



Press Release

Contacts:

Investor Relations

Alan Roden
 Verint Systems Inc.
 (631) 962-9304
 alan.roden@verint.com

Verint Announces Strong Q1 FY2020 Results and Outlook

Strong Q1 Results Across Key Metrics including Revenue, EPS and Cash Flow.

Raising Guidance for FY2020

Introducing New Three Year Targets

MELVILLE, N.Y., May 29, 2019 - Verint® Systems Inc. (NASDAQ: VRNT), a global Actionable Intelligence® leader, today announced results for the three months ended April 30, 2019 (FY2020).

“We are pleased to have started the year strong with continued business momentum. Our first quarter results were ahead of our guidance, for both revenue and EPS, and we are well positioned for a year of double-digit revenue and EPS growth, on a non-GAAP basis. We are also pleased with our 55% increase in cash from operations, to \$93 million in Q1, demonstrating the underlying strength in our business. We believe our strong results reflect the execution of our strategy to accelerate innovation that we started two years ago, and that this strategy will enable us to sustain growth over the long-run. We are also pleased to be in a position to raise our guidance for the current fiscal year, and to introduce new three-year targets,” said Dan Bodner, CEO.

FY2020 Financial Highlights (Three Months Ending April 30, 2019, Compared to Prior Year)

GAAP	Non-GAAP
<i>Revenue of \$315 million, up 9.0%</i>	<i>Revenue of \$324 million, up 11.0%</i>
<i>Gross margin of 63.8%, up 320bps</i>	<i>Gross margin of 67.4%, up 350bps</i>
<i>Operating income of \$14 million, up 86%</i>	<i>Operating income of \$62 million, up 35%</i>
<i>Operating margin of 4.6%, up 190bps</i>	<i>Operating margin of 19.2%, up 340bps</i>
<i>Diluted EPS of \$0.02, vs. (\$0.03) in FY19</i>	<i>Diluted EPS of \$0.73, up 38.0%</i>
<i>Cash flow from operations of \$93 million, up 55%</i>	

Financial Outlook for FY2020 (Year Ending January 31, 2020)

Today, we are raising our non-GAAP outlook for revenue and EPS for the year ending January 31, 2020 as follows:

- Revenue: Increasing by \$5 million to \$1.375 billion with a range of +/- 2%
 - Reflects 10.5% year-over-year growth
- EPS: Increasing by 5 cents to \$3.65 at the midpoint of our revenue guidance
 - Reflects 14% year-over-year growth

Three Year Targets (Year Ending January 31, 2022)

Today, we are introducing non-GAAP targets for revenue and EPS for the year ending January 31, 2022 as follows:

- Revenue: \$1.65 billion
 - Reflects 10% CAGR
- EPS: \$4.70
 - Reflects 14% CAGR

Our non-GAAP outlook for the year ending January 31, 2020 excludes the following GAAP measures which we are able to quantify with reasonable certainty:

- Amortization of intangible assets of approximately \$55 million.
- Amortization of discount on convertible notes of approximately \$12 million.

Our non-GAAP outlook for the year ending January 31, 2020 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 \$24 million and \$26 million.
- Stock-based compensation is expected to be between approximately \$73 million and \$77 million, assuming market prices for our common stock approximately consistent with current levels.

Our non-GAAP outlook 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 months ended April 30, 2019 and 2018 for the GAAP measures excluded from our non-GAAP outlook appear in Table 3 to this press release.

Our non-GAAP Consolidated, Customer Engagement, and Cyber Intelligence three-year targets exclude various GAAP measures, including:

- Amortization of intangible assets.
- Stock-based compensation expenses.
- Revenue adjustments.

- Acquisition expenses.
- Restructuring expenses.

Our non-GAAP Consolidated three-year targets also reflect income tax provisions on a non-GAAP basis.

We are unable, without unreasonable efforts, to provide a reconciliation for these GAAP measures which are excluded from our non-GAAP Consolidated, Customer Engagement, and Cyber Intelligence three-year targets, 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.

Our non-GAAP Consolidated, Customer Engagement, and Cyber Intelligence three-year targets reflect foreign currency exchange rates approximately consistent with current rates.

