

**VERINT®**

**FY20  
Second Quarter  
Conference Call**

**Actionable Intelligence®**

September 4, 2019

# Disclaimers

## Forward Looking Statements

This presentation 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 to differ materially from those expressed in or implied by the forward-looking statements. The forward-looking statements contained in this presentation are made as of the date of this presentation and, except as required by law, Verint assumes no obligation to update or revise them, or to provide reasons why actual results may differ. For a more detailed discussion of how these and other risks, uncertainties, and assumptions could cause Verint's actual results to differ materially from those indicated in its forward-looking statements, see Verint's prior filings with the Securities and Exchange Commission.

## Non-GAAP Financial Measures

This presentation includes financial measures which are not prepared in accordance with generally accepted accounting principles ("GAAP"), including certain constant currency measures. For a description of these non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP, please see the appendices to this presentation, Verint's earnings press releases, as well as the GAAP to non-GAAP reconciliation found under the Investor Relations tab on Verint's website [Verint.com](http://Verint.com).

## Q2 Highlights

**\$331 million**  
Revenue  
**+7.4% y-o-y**

**\$335 million**  
Constant Currency  
Revenue  
**+8.6% y-o-y**

GAAP Revenue at CC  
\$328 million +7.1% y-o-y

GAAP Revenue  
\$324 million +5.9% y-o-y

**\$0.82**  
Diluted EPS  
**+8.0% y-o-y**

GAAP EPS  
\$0.16 -51.5% y-o-y



Note: Non-GAAP metrics unless otherwise noted. CC represents constant currency.

# H1 Highlights

**Revenue Growth**  
*+9.2% y-o-y*

**Constant Currency Revenue Growth**  
*+10.6% y-o-y*

**Diluted EPS**  
*+20.3% y-o-y*

**Customer Engagement**  
*Cloud Adoption by Enterprises*

**Cyber Intelligence**  
*Software Model Execution is Ahead of Plan*

GAAP Revenue at CC  
*+9.0% y-o-y*

GAAP Revenue  
*+7.4% y-o-y*

GAAP EPS  
*-40.0% y-o-y*



Note: Non-GAAP metrics unless otherwise noted. CC represents constant currency.

# Customer Engagement H1 Highlights

## Revenue Growth

+10.8% y-o-y

## Constant Currency Revenue Growth

+12.2% y-o-y

GAAP Revenue Growth at CC  
+9.7% y-o-y

GAAP Revenue Growth  
+8.1% y-o-y

## Cloud Revenue

25% of Revenue ↑ 650bps y-o-y

## Recurring Revenue

62% of Revenue ↑ 300bps y-o-y

GAAP Cloud Revenue  
23% of Revenue

GAAP Recurring Revenue  
60% of Revenue

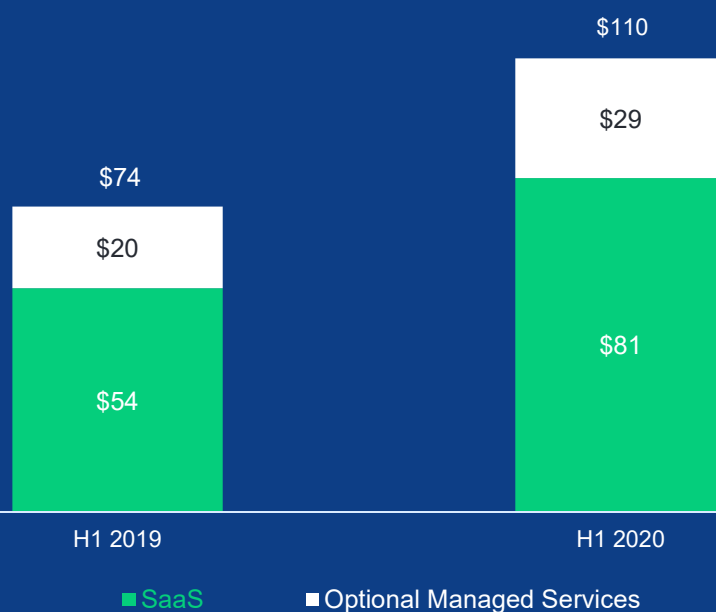


Note: Non-GAAP metrics unless otherwise noted. CC represents constant currency.

