permanently invested in our international

operations, and our U.S. operation to be funded through its own operating cash flows, cash and marketable securities within the U.S., and if necessary, borrowing under our revolving credit facility.

Disposition of Our Medical Transcription and EHR Implementation Businesses

In connection with our ongoing comprehensive portfolio and business review, during the first quarter of 2021, we announced our strategic plan to sell our medical transcription and EHR go-live businesses to Assured Healthcare Partners and Aeries Technology Group. These businesses provide critical support to healthcare organizations, and upon the closing of the sale, Nuance will be both a minority stakeholder and business partner committed to the success of the new business, named DeliverHealth Solutions.

As a result, we expect the results of medical transcription and EHR go-live businesses to be included within discontinued operations on the consolidated statements of operations, and the related assets and liabilities to be classified as assets and liabilities held for sale on the consolidated balance sheets effective the first quarter of fiscal year 2021.

The change in financial statement presentation may trigger changes in reporting units, which may result in a goodwill impairment charge of $10 million to $20 million during the first quarter of fiscal year 2021.

1.25% 2025 Debentures and 1.5% 2035 Debentures

As more fully described in Note 10, during the fourth quarter of fiscal year 2020, our common stock price exceeded the conversion threshold price, which equals 130% of the conversion price specified in the debenture for at least 20 trading days during the 30 consecutive trading days ending September 30, 2020. As a result, our 1.25% 2025 Debentures and 1.5% 2035 Debentures are convertible any time between October 1, 2020 and December 31, 2020 at the option of the holders. Additionally, with the current increase in our market price, we expect the 1.0% 2035 Debenture will also become convertible as of December 31, 2020. Accordingly, the principal amounts of convertible debentures total $1,167 million likely will be convertible from December 31, 2020 through March 31, 2021 and other future periods should the stock price continue to exceed the conversion price for at least 20 trading days during the 30 consecutive trading days ending each quarter. Should any holders elect to convert, the principal amount of the convertible debentures would be payable in cash and any amount payable in excess of the principal amount, based upon the conversion ratio specified in the indenture, would be paid in cash or shares of our common stock at our election.

Our convertible debentures are actively traded in the open market and consistently at a trading price in excess of their conversion values. Therefore, we believe that it is uneconomic, and thus unlikely for the holders to early exercise their conversion rights with Nuance. In the event that the holders presented an amount for settlement that exceeded our then available sources of liquidity, we may possibly need to obtain additional financing, which we believe would be available to us based upon our assessment of the prevailing market and business conditions and our experience of successful capital raising activities.

As of September 30, 2020, the net carrying values of the 1.25% 2025 Debenture and the 1.5% 2035 Debenture were reclassified to current liabilities.

Automotive Spin-Off

On October 1, 2019, we completed the spin-off of our Automotive business as an independent public company, Cerence, and a pro rata and tax-free distribution to our stockholders of all of the outstanding shares of Cerence owned by Nuance on October 1, 2019.

Upon the spin-off on October 1, 2019, we received an approximately $139.1 million distribution from Cerence. We used the proceeds from the distribution and existing cash to redeem all the $300.0 million outstanding principal amount of the 2024 Senior Notes for $313.5 million, plus accrued and unpaid interest of $4.5 million.

For the year ended September 30, 2020, we incurred cash payments of $13.3 million related to the separation and spin-off of our Automotive business, which have been presented as operating cash flows from discontinued operations.

Net Cash Provided by Operating Activities

Fiscal Year 2020 compared to Fiscal Year 2019

Cash provided by operating activities for fiscal year 2020 was $254.6 million, a decrease of $146.8 million from $401.4 million cash provided by operating activities for fiscal year 2019. The net decrease was primarily due to:

- A decrease of $79.3 million due to unfavorable changes in working capital, primarily related to the timing of cash collections and cash payments;
- A decrease of $110.1 million in operating cash flows from discontinued operations; offset in part by,

- An increase of $30.9 million due to higher income before non-cash charges; and
- An increase of $11.6 million from changes in deferred revenue. Deferred revenue had a positive effect of $15.9 million on operating cash flows for fiscal year 2020, as compared to $4.2 million for fiscal year 2019.

Fiscal Year 2019 compared to Fiscal Year 2018

Cash provided by operating activities for fiscal year 2019 was $401.4 million, a decrease of $43.1 million from $444.4 million cash provided by operating activities for fiscal year 2018. The net decrease was primarily due to:

- A decrease of $43.3 million from changes in deferred revenue. Deferred revenue had a positive effect of $4.2 million on operating cash flows for fiscal year 2019, as compared to $47.5 million in fiscal year 2018, primarily due to the ASC 606 implementation using the modified retrospective approach in the current period;
- A decrease of $106.7 million in operating cash flows from discontinued operations; offset in part by,
- An increase of $87.5 million due to higher income before non-cash charges;
- An increase of $19.4 million due to favorable changes in working capital, primarily related to the timing of cash payments.

Net Cash Provided by Investing Activities

Fiscal Year 2020 compared to Fiscal Year 2019

Cash provided by investing activities for fiscal year 2020 was $72.7 million, a decrease of $223.3 million from $296.0 million cash provided by operating activities in fiscal year 2019. The net decrease was primarily due to:

- Net proceeds of $406.9 million, primarily from the sale of our Imaging business during the second quarter of fiscal year 2019;
- An increase of $17.1 million in cash used for capital expenditures; offset in part by,
- An increase of $179.7 million in net proceeds from the sale and purchase of marketable securities and other investments; and
- A decrease of $19.9 million in payments for business and asset acquisitions.

Fiscal Year 2019 compared to Fiscal Year 2018

Cash provided by investing activities for fiscal year 2019 was $296.0 million, an increase of $333.3 million from $37.3 million cash used in fiscal year 2018. The net increase was primarily due to:

- Net proceeds of $407.0 million from the dispositions of businesses, net of transaction fees;
- A decrease of $89.3 million in payments for business and asset acquisitions;
- A decrease of $4.7 million in capital expenditures; offset in part by
- A decrease of $167.7 million in net proceeds from the sale and purchase of marketable securities and other investments.

Net Cash Used in Financing Activities

Fiscal Year 2020 compared to Fiscal Year 2019

Cash used in financing activities for fiscal year 2020 was $586.2 million, an increase of $134.2 million from $452.0 million cash used in fiscal year 2019. The net increase was primarily due to:

- An increase of $213.6 million in the repayment and redemption of debt;
- Net proceeds of $9.9 million from sale of noncontrolling interests in a subsidiary in fiscal year 2019;
- An increase of $42.3 million in share repurchases;
- An increase of $4.6 million related to payments for taxes related to net share settlement of equity awards; offset in part by,
- A net contribution of $139.1 million from Cerence in connection with the spin-off of our Automobile business during the first quarter of fiscal year 2020.

Fiscal Year 2019 compared to Fiscal Year 2018

Cash used in financing activities for fiscal year 2019 was $452.0 million, a decrease of $228.3 million from $680.3 million cash used in fiscal year 2018. The net decrease was primarily due to:

- A decrease of $181.2 million in repayment and redemption of debt. During fiscal year 2019, we redeemed $300.0 million in aggregate principal of our 5.375% Senior Notes due 2020 with the net proceeds from the sale of Imaging. During fiscal year 2018, we redeemed approximately $331.2 million in aggregate principal of the 2.75% 2031 Debentures and repurchased $150.0 million in aggregate principal amount of our 2020 Senior Notes.
- A decrease of $24.8 million related to acquisition payments with extended payment terms;
- A decrease of $6.0 million related to payments for taxes related to net share settlement of equity awards;
- A decrease of $9.2 million for share repurchases; offset in part by,
- An increase of $9.9 million due to the proceeds from sale of noncontrolling interests in a subsidiary.

Debt

For a detailed description of the terms and restrictions of the debt and revolving credit facility, see Note 10 to the accompanying consolidated financial statements. For the year ended September 30, 2020, we spent approximately $513.6 million on repurchase and redemption of debt:

- Upon the spin-off on October 1, 2019, we received an approximately $139.1 million distribution from Cerence. We used the proceeds from the distribution and existing cash to redeem all the $300.0 million outstanding principal amount of the 2024 Senior Notes for $313.5 million, plus accrued and unpaid interest of $4.5 million.
- During the second quarter of fiscal year 2020, we repurchased $87.3 million notional amount of our 1.25% 2025 Debentures for $112.3 million and $36.5 million notional amount of 1.5% 2035 Debentures for $41.3 million.
- In March 2020, we redeemed the remaining outstanding $46.6 million of our 2.75% 2031 Debentures at par.
- On March 24, 2020, we borrowed $230.0 million under our revolving credit facility at an effective interest rate of 2.68% per annum, which was fully repaid on June 26, 2020.

As of September 30, 2020, we were in compliance with all of our debt covenants.

We may from time to time, depending on market and business conditions, repurchase outstanding debt in the open market or in privately negotiated transactions. We expect to incur cash interest payment of $41.6 million in fiscal year 2021, based on the stated yields and the outstanding debt principals as of September 30, 2020. We expect to fund our debt service requirements through existing sources of liquidity and our operating cash flows.

Share Repurchases

On April 29, 2013, our Board of Directors approved a share repurchase program for up to $500.0 million, which was increased by $500.0 million on April 29, 2015. On August 1, 2018, our Board of Directors approved an additional $500.0 million under our share repurchase program. Under the terms of the share repurchase program, we have the ability to repurchase shares from time to time through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades, accelerated stock repurchase transactions, or any combination of such methods. The share repurchase program does not require us to acquire any specific number of shares and may be modified, suspended, extended or terminated by us at any time without prior notice. The timing and the amount of any purchases are subject to our assessment of the prevailing market conditions, general economic conditions, capital allocation alternatives, and other factors.

We repurchased 9.5 million shares, 8.2 million shares and 9.7 million shares for $169.2 million, $126.9 million and $136.1 million during the fiscal years ended September 30, 2020, 2019 and 2018, respectively, under the program. The amount paid in excess of par value is recognized in additional paid in capital and these shares were retired upon repurchase. Since the commencement of the program, we have repurchased 73.8 million shares for $1,238.8 million. The amount paid in excess of par value is recognized in additional paid in capital. Shares were retired upon repurchase. As of September 30, 2020, approximately $261.2 million remained available for future repurchases under the program.

Off-Balance Sheet Arrangements, Contractual Obligations, Contingent Liabilities and Commitments

Contractual Obligations

The following table outlines our contractual payment obligations for continuing operations as of September 30, 2020 (dollars in millions):

	Contractual payments Due in Fiscal Year				
Contractual Obligations	**Total**	**2021**	**2022 and 2023**	**2024 and 2025**	**Thereafter**
Convertible debentures [1]	$ 1,166.5	$ 490.0	$ 676.5	$ —	$ —
Senior notes [2]	500.0	—	—	—	500.0
Interest payable on long-term debt [3]	207.2	41.6	71.6	61.2	32.8
Letters of credit [4]	2.4	2.4	—	—	—
Lease obligations and other liabilities:					
Operating leases [5]	136.0	27.9	39.9	27.1	41.1
Operating leases under restructuring	16.9	4.5	7.2	3.3	1.9
Purchase commitments for inventory, property and equipment [6]	145.1	57.4	87.7	—	—
Total contractual cash obligations	$ 2,174.1	$ 623.8	$ 882.9	$ 91.6	$ 575.8

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(1) The repayment schedule above assumes that payment is due on the first contractual redemption date after September 30, 2020. As more fully described in Note 10 to the accompanying consolidated financial statements, as of September 30, 2020, the holders had the right to convert all or any portion of the 1.25% 2025 Debentures and 1.5% 2035 Debentures between October 1, 2020 and December 31, 2020. As a result, the net carrying amounts of these two convertible notes were included in current liabilities as of September 30, 2020.

(2) The repayment schedule reflects outstanding principal amount of our 5.625% senior notes due 2026 as of September 30, 2020.

(3) Interest per annum is due and payable semi-annually and is determined based on the outstanding principal as of September 30, 2020, the stated interest rate of each debt instrument and the assumed redemption dates discussed above.

(4) Letters of credit are in place primarily to secure future operating lease payments.

(5) Obligations include contractual lease commitments related to facilities that have subsequently been subleased. As of September 30, 2020, we have subleased certain facilities with total sublease income of $12.4 million through fiscal year 2027.

(6) These amounts include non-cancelable purchase commitments for property and equipment as well as inventory in the normal course of business to fulfill customer backlog.

As of September 30, 2020, $60.5 million of the unrecognized tax benefits, if recognized, would impact our effective income tax rate. We recognized interest and penalties related to uncertain tax positions in our provision for income taxes of $2.1 million, $1.4 million, and $0.8 million during fiscal years 2020, 2019, and 2018, respectively. We recorded interest and penalties of $8.1 million and $8.9 million as of September 30, 2020 and 2019, respectively.

Contingent Liabilities and Commitments

Certain acquisition payments to selling stockholders were contingent upon the achievement of pre-determined performance targets over a period of time after the acquisition. Such contingent payments were recorded at estimated fair values upon the acquisition and re-measured in subsequent reporting periods. As of September 30, 2020, we may be required to pay the selling stockholders up to $3.0 million upon achieving specified performance goals, including the achievement of future bookings and sales targets related to the products of the acquired entities. In addition, certain deferred compensation payments to selling stockholders contingent upon their continued employment after the acquisition were recorded as compensation expense over the requisite service period. Additionally, as of September 30, 2020, the remaining deferred payment obligations of $0.3 million to certain former stockholders, which are contingent upon their continued employment, will be recognized ratably as compensation expense over the remaining requisite service periods.

Financial Instruments

We use financial instruments to manage our foreign exchange risk. We operate our business in countries throughout the world and transact business in various foreign currencies. Our foreign currency exposures typically arise from transactions denominated in currencies other than the functional currency of our operations. We have a program that primarily utilizes foreign currency forward contracts to offset the risks associated with the effect of certain foreign currency exposures. Our program is designed so that increases or decreases in our foreign currency exposures are offset by gains or losses on the foreign currency forward contracts in order to mitigate the risks and volatility associated with our foreign currency transactions. Generally, we enter into

such contracts for less than 90 days and have no cash requirements until maturity. As of September 30, 2020 and 2019, we had outstanding contracts with a total notional value of $40.7 million and $189.6 million, respectively.

Defined Benefit Plans

We sponsor certain defined benefit plans that are offered primarily by our foreign subsidiaries. Many of these plans were assumed through our acquisitions or are required by local regulatory requirements. We may deposit funds for these plans with insurance companies, third party trustees, or into government-managed accounts consistent with local regulatory requirements, as applicable. Our defined benefit pension income was $0.4 million, $0.5 million, and $0.1 million for fiscal years 2020, 2019, and 2018, respectively. The aggregate projected benefit obligation as of September 30, 2020 and September 30, 2019 was $35.4 million and $35.2 million, respectively. The aggregate net liability of our defined benefit plans as of September 30, 2020 and September 30, 2019 was $13.2 million and $12.6 million, respectively.

Off-Balance Sheet Arrangements

Through September 30, 2020, we have not entered into any off-balance sheet arrangements or material transactions with unconsolidated entities or other persons.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS, AND ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, assumptions and judgments, including those related to revenue recognition; allowance for doubtful accounts and sales returns; accounting for deferred costs; accounting for internally developed software; the valuation of goodwill and intangible assets; accounting for business combinations, including contingent consideration; accounting for stock-based compensation; accounting for derivative instruments; accounting for income taxes and related valuation allowances; and loss contingencies. Our management bases its estimates on historical experience, market participant fair value considerations, projected future cash flows and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

We believe the following critical accounting policies most significantly affect the portrayal of our financial condition and results of operations and require our most difficult and subjective judgments.

Revenue Recognition

We derive revenue from the following sources: (1) hosting services, (2) software licenses, including royalties, (3) M&S, (4) professional services, and (5) sale of hardware. Revenue is reported net of applicable sales and use tax, value-added tax and other transaction taxes imposed on the related transaction including mandatory government charges that are passed through to our customers. We account for a contract when both parties have approved and committed to the contract, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and the collectibility of the consideration is probable.

The majority of our arrangements with customers typically contain multiple products and services. We account for individual products and services separately if they are distinct--that is, if a product or service is separately identifiable from other items in the contract and if a customer can benefit from it on its own or with other resources that are readily available to the customer.

In fiscal year 2019, we implemented ASC 606 using the modified retrospective approach, which requires the results for the current reporting periods be presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting policies in accordance with ASC 605, with a cumulative adjustment recorded to accumulated deficit. We currently recognize revenue after applying the following five steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract, including whether they are distinct within the context of the contract;
- determination of the transaction price, including the constraint on variable consideration;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, performance obligations are satisfied.

We allocate the transaction price of the arrangement based on the relative estimated standalone selling price ("SSP") of each distinct performance obligation. In determining SSP, we maximize observable inputs and consider a number of data points, including:

- the pricing of standalone sales (in the instances where available);
- the pricing established by management when setting prices for deliverables that are intended to be sold on a standalone basis;
- contractually stated prices for deliverables that are intended to be sold on a standalone basis; and
- other pricing factors, such as the geographical region in which the products are sold, and expected discounts based on the customer size and type.

We only include estimated amounts of variable consideration in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. We reduce transaction prices for estimated returns and other allowances that represent variable consideration under ASC 606, which we estimate based on historical return experience and other relevant factors, and record a reduction to revenue and accounts receivable. Other forms of contingent revenue or variable consideration are infrequent.

Revenue is recognized when control of these products and services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

We assess the timing of the transfer of products or services to the customer as compared to the timing of payments to determine whether a significant financing component exists. In accordance with the practical expedient in ASC 606-10-32-18, we do not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our services, not to receive or provide financing from or to customers. We do not consider set-up fees nor other upfront fees paid by our customers to represent a financing component.

Certain products are sold through distributors or resellers. Certain distributors and resellers have been granted right of return and selling incentives which are accounted for as variable consideration when estimating the amount of revenue to be recognized. Returns and credits are estimated at the contract inception and updated at the end of each reporting period as additional information becomes available. In accordance with the practical expedient in ASC 606-10-10-4, we apply a portfolio approach to estimate the variable consideration associated with this group of customers.

Reimbursements for out-of-pocket costs generally include, but are not limited to, costs related to transportation, lodging and meals. Revenue from reimbursed out-of-pocket costs is accounted for as variable consideration.

Shipping and handling activities are not considered a contract performance obligation. We record shipping and handling costs billed to customers as revenue with offsetting costs recorded as cost of revenue.

Performance Obligations

Hosting

Hosting services, which allow our customers to use the hosted software over the contract period without taking possession of the software, are provided on a usage basis as consumed or on a fixed fee subscription basis. Our hosting contract terms generally range from one to five years.

As each day of providing services is substantially the same and the customer simultaneously receives and consumes the benefits as access is provided, we have determined that our hosting services arrangements are a single performance obligation comprised of a series of distinct services. These services include variable consideration, which is typically a function of usage. We recognize revenue as each distinct service period is performed (i.e., recognized as incurred).

Subscription basis revenue represents a single promise to stand-ready to provide access to our hosting services. Revenue is recognized over time on a ratable basis over the hosting contract term, which generally ranges from one to five years.

Software Licenses

On-premise software licenses sold with non-distinct professional services to customize and/or integrate the underlying software are accounted for as a combined performance obligation. Revenue from the combined performance obligation is recognized over time based upon the progress towards completion of the project, which is measured based on the labor hours already incurred to date as compared to the total estimated labor hours.

Revenue from distinct on-premise software licenses, which do not require professional services to customize and/or integrate the software license, is recognized at the point in time when the software is made available to the customer and control is transferred.

Revenue from software licenses sold on a royalty basis, where the license of intellectual property is the predominant item to which the royalty relates, is recognized in the period the usage occurs in accordance with the practical expedient in ASC 606-10-55-65(A).

Maintenance and Support

Our M&S contracts generally include telephone support and the right to receive unspecified upgrades and updates on a when-and-if available basis. M&S revenue is recognized over time on a ratable basis over the contract period because we transfer control evenly by providing a stand-ready service.

Professional Services

Revenue from distinct professional services, including training, is recognized over time based upon the progress towards completion of the project, which is measured based on the labor hours already incurred to date as compared to the total estimated labor hours.

Hardware

Hardware revenue is recognized at the point in time when control is transferred to the customer, which is typically upon delivery.

Significant Judgments

Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Our license contracts often include professional services to customize and/or integrate the licenses into the customer's environment. Judgment is required to determine whether the license is considered distinct and accounted for separately, or not distinct and accounted for together with professional services.

Judgments are required to determine the SSP for each distinct performance obligation. When SSP is directly observable, we estimate SSP based upon the historical transaction prices, adjusted for geographic considerations, customer classes, and customer relationship profiles. In instances where SSP is not directly observable, we determine SSP using information that may include market conditions and other observable inputs. We may have more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, we may use information such as the size of the customer and geographic region in determining SSP. Determining SSP for performance obligations which we never sell separately also requires significant judgment. In estimating the SSP, we consider the likely price that would have resulted from established pricing practices had the deliverable been offered separately and the prices a customer would likely be willing to pay.

From time to time, we may enter into arrangements with third party suppliers to resell products or services. In such cases, we evaluate whether we are the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, we first evaluate whether we control the good or service before it is transferred to the customer. If we control the good or service before it is transferred to the customer, we are the principal; if not, we are the agent. Generally, we control a promised good or service before transferring that good or service to the customer and act as the principal to the transaction. Determining whether we control the good or service before it is transferred to the customer may require judgment.

Goodwill Impairment Analysis

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill and intangible assets with indefinite lives are not amortized, but rather the carrying amounts of these assets are assessed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Goodwill is tested for impairment annually on July 1, the first day of the fourth quarter of the fiscal year. In fiscal year 2017, we elected to early adopt ASU 2017-04, "Simplifying the Test for Goodwill Impairment" for its annual goodwill impairment test. ASU 2017-04 removes Step 2 of the goodwill impairment test requiring a hypothetical purchase price allocation. Goodwill impairment, if any, is determined by comparing the reporting unit's fair value to its carrying value. An impairment loss is recognized in an amount equal to the excess of the reporting unit's carrying value over its fair value, up to the amount of goodwill allocated to the reporting unit. There was no goodwill impairment for fiscal year 2020 and 2019. See Note 6 to the accompanying consolidated financial statements for the impairment charges recorded in fiscal year 2018.

For the purpose of testing goodwill for impairment, all goodwill acquired in a business combination is assigned to one or more reporting units. A reporting unit represents an operating segment or a component within an operating segment for which discrete financial information is available and is regularly reviewed by segment management for performance assessment and resource allocation. Components of similar economic characteristics are aggregated into one reporting unit for the purpose of goodwill impairment assessment. Reporting units are identified annually and re-assessed periodically for recent acquisitions or any changes in segment reporting structure.

Corporate assets and liabilities are allocated to each reporting unit based on the reporting unit's revenue, total operating expenses or operating income as a percentage of the consolidated amounts. Corporate debt and other financial liabilities that are not directly attributable to the reporting unit's operations and would not be transferred to hypothetical purchasers of the reporting units are excluded from a reporting unit's carrying amount.

The fair value of a reporting unit is generally determined using a combination of the income approach and the market approach. For the income approach, fair value is determined based on the present value of estimated future after-tax cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future after-tax cash flows and estimate the long-term growth rates based on our most recent views of the long-term outlook for each reporting unit. Actual results may differ from those assumed in our forecasts. We derive our discount rates using a capital asset pricing model and analyzing published rates for industries relevant to our reporting units to estimate the weighted average cost of capital. We adjust the discount rates for the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. For the market approach, we use a valuation technique in which values are derived based on valuation multiples of comparable publicly traded companies. We assess each valuation methodology based upon the relevance and availability of the data at the time we perform the valuation and weight the methodologies appropriately.

Intangible Assets and long-lived Asset groups

Long-lived assets with definite lives are tested for impairment whenever events or changes in circumstances indicate the carrying value of a specific asset or asset group may not be recoverable. We assess the recoverability of long-lived assets with definite lives at the asset group level. Asset groups are determined based upon the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. When the asset group is also a reporting unit, goodwill assigned to the reporting unit is also included in the carrying amount of the asset group. For the purpose of the recoverability test, we compare the total undiscounted future cash flows from the use and disposition of the assets with its net carrying amount. When the carrying value of the asset group exceeds the undiscounted future cash flows, the asset group is deemed to be impaired. The amount of the impairment loss represents the excess of the asset or asset group's carrying value over its estimated fair value, which is generally determined based upon the present value of estimated future pre-tax cash flows that a market participant would expect from use and disposition of the long-lived asset or asset group. See Note 6 for the impairment charges recorded in fiscal year 2018.

Income Taxes

Deferred Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits such as net operating loss carryforwards, to the extent that realization of such benefits is more likely than not after consideration of all available evidence. As the income tax returns are not due and filed until after the completion of our annual financial reporting requirements, the amounts recorded for the current period reflect estimates for the tax-based activity for the period. In addition, estimates are often required with respect to, among other things, the appropriate state and foreign income tax rates to use, the potential utilization of operating loss carry-forwards and valuation allowances required, if any, for tax assets that may not be realizable in the future. Tax laws and tax rates vary substantially in these jurisdictions, and are subject to change given the political and economic climate. We report and pay income tax based on operational results and applicable law. Our tax provision contemplates tax rates currently in effect to determine both our current and deferred tax provisions.

Any significant fluctuation in rates or changes in tax laws could cause our estimates of taxes we anticipate either paying or recovering in the future to change. Such changes could lead to either increases or decreases in our effective tax rate.

We have historically estimated the future tax consequence of certain items, including bad debts, inventory valuation, and accruals that cannot be deducted for income tax purposes until such expenses are paid or the related assets are disposed. We believe the procedures and estimates used in our accounting for income taxes are reasonable and in accordance with established tax law. The income tax estimates used have not resulted in material adjustments to income tax expense in subsequent periods when the estimates are adjusted to the actual filed tax return amounts.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the fiscal years in which those temporary differences are expected to be recovered or settled. With respect to earnings expected to be indefinitely reinvested offshore, we do not accrue tax for the repatriation of such foreign earnings.

Valuation Allowance

We regularly review our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. In assessing the need for a

valuation allowance, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified. If positive evidence regarding projected future taxable income, exclusive of reversing taxable temporary differences, existed it would be difficult for it to outweigh objective negative evidence of recent financial reporting losses. Generally, cumulative loss in recent years is a significant piece of negative evidence that is difficult to overcome in determining that a valuation allowance is not needed.

