



Press Release

Investor Relations Contact

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Verint Announces Q3 FYE 2024 Results

SaaS ARR up 11% Year-Over-Year Driven by Solid Bookings and Renewals

Positive Leading Indicators with Significant Increase in Customer AI Adoption and SaaS Pipeline up More than 20% year-over-year

Expect to Finish the Year Strong with 11% Non-GAAP Revenue Growth in the Fourth Quarter

Investor Day to Be Held December 13th Focused on Verint's AI Differentiation and Long-Term Trends

MELVILLE, N.Y., December 6, 2023 - Verint® (Nasdaq: VRNT), The Customer Engagement Company™, today announced results for the three and nine months ended October 31, 2023 (FYE 2024). Revenue for the three months ended October 31, 2023 was \$219 million, representing (3)% year-over-year change. Revenue for the nine months ended October 31, 2023 was \$645 million on a GAAP basis and \$646 million on a non-GAAP basis, representing (3)% year-over-year change on both a GAAP and non-GAAP basis. For the three months ended October 31, 2023, diluted EPS was \$0.12 on a GAAP basis and \$0.65 on a non-GAAP basis. For the nine months ended October 31, 2023, net loss per share was \$(0.09) on a GAAP basis and diluted EPS was \$1.67 on a non-GAAP basis.

“We are pleased to have overachieved our revenue and non-GAAP diluted EPS expectations in Q3 and believe we are on track to complete the year with strong 11% revenue growth in Q4. Our 12 month SaaS pipeline at the end of Q3 was up more than 20% year-over-year and we are pleased with the increase in customer AI adoption with the majority of our Q3 new SaaS ACV bookings including Verint AI-Powered Bots. We look forward to reviewing our significant AI differentiation and the positive impact customer AI adoption has on our financial model at our investor day next week,” said Dan Bodner, Verint CEO.

Q3 FYE 2024 Highlights

- **SaaS ARR:** Up 11% year-over-year
- **New SaaS ACV Bookings:** \$25 Million, or an annual run-rate of ~\$100 million
- **% of New ACV Bookings Including Bots:** >50%, with customer AI adoption increasing
- **Favorable Mix Shift to Recurring Revenue:** 87% of software revenue recurring year-to-date (up ~200bps year-over-year)
- **Gross Margin:** Up more than 100bps year-to-date compared to the same period last year
- **GAAP Cash From Operations:** Up 19% year-to-date compared to the same period last year

Grant Highlander, Verint CFO, added, “SaaS ARR is becoming an important metric to understand our SaaS growth trends as customers shift to the Verint cloud, and I am pleased that SaaS ARR increased 11% in Q3 year-over-year. I am also pleased with our strong margins and 19% year-over-year increase in GAAP cash from operations year-to-date, which provides us with financial flexibility as we continue to execute on our previously announced \$200 million stock buyback program. Going forward, Verint is well positioned for the market shift to more bots and fewer contact center agents. Verint deploying more bot licenses with fewer agent licenses will increase our TAM overall, and provide us the opportunity to accelerate SaaS revenue growth.”

FYE 2024 Outlook

We are providing our non-GAAP outlook for the year ending January 31, 2024 as follows:

- **Revenue:** \$910 million +/- 2%
- **SaaS Revenue:** 15% year-over-year growth
- **Diluted EPS:** \$2.65 at the midpoint of our revenue guidance, reflecting 5% year-over-year growth

Our non-GAAP outlook for year ending January 31, 2024 excludes the following GAAP measure which we are able to quantify with reasonable certainty:

- Amortization of intangible assets of approximately \$33 million.

Our non-GAAP outlook for the year ending January 31, 2024 excludes the following GAAP measures for which we are able to provide a range of probable significance:

- Revenue adjustments are expected to be between approximately \$1 million and \$2 million.
- Stock-based compensation expenses are expected to be between approximately \$67 million and \$69 million, assuming market prices for our common stock approximately consistent with current levels.
- Costs associated with modifying our workplace in response to our decision to move to a hybrid work environment, including assumed lease terminations and abandonments, IT facilities and infrastructure costs, and other nonrecurring charges are expected to be between approximately \$26 million and \$28 million.

Our non-GAAP guidance does not include the potential impact of any in-process business acquisitions that may close after the date hereof, and, unless otherwise specified, reflects foreign currency exchange rates approximately consistent with current rates.

We are unable, without unreasonable efforts, to provide a reconciliation for other GAAP measures which are excluded from our non-GAAP outlook, including the impact of future business acquisitions or acquisition expenses, future restructuring expenses, and non-GAAP income tax adjustments due to the level of unpredictability and uncertainty associated with these items. For these same reasons, we are unable to assess the probable significance of these excluded items. While historical results may not be indicative of future results, actual amounts for the three and nine months ended October 31, 2023 and 2022 for the GAAP measures excluded from our non-GAAP outlook appear in Tables 2, 3 and 4 of this press release.

Q3 Conference Call Information

We will conduct a conference call today at 4:30 p.m. ET to discuss our results for the three and nine months ended October 31, 2023 and outlook. An online, real-time webcast of the conference call and webcast slides will be available on our website at www.verint.com. Participants may register for the call [here](#) to receive the dial-in numbers and unique PIN to access the call. Please join the call 5-10 minutes prior to the scheduled start time.

Investor Day Information

We will host an Investor Day on Wednesday, December 13, 2023 at 10 a.m. ET which will focus on Verint's AI differentiation and CX automation opportunity. A Q&A session will follow the prepared remarks. To register for the Investor Day, which will be hosted virtually, please visit the event's registration page by clicking [here](#).

About Non-GAAP Financial Measures

This press release and the accompanying tables include non-GAAP financial measures. For a description of these non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of non-GAAP financial measures presented for completed periods to the most directly comparable financial measures prepared in accordance with GAAP, please see the tables below as well as "Supplemental Information About Non-GAAP Financial Measures and Operating Metrics" at the end of this press release.

About Verint Systems Inc.

Verint® (Nasdaq: VRNT) helps the world's most iconic brands continuously elevate the customer experience (CX) and reduce operating costs. More than 10,000 organizations in 175 countries – including over 85 of the Fortune 100 companies – rely on Verint's open customer engagement platform to harness the power of data and artificial intelligence (AI) to maximize CX automation.

Verint. The Customer Engagement Company[®]. Learn more at [Verint.com](https://www.verint.com).