# Strong H1 Cloud Revenue Growth

## H1 Cloud Revenue<sup>1</sup>

(\$s in Millions)



## H1 Cloud Highlights

### Strong Cloud Revenue Growth

- Cloud revenue: 49% y-o-y increase
- SaaS revenue: 50% y-o-y increase

### Maintenance Conversion Early

- >2x uplift opportunity achieved in H1
- Expect customer conversions to accelerate over time



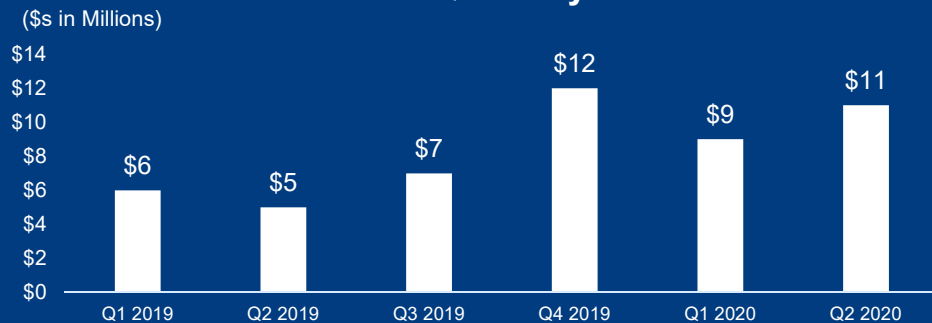
Note: Non-GAAP metrics.

(1) GAAP cloud revenue in H1 2019 and H1 2020 was \$69 million and \$95 million, respectively. GAAP SaaS revenue in H1 2019 and H1 2020 was \$51 million and \$67 million, respectively. Optional Managed Services GAAP revenue in H1 2019 and H1 2020 was \$19 million and \$28 million, respectively.

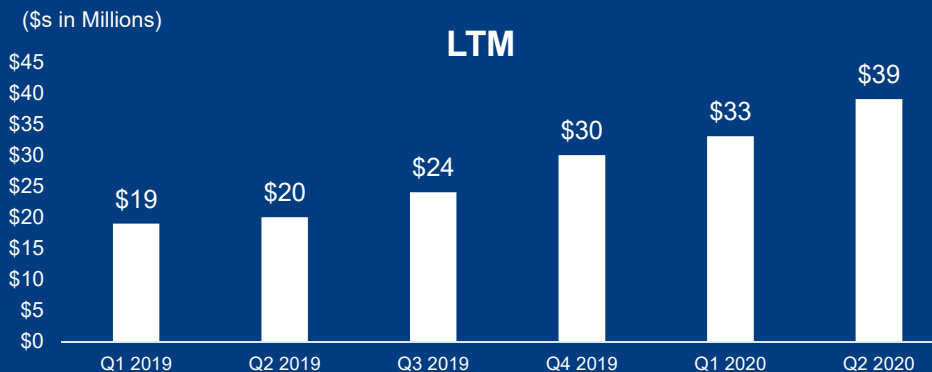
# Strong “New SaaS ACV” Growth in H1

## New SaaS ACV<sup>1</sup>

### Quarterly



### LTM



## Strong Growth Coupled with Large Deals

### Strong New SaaS ACV Growth

- H1 up 84% y-o-y
- LTM at end of Q2 up 95% y-o-y

### Deals >\$1 Million TCV<sup>2</sup> Increasing

- 11 deals in H1 FY20 versus 4 in H1 FY19

### Contract Duration Increasing

- Average Tenure<sup>3</sup>: Approaching 2.5 years



(1) “New SaaS ACV” includes the annualized contract value of all new SaaS contracts received within the period; in cases where SaaS is offered to partners through usage-based contracts, we include the quarterly values of all usage contracts.