As of September 30, 2020, we have $230.3 million of valuation allowances recorded against all U.S. deferred tax assets and certain foreign deferred tax assets. If we are subsequently able to utilize all or a portion of the deferred tax assets for which the remaining valuation allowance has been established, then we may be required to recognize these deferred tax assets through the reduction of the valuation allowance which could result in a material benefit to our results of operations in the period in which the benefit is determined.

Uncertain Tax Positions

We operate in multiple jurisdictions through wholly-owned subsidiaries and our global structure is complex. The estimates of our uncertain tax positions involve judgments and assessment of the potential tax implications related to legal entity restructuring, credits, intercompany transfer and acquisition or divestiture. We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

Our tax positions are subject to audit by taxing authorities across multiple global jurisdictions and the resolution of such audits may span multiple years. Tax law is complex and often subject to varied interpretations, accordingly, the ultimate outcome with respect to taxes we may owe may differ from the amounts recognized.

RECENTLY ADOPTED ACCOUNTING STANDARDS

See Note 2 to the accompanying consolidated financial statements for a description of recently adopted accounting standards.

ISSUED ACCOUNTING STANDARDS NOT YET ADOPTED

See Note 2 to the accompanying consolidated financial statements for a description of certain issued accounting standards that have not been adopted and may impact our financial statements in future reporting periods.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

We are exposed to market risk from changes in foreign currency exchange rates, interest rates and equity prices which could affect operating results, financial position and cash flows. We manage our exposure to these market risks through our regular operating and financing activities and, when appropriate, through the use of derivative financial instruments.

Exchange Rate Sensitivity

We are exposed to changes in foreign currency exchange rates. Any foreign currency transaction, defined as a transaction denominated in a currency other than the local functional currency, will be reported in the functional currency at the applicable exchange rate in effect at the time of the transaction. A change in the value of the functional currency compared to the foreign currency of the transaction will have either a positive or negative impact on our financial position and results of operations.

Assets and liabilities of our foreign entities are translated into U.S. dollars at exchange rates in effect at the balance sheet date and income and expense items are translated at average rates for the applicable period. Therefore, the change in the value of the U.S. dollar compared to foreign currencies will have either a positive or negative effect on our financial position and results of operations. Historically, our primary exposure has related to transactions denominated in the euro, British pound, Canadian dollar, and Indian rupee.

Periodically, we enter into forward exchange contracts to hedge against foreign exchange rate fluctuations. As of September 30, 2020, we had not designated any contracts as fair value or cash flow hedges. The contracts generally have a maturity of less than 90 days. As of September 30, 2020, the notional contract amount of outstanding foreign currency exchange contracts was $40.7 million.

Interest Rate Sensitivity

We are exposed to interest rate risk as a result of our cash and cash equivalents and marketable securities.

As of September 30, 2020, we held approximately $372.3 million of cash and cash equivalents and marketable securities consisting of cash, money-market funds, bank deposits and a separately managed investment portfolio. Assuming a one percentage point increase in interest rates, our interest income on our investments classified as cash and cash equivalents and marketable securities would increase by approximately $3.7 million per annum, based on the September 30, 2020 reported balances of our investment accounts.

Convertible Debentures

The fair values of our convertible debentures are dependent on the price and volatility of our common stock as well as movements in interest rates. The fair market values of these debentures will generally increase as the market price of our common stock increases and will decrease as the market price of our common stock decreases. The fair market values of these debentures will generally increase as interest rates fall and decrease as interest rates rise. The market value and interest rate changes affect the fair market values of these debentures, but do not impact our financial position, results of operations or cash flows due to the fixed nature of the debt obligations. However, increases in the value of our common stock above the stated trigger price for each issuance for a specified period of time may provide the holders of these debentures the right to convert each bond using a conversion ratio and payment method as defined in the debenture agreement.

The following table summarizes the fair value and conversion value of our convertible debentures, and the estimated increase in fair value and conversion value with a hypothetical 10% increase in the stock price of $33.19 as of September 30, 2020 (dollars in millions):

	September 30, 2020			
	Fair value	Conversion value	Increase to fair value	Increase to conversion value
1.5% 2035 Debentures	$375.7	$366.2	$34.8	$36.6
1.0% 2035 Debentures	$985.3	$930.8	$79.4	$93.1
1.25 % 2025 Debentures	$465.9	$442.8	$39.6	$44.3

Item 8. ***Financial Statements and Supplementary Data***

Nuance Communications, Inc. Consolidated Financial Statements

NUANCE COMMUNICATIONS, INC.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Nuance Communications, Inc.
Burlington, Massachusetts

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Nuance Communications, Inc. (the "Company") as of September 30, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2020**,** in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of September 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated November 19, 2020 expressed an unqualified opinion thereon.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases in fiscal 2020 due to the adoption of Accounting Standards Update 2016-02, "Leases" ("ASC 842").

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Determination of Distinct Performance Obligations in Customer Revenue Contracts

As described in Note 3 to the consolidated financial statements, the Company recorded total revenues of $1.48 billion for the year ended September 30, 2020. The Company derives revenue from the following sources: (i) hosting services, (ii) software licenses, including royalties, (iii) M&S, (iv) professional services, and (v) sale of hardware. The Company enters into contracts with its customers, which frequently contain multiple performance obligations. The Company accounts for individual products and services separately if they are distinct, that is, if a product or service is separately identifiable from other items in the contract and if a

customer can benefit from it on its own or with other resources that are readily available to the customer.

We identified the determination of distinct performance obligations as a critical audit matter. Significant judgment can be required to determine the performance obligations in a contract and whether they are distinct. Auditing these aspects involved especially challenging auditor judgment due to the nature and extent of audit effort required to address these matters.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the design and testing operating effectiveness of certain controls relating to management's identification and assessment of distinct performance obligations in contracts with customers.
- Evaluating management's accounting policies and practices including the reasonableness of management's judgments and assumptions relating to the evaluation of performance obligations and whether they are distinct or non-distinct.
- Testing a sample of revenue contracts and underlying order documents to evaluate management's identification of distinct performance obligations in revenue contracts.

Uncertain Tax Positions

As described in Note 21 to the Company's consolidated financial statements, the Company's total uncertain tax positions ("UTPs") for the fiscal year ended September 30, 2020 were $60.5 million. The Company operates in multiple jurisdictions through its wholly-owned subsidiaries and its global structure is complex. The Company's tax positions are subject to audit by taxing authorities across multiple global jurisdictions and the resolution of such audits may span multiple years. Tax law is complex and often subject to varied interpretations, accordingly, the ultimate outcome with respect to taxes the Company may owe may differ from the amounts recognized.

We identified the assessment of uncertain tax positions as a critical audit matter. The Company's tax provision processes related to the UTPs involved significant management judgment in the assessment of the potential tax implications related to legal entity restructuring, credits, intercompany transfers and acquisition or divestiture activities. Auditing these elements involved especially challenging auditor judgment due to the nature and extent of auditor judgment required in evaluating the Company's interpretation of, and compliance with global tax laws across its multiple subsidiaries, including the extent of specialized skill or knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the design and testing the operating effectiveness of controls relating to management's assessment of: (i) completeness and accuracy of the identified uncertain tax positions, (ii) evaluation of the technical merits of positions, and (iii) reasonableness of assumptions used in the determinations.
- Evaluating management's judgments and assessing the reasonableness of assumptions used in determining the units of account, recognition, measurement, and technical merits of UTPs.
- Assessing management's application of new and updated regulatory and legislative guidance in various jurisdictions and evaluating implications on the Company's UTPs due to changes in legal structure of certain subsidiaries.
- Utilizing personnel with specialized skill and knowledge in tax to assist in evaluating technical merits, reasonableness of management's judgments and assumptions used in UTP calculations and the overall reasonableness of conclusions reached.

/s/ BDO USA, LLP
BDO USA, LLP

BDO USA, LLP
Boston, MA
November 19, 2020

We have served as the Company's auditor since 2004.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Nuance Communications, Inc.
Burlington, Massachusetts

Opinion on Internal Control over Financial Reporting

We have audited Nuance Communications, Inc.'s (the "Company's") internal control over financial reporting as of September 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of September 30, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2020, and the related notes and our report dated November 19, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

BDO USA, LLP

BDO USA, LLP
Boston, MA
November 19, 2020

NUANCE COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended September 30,		
	2020	2019	2018
	(ASC 606)	(ASC 606)	(ASC 605)
	(In thousands, except per share amounts)		
Revenues:			
Hosting and professional services	$ 926,044	$ 913,643	$ 940,044
Product and licensing	296,127	338,693	375,230
Maintenance and support	256,728	268,935	252,326
Total revenues	1,478,899	1,521,271	1,567,600
Cost of revenues:			
Hosting and professional services	518,145	551,419	608,286
Product and licensing	61,995	71,280	55,670
Maintenance and support	30,989	33,369	39,228
Amortization of intangible assets	27,810	27,416	40,218
Total cost of revenues	638,939	683,484	743,402
Gross profit	839,960	837,787	824,198
Operating expenses:			
Research and development	226,234	192,633	207,189
Sales and marketing	273,324	274,031	286,550
General and administrative	156,353	172,638	213,809
Amortization of intangible assets	50,897	54,206	65,157
Acquisition-related costs, net	2,884	7,965	12,010
Restructuring and other charges, net	17,680	29,147	52,846
Impairment of goodwill and other intangible assets	—	—	170,941
Total operating expenses	727,372	730,620	1,008,502
Income (loss) from operations	112,588	107,167	(184,304)
Other income (expense):			
Interest income	4,527	13,705	9,327
Interest expense	(93,968)	(120,095)	(137,253)
Other expense, net	(13,117)	(870)	(1,767)
Income (loss) before income taxes	10,030	(93)	(313,997)
(Benefit) provision for income taxes	(18,752)	12,105	(77,160)
Net income (loss) from continuing operations	28,782	(12,198)	(236,837)
Net (loss) income from discontinued operations	(7,386)	226,008	76,909
Net income (loss)	$ 21,396	$ 213,810	$ (159,928)
Net income (loss) per common share - basic:			
Continuing operations	$ 0.10	$ (0.04)	$ (0.81)
Discontinued operations	(0.02)	0.79	0.26
Total net income (loss) per basic common share	$ 0.08	$ 0.75	$ (0.55)
Net income (loss) per common share - diluted:			
Continuing operations	$ 0.10	$ (0.04)	$ (0.81)
Discontinued operations	(0.03)	0.79	0.26
Total net income (loss) per diluted common share	$ 0.07	$ 0.75	$ (0.55)
Weighted average common shares outstanding:			
Basic	282,644	286,347	291,318
Diluted	291,994	286,347	291,318

See accompanying notes.

NUANCE COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended September 30,		
	2020	2019	2018
	(ASC 606)	(ASC 606)	(ASC 605)
		(In thousands)	
Net income (loss)	$ 21,396	$ 213,810	$ (159,928)
Other comprehensive income (loss):			
Foreign currency translation adjustment	2,167	(11,993)	(23,973)
Cerence Spin-off	12,331	—	—
Reclassification of currency translation differences into earnings as a result of business disposition	—	5,605	—
Pension adjustments	423	(3,768)	2,644
Unrealized (loss) gain on marketable securities	(66)	246	(192)
Total other comprehensive income (loss), net	14,855	(9,910)	(21,521)
Comprehensive income (loss)	$ 36,251	$ 203,900	$ (181,449)

See accompanying notes.

NUANCE COMMUNICATIONS, INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 2020	September 30, 2019
	(ASC 606)	(ASC 606)
	(In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 301,233	$ 560,961
Marketable securities	71,114	186,555
Accounts receivable, less allowances for doubtful accounts of $11,115 and $9,797	200,576	240,673
Prepaid expenses and other current assets	163,062	175,166
Current assets, discontinued operations	—	91,858
Total current assets	735,985	1,255,213
Marketable securities	—	17,287
Land, buildings and equipment, net	143,428	121,203
Goodwill	2,133,712	2,127,896
Intangible assets, net	213,484	291,371
Right-of-use assets	110,276	—
Other assets	256,447	316,215
Long-term assets, discontinued operations	—	1,236,608
Total assets	$ 3,593,332	$ 5,365,793
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 432,209	$ 1,142,870
Contingent and deferred acquisition payments	4,224	17,470
Accounts payable	75,122	90,826
Accrued expenses and other current liabilities	213,264	249,570
Deferred revenue	261,323	214,223
Current liabilities, discontinued operations	—	130,117
Total current liabilities	986,142	1,845,076
Long-term debt	1,104,464	793,536
Deferred revenue, net of current portion	104,309	133,783
Deferred tax liabilities	70,116	54,216
Operating lease liabilities	107,621	—
Other liabilities	76,747	79,378
Long-term liabilities, discontinued operations	—	286,654
Total liabilities	2,449,399	3,192,643
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Common stock, $0.001 par value per share; 560,000 shares authorized; 286,703 and 289,680 shares issued and 282,952 and 285,929 shares outstanding, respectively	287	290
Additional paid-in capital	1,550,568	2,597,889
Treasury stock, at cost (3,751 shares)	(16,788)	(16,788)
Accumulated other comprehensive loss	(117,918)	(132,773)
Accumulated deficit	(272,216)	(293,612)
Total Nuance Communications, Inc. stockholders' equity	1,143,933	2,155,006
Noncontrolling interests	—	18,144
Total stockholders' equity	1,143,933	2,173,150
Total liabilities and stockholders' equity	$ 3,593,332	$ 5,365,793

See accompanying notes.

NUANCE COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount		Shares	Amount				
	(In thousands)								
Balance at September 30, 2017	293,938	$ 294	$2,629,245	(3,751)	$(16,788)	$ (101,342)	$ (580,027)	$ —	$1,931,382
Prior period adjustment related to early adoption of ASU 2016-16	—	—	—	—	—	—	(882)	—	(882)
Issuance of common stock under employee stock plans	10,568	10	18,374	—	—	—	—	—	18,384
Cancellation of restricted stock, and repurchase of common stock at cost for employee tax withholding	(3,304)	(3)	(52,333)	—	—	—	—	—	(52,336)
Stock-based compensation	—	—	138,487	—	—	—	—	—	138,487
Repurchase and retirement of common stock	(9,698)	(10)	(136,080)	—	—	—	—	—	(136,090)
Net loss	—	—	—	—	—	—	(159,928)	—	(159,928)
Other comprehensive loss	—	—	—	—	—	(21,521)	—	—	(21,521)
Balance at September 30, 2018	291,504	291	2,597,693	(3,751)	(16,788)	(122,863)	(740,837)	—	1,717,496
Accumulated adjustment related to the adoption of ASC 606	—	—	—	—	—	—	233,415	—	233,415
Issuance of common stock under employee stock plans	8,981	9	16,588	—	—	—	—	—	16,597
Cancellation of restricted stock, and repurchase of common stock at cost for employee tax withholding	(2,645)	(2)	(42,552)	—	—	—	—	—	(42,554)
Stock-based compensation	—	—	161,371	—	—	—	—	—	161,371
Repurchase and retirement of common stock	(8,160)	(8)	(126,930)	—	—	—	—	—	(126,938)
Noncontrolling interests	—	—	(8,281)	—	—	—	—	18,144	9,863
Net income	—	—	—	—	—	—	213,810	—	213,810
Other comprehensive loss	—	—	—	—	—	(9,910)	—	—	(9,910)
Balance at September 30, 2019	289,680	290	2,597,889	(3,751)	(16,788)	(132,773)	(293,612)	18,144	2,173,150
Cerence Spin-off	—	—	(922,567)	—	—	12,331	—	(18,144)	(928,380)
Issuance of common stock under employee stock plans	9,387	9	14,831	—	—	—	—	—	14,840
Cancellation of restricted stock, and repurchase of common stock at cost for employee tax withholding	(2,907)	(3)	(56,457)	—	—	—	—	—	(56,460)
Stock-based compensation	—	—	132,201	—	—	—	—	—	132,201
Repurchases and retirement of common stock	(9,457)	(9)	(169,208)	—	—	—	—	—	(169,217)
Repurchases of convertible notes [a]	—	—	(46,121)	—	—	—	—	—	(46,121)
Net income	—	—	—	—	—	—	21,396	—	21,396
Other comprehensive income	—	—	—	—	—	2,524	—	—	2,524
Balance at September 30, 2020	286,703	$ 287	$1,550,568	(3,751)	$(16,788)	$ (117,918)	$ (272,216)	$ —	$1,143,933

[a] According to ASC 470-20, cash consideration paid to repurchase and retire our convertible notes was first allocated to debt component based on the actual fair value on the trading date, and the remaining consideration was allocated to additional paid-in capital.

See accompanying notes.

NUANCE COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended September 30,		
	2020	**2019**	**2018**
	(ASC 606)	**(ASC 606)**	**(ASC 605)**
		(In thousands)	
Cash flows from operating activities:			
Net income (loss) from continuing operations	$ 28,782	$ (12,198)	$ (236,837)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	37,772	47,417	51,426
Amortization	78,707	81,622	105,375
Stock-based compensation	133,294	119,255	127,043
Non-cash interest expense	49,440	49,488	49,091
Deferred tax benefit	(39,937)	(12,437)	(88,407)
Loss (gain) on extinguishment of debt	18,656	910	(348)
Impairment of goodwill and other intangible assets	—	—	170,941
Impairment of fixed assets	—	—	10,550
Other	2,736	4,462	2,230
Changes in operating assets and liabilities, excluding effects of acquisitions:			
Accounts receivable	42,075	3,366	6,168
Prepaid expenses and other assets	(7,259)	(21,063)	(8,009)
Accounts payable	(8,173)	12,122	(7,909)
Accrued expenses and other liabilities	(84,076)	27,415	12,166
Deferred revenue	15,854	4,227	47,499
Net cash provided by operating activities - continuing operations	267,871	304,586	240,979
Net cash (used in) provided by operating activities - discontinued operations	(13,307)	96,771	203,447
Net cash provided by operating activities	254,564	401,357	444,426
Cash flows from investing activities:			
Capital expenditures	(61,297)	(44,185)	(48,845)
Proceeds from dispositions of businesses, net of transaction fees	150	407,043	—
Purchases of marketable securities and other investments	(180,005)	(349,125)	(201,995)
Proceeds from sales and maturities of marketable securities and other investments	313,734	303,171	323,695
Payments for business and asset acquisitions, net of cash acquired	(1,000)	(20,873)	(110,170)
Other	1,147	—	—
Net cash provided by (used in) investing activities	72,729	296,031	(37,315)
Cash flows from financing activities:			
Repurchase and redemption of debt	(513,642)	(300,000)	(481,172)
Net distribution from Cerence upon the spin-off	139,090	—	—
Payments for repurchase of common stock	(169,217)	(126,938)	(136,090)
Acquisition payments with extended payment terms	—	—	(24,842)
Proceeds from issuance of common stock from employee stock plans	14,840	16,597	18,384
Proceeds from the revolving credit facility	230,000	—	—
Repayment of the revolving credit facility	(230,000)	—	—
Payments for taxes related to net share settlement of equity awards	(54,056)	(49,428)	(55,396)
Proceeds from sale of noncontrolling interests in a subsidiary	—	9,863	—
Other financing activities	(3,222)	(2,131)	(1,232)
Net cash used in financing activities	(586,207)	(452,037)	(680,348)
Effects of exchange rate changes on cash and cash equivalents	(814)	(353)	(3,099)
Net (decrease) increase in cash and cash equivalents	(259,728)	244,998	(276,336)
Cash and cash equivalents at beginning of year	560,961	315,963	592,299
Cash and cash equivalents at end of year	$ 301,233	$ 560,961	$ 315,963

See accompanying notes.

1. Organization and Presentation

Nuance Communications, Inc. ("We", "Nuance", or the "Company") is a pioneer and leader in conversational and cognitive AI innovations that bring intelligence to everyday work and life. Our solutions and technologies can understand, analyze and respond to human language to increase productivity and amplify human intelligence. Our solutions are used by businesses in the healthcare, financial services, telecommunications and travel industries, among others. We have three reportable segments as of September 30, 2020: Healthcare, Enterprise, and Other. See Note 23 for a description of each of these segments.

As more fully described in Note 10, during the fourth quarter of fiscal year 2020, our common stock price exceeded the conversion threshold price, which equals 130% of the conversion price specified in the debenture for at least 20 trading days during the 30 consecutive trading days ending September 30, 2020. As a result, our 1.25% 2025 Debentures and 1.5% 2035 Debentures are convertible any time between October 1, 2020 and December 31, 2020 at the option of the holders. Additionally, with the current increase in our market price, we expect the 1.0% 2035 Debenture will also become convertible as of December 31, 2020. Accordingly, the principal amounts of convertible debentures total $1,167 million likely will be convertible from December 31, 2020 through March 31, 2021 and other future periods should the stock price continue to exceed the conversion price for at least 20 trading days during the 30 consecutive trading days ending each quarter. Should any holders elect to convert, the principal amount of the convertible debentures would be payable in cash and any amount payable in excess of the principal amount, based upon the conversion ratio specified in the indenture, would be paid in cash or shares of our common stock at our election.

Our convertible debentures are actively traded in the open market and consistently at a trading price in excess of their conversion values. Therefore, we believe that it is uneconomic, and thus unlikely for the holders to early exercise their conversion rights with Nuance. In the event that the holders presented an amount for settlement that exceeded our then available sources of liquidity, we may possibly need to obtain additional financing, which we believe would be available to us based upon our assessment of the prevailing market and business conditions and our experience of successful capital raising activities.

2. Summary of Significant Accounting Policies

Use of Estimates

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), which requires management to make estimates and assumptions. These estimates, judgments and assumptions can affect the reported amounts in the financial statements and the footnotes thereto. Actual results could differ materially from these estimates. On an ongoing basis, we evaluate our estimates, assumptions and judgments. Significant estimates inherent to the preparation of financial statements include: revenue recognition; the allowances for doubtful accounts and sales returns; contract assets; internally developed software; goodwill and intangible assets; business combinations, including contingent consideration; and income taxes, including valuation allowance and uncertain tax positions. We base our estimates on historical experience, market participant fair value considerations, projected future cash flows, and various other factors that are believed to be reasonable under the circumstances. Actual amounts could differ significantly from these estimates.

Basis of Consolidation

The consolidated financial statements include the accounts Nuance and our subsidiaries. Intercompany transactions and balances have been eliminated.

Revenue Recognition under ASC 605 for fiscal year 2018

We derive revenue from the following sources: (1) software license agreements, including royalty and other usage-based arrangements, (2) professional services, (3) hosting services and (4) post-contract customer support ("PCS"). Our hosting services are generally provided through on-demand, usage-based or per transaction fee arrangements. Generally, we recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the fee is fixed or determinable and (iv) collectibility is probable.

The sale and/or license of software solutions and technology is deemed to have occurred when a customer either has taken possession of or has access to take immediate possession of the software or technology. Revenue from royalties on sales of our software products by original equipment manufacturers (“OEMs”), where no services are included, is recognized in the quarter earned so long as we have been notified by the OEM that such royalties are due, and provided that all other revenue recognition criteria are met.

Software arrangements generally include PCS, which includes telephone support and the right to receive unspecified upgrades/enhancements on a when-and-if-available basis, typically for one to five years. Revenue from PCS is generally recognized ratably on a straight-line basis over the term that the maintenance service is provided. When PCS renews automatically, we provide a reserve based on historical experience for contracts expected to be canceled for non-payment. All known and estimated cancellations are recorded as a reduction to revenue and accounts receivable.

When we provide professional services considered essential to the functionality of the software, we recognize revenue from the professional services as well as any related software licenses on a percentage-of-completion basis whereby the arrangement consideration is recognized as the services are performed, as measured by an observable input. In these circumstances, we separate license revenue from professional service revenue for income statement presentation by allocating Vendor-Specific Objective Evidence ("VSOE") of fair value of the professional services as professional services and hosting revenue and the residual portion as product and licensing revenue**.** We generally determine the percentage-of-completion by comparing the labor hours incurred to-date to the estimated total labor hours required to complete the project. Adjustments to estimates to complete are made in the periods in which facts resulting in a change become known. When the estimate indicates that a loss will be incurred, such loss is recorded in the period identified.

In a hosting arrangement, we recognize the up-front setup fees ratably over the longer of the contract lives or the expected lives of the customer relationships. The usage-based or individual transaction fees are due and payable as each individual transaction is processed through the hosting service and is recognized as revenue in the period the services are provided. The on-demand service fees are recognized ratably over our estimate of the useful life of the devices on which the hosting service is provided.

We enter into multiple-element arrangements that may include a combination of our various software related and non-software related products and services offerings, for example, software licenses, PCS, professional services, and hosting services. In such arrangements, we allocate total arrangement consideration to software or software-related elements and any non-software element separately based on the selling price hierarchy group following our policies. Where possible, we determine the selling price for each deliverable using VSOE of selling price, if it exists, or Third-Party Evidence (“TPE”) of selling price. Typically, we are unable to determine TPE of selling price. Therefore, when neither VSOE nor TPE of selling price exist for a deliverable, we use our Estimate of Selling Price (“ESP”) for the purposes of allocating the arrangement consideration. We determine ESP for a product or service by considering multiple factors including, but not limited to, major project groupings, market conditions, competitive landscape, price list and discounting practices. We have established VSOE of fair value for the majority of our PCS, professional services, and training. Revenue allocated to each element is then recognized when the basic revenue recognition criteria are met for each element.

See Note 3 for revenue recognition under ASC 606 for fiscal years 2020 and 2019.

Business Combinations

We determine and allocate the purchase price of an acquired company to the tangible and intangible assets acquired and liabilities assumed as of the date of acquisition. Results of operations and cash flows of acquired companies are included in our operating results from the date of acquisition. The purchase price allocation process requires us to use significant estimates and assumptions, which include:

- estimated fair values of intangible assets;
- estimated fair values of legal performance commitments to customers, assumed from the acquiree under existing contractual obligations (classified as deferred revenue);
- estimated fair values of stock awards assumed from the acquiree that are included in the purchase price;
- estimated fair value of required payments under contingent consideration provisions;
- estimated income tax assets and liabilities assumed from the acquiree; and
- estimated fair value of pre-acquisition contingencies assumed from the acquiree.

The fair value of any contingent consideration is established at the acquisition date and included in the total purchase price. The contingent consideration is then adjusted to fair value, with any measurement-period adjustment recorded against goodwill. Adjustments identified subsequent to the measurement period are recorded within Acquisition-related costs, net.