Cautions About Forward-Looking Statements

This press release contains forward-looking statements, including statements regarding expectations, predictions, views, opportunities, plans, strategies, beliefs, and statements of similar effect relating to Verint Systems Inc. These forward-looking statements are not guarantees of future performance and they are based on management's expectations that involve a number of known and unknown risks, uncertainties, assumptions, and other important factors, any of which could cause our actual results or conditions to differ materially from those expressed in or implied by the forward-looking statements. Some of the factors that could cause our actual results or conditions to differ materially from current expectations include, among others: uncertainties regarding the impact of changes in macroeconomic and/or global conditions, including as a result of slowdowns, recessions, economic instability, rising interest rates, tightening credit markets, inflation, instability in the banking sector, actual or threatened trade wars, political unrest, armed conflicts, natural disasters, or outbreaks of disease (such as the COVID-19 pandemic), as well as the resulting impact on spending by customers or partners, on our business; risks that our customers or partners delay, downsize, cancel, or refrain from placing orders or renewing subscriptions or contracts, or are unable to honor contractual commitments or payment obligations due to challenges or uncertainties in their budgets, liquidity or and businesses; risks associated with our ability to keep pace with technological advances and challenges and evolving industry standards, including achieving and maintaining the competitive differentiation of our solution platform; to adapt to changing market potential from area to area within our markets; and to successfully develop, launch, and drive demand for new, innovative, high-quality products and services that meet or exceed customer challenges and needs, while simultaneously preserving our legacy businesses and migrating away from areas of commoditization; risks due to aggressive competition in all of our markets and our ability to keep pace with competitors, some of whom may be able to grow faster than us or have greater resources than us, including in areas such as sales and marketing, branding, technological innovation and development, and recruiting and retention; risks associated with our ability to properly execute on our software as a service ("SaaS") transition, including successfully transitioning customers to our cloud platform and the increased importance of subscription renewal rates, and risk of increased variability in our period-to-period results based on the mix, terms, and timing of our transactions; risks relating to our ability to properly identify and execute on growth or strategic initiatives, manage investments in our business and operations, and enhance our existing operations and infrastructure, including the proper prioritization and allocation of limited financial and other resources; risks associated with our ability to or costs to retain, recruit, and train qualified personnel and management in regions in which we operate either physically or remotely, including in new markets and growth areas we may enter, due to competition for talent, increased labor costs, applicable regulatory requirements, or otherwise; challenges associated with selling sophisticated solutions and cloud-based solutions, which may incorporate newer technologies, such as artificial intelligence, whose adoption and use-cases are still emerging, including with respect to longer sales cycles, more complex sales processes and customer evaluation and approval processes, more complex contractual and information security requirements, and assisting customers in understanding and realizing the benefits of our solutions and technologies, as well as with developing, offering, implementing, and maintaining an enterprise class, broad solution portfolio; risks that we may be unable to maintain, expand, or enable our relationships with partners as part of our growth strategy, including partners with whom we may overlap or compete, while avoiding excessive concentration with one or more partners; risks associated with our reliance on third-party suppliers, partners, or original equipment manufacturers ("OEMs") for certain services, products, or components, including companies that may compete with us or work with our competitors; risks associated with our significant international operations, including exposure to regions subject to political or economic instability, fluctuations in foreign exchange rates, inflation, increased financial accounting and reporting burdens and complexities, and challenges associated with a significant portion of our cash being held overseas; risks associated with a significant part of our business coming from government contracts, and associated procurement processes and regulatory requirements; risks associated with our ability to identify suitable targets for acquisition or investment or successfully compete for, consummate, and implement mergers and acquisitions, including risks associated with valuations, legacy liabilities, reputational considerations, capital constraints, costs and expenses, maintaining profitability levels, expansion into new areas, management distraction, post-acquisition integration activities, and potential asset impairments; risks associated with complex and changing domestic and foreign regulatory environments, including, among others, with respect to data privacy, artificial intelligence, cyber / information security, government contracts, anti-corruption, trade compliance, climate change or other environmental, social and governance matters, tax, and labor matters, relating to our own operations, the products and services we offer, and/or the use of our solutions by our customers; risks associated with the mishandling or perceived mishandling of sensitive or confidential information and data, including personally identifiable information or other information that may belong to our customers or other third parties, including in connection with our SaaS or other hosted or managed services offerings or when we are asked to perform service or support; risks associated with our reliance on third parties to provide certain cloud hosting or other cloud-based services to us or our customers, including the risk of service disruption, data breaches, or data loss or corruption; risks that our solutions or services, or those of third-party suppliers, partners, or OEMs which we

use in or with our offerings or otherwise rely on, including third-party hosting platforms, may contain defects, vulnerabilities, or develop operational problems; risk that we or our solutions maybe subject to security vulnerabilities or lapses, including cyber-attacks, information technology system breaches, failures, or disruptions; risks that our intellectual property rights may not be adequate to protect our business or assets or that others may make claims on our intellectual property, claim infringement on their intellectual property rights, or claim a violation of their license rights, including relative to free or open source components we may use; risks associated with leverage resulting from our current debt position or our ability to incur additional debt, including with respect to liquidity considerations, covenant limitations and compliance, fluctuations in interest rates, dilution considerations (with respect to our convertible notes), and our ability to maintain our credit ratings; risks that we may experience liquidity or working capital issues and related risks that financing sources may be unavailable to us on reasonable terms or at all; risks arising as a result of contingent or other obligations or liabilities assumed in our acquisition of our former parent company, Comverse Technology, Inc. ("CTI"), or associated with formerly being consolidated with, and part of a consolidated tax group with, CTI, or as a result of the successor to CTI's business operations, Mavenir Inc., being unwilling or unable to provide us with certain indemnities to which we are entitled; risks associated with changing accounting principles or standards, tax laws and regulations, tax rates, and the continuing availability of expected tax benefits; risks relating to the adequacy of our existing infrastructure, systems, processes, policies, procedures, internal controls, and personnel, and our ability to successfully implement and maintain enhancements to the foregoing, for our current and future operations and reporting needs, including related risks of financial statement omissions, misstatements, restatements, or filing delays; risks associated with market volatility in the prices of our common stock and convertible notes based on our performance, third-party publications or speculation, or other factors and risks associated with actions of activist stockholders; risks associated with Apax Partners' significant ownership position and potential that its interests will not be aligned with those of our common stockholders; and risks associated with the February 1, 2021 spin-off of our former Cyber Intelligence Solutions business, including the possibility that the spin-off transaction does not achieve the benefits anticipated, does not qualify as a tax-free transaction, or exposes us to unexpected claims or liabilities. We assume no obligation to revise or update any forward-looking statement, except as otherwise required by law. For a detailed discussion of these risk factors, see our Annual Report on Form 10-K for the fiscal year ended January 31, 2023, our Quarterly Report on Form 10-Q for the quarter ended April 30, 2023, our Quarterly Report on Form 10-Q for the quarter ended July 31, 2023, our Quarterly Report on Form 10-Q for the quarter ended October 31, 2023, when filed, and other filings we make with the SEC.

VERINT, VERINT DA VINCI, VERINT OPEN CCAAS, THE CUSTOMER ENGAGEMENT COMPANY, BOUNDLESS CUSTOMER ENGAGEMENT and THE ENGAGEMENT CAPACITY GAP are trademarks of Verint Systems Inc. or its subsidiaries. Verint and other parties may also have trademark rights in other terms used herein.