Conference Call Information

We will conduct a conference call today at 4:30 p.m. ET to discuss our results for the three months ended April 30, 2019 and outlook. An online, real-time webcast of the conference call will be available on our website at www.verint.com. The conference call can also be accessed live via telephone at 1-844-309-0615 (United States and Canada) and 1-661-378-9462 (international) and the passcode is 8290147. Please dial in 5-10 minutes prior to the scheduled start time.

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" at the end of this press release.

About Verint Systems Inc.

Verint® (Nasdaq: VRNT) is a global leader in Actionable Intelligence® solutions with a focus on customer engagement optimization and cyber intelligence. Today, over 10,000 organizations in more than 180 countries—including over 85 percent of the Fortune 100—count on intelligence from Verint solutions to make more informed, effective and timely decisions. Learn more about how we're creating A Smarter World with Actionable Intelligence® at 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 general economic conditions in the United States and abroad, particularly in information technology spending and government budgets, on our business; risks associated with our ability to keep pace with technological changes, evolving industry standards and challenges, 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 that meet or exceed customer needs, while simultaneously preserving our legacy businesses and migrating away from areas of commoditization; risks due to aggressive competition in all of our markets, including with respect to maintaining revenues, margins, and sufficient levels of investment in our business and operations; risks created by the continued consolidation of our competitors or the introduction of large competitors in our markets with greater

resources than we have; risks associated with our ability to successfully compete for, consummate, and implement mergers and acquisitions, including risks associated with valuations, 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 relating to our ability to properly manage investments in our business and operations, execute on growth initiatives, 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 retain, recruit, and train qualified personnel in regions in which we operate, including in new markets and growth areas we may enter; risks that we may be unable to establish and maintain relationships with key resellers, partners, and systems integrators and risks associated with our reliance on third-party suppliers, partners, or original equipment manufacturers (“OEMs”) for certain components, products, or services, including companies that may compete with us or work with our competitors; risks associated with the mishandling or perceived mishandling of sensitive or confidential information, including information that may belong to our customers or other third parties, and with security vulnerabilities or lapses, including cyber-attacks, information technology system breaches, failures, or disruptions; risks that our products 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, develop operational problems, or be vulnerable to cyber-attacks; risks associated with our significant international operations, including, among others, in Israel, Europe, and Asia, exposure to regions subject to political or economic instability, fluctuations in foreign exchange rates, and challenges associated with a significant portion of our cash being held overseas; risks associated with political factors related to our business or operations, including reputational risks associated with our security solutions and our ability to maintain security clearances where required as well as risks associated with a significant amount of our business coming from domestic and foreign government customers; risks associated with complex and changing local and foreign regulatory environments in the jurisdictions in which we operate, including, among others, with respect to trade compliance, anti-corruption, information security, data privacy and protection, tax, labor, government contracts, relating to both our own operations as well as the use of our solutions by our customers; challenges associated with selling sophisticated solutions, including with respect to assisting customers in understanding and realizing the benefits of our solutions, and developing, offering, implementing, and maintaining a broad and sophisticated solution portfolio; challenges associated with pursuing larger sales opportunities, including with respect to longer sales cycles, transaction reductions, deferrals, or cancellations during the sales cycle, risk of customer concentration, our ability to accurately forecast when a sales opportunity will convert to an order, or to forecast revenue and expenses, and increased volatility of our operating results from period to period; 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 that our customers or partners delay or cancel orders or are unable to honor contractual commitments due to liquidity issues, challenges in their business, or otherwise; 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 associated with significant 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 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 relating to the adequacy of our existing infrastructure, systems, processes, policies, procedures, and personnel and our ability to successfully implement and maintain enhancements to the foregoing and adequate systems and internal controls for our current and future operations and reporting needs, including related risks of financial statement omissions, misstatements, restatements, or filing delays; risks associated with changing accounting principles or standards, tax laws and regulations, tax rates, and the continuing availability of expected tax benefits; and 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. 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, 2019, our Quarterly Report on Form 10-Q for the quarter ended April 30, 2019, when filed, and other filings we make with the SEC.

VERINT, ACTIONABLE INTELLIGENCE, THE CUSTOMER ENGAGEMENT COMPANY, NEXT IT, FORESEE, OPINIONLAB, KIRAN ANALYTICS, TERROGENCE, SENSECY, CUSTOMER ENGAGEMENT SOLUTIONS, CYBER INTELLIGENCE SOLUTIONS, EDGEVR, RELIANT, VANTAGE, STAR-GATE, SUNTECH, and VIGIA are trademarks or registered trademarks of Verint Systems Inc. or its subsidiaries. Other trademarks mentioned are the property of their respective owners.