While we use our best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business combination date, our estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the measurement period, which is generally one year from the acquisition date, any adjustment to

the assets acquired and liabilities assumed is recorded against goodwill in the period in which the amount is determined. Any adjustment identified subsequent to the measurement period is included in operating results in the period in which the amount is determined.

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill and intangible assets with indefinite lives are not amortized, but rather the carrying amounts of these assets are assessed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Goodwill is tested for impairment annually on July 1, the first day of the fourth quarter of the fiscal year. Goodwill impairment, if any, is determined by comparing the reporting unit's fair value to its carrying value. An impairment loss is recognized in an amount equal to the excess of the reporting unit's carrying value over its fair value, up to the amount of goodwill allocated to the reporting unit. There was no goodwill impairment for fiscal year 2020. See Note 6 for the impairment charges recorded in fiscal year 2018.

For the purpose of testing goodwill for impairment, all goodwill acquired in a business combination is assigned to one or more reporting units. A reporting unit represents an operating segment or a component within an operating segment for which discrete financial information is available and is regularly reviewed by segment management for performance assessment and resource allocation. Components of similar economic characteristics are aggregated into one reporting unit for the purpose of goodwill impairment assessment. Reporting units are identified annually and re-assessed periodically for recent acquisitions or any changes in segment reporting structure.

Corporate assets and liabilities are allocated to each reporting unit based on the reporting unit' revenue, total operating expenses or operating income as a percentage of the consolidated amounts. Corporate debt and other financial liabilities that are not directly attributable to the reporting unit's operations and would not be transferred to hypothetical purchasers of the reporting units are excluded from a reporting unit's carrying amount.

The fair value of a reporting unit is generally determined using a combination of the income approach and the market approach, where the income approach is weighted 50% and the market approach 50%. For the income approach, fair value is determined based on the present value of estimated future after-tax cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future after-tax cash flows and estimate the long-term growth rates based on our most recent views of the long-term outlook for each reporting unit. Actual results may differ from those assumed in our forecasts. We derive our discount rates using a capital asset pricing model and analyzing published rates for industries relevant to our reporting units to estimate the weighted average cost of capital. We adjust the discount rates for the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. For the market approach, we use a valuation technique in which values are derived based on valuation multiples of comparable publicly traded companies. We assess each valuation methodology based upon the relevance and availability of the data at the time we perform the valuation and weight the methodologies appropriately.

Long-Lived Assets with Definite Lives

Our long-lived assets consist principally of technology, customer relationships, internally developed software, land, and building and equipment. Customer relationships are amortized over their estimated economic lives based on the pattern of economic benefits expected to be generated from the use of the asset. Other definite-lived assets are amortized over their estimated economic lives using the straight-line method. The remaining useful lives of long-lived assets are re-assessed periodically for any events and circumstances that may change the future cash flows expected to be generated from the long-lived asset or asset group.

Internally developed software consists of capitalized costs incurred during the application development stage, which include costs related design of the software configuration and interfaces, coding, installation and testing. Costs incurred during the preliminary project stage and post-implementation stage are expensed as incurred. Internally developed software is amortized over the estimated useful life, commencing on the date when the asset is ready for its intended use. Land, building and equipment are stated at cost and depreciated over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the related lease term or the estimated useful life. Depreciation is computed using the straight-line method. Repair and maintenance costs are expensed as incurred. The cost and related accumulated depreciation of sold or retired assets are removed from the accounts and any gain or loss is included in the results of operations for the period.

Long-lived assets with definite lives are tested for impairment whenever events or changes in circumstances indicate the carrying value of a specific asset or asset group may not be recoverable. We assess the recoverability of long-lived assets with definite lives at the asset group level. Asset groups are determined based upon the lowest level for which identifiable cash flows are largely

independent of the cash flows of other assets and liabilities. When the asset group is also a reporting unit, goodwill assigned to the reporting unit is also included in the carrying amount of the asset group. For the purpose of the recoverability test, we compare the total undiscounted future cash flows from the use and disposition of the assets with its net carrying amount. When the carrying value of the asset group exceeds the undiscounted future cash flows, the asset group is deemed to be impaired. The amount of the impairment loss represents the excess of the asset or asset group's carrying value over its estimated fair value, which is generally determined based upon the present value of estimated future pre-tax cash flows that a market participant would expect from use and disposition of the long-lived asset or asset group. There was no intangible asset impairment for fiscal year 2020. See Note 6 for the impairment charges recorded in fiscal year 2018.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, including money market funds and time deposits with original maturities of 90 days or less.

Marketable Securities

Marketable securities consist of time deposits and high-quality corporate debt instruments with stated maturities of more than 90 days. Investments are classified as available-for-sale and are recorded on the balance sheet at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive loss, net of tax.

Accounts Receivable Allowances

Allowances for Doubtful Accounts. We record allowances for doubtful accounts for the estimated probable losses on uncollectible accounts receivable. The allowance is based upon the credit worthiness of our customers, our historical experience, the age of the receivable and current market and economic conditions. Receivables are written off against these allowances in the period they are determined to be uncollectible.

Allowances for Sales Returns. We reduce transaction price for estimated returns and other allowances that represent variable considerations based on historical experience and other relevant factors. The returns allowance is recorded as a reduction to revenue and accounts receivable at the time the related revenue is recorded. Receivables are written off against the allowance in the period the return is received.

For the years ended September 30, 2020, 2019 and 2018, the activity related to accounts receivable allowances was as follows (dollars in thousands):

	Allowance for Doubtful Accounts	Allowance for Sales Returns
Balance at September 30, 2017	$ 11,106	$ 29,541
Bad debt provision	2,011	—
Write-offs, net of recoveries	(4,248)	—
Revenue adjustments, net [(a)]	—	(23,396)
Balance at September 30, 2018	8,869	6,145
Bad debt provisions	2,375	—
Write-offs, net of recoveries	(1,447)	—
Revenue adjustments, net	—	(1,554)
Balance at September 30, 2019	9,797	4,591
Bad debt provisions	2,117	—
Write-offs, net of recoveries	(799)	—
Revenue adjustments, net	—	(935)
Balance at September 30, 2020	$ 11,115	$ 3,656

[(a)] The decrease in provisions was primarily due to the resolution of the reserves related to the 2017 Malware Incident.

Software Development Costs

We expense software development costs, including costs to develop software products or the software component of products to be sold, leased, or marketed to external users, before technological feasibility is reached. Technological feasibility is typically

reached shortly before the release of such products and as a result, development costs that meet the criteria for capitalization were not material for the periods presented.

Software development costs also include costs to develop software to be used solely to meet internal needs and cloud-based applications used to deliver our services. We capitalize development costs related to these software applications once the preliminary project stage is complete and it is probable that the project will be completed, and the software will be used to perform the function intended. As of September 30, 2020 and 2019, the net book value of capitalized internal-use software costs was $55.6 million and $26.3 million, respectively, which are included within Land, buildings and equipment, net.

Acquisition-Related Costs, Net

Acquisition-related costs, net include costs related to business and other acquisitions, including potential acquisitions. These costs consist of (i) transition and integration costs, including retention payments, transitional employee costs and earn-out payments, and other costs related to integration activities; (ii) professional service fees, including financial advisory, legal, accounting, and other outside services incurred in connection with acquisition activities, and disputes and regulatory matters related to acquired entities; and (iii) fair value adjustments to acquisition-related contingencies.

The components of acquisition-related costs, net were as follows (dollars in thousands):

	Year Ended September 30,		
	2020	2019	2018
Transition and integration costs	$ 3,778	$ 7,568	$ 14,443
Professional service fees	(23)	1,940	983
Acquisition-related adjustments	(871)	(1,543)	(3,416)
Total	$ 2,884	$ 7,965	$ 12,010

Advertising Costs

Advertising costs are expensed as incurred and recorded within sales and marketing expenses. The advertising costs capitalized as of September 30, 2020 and 2019 are de minimis. We incurred advertising costs of $16.1 million, $16.9 million and $16.5 million for fiscal years 2020, 2019 and 2018, respectively.

Convertible Debt

We bifurcate the debt and equity (the contingently convertible feature) components of our convertible debt instruments in a manner that reflects our nonconvertible debt borrowing rate at the time of issuance. The equity components of our convertible debt instruments are recorded within stockholders' equity with an allocated issuance premium or discount. The debt issuance premium or discount is amortized to interest expense in our consolidated statement of operations using the effective interest method over the expected term of the convertible debt.

We assess the short-term and long-term classification of our convertible debt on each balance sheet date. The carrying amount of the convertible debt is reclassified to current liabilities if a contingent event has occurred that makes the debt obligation puttable. The corresponding equity component classified from additional paid-in capital to mezzanine equity when the holders have the contractual rights to redeem or convert.

Income Taxes

We account for income taxes using the asset and liability method, under which we recognize the amount of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our financial statements or tax returns. We measure current and deferred tax assets and liabilities based on provisions of enacted tax law. We evaluate the realization of our deferred tax assets based on all available evidence and establish a valuation allowance to reduce deferred tax assets when it is more likely than not that they will not be realized.

We recognize the financial statement effects of a tax position when it is more likely than not that, based on technical merits, the position will be sustained upon examination. The tax benefits of the position recognized in the financial statements are then measured based on the largest amount of benefit that is greater than 50% likely to be realized upon settlement with a taxing authority. In addition, we recognize interest and penalties related to unrecognized tax benefits as a component of the income tax provision.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, reflected in the consolidated statements of stockholders' equity, consisted of the following (dollars in thousands):

	September 30, 2020	September 30, 2019
Foreign currency translation adjustment	$ (110,110)	$ (124,608)
Net unrealized losses on post-retirement benefits	(7,873)	(8,296)
Unrealized gain (loss) on marketable securities	65	131
Accumulated other comprehensive loss	$ (117,918)	$ (132,773)

No income tax provisions or benefits are recorded for foreign currency translation adjustment as the undistributed earnings in our foreign subsidiaries are expected to be indefinitely reinvested.

Concentration of Risk

Financial instruments that are potentially subject to significant concentrations of credit risk principally consist of cash, cash equivalents, marketable securities and trade accounts receivable. We place our cash and cash equivalents and marketable securities with financial institutions with high credit ratings. As part of our cash and investment management processes, we perform periodic evaluations of the credit standing of the financial institutions with whom we maintain deposits, and have not recorded any credit losses to-date. For trade accounts receivable, we perform ongoing credit evaluations of our customers' financial condition and limit the amount of credit extended when deemed appropriate. No customer accounted for more than 10% of our net accounts receivable balance at September 30, 2020 and 2019 or 10% of our revenue for fiscal years 2020, 2019 or 2018.

Foreign Currency Translation

The functional currency of a foreign subsidiary is generally the local currency. We translate the financial statements of foreign subsidiaries to U.S. dollars using month-end exchange rates for assets and liabilities, and average rates for the reporting period for revenues, costs, and expenses. We record translation gains and losses in accumulated other comprehensive loss as a component of stockholders' equity. We record net foreign exchange transaction gains and losses resulting from the conversion of the transaction currency to the functional currency within in other expense, net. Foreign currency transaction gains (losses)for fiscal years 2020, 2019 and 2018 were $1.3 million, $1.1 million and $(1.2) million, respectively.

Financial Instruments and Hedging Activities

We use forward currency exchange contracts to manage our exposure to fluctuations in foreign currency for certain transactions. In order for instruments to be designated as hedges, specific criteria must be met, including (i) formal documentation must exist for both the hedging relationship and our risk management objectives and strategies for undertaking the hedging activities, (ii) at the inception and on an ongoing basis, the hedging relationship is expected to be highly effective in offsetting changes in fair value attributed to the hedged risk during the period that the hedge is designated, and (iii) an assessment of effectiveness is required whenever financial statements or earnings are reported.

The effective portion of changes in the fair values of contracts designated as cash flow hedges is recorded in equity as a component of accumulated other comprehensive loss until the hedged item effects earnings. Once the underlying forecasted transaction is realized, the changes of fair vales of instruments designated as hedges reclassified from accumulated other comprehensive loss to the statement of operations, in the appropriate income statement line items. Any ineffective portion of the instruments designated as cash flow hedges is recognized in current earnings. We report cash flows arising from derivative financial instruments designated as fair value or cash flow hedges consistent with the classification of the cash flows from the underlying hedged items that these derivatives are hedging.

No forward exchange contracts are designated as hedges for fiscal years 2020, 2019, or 2018. Changes in the fair values of the forward currency exchange contracts are recorded within other expense, net. Cash flows related to investments and settlements of forward currency exchange contracts are included within cash flows from investing activities.

Stock-Based Compensation

Stock-based compensation primarily consists of restricted stock units with service, and market or performance conditions. Equity awards are measured at the fair market value of the underlying stock at the grant date. We recognize stock compensation expense

ratably over the requisite service period and account for forfeitures based on our estimates. Shares are issued on the vesting dates net of the applicable statutory tax withholding to be paid by us on behalf of our employees. As a result, fewer shares are issued than the number of awards outstanding. We record a liability for the tax withholding to be paid by us as a reduction to additional paid-in capital. We record any income tax effect related to stock-based awards through the consolidated statements of operations. Excess tax benefits are recognized as deferred tax assets upon settlement and are subject to regular review for valuation allowance.

Net Income (Loss) Per Share

Basic net income or loss per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income or loss per share is computed using the weighted-average number of common shares, giving effect to potentially dilutive securities outstanding during the period. Potentially dilutive securities consist of stock options, restricted stock units, contingently issuable shares under earn-out agreements, and potential issuance of stock upon conversion of our convertible debentures, as more fully described in Note 10. In the event of conversion, we are required to settle the principal amount of the convertible debentures, with any accrued and unpaid interest in cash, and may settle the conversion spread in either cash or common stock at our election. Therefore, only the shares of common stock potentially issuable upon conversion are included within the diluted common shares for the reporting period, during which our average stock price exceeds the conversion price.

Recently Adopted Accounting Standards

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, "Leases" ("ASC 842"), which became effective for fiscal years beginning after December 15, 2018 and interim periods therein, with early adoption permitted. ASC 842 requires lessees to recognize on the balance sheet a right-of-use asset, representing its right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. The standard initially required the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. We adopted ASC 842 in the first quarter of fiscal year 2020.

In July 2018, the FASB issued ASU 2018-10, "Codification Improvements to Topic 842, Leases" and ASU 2018-11, "Leases Topic 842 Targeted Improvements", which provide an additional (and optional) transition method whereby the new lease standard is applied at the adoption date and recognized as an adjustment to retained earnings. Additionally, in March 2019, the FASB issued ASU 2019-01, "Codification Improvements to Topic 842", which provides guidance in the following areas: (1) determining the fair value of the underlying asset by lessors that are not manufacturers or dealers and (2) clarification of interim disclosure requirements during transition. We adopted ASC 842, as amended, as of October 1, 2019 under the optional transition method and elected the package of practical expedients under the transition guidance.

As a result of the adoption on October 1, 2019, we recognized $120 million of operating lease right-of-use assets, and approximately $140 million of operating lease obligations. Approximately $20 million of deferred rent balances were reclassified against the costs of the right-of-use assets. The cumulative-effect adjustment to retained earnings as of October 1, 2019 was immaterial. The adoption of the guidance did not have a material impact on our consolidated statement of operations or consolidated statement of cash flows.

Income Taxes

In January 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("AOCI"), which became effective for fiscal years beginning after December 15, 2018 and interim periods therein. The guidance gives entities the option to reclassify to retained earnings the tax effects resulting from the TCJA related to items in AOCI. The guidance may be applied retrospectively to each period in which the effect of the TCJA is recognized in the period of adoption. The adoption of the guidance did not have a material impact on our condensed consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 840): Simplifying the Accounting for Income Taxes", which will become effective for fiscal years beginning after 15 December 2020 and interim periods therein. Early adoption is permitted for entities that have not yet issued their financial statements. The guidance simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740 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. The guidance also simplifies aspects of the 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. We adopted the guidance prospectively for fiscal year 2020. The adoption has no impact on our consolidated financial statements for fiscal years 2020, 2019 and 2018.

Issued Accounting Standards Not Yet Adopted

From time to time, new accounting pronouncements are issued by the FASB and are adopted by us as of the specified effective dates. Unless otherwise discussed, such pronouncements did not have or will not have a significant impact on our consolidated financial position, results of operations or cash flows, or do not apply to our operations.

Internal-Use Software

In August 2018, the FASB issued ASU 2018-15, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract", which is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. The guidance requires that implementation costs related to a hosting arrangement that is a service contract be capitalized and amortized over the term of the hosting arrangement, starting when the module or component of the hosting arrangement is ready for its intended use. The guidance will be applied retrospectively to each period presented. We do not expect the implementation to have a material impact on our condensed consolidated financial statements.

Convertible Notes

In August 2020, the FASB issued ASU 2020-06, "Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The new guidance eliminates two of the three models in Accounting Standards Codification (ASC) 470-202 that require separating embedded conversion features from convertible instruments. As a result, only conversion features accounted for under the substantial premium model in ASC 470-20 and those that require bifurcation in accordance with ASC 815-153 will be accounted for separately. For contracts in an entity's own equity, the new guidance eliminates some of the requirements in ASC 815-404 for equity classification. The guidance also addresses how convertible instruments are accounted for in the diluted earnings per share calculation and requires enhanced disclosures about the terms of convertible instruments and contracts in an entity's own equity. The guidance will be effective for annual periods beginning after 15 December 2021, and interim periods therein. Early adoption is permitted for all entities for fiscal periods beginning after 15 December 2020, including interim periods within the same fiscal year. Entities are allowed to adopt the guidance using either the modified or full retrospective approach. We are currently assessing the provisions of the guidance but do not expect the implementation to have a material impact on our consolidated financial statement.

3. Revenue Recognition

We derive revenue from the following sources: (1) hosting services, (2) software licenses, including royalties, (3) M&S, (4) professional services, and (5) sale of hardware. Revenue is reported net of applicable sales and use tax, value-added tax and other transaction taxes imposed on the related transaction including mandatory government charges that are passed through to our customers. We account for a contract when both parties have approved and committed to the contract, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and the collectability of the consideration is probable.

The majority of our arrangements with customers typically contain multiple products and services. We account for individual products and services separately if they are distinct--that is, if a product or service is separately identifiable from other items in the contract and if a customer can benefit from it on its own or with other resources that are readily available to the customer.

We recognize revenue after applying the following five steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract, including whether they are distinct within the context of the contract;
- determination of the transaction price, including the constraint on variable consideration;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, performance obligations are satisfied.

We allocate the transaction price of the arrangement based on the relative estimated SSP of each distinct performance obligation. In determining SSP, we maximize observable inputs and consider a number of data points, including:

- the pricing of standalone sales (in the instances where available);
- the pricing established by management when setting prices for deliverables that are intended to be sold on a standalone basis;
- contractually stated prices for deliverables that are intended to be sold on a standalone basis; and
- other pricing factors, such as the geographical region in which the products are sold, and expected discounts based on the customer size and type.

We only include estimated amounts of variable consideration in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. We reduce transaction prices for estimated returns and other allowances that represent variable consideration under ASU No. 2014-09, "Revenue from Contracts with Customers: Topic 606" ("ASC 606"), which we estimate based on historical return experience and other relevant factors and record a reduction to revenue and accounts receivable. Other forms of contingent revenue or variable consideration are infrequent.

Revenue is recognized when control of these products and services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

We assess the timing of the transfer of products or services to the customer as compared to the timing of payments to determine whether a significant financing component exists. In accordance with the practical expedient in ASC 606-10-32-18, we do not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of financing to either the customer or us, no financing component is deemed to exist. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our services, not to receive or provide financing from or to customers. We do not consider set-up fees nor other upfront fees paid by our customers to represent a financing component.

Certain products are sold through distributors or resellers. Certain distributors and resellers have been granted right of return and selling incentives which are accounted for as variable consideration when estimating the amount of revenue to be recognized. Returns and credits are estimated at the contract inception and updated at the end of each reporting period as additional information becomes available. In accordance with the practical expedient in ASC 606-10-10-4, we apply a portfolio approach to estimate the variable consideration associated with this group of customers.

Reimbursements for out-of-pocket costs generally include, but are not limited to, costs related to transportation, lodging and meals. Revenue from reimbursed out-of-pocket costs is accounted for as variable consideration.

Shipping and handling activities are not considered a contract performance obligation. We record shipping and handling costs billed to customers as revenue with offsetting costs recorded as cost of revenue.

Performance Obligations

Hosting

Hosting services, which allow our customers to use the hosted software over the contract period without taking possession of the software, are provided on a usage basis as consumed or on a fixed fee subscription basis. Our hosting contract terms generally range from one to five years.

As each day of providing services is substantially the same and the customer simultaneously receives and consumes the benefits as access is provided, we have determined that our hosting services arrangements are a single performance obligation comprised of a series of distinct services. These services include variable consideration, which is typically a function of usage. We recognize revenue as each distinct service period is performed (i.e., recognized as incurred).

Subscription-based revenue represents a single promise to stand-ready to provide access to our hosting services. Revenue is recognized over time on a ratable basis over the hosting contract term, which generally ranges from one to five years.

Software Licenses

On-premise software licenses sold with non-distinct professional services to customize and/or integrate the underlying software are accounted for as a combined performance obligation. Revenue from the combined performance obligation is recognized over time based upon the progress towards completion of the project, which is measured based on the labor hours already incurred to date as compared to the total estimated labor hours.

Revenue from distinct on-premise software licenses, which do not require professional services to customize and/or integrate the software license, is recognized at the point in time when the software is made available to the customer and control is transferred.

Revenue from software licenses sold on a royalty basis, where the license of intellectual property is the predominant item to which the royalty relates, is recognized in the period the usage occurs in accordance with the practical expedient in ASC 606-10-55-65(A).

Maintenance and Support

Our M&S contracts generally include telephone support and the right to receive unspecified upgrades and updates on a when-and-if available basis. M&S revenue is recognized over time on a ratable basis over the contract period because we transfer control evenly by providing a stand-ready service.

Professional Services

Revenue from distinct professional services, including training, is recognized over time based upon the progress towards completion of the project, which is measured based on the labor hours already incurred to date as compared to the total estimated labor hours.

Hardware

Hardware revenue is recognized at the point in time when control is transferred to the customer, which is typically upon delivery.

Significant Judgments

Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Our license contracts often include professional services to customize and/or integrate the licenses into the customer’s environment. Judgment is required to determine whether the license is considered distinct and accounted for separately, or not distinct and accounted for together with professional services.

Judgments are required to determine the SSP for each distinct performance obligation. When SSP is directly observable, we estimate SSP based upon the historical transaction prices, adjusted for geographic considerations, customer classes, and customer relationship profiles. In instances where SSP is not directly observable, we determine SSP using information that may include market conditions and other observable inputs. We may have more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, we may use information such as the size of the customer and geographic region in determining SSP. Determining SSP for performance obligations which we never sell separately also requires significant judgment. In estimating the SSP for such performance obligations, we consider the likely price that would have resulted from established pricing practices had the deliverable been offered separately and the prices a customer would likely be willing to pay.

From time to time, we may enter into arrangements with third party suppliers to resell products or services. In such cases, we evaluate whether we are the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, we first evaluate whether we control the good or service before it is transferred to the customer. If we control the good or service before it is transferred to the customer, we are the principal; if not, we are the agent. Generally, we control a promised good or service before transferring that good or service to the customer and act as the principal to the transaction. Determining whether we control the good or service before it is transferred to the customer may require judgment.

Disaggregated Revenue

We disaggregate revenue from contracts with customers by the reportable segment, products, and services provided. The following presentation depicts the timing, risks, and uncertainty of our revenue streams, which is also in line with how we manage our businesses, assess performance, and determine management compensation. Our disaggregated revenue from continuing operations is as follows (dollars in thousands):

	For the Year Ended September 30, 2020			
	Hosting and professional services	Product and licensing	Maintenance and support	Total
Healthcare	$ 577,787	$ 201,207	$ 136,338	$ 915,332
Enterprise	319,347	89,950	120,380	529,677
Other	28,910	4,970	10	33,890
Total revenues	$ 926,044	$ 296,127	$ 256,728	$ 1,478,899

	For the Year Ended September 30, 2019			
	Hosting and professional services	Product and licensing	Maintenance and support	Total
Healthcare	$ 546,037	$ 246,788	$ 156,905	$ 949,730
Enterprise	316,247	82,073	111,758	510,078
Other	51,359	9,832	272	61,463
Total revenues	$ 913,643	$ 338,693	$ 268,935	$ 1,521,271

Hardware revenue comprised approximately $28.0 million of total product and licensing revenue for fiscal year 2020 and $30.0 million for fiscal year 2019.

Contract Acquisition Costs

We are required to capitalize certain contract acquisition costs under ASC 606. The capitalized costs primarily relate to paid commissions and other direct, incremental costs to acquire customer contracts. In accordance with the practical expedient in ASC 606-10-10-4, we apply a portfolio approach to estimate contract acquisition costs for groups of customer contracts. We elect to apply the practical expedient in ASC 340-40-25-4 and will expense contract acquisition costs as incurred where the expected period of benefit is one year or less. Sales commissions paid on renewal maintenance and support are not commensurate with sales commissions paid on the initial maintenance and support contract. Contract acquisition costs are deferred and amortized on a straight-line basis over the period of benefit, which we have estimated to be between one and five years. The period of benefit was determined based on an average customer contract term, expected contract renewals, changes in technology and our ability to retain customers including canceled contracts. Contract acquisition costs are classified as current or noncurrent assets based on when the expense will be recognized. The current and noncurrent portions of contract acquisition costs are included in Prepaid expenses and other current assets, and Other assets, respectively. As of September 30, 2020, we had $22.5 million of current contract acquisition costs and $54.1 million of noncurrent contract acquisition costs. As of September 30, 2019, we had $19.9 million of current contract acquisition costs and $30.1 million of noncurrent contract acquisition costs. Commission expense is primarily included in Sales and marketing expense on the consolidated statements of operations. We also had amortization expense of $18.5 million and $15.5 million related to contract acquisition costs for the year ended September 30, 2020 and 2019. There was no impairment related to commission costs capitalized.