Table 1
VERINT SYSTEMS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

| (in thousands, except per share data) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|--|-----------------------------------|-------------------|----------------------------------|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue: | | | | |
| Recurring | \$ 161,117 | \$ 174,222 | \$ 488,555 | \$ 500,029 |
| Nonrecurring | 57,430 | 50,971 | 156,723 | 165,969 |
| Total revenue | 218,547 | 225,193 | 645,278 | 665,998 |
| Cost of revenue: | | | | |
| Recurring | 38,883 | 38,834 | 118,093 | 120,714 |
| Nonrecurring | 25,046 | 28,013 | 79,213 | 90,781 |
| Amortization of acquired technology | 1,609 | 3,550 | 5,511 | 10,742 |
| Total cost of revenue | 65,538 | 70,397 | 202,817 | 222,237 |
| Gross profit | 153,009 | 154,796 | 442,461 | 443,761 |
| Operating expenses: | | | | |
| Research and development, net | 32,084 | 32,941 | 97,923 | 97,844 |
| Selling, general and administrative | 87,879 | 93,757 | 297,532 | 302,344 |
| Amortization of other acquired intangible assets | 6,328 | 6,420 | 19,028 | 19,887 |
| Total operating expenses | 126,291 | 133,118 | 414,483 | 420,075 |
| Operating income | 26,718 | 21,678 | 27,978 | 23,686 |
| Other income (expense), net: | | | | |
| Interest income | 1,650 | 1,045 | 5,440 | 1,742 |
| Interest expense | (2,609) | (2,147) | (7,994) | (5,511) |
| Other income, net | 59 | 1,045 | 59 | 3,186 |
| Total other expense, net | (900) | (57) | (2,495) | (583) |
| Income before provision for income taxes | 25,818 | 21,621 | 25,483 | 23,103 |
| Provision for income taxes | 12,953 | 17,395 | 14,772 | 20,539 |
| Net income | 12,865 | 4,226 | 10,711 | 2,564 |
| Net income attributable to noncontrolling interests | 253 | 150 | 804 | 614 |
| Net income attributable to Verint Systems Inc. | 12,612 | 4,076 | 9,907 | 1,950 |
| Dividends on preferred stock | (5,200) | (5,200) | (15,600) | (15,600) |
| Net income (loss) attributable to Verint Systems Inc. common shares | \$ 7,412 | \$ (1,124) | \$ (5,693) | \$ (13,650) |
| Net income (loss) per common share attributable to Verint Systems Inc.: | | | | |
| Basic | \$ 0.12 | \$ (0.02) | \$ (0.09) | \$ (0.21) |
| Diluted | \$ 0.12 | \$ (0.02) | \$ (0.09) | \$ (0.21) |
| Weighted-average common shares outstanding: | | | | |
| Basic | 63,887 | 65,583 | 64,411 | 65,161 |
| Diluted | 64,144 | 65,583 | 64,411 | 65,161 |

Table 2
VERINT SYSTEMS INC. AND SUBSIDIARIES
GAAP to Non-GAAP SaaS Metrics
(Unaudited)

SaaS Revenue

| (in thousands) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|--|---|-------------------|--|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Bundled SaaS revenue - GAAP | \$ 63,251 | \$ 57,041 | \$ 184,770 | \$ 161,005 |
| Unbundled SaaS revenue - GAAP | 52,400 | 58,746 | 161,470 | 152,066 |
| SaaS revenue - GAAP | 115,651 | 115,787 | 346,240 | 313,071 |
| Estimated bundled SaaS revenue adjustments | 117 | 374 | 960 | 2,323 |
| Estimated unbundled SaaS revenue adjustments | — | — | — | — |
| Estimated SaaS revenue adjustments | 117 | 374 | 960 | 2,323 |
| Bundled SaaS revenue - non-GAAP | 63,368 | 57,415 | 185,730 | 163,328 |
| Unbundled SaaS revenue - non-GAAP | 52,400 | 58,746 | 161,470 | 152,066 |
| SaaS revenue - non-GAAP | \$ 115,768 | \$ 116,161 | \$ 347,200 | \$ 315,394 |

New SaaS ACV

| (in thousands) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|-----------------------------------|---|------------------|--|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| New SaaS ACV | \$ 25,389 | \$ 26,833 | \$ 67,838 | \$ 78,178 |
| New SaaS ACV – Last Twelve Months | 91,713 | 108,466 | | |

SaaS ARR

| (in thousands) | Three Months Ended October 31, | |
|-----------------|---|-------------------|
| | 2023 | 2022 |
| SaaS ARR | \$ 512,304 | \$ 460,812 |

Table 3
VERINT SYSTEMS INC. AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP Measures
(Unaudited)

Revenue

| (in thousands) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|----------------------------------|-----------------------------------|----------------|----------------------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Recurring revenue - GAAP | \$ 161,117 | \$ 174,222 | \$ 488,555 | \$ 500,029 |
| Nonrecurring revenue - GAAP | 57,430 | 50,971 | 156,723 | 165,969 |
| Total GAAP revenue | 218,547 | 225,193 | 645,278 | 665,998 |
| Recurring revenue adjustments | 120 | 423 | 989 | 2,498 |
| Nonrecurring revenue adjustments | — | — | — | — |
| Total revenue adjustments | 120 | 423 | 989 | 2,498 |
| Recurring revenue - non-GAAP | 161,237 | 174,645 | 489,544 | 502,527 |
| Nonrecurring revenue - non-GAAP | 57,430 | 50,971 | 156,723 | 165,969 |
| Total non-GAAP revenue | 218,667 | 225,616 | 646,267 | 668,496 |

Gross Profit and Gross Margin

| (in thousands) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---------------------------------------|-----------------------------------|-------------------|----------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Recurring cost of revenues | \$ 38,883 | \$ 38,834 | \$ 118,093 | \$ 120,714 |
| Nonrecurring cost of revenues | 25,046 | 28,013 | 79,213 | 90,781 |
| Amortization of acquired technology | 1,609 | 3,550 | 5,511 | 10,742 |
| Total GAAP cost of revenue | 65,538 | 70,397 | 202,817 | 222,237 |
| GAAP gross profit | 153,009 | 154,796 | 442,461 | 443,761 |
| GAAP gross margin | 70.0 % | 68.7 % | 68.6 % | 66.6 % |
| Revenue adjustments | 120 | 423 | 989 | 2,498 |
| Amortization of acquired technology | 1,609 | 3,550 | 5,511 | 10,742 |
| Stock-based compensation expenses | 1,093 | 1,329 | 2,905 | 4,245 |
| Acquisition expenses, net | 31 | — | 353 | 176 |
| Restructuring (benefit) expenses, net | (2) | 593 | 1,447 | 969 |
| Non-GAAP gross profit | \$ 155,860 | \$ 160,691 | \$ 453,666 | \$ 462,391 |
| Non-GAAP gross margin | 71.3 % | 71.2 % | 70.2 % | 69.2 % |

Research and Development, net

| (in thousands) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|-----------------------------------|------------------|----------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| GAAP research and development, net | \$ 32,084 | \$ 32,941 | \$ 97,923 | \$ 97,844 |
| As a percentage of GAAP revenue | 14.7 % | 14.6 % | 15.2 % | 14.7 % |
| Stock-based compensation expenses | (3,025) | (3,533) | (8,818) | (10,371) |
| Acquisition expenses, net | (20) | — | (96) | (198) |
| Restructuring expenses | (1) | (509) | (316) | (646) |
| IT facilities and infrastructure realignment | — | — | (1,648) | — |
| Other adjustments | — | (17) | — | (67) |
| Non-GAAP research and development, net | \$ 29,038 | \$ 28,882 | \$ 87,045 | \$ 86,562 |
| As a percentage of non-GAAP revenue | 13.3 % | 12.8 % | 13.5 % | 12.9 % |