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

<i>(in thousands, except per share data)</i>	Three Months Ended April 30,	
	2019	2018
Revenue:		
Product	\$ 104,224	\$ 105,864
Service and support	211,035	183,343
Total revenue	315,259	289,207
Cost of revenue:		
Product	28,120	34,809
Service and support	79,361	71,857
Amortization of acquired technology	6,707	7,426
Total cost of revenue	114,188	114,092
Gross profit	201,071	175,115
Operating expenses:		
Research and development, net	57,169	52,152
Selling, general and administrative	121,721	107,497
Amortization of other acquired intangible assets	7,713	7,684
Total operating expenses	186,603	167,333
Operating income	14,468	7,782
Other income (expense), net:		
Interest income	1,426	793
Interest expense	(9,934)	(9,062)
Other expense, net	(790)	(464)
Total other expense, net	(9,298)	(8,733)
Income (loss) before provision for income taxes	5,170	(951)
Provision for income taxes	1,409	274
Net income (loss)	3,761	(1,225)
Net income attributable to noncontrolling interests	2,185	990
Net income (loss) attributable to Verint Systems Inc.	\$ 1,576	\$ (2,215)
 Net income (loss) per common share attributable to Verint Systems Inc.:		
Basic	\$ 0.02	\$ (0.03)
Diluted	\$ 0.02	\$ (0.03)
 Weighted-average common shares outstanding:		
Basic	65,438	63,298
Diluted	67,088	63,298

Table 2
VERINT SYSTEMS INC. AND SUBSIDIARIES
Segment Revenue
(Unaudited)

(in thousands)	Three Months Ended April 30,	
	2019	2018
GAAP Revenue By Segment:		
Customer Engagement	\$ 207,095	\$ 186,456
Cyber Intelligence	108,164	102,751
GAAP Total Revenue	<u>\$ 315,259</u>	<u>\$ 289,207</u>
Revenue Adjustments:		
Customer Engagement	\$ 8,772	\$ 2,719
Cyber Intelligence	127	44
Total Revenue Adjustments	<u>\$ 8,899</u>	<u>\$ 2,763</u>
Non-GAAP Revenue By Segment:		
Customer Engagement	\$ 215,867	\$ 189,175
Cyber Intelligence	108,291	102,795
Non-GAAP Total Revenue	<u>\$ 324,158</u>	<u>\$ 291,970</u>

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

Three Months Ended
April 30,

(in thousands, except per share data)

2019 **2018**

Table of Reconciliation from GAAP Gross Profit to Non-GAAP Gross Profit

GAAP gross profit	\$ 201,071	\$ 175,115
GAAP gross margin	63.8%	60.6 %
Revenue adjustments	8,899	2,763
Amortization of acquired technology	6,707	7,426
Stock-based compensation expenses	1,404	846
Acquisition expenses, net	15	17
Restructuring expenses	449	363
Non-GAAP gross profit	\$ 218,545	\$ 186,530
Non-GAAP gross margin	67.4%	63.9 %

Table of Reconciliation from GAAP Operating Income to Non-GAAP Operating Income

GAAP operating income	\$ 14,468	\$ 7,782
As a percentage of GAAP revenue	4.6%	2.7 %
Revenue adjustments	8,899	2,763
Amortization of acquired technology	6,707	7,426
Amortization of other acquired intangible assets	7,713	7,684
Stock-based compensation expenses	17,103	16,459
Acquisition expenses, net	3,868	2,315
Restructuring expenses	1,437	1,091
Other adjustments	2,059	595
Non-GAAP operating income	\$ 62,254	\$ 46,115
As a percentage of non-GAAP revenue	19.2%	15.8 %

Table of Reconciliation from GAAP Other Expense, Net to Non-GAAP Other Expense, Net

GAAP other expense, net	\$ (9,298)	\$ (8,733)
Unrealized losses (gains) on derivatives, net	679	(543)
Amortization of convertible note discount	3,061	2,905
Acquisition expenses, net	(34)	28
Non-GAAP other expense, net⁽¹⁾	\$ (5,592)	\$ (6,343)

Table of Reconciliation from GAAP Provision for Income Taxes to Non-GAAP Provision for Income Taxes

GAAP provision for income taxes	\$ 1,409	\$ 274
GAAP effective income tax rate	27.3%	(28.8)%
Non-GAAP tax adjustments	4,001	3,982
Non-GAAP provision for income taxes	\$ 5,410	\$ 4,256
Non-GAAP effective income tax rate	9.5%	10.7 %

Table of Reconciliation from GAAP Net Income (Loss) Attributable to Verint Systems Inc. to Non-GAAP Net Income Attributable to Verint Systems Inc.