(2) TCV is total value of contracts received in the period

(3) Represents average tenure for all new SaaS contracts received in the period

# H1 Cloud Adoption By Large Enterprises

Consumer Financial  
Services

Leading consumer  
financial services  
company

\$4 Million TCV

Insurance

Leading insurance  
company

\$2 Million TCV

Healthcare

Fortune 500 and leading  
managed care  
provider

\$2 Million TCV

Banking

Leading regional bank  
with 600 offices across  
23 states

\$2 Million TCV

Diversified Financial  
Services

Fortune 100 and leading  
diversified financial  
services company

\$1 Million TCV

Healthcare

Leading medical supply  
company

\$1 Million TCV



# Customer Engagement M&A Update

## ForeSee

(closed December 2018)

Launched New Unified VOC Platform

*“Verint’s solutions have always been leading edge... but the Unified VoC solution providing a complete cross-channel view of the customer is a true innovation.”*

–Ventana Research 2019 Digital Innovation Award

Renewal Rates Improving

## Transversal

(closed July 27, 2019)

Technology Tuck-In

\$8 million of LTM revenue, breakeven

“Build vs. Buy” – Accelerates Artificial Intelligence and Machine Learning Capabilities in our Knowledge Management Offering

# Market Recognizes Verint's Innovation

## 2019 AI Breakthrough Award

*Excellence, innovation and success in AI and Machine Learning Platforms, Smart Robotics, Analytics, and Natural Language Processing*

## DMG Consulting 2019/2020 Intelligent Virtual Agent Product and Market Report, Q2 2019

*In customer ratings of product capabilities, Verint achieved a perfect score in Automation*

## Gartner 2019 Magic Quadrant for the CRM Customer Engagement Center

*By using the different AI functional domains of Next IT, Verint has strengthened its "intelligence" story and shown better vision*

## The Forrester Wave: Conversational Artificial Intelligence for Customer Service, Q2 2019

*Verint's strong analytics environment stands out from the pack  
Customers universally praised Verint's experience in the market*

# Cyber Intelligence H1 Highlights

**Revenue Growth**  
+6.2% y-o-y

**Constant Currency  
Revenue Growth**  
+7.5% y-o-y

GAAP Revenue Growth  
+6.1% y-o-y

GAAP Revenue Growth at CC  
+7.6% y-o-y

## Market Dynamics

- Security threats becoming more complex
- Shortage of data scientists and cyber analysts
- Need for advanced data mining solutions with greater automation

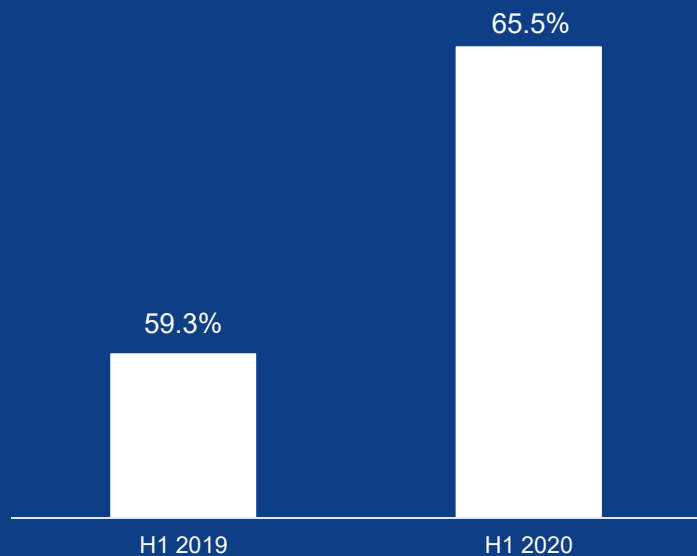
## Large Q2 Orders

- ~\$15 million order
- Four orders with an average size of \$5 million
- Approximately 50 new customers in H1



# Cyber Intelligence – Software Model Ahead of Plan

## H1 Gross Margin



## Highlights

### Software Model Strategy

- Unbundle and productize software
- Customer benefits: accelerate the software refresh cycles
- Verint benefits: improved margins and differentiation

### Gross Margin Increased by 620bps in H1

- Significant reduction in pass-through hardware
- Reduction in development services
- Excluding pass-through hardware, segment revenue increased double-digits year-over-year



Note: Non-GAAP metrics. GAAP gross margin in H1 2019 was 56.7% and in H1 2020 was 64.1%. Gross margins are estimated and fully allocated.