Selling, General and Administrative Expenses

| (in thousands) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|--|-----------------------------------|------------------|----------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| GAAP selling, general and administrative expenses | \$ 87,879 | \$ 93,757 | \$ 297,532 | \$ 302,344 |
| As a percentage of GAAP revenue | 40.2 % | 41.6 % | 46.1 % | 45.4 % |
| Stock-based compensation expenses | (12,068) | (15,037) | (38,563) | (49,346) |
| Acquisition benefit (expenses), net | 207 | (1,172) | (5,671) | (2,661) |
| Restructuring expenses | (483) | (1,324) | (3,337) | (7,807) |
| Separation expenses | (240) | (291) | (605) | (1,142) |
| Accelerated lease costs | (98) | (725) | (5,262) | (7,831) |
| IT facilities and infrastructure realignment | (1,937) | (1,095) | (16,816) | (3,526) |
| Impairment charges | — | — | — | (1,799) |
| Other adjustments | (1) | (900) | (212) | (2,511) |
| Non-GAAP selling, general and administrative expenses | \$ 73,259 | \$ 73,213 | \$ 227,066 | \$ 225,721 |
| As a percentage of non-GAAP revenue | 33.5 % | 32.5 % | 35.1 % | 33.8 % |

Operating Income and Operating Margin

| (in thousands) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|--|-----------------------------------|------------------|----------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| GAAP operating income | \$ 26,718 | \$ 21,678 | \$ 27,978 | \$ 23,686 |
| GAAP operating margin | 12.2 % | 9.6 % | 4.3 % | 3.6 % |
| Revenue adjustments | 120 | 423 | 989 | 2,498 |
| Amortization of acquired technology | 1,609 | 3,550 | 5,511 | 10,742 |
| Amortization of other acquired intangible assets | 6,328 | 6,420 | 19,028 | 19,887 |
| Stock-based compensation expenses | 16,186 | 19,899 | 50,286 | 63,962 |
| Acquisition (benefit) expenses, net | (156) | 1,172 | 6,120 | 3,035 |
| Restructuring expenses | 482 | 2,426 | 5,100 | 9,422 |
| Separation expenses | 240 | 291 | 605 | 1,142 |
| Accelerated lease costs | 98 | 725 | 5,262 | 7,831 |
| IT facilities and infrastructure realignment | 1,937 | 1,095 | 18,464 | 3,526 |
| Impairment charges | — | — | — | 1,799 |
| Other adjustments | 1 | 917 | 212 | 2,578 |
| Non-GAAP operating income | \$ 53,563 | \$ 58,596 | \$ 139,555 | \$ 150,108 |
| Non-GAAP operating margin | 24.5 % | 26.0 % | 21.6 % | 22.5 % |

Other Expense, Net

| (in thousands) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|--|-----------------------------------|----------------|----------------------------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| GAAP other expense, net | \$ (900) | \$ (57) | \$ (2,495) | \$ (583) |
| Losses on early retirements of debt | — | — | 237 | — |
| Acquisition benefit, net | — | — | (156) | — |
| Separation expenses | (113) | — | (232) | — |
| Non-GAAP other expense, net⁽¹⁾ | \$ (1,013) | \$ (57) | \$ (2,646) | \$ (583) |

Provision for Income Taxes

| (in thousands) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|--|-----------------------------------|-----------|----------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| GAAP provision for income taxes | \$ 12,953 | \$ 17,395 | \$ 14,772 | \$ 20,539 |
| GAAP effective income tax rate | 50.2 % | 80.5 % | 58.0 % | 88.9 % |
| Non-GAAP income tax adjustments | (8,640) | (11,296) | (2,786) | (5,204) |
| Non-GAAP provision for income taxes | \$ 4,313 | \$ 6,099 | \$ 11,986 | \$ 15,335 |
| Non-GAAP effective income tax rate | 8.2 % | 10.4 % | 8.8 % | 10.3 % |

Net Income (Loss) Attributable to Verint Systems Inc. Common Shares

| (in thousands) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|-----------------------------------|------------|----------------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| GAAP net income (loss) attributable to Verint Systems Inc. common shares | \$ 7,412 | \$ (1,124) | \$ (5,693) | \$ (13,650) |
| Revenue adjustments | 120 | 423 | 989 | 2,498 |
| Amortization of acquired technology | 1,609 | 3,550 | 5,511 | 10,742 |
| Amortization of other acquired intangible assets | 6,328 | 6,420 | 19,028 | 19,887 |
| Stock-based compensation expenses | 16,186 | 19,899 | 50,286 | 63,962 |
| Losses on early retirements of debt | — | — | 237 | — |
| Acquisition (benefit) expenses, net | (156) | 1,172 | 5,964 | 3,035 |
| Restructuring expenses | 482 | 2,425 | 5,100 | 9,422 |
| Separation expenses | 127 | 291 | 373 | 1,142 |
| Accelerated lease costs | 98 | 725 | 5,262 | 7,831 |
| IT facilities and infrastructure realignment | 1,937 | 1,095 | 18,464 | 3,526 |
| Impairment charges | — | — | — | 1,799 |
| Other adjustments | 1 | 917 | 212 | 2,578 |
| Non-GAAP tax adjustments | 8,640 | 11,296 | 2,786 | 5,204 |
| Dividends, reversed due to assumed conversion of preferred stock ⁽³⁾ | 5,200 | 5,200 | 15,600 | 15,600 |
| Total adjustments | 40,572 | 53,413 | 129,812 | 147,226 |
| Non-GAAP net income attributable to Verint Systems Inc. common shares | \$ 47,984 | \$ 52,289 | \$ 124,119 | \$ 133,576 |

Diluted Net Income (Loss) Per Common Share Attributable to Verint Systems Inc.

| (in thousands, except per share data) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|-----------------------------------|-----------|----------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| GAAP diluted net income (loss) per common share attributable to Verint Systems Inc. | \$ 0.12 | \$ (0.02) | \$ (0.09) | \$ (0.21) |
| Non-GAAP diluted net income per common share attributable to Verint Systems Inc. ⁽³⁾ | \$ 0.65 | \$ 0.69 | \$ 1.67 | \$ 1.77 |
| GAAP weighted-average shares used in computing diluted net income (loss) per common share attributable to Verint Systems Inc. | 64,144 | 65,583 | 64,411 | 65,161 |
| Additional weighted-average shares applicable to non-GAAP diluted net income per common share attributable to Verint Systems Inc. | 9,478 | 10,004 | 9,802 | 10,364 |
| Non-GAAP diluted weighted-average shares used in computing net income per common share attributable to Verint Systems Inc.⁽³⁾ | 73,622 | 75,587 | 74,213 | 75,525 |

GAAP Net Income to Adjusted EBITDA

| (in thousands) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|--|-----------------------------------|------------------|----------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| GAAP net income | \$ 12,865 | \$ 4,226 | \$ 10,711 | \$ 2,564 |
| As a percentage of GAAP revenue | 5.9 % | 1.9 % | 1.7 % | 0.4 % |
| Provision for income taxes | 12,953 | 17,395 | 14,772 | 20,539 |
| Other expense, net | 900 | 57 | 2,495 | 583 |
| Depreciation and amortization ⁽²⁾ | 13,874 | 16,158 | 55,394 | 50,199 |
| Revenue adjustments | 120 | 423 | 989 | 2,498 |
| Stock-based compensation expenses | 16,186 | 19,899 | 50,286 | 63,962 |
| Acquisition (benefit) expenses, net | (156) | 1,172 | 6,120 | 3,035 |
| Restructuring expenses | 476 | 2,348 | 5,007 | 9,090 |
| Separation expenses | 240 | 291 | 605 | 1,142 |
| Accelerated lease costs | 98 | 725 | 5,262 | 7,831 |
| IT facilities and infrastructure realignment | 1,679 | 1,095 | 6,657 | 3,526 |
| Impairment charges | — | — | — | 1,799 |
| Other adjustments | 1 | 917 | 212 | 2,578 |
| Adjusted EBITDA | \$ 59,236 | \$ 64,706 | \$ 158,510 | \$ 169,346 |
| As a percentage of non-GAAP revenue | 27.1 % | 28.7 % | 24.5 % | 25.3 % |