GAAP net income (loss) attributable to Verint Systems Inc.	\$ 1,576	\$ (2,215)
Revenue adjustments	8,899	2,763
Amortization of acquired technology	6,707	7,426
Amortization of other acquired intangible assets	7,713	7,684
Stock-based compensation expenses	17,103	16,459
Unrealized losses (gains) on derivatives, net	679	(543)
Amortization of convertible note discount	3,061	2,905
Acquisition expenses, net	3,834	2,343
Restructuring expenses	1,437	1,091
Other adjustments	2,059	595
Non-GAAP tax adjustments	(4,001)	(3,982)
Total GAAP net income (loss) adjustments	47,491	36,741
Non-GAAP net income attributable to Verint Systems Inc.	\$ 49,067	\$ 34,526

Table Comparing GAAP Diluted Net Income (Loss) Per Common Share Attributable to Verint Systems Inc. to Non-GAAP Diluted Net Income Per Common Share Attributable to Verint Systems Inc.

GAAP diluted net income (loss) per common share attributable to Verint Systems Inc.	\$ 0.02	\$ (0.03)
Non-GAAP diluted net income per common share attributable to Verint Systems Inc.	\$ 0.73	\$ 0.53
GAAP weighted-average shares used in computing diluted net income (loss) per common share attributable to Verint Systems Inc.	67,088	63,928
Additional weighted-average shares applicable to non-GAAP diluted net income per common share attributable to Verint Systems Inc.	—	1,203
Non-GAAP diluted weighted-average shares used in computing net income per common share attributable to Verint Systems Inc.	67,088	65,131

Table of Reconciliation from GAAP Net Income (Loss) Attributable to Verint Systems Inc. to Adjusted EBITDA

GAAP net income (loss) attributable to Verint Systems Inc.	\$ 1,576	\$ (2,215)
As a percentage of GAAP revenue	0.5%	(0.8)%
Net income attributable to noncontrolling interest	2,185	990
Provision for income taxes	1,409	274
Other expense, net	9,298	8,733
Depreciation and amortization ⁽²⁾	22,293	23,310
Revenue adjustments	8,899	2,763
Stock-based compensation expenses	17,103	16,459
Acquisition expenses, net	3,868	2,315
Restructuring expenses	1,437	1,090
Other adjustments	2,059	595
Adjusted EBITDA	\$ 70,127	\$ 54,314
As a percentage of non-GAAP revenue	21.6%	18.6 %

Table of Reconciliation from Gross Debt to Net Debt

	April 30,	January 31,
	2019	2019
Current maturities of long-term debt	\$ 4,303	\$ 4,343
Long-term debt	780,260	777,785
Unamortized debt discounts and issuance costs	33,052	36,589
Gross debt	817,615	818,717
Less:		
Cash and cash equivalents	412,024	369,975

Restricted cash and cash equivalents, and restricted time deposits	39,749	42,262
Short-term investments	<u>39,334</u>	<u>32,329</u>
Net debt, excluding long-term restricted cash, cash equivalents, time deposits, and investments	<u>326,508</u>	<u>374,151</u>
Long-term restricted cash, cash equivalents, time deposits and investments	<u>25,082</u>	<u>23,193</u>
Net debt, including long-term restricted cash, cash equivalents, time deposits, and investments	<u>\$ 301,426</u>	<u>\$ 350,958</u>

(1) For the three months ended April 30, 2019, non-GAAP other expense, net of \$5.6 million was comprised of \$5.6 million of interest and other expense.

(2) Adjusted for financing fee amortization.