# H1 Highlights

**Revenue Growth**  
*+9.2% y-o-y*

**Constant Currency Revenue Growth**  
*+10.6% y-o-y*

**Diluted EPS**  
*+20.3% y-o-y*

**Customer Engagement**  
*Cloud Adoption by Enterprises*

**Cyber Intelligence**  
*Software Model Execution is Ahead of Plan*

GAAP Revenue at CC  
*+9.0% y-o-y*

GAAP Revenue  
*+7.4% y-o-y*

GAAP EPS  
*-40.0% y-o-y*



Note: Non-GAAP metrics unless otherwise noted. CC represents constant currency.

# FINANCIAL REVIEW

# Q2 FY20 Consolidated Financial Highlights

GAAP	(\$ in millions, except per share data)	CHANGE FROM PRIOR YEAR
Revenue	<b>\$324</b>	<b>+5.9%</b>
Gross Margin	<b>64.1%</b>	<b>+110bps</b>
Operating Income	<b>\$15</b>	<b>-47.7%</b>
Operating Margin	<b>4.7%</b>	<b>-480bps</b>
Diluted EPS	<b>\$0.16</b>	<b>-51.5%</b>

Non-GAAP	(\$ in millions, except per share data)	CHANGE FROM PRIOR YEAR
Revenue	<b>\$331</b>	<b>+7.4%</b>
Gross Margin	<b>67.5%</b>	<b>+160bps</b>
Operating Income	<b>\$66</b>	<b>+4.0%</b>
Operating Margin	<b>19.9%</b>	<b>-70bps</b>
Adjusted EBITDA	<b>\$74</b>	<b>+4.4%</b>
Adjusted EBITDA Margin	<b>22.3%</b>	<b>-60bps</b>
Diluted EPS	<b>\$0.82</b>	<b>+8.0%</b>

# H1 FY20 Consolidated Financial Highlights

GAAP	(\$ in millions, except per share data)	CHANGE FROM PRIOR YEAR
Revenue	<b>\$640</b>	<b>+7.4%</b>
Gross Margin	<b>63.9%</b>	<b>+210bps</b>
Operating Income	<b>\$30</b>	<b>-19.6%</b>
Operating Margin	<b>4.7%</b>	<b>-150bps</b>
Diluted EPS	<b>\$0.18</b>	<b>-40.0%</b>

Non-GAAP	(\$ in millions, except per share data)	CHANGE FROM PRIOR YEAR
Revenue	<b>\$655</b>	<b>+9.2%</b>
Gross Margin	<b>67.4%</b>	<b>+250bps</b>
Operating Income	<b>\$128</b>	<b>+17.0%</b>
Operating Margin	<b>19.6%</b>	<b>+140bps</b>
Adjusted EBITDA	<b>\$144</b>	<b>+15.1%</b>
Adjusted EBITDA Margin	<b>22.0%</b>	<b>+120bps</b>
Diluted EPS	<b>\$1.55</b>	<b>+20.3%</b>



# H1 FY20 Customer Engagement Financial Highlights

## Cloud Momentum Driving Double-Digit Revenue Growth

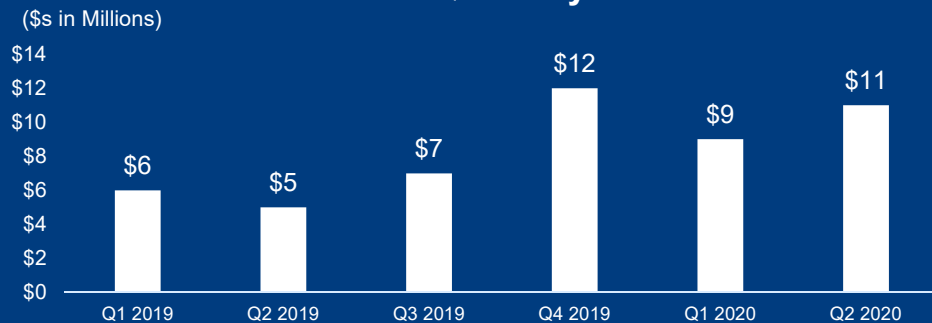
GAAP	(\$ in millions, except per share data)	CHANGE FROM PRIOR YEAR
Revenue	<b>\$419</b>	<b>+8.1%</b>
Recurring Revenue	<b>\$253</b>	<b>+12.0%</b>
Nonrecurring Revenue	<b>\$166</b>	<b>+2.6%</b>
Estimated Fully Allocated Gross Margin	<b>63.8%</b>	<b>-80bps</b>