Gross Debt to Net Debt

| (in thousands) | October 31, 2023 | January 31, 2023 |
|--|---------------------|---------------------|
| Long-term debt | \$ 410,461 | \$ 408,908 |
| Unamortized debt discounts and issuance costs | 4,539 | 6,092 |
| Gross debt | 415,000 | 415,000 |
| Less: | | |
| Cash and cash equivalents | 209,647 | 282,099 |
| Restricted cash and cash equivalents, and restricted bank time deposits | 1,763 | 300 |
| Short-term investments | 684 | 697 |
| Net debt, excluding long-term restricted cash, cash equivalents, time deposits, and investments | 202,906 | 131,904 |
| Long-term restricted cash, cash equivalents, time deposits, and investments | 175 | 287 |
| Net debt, including long-term restricted cash, cash equivalents, time deposits, and investments | \$ 202,731 | \$ 131,617 |

(1) For the three months ended October 31, 2023, non-GAAP other expense, net of \$1.0 million was primarily comprised of interest and other expense.

(2) Adjusted for financing fee amortization.

(3) EPS calculation includes the more dilutive of either preferred stock dividends or conversion of preferred stock shares. Conversion of the outstanding preferred shares was more dilutive in the three and nine months ended October 31, 2023 and 2022.

Table 4
VERINT SYSTEMS INC. AND SUBSIDIARIES
GAAP to Non-GAAP Recurring and Nonrecurring Revenue and Gross Profit
(Unaudited)

Recurring and Nonrecurring Revenue

| (in thousands) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|-----------------------------------|-------------------|----------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Recurring revenue - GAAP | \$ 161,117 | \$ 174,222 | \$ 488,555 | \$ 500,029 |
| SaaS revenue - GAAP | 115,651 | 115,787 | 346,240 | 313,071 |
| Optional managed services revenue - GAAP | 11,842 | 15,436 | 36,872 | 47,127 |
| Support revenue - GAAP | 33,624 | 42,999 | 105,443 | 139,831 |
| Nonrecurring revenue - GAAP | 57,430 | 50,971 | 156,723 | 165,969 |
| Perpetual revenue - GAAP | 24,557 | 24,425 | 74,103 | 88,473 |
| Professional services revenue - GAAP | 32,873 | 26,546 | 82,620 | 77,496 |
| Total revenue - GAAP | 218,547 | 225,193 | 645,278 | 665,998 |
| Estimated recurring revenue adjustments | 120 | 423 | 989 | 2,498 |
| Estimated SaaS revenue adjustments | 117 | 374 | 960 | 2,323 |
| Estimated optional managed services revenue | 3 | 49 | 29 | 161 |
| Estimated support revenue adjustments | — | — | — | 14 |
| Estimated nonrecurring revenue adjustments | — | — | — | — |
| Estimated perpetual revenue adjustments | — | — | — | — |
| Estimated professional services revenue adjustments | — | — | — | — |
| Total estimated revenue adjustments | 120 | 423 | 989 | 2,498 |
| Recurring revenue - non-GAAP | 161,237 | 174,645 | 489,544 | 502,527 |
| SaaS revenue - non-GAAP | 115,768 | 116,161 | 347,200 | 315,394 |
| Optional managed services revenue - non-GAAP | 11,845 | 15,485 | 36,901 | 47,288 |
| Support revenue - non-GAAP | 33,624 | 42,999 | 105,443 | 139,845 |
| Nonrecurring revenue - non-GAAP | 57,430 | 50,971 | 156,723 | 165,969 |
| Perpetual revenue - non-GAAP | 24,557 | 24,425 | 74,103 | 88,473 |
| Professional services revenue - non-GAAP | 32,873 | 26,546 | 82,620 | 77,496 |
| Total revenue - non-GAAP | \$ 218,667 | \$ 225,616 | \$ 646,267 | \$ 668,496 |

Recurring Gross Profit

| (in thousands) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|-----------------------------------|-------------------|----------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| GAAP recurring revenue | \$ 161,117 | \$ 174,222 | \$ 488,555 | \$ 500,029 |
| GAAP recurring cost of revenues | 38,883 | 38,834 | 118,093 | 120,714 |
| GAAP recurring gross profit | 122,234 | 135,388 | 370,462 | 379,315 |
| GAAP recurring gross margin | 75.9 % | 77.7 % | 75.8 % | 75.9 % |
| Recurring revenue adjustments | 120 | 423 | 989 | 2,498 |
| Recurring stock-based compensation expenses | 523 | 729 | 1,505 | 2,187 |
| Recurring acquisition expenses, net | 31 | — | 353 | 22 |
| Recurring restructuring (benefit) expenses, net | (14) | 459 | 933 | 588 |
| Non-GAAP recurring gross profit | \$ 122,894 | \$ 136,999 | \$ 374,242 | \$ 384,610 |
| Non-GAAP recurring gross margin | 76.2 % | 78.4 % | 76.4 % | 76.5 % |

Nonrecurring Gross Profit

| (in thousands) | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|--|-----------------------------------|------------------|----------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| GAAP nonrecurring revenue | \$ 57,430 | \$ 50,971 | \$ 156,723 | \$ 165,969 |
| GAAP nonrecurring cost of revenues | 25,046 | 28,013 | 79,213 | 90,781 |
| GAAP nonrecurring gross profit | 32,384 | 22,958 | 77,510 | 75,188 |
| GAAP nonrecurring gross margin | 56.4 % | 45.0 % | 49.5 % | 45.3 % |
| Nonrecurring revenue adjustments | — | — | — | — |
| Nonrecurring stock-based compensation expenses | 570 | 600 | 1,400 | 2,058 |
| Nonrecurring acquisition expenses, net | — | — | — | 154 |
| Nonrecurring restructuring expenses | 12 | 134 | 514 | 381 |
| Non-GAAP nonrecurring gross profit | \$ 32,966 | \$ 23,692 | \$ 79,424 | \$ 77,781 |
| Non-GAAP nonrecurring gross margin | 57.4 % | 46.5 % | 50.7 % | 46.9 % |

Table 5
VERINT SYSTEMS INC. AND SUBSIDIARIES
Calculation of Change in Revenue on a Constant Currency Basis
(Unaudited)

| (in thousands, except percentages) | GAAP Revenue ⁽²⁾ | | Non-GAAP Revenue ⁽³⁾ | |
|--|-----------------------------|-------------------|---------------------------------|-------------------|
| | Three Months Ended | Nine Months Ended | Three Months Ended | Nine Months Ended |
| Revenue for the three and nine months ended October 31, 2022 | \$ 225,193 | \$ 665,998 | \$ 225,616 | \$ 668,496 |
| Revenue for the three and nine months ended October 31, 2023 | \$ 218,547 | \$ 645,278 | \$ 218,667 | \$ 646,267 |
| Revenue for the three and nine months ended October 31, 2023 at constant currency ⁽¹⁾ | \$ 217,000 | \$ 646,000 | \$ 217,000 | \$ 647,000 |
| Reported period-over-period revenue change | (3.0)% | (3.1)% | (3.1)% | (3.3)% |
| % impact from change in foreign currency exchange rates | (0.6)% | 0.1 % | (0.7)% | 0.1 % |
| Constant currency period-over-period revenue change | (3.6)% | (3.0)% | (3.8)% | (3.2)% |

(1) Revenue for the three and nine months ended October 31, 2023 at constant currency is calculated by translating current-period GAAP or non-GAAP foreign currency revenue (as applicable) into U.S. dollars using average foreign currency exchange rates for the three and nine months ended October 31, 2022 rather than actual current-period foreign currency exchange rates.