Table 4
VERINT SYSTEMS INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)

(in thousands, except share and per share data)	April 30, 2019	January 31, 2019
Assets		
Current Assets:		
Cash and cash equivalents	\$ 412,024	\$ 369,975
Restricted cash and cash equivalents, and restricted bank time deposits	39,749	42,262
Short-term investments	39,334	32,329
Accounts receivable, net of allowance for doubtful accounts of \$4.5 million and \$3.8 million, respectively	316,101	375,663
Contract assets	63,228	63,389
Inventories	27,845	24,952
Prepaid expenses and other current assets	90,016	97,776
Total current assets	988,297	1,006,346
Property and equipment, net	102,340	100,134
Operating lease right-of-use assets	96,811	—
Goodwill	1,431,517	1,417,481
Intangible assets, net	219,552	225,183
Other assets	119,024	117,883
Total assets	\$ 2,957,541	\$ 2,867,027
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 65,275	\$ 71,621
Accrued expenses and other current liabilities	244,983	212,824
Contract liabilities	350,488	377,376
Total current liabilities	660,746	661,821
Long-term debt	780,260	777,785
Long-term contract liabilities	32,726	30,094
Operating lease liabilities	85,649	—
Other liabilities	123,583	136,523
Total liabilities	1,682,964	1,606,223
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock - \$0.001 par value; authorized 2,207,000 shares at April 30, 2019 and January 31, 2019, respectively; none issued.	—	—
Common stock - \$0.001 par value; authorized 120,000,000 shares. Issued 67,446,000 and 66,998,000 shares; outstanding 65,773,000 and 65,333,000 shares at April 30, 2019 and January 31, 2019, respectively.	67	67
Additional paid-in capital	1,601,156	1,586,266
Treasury stock, at cost - 1,673,000 and 1,665,000 shares at April 30, 2019 and January 31, 2019, respectively.	(58,072)	(57,598)
Accumulated deficit	(132,698)	(134,274)
Accumulated other comprehensive loss	(149,523)	(145,225)
Total Verint Systems Inc. stockholders' equity	1,260,930	1,249,236
Noncontrolling interests	13,647	11,568
Total stockholders' equity	1,274,577	1,260,804
Total liabilities and stockholders' equity	\$ 2,957,541	\$ 2,867,027

Table 5
VERINT SYSTEMS INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	Three Months Ended April 30,	
	2019	2018
Cash flows from operating activities:		
Net income (loss)	\$ 3,761	\$ (1,225)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	22,954	23,963
Stock-based compensation, excluding cash-settled awards	17,065	16,443
Amortization of discount on convertible notes	3,061	2,905
Non-cash gains on derivative financial instruments, net	(549)	(1,488)
Other non-cash items, net	2,646	(448)
Changes in operating assets and liabilities, net of effects of business combinations:		
Accounts receivable	58,900	45,386
Contract assets	(39)	(18,811)
Inventories	(3,118)	2,434
Prepaid expenses and other assets	5,268	(1,028)
Accounts payable and accrued expenses	8,487	(3,027)
Contract liabilities	(24,648)	(4,543)
Other, net	(725)	(409)
Net cash provided by operating activities	93,063	60,152
Cash flows from investing activities:		
Cash paid for business combinations, including adjustments, net of cash acquired	(20,210)	—
Purchases of property and equipment	(8,331)	(7,747)
Purchases of investments	(9,995)	(2,792)
Maturities and sales of investments	2,965	—
Cash paid for capitalized software development costs	(2,819)	(1,121)
Change in restricted bank time deposits, and other investing activities, net	2,941	398
Net cash used in investing activities	(35,449)	(11,262)
Cash flows from financing activities:		
Proceeds from borrowings, net of original issuance discount	—	(1,275)
Repayments of borrowings and other financing obligations	(1,584)	—
Purchases of treasury stock	(474)	(173)
Dividends paid to noncontrolling interest	—	(760)
Payments of deferred purchase price and contingent consideration for business combinations (financing portion)	(11,674)	(2,584)
Other financing activities, net	—	(15)
Net cash used in financing activities	(13,732)	(4,807)
Foreign currency effects on cash, cash equivalents, restricted cash, and restricted cash equivalents	(853)	(1,495)
Net increase in cash, cash equivalents, restricted cash, and restricted cash equivalents	43,029	42,588
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period	412,699	398,210
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period	\$ 455,728	\$ 440,798
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	\$ 412,024	\$ 382,237
Restricted cash and cash equivalents included in restricted cash and cash equivalents, and restricted bank time deposits	39,373	32,541
Restricted cash and cash equivalents included in other assets	4,331	26,020
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	\$ 455,728	\$ 440,798