Capitalized Contract Costs

We capitalize incremental costs incurred to fulfill our contracts that (1) relate directly to the contract, (2) are expected to generate resources that will be used to satisfy our performance obligation under the contract, and (3) are expected to be recovered through revenue generated under the contract. Our capitalized costs consist primarily of setup costs, such as costs to standup, customize, and develop applications for each customer. These costs are incurred to satisfy our stand-ready obligation to provide access to our connected offerings. The contract costs are expensed to cost of revenue as we satisfy our stand-ready obligation over the contract term, which we estimate to be between one and five years. The contract term estimation was determined based on an average customer contract term, expected contract renewals, changes in technology, and our ability to retain customers including canceled contracts. We classify capitalized contract costs as current or noncurrent based on the timing of when we expect to recognize the expense. The current and noncurrent portions of capitalized contract fulfillment costs are included in Prepaid expenses and other current assets, and Other assets, respectively. At September 30, 2020, we had $18.5 million of short-term contract costs included with Prepaid expenses and other current assets and $32.8 million of long-term costs included within Other assets. As of September 30, 2019, we had $17.2 million of short-term contract costs included with Prepaid expenses and other current assets and $38.5 million of long-term costs included within Other assets.

Trade Accounts Receivable and Contract Balances

We classify our right to consideration in exchange for deliverables as either a receivable or a contract asset. A receivable is a right to consideration that is unconditional (i.e. only the passage of time is required before payment is due). We present such receivables in Accounts receivable, net in our consolidated balance sheets at their net estimated realizable value. We maintain an allowance for doubtful accounts to provide for the estimated amount of receivables that may not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience, the age of outstanding receivables and other applicable factors.

Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period.

Contract assets include unbilled amounts from long-term contracts when revenue recognized exceeds the amount billed to the customer, and right to payment is not solely subject to the passage of time. The current and noncurrent portions of contract assets are included in Prepaid expenses and other current assets, and Other assets. As of September 30, 2020, we had $49.3 million of current contract assets and $109.9 million of noncurrent contract assets. As of September 30, 2019, we had $58.7 million of current contract assets and $108.7 million of noncurrent contract assets. The table below shows significant changes in contract assets of continuing operations (dollars in thousands):

	Contract assets
Balance September 30, 2019	$ 167,324
Revenues recognized but not billed	286,242
Amounts reclassified to accounts receivable	(294,315)
Balance September 30, 2020	$ 159,251

Our contract liabilities, or Deferred revenue, consist of advance payments and billings in excess of revenues recognized. We classify Deferred revenue as current or noncurrent based on when we expect to recognize the revenues. The table below shows significant changes in Deferred revenue of continuing operations (dollars in thousands):

	Deferred revenue
Balance September 30, 2019	$ 348,006
Amounts bill but not recognized	819,049
Revenue recognized	(801,423)
Balance September 30, 2020	$ 365,632

Remaining Performance Obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at September 30, 2020 (dollars in thousands):

	Within One Year	Two to Four Years	Greater than Four Years	Total
Total revenue	$ 708,343	$ 963,223	$ 62,872	$ 1,734,438

The table above includes fixed backlogs and does not include variable backlog derived from contingent usage-based activities, such as royalties and usage-based hosting revenue.

4. Disposition of Businesses

Spin-off of Automotive

On October 1, 2019, we completed the spin-off of our Automotive business as an independent public company, Cerence, and a pro rata and tax-free distribution to our stockholders of all of the outstanding shares of Cerence owned by Nuance on October 1, 2019.

In connection with the spin-off, on September 30, 2019, we sold 1.8% of our equity interest in Cerence to a non-affiliated third party for a total cash consideration of $9.8 million. The difference between the consideration received and the carrying amount of the non-controlling interest was recognized in additional paid-in capital, which was subsequently derecognized as part of the spin-

off transaction. Effective as of October 1, 2019, for all periods presented, the results of operations, balance sheets and cash flows of our former Automotive business have been included within discontinued operations.

For the year ended September 30, 2020, we incurred cash payments of $13.3 million related to the separation and spin-off of our Automotive business, which have been presented as operating cash flows from discontinued operations.

Sale of Imaging

On February 1, 2019, we completed the sale of our Imaging business and received approximately $404.0 million in cash, after estimated transaction expenses. As a result, we recorded a gain of approximately $102.4 million, which has been included within Net income from discontinued operations.

The historical results of operations for Imaging and Automotive have been included within discontinued operations in our condensed consolidated financial statements. The following table summarizes the results of the discontinued operations (dollars in thousands):

	Year Ended September 30,		
	2020	2019	2018
	(ASC 606)	(ASC 606)	(ASC 605)
Major line items constituting net (loss) income of discontinued operations:			
Revenue	$ —	$ 369,251	$ 484,061
Cost of revenue	—	113,381	130,168
Research and development	—	90,810	98,134
Sales and marketing	—	57,905	101,755
General and administrative	—	4,367	15,965
Amortization of intangible assets	—	17,743	25,936
Acquisition-related costs, net	—	558	4,091
Restructuring and other related charges	7,386	64,569	10,652
Other	—	(332)	98
(Loss) income from discontinued operations before income taxes	(7,386)	20,250	97,262
(Benefit) provision for income taxes	—	(103,387)	20,353
Gain on disposition	—	102,371	—
Net (loss) income from discontinued operations	(7,386)	226,008	76,909
Supplemental information:			
Depreciation	—	8,204	10,928
Amortization	—	28,510	42,591
Stock compensation	—	29,060	23,742
Capital expenditures	—	5,977	9,331
Payments for business and technology acquisitions, net of cash acquired	—	—	79,802

The following table summarizes the assets and liabilities of our former Automotive and Imaging reportable segments included within discontinued operations (dollars in thousands)

	September 30, 2019
	(ASC 606)
Major classes of assets of discontinued operations:	
Accounts receivable, net	$ 67,928
Prepaid expenses and other current assets	23,930
Land, building and equipment, net	20,113
Goodwill	1,115,568
Intangible assets, net	65,561
Other assets	35,366
Total assets classified as held for sale	$ 1,328,466
Major classes of liabilities of discontinued operations:	
Accounts payable	$ 14,039
Accrued expenses and other current liabilities	27,429
Deferred revenue	353,700
Other	21,603
Total liabilities classified as held for sale	$ 416,771

Other Dispositions

In connection with our comprehensive portfolio and business review efforts, we commenced a wind-down of our Devices and Mobile Operator Services businesses, which are part of our Other segment, during the fourth quarter of fiscal year 2018. In May 2019, we completed the sale of our Mobile Operator Services business in Brazil, and in July 2019, we completed the sale of our Mobile Operator Services business in India. The sale prices and any gain or loss were immaterial to our consolidated financial statements.

5. Business Acquisitions

As part of our business strategy, we have acquired, and may acquire in the future, certain businesses and technologies primarily to expand our products and service offerings.

Fiscal Year 2019

In fiscal year 2019, we completed one acquisition in our Healthcare segment for a total consideration of $19.7 million, including $17.8 million in cash, $1.5 million estimated fair value for future contingent payments, and $0.3 million related to the carrying value of existing warrants. As a result, we recognized goodwill of $8.8 million and other intangible assets of $10.5 million related to technology with a useful life of 5.0 years. The results of operations of the acquired entity has been included within our consolidated results of operations from the acquisition date. The acquisition was not material to our consolidated financial statements.

Fiscal Year 2018

In fiscal year 2018, we completed several acquisitions in our Healthcare segment for a total consideration of $28.5 million, including $26.5 million in cash, and $2.0 million estimated fair value for future contingent payments. As a result, we recognized goodwill of $15.7 million, including immaterial measurement-period adjustments through September 30, 2018 and other intangible assets of $11.2 million, with a weighted average life of 5.8 years. The results of operations of the acquired entities have been included within our consolidated results of operations from the acquisition dates. Such acquisitions were not material, individually or in the aggregate to our consolidated financial statements.

6. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for our reportable segments for fiscal years 2020 and 2019 were as follows (dollars in thousands):

	Healthcare	Enterprise	Other	Total
Balance as of September 30, 2018	$ 1,430,325	$ 683,347	$ 13,487	$ 2,127,159
Acquisitions	8,785	—	—	8,785
Purchase accounting adjustments	113	—	—	113
Effect of foreign currency translation	(4,079)	(3,444)	(638)	(8,161)
Balance as of September 30, 2019	1,435,144	679,903	12,849	2,127,896
Purchase accounting adjustments	(31)	—	—	(31)
Effect of foreign currency translation	3,063	2,697	87	5,847
Balance as of September 30, 2020	$ 1,438,176	$ 682,600	$ 12,936	$ 2,133,712

Intangible assets consist of the following as of September 30, 2020 and 2019 (dollars in thousands):

	September 30, 2020			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life (Years)
Customer relationships	$ 523,042	$ (360,617)	$ 162,425	4.4
Technology and patents	205,451	(154,926)	50,525	3.1
Trade names, trademarks, and other	28,969	(28,435)	534	0.9
Total	$ 757,462	$ (543,978)	$ 213,484	

	September 30, 2019			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life (Years)
Customer relationships	$ 500,953	$ (292,127)	$ 208,826	5.3
Technology and patents	147,394	(69,259)	78,135	3.8
Trade names, trademarks, and other	28,961	(24,551)	4,410	1.2
Total	$ 677,308	$ (385,937)	$ 291,371	

Amortization expense for acquired technology and patents is included in the cost of revenue in the accompanying statements of operations and was $27.8 million, $27.4 million and $40.2 million in fiscal years 2020, 2019 and 2018, respectively. Amortization expense for customer relationships, trade names, trademarks, and other, and non-competition agreements is included in operating expenses and was $50.9 million, $54.2 million and $65.2 million in fiscal years 2020, 2019 and 2018, respectively.

Estimated amortization expense for each of the five succeeding years as of September 30, 2020, is as follows (dollars in thousands):

Year Ending September 30,	Cost of Revenue	Other Operating Expenses	Total
2021	$ 16,994	$ 43,036	$ 60,030
2022	16,272	39,788	56,060
2023	12,323	33,680	46,003
2024	4,936	20,074	25,010
2025	—	19,032	19,032
Thereafter	—	7,349	7,349
Total	$ 50,525	$ 162,959	$ 213,484

Fiscal Year 2018 Goodwill and Intangible Assets Impairment

Effective the second quarter of fiscal year 2018, our Automotive business, which was previously included within our former Mobile segment, became a standalone operating segment. As a result of the reorganization, the former Mobile reporting unit was separated into three discrete lines of business comprised of Automotive, Dragon TV, and Devices. Dragon TV was merged within our Enterprise segment, and Devices was included within Other segment. We assigned $1,080.5 million, $12.0 million, and $36.0 million of goodwill to Automotive, Dragon TV and Devices, respectively, based on their relative fair values as of March 31, 2018, and assessed the assigned goodwill for impairment by comparing each component's fair value to its carrying amount. As a result, we recorded a $35.1 million goodwill impairment for devices during the second quarter of fiscal year 2018.

Also, during the second quarter of fiscal year 2018, our Subscriber Revenue Services ("SRS") reporting unit, originally included within our Mobile operating segment, recorded significantly lower revenue and profitability due to recent market disruptions in certain markets that we serve. We concluded that these financial results coupled with the rapid market shifts being experienced in the industry were factors that represented impairment indicators, triggering a review of goodwill and indefinite-lived intangible assets for impairment during the second quarter of fiscal year 2018. As a result, we recorded a goodwill impairment charge of $102.8 million related to SRS for the second quarter of fiscal year 2018. The assessment did not result in any impairment charge of other intangible assets.

During the fourth quarter of fiscal year 2018, in connection with our strategic business review announced in our earnings release issued on May 9, 2018, we restructured our SRS business by separating the Voicemail-to-Text business, which continued to operate as part of the Other Segment, and commenced a wind-down of our SRS Mobile Operator Services in India and Brazil, and our Devices businesses. The wind-down decision resulted in significantly lower estimated future cash flows over a considerably shorter time horizon, which triggered a review of goodwill and long-lived asset groups for impairment.

As a result of the impairment review, we recorded an additional $15.0 million impairment charge for Devices for the fourth quarter of fiscal year 2018, including $7.6 million related to acquired trade names and customer relationships, $0.8 million related to acquired technology assets, $6.2 million related to fixed assets, and $0.4 million related to its remaining goodwill; we also recorded a $25.1 million impairment charge for our Mobile Operator Services business for the fourth quarter of fiscal year 2018, including $12.9 million related to acquired trade names and customer relationships, $7.9 million related to acquired technology assets, $0.9 million related to fixed assets, and $3.4 million related to goodwill.

The fair value of a reporting unit is generally determined using a combination of the income approach and the market approach, where the income approach is weighted 50% and the market approach 50%. Determining the fair value of a long-lived asset group or a reporting unit requires the use of significant estimates and assumptions, all of which we believe are reasonable but nevertheless inherently uncertain. These estimates and assumptions include revenue growth rates and operating margins used to estimate future cash flows, risk-adjusted discount rates, future economic and market conditions, and the use of market comparables. Also, if we experience lower-than-expected growth or fail to sustain our profitability due to changing market dynamics, competition or technological obsolescence, it could adversely impact the long-term assumptions used in our impairment analysis. Such changes in assumptions and estimates may result in additional impairment of our goodwill and/or other long-lived assets, which could materially impact our future results of operations and financial conditions. Additionally, as we continue our product portfolio review and implement organizational changes to better align with our long-term strategies, decisions from such efforts may trigger additional impairment reviews of goodwill and other long-lived assets, which may result in additional impairment charges in the future periods.

7. Accounts Receivable, Net

Accounts receivable, net consisted of the following (dollars in thousands):

	September 30, 2020	September 30, 2019
	(ASC 606)	(ASC 606)
Accounts receivable, gross	$ 215,347	$ 255,061
Less: allowance for doubtful accounts	(11,115)	(9,797)
Less: allowance for sales returns	(3,656)	(4,591)
Accounts receivable, net	$ 200,576	$ 240,673

8. Land, Buildings and Equipment, Net

Land, building and equipment, net consisted of the following (dollars in thousands):

	Useful Life (In Years)	September 30, 2020	September 30, 2019
Land	—	$ 2,400	$ 2,400
Building	30	6,741	6,696
Machinery and equipment	3-5	156,454	159,681
Computers, software and equipment	3-5	157,000	131,012
Leasehold improvements	2-15	32,988	26,244
Furniture and fixtures	5-7	11,217	14,455
Construction in progress	—	41,694	20,708
Subtotal		408,494	361,196
Less: accumulated depreciation		(265,066)	(239,993)
Land, building and equipment, net		$ 143,428	$ 121,203

Depreciation expense for fiscal years 2020, 2019 and 2018 was $37.8 million, $47.4 million and $51.4 million, respectively, which included amortization expense of $5.2 million, $4.1 million and $7.0 million, respectively, for internally developed software costs.

9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (dollars in thousands):

	September 30, 2020	September 30, 2019
Compensation	$ 117,963	$ 119,412
Accrued interest payable	13,484	19,302
Cost of revenue related liabilities	29,953	58,012
Consulting and professional fees	10,857	20,401
Deferred rent liabilities	—	2,503
Sales and marketing incentives	2,021	2,692
Sales and other taxes payable	6,339	8,089
ASC 842 operating lease obligations	28,273	—
Other	4,374	19,159
Total	$ 213,264	$ 249,570

10. Debt

At September 30, 2020 and 2019, we had the following borrowing obligations (dollars in thousands):

	September 30, 2020	September 30, 2019
5.625% Senior Notes due 2026, net of deferred issuance costs of $3.9 million and $4.5 million, respectively. Effective interest rate 5.625%.	$ 496,148	$ 495,518
6.000% Senior Notes due 2024, net of deferred issuance costs of $1.5 million. Effective interest rate 6.000%.	—	298,529
1.00% Convertible Debentures due 2035, net of unamortized discount of $64.8 million and $91.6 million, respectively, and deferred issuance costs of $2.9 million and $4.3 million, respectively. Effective interest rate 5.622%.	608,767	580,639
2.75% Convertible Debentures due 2031. Effective interest rate 7.432%.	—	46,568
1.25% Convertible Debentures due 2025, net of unamortized discount of $45.2 million and $71.6 million, respectively, and deferred issuance costs of $1.9 million and $3.1 million, respectively. Effective interest rate 5.578%.	215,582	275,257
1.50% Convertible Debentures due 2035, net of unamortized discount of $10.4 million and $22.7 million, respectively, and deferred issuance costs of $0.3 million and $0.8 million, respectively. Effective interest rate 5.394%.	216,627	240,406
Deferred issuance costs related to our Revolving Credit Facility.	(451)	(511)
Total debt	1,536,673	1,936,406
Less: current portion[a]	(432,209)	(1,142,870)
Total long-term debt	$ 1,104,464	$ 793,536

[a] As of September 30, 2020, the holders had the right to convert all or any portion of the 1.25% 2025 Debentures and 1.5% 2035 Debentures between October 1, 2020 and December 31, 2020. As a result, the net carrying amounts of our convertible notes were included in current liabilities as of September 30, 2020.

During fiscal year 2019, in connection with the spin-off of our Automotive business, we notified holders on September 5, 2019, that they had the right to convert all or any portion of their debentures until the close of business on October 1, 2019. As of September 30, 2019, the net carrying amounts of our convertible notes were included within the current portion of long-term debt. Upon the conclusion of the conversion period on October 1, 2019, none of the holders exercised their right to convert. As a result, the net carrying amounts of the convertible notes were reclassified back to long-term debt in the first quarter of fiscal year 2020.

The following table summarizes the maturities of our borrowing obligations as of September 30, 2020 (dollars in thousands):

Fiscal Year	Convertible Debentures [1]	Senior Notes	Total
2021	$ 490,051	$ —	$ 490,051
2022	—	—	—
2023	676,488	—	676,488
2024	—	—	—
2025	—	—	—
Thereafter	—	500,000	500,000
Total before unamortized discount	1,166,539	500,000	1,666,539
Less: unamortized discount and issuance costs	(125,563)	(4,303)	(129,866)
Total debt	$ 1,040,976	$ 495,697	$ 1,536,673

[1] The repayment schedule above assumes that payment is due on the first contractual redemption date after September 30, 2020. As more fully described below, as of September 30, 2020, the holders had the right to convert all or any portion of the 1.25% 2025 Debentures and 1.5% 2035 Debentures between October 1, 2020 and December 31, 2020. As a result, the net carrying amounts of these two convertible notes were included in current liabilities as of September 30, 2020.

5.625% Senior Notes due 2026

In December 2016, we issued $500.0 million aggregate principal amount of 5.625% Senior Notes due on December 15, 2026 (the "2026 Senior Notes") in a private placement. The proceeds from the 2026 Senior Notes were approximately $495.0 million, net of issuance costs, and we used the proceeds to repurchase a portion of our then outstanding 5.375% Senior Notes due in 2020. The 2026 Senior Notes bear interest at 5.625% per year, payable in cash semi-annually in arrears.

The 2026 Senior Notes are unsecured senior obligations and are guaranteed on an unsecured senior basis by certain of our domestic subsidiaries ("Subsidiary Guarantors"). The 2026 Senior Notes and the guarantees rank equally in right of payment with all of our and the Subsidiary Guarantors' existing and future unsecured senior debt and rank senior in right of payment to all of our and the Subsidiary Guarantors' future unsecured subordinated debt. The 2026 Senior Notes and guarantees effectively rank junior to all our secured debt and that of the Subsidiary Guarantors to the extent of the value of the collateral securing such debt and to all liabilities, including trade payables, of our subsidiaries that have not guaranteed the 2026 Senior Notes.

At any time before December 15, 2021, we may redeem all or a portion of the 2026 Senior Notes at a redemption price equal to 100% of the aggregate principal amount of the 2026 Senior Notes to be redeemed, plus a “make-whole” premium and accrued and unpaid interest to, but excluding, the redemption date. At any time on or after December 15, 2021, we may redeem all or a portion of the 2026 Senior Notes at certain redemption prices expressed as percentages of the principal amount, plus accrued and unpaid interest to, but excluding, the redemption date. At any time and from time to time before December 15, 2021, we may redeem up to 35% of the aggregate outstanding principal amount of the 2026 Senior Notes with the net cash proceeds received by us from certain equity offerings at a price equal to 105.625% of the aggregate principal amount, plus accrued and unpaid interest to, but excluding, the redemption date, provided that the redemption occurs no later than 120 days after the closing of the related equity offering, and at least 50% of the original aggregate principal amount of the 2026 Senior Notes remains outstanding immediately thereafter.

Upon the occurrence of certain asset sales or a change in control, we must offer to repurchase the 2026 Senior Notes at a price equal to 100% in the case of an asset sale, or 101% in the case of a change of control, of the principal amount plus accrued and unpaid interest to, but excluding, the repurchase date.

6.0% Senior Notes due 2024

In June 2016, we issued $300.0 million aggregate principal amount of 6.0% Senior Notes due on July 1, 2024 (the "2024 Senior Notes") in a private placement. The proceeds from the 2024 Senior Notes were approximately $297.5 million, net of issuance costs. The 2024 Senior Notes bear interest at 6.0% per year, payable in cash semi-annually in arrears.

On October 1, 2019, we redeemed all the $300.0 million outstanding principal amount of the 2024 Senior Notes for $313.5 million, plus accrued and unpaid interest of $4.5 million. As a result of the redemption, we recorded a $15.0 million loss on extinguishment of debt for the first quarter of fiscal year 2020, including a $13.5 million redemption premium and a $1.5 million write-off of unamortized debt issuance costs.

1.0% Convertible Debentures due 2035

In December 2015, we issued $676.5 million in aggregate principal amount of 1.0% Senior Convertible Debentures due in 2035 (the “1.0% 2035 Debentures”) in a private placement. Total proceeds were $663.8 million, net of issuance costs, and we used a portion to repurchase $38.3 million in aggregate principal on our 2.75% Senior Convertible Debentures due in 2031 (the "2.75% 2031 Debentures") and to repay the aggregate principal balance of $472.5 million on our term loan under the amended and restated credit agreement. The 1.0% 2035 Debentures bear interest at 1.0% per year, payable in cash semi-annually in arrears. In addition to ordinary interest and default additional interest, beginning with the semi-annual interest period commencing on December 15, 2022, contingent interest will accrue during any regular semi-annual interest period where the average trading price of our 1.0% 2035 Debentures for the ten trading day period immediately preceding the first day of such semi-annual period is greater than or equal to $1,200 per $1,000 principal amount of our 1.0% 2035 Debentures, in which case, contingent interest will accrue at a rate of 0.50% per annum of such average trading price. The 1.0% 2035 Debentures mature on December 15, 2035, subject to the right of the holders to require us to redeem the 1.0% 2035 Debentures on December 15, 2022, 2027, or 2032. The 1.0% 2035 Debentures are general senior unsecured obligations and rank equally in right of payment with all of our existing and future unsecured, unsubordinated indebtedness and senior in right of payment to any indebtedness that is contractually subordinated to the 1.0% 2035 Debentures. The 1.0% 2035 Debentures will be effectively subordinated to indebtedness and other liabilities of our subsidiaries.

We account separately for the liability and equity components of the 1.0% 2035 Debentures in accordance with authoritative guidance for convertible debt instruments that may be settled in cash upon conversion. The guidance requires the carrying amount of the liability component to be estimated by measuring the fair value of a similar liability that does not have an associated conversion feature and record the remainder in stockholders' equity. At issuance, we allocated $495.4 million to long-term debt, and $181.1 million has been recorded as additional paid-in capital, which is being amortized to interest expense using the effective interest rate method through December 2022.

If converted, the principal amount of the 1.0% 2035 Debentures is payable in cash and any amounts payable in excess of the principal amount will (based on an initial conversion rate, which represents an initial conversion price of approximately $24.12 per share, subject to adjustment) be paid in cash or shares of our common stock, at our election. Conversion is only allowed in the following circumstances and to the following extent: (i) prior to June 15, 2035, on any date during any fiscal quarter (and only during such fiscal quarter) if the closing sale price of our common stock was more than 130% of the then current conversion price for at least 20 trading days in the period of the 30 consecutive trading days ending on the last trading day of the previous fiscal quarter; (ii) during the five consecutive business-day period following any five consecutive trading-day period in which the trading price for $1,000 principal amount of the 1.0% 2035 Debentures for each day during such five trading-day period was less than 98% of the closing sale price of our common stock multiplied by the then current conversion rate; (iii) upon the occurrence of specified corporate transactions, as described in the indenture for the 1.0% 2035 Debentures; or (iv) at the option of the holder at any time on or after June 15, 2035. Additionally, we may redeem the 1.0% 2035 Debentures, in whole or in part, on or after December 20, 2022 for cash at a price equal to 100% of the principal amount of the 1.0% 2035 Debentures to be purchased plus any accrued and unpaid interest, including any additional interest to, but excluding, the repurchase date. Each holder shall have the right, at such holder's option, to require us to repurchase all or any portion of the 1.0% 2035 Debentures held by such holder on December 15, 2022, December 15, 2027, or December 15, 2032 at par plus accrued and unpaid interest. If we undergo a fundamental change or non-stock change of control (as described in the indenture for the 1.0% 2035 Debentures) prior to maturity, holders will have the option to require us to repurchase all or any portion of their debentures for cash at a price equal to 100% of the principal amount of the 1.0% 2035 Debentures to be purchased plus any accrued and unpaid interest.

In accordance with the terms of the indentures governing the debentures and due to the completion of the spin-off of our Automotive business, the conversion ratio of the 1.0% 2035 Debentures has been adjusted from 36.7360 to 41.4576 shares per $1,000 principal amount.

As of September 30, 2020, none of the conversion criteria were met for the 1.0% 2035 Debentures. If the conversion criteria were met, we could be required to repay all or some of the aggregate principal amount in cash prior to the maturity date. As of September 30, 2020, the if-converted value of the 1.0% 2035 Debentures exceeded its principal amount by $254.3 million.

2.75% Convertible Debentures due 2031

On October 24, 2011, we sold $690.0 million of the 2.75% 2031 Debentures in a private placement. Total proceeds, net of issuance costs, were $676.1 million. The 2.75% 2031 Debentures bear interest at 2.75% per year, payable in cash semi-annually in arrears. The 2.75% 2031 Debentures mature on November 1, 2031, subject to the right of the holders to require us to redeem the 2.75% 2031 Debentures on November 1, 2021 and 2026. The 2.75% 2031 Debentures are general senior unsecured obligations and rank equally in right of payment with all of our existing and future unsecured, unsubordinated indebtedness and senior in right of payment to any indebtedness that is contractually subordinated to the 2.75% 2031 Debentures. The 2.75% 2031 Debentures will be effectively subordinated to indebtedness and other liabilities of our subsidiaries. At issuance, we allocated $533.6 million to long-term debt, and $156.4 million has been recorded as additional paid-in capital, which was amortized to interest expense using the effective interest rate method through November 2017.