(2) GAAP revenue denominated in non-U.S. dollars was 20% and 19% of our total GAAP revenue for the three months ended October 31, 2023 and 2022, respectively. GAAP revenue denominated in non-U.S. dollars was 21% of our total GAAP revenue for each of the nine months ended October 31, 2023 and 2022. Our combined GAAP cost of revenue and operating expenses denominated in non-U.S. dollars was 32% and 29% of our total combined GAAP cost of revenue and operating expenses for the three months ended October 31, 2023 and 2022, respectively. Our combined GAAP cost of revenue and operating expenses denominated in non-U.S. dollars was 31% and 30% of our total combined GAAP cost of revenue and operating expenses for the nine months ended October 31, 2023 and 2022, respectively.

(3) Non-GAAP revenue denominated in non-U.S. dollars was 20% and 19% of our total non-GAAP revenue for the three months ended October 31, 2023 and 2022, respectively. Non-GAAP revenue denominated in non-U.S. dollars was 21% of our total non-GAAP revenue for each of the nine months ended October 31, 2023 and 2022. Our combined Non-GAAP cost of revenue and operating expenses denominated in non-U.S. dollars was 36% and 33% of our total combined Non-GAAP cost of revenue and operating expenses for the three months ended October 31, 2023 and 2022, respectively. Our combined Non-GAAP cost of revenue and operating expenses denominated in non-U.S. dollars was 35% and 34% of our total combined Non-GAAP cost of revenue and operating expenses for the nine months ended October 31, 2023 and 2022, respectively.

For further information see "Supplemental Information About Constant Currency" at the end of this press release.

Table 6
VERINT SYSTEMS INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

| (in thousands, except share and per share data) | October 31, 2023 | January 31, 2023 |
|--|---------------------|---------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 209,647 | \$ 282,099 |
| Short-term investments | 684 | 697 |
| Accounts receivable, net of allowance for credit losses of \$1.5 million and \$1.3 million, respectively | 173,592 | 188,414 |
| Contract assets, net | 50,338 | 60,444 |
| Inventories | 13,042 | 12,628 |
| Prepaid expenses and other current assets | 56,316 | 75,374 |
| Total current assets | 503,619 | 619,656 |
| Property and equipment, net | 47,556 | 64,810 |
| Operating lease right-of-use assets | 28,533 | 37,649 |
| Goodwill | 1,343,449 | 1,347,213 |
| Intangible assets, net | 64,219 | 85,272 |
| Other assets | 147,258 | 159,001 |
| Total assets | \$ 2,134,634 | \$ 2,313,601 |
| Liabilities, Temporary Equity, and Stockholders' Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 22,172 | \$ 43,631 |
| Accrued expenses and other current liabilities | 110,261 | 155,944 |
| Contract liabilities | 237,668 | 271,476 |
| Total current liabilities | 370,101 | 471,051 |
| Long-term debt | 410,461 | 408,908 |
| Long-term contract liabilities | 12,067 | 18,047 |
| Operating lease liabilities | 31,466 | 40,744 |
| Other liabilities | 68,853 | 80,381 |
| Total liabilities | 892,948 | 1,019,131 |
| Commitments and Contingencies | | |
| Temporary Equity: | | |
| Preferred Stock — \$0.001 par value; authorized 2,207,000 shares | | |
| Series A Preferred Stock; 200,000 shares issued and outstanding at October 31, 2023 and January 31, 2023, respectively; aggregate liquidation preference and redemption value of \$203,467 and \$206,067 at October 31, 2023 and January 31, 2023, respectively. | 200,628 | 200,628 |
| Series B Preferred Stock; 200,000 shares issued and outstanding at October 31, 2023 and January 31, 2023, respectively; aggregate liquidation preference and redemption value of \$203,467 and \$206,067 at October 31, 2023 and January 31, 2023, respectively. | 235,693 | 235,693 |
| Total temporary equity | 436,321 | 436,321 |
| Stockholders' Equity: | | |
| Common stock — \$0.001 par value; authorized 240,000,000 shares; issued 63,465,000 and 65,404,000 shares; outstanding 63,465,000 and 65,404,000 shares at October 31, 2023 and January 31, 2023, respectively. | 63 | 65 |
| Additional paid-in capital | 999,634 | 1,055,157 |
| Accumulated deficit | (35,426) | (45,333) |
| Accumulated other comprehensive loss | (161,579) | (154,099) |
| Total Verint Systems Inc. stockholders' equity | 802,692 | 855,790 |
| Noncontrolling interest | 2,673 | 2,359 |
| Total stockholders' equity | 805,365 | 858,149 |
| Total liabilities, temporary equity, and stockholders' equity | \$ 2,134,634 | \$ 2,313,601 |

Table 7
VERINT SYSTEMS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| (in thousands) | Nine Months Ended October 31, | |
|--|--|-------------------|
| | 2023 | 2022 |
| Cash flows from operating activities: | | |
| Net income | \$ 10,711 | \$ 2,564 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 57,287 | 52,166 |
| Stock-based compensation, excluding cash-settled awards | 50,286 | 63,957 |
| Losses on early retirements of debt | 237 | — |
| Other, net | 5,676 | 8,072 |
| Changes in operating assets and liabilities, net of effects of business combinations and divestitures: | | |
| Accounts receivable | 13,545 | 22,079 |
| Contract assets | 9,943 | (8,256) |
| Inventories | (415) | (5,452) |
| Prepaid expenses and other assets | 32,609 | (16,274) |
| Accounts payable and accrued expenses | (50,080) | (9,542) |
| Contract liabilities | (39,299) | (38,513) |
| Deferred income taxes | 1,788 | (1,489) |
| Other, net | (10,609) | (701) |
| Net cash provided by operating activities | 81,679 | 68,611 |
| Cash flows from investing activities: | | |
| Cash paid for asset acquisitions and business combinations, including adjustments, net of cash acquired | (3,173) | (3,828) |
| Purchases of property and equipment | (12,839) | (17,920) |
| Maturities and sales of investments | 3,168 | 250 |
| Purchases of investments | (3,180) | (10,168) |
| Cash paid for capitalized software development costs | (7,109) | (5,703) |
| Change in restricted bank time deposits, and other investing activities, net | (1,200) | (107) |
| Net cash used in investing activities | (24,333) | (37,476) |
| Cash flows from financing activities: | | |
| Proceeds from borrowings | 100,000 | — |
| Repayments of borrowings and other financing obligations | (102,430) | (3,025) |
| Payments of debt-related costs | (232) | (224) |
| Purchases of treasury stock and common stock for retirement | (99,263) | (106,137) |
| Preferred stock dividend payments | (20,800) | (20,800) |
| Distributions paid to noncontrolling interest | (490) | (637) |
| Payments of contingent consideration for business combinations (financing portion), and other financing activities | (4,182) | (3,518) |
| Net cash used in financing activities | (127,397) | (134,341) |
| Foreign currency effects on cash, cash equivalents, restricted cash, and restricted cash equivalents | (700) | (3,510) |
| Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents | (70,751) | (106,716) |
| Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period | 282,161 | 358,868 |
| Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period | \$ 211,410 | \$ 252,152 |
| Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period to the condensed consolidated balance sheets: | | |
| Cash and cash equivalents | \$ 209,647 | \$ 252,073 |
| Restricted cash and cash equivalents included in prepaid expenses and other current assets | 1,763 | 22 |
| Restricted cash and cash equivalents included in other assets | — | 57 |
| Total cash, cash equivalents, restricted cash, and restricted cash equivalents | \$ 211,410 | \$ 252,152 |