Table 6
VERINT SYSTEMS INC. AND SUBSIDIARIES
Calculation of Change in Revenue on a Constant Currency Basis
(Unaudited)

(in thousands, except percentages)	GAAP Revenue	Non-GAAP Revenue
	Three Months Ended	Three Months Ended
Total Revenue		
Revenue for the three months ended April 30, 2018	\$ 289,207	\$ 291,970
Revenue for the three months ended April 30, 2019	\$ 315,259	\$ 324,158
Revenue for the three months ended April 30, 2019 at constant currency ⁽¹⁾	\$ 321,000	\$ 329,000
Reported period-over-period revenue growth	9.0%	11.0%
% impact from change in foreign currency exchange rates	2.0%	1.7%
Constant currency period-over-period revenue growth	11.0%	12.7%
Customer Engagement		
Revenue for the three months ended April 30, 2018	\$ 186,456	\$ 189,175
Revenue for the three months ended April 30, 2019	\$ 207,095	\$ 215,867
Revenue for the three months ended April 30, 2019 at constant currency ⁽¹⁾	\$ 211,000	\$ 219,000
Reported period-over-period revenue growth	11.1%	14.1%
% impact from change in foreign currency exchange rates	2.1%	1.7%
Constant currency period-over-period revenue growth	13.2%	15.8%
Cyber Intelligence		
Revenue for the three months ended April 30, 2018	\$ 102,751	\$ 102,795
Revenue for the three months ended April 30, 2019	\$ 108,164	\$ 108,291
Revenue for the three months ended April 30, 2019 at constant currency ⁽¹⁾	\$ 110,000	\$ 110,000
Reported period-over-period revenue growth	5.3%	5.3%
% impact from change in foreign currency exchange rates	1.8%	1.7%
Constant currency period-over-period revenue growth	7.1%	7.0%

(1) Revenue for the three months ended April 30, 2019 at constant currency is calculated by translating current-period foreign currency revenue into U.S. dollars using average foreign currency exchange rates for the three months ended April 30, 2018 rather than actual current-period foreign currency exchange rates.

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

Table 7
VERINT SYSTEMS INC. AND SUBSIDIARIES
GAAP to Non-GAAP Customer Engagement Cloud Revenue, Recurring Revenue,
and Nonrecurring Revenue
(Unaudited)

(in thousands)	Three Months Ended	
	April 30,	
	2019	2018
<u>Table of Reconciliation from GAAP Cloud Revenue to Non-GAAP Cloud Revenue</u>		
<u>Customer Engagement</u>		
Cloud revenue - GAAP	\$ 47,085	\$ 30,641
Estimated revenue adjustments	8,644	1,719
Cloud revenue - non-GAAP	\$ 55,729	\$ 32,360
<u>Table of Reconciliation from GAAP Recurring Revenue to Non-GAAP Recurring Revenue</u>		
<u>Customer Engagement</u>		
Recurring revenue - GAAP	\$ 123,358	\$ 105,666
As a percentage of GAAP revenue	59.6%	56.7%
Estimated revenue adjustments	8,772	1,921
Recurring revenue - non-GAAP	\$ 132,130	\$ 107,587
As a percentage of non-GAAP revenue	61.2%	56.9%
<u>Table of Reconciliation from GAAP Nonrecurring Revenue to Non-GAAP Nonrecurring Revenue</u>		
<u>Customer Engagement</u>		
Nonrecurring revenue - GAAP	\$ 83,737	\$ 80,790
As a percentage of GAAP revenue	40.4%	43.3%
Estimated revenue adjustments	—	798
Nonrecurring revenue - non-GAAP	\$ 83,737	\$ 81,588
As a percentage of non-GAAP revenue	38.8%	43.1%

Table 8
VERINT SYSTEMS INC. AND SUBSIDIARIES
Estimated GAAP and Non-GAAP Fully Allocated Gross Margins
(Unaudited)