In June 2015, we entered into separate privately negotiated agreements with certain holders of our 2.75% 2031 Debentures to exchange, in a private placement, $256.2 million in aggregate principal amount of our 2031 Debentures for approximately $263.9 million in aggregate principal amount of our 1.5% Senior Convertible Debentures due in 2035 (the "1.5% 2035 Debenture"). In December 2015, we entered into separate privately negotiated agreements with certain holders of our 2.75% 2031 Debentures to repurchase $38.3 million in aggregate principal with proceeds received from the issuance of our 1.0% 2035 Debentures. Following this activity, $395.5 million in aggregate principal amount of our 2.75% 2031 Debentures remain outstanding. The aggregate debt discount was amortized to interest expense using the effective interest rate method through November 2017.

In November 2017, holders of approximately $331.2 million in aggregate principal amount of the outstanding 2.75% 2031 Debentures exercised their right to require us to repurchase such debentures. Following the repurchase, $46.6 million in aggregate principal amount of the 2.75% 2031 Debentures remains outstanding. We have the right to call for redemption of some or all of the remaining outstanding 2.75% 2031 Debentures.

In March 2020, we redeemed the remaining $46.6 million outstanding amount of the 2.75% Convertible Debentures at par. The issuance costs and discount had been fully amortized. No gain or loss was recognized for the redemption.

1.25% Convertible Debentures due 2025

In March 2017, we issued $350.0 million in aggregate principal amount of 1.25% Senior Convertible Debentures due in 2025 (the "1.25% 2025 Debentures") in a private placement. The proceeds were approximately $343.6 million, net of issuance costs. We used a portion of the proceeds to repurchase 5.8 million shares of our common stock for $99.1 million and $17.8 million in aggregate principal on our 2.75% 2031 Debentures. The 1.25% 2025 Debentures bear interest at 1.25% per year, payable in cash semi-annually in arrears, beginning on October 1, 2017. The 1.25% 2025 Debentures mature on April 1, 2025. The 1.25% 2025 Debentures are general senior unsecured obligations and rank equally in right of payment with all of our existing and future unsecured, unsubordinated indebtedness and senior in right of payment to any indebtedness that is contractually subordinated to the 1.25% 2025 Debentures. The 1.25% 2025 Debentures will be effectively subordinated to indebtedness and other liabilities of our subsidiaries.

We account separately for the liability and equity components of the 1.25% 2025 Debentures in accordance with authoritative guidance for convertible debt instruments that may be settled in cash upon conversion. The guidance requires the carrying amount of the liability component to be estimated by measuring the fair value of a similar liability that does not have an associated conversion feature and record the remainder in stockholders' equity. At issuance, we allocated $252.1 million to long-term debt, and $97.9 million has been recorded as additional paid-in capital, which is being amortized to interest expense using the effective interest rate method through April 1, 2025.

If converted, the principal amount of the 1.25% 2025 Debentures is payable in cash and any amounts payable in excess of the principal amount will (based on an initial conversion rate, which represents a conversion price of approximately $19.69 per share, subject to adjustment under certain circumstances) be paid in cash or shares of our common stock, at our election. Conversion is only allowed in the following circumstances and to the following extent: (i) prior to October 1, 2024, on any date during any fiscal quarter (and only during such fiscal quarter) if the closing sale price of our common stock was more than 130% of the then current conversion price for at least 20 trading days in the period of the 30 consecutive trading days ending on the last trading day of the previous fiscal quarter; (ii) at any time on or after October 1, 2024, (iii) during the five consecutive business-day period immediately following any five consecutive trading-day period in which the trading price for $1,000 principal amount of the 1.25% 2025 Debentures for each day during such five trading-day period was less than 98% of the closing sale price of our common stock multiplied by the then current conversion rate; or (iv) upon the occurrence of specified corporate transactions, as described in the indenture for the 1.25% 2025 Debentures. We may not redeem the 1.25% 2025 Debentures prior to the maturity date. If we undergo a fundamental change or non-stock change of control (as described in the indenture for the 1.25% 2025 Debentures) prior to maturity, holders will have the option to require us to repurchase all or any portion of their debentures for cash at a price equal to 100% of the principal amount of the 1.25% 2025 Debentures to be purchased plus any accrued and unpaid interest.

In accordance with the terms of the indentures governing the debentures and due to the completion of the spin-off of our Automotive business, the conversion ratio of the 1.25% 2025 Debentures has been adjusted to from 45.0106 to 50.7957 shares per $1,000 principal amount.

During the second quarter of fiscal year 2020, we repurchased $87.3 million notional amount of our 1.25% 2025 Debentures for $112.3 million, of which we allocated $72.8 million to debt and $39.5 million to equity based upon ASC 470-20. Also, in connection with the repurchases, we wrote off $16.7 million unamortized discount and $0.7 million unamortized costs. As a result, we recorded a $2.8 million loss associated with the repurchases. Following the repurchases, $262.7 million in aggregate principal amount of the 1.25% 2025 Debentures remain outstanding.

On September 30, 2020, we notified the debt trustee that the holders had the right to convert all or any portion of their debentures at the aforementioned conversion ratio beginning October 1, 2020 through December 31, 2020. The 1.25% 2025 Debentures became convertible because Nuance's common stock price exceeded the conversion threshold price (130% of the applicable conversion price per share) for at least 20 trading days during the 30 consecutive trading days ending September 30, 2020. As of September 30, 2020, the net carrying amount of the 1.25% 2025 Debentures was included within the current portion of long-term debt. As of September 30, 2020, the if-converted value of the 1.25% 2025 Debentures exceeded its principal amount by $180.2 million.

1.50% Convertible Debentures due 2035

In June 2015, we issued $263.9 million in aggregate principal amount of 1.5% Senior Convertible Debentures due in 2035 in exchange for $256.2 million in aggregate principal amount of our 2.75% 2031 Debentures. Total proceeds, net of issuance costs, were $253.2 million. The 1.5% 2035 Debentures were issued at 97.09% of the principal amount, which resulted in a discount of $7.7 million. The 1.5% 2035 Debentures bear interest at 1.5% per year, payable in cash semi-annually in arrears. In addition to ordinary interest and default additional interest, beginning with the semi-annual interest period commencing on November 1, 2021, contingent interest will accrue during any regular semi-annual interest period where the average trading price of our 1.5% 2035 Debentures for the ten trading day period immediately preceding the first day of such semi-annual period is greater than or equal to $1,200 per $1,000 principal amount of our 1.5% 2035 Debentures, in which case, contingent interest will accrue at a rate of 0.50% per annum of such average trading price. The 1.5% 2035 Debentures mature on November 1, 2035, subject to the right of the holders to require us to redeem the 1.5% 2035 Debentures on November 1, 2021, 2026, or 2031. The 1.5% 2035 Debentures are general senior unsecured obligations and rank equally in right of payment with all of our existing and future unsecured, unsubordinated indebtedness and senior in right of payment to any indebtedness that is contractually subordinated to the 1.5% 2035 Debentures. The 1.5% 2035 Debentures will be effectively subordinated to indebtedness and other liabilities of our subsidiaries.

We account separately for the liability and equity components of the 1.5% 2035 Debentures in accordance with authoritative guidance for convertible debt instruments that may be settled in cash upon conversion. At issuance, we allocated $208.6 million to long-term debt, and $55.3 million has been recorded as additional paid-in capital, which is being amortized to interest expense using the effective interest rate method through November 2021.

If converted, the principal amount of the 1.5% 2035 Debentures is payable in cash and any amounts payable in excess of the principal amount, will (based on an initial conversion rate, which represents an initial conversion price of approximately $20.61 per share, subject to adjustment) be paid in cash or shares of our common stock, at our election. Conversion is only allowed in the following circumstances and to the following extent: (i) prior to May 1, 2035, on any date during any fiscal quarter beginning after September 30, 2015 (and only during such fiscal quarter) if the closing sale price of our common stock was more than 130% of the then current conversion price for at least 20 trading days in the period of the 30 consecutive trading days ending on the last trading day of the previous fiscal quarter; (ii) during the five consecutive business-day period following any five consecutive trading-day period in which the trading price for $1,000 principal amount of the 1.5% 2035 Debentures for each day during such five trading-day period was less than 98% of the closing sale price of our common stock multiplied by the then current conversion rate; (iii) upon the occurrence of specified corporate transactions, as described in the indenture for the 1.5% 2035 Debentures; or (iv) at the option of the holder at any time on or after May 1, 2035. Additionally, we may redeem the 1.5% 2035 Debentures, in whole or in part, on or after November 5, 2021 for cash at a price equal to 100% of the principal amount of the 1.5% 2035 Debentures to be purchased plus any accrued and unpaid interest, including any additional interest to, but excluding, the repurchase date. Each holder shall have the right, at such holder's option, to require us to repurchase all or any portion of the 1.5% 2035 Debentures held by such holder on November 1, 2021, November 1, 2026, or November 1, 2031 at par plus accrued and unpaid interest. If we undergo a fundamental change (as described in the indenture for the 1.5% 2035 Debentures) prior to maturity, holders will have the option to require us to repurchase all or any portion of their debentures for cash at a price equal to 100% of the principal amount of the 1.5% 2035 Debentures to be purchased plus any accrued and unpaid interest.

In accordance with the terms of the indentures governing the debentures and due to the completion of the spin-off of our Automotive business, the conversion ratio of the 1.5% 2035 Debentures has been adjusted from 42.9978 to 48.5216 shares per $1,000 principal amount.

During the second quarter of fiscal year 2020, we repurchased $36.5 million notional amount of 1.5% 2035 Debentures for $41.3 million, of which we allocated $34.7 million to debt and $6.6 million to equity based upon ASC 470-20. Also, in connection with the repurchases, we wrote off $2.5 million unamortized discount and $0.1 million unamortized costs. As a result, we recorded a $0.8 million loss associated with the repurchases. Following the repurchases, $227.4 million in aggregate principal amount of the 1.5% 2035 Debentures remain outstanding.

On September 30, 2020, we notified the debt trustee that the holders had the right to convert all or any portion of their debentures at the aforementioned conversion ratio beginning October 1, 2020 through December 31, 2020. The 1.5% 2035 Debentures became convertible because Nuance's common stock price exceeded the conversion threshold price (130% of the applicable conversion price per share) for at least 20 trading days during the 30 consecutive trading days ending September 30, 2020. As of September 30, 2020, the net carrying amount of the 1.5% 2035 Debentures was included within the current portion of long-term debt. As of September 30, 2020, the if-converted value of the 1.5% 2035 Debentures exceeded its principal amount by $138.8 million.

Revolving Credit Facility

Our revolving credit agreement (the "Revolving Credit Agreement") expires on April 15, 2022. On July 31, 2020, we amended the Revolving Credit Agreement to, among other things, extend the expiration from April 15, 2021 to April 15, 2022, and allow the administration agent and Nuance to agree on a new benchmark rate in lieu of LIBOR. The Revolving Credit Agreement provides for aggregate borrowing commitments of $242.5 million (the "Revolving Credit Facility"), including the revolving facility loans, the swingline loans and issuance of letters of credit. The borrowing outstanding under the Revolving Credit Facility bears interest at either (i) LIBOR plus an applicable margin of 1.50% or 1.75%, or (ii) the alternative base rate plus an applicable margin of 0.50% or 0.75%. The Revolving Credit Facility is secured by substantially all our assets. The Revolving Credit Agreement contains customary affirmative and negative covenants and conditions to borrowing, as well as customary events of default. At any time that there are any outstanding borrowings (excluding up to $25,000,000 of issued and undrawn Letters of Credit) under the Revolving Credit Facility, we are required to maintain a Consolidated Senior Secured Leverage Ratio (as defined in the Revolving Credit Agreement) not exceeding 4.00 to 1.00. We were in compliance with all the debt covenants as of September 30, 2020.

On March 24, 2020, we borrowed $230.0 million under our revolving credit facility at an effective interest rate of 2.68% per annum, which was fully repaid on June 26, 2020. As of September 30, 2020, after taking into account the outstanding letters of credit of $2.4 million, we had $240.1 million available for borrowing under the Revolving Credit Facility.

11. Financial Instruments and Hedging Activities

Derivatives not Designated as Hedges

Forward Currency Contracts

We have operations in a number of international locations, including certain developing markets where currency exchange rates can be volatile. We utilize foreign currency forward contracts to mitigate the risks associated with changes in foreign currency exchange rates so that our exposure to foreign currencies will be mitigated or offset by the gains or losses on the foreign currency forward contracts. Generally, we enter into such contracts for less than 90 days and have no cash requirements until maturity. As of September 30, 2020 and 2019, we had outstanding contracts with a total notional value of $40.7 million and $189.6 million, respectively.

We did not designate any forward contracts as hedging instruments for fiscal years 2020, 2019 and 2018. Therefore, changes in fair value of foreign currency forward contracts were recognized within other expense, net in our consolidated statements of operations. The cash flows related to the settlement of forward contracts not designated as hedging instruments are included in cash flows from investing activities within our consolidated statement of cash flows.

A summary of our derivative instruments is as follows (dollars in thousands):

		Fair Value	
Derivatives Not Designated as Hedges:	**Balance Sheet Classification**	**September 30, 2020**	**September 30, 2019**
Foreign currency forward contracts	Prepaid expenses and other current assets	$ 109	$ 597
Foreign currency forward contracts	Accrued expenses and other current liabilities	$ (92)	$ (327)

A summary of income (loss) related to foreign currency forward contracts for the year ended September 30, 2020 is as follows (dollars in thousands):

		Year Ended September 30,		
Derivatives Not Designated as Hedges:	**Income Statement Classification Income (loss) recognized**	**2020**	**2019**	**2018**
Foreign currency forward contracts	Other income (expense), net	$ 379	$ 1,816	$ (3,616)

12. Fair Value Measures

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

The determination of the applicable level within the hierarchy of a particular financial asset or liability depends on the lowest level of inputs that are significant to the fair value measurement as of the measurement date as follows:

- *Level 1:* Quoted prices for identical assets or liabilities in active markets.
- *Level 2:* Observable inputs other than those described as Level 1.
- *Level 3:* Unobservable inputs that are supportable by little or no market activities and are based on significant assumptions and estimates.

Assets and liabilities measured at fair value on a recurring basis at September 30, 2020 and 2019 consisted of (dollars in thousands):

	September 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds [a]	$ 182,645	$ —	$ —	$ 182,645
Time deposits[b]	—	95,180	—	95,180
Commercial paper, $33,265 at cost[b]	—	33,290	—	33,290
Corporate notes and bonds, $15,460 at cost[b]	—	15,480	—	15,480
Foreign currency exchange contracts[b]	—	109	—	109
Total assets at fair value	$ 182,645	$ 144,059	$ —	$ 326,704
Liabilities:				
Foreign currency exchange contracts[b]	$ —	$ (92)	$ —	$ (92)
Contingent acquisition payments[c]	—	—	(1,796)	(1,796)
Total liabilities at fair value	$ —	$ (92)	$ (1,796)	$ (1,888)

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds[a]	$ 217,861	$ —	$ —	$ 217,861
Time deposits[b]	—	115,913	—	115,913
Commercial paper, $77,089 at cost[b]	—	77,494	—	77,494
Corporate notes and bonds, $37,504 at cost[b]	—	37,566	—	37,566
Foreign currency exchange contracts[b]	—	597	—	597
Total assets at fair value	$ 217,861	$ 231,570	$ —	$ 449,431
Liabilities:				
Foreign currency exchange contracts[b]	$ —	$ (327)	$ —	$ (327)
Contingent acquisition payments[c]	—	—	(2,550)	(2,550)
Total liabilities at fair value	$ —	$ (327)	$ (2,550)	$ (2,877)

[a] Money market funds and time deposits with original maturity of 90 days or less are included within cash and cash equivalents in the consolidated balance sheets and are valued at quoted market prices in active markets.

[b] Time deposits, commercial paper, corporate notes and bonds, and foreign currency exchange contracts are recorded at fair market values, which are determined based on the most recent observable inputs for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable. Time deposits are generally for terms of one year

or less. Commercial paper and corporate notes and bonds generally mature within three years and had a weighted average maturity of 0.31 years as of September 30, 2020 and 0.53 years as of September 30, 2019.

(c) The fair values of our contingent consideration arrangements were determined using either the option pricing model with Monte Carlo simulation or the probability-weighted discounted cash flow method.

The estimated fair value of our long-term debt approximated $2,355.5 million (face value $1,666.5 million) as of September 30, 2020 and $2,143.4 million (face value $2,137.0 million) as of September 30, 2019, based on Level 2 measurements. The fair value of each borrowing was estimated using the average of the bid and ask trading quotes at the end of the reporting periods. There was no balance outstanding under our revolving credit agreement as of September 30, 2019 and 2020.

Additionally, contingent acquisition payments are recorded at fair values upon the acquisition and are remeasured in subsequent reporting periods with the changes in fair values recorded within acquisition-related costs, net. Such payments are contingent upon the achievement of specified performance targets and are valued using the option pricing model with Monte Carlo simulation or the probability-weighted discounted cash flow model (Level 3 measurement).

The following table provides a summary of changes in fair value of our Level 3 financial instruments for the years ended September 30, 2020 and 2019 (dollars in thousands):

	Amount
Balance as of September 30, 2018	$ 4,000
Earn-out liability established at time of acquisition	1,500
Payments and foreign currency translation	(2,550)
Adjustments to fair value included in acquisition-related costs, net	(400)
Balance as of September 30, 2019	2,550
Payments and foreign currency translation	(4)
Adjustments to fair value included in acquisition-related costs, net	(750)
Balance as of September 30, 2020	$ 1,796

Contingent acquisition payment liabilities are scheduled to be paid in periods through fiscal year 2021. As of September 30, 2020, we could be required to pay up to $3.0 million if the specified performance targets are achieved.

13. Restructuring and Other Charges, Net

Restructuring and other charges, net include restructuring expenses as well as other charges that are unusual in nature, are the result of unplanned events, and arise outside the ordinary course of our business. Restructuring expenses consist of employee severance costs, charges for the closure of idle facilities and other contract termination costs. Other charges include litigation contingency reserves, costs related to the transition agreement of our former CEO, asset impairment charges, expenses associated with the 2017 Malware Incident and gains or losses on the sale or disposition of certain non-strategic assets or product lines.

The components of restructuring and other charges, net are as follows (dollars in thousands):

	Year Ended September 30,		
	2020	2019	2018
Personnel	$ 5,305	$ 14,212	$ 27,360
Facilities	5,531	2,225	3,868
Total restructuring charges	10,836	16,437	31,228
Other charges	6,844	12,710	21,618
Total restructuring and other charges, net	$ 17,680	$ 29,147	$ 52,846

The following table represents the roll forward of restructuring liabilities for fiscal years 2020, 2019 and 2018 (dollars in thousands):

	Personnel	Facilities	Total
Balance at September 30, 2017	$ 1,509	$ 8,159	$ 9,668
Restructuring charges, net	27,360	3,868	31,228
Non-cash adjustment	—	(998)	(998)
Cash payments	(20,534)	(4,535)	(25,069)
Balance at September 30, 2018	8,335	6,494	14,829
Restructuring charges, net	14,212	2,225	16,437
Non-cash adjustment	—	(102)	(102)
Cash payments	(18,960)	(4,995)	(23,955)
Balance at September 30, 2019	3,587	3,622	7,209
ASC 842 implementation [(a)]	—	11,674	11,674
Restructuring charges, net	5,305	5,531	10,836
Non-cash adjustment	—	1,052	1,052
Cash payments	(7,649)	(6,266)	(13,915)
Balance at September 30, 2020	$ 1,243	$ 15,613	$ 16,856

(a) The amount represents a reclassification of estimated sublease income from restructuring accrual to reduce the costs of right-of-use assets upon the adoption of ASC 842 on October 1, 2019.

The table below presents the Restructuring and other charges, net associated with each segment, but excluded from calculation of each segment's profit (dollars in thousands):

	Personnel	Facilities	Total Restructuring	Other Charges	Total
Fiscal Year 2020					
Healthcare	$ 1,953	$ 2,819	$ 4,772	$ —	$ 4,772
Enterprise	1,417	1,998	3,415	—	3,415
Other	—	(63)	(63)	—	(63)
Corporate	1,935	777	2,712	6,844	9,556
Total fiscal year 2020	$ 5,305	$ 5,531	$ 10,836	$ 6,844	$ 17,680
Fiscal Year 2019					
Healthcare	$ 4,679	$ 191	$ 4,870	$ —	$ 4,870
Enterprise	5,037	933	5,970	—	5,970
Other	1,457	337	1,794	3,306	5,100
Corporate	3,039	764	3,803	9,404	13,207
Total fiscal year 2019	$ 14,212	$ 2,225	$ 16,437	$ 12,710	$ 29,147
Fiscal Year 2018					
Healthcare	$ 11,563	$ 25	$ 11,588	$ —	$ 11,588
Enterprise	4,217	2,243	6,460	—	6,460
Other	1,473	647	2,120	7,103	9,223
Corporate	10,107	953	11,060	14,515	25,575
Total fiscal year 2018	$ 27,360	$ 3,868	$ 31,228	$ 21,618	$ 52,846

***Fiscal Year* 2020**

For fiscal year 2020, we recorded restructuring charges of $10.8 million, which included $5.3 million related to the termination of approximately 191 employees and $5.5 million charge related to closing certain idle facilities. These actions were part of our strategic initiatives focused on investment rationalization, process optimization and cost reduction as we continue to evaluate the footprint of our offices and facilities. We expect the remaining outstanding severance of $1.2 million to be substantially paid during fiscal year 2021, and the remaining $15.6 million lease payments to be made through fiscal year 2027, in accordance with the terms of the applicable leases.

Additionally, during fiscal year 2020, we recorded $5.1 million expenses related to the separation of our Automotive business, and a $2.0 million impairment charge related to a right-of-use asset due to the COVID-19 pandemic, offset in part by a $0.3 million insurance reimbursement related to the 2017 Malware Incident.

Fiscal Year 2019

For fiscal year 2019, we recorded restructuring charges of $16.4 million, which included $14.2 million related to the termination of approximately 305 employees and $2.2 million in charges related to the closing of certain idle facilities. These actions were part of our strategic initiatives focused on investment rationalization, process optimization and cost reduction.

Additionally, during fiscal year 2019, we recorded $9.9 million of professional services fees related to our corporate transformational efforts and $3.3 million accelerated depreciation related to our Mobile Operator Services, offset in part by a $0.5 million insurance reimbursement related to the 2017 Malware Incident.

Fiscal Year 2018

For fiscal year 2018, we recorded restructuring charges of $31.2 million, which included $27.4 million related to the termination of approximately 1,250 terminated employees and $3.9 million in charges related to the closing of certain idle facilities, including adjustment to sublease assumptions associated with these facilities. These actions were part of our strategic initiatives focused on investment rationalization, process optimization and cost reduction.

Additionally, during fiscal year 2018, we recorded $5.7 million for costs related to the transition agreement of our former CEO, $4.8 million of professional services fees related to assessment and establishment of our corporate transformational efforts, $4.0 million related to our remediation and restoration effort after the 2017 Malware Incident, and fixed asset impairment charges of $7.1 million for SRS and Devices, as more fully described in Note 6.

14. Supplemental Cash Flow Information

Cash paid for Interest and Income Taxes

	Year Ended September 30,		
	2020	2019	2018
	(Dollars in thousands)		
Interest paid	$ 50,346	$ 72,630	$ 93,121
Income taxes paid	$ 30,918	$ 19,439	$ 13,758

15. Stockholders' Equity

Share Repurchases

On April 29, 2013, our Board of Directors approved a share repurchase program for up to $500.0 million, which was increased by $500.0 million on April 29, 2015. On August 1, 2018, our Board of Directors approved an additional $500.0 million under our share repurchase program. Under the terms of the share repurchase program, we have the ability to repurchase shares from time to time through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades, accelerated share repurchase transactions, or any combination of such methods. The share repurchase program does not require us to acquire any specific number of shares and may be modified, suspended, extended or terminated by us at any time without prior notice. The timing and the amount of any purchases are subject to our assessment of the prevailing market conditions, general economic conditions, capital allocation alternatives, and other factors.

We repurchased 9.5 million shares, 8.2 million shares and 9.7 million shares for $169.2 million, $126.9 million and $136.1 million during the fiscal years ended September 30, 2020, 2019 and 2018, respectively, under the program. The amount paid in excess of par value is recognized in additional paid in capital and these shares were retired upon repurchase. Since the commencement of the program, we have repurchased 73.8 million shares for $1,238.8 million. The amount paid in excess of par value is recognized in additional paid in capital. Shares were retired upon repurchase. As of September 30, 2020, approximately $261.2 million remained available for future repurchases under the program.

Preferred Stock

We are authorized to issue up to 40,000,000 shares of preferred stock, par value $0.001 per share. The undesignated shares of preferred stock will have rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be determined by the Board of Directors upon issuance of the preferred stock. There were no outstanding shares of preferred stock as of September 30, 2020 or September 30, 2019.

Series A Preferred Stock

We have designated 1,000,000 shares as Series A Preferred Stock, par value $0.001 per share. The Series A Preferred Stock is entitled to receive dividends equal to the greater of $1.00 and 1,000 times the aggregate per share amount of all dividends declared on our Common Stock. Holders of each share of the Series A Preferred Stock are entitled to 1,000 votes on all matters submitted to a vote of the stockholders of the Company and shall vote as one class. The Series A Preferred Stock is not redeemable and has the right to certain liquidation preferences over our Common Stock. The Series A Preferred Stock ranks junior to all other series of the Preferred Stock as to the payment of dividends and the distribution of assets. There were no outstanding shares of preferred stock as of September 30, 2020 or September 30, 2019.

Series B Preferred Stock

We have designated 15,000,000 shares as Series B Preferred Stock, par value $0.001 per share. The Series B Preferred Stock is convertible into shares of common stock on a one-for-one basis and has a liquidation preference of $1.30 per share plus all declared but unpaid dividends. The holders of Series B Preferred Stock are entitled to non-cumulative dividends at the rate of $0.05 per annum per share, payable when, and if, declared by the Board of Directors. To date, no dividends have been declared by the Board of Directors. Holders of Series B Preferred Stock have no voting rights, except those rights provided under Delaware law. There were no outstanding shares of preferred stock as of September 30, 2020 or September 30, 2019.

16. Net Income (Loss) Per Share

The following table sets forth the computation for basic and diluted net income (loss) per share (in thousands, except per share amounts):

	Year Ended September 30,		
	2020	2019	2018
	(ASC 606)	(ASC 606)	(ASC 605)
Numerator:			
Net income (loss) from continuing operations	$ 28,782	$ (12,198)	$ (236,837)
Net (loss) income from discontinued operations	(7,386)	226,008	76,909
Net income (loss)	$ 21,396	$ 213,810	$ (159,928)
Denominator:			
Weighted average common shares outstanding — Basic	282,644	286,347	291,318
Dilutive effect of convertible instruments	3,286	—	—
Dilutive effect of employee stock compensation plans [a]	6,064	—	—
Weighted average common shares outstanding — Diluted	291,994	286,347	291,318
Net income (loss) per common share - basic:			
Continuing operations	$ 0.10	$ (0.04)	$ (0.81)
Discontinued operations	(0.02)	0.79	0.26
Total net income (loss) per basic common share	$ 0.08	$ 0.75	$ (0.55)
Net income (loss) per common share - diluted:			
Continuing operations	$ 0.10	$ (0.04)	$ (0.81)
Discontinued operations	(0.03)	0.79	0.26
Total net income (loss) per diluted common share	$ 0.07	$ 0.75	$ (0.55)
Anti-dilutive equity instruments excluded from the calculation	453	1,047	528
Contingently issuable awards excluded from the calculation [a]	9	1,786	4,434

[a] Certain performance-based awards were excluded from the determination of dilutive net income (loss) per share as the conditions were not met at the end of the reporting period.

17. Stock-Based Compensation

On January 22, 2020, our stockholders adopted our 2020 Stock Plan (the "2020 Stock Plan"). The 2020 Stock Plan (i) grants the Company's compensation committee the discretionary authority over the plan; (ii) makes employees, directors, consultants, and advisors of the Company and its subsidiaries eligible to receive awards; (iii) sets the number of shares of common stock that may be issued in satisfaction of awards to be 9,000,000 shares, plus the number of shares available for issuance under the amended and restated 2000 Stock Plan (the "Amended and Restated 2000 Stock Plan"); and (iv) identifies the annual limits on shares granted to each individual and the types of awards permissible.

As of September 30, 2020, we had 12.8 million shares available for future grants under the 2020 Stock Plan. We recognize stock-based compensation expenses over the requisite service periods. Our share-based awards are classified within equity upon issuance.

The amounts included in the consolidated statements of operations related to stock-based compensation are as follows (dollars in thousands):

	Year Ended September 30,		
	2020	2019	2018
Cost of professional services and hosting	$ 24,887	$ 26,647	$ 29,053
Cost of product and licensing	510	855	814
Cost of maintenance and support	1,663	1,314	3,322
Research and development	34,902	22,508	26,968
Sales and marketing	32,040	30,394	33,150
General and administrative	39,292	37,537	33,736
Total	$ 133,294	$ 119,255	$ 127,043

Modifications of Equity Awards

In connection with the spin-off of our Automotive business (the "Distribution") on October 1, 2019, under the provisions of our Amended and Restated 2000 Stock Plan and our Amended and Restated Directors Stock Plan, we adjusted our then outstanding equity awards in accordance with the terms of the Employee Matters Agreement that Nuance entered into in connection with the Distribution. Effective upon the Distribution, Nuance stock options, Nuance restricted stock units ("RSUs"), and Nuance performance-based restricted stock units ("PSUs") held by employees and other service providers continuing with Nuance following the Distribution, were adjusted based on a conversion ratio of 1.16667 to 1, as outlined in the Employee Matters Agreement. Effective upon the Distribution, RSUs held by employees continuing with Cerence following the Distribution that were scheduled to vest on or before November 30, 2019 vested in full as of immediately prior to the Distribution, PSUs held by such employees that were eligible to vest based on Nuance's relative total shareholder return ("TSR") as of November 6, 2019 were cancelled in exchange for a cash payment based on the portion of the PSUs that were then earned, and all other RSUs and PSUs held by such employees were forfeited for no consideration upon their termination of employment with Nuance. As of the Distribution (or an applicable employee's later transfer date), all employees continuing with Cerence following the Distribution ceased to be eligible to participate in Nuance's Employee Stock Purchase Plan ("ESPP"). As of September 30, 2020, the employees participating in our ESPP were all Nuance employees. There were no changes to the plan terms of any of the foregoing plans except as described above. The incremental expense as a result of these modification was immaterial to the condensed consolidated financial statements.

Stock Options

We have share-based award plans under which employees, officers and directors may be granted stock options to purchase our common stock, generally at the fair market value of the grant date. Our plans do not allow for options to be granted at below fair market value, nor can they be re-priced at any time. Options granted under our plans generally become exercisable over a period of two to four years and have a maximum term of ten years. We have also assumed options and option plans in connection with certain of our acquisitions. These stock options are governed by the plans and agreements that they were originally issued under but are now exercisable for shares of our common stock.

The table below summarizes activities related to stock options for the years ended September 30, 2020, 2019 and 2018:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value[(a)]
Outstanding at September 30, 2017	23,807	$ 15.39		
Exercised	(2,963)	$ 2.61		
Expired	(1,700)	$ 15.99		
Outstanding at September 30, 2018	19,144	$ 17.31		
Exercised	(3,314)	$ 7.22		
Expired	(4,528)	$ 17.89		
Outstanding at September 30, 2019	11,302	$ 20.04		
Exercised	(3,830)	$ 17.18		
Equitable Adjustment - Cerence Spin-off [(b)]	1,883			
Outstanding at September 30, 2020	9,355	$ 17.18	1.6 years	$ 0.1 million
Exercisable at September 30, 2020	9,355	$ 17.18	1.6 years	$ 0.1 million
Exercisable at September 30, 2019	11,302			
Exercisable at September 30, 2018	19,144			

(a) The aggregate intrinsic value represents any excess of the closing price of our common stock as of September 30, 2020 ($33.19) over the exercise price of the underlying options.

(b) Effective with the Distribution on October 1, 2019, outstanding equity awards were equitably adjusted by a conversion ratio of 1.16667 per one Nuance share then held.

The aggregate intrinsic values of stock options exercised during the fiscal year ended September 30, 2020, 2019, and 2018 were de minimis.

Restricted Stock Units and Performance Stock Units

We are authorized to issue equity incentive awards in the form of RSUs and PSUs. Unvested awards may not be sold, transferred or assigned. Both RSUs and PSUs are service-based awards and generally vested over a three-year period. The fair value of the RSUs is measured based upon the market price of the underlying common stock as of the grant date. PSUs are aligned to specified performance targets, such as total shareholder return relative to our peers, or specified performance metrics. PSUs generally cliff vest at the end of a three-year period, which is contingent upon the achievement of such performance targets as well as the employee's continued employment. The fair value of PSUs aligned to the returns of our common stock, or TSRs, is determined using a Monte Carlo simulation model. The fair value of PSUs aligned to specified performance metrics is determined based upon our best estimate of the probability of achieving these goals. The fair value of an award at the grant date is amortized to expense over the requisite service period using the straight-line method, net of an assumed forfeiture rate assumption. In the event that the employees' employment with us terminates, or in the case of awards with only performance goals, if those goals are not met, any unvested shares are forfeited and reverted to us.

In order to satisfy our employees' withholding tax liability as a result of the vesting of RSU and PSUs, we have historically repurchased shares upon the employees' vesting. We repurchased 2.9 million shares for $56.5 million in fiscal year 2020, 2.6 million shares for $42.6 million in fiscal year 2019, and 3.3 million shares for $52.3 million in fiscal year 2018.

RSUs and PSUs are not included in issued and outstanding common stock until the shares are vested and released. The table below summarizes activity relating to Restricted Units:

	Number of Shares Underlying Performance Stock Units	Number of Shares Underlying Restricted Stock Units Awards
Outstanding at September 30, 2017	5,043,931	6,477,164
Granted	2,175,537	8,876,712
Earned/released	(2,092,862)	(7,156,468)
Forfeited	(2,087,038)	(1,325,321)
Outstanding at September 30, 2018	3,039,568	6,872,087
Granted	1,342,836	9,500,077
Earned/released	(1,405,485)	(6,383,908)
Modification[(a)]	(296,759)	296,759
Forfeited	(688,835)	(1,286,071)
Outstanding at September 30, 2019	1,991,325	8,998,944
Granted	1,067,900	6,401,949
Earned/released	(303,198)	(8,106,783)
Forfeited	(438,981)	(1,452,467)
Equitable Adjustment - Cerence Spin-off [(b)]	303,074	1,316,006
Outstanding at September 30, 2020	2,620,120	7,157,649
Weighted average remaining recognition period of outstanding Restricted Units	1.4 years	1.7 years
Unrecognized stock-based compensation expense of outstanding Restricted Units	$19.1 million	$79.7 million
Aggregate intrinsic value of outstanding Restricted Units[(C)]	$87.0 million	$237.6 million

[(a)] 296,759 shares of performance-based awards were modified to time-based awards with only service conditions in December 2018.

[(b)] Effective with the Distribution on October 1, 2019, outstanding equity awards were equitably adjusted by a conversion ratio of 1.16667 per one Nuance share then held.

[(c)] The aggregate intrinsic value represents any excess of the closing price of our common stock as of September 30, 2020 ($33.19) over the exercise price of the underlying restricted units.

A summary of the weighted-average grant-date fair value of RSUs and PSUs granted, and the aggregate intrinsic value of Restricted Units vested for each fiscal year is as follows:

	Year ended September 30,		
	2020	2019	2018
Weighted-average grant-date fair value per share	$ 19.51	$ 16.52	$ 15.47
Total intrinsic value of shares vested (in millions)	$ 164.1	$ 125.2	$ 146.5

PSUs outstanding as of September 30, 2020 and issued in fiscal year 2019 include performance goals based on total shareholder return relative to our peers during the performance period. The awards actually earned will be up to two hundred percent of the targeted number of the PSUs. Compensation expense is recorded ratably over the performance period of the award based on the estimated grant date fair value estimated at the grant date using a Monte Carlo simulation model, which included the following assumptions:

	Year ended September 30,	
	2020	2019
Dividend yield	0.0%	0.0%
Expected volatility	27.73% - 28.24%	27.32% - 30.85%
Risk-free interest rate	1.40% - 1.62%	2.23% - 3.02%
Expected term (in years)	2.72 - 3	1 - 3

1995 Employee Stock Purchase Plan

The ESPP, as amended and restated on January 27, 2015, authorizes the issuance of a maximum of 20,000,000 shares of common stock in semi-annual offerings to employees at a price equal to the lower of 85% of the closing price on the applicable offering

commencement date or 85% of the closing price on the applicable offering termination date. Stock-based compensation expense for the employee stock purchase plan is recognized for the fair value benefit accorded to participating employees. At September 30, 2020, we have reserved 3.6 million shares for future issuance. A summary of the weighted-average grant-date fair value, shares issued, and total stock-based compensation expense recognized related to the ESPP are as follows:

	Year ended September 30,		
	2020	2019	2018
Weighted-average grant-date fair value per share	$ 6.90	$ 3.76	$ 4.00
Total shares issued (in millions)	1.0	1.2	1.3
Total stock-based compensation expense (in millions)	$ 4.2	$ 4.5	$ 5.2

The fair value of the purchase rights granted under the ESPP was estimated on the date of grant using the Black-Scholes option-pricing model that uses the following weighted-average assumptions, which were derived in a manner similar to those discussed above relative to stock options:

	Year ended September 30,		
	2020	2019	2018
Dividend yield	0.0%	0.0%	0.0%
Expected volatility	39.8%	27.8%	32.1%
Risk-free interest rate	0.9%	2.2%	2.0%
Expected term (in years)	0.5	0.5	0.5

18. Commitments and Contingencies

Litigation and Other Claims

Similar to many companies in the software industry, we are involved in a variety of claims, demands, suits, investigations and proceedings that arise from time to time relating to matters incidental to the ordinary course of our business, including actions with respect to contracts, intellectual property, employment, benefits and securities matters. At each balance sheet date, we evaluate contingent liabilities associated with these matters in accordance with ASC 450 "Contingencies". If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Significant judgments are required for the determination of probability and the range of the outcomes, and the estimates are based only on the information available at the time. Due to the inherent uncertainties involved in claims, legal proceedings, and in estimating the losses that may arise, actual outcomes may differ from our estimates. Contingencies deemed not probable or for which losses were not estimable in one period may become probable, or losses may become estimable in later periods which may have a material impact on our results of operations and financial position. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. As of September 30, 2020 and 2019, accrued losses were not material to our consolidated financial statements, and we do not expect any pending matter to have a material impact on our consolidated financial statements.

Guarantees and Other

We include indemnification provisions in the contracts we enter into with customers and business partners. Generally, these provisions require us to defend claims arising out of our products' infringement of third-party intellectual property rights, breach of contractual obligations and/or unlawful or otherwise culpable conduct. The indemnity obligations generally cover damages, costs and attorneys' fees arising out of such claims. In most, but not all cases, our total liability under such provisions is limited to either the value of the contract or a specified, agreed upon amount. In some cases, our total liability under such provisions is unlimited. In many, but not all cases, the term of the indemnity provision is perpetual. While the maximum potential amount of future payments we could be required to make under all the indemnification provisions is unlimited, we believe the estimated fair value of these provisions is minimal due to the low frequency with which these provisions have been triggered.

We indemnify our directors and officers to the fullest extent permitted by Delaware law, which provides among other things, indemnification to directors and officers for expenses, judgments, fines, penalties and settlement amounts incurred by such persons in their capacity as a director or officer of the company, regardless of whether the individual is serving in any such capacity at the time the liability or expense is incurred. Additionally, in connection with certain acquisitions, we agreed to indemnify the former

officers and members of the boards of directors of those companies, on similar terms as described above, for a period of six years from the acquisition date. In certain cases, we purchase director and officer insurance policies related to these obligations, which fully cover the six-year period. To the extent that we do not purchase a director and officer insurance policy for the full period of any contractual indemnification, and such directors and officers do not have coverage under separate insurance policies, we would be required to pay for costs incurred, if any, as described above.

19. Operating Leases

We have various operating leases for office space, data centers, office equipment and automobiles around the world with lease terms expiring between 2021 and 2030.

We determine if an arrangement is a lease at inception. The current portion of our operating lease liabilities is included in accrued expenses and other current liabilities and the long-term portion is included in operating lease liabilities.

Operating lease assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is our incremental borrowing rate. Due to the interest rate implicit in most of our leases not being readily determinable, our incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. Operating lease assets also include any prepaid lease payments and lease incentives. Our lease terms include periods under options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term.

Our lease agreements generally contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. We combine fixed payments for non-lease components with our lease payments and account for them together as a single lease component which increases the amount of our lease assets and liabilities. Payments under our lease arrangements are primarily fixed. Variable rents, if any, are expensed as incurred.

As of September 30, 2020, our operating leases had a weighted average remaining lease term of 4.7 years and a weighted average discount rate of 3.8%.

Future lease payments under operating leases as of September 30, 2020 were as follows (dollars in thousands):

Fiscal Year	Operating Leases	Operating leases under restructuring	Total
2021	$ 27,944	$ 4,492	$ 32,436
2022	23,162	3,805	26,967
2023	16,766	3,440	20,206
2024	14,496	1,996	16,492
2025	12,547	1,346	13,893
Thereafter	41,046	1,843	42,889
Total	$ 135,961	$ 16,922	$ 152,883

As of September 30, 2020, we have subleased certain office space that is included in the above table to third parties. As of September 30, 2020, the aggregate sublease income to be recognized during the remaining lease terms is $12.4 million, with approximately an average of $2.1 million annually for each of the next five fiscal years and approximately $2.0 million thereafter.

Our operating lease cost was approximately $32.5 million for the year ended September 30, 2020. Operating lease payments included within operating cash flows were $33.2 million for the year ended September 30, 2020.

20. Pension and Other Post-Retirement Benefits

Defined Contribution Plans

We have established a retirement savings plan under Section 401(k) of the Internal Revenue Code (the “401(k) Plan”). The 401(k) Plan covers substantially all of our U.S. employees who meet minimum age and service requirements, and allows participants to defer a portion of their annual compensation on a pre-tax basis. Effective on January 1, 2020, we now match 100% of the first 3% of employee contributions of eligible salaries, and 50% of the next 2% of employee contributions of eligible salaries for a total maximum match of 4%. Additionally, any employer's contributions made after January 1, 2020 will now be vested immediately,

and employer contributions made before this date will continue to be vested on the prior schedule. Our contributions to the 401(k) Plan that covers substantially all of our U.S. employees who meet the minimum requirements totaled $12.0 million, $7.3 million and $6.1 million for fiscal years 2020, 2019 and 2018, respectively. We make contributions to various other plans in certain of our foreign operations; total contributions to these plans are not material.

Defined Benefit Plans

We sponsor certain defined benefit plans that are offered primarily by our foreign subsidiaries. Many of these plans were assumed through our acquisitions or are required by local regulatory requirements. We may deposit funds for these plans with insurance companies, third party trustees, or into government-managed accounts consistent with local regulatory requirements, as applicable. Our defined benefit pension income was $0.4 million, $0.5 million, and $0.1 million for fiscal years 2020, 2019, and 2018, respectively. The aggregate projected benefit obligation as of September 30, 2020 and September 30, 2019 was $35.4 million and $35.2 million, respectively. The aggregate net liability of our defined benefit plans as of September 30, 2020 and September 30, 2019 was $13.2 million and $12.6 million, respectively.

21. Income Taxes

Recent Tax Legislation

On December 22, 2017, the TCJA was signed into law. The TCJA significantly revises the U.S. corporate income tax by, among other things, lowering corporate income tax rates, implementing a hybrid territorial tax system, and imposing a mandatory one-time repatriation tax on foreign cash and earnings.

We are subject to additional requirements of the TCJA during the year ended September 30, 2020 and 2019. The material provisions affecting the Company include a tax on global intangible low-taxed income (“GILTI”), a limitation of certain executive compensation, a base erosion and anti-abuse tax ("BEAT"). Our fiscal year 2019 and 2020 effective tax rate includes our estimates of these new provisions. Our estimates of the impact of these provisions may change in future periods as we obtain additional data and as the IRS issues new guidance implementing the law changes.

As a result of the TCJA, in fiscal year 2018 we remeasured certain deferred tax assets and liabilities at the lower rates and recorded approximately $92.9 million of tax benefits. Additionally, as of September 30, 2018, we recorded a $5.8 million provision for the deemed repatriation of foreign cash and earnings, which is estimated based upon estimated foreign earnings and foreign income taxes.

On March 27, 2020, the CARES Act was enacted, which provided a technical correction to a provision in the TCJA related to the characterization of federal net operating losses ("NOLs") generated during fiscal year 2018. Under the TCJA, NOLs generated in fiscal years that straddled December 31, 2017 were designated as indefinite-lived NOLs. The CARES Act amended this legislation to designate these NOLs as definite-lived NOLs. This recharacterization resulted in an increase of $6.5 million in deferred tax assets related to our definite lived NOLs, thus requiring additional valuation allowance of the same amount.

(Benefit) Provision for Income Taxes

The components of income (loss) before income taxes are as follows (dollars in thousands):

	Year Ended September 30,		
	2020	2019	2018
Domestic	$ (21,170)	$ (3,325)	$ (230,955)
Foreign	31,200	3,232	(83,042)
Income (loss) before income taxes	$ 10,030	$ (93)	$ (313,997)

The components of the (benefit) provision for income taxes are as follows (dollars in thousands):

	Year Ended September 30,		
	2020	2019	2018
Current:			
Federal	$ 6,654	$ 5,023	$ (5,084)
State	740	1,214	(2,007)
Foreign	13,791	18,305	18,338
Total current	21,185	24,542	11,247
Deferred:			
Federal	(17,969)	7,727	(84,569)
State	(13,216)	1,477	1,986
Foreign	(8,752)	(21,641)	(5,824)
Total deferred	(39,937)	(12,437)	(88,407)
(Benefit) provision for income taxes	$ (18,752)	$ 12,105	$ (77,160)
Effective income tax rate	(187.0)%	(13,016.1)%	24.6%

The (benefit) provision for income taxes differed from the amount computed by applying the federal statutory rate to our income tax before income taxes as follows (dollars in thousands):

	Year Ended September 30,		
	2020	2019	2018
Federal tax benefit at statutory rate	$ 2,106	$ (20)	$ (77,029)
State tax (benefit) provision, net of federal benefit	(9,740)	2,328	(508)
Foreign tax rate and other foreign related tax items	(4,047)	7,708	(4,275)
Stock-based compensation	(3,830)	3,368	3,290
Non-deductible expenditures	481	2,696	1,927
Executive compensation	6,445	1,662	503
Change in U.S. and foreign valuation allowance	(28,709)	188,510	57,281
Capital losses	10,443	(179,635)	—
Intangible property transfers	(14,800)	(23,428)	—
Uncertain tax positions	18,020	4,428	4,415
Base erosion and anti-abuse tax	6,619	5,023	—
TCJA impact	—	—	(87,058)
Goodwill impairment	—	—	28,640
Tax credits	(11,206)	(561)	(4,499)
Foreign dividend	12,806	1,026	736
Debt repurchases	(3,442)	—	—
Other	102	(1,000)	(583)
(Benefit) provision for income taxes	$ (18,752)	$ 12,105	$ (77,160)

The effective income tax rate is based upon the income for the year, the composition of the income in different countries, changes relating to valuation allowances and as necessary, and adjustments, if any, for the potential tax consequences of resolving audits or other tax contingencies. Our effective income tax rate may vary based on the geographic mix of our income.

The effective income tax rate in fiscal year 2020 differs from the U.S. federal statutory rate of 21.0% primarily due to a net $29.9 million deferred tax benefit from adjustments to domestic valuation allowance primarily related to the Cerence spin-off, a foreign tax benefit of $14.8 million related to prior year intangible property transfers, partially offset by uncertain tax positions and the base erosion and anti-abuse tax.

The effective income tax rate in fiscal year 2019 differs from the U.S. federal statutory rate of 21.0% primarily due to a net tax benefit related to intangible property transfers, partially offset by the base erosion and anti-abuse tax and uncertain tax positions. As part of the restructuring for the spin-off of our Automotive business, we recognized an $857.8 million gross U.S. capital loss with a potential tax benefit of $180.1 million. We believe that it is not more likely than not that the tax benefit from the U.S. capital loss will be realized. As a result, we recorded a full valuation allowance against the capital loss.

The effective income tax rate in fiscal year 2018 differs from the U.S. federal statutory rate of 24.5% primarily due to the net tax benefits resulting from the TCJA remeasurement of deferred tax assets and liabilities at the lower enacted rate, and our foreign earnings subject to lower tax rates, offset in part by additional valuation allowance related to current period losses, and the tax effect of goodwill impairment charges that are not deductible.

As of September 30, 2020, foreign earnings of approximately $294.0 million have been retained by foreign subsidiaries for reinvestment. No provision has been made for deferred taxes on undistributed earnings of non-U.S. subsidiaries as these earnings have been indefinitely invested or expected to be remitted substantially free of additional tax. Determination of the amount of unrecognized deferred tax liability on these undistributed earnings is not practicable because of the complexity of laws and regulations, varying tax treatment of alternative repatriation scenarios, and the variation due to multiple potential assumptions relating to the timing of any future repatriations.

Deferred tax assets (liabilities) consist of the following as of September 30, 2020 and 2019 (dollars in thousands):

	September 30, 2020	September 30, 2019
Deferred tax assets:		
Net operating loss carryforwards	$ 121,375	$ 166,224
Capital loss carryforwards	169,480	188,320
Federal and state credit carryforwards	44,181	43,897
Accrued expenses and other reserves	19,703	33,150
Difference in timing of revenue related items	—	24,832
Deferred compensation	20,088	22,917
Lease liabilities	23,874	—
Other	18,697	11,579
Total deferred tax assets	417,398	490,919
Valuation allowance for deferred tax assets	(230,322)	(303,378)
Net deferred tax assets	187,076	187,541
Deferred tax liabilities:		
Depreciation	(20,781)	(16,833)
Convertible debt	(86,667)	(87,046)
Acquired intangibles	(56,794)	(7,517)
Difference in timing of revenue related items	(26,787)	—
Right-of-Use assets	(18,345)	—
Net deferred tax (liabilities) assets	$ (22,298)	$ 76,145
Reported as:		
Other assets	$ 47,818	$ 130,361
Long-term deferred tax liabilities	(70,116)	(54,216)
Net deferred tax (liabilities) assets	$ (22,298)	$ 76,145

Deferred tax assets are reduced by a valuation allowance if, based on the weight of available positive and negative evidence, it is more likely than not that some portion or all the deferred tax assets will not be realized. During fiscal year 2020, the valuation allowance for deferred tax assets decreased by $73.1 million. This decrease relates to the valuation allowance for deferred taxes related to Cerence which was spun off in fiscal year 2020, partially offset by additional valuation allowance for federal and state credit carryforwards. As of September 30, 2020, we have $198.9 million and $31.4 million in valuation allowance against our net domestic and foreign deferred tax assets, respectively. As of September 30, 2019, we had $269.6 million and $33.8 million in valuation allowance against our net domestic and foreign deferred tax assets, respectively.

Valuation Allowances

As of September 30, 2020, and September 30, 2019, we had a full valuation allowance against net domestic deferred tax assets and certain foreign deferred tax assets. We intend to maintain valuation allowances on these deferred tax assets until there is sufficient evidence to support the release of all or some portion of these allowances. A significant portion of our domestic deferred tax assets relate to U.S. net operating losses. Cumulative pretax losses have historically represented significant negative evidence of our ability to realize our domestic deferred tax assets. We continue to evaluate all sources of domestic taxable income including both the reversal of existing deferred tax liabilities and the likelihood that we could sustain pretax profitability in the future. As of September 30, 2020, we believe that there is a reasonable possibility that within the next twelve months these sources of taxable

income may become sufficient positive evidence to support a conclusion that a substantial portion of the domestic valuation allowance, excluding capital losses, could be released.

Automotive Deferred Taxes

As discussed within Note 4, the Company has elected to classify the deferred tax assets and liabilities associated with assets and liabilities held for sale (including those spun-off) with the Company's other deferred tax assets and liabilities. As such, the deferred tax assets and liabilities reflected above include those associated with the business reported within the balance sheet item Assets Held for Sale. The net amount of estimated deferred tax assets associated with the Automotive segment as of September 30, 2019 is $73.8 million.

At September 30, 2020 and 2019, we had U.S. federal net operating loss carryforwards of $370.5 million and $551.1 million, respectively. At September 30, 2020 and 2019, we had state net operating loss carryforwards of $196.0 million and $194.6 million, respectively. Certain net operating loss and credit carryforwards are subject to an annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986 and similar state tax provisions. As of September 30, 2020 and 2019, we had foreign net operating loss carryforwards of $154.8 million and $191.7 million, respectively. These carryforwards will expire at various dates beginning in 2020 and extending up to an unlimited period.

As of September 30, 2020 and 2019, we had federal research and development carryforwards and foreign tax credit carryforwards of $56.6 million and $27.7 million, respectively. As of September 30, 2020 and 2019, we had state research and development credit and investment tax credit carryforwards of $13.1 million and $3.9 million, respectively. As of September 30, 2020 and 2019, we had foreign investment tax credit carryforwards of $8.4 million and $14.3 million, respectively.

Uncertain Tax Positions

We believe that our income tax reserves are adequate; however, amounts asserted by taxing authorities could be greater or less than amounts accrued and reflected in our consolidated balance sheets. Accordingly, we could record adjustments to the amounts for federal, foreign, and state tax-related liabilities in the future as we revise estimates or as we settle or otherwise resolve the underlying matters. In the ordinary course of business, we may take new positions that could increase or decrease our unrecognized tax benefits in future periods.

The aggregate changes in the balance of our gross unrecognized tax (benefits) provisions were as follows (dollars in thousands):

	Year Ended September 30,	
	2020	2019
Balance at the beginning of the year	$ 24,111	$ 19,491
Increases related to tax positions from prior fiscal years	38,006	—
Increases for tax positions taken during current period	6,866	5,517
Decreases for tax settlements and lapse in statutes	(8,915)	(860)
Cumulative translation adjustments	413	(37)
Balance at the end of the year	$ 60,481	$ 24,111

As of September 30, 2020, $60.5 million of the unrecognized tax benefits, if recognized, would impact our effective income tax rate. We recognized interest and penalties related to uncertain tax positions in our provision for income taxes of $2.1 million, $1.4 million, and $0.8 million during fiscal years 2020, 2019, and 2018, respectively. We recorded interest and penalties of $8.1 million and $8.9 million as of September 30, 2020 and 2019, respectively.

We are subject to U.S. federal income tax, various state and local taxes, and international income taxes in numerous jurisdictions. The federal tax returns for 2001 through 2016 remain subject to examination for the purpose of determining the amount of remaining tax NOL and other carryforwards. Additionally, the federal tax returns for 2017 through 2019 years remain open for all purposes of examination by the IRS and other taxing authorities in material jurisdictions.

22. Related Party Transaction

In January 2018, we entered into a software and license agreement (the "License Agreement") with Magnet Systems, Inc. ("Magnet") which was pre-approved by our Board of Directors. A member of the Magnet board of directors also served on our board of directors at the time of the transaction. Pursuant to the License Agreement, Magnet granted us a perpetual software license to certain technology for a one-time payment of $5.0 million in cash, with $3.5 million paid immediately upon the effective date of the License Agreement and $1.5 million payable upon the earlier of (i) the 120-day period following the effective date of the License Agreement or (ii) signature of a statement of work for the engineering services described below.

Additionally, we entered into a service agreement (the "Service Agreement") with Magnet, pursuant to which Magnet will provide engineering services to assist in integrating the licensed technology into certain of our Enterprise solutions. Based upon the statement of work signed on April 19, 2018, total fees under the Service Agreement should not exceed $2.0 million and are payable in six equal monthly installments upon the signature of the statement of work, which was finalized within 90 days following the effective date of the License Agreement. We incurred $2.0 million service costs by the time the integration service was completed on March 31, 2019.

23. Segment and Geographic Information

Our Chief Operating Decision Maker ("CODM") regularly reviews segment revenues and segment profits for performance evaluation and resources allocation. Segment revenues include certain acquisition-related adjustments for revenues that would otherwise have been recognized without the acquisition. Segment profits reflect controllable costs directly related to each segment and the allocation of certain corporate expenses such as, corporate sales and marketing expenses and research and development project costs that benefit multiple segments. Certain items such as stock-based compensation, amortization of intangible assets, acquisition-related costs, net, restructuring and other charges, net, other expenses, net and certain unallocated corporate expenses are excluded from segment profits, which allow for more meaningful comparisons to the financial results of the historical operations for performance evaluation and resources allocation by our CODM.

- The Healthcare segment is primarily engaged in providing clinical speech and clinical language understanding solutions that improve the clinical documentation process, from capturing the complete patient record to improving clinical documentation and quality measures for reimbursement.
- The Enterprise segment is primarily engaged in using speech, natural language understanding, and artificial intelligence to provide automated customer solutions and services for voice, mobile, web and messaging channels.
- The Other segment consists primarily of voicemail transcription services after the sale of our Mobile Operator Services and the wind-down of devices in 2019.

We do not track our assets by segment. Consequently, it is not practical to show assets or depreciation by segment. The following table presents segment results along with a reconciliation of segment profits to income (loss) before income taxes (dollars in thousands):

NUANCE COMMUNICATIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended September 30,		
	2020	2019	2018
Segment revenues:	(ASC 606)	(ASC 606)	(ASC 605)
Healthcare	$ 915,332	$ 950,593	$ 984,819
Enterprise	529,978	510,753	483,194
Other	33,890	61,461	109,064
Total segment revenues	1,479,200	1,522,807	1,577,077
Acquisition related revenue adjustments [(a)]	(301)	(1,536)	(9,477)
Total consolidated revenue	1,478,899	1,521,271	1,567,600
Segment profit:			
Healthcare	298,751	333,526	322,715
Enterprise	146,923	131,169	130,173
Other	19,725	19,555	24,157
Total segment profit	465,399	484,250	477,045
Corporate expenses and other, net	(119,945)	(137,558)	(183,657)
Acquisition-related revenues and costs of revenues adjustment	(301)	(1,536)	(9,477)
Stock-based compensation	(133,294)	(119,255)	(127,043)
Amortization of intangible assets	(78,707)	(81,622)	(105,375)
Acquisition-related costs, net	(2,884)	(7,965)	(12,010)
Restructuring and other charges, net	(17,680)	(29,147)	(52,846)
Impairment of goodwill and other intangible assets	—	—	(170,941)
Other expenses, net	(102,558)	(107,260)	(129,693)
Income (loss) before income taxes	$ 10,030	$ (93)	$ (313,997)

(a) Segment revenues differ from reported revenues due to certain revenue adjustments related to acquisitions that would otherwise have been recognized but for the purchase accounting treatment of the business combinations. These revenues are included to allow for more complete comparisons to the financial results of historical operations and in evaluating management performance.

No country outside of the United States provided greater than 10% of our total revenue. Revenue, classified by the major geographic areas in which our customers are located, was as follows (dollars in thousands):

	Year Ended September 30,		
	2020	2019	2018
	(ASC 606)	(ASC 606)	(ASC 605)
United States	$ 1,185,760	$ 1,237,406	$ 1,255,203
International	293,139	283,865	312,397
Total	$ 1,478,899	$ 1,521,271	$ 1,567,600

No country outside of the United States held greater than 10% of our long-lived or total assets. Our long-lived assets from continuing operations, including intangible assets and goodwill, were located as follows (dollars in thousands):

	September 30, 2020	September 30, 2019
United States	$ 2,254,424	$ 2,086,932
International	602,923	787,040
Total	$ 2,857,347	$ 2,873,972

24. COVID-19 Pandemic

The novel coronavirus ("COVID-19") pandemic has disrupted economic markets, and the future economic impact, duration and spread of COVID-19 is still uncertain at this time. Our fiscal year 2020 results of operations and liquidity position were adversely impacted by the pandemic. During the second and the third quarters, we saw reduced transaction volume in our medical transcription business and PowerScribe radiology solution, as well as well as deferral in professional services and software license transactions. Additionally, our operating cash flows for the second and third quarters were negatively impacted by delayed collections, especially from smaller healthcare providers, as their cash flows deteriorated due to the postponement of elective surgeries and the sharp decline in inpatient visits.

As multiple states commenced phased re-openings, by the end of June, our transaction volumes in medical transcription and radiology businesses mostly recovered from the lows in April. Although during the fourth quarter, we saw our results of operations and liquidity slightly improved from the second and the thirds quarter, we expect the negative effect of the pandemic to continue into the first quarter of fiscal year 2021, particularly if certain markets implement new restrictions to limit the spread of the coronavirus.

As a precaution amidst the pandemic, we ceased our share repurchase activities and borrowed $230.0 million under our revolving credit facility in March, which was fully repaid in June as we became more confident in our liquidity position. We remain committed to maximizing stockholders' return, and may resume our share repurchase activities based upon the prevailing market conditions, general economic conditions, capital allocation alternatives, and other factors.

As the pandemic situation develops, we are continuing to monitor the impact on our business, results of operations, and our liquidity position.

25. Subsequent Event

In connection with our ongoing comprehensive portfolio and business review, during the first quarter of 2021, we announced our strategic plan to sell our medical transcription and EHR go-live businesses to Assured Healthcare Partners and Aeries Technology Group. These businesses provide critical support to healthcare organizations, and upon the closing of the sale, Nuance will be both a minority stakeholder and business partner committed to the success of the new business, named DeliverHealth Solutions.

As a result, we expect the results of medical transcription and EHR go-live businesses to be included within discontinued operations on the consolidated statements of operations, and the related assets and liabilities to be classified as assets and liabilities held for sale on the consolidated balance sheets effective the first quarter of fiscal year 2021.

The change in financial statement presentation may trigger changes in reporting units, which may result in a goodwill impairment charge of $10 million to $20 million during the first quarter of fiscal year 2021.

26. Quarterly Data (Unaudited)

The following information has been derived from unaudited consolidated financial statements that, in the opinion of management, include all recurring adjustments necessary for a fair statement of such information (dollars in thousands, except per share amounts):

	First Quarter	Second Quarter[(a)]	Third Quarter	Fourth Quarter	Fiscal Year
2020					
Total revenue	$ 418,233	$ 369,337	$ 338,398	$ 352,931	$ 1,478,899
Gross profit	$ 233,844	$ 212,244	$ 194,216	$ 199,656	$ 839,960
Net income (loss) from continuing operations	$ 54,877	$ (20,006)	$ 16,662	$ (22,751)	$ 28,782
Net income (loss) per share - continuing operations:					
Basic	$ 0.19	$ (0.07)	$ 0.06	$ (0.08)	$ 0.10
Diluted	$ 0.19	$ (0.07)	$ 0.06	$ (0.08)	$ 0.10
Weighted average common shares outstanding:					
Basic	284,130	282,576	281,281	282,556	282,644
Diluted	289,453	282,576	287,852	282,556	291,994

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
2019					
Total revenue	$ 419,675	$ 336,584	$ 377,437	$ 387,575	$ 1,521,271
Gross profit	$ 235,555	$ 177,325	$ 205,667	$ 219,240	$ 837,787
Net income (loss) from continuing operations	$ 13,881	$ (28,397)	$ (687)	$ 3,005	$ (12,198)
Net income (loss) per share - continuing operations:					
Basic	$ 0.05	$ (0.10)	$ —	$ 0.01	$ (0.04)
Diluted	$ 0.05	$ (0.10)	$ —	$ 0.01	$ (0.04)
Weighted average common shares outstanding:					
Basic	287,796	285,866	285,942	285,754	286,347
Diluted	292,359	285,866	285,942	291,598	286,347

[a] On March 27, 2020, the CARES Act was enacted, which provided a technical correction to a provision in the TCJA related to the characterization of federal net operating losses ("NOLs") generated during fiscal year 2018. Under the TCJA, NOLs generated in fiscal years that straddled December 31, 2017 were designated as indefinite-lived NOLs. The CARES Act amended this legislation to designate these NOLs as definite-lived NOLs. This recharacterization resulted in an increase of $6.5 million in deferred tax assets related to our definite lived NOLs, thus requiring additional valuation allowance of the same amount. This adjustment was identified during the fiscal third quarter ending June 30, 2020.

We determined that these amounts are not material to our previously issued condensed consolidated financial statements for the three months ended March 31, 2020. The amounts for the second quarter of fiscal year 2020 above have been adjusted to reflect this adjustment.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

Not applicable.

Item 9A. *Controls and Procedures*

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures. Our disclosure controls and procedures are designed (i) to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed and summarized and reported within the time periods specified in the SEC's rules and forms and (ii) to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2020, our disclosure controls and procedures were effective.

Management Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and,
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of our internal control over financial reporting as of September 30, 2020, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the 2013 Internal Control-Integrated Framework. Based on the results of this assessment, management (including our Chief Executive Officer and our Chief Financial Officer) has concluded that, as of September 30, 2020, our internal control over financial reporting was effective.

The attestation report concerning the effectiveness of our internal control over financial reporting as of September 30, 2020 issued by BDO USA, LLP, an independent registered public accounting firm, appears in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Controls Over Financial Reporting

There have been no material changes in our internal controls over financial reporting during the fourth quarter of fiscal 2020 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. *Other Information*

None

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K since we intend to file our definitive Proxy Statement for our next Annual Meeting of Stockholders, pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended (the "Proxy Statement"), within 120 days of the end of the fiscal year covered by this report, and certain information to be included in the Proxy Statement is incorporated herein by reference.

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item concerning our directors is incorporated by reference to the information set forth in the section titled "Election of Directors" in our Proxy Statement. Information required by this item concerning our executive officers is incorporated by reference to the information set forth in the section entitled "Executive Compensation, Management and Other Information" in our Proxy Statement. Information regarding Section 16 reporting compliance is incorporated by reference to the information set forth in the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement.

Our Board of Directors adopted a Code of Business Conduct and Ethics for all of our directors, officers and employees effective on November 25, 2019. Our Code of Business Conduct and Ethics, as well as any amendments thereto, can be found at our website: www.nuance.com. We will provide to any person without charge, upon request, a copy of our Code of Business Conduct and Ethics. Such a request should be made in writing and addressed to Investor Relations, Nuance Communications, Inc., 1 Wayside Road, Burlington, MA 01803.

To date, there have been no waivers under our Code of Business Conduct and Ethics. We will post any waivers, if and when granted, of our Code of Business Conduct and Ethics on our website at www.nuance.com.

Item 11. *Executive Compensation*

The information required by this item regarding executive compensation is incorporated by reference to the information set forth in the section titled "Executive Compensation, Management and Other Information" in our Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this item regarding security ownership of certain beneficial owners and management is incorporated by reference to the information set forth in the sections titled "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in our Proxy Statement.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

It is the policy of the Board that all transactions required to be reported pursuant to Item 404 of Regulation S-K be subject to approval by the Audit Committee of the Board. In furtherance of relevant Nasdaq rules and our commitment to corporate governance, the charter of the Audit Committee provides that the Audit Committee shall review and approve any proposed related party transactions including, transactions required to be reported pursuant to Item 404 of Regulation S-K for potential conflict of interest situations. The Audit Committee reviews the material facts of all transactions that require the committee's approval and either approves or disapproves of the transaction. In determining whether to approve a transaction, the Audit Committee will take into account, among other factors it deems appropriate, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances.

The additional information required by this item regarding certain relationships and related party transactions is incorporated by reference to the information set forth in the sections titled "Transactions with Related Persons" and "Corporate Governance-Board Independence" in our Proxy Statement.

Item 14. ***Principal Accountant Fees and Services***

The information required by this section is incorporated by reference from the information in the section entitled "Ratification of Appointment of Independent Registered Public Accounting Firm" in our Proxy Statement.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) The following documents are filed as a part of this Report:

(1) Financial Statements — See Index to Financial Statements in Item 8 of this Report.

(2) Financial Statement Schedules — All schedules have been omitted as the requested information is inapplicable or the information is presented in the financial statements or related notes included as part of this Report.

(3) Exhibits — See Item 15(b) of this Report below.

(b) Exhibits.

EXHIBIT INDEX

Exhibit Index #	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
2.1	Separation and Distribution Agreement, dated as of September 30, 2019, between Nuance Communications, Inc. and Cerence Inc.	8-K	001-36056	2.1	10/2/2019	
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	10-Q	0-27038	3.2	5/11/2001	
3.2	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Registrant.	10-Q	0-27038	3.1	8/9/2004	
3.3	Certificate of Ownership and Merger.	8-K	0-27038	3.1	10/19/2005	
3.4	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Registrant, as amended.	S-3	333-142182	3.3	4/18/2007	
3.5	Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock.	8-K	0-27038	3.2	8/20/2013	
3.6	Amended and Restated Bylaws of the Registrant.	8-K	001-36056	3.1	11/7/2019	

						Filed Herewith
		Incorporated by Reference				
4.1	Specimen Common Stock Certificate.	10-K	001-36056	4.1	11/26/2019	
4.2	Indenture, dated as of October 24, 2011, between Nuance Communications, Inc. and U.S. Bank National Association as Trustee relating to 2.75% Senior Convertible Debentures due 2031.	8-K	0-27038	4.1	10/24/2011	
4.3	Indenture, dated June 16, 2015, between Nuance Communications, Inc., and U.S. Bank National Association as Trustee, relating to 1.50% Senior Convertible Debentures due 2035	8-K	001-36056	4.1	6/22/2015	
4.4	Indenture, dated December 7, 2015, between Nuance Communications, Inc., and U.S. Bank National Association as Trustee, relating to 1.00% Senior Convertible Debentures due 2035.	8-K	001-36056	4.1	12/7/2015	
4.5	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act.					X
10.1	Form of Indemnification Agreement.*	10-Q	001-36056	10.1	5/9/2019	
10.2	Nuance Communications, Inc. 2020 Stock Plan.*	8-K	001-36056	10.1	1/22/2020	
10.3	Form of Restricted Stock Purchase Agreement for use under Nuance Communications, Inc. 2020 Stock Plan (time-vesting awards).*	10-Q	001-36056	10.1	2/7/2020	
10.4	Form of Restricted Stock Unit Purchase Agreement for use under Nuance Communications, Inc. 2020 Stock Plan (performance-based awards).*	10-Q	001-36056	10.2	2/7/2020	
10.5	Amended and Restated 1995 Directors Stock Plan (as amended and restated June 25, 2018).*	10-Q	001-36056	10.3	8/9/2018	
10.6	Form of Executive Officer Employment Offer Letter.*	10-K	001-36056	10.9	11/22/2016	
10.7	Form of Change of Control and Severance Agreement for Executive Officers.*	10-Q	001-36056	10.2	8/9/2018	
10.8	Form of Amendment to Change of Control and Severance Agreement for Executive Officers.*					X
10.9	Revolving Credit Agreement, dated April 15, 2016, among Nuance Communications, Inc., the lenders party thereto and Barclays Bank PLC, as Administrative Agent.	8-K	001-36056	10.1	4/19/2016	
10.10	Amendment No. 1, dated as of October 4, 2016, to the Revolving Credit Agreement, dated April 15, 2016, among Nuance Communications, Inc., the lender's party thereto, Barclays Bank PLC, as Administrative Agent, and the other parties named therein.					X
10.11	Amendment No. 2, dated as of September 12, 2019, to the Revolving Credit Agreement, dated April 15, 2016, among Nuance Communications, Inc., the lender's party thereto, Barclays Bank PLC, as Administrative Agent, and the other parties named therein.	8-K	001-36056	10.1	9/13/2019	
10.12	Amendment No. 3, dated as of July 31, 2020, to the Revolving Credit Agreement, dated April 15, 2016, among Nuance Communications, Inc., the lender's party thereto, Barclays Bank PLC, as Administrative Agent, and the other parties named therein.	8-K	001-36056	10.1	8/5/2020	

		Incorporated by Reference				Filed Herewith
10.13	Guarantee and Collateral Agreement, dated April 15, 2016, among Nuance Communications, Inc., certain Nuance subsidiaries and Barclays Bank PLC, as Administrative Agent.	8-K	001-36056	10.2	4/19/2016	
10.14	Change of Control and Severance Agreement between Nuance Communications, Inc. and Daniel Tempesta, dated August 8, 2018.*	10-K	001-36056	10.16	11/20/2018	
10.15	Employment Agreement between Nuance Communications, Inc. and Mark D. Benjamin, dated March 19, 2018.*	8-K	001-36056	10.1	3/22/2018	
10.16	Amendment to Employment Agreement between Nuance Communications, Inc. and Mark D. Benjamin, dated November 17, 2020.*					X
10.17	Tax Matters Agreement, dated as of September 30, 2019, between Nuance Communications, Inc. and Cerence Inc.	8-K	001-36056	10.1	10/2/2019	
10.18	Transition Services Agreement, dated as of September 30, 2019, between Nuance Communications, Inc. and Cerence Inc.	8-K	001-36056	10.2	10/2/2019	
10.19	Employee Matters Agreement, dated as of September 30, 2019, between Nuance Communications, Inc. and Cerence Inc.	8-K	001-36056	10.3	10/2/2019	
10.20	Intellectual Property Agreement, dated as of September 30, 2019, between Nuance Communications, Inc. and Cerence Inc.	8-K	001-36056	10.4	10/2/2019	
10.21	Transitional Trademark License Agreement, dated as of September 30, 2019, between Nuance Communications, Inc. and Cerence Inc.	8-K	001-36056	10.5	10/2/2019	
21.1	Subsidiaries of the Registrant.					X
23.1	Consent of BDO USA, LLP.					X
24.1	Power of Attorney. (See Signature Page).					X
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a).					X
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a).					X
32.1	Certification Pursuant to 18 U.S.C. Section 1350.					X
101	The following materials from Nuance Communications, Inc.'s Annual Report on Form 10-K for the fiscal year ended September 30, 2020, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Loss, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Unaudited Consolidated Financial Statements.					
104	The cover page of this Annual Report on Form 10-K for the year ended September 30, 2020, formatted in Inline XBRL.					

* Denotes management compensation plan or arrangement

Item 16. ***Form 10-K Summary***

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

NUANCE COMMUNICATIONS, INC.

By: /s/ Mark Benjamin

Mark Benjamin

Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints Mark Benjamin and Daniel D. Tempesta, and each of them acting individually, as his or her true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, and hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof. This power of attorney may be executed in counterparts.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

Date: 11/19/2020	/s/ Mark Benjamin Mark Benjamin, Chief Executive Officer (Principal Executive Officer)
Date: 11/19/2020	/s/ Daniel D. Tempesta Daniel D. Tempesta Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: 11/19/2020	/s/ Arthur Giterman Arthur Giterman Senior Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)
Date: 11/19/2020	/s/ Daniel J. Brennan Daniel J. Brennan, Director
Date: 11/19/2020	/s/ Lloyd A. Carney Lloyd A. Carney, Chairman of the Board
Date: 11/19/2020	/s/ Thomas D. Ebling Thomas D. Ebling, Director
Date: 11/19/2020	/s/ Robert J. Finocchio Robert J, Finocchio, Jr., Director
Date: 11/19/2020	/s/ Laura S. Kaiser Laura S. Kaiser, Director
Date: 11/19/2020	/s/ Michal Katz Michal Katz, Director
Date: 11/19/2020	/s/ Mark R. Laret Mark R. Laret, Director
Date: 11/19/2020	/s/ Sanjay N. Vaswani Sanjay N. Vaswani, Director

Exhibit 4.5

Description of the Company's Capital Stock

The following is a description of the authorized capital stock of Nuance Communications, Inc. (the "Company"). This summary is qualified by reference to the actual provisions of the Company's Amended and Restated Certificate of Incorporation, as amended (the "Charter"), and Amended and Restated Bylaws (the "Bylaws"), copies of which have been filed with the Securities and Exchange Commission, and to the provisions of the Delaware statutes described herein.

Common Stock

The Company's authorized common stock consists of 560,000,000 shares of Common Stock, $0.001 par value per share (the "Common Stock"). The Common Stock is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, and is listed for trading on the Nasdaq Global Select Market under the trading symbol "NUAN".

Holders of the Common Stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. Holders of Common Stock are entitled to receive ratably such dividends, if any, as may be declared by the Company's Board of Directors out of funds legally available therefor, subject to any preferential dividend rights of preferred stock that may be issued in the future.

In the event of a liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior rights of preferred stock then outstanding, if any. Common Stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions available to Common Stock. The rights, preferences, and privileges of holders of Common Stock are subject to, and may be adversely affected by, the rights of holders of shares of the Preferred Stock, as discussed below.

Preferred Stock

The Company's Board of Directors is authorized, subject to any limitations prescribed by law, without further stockholder approval, to issue from time to time up to an aggregate of 40,000,000 shares of preferred stock, $0.001 par value ("Preferred Stock"), in one or more series.

No shares of Preferred Stock are outstanding.

The Charter currently designates two series of preferred stock: 1,000,000 shares as Series A Participating Preferred Stock and 15,000,000 shares as Series B Preferred Stock.

The Series A Participating Preferred Stock, if issued, have no conversion or redemption rights and upon a liquidation would entitle holders to the greater of $1,000.00 per share or an amount equal to the payment made on one share of the Common Stock. The holders of Series A Participating Preferred Stock are entitled to cumulative dividends at the rate of the greater of (x) $1.00 per quarter per share and (y) 1,000 times the amount of all cash and 1,000 times the amount of all non-cash dividends declared on the Common Stock since the prior dividend payment, payable when, and if declared by the Company's Board of Directors. The Series A Participating Preferred Stock ranks junior to all other series of Preferred Stock as to the payment of dividends and the distribution of assets.

The Series B Preferred Stock is convertible into shares of Common Stock on a one-for-one basis. The Series B Preferred Stock has a liquidation preference of $1.30 per share plus all declared but unpaid dividends. The holders of Series B Preferred Stock are entitled to non-cumulative dividends at the rate of $0.05 per annum per share, payable when, and if declared by the Company's Board of Directors.

The undesignated shares of Preferred Stock will have rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be

determined by the Company's Board of Directors upon issuance of the Preferred Stock. The Company's right to issue shares of Preferred Stock may have the effect of delaying, deferring or preventing a change in control of the Company without further action by the stockholders. Additionally, the issuance of Preferred Stock may adversely affect the rights of the holders of Common Stock as follows:

- *Dividends.* Preferred Stock is entitled to receive dividends out of any legally available assets, when and if declared by the Company's Board of Directors and prior and in preference to any declaration or payment of any dividend on the Common Stock. In addition, after the first issuance of the Series A Participating Preferred Stock, the Company cannot declare a dividend or make any distribution on the Common Stock unless the Company concurrently declares a dividend on such Series A Participating Preferred Stock. Moreover, the Company cannot pay dividends or make any distribution on the Common Stock as long as dividends payable to the Series A Participating Preferred Stock are in arrears. With respect to the Series B Preferred Stock, the Company cannot declare a dividend or make any distribution on the Common Stock unless full dividends on the Series B Preferred Stock have been paid or declared and the sum sufficient for the payment set apart.

- *Voting Rights.* Each share of Series A Participating Preferred Stock entitles its holder to 1,000 votes on all matters submitted to a vote of Company stockholders. In addition, the Series A Participating Preferred Stock and the holders of Common Stock vote together as one class on all matters submitted to a vote of our stockholders. The holders of Series B Preferred Stock are not entitled to vote on any matter (except as provided in Delaware law in connection with amendments to the Charter that, among other things, would alter or change the rights and preferences of the class, in which case each share of Series B Preferred Stock would be entitled to one vote). However, the Series B Preferred Stock is convertible into Common Stock, and as a result, may dilute the voting power of the common stock.

- *Liquidation, Dissolution or Winding Up.* The Preferred Stock is entitled to certain liquidation preferences upon the occurrence of a liquidation, dissolution or winding up of the Company. If there are insufficient assets or funds to permit this preferential amount, then the Company's entire assets and all of our funds legally available for distribution will be distributed ratably among the holders of Preferred Stock. The remaining assets, if any, will be distributed to the holders of Common Stock on a pro rata basis.

- *Preemptive Rights.* The Series A Participating Preferred Stock and Series B Preferred Stock do not have any preemptive rights.

Anti-Takeover Provisions of Delaware Law and the Charter and Bylaws

Certain provisions of Delaware law and the Charter and Bylaws could make the acquisition of the Company by means of a tender offer, or the acquisition of control of the Company by means of a proxy contest or otherwise more difficult. These provisions, summarized below, are intended to discourage certain types of coercive takeover practices and inadequate takeover bids, and are designed to encourage persons seeking to acquire control of the Company to negotiate with the Company's Board of Directors. The Company believes that the benefits of increased protection against an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging such proposals. Among other things, negotiation of such proposals could result in an improvement of their terms.

Delaware Anti-Takeover Law. The Company is subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging in a

“business combination” with an “interested stockholder” for a period of three years following the date the person became an interested stockholder, unless the “business combination” or the transaction in which the person became an interested stockholder is approved by the Company’s Board of Directors in a prescribed manner. Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an “interested stockholder” is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own, 15% or more of a corporation’s voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Other Provisions in the Charter and Bylaws. The Company’s Charter and Bylaws provide other mechanisms that may help to delay, defer or prevent a change in control. For example, the Charter provides that stockholders may not take action by written consent without a meeting, but must take any action at a duly called annual or special meeting. This provision makes it more difficult for stockholders to take action opposed by the Company’s Board of Directors.

The Charter does not provide for cumulative voting in the election of directors. Cumulative voting provides for a minority stockholder to vote a portion or all of its shares for one or more candidates for seats on the board of directors. Without cumulative voting, a minority stockholder will not be able to gain as many seats on the Company’s Board of Directors based on the number of shares of Common Stock that such stockholder holds than if cumulative voting were permitted. The elimination of cumulative voting makes it more difficult for a minority stockholder to gain a seat on the Company’s Board of Directors to influence the Board of Directors’ decision regarding a takeover.

Under the Charter, 24,000,000 shares of Preferred Stock remain undesignated. The authorization of undesignated Preferred Stock makes it possible for the Board of Directors, without stockholder approval, to issue Preferred Stock with voting or other rights or preferences that could impede the success of any attempt to obtain control of the Company.

The Bylaws contain advance notice procedures that apply to stockholder proposals and the nomination of candidates for election as directors by stockholders other than nominations made pursuant to the notice given by the Company with respect to such meetings or nominations made by or at the direction of the Company’s Board of Directors.

Lastly, the Bylaws do not provide for right of stockholders to act by written consent without a meeting.

These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of the Company.

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC, is the transfer agent and registrar for the Common Stock.

Exhibit 10.8

NUANCE COMMUNICATIONS, INC.

AMENDMENT TO CHANGE OF CONTROL AND SEVERANCE AGREEMENT - EVP

This Amendment (the “Amendment”) amends the Change of Control and Severance Agreement that was entered into by and between [________] (“Executive”) and Nuance Communications, Inc., a Delaware corporation (the “Company”) as of [________] (the “Change of Control and Severance Agreement), as follows:

1. Time-Based Equity Awards. Section 3(a)(iii) of the Change of Control and Severance Agreement is hereby amended and restated in its entirety as follows:

   “Time-Based Equity Awards. Vesting of each (if any) of Executive’s then outstanding and unvested time-vesting equity awards (excluding any awards vesting based on performance) covering shares of the Company’s common stock that are scheduled to vest in the twelve (12)-month period that immediately follows the date of such termination of employment (disregarding any accelerated vesting provisions). For the avoidance of doubt, the vesting provided in this Section 3(a)(iii) applies only to the portion of an award that is scheduled to vest in the twelve (12)-month period that immediately follows the date of Executive’s termination of employment. No vesting will be provided under this Section 3(a)(iii) with respect to any shares that are scheduled to vest more than twelve (12) months following the date of Executive’s termination of employment.

2. Change of Control. Section 3(c)(i) of the Change of Control and Severance Agreement is hereby amended and restated in its entirety as follows:

   “Upon a Change of Control, a number of Executive’s then-outstanding performance-based restricted stock units granted under the Company’s 2000 Stock Plan or any successor thereto (the “Plan”) that are subject to financial and/or operational performance goals for the fiscal year or other performance period in which the Change of Control occurs will become eligible for time-based vesting as if the performance goals had been achieved at 100% of targeted performance (the “Eligible Shares”). Following the Change of Control, the original time-based vesting schedule for the Eligible Shares, if any, will cease to apply and the Eligible Shares will instead vest on the last day of the performance period in which the Change of Control occurs, subject to Executive’s remaining a Service Provider (as defined in the Plan) through such date, or, if earlier, upon Executive’s termination by the Company or its successor other than for Cause or upon Executive’s resignation for Good Reason.”

3. Death and Disability. Section 3(e)(ii) of the Change of Control and Severance Agreement is hereby amended and restated in its entirety as follows:

"One hundred percent (100%) of Executive's then outstanding and unvested time-vesting equity awards (excluding any awards vesting based on performance) covering shares of the Company's common stock will become vested. In addition, if such termination occurs before the end of an applicable performance period, any then-outstanding performance-based restricted stock units granted to Executive under the Plan will vest as if the performance goals had been achieved at 100% of targeted performance. In the case of a termination for Disability, vesting under this Section 3(e) will be subject to Executive's compliance with Section 4 and the other provisions of this Agreement."

4. Construction. Except as specifically provided in this Amendment, the Change of Control and Severance Agreement will remain in full force and effect in accordance with its terms. To the extent a conflict arises between the terms of the Change of Control and Severance Agreement and this Amendment, the terms of this Amendment shall control.

5. Entire Agreement. The Change of Control and Severance Agreement, as amended by this Amendment, embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party that are not expressly set forth in the Change of Control and Severance Agreement and this Amendment.

6. Counterparts. This Amendment may be executed in several original or digital (PDF) counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

[Signature Page to Follow]

IN WITNESS WHEREOF, each of the parties has executed this Amendment, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

COMPANY NUANCE COMMUNICATIONS, INC.

By:

Title:

Date:

EXECUTIVE By:

Date:

Exhibit 10.10

Execution Version

AMENDMENT NO. 1 (this "Amendment"), dated as of October 4, 2016, by and among NUANCE COMMUNICATIONS, INC., a Delaware corporation (the "Borrower"), the LENDERS party hereto and BARCLAYS BANK PLC, as administrative agent (the "Administrative Agent"), to the Revolving Credit Agreement dated as of April 15, 2016 (as amended, supplemented, amended and restated or otherwise modified prior to the date hereof, the "Credit Agreement"), among the Borrower, the LENDERS party thereto from time to time, the Administrative Agent and the other parties thereto from time to time. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

WHEREAS, the parties hereto wish to amend the Credit Agreement as described herein;

WHEREAS, Section 9.08 of the Credit Agreement provides that the Borrower and the Required Lenders may amend the Credit Agreement for certain purposes;

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

Section 1. **Amendment**.

(a) Section 1.01 of the Credit Agreement is hereby amended by:

(i) replacing the definition of "Alternate Currency" in its entirety with the following:

"Alternate Currency" shall mean each of euros, pounds, yen, Canadian dollars, Australian dollars and each other currency (other than Dollars) that is a lawful currency that is readily available and freely transferable and convertible into Dollars as shall be agreed from time to time between each applicable Issuing Bank and the Borrower.

(ii) adding the following definitions to such Section in alphabetical order:

"Australian dollars" shall mean the lawful money of the Commonwealth of Australia.

"Requirements of Law" shall mean, collectively, all international, foreign, federal, state and local common law, statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or ad-ministration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

Section 2. **Representations and Warranties**. The Borrower represents and war-rants to the Administrative Agent and each of the Lenders that:

(a) The execution and delivery of this Amendment is within the Borrower's organizational powers and has been duly authorized by all necessary organizational action on the part of the Borrower. This Amendment has been duly executed and delivered by the Borrower and constitutes, a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally, subject to general principles of equity and subject to implied covenants of good faith and fair dealing. This Amendment will not violate any Requirement of Law, will not violate or result in a default or require any consent or approval under any indenture, agreement or other instrument binding upon any Loan Party or its property, or give rise to a right thereunder to require any payment to be made by any Loan Party, in each case, except as could not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect or a material adverse effect on the rights and remedies of the Administrative Agent and the Lenders.

(b) After giving effect to this Amendment, the representations and warranties set forth in Article III of the Credit Agreement or in any other Loan Document are true and correct in all material respects with the same effect as though made on and as of the date hereof (except where such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date).

(c) After giving effect to this Amendment, no Default or Event of Default has occurred and is continuing.

Section 3. **Effectiveness**. This Amendment shall become effective on the date (the "Amendment Effective Date") on which (i) the Administrative Agent shall have received counterparts of this Amendment executed by the Borrower and the Required Lenders and (ii) each of the following conditions shall have been satisfied in accordance with the terms thereof:

(a) the representations and warranties set forth in Section 2 hereof shall be true and correct as of the Amendment Effective Date;

(b) the Borrower shall have paid all reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with the preparation, negotiation and execution of this Amendment (including the reasonable fees and expenses of Cahill Gordon & Reindel LLP as counsel to the Administrative Agent); and

(c) the Administrative Agent (or its counsel) shall have received a certificate of a Responsible Officer of the Borrower, dated the Amendment Effective Date, certifying compliance with the condition set forth in clause (a) of this Section 3.

Section 4. **Counterparts**. This Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be deemed to be an original, but all of which when taken together shall constitute a single instrument. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or any other electronic transmission shall be effective as delivery of a manually executed counterpart hereof.

Section 5. **Applicable Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.** The provisions of Sections 9.07, 9.11 and 9.15 of the Credit Agreement shall apply to this Amendment to the same extent as if fully set forth herein.

Section 6. **Headings**. The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

Section 7. **Effect of Amendment**. Except as expressly set forth herein, (i) this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect

the rights and remedies of the Lenders, the Administrative Agent, any other Agent, any Issuing Bank or the Swingline Lender, in each case under the Credit Agreement or any other Loan Document, and (ii) shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other provision of either such agreement or any other Loan Document. Except as expressly set forth herein, each and every term, condition, obligation, covenant and agreement contained in the Credit Agreement or any other Loan Document is hereby ratified and re-affirmed in all respects and shall continue in full force and effect. Each Loan Party reaffirms its obligations under the Loan Documents to which it is party and the validity of the Liens granted by it pursuant to the Security Documents. This Amendment shall constitute a Loan Document for purposes of the Credit Agreement and from and after the Amendment Effective Date, all references to the Credit Agreement in any Loan Document and all references in the Credit Agreement, as applicable, to "this Agreement," "hereunder," "hereof" or words of like import referring to the Credit Agreement shall, unless expressly provided otherwise, refer to the Credit Agreement as amended hereby. Each of the Loan Parties hereby consents to this Amendment and confirms that all obligations of such Loan Party under the Loan Documents to which such Loan Party is a party shall continue to apply to the Credit Agreement as amended hereby.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

NUANCE COMMUNICATIONS, INC.

By: /S/ T.F. Chagnon
Name: T.F. Chagnon
Title:

[Signature Page to Amendment No. 1]

BARCLAYS BANK PLC, as Administrative Agent and a Lender,

By: /s/ Mathew Cybul
Name: Mathew Cybul
Title: Assistant Vice President

[Signature page to Amendment No. 1]

AMENDMENT TO
THE NUANCE COMMUNICATIONS, INC. REVOLVING CREDIT AGREEMENT

THE UNDERSIGNED LENDER:

X Consents to Amendment

The Bank of Tokyo-Mitsubishi UFJ, Ltd.,

By: /s/ Lillian Kim
Name: Lillian Kim
Title: Director

[If a second signature is necessary:

By:
Name:
Title:]

Existing Revolving Facility Commitment amount[1]: $25,000,000

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[1] For informational purposes only. In the event of immaterial discrepancies the Administrative Agent's Register will prevail.

[Signature Page to Amendment No. I]

AMENDMENT TO
THE NUANCE COMMUNICATIONS, INC. REVOLVING CREDIT AGREEMENT

THE UNDERSIGNED LENDER:

X Consents to Amendment

CITIBANK, N.A,

By: /s/ James Cahow
Name: James Cahow
Title: Director and Vice President

Existing Revolving Facility Commitment amount[1]: $20,000,000

[1]For informational purposes only. In the event of immaterial discrepancies the Administrative Agent's Register will prevail.

[Signature Page to Amendment No. 1]

AMENDMENT TO
THE NUANCE COMMUNICATIONS, INC. REVOLVING CREDIT AGREEMENT

THE UNDERSIGNED LENDER:

X Consents to Amendment

DEUTSCHE BANK AG NEW YORK BRANCH

By: /s/ Anca Trifan
Name: Anca Trifan
Title: Managing Director

By: /s/ Dusan Lazarov
Name: Dusan Lazarov
Title: Director

Existing Revolving Facility Commitment amount[1]: $35,000,000.00

[1]For informational purposes only. In the event of immaterial discrepancies the Administrative Agent's Register will prevail.

AMENDMENT TO
THE NUANCE COMMUNICATIONS, INC. REVOLVING CREDIT AGREEMENT

THE UNDERSIGNED LENDER:

X Consents to Amendment

ROYAL BANK OF CANADA ,
(Name of Institution)

By: /s/ Sheldon Pinto
Name: Sheldon Pinto
Title: Authorized Signatory

Existing Revolving Facility Commitment amount[1]: $25,000,000

[1]For informational purposes only. In the event of immaterial discrepancies the Administrative Agent's Register will prevail.

AMENDMENT TO
THE NUANCE COMMUNICATIONS, INC. REVOLVING CREDIT AGREEMENT

THE UNDERSIGNED LENDER:

X Consents to Amendment

SunTrust Bank,

By: /s/ Johnetta Bush
Name: Johnetta Bush
Title: Vice President

Existing Revolving Facility Commitment amount[1]: $25,000,000

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[1]For informational purposes only. In the event of immaterial discrepancies the Administrative Agent's Register will prevail.

Exhibit 10.16

NUANCE COMMUNICATIONS, INC.

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment (the “Amendment”) amends the Employment Agreement that was entered into by and between Mark Benjamin (“Executive”) and Nuance Communications, Inc., a Delaware corporation (the “Company”) as of March 19, 2018 (the “Employment Agreement), as follows:

1. Change of Control. Section 7(c) of the Employment Agreement is hereby amended and restated in its entirety as follows:

   “Vesting of Performance-Based Equity Awards. Upon a Change of Control, a number of Executive’s then-outstanding performance-based restricted stock units granted under the Plan (or any successor thereto) that are subject to financial and/or operational metric performance goals for the fiscal year or other performance period in which the Change of Control occurs will become eligible for time-based vesting based upon the performance goals being deemed achieved at 100% of targeted performance (the ‘Eligible Shares’). Following the Change of Control, the original time-based vesting schedule for the Eligible Shares, if any, will cease to apply and the Eligible Shares will instead vest on the last day of the performance period in which the Change of Control occurs unless a shorter vesting period is provided in the operative agreements relating to such award, subject to Executive’s remaining a Service Provider (as defined in the Plan) through such date, or, if earlier, upon Executive’s termination by the Company or its successor other than for Cause or upon Executive’s resignation with Good Reason. Upon a Change of Control, Executive’s then-outstanding performance-based restricted stock units granted under the Plan (or any successor thereto) that are subject to relative total shareholder return performance goals will become eligible for time-based vesting based on the number of shares that would vest based on actual performance determined as of the Change of Control (the ‘Eligible TSR Shares’). Following the Change of Control, the Eligible TSR Shares shall vest on the last day of the performance period, subject to Executive’s remaining a Service Provider (as defined in the Plan) through such date, or, if earlier, upon Executive’s termination by the Company or its successor other than for Cause or upon Executive’s resignation for Good Reason.”

2. Death and Disability. Section 7(e)(iii) of the Employment Agreement is hereby amended and restated in its entirety as follows:

   “Performance-Based Equity Awards. With respect to Executive’s initial PSU award referenced in Section 4(e)(ii) above, and only if termination occurs before the end of the applicable performance period, the initial PSU award shall become vested as to the greater of (i) the target number of shares subject to the initial PSU award or (ii) a prorated number of shares determined by shortening the three-year performance period to the date immediately prior to the date of termination and determining the extent the performance goal has been achieved as of such date, prorated based on the percentage of the three-year performance period completed prior to the termination of employment, in any case, subject to Executive’s compliance with Section 8 and the other provisions of this Agreement. With respect to any other performance-based restricted stock units granted to Executive under the Plan, if termination occurs before the end of the applicable performance period, the performance-based restricted stock units shall become vested as to the target number of shares subject to the award, subject to Executive’s compliance with Section 8 and the other provisions of this Agreement. If termination of employment occurs following the end of the performance period, but prior to payment of any earned award, the earned award shall be paid to Executive (or his estate) when otherwise due to be paid.”

3. Construction. Except as specifically provided in this Amendment, the Employment Agreement will remain in full force and effect in accordance with its terms. To the extent a conflict arises between the terms of the Employment Agreement and this Amendment, the terms of this Amendment shall control.

4. Entire Agreement. The Employment Agreement, as amended by this Amendment, embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof. No agreements or representations, oral or

otherwise, express or implied, with respect to the subject matter hereof have been made by either party that are not expressly set forth in the Employment Agreement and this Amendment.

5. Counterparts. This Amendment may be executed in several original or digital (PDF) counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

[Signature Page to Follow]

IN WITNESS WHEREOF, each of the parties has executed this Amendment, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

COMPANY NUANCE COMMUNICATIONS, INC.

By: /s/ Wendy Cassity

Title: EVP & Chief Legal Officer

Date: November 17, 2020

EXECUTIVE By:

By: /s/ Mark Benjamin

Date: November 17, 2020

Exhibit 21.1

The following is a list of subsidiaries of the Company as of September 30, 2020.

Subsidiary Name		Type
Agnitio Corp.	Delaware	Domestic
Caere LLC	Delaware	Domestic
ComplyMD LLC	Delaware	Domestic
Consolidated Enterprise Corporation	Delaware	Domestic
Consolidated Healthcare Corporation	Delaware	Domestic
Consolidated Imaging Corporation	Delaware	Domestic
Ditech Networks, Inc.	Delaware	Domestic
Ditech Networks International, Inc.	Delaware	Domestic
eScription, Inc.	Delaware	Domestic
iScribes Inc.	Delaware	Domestic
Language and Computing, Inc.	Delaware	Domestic
Nuance Transcription Services, Inc.	Delaware	Domestic
PerSay, Inc.	Delaware	Domestic
Phonetic Systems, Inc.	Delaware	Domestic
Quadramed Quantim Corporation	Delaware	Domestic
SVOX USA, Inc.	Delaware	Domestic
TouchCommerce, Inc.	Delaware	Domestic
VirtuOz, Inc.	Delaware	Domestic
J.A. Thomas and Associates, Inc.	Georgia	Domestic
Nuance Healthcare Diagnostics Solutions, Inc.	Georgia	Domestic
Winscribe USA Inc.	Illinois	Domestic
New England Medical Transcription, Inc.	Maine	Domestic
Accentus U.S., Inc. f/k/a Zylomed Inc.	Nevada	Domestic
Medical Transcription Education Center, Inc.	Ohio	Domestic
Physician Technology Partners, LLC	Ohio	Domestic
Nuance Enterprise Solutions & Services Corporation f/k/a Varolii Corporation	Washington	Domestic
Spinvox Limited Sucursal Argentina	Argentina	International
Nuance Communications Australia Pty. Ltd.	Australia	International
Nuance Communications Austria GmbH	Austria	International
Nuance Communications Services Austria GmbH	Austria	International
SpeechMagic Holdings GmbH	Austria	International
Language and Computing N.V.	Belgium	International
Nuance Communications Ltda.	Brazil	International
Novitech Technologia e Servicos Ltda.	Brazil	International
BlueStar Options Inc.	British Virgin Islands	International
BlueStar Resources Ltd.	British Virgin Islands	International
SpeechWorks BVI Ltd.	British Virgin Islands	International
Accentus Inc. f/k/a/ 2350111 Ontario Inc.	Canada	International
Nuance Communications Canada, Inc.	Canada	International
Foxtrot Acquisition Limited	Cayman Islands	International
Foxtrot Acquisition II Limited	Cayman Islands	International
Nuance Communications Finland OY	Finland	International
Nuance Communications France Sarl	France	International
VirtuOz S.A.	France	International
Nuance Communications GmbH	Germany	International
Nuance Communications Germany GmbH	Germany	International

Nuance Communications Healthcare Germany GmbH	Germany	International
Nuance Communications Services Ireland, Limited, Greece Branch	Greece	International
Nuance Communications Hungary Kft.	Hungary	International
Nuance India Pvt. Ltd.	India	International
Nuance Transcription Services India Private Limited f/k/a/ FocusMT India Private Limited	India	International
ServTech Systems India Pvt. Ltd.	India	International
Transcend India Private Limited	India	International
Transcend MT Services Private Ltd.	India	International
Nuance Communications International Holdings ULC	Ireland	International
Nuance Communications Ireland Limited	Ireland	International
Nuance Communications Services Ireland Ltd.	Ireland	International
Nuance Communications Healthcare International Ltd formerly Voice Signal Ireland Ltd.	Ireland	International
Nuance Communications Israel, Ltd.	Israel	International
PerSay Ltd.	Israel	International
Phonetic Systems Ltd.	Israel	International
Loquendo S.p.a.	Italy	International
Nuance Communications Italy Srl	Italy	International
Nuance Japan K.K.	Japan	International
Caere Corporation Branch Mexico	Mexico	International
Nuance Communications Netherlands B.V.	Netherlands	International
Winscribe Inc. Ltd.	New Zealand	International
Heartland Asia (Mauritius) Ltd.	Republic of Mauritius	International
Nuance Communications Asia Pacific Pte. Ltd.	Singapore	International
Nuance Communications Korea Ltd.	South Korea	International
Nuance Communications Iberica SA	Spain	International
Agnitio S.L.	Spain	International
Nuance Communications Sweden, A.B.	Sweden	International
SVOX AG	Switzerland	International
Nuance Turkey Iletisim Hizmetleri Ltd. Sirketi	Turkey	International
Nuance Communications UK Limited	United Kingdom	International
SpinVox Limited	United Kingdom	International
Winscribe Europe Limited	United Kingdom	International
Nuance Communications Services Ireland - Dubai Branch	UAE	International

Consent of Independent Registered Public Accounting Firm

Nuance Communications, Inc.
Burlington, Massachusetts

We hereby consent to the incorporation by reference in Registration Statements on Form S-3 (Nos. 333-128397 and 333-61862) and Form S-8 (Nos.333-229550, 333-224825, 333-215966, 333-211272, 333-201933, 333-188397, 333-182459, 333-179399, 333-178436, 333-164955, 333-157579, 333-151088, 333-151087, 333-153911, 333-148684, 333-145971, 333-143465, 333-142183, 333-141819, 333-134687, 333-128396, 333-124856, 333-122718, 333-108767, 333-99729, 333-75406, 333-49656, and 333-33464) of Nuance Communications, Inc. of our reports dated November 19, 2020, relating to the consolidated financial statements (which report expresses an unqualified opinion and includes an explanatory paragraph related to the Company's change in method of accounting for leases due to the adoption of Accounting Standards Update 2016-02, "Leases") and the effectiveness of Nuance Communications, Inc.'s internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP

Boston, Massachusetts
November 19, 2020

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 302(A) OF THE SARBANES-OXLEY ACT OF 2002

I, Mark Benjamin, certify that:

1. I have reviewed this Annual Report on Form 10-K of Nuance Communications, 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 in 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 the 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 controls over financial reporting.

By: /s/ Mark Benjamin

Mark Benjamin
Chief Executive Officer

November 19, 2020

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 302(A) OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel D. Tempesta, certify that:

1. I have reviewed this Annual Report on Form 10-K of Nuance Communications, 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 in 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 the 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 controls over financial reporting.

By: /s/Daniel D. Tempesta

Daniel D. Tempesta
Executive Vice President and Chief Financial Officer

November 19, 2020

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark Benjamin, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Nuance Communications, Inc. on Form 10-K for the period ended September 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Nuance Communications, Inc.

By: /s/ Mark Benjamin
Mark Benjamin
Chief Executive Officer

November 19, 2020

I, Daniel D. Tempesta, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Nuance Communications, Inc. on Form 10-K for the period ended September 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Nuance Communications, Inc.

By: /s/Daniel D. Tempesta
Daniel D. Tempesta
Executive Vice President and Chief Financial Officer

November 19, 2020