Verint Systems Inc. and Subsidiaries

Supplemental Information About Non-GAAP Financial Measures and Operating Metrics

This press release contains non-GAAP financial measures, consisting of non-GAAP revenue, non-GAAP recurring revenue, non-GAAP nonrecurring revenue, non-GAAP perpetual revenue, non-GAAP support revenue, non-GAAP professional services revenue, non-GAAP SaaS revenue, non-GAAP bundled SaaS revenue, non-GAAP unbundled SaaS revenue, non-GAAP optional managed services revenue, non-GAAP recurring gross profit and gross margins, non-GAAP nonrecurring gross profit and gross margins, non-GAAP gross profit and gross margins, non-GAAP research and development, net, non-GAAP selling, general and administrative expenses, non-GAAP operating income and operating margins, non-GAAP other income (expense), net, non-GAAP provision for (benefit from) income taxes and non-GAAP effective income tax rate, non-GAAP net income (loss) attributable to Verint Systems Inc. common shares, non-GAAP diluted net income (loss) per common share attributable to Verint Systems Inc., adjusted EBITDA and adjusted EBITDA as a percentage of non-GAAP revenue, net debt and constant currency measures. The tables above include a reconciliation of each non-GAAP financial measure for completed periods presented in this press release to the most directly comparable GAAP financial measure.

We believe these non-GAAP financial measures, used in conjunction with the corresponding GAAP measures, provide investors with useful supplemental information about the financial performance of our business by:

- facilitating the comparison of our financial results and business trends between periods, by excluding certain items that either can vary significantly in amount and frequency, are based upon subjective assumptions, or in certain cases are unplanned for or difficult to forecast,
- facilitating the comparison of our financial results and business trends with other technology companies who publish similar non-GAAP measures, and
- allowing investors to see and understand key supplementary metrics used by our management to run our business, including for budgeting and forecasting, resource allocation, and compensation matters.

We also make these non-GAAP financial measures available because a number of our investors have informed us that they find this supplemental information useful.

Non-GAAP financial measures should not be considered in isolation, as substitutes for, or superior to, comparable GAAP financial measures. The non-GAAP financial measures we present have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP, and these non-GAAP financial measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP financial measures. These non-GAAP financial measures do not represent discretionary cash available to us to invest in the growth of our business, and we may in the future incur expenses similar to or in addition to the adjustments made in these non-GAAP financial measures. Other companies may calculate similar non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.

Our non-GAAP financial measures are calculated by making the following adjustments to our GAAP financial measures:

Revenue adjustments. For acquisitions completed prior to February 1, 2023, we exclude from our non-GAAP revenue the impact of fair value adjustments required under previous GAAP guidance relating to SaaS services, optional managed services and customer support contracts acquired in a business acquisition, which would have otherwise been recognized on a stand-alone basis. Beginning February 1, 2023, we adopted accounting guidance which eliminates the fair value provision that resulted in the accounting adjustment on a prospective basis. We believe that it is useful for investors to understand the total amount of revenue that we and the acquired company would have recognized on a stand-alone basis under GAAP, absent the accounting adjustment associated with the business acquisition under prior accounting guidance. Our non-GAAP revenue also reflects certain adjustments from aligning an acquired company's revenue recognition policies to our policies. We believe that our non-GAAP revenue measure helps management and investors understand our revenue trends and serves as a useful measure of ongoing business performance.

Amortization of acquired technology and other acquired intangible assets. When we acquire an entity, we are required under GAAP to record the fair values of the intangible assets of the acquired entity and amortize those assets over their useful lives. We exclude the amortization of acquired intangible assets, including acquired technology, from our non-GAAP financial measures because they are inconsistent in amount and frequency and are significantly impacted by the timing and size of acquisitions. We also exclude these amounts to provide easier comparability of pre- and post-acquisition operating results.

Stock-based compensation expenses. We exclude stock-based compensation expenses related to restricted stock unit and performance stock unit awards, stock bonus programs, bonus share programs, and other stock-based awards from our non-GAAP financial measures. We evaluate our performance both with and without these measures because stock-based compensation is typically a non-cash expense and can vary significantly over time based on the timing, size and nature of awards granted, and is influenced in part by certain factors which are generally beyond our control, such as the volatility of the price of our common stock. In addition, measurement of stock-based compensation is subject to varying valuation methodologies and subjective assumptions, and therefore we believe that excluding stock-based compensation from our non-GAAP financial measures allows for meaningful comparisons of our current operating results to our historical operating results and to other companies in our industry.

Losses on early retirements of debt. We exclude from our non-GAAP financial measures losses on early retirements of debt attributable to refinancing or repaying our debt because we believe they are not reflective of our ongoing operations.

Acquisition expenses (benefit), net. In connection with acquisition activity (including with respect to acquisitions that are not consummated), we incur expenses (benefits), including legal, accounting, and other professional fees, integration costs, changes in the fair value of contingent consideration obligations, and other costs. Integration costs may consist of information technology expenses as systems are integrated across the combined entity, consulting expenses, marketing expenses, and professional fees, as well as non-cash charges to write-off or impair the value of redundant assets. We exclude these expenses from our non-GAAP financial measures because they are unpredictable, can vary based on the size and complexity of each transaction, and are unrelated to our continuing operations or to the continuing operations of the acquired businesses.

Restructuring expenses (benefit). We exclude restructuring expenses (benefit) from our non-GAAP financial measures, which include employee termination costs, facility exit costs (except as included in accelerated lease costs and IT facilities and infrastructure realignment described below), certain professional fees, asset impairment charges (except as included in acquisition or IT facilities and infrastructure realignment), and other costs directly associated with resource realignments incurred in reaction to changing strategies or business conditions. All of these costs can vary significantly in amount and frequency based on the nature of the actions as well as the changing needs of our business and we believe that excluding them provides easier comparability of pre- and post-restructuring operating results.