(in thousands)	Three Months Ended April 30,					
	2019			2018		
	Customer Engagement	Cyber Intelligence	Consolidated	Customer Engagement	Cyber Intelligence	Consolidated
GAAP product revenue	\$ 54,002	\$ 50,222	\$ 104,224	\$ 48,364	\$ 57,500	\$ 105,864
GAAP service revenue	153,093	57,942	211,035	138,092	45,251	183,343
Total GAAP revenue	207,095	108,164	315,259	186,456	102,751	289,207
Products costs	8,462	17,850	26,312	8,799	25,012	33,811
Service expenses	57,523	18,514	76,037	51,521	16,687	68,208
Amortization of acquired technology	5,388	1,319	6,707	4,265	3,161	7,426
Stock-based compensation expenses (1)	1,084	320	1,404	684	162	846
Shared support service allocation (2)	2,431	1,297	3,728	2,494	1,307	3,801
Total GAAP cost of revenue	74,888	39,300	114,188	67,763	46,329	114,092
GAAP gross profit	\$ 132,207	\$ 68,864	\$ 201,071	\$ 118,693	\$ 56,422	\$ 175,115
GAAP gross margin	63.8%	63.7%	63.8%	63.7%	54.9%	60.6%
Revenue adjustments	8,772	127	8,899	2,719	44	2,763
Amortization of acquired technology	5,388	1,319	6,707	4,265	3,161	7,426
Stock-based compensation expenses (1)	1,084	320	1,404	684	162	846
Acquisition expenses, net (3)	10	5	15	11	6	17
Restructuring expenses (3)	293	156	449	238	125	363
Non-GAAP gross profit	\$ 147,754	\$ 70,791	\$ 218,545	\$ 126,610	\$ 59,920	\$ 186,530
Non-GAAP gross margin	68.4%	65.4%	67.4%	66.9%	58.3%	63.9%

(1) Represents the stock-based compensation expenses applicable to cost of revenue, allocated proportionally to our year ended January 31, 2019 and 2018, respectively, annual operations and service expense wages for each segment, which we believe provides a reasonable approximation for purposes of understanding the relative GAAP and non-GAAP gross margins of our two businesses.

(2) Represents the portion of our shared support expenses (as disclosed in footnote 16 to our April 30, 2019 Form 10-Q, when filed) applicable to cost of revenue, allocated proportionally to our year ended January 31, 2019 and 2018, respectively, annual non-GAAP segment revenue, which we believe provides a reasonable approximation for purposes of understanding the relative GAAP and non-GAAP gross margins of our two businesses.

(3) Represents the portion of our acquisition expenses, net and restructuring expenses applicable to cost of revenue, allocated proportionally to our year ended January 31, 2019 and 2018, respectively, annual non-GAAP segment revenue, and our acquisition expenses, net and restructuring expenses applicable to cost of revenue, which we believe provides a reasonable approximation for purposes of understanding the relative GAAP and non-GAAP gross margins of our two businesses.

Table 9
VERINT SYSTEMS INC. AND SUBSIDIARIES
Estimated Non-GAAP Fully Allocated Operating Margins and Estimated Fully Allocated Adjusted EBITDA
(Unaudited)

(in thousands)	Three Months Ended April 30,					
	2019			2018		
	Customer Engagement	Cyber Intelligence	Consolidated	Customer Engagement	Cyber Intelligence	Consolidated
Non-GAAP segment revenue	\$ 215,867	\$ 108,291	\$ 324,158	\$ 189,175	\$ 102,795	\$ 291,970
Segment contribution ⁽¹⁾	78,818	27,290	106,108	66,802	21,222	88,024
Estimated allocation of shared support expenses ⁽²⁾	28,593	15,261	43,854	27,492	14,417	41,909
Estimated non-GAAP operating income	50,225	12,029	62,254	39,310	6,805	46,115
Depreciation and amortization ⁽³⁾	5,133	2,740	7,873	5,379	2,821	8,200
Estimated adjusted EBITDA	\$ 55,358	\$ 14,769	\$ 70,127	\$ 44,689	\$ 9,626	\$ 54,315
Estimated non-GAAP fully allocated operating margin	23.3%	11.1%	19.2%	20.8%	6.6%	15.8%
Estimated fully allocated adjusted EBITDA margin	25.6%	13.6%	21.6%	23.6%	9.4%	18.6%

(1) See footnote 16 to our April 30, 2019 Form 10-Q, when filed.

(2) Represents our shared support expenses (as disclosed in footnote 16 to our April 30, 2019 Form 10-Q, when filed), allocated proportionally to our non-GAAP segment revenue for the year ended January 31, 2019 and 2018, respectively, which we believe provides a reasonable approximation for purposes of understanding the relative non-GAAP operating margins of our two businesses.

(3) Represents certain depreciation and amortization expenses, which are otherwise included in our non-GAAP operating income, allocated proportionally to our non-GAAP segment revenue for the year ended January 31, 2019 and 2018, respectively, which we believe provides a reasonable approximation for purposes of understanding the relative adjusted EBITDA of our two businesses.

Verint Systems Inc. and Subsidiaries

Supplemental Information About Non-GAAP Financial Measures

This press release contains non-GAAP financial measures, consisting of non-GAAP revenue, non-GAAP recurring revenue, non-GAAP nonrecurring revenue, non-GAAP cloud revenue, non-GAAP gross profit and gross margin, non-GAAP operating income and operating margin, non-GAAP other income (expense), net, non-GAAP provision (benefit) for income taxes and non-GAAP effective income tax rate, non-GAAP net income attributable to Verint Systems Inc., non-GAAP net income per common share attributable to Verint Systems Inc., adjusted EBITDA, net debt, constant currency measures, estimated GAAP and non-GAAP fully allocated gross margins, and estimated non-GAAP fully allocated operating margins. 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. We exclude from our non-GAAP revenue the impact of fair value adjustments required under GAAP relating to cloud services and customer support contracts acquired in a business acquisition, which would have otherwise been recognized on a stand-alone 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. 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 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.

Unrealized gains and losses on certain derivatives, net. We exclude from our non-GAAP financial measures unrealized gains and losses on certain foreign currency derivatives which are not designated as hedges under accounting guidance. We exclude unrealized gains and losses on foreign currency derivatives that serve as economic hedges against variability in the cash flows of recognized assets or liabilities, or of forecasted transactions. These contracts, if designated as hedges under accounting guidance, would be considered “cash flow” hedges. These unrealized gains and losses are excluded from our non-GAAP financial measures because they are non-cash transactions which are highly variable from period to period. Upon settlement of these foreign currency derivatives, any realized gain or loss is included in our non-GAAP financial measures.

Amortization of convertible note discount. Our non-GAAP financial measures exclude the amortization of the imputed discount on our convertible notes. Under GAAP, certain convertible debt instruments that may be settled in cash upon conversion are required to be bifurcated into separate liability (debt) and equity (conversion option) components in a manner that reflects the issuer’s assumed non-convertible debt borrowing rate. For GAAP purposes, we are required to recognize imputed interest expense on the difference between our assumed non-convertible debt borrowing rate and the coupon rate on our \$400.0 million of 1.50% convertible notes. This difference is excluded from our non-GAAP financial measures because we believe that this expense is based upon subjective assumptions and does not reflect the cash cost of our convertible debt.

Acquisition expenses, net. In connection with acquisition activity (including with respect to acquisitions that are not consummated), we incur expenses, 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. We exclude restructuring expenses from our non-GAAP financial measures, which include employee termination costs, facility exit costs, certain professional fees, asset impairment charges, 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.

Impairment charges and other adjustments. We exclude from our non-GAAP financial measures asset impairment charges (other than those already included within restructuring or acquisition 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, including \$1.9 million of fees and expenses for the three months ended April 30, 2019 related to a shareholder proxy contest, all of which are unusual in nature and can vary significantly in amount and frequency.

Non-GAAP income tax adjustments. We exclude our GAAP provision (benefit) for income taxes from our non-GAAP measures of net income attributable to Verint Systems Inc., 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, 2020 is currently approximately 10%, and was 11.0% for the year ended January 31, 2019. 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.

Customer Engagement Cloud, Recurring and Nonrecurring Revenue 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 initial and renewal post contract support and cloud revenue.

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

Cloud revenue, on both a GAAP and non-GAAP basis, primarily consists of SaaS and optional managed services.

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

We believe that recurring revenue, nonrecurring revenue, and cloud revenue, provide investors with useful insight into the nature and sustainability of our revenue streams. The recurrence of these revenue streams in future periods depends on a number of factors including contractual periods and customers' renewal decisions. Please see "*Revenue adjustments*" above for an explanation for why we present these revenue numbers on both a GAAP and non-GAAP basis.

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, revenue adjustments, restructuring expenses, acquisition expenses, 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, 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, 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 foreign currency 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 for revenue, operating margin, and diluted earnings per share, 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. We periodically report our historical non-GAAP diluted net income per share both inclusive and exclusive of these net foreign exchange gains or losses. 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.