Non-GAAP	(\$ in millions, except per share data)	CHANGE FROM PRIOR YEAR
Revenue	<b>\$434</b>	<b>+10.8%</b>
Recurring Revenue	<b>\$268</b>	<b>+16.5%</b>
Nonrecurring Revenue	<b>\$166</b>	<b>+2.6%</b>
Estimated Fully Allocated Gross Margin	<b>68.4%</b>	<b>+50bps</b>
Estimated Fully Allocated Operating Income	<b>\$100</b>	<b>+8.9%</b>
Estimated Fully Allocated Operating Margin	<b>23.0%</b>	<b>-40bps</b>
Estimated Fully Allocated Adjusted EBITDA	<b>\$110</b>	<b>+8.1%</b>
Estimated Fully Allocated Adjusted EBITDA Margin	<b>25.4%</b>	<b>-60bps</b>

# Strong “New SaaS ACV” Growth in H1

## New SaaS ACV<sup>1</sup>

### Quarterly



### LTM



## Strong Growth Coupled with Large Deals

### Strong New SaaS ACV Growth

- H1 up 84% y-o-y
- LTM at end of Q2 up 95% y-o-y

### Deals >\$1 Million TCV<sup>2</sup> Increasing

- 11 deals in H1 FY20 versus 4 in H1 FY19

### Contract Duration Increasing

- Average Tenure<sup>3</sup>: Approaching 2.5 years



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(2) TCV is total value of contracts received in the period

(3) Represents average tenure for all new SaaS contracts received in the period

# H1 FY20 Cyber Intelligence Financial Highlights

## Software Model Strategy Drives Margin Expansion

GAAP	(\$ in millions, except per share data)	CHANGE FROM PRIOR YEAR
Revenue	<b>\$221</b>	<b>+6.1%</b>
Estimated Fully Allocated Gross Profit	<b>\$142</b>	<b>+20.1%</b>
Estimated Fully Allocated Gross Margin	<b>64.1%</b>	<b>+740bps</b>

Non-GAAP	(\$ in millions, except per share data)	CHANGE FROM PRIOR YEAR
Revenue	<b>\$221</b>	<b>+6.2%</b>
Estimated Fully Allocated Gross Profit	<b>\$145</b>	<b>+17.3%</b>
Estimated Fully Allocated Gross Margin	<b>65.5%</b>	<b>+620bps</b>
Estimated Fully Allocated Operating Income	<b>\$28</b>	<b>+59.6%</b>
Estimated Fully Allocated Operating Margin	<b>12.7%</b>	<b>+420bps</b>
Estimated Fully Allocated Adjusted EBITDA	<b>\$34</b>	<b>+46.4%</b>
Estimated Fully Allocated Adjusted EBITDA Margin	<b>15.2%</b>	<b>+420bps</b>

# Efficient Capital Structure

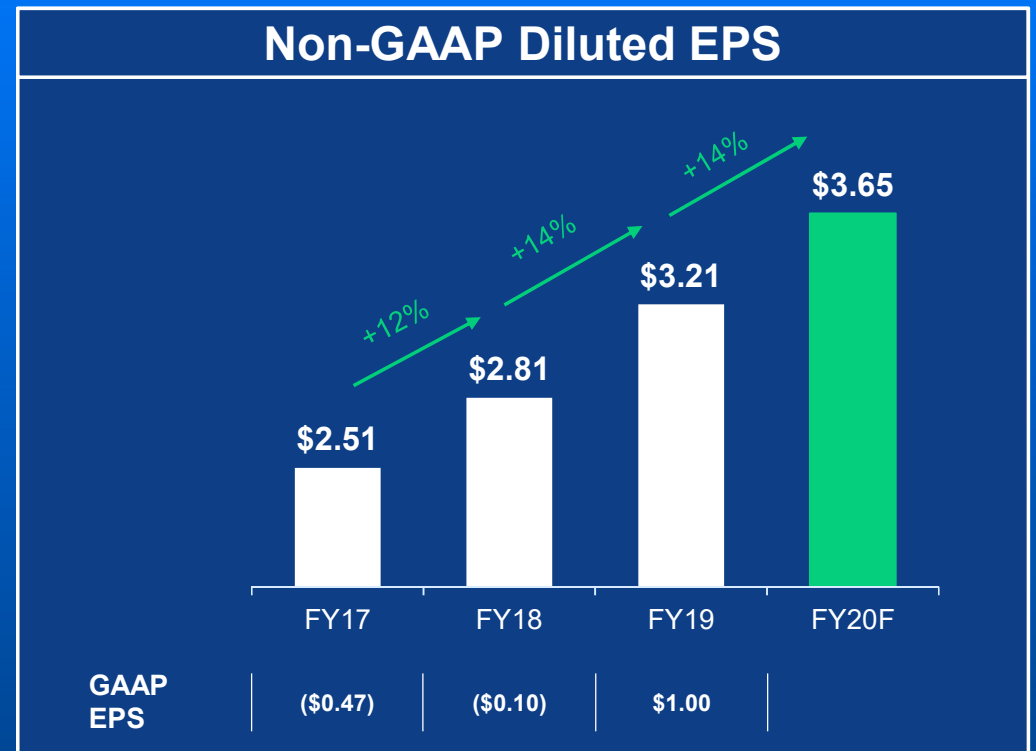
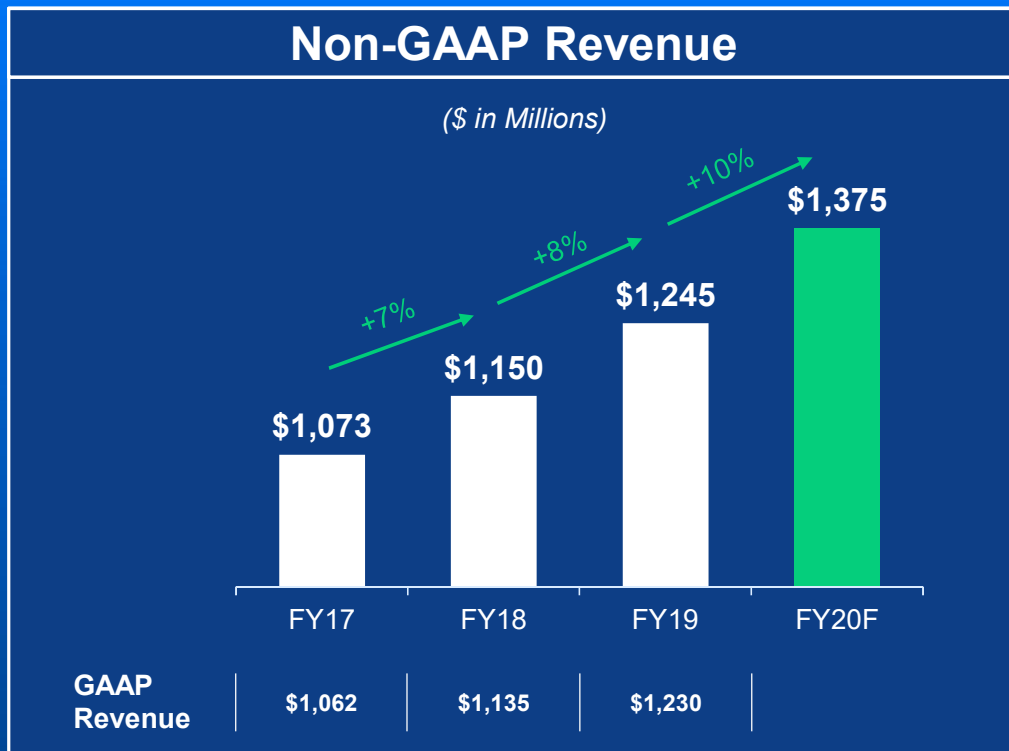
	As of 7/31/19
Cash	\$466 million
Net Debt (Term B and Convertible, net of Cash)	\$351 million
Ratings	Moody's: Ba2; S&P: BB
Average Interest Rate	2.8%
Net Debt/LTM Adjusted EBITDA	1.1x
H1 Cash Flow From Operations	\$98 million

**Notes:**

- Cash flow from operations for the six months ended July 31, 2019
- Moody's upgraded Verint's corporate family rating to Ba2 from Ba3 on June 24, 2019.
- Convertible senior notes due June 1, 2021 and term loan due June 29, 2024