Separation expenses. On February 1, 2021, we completed the spin-off of our former Cyber Intelligence Solutions business. We exclude from our non-GAAP financial measures expenses incurred in connection with the spin-off, including third-party advisory, accounting, legal, tax, consulting, and other similar services related to the separation as well as costs associated with the operational separation of the two businesses, including those related to human resources, brand management, real estate, and information technology (which are included in Separation expenses to the extent not capitalized). Separation expenses also include incremental cash income taxes related to the reorganization of legal entities and operations in order to effect the separation and other expense adjustments associated with a tax-related indemnification asset as a result of the spin-off. These costs are incremental to our normal operating expenses and are being incurred solely as a result of the separation transaction. Accordingly, we are excluding these separation expenses from our non-GAAP financial measures in order to evaluate our performance on a comparable basis.

Accelerated lease costs. We exclude from our non-GAAP financial measures accelerated facility costs and associated accelerated lease expenses, including losses on terminations, due to the early termination or abandonment of certain office leases as a result of our move to a hybrid work model because these charges are not reflective of our ongoing business and operating results.

IT facilities and infrastructure realignment. We exclude from our non-GAAP financial measures nonrecurring IT facilities and infrastructure realignment costs and other IT charges associated with modifying the workplace, including consolidating and/or migrating data centers and labs to the cloud, simplifying the corporate network, and one-time costs for implementing collaboration tools to enable our work from anywhere strategy, as well as asset impairment charges, accelerated depreciation and IT facility exit costs.

Impairment charges and other adjustments. We exclude from our non-GAAP financial measures asset impairment charges (other than those already included within restructuring, acquisition, or IT facilities and realignment activity), rent expense for redundant facilities, gains or losses on sales of property, gains or losses on settlements of certain legal matters, and certain professional fees unrelated to our ongoing operations, all of which are unusual in nature and can vary significantly in amount and frequency.

Non-GAAP income tax adjustments. We exclude from our non-GAAP measures of net income attributable to Verint Systems Inc., our GAAP provision for (benefit from) income taxes and instead include a non-GAAP provision for income taxes, determined by applying a non-GAAP effective income tax rate to our income before provision for income taxes, as adjusted for the non-GAAP items described above. The non-GAAP effective income tax rate is generally based upon the income taxes we expect to pay in the reporting year. Our GAAP effective income tax rate can vary significantly from year to year as a result of tax law changes, settlements with tax authorities, changes in the geographic mix of earnings including acquisition activity, changes in the projected realizability of deferred tax assets, and other unusual or period-specific events, all of which can vary in size and frequency. We believe that our non-GAAP effective income tax rate removes much of this variability and facilitates meaningful comparisons of operating results across periods. Our non-GAAP effective income tax rate for the year ending January 31, 2024 is currently approximately 9% and was 9% for the year ended January 31, 2023. We evaluate our non-GAAP effective income tax rate on an ongoing basis, and it can change from time to time. Our non-GAAP income tax rate can differ materially from our GAAP effective income tax rate.

Revenue Metrics and Operating Metrics

Recurring revenue, on both a GAAP and non-GAAP basis, is the portion of our revenue that we believe is likely to be renewed in the future, and primarily consists of SaaS revenue, optional managed services revenue and initial and renewal post contract support.

Nonrecurring revenue, on both a GAAP and non-GAAP basis, primarily consists of our perpetual licenses, consulting, implementation and installation services, hardware, training and patent license royalties.

SaaS revenue includes bundled SaaS, software with standard managed services and unbundled SaaS (including associated support) that we account for as term licenses where managed services are purchased separately.

Optional Managed Services are recurring services that are intended to improve our customers' operations and reduce expenses.

Percentage of software revenue that is recurring revenue is calculated as the sum of SaaS revenue, optional managed services revenue and support revenue as a percentage of total SaaS revenue, optional managed services revenue, support revenue, and perpetual revenue.

New SaaS Annual Contract Value (ACV) includes the annualized contract value of all new SaaS contracts received within the period; new unbundled SaaS contracts only include the license portion of those orders. In cases where SaaS is offered to partners through usage-based contracts, we include the incremental value of usage contracts over a rolling four quarters. Orders are only included in New SaaS ACV with a completed customer contract signed by both parties before the end of the period.

SaaS Annual Recurring Revenue (SaaS ARR) represents the annualized quarterly run-rate value of active or signed SaaS contracts as of the end of a period. For unbundled SaaS contracts, the amount included in SaaS ARR is generally consistent with the amount that we invoice the customer annually for the term-based license transaction. We use SaaS ARR to identify the annual recurring value of customer contracts at the end of a reporting period and to monitor the growth of our recurring business as we shift to SaaS. SaaS ARR reduces fluctuations due to seasonality, contract term, and the sales mix of subscriptions for bundled SaaS and unbundled SaaS. SaaS ARR should be viewed independently of revenue, and does not represent our revenue under ASC 606 on an annualized basis, as it is an operating metric that is impacted by contract start and end dates and renewal rates. SaaS ARR is not intended to be a replacement for forecasts of SaaS revenue.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure defined as net income (loss) before interest expense, interest income, income taxes, depreciation expense, amortization expense, stock-based compensation expenses, revenue adjustments, restructuring expenses, acquisition expenses, separation expenses, accelerated lease costs, IT facilities and infrastructure realignment, and other expenses excluded from our non-GAAP financial measures as described above. We believe that adjusted EBITDA is also commonly used by investors to evaluate operating performance between companies because it helps reduce variability caused by differences in capital structures, income taxes, stock-based compensation expenses, accounting policies, and depreciation and amortization

policies. Adjusted EBITDA is also used by credit rating agencies, lenders, and other parties to evaluate our creditworthiness.

Net Debt

Net Debt is a non-GAAP measure defined as the sum of long-term and short-term debt on our consolidated balance sheet, excluding unamortized discounts and issuance costs, less the sum of cash and cash equivalents, restricted cash, restricted cash equivalents, restricted bank time deposits, and restricted investments (including long-term portions), and short-term investments. We use this non-GAAP financial measure to help evaluate our capital structure, financial leverage, and our ability to reduce debt and to fund investing and financing activities and believe that it provides useful information to investors.

Supplemental Information About Constant Currency

Because we operate on a global basis and transact business in many currencies, fluctuations in foreign currency exchange rates can affect our consolidated U.S. dollar operating results. To facilitate the assessment of our performance excluding the effect of foreign currency exchange rate fluctuations, we calculate our GAAP and non-GAAP revenue, GAAP and non-GAAP recurring revenue, GAAP and non-GAAP SaaS revenue, cost of revenue, and operating expenses on both an as-reported basis and a constant currency basis, allowing for comparison of results between periods as if foreign currency exchange rates had remained constant. We perform our constant currency calculations by translating current-period results into U.S. dollars using prior-period average foreign currency exchange rates or hedge rates, as applicable, rather than current period exchange rates. We believe that constant currency measures, which exclude the impact of changes in foreign currency exchange rates, facilitate the assessment of underlying business trends.

Unless otherwise indicated, our financial outlook, which is provided on a non-GAAP basis, reflects foreign currency exchange rates approximately consistent with rates in effect when the outlook is provided.

We also incur foreign exchange gains and losses resulting from the revaluation and settlement of monetary assets and liabilities that are denominated in currencies other than the entity's functional currency. Our financial outlook for diluted earnings per share includes net foreign exchange gains or losses incurred to date, if any, but does not include potential future gains or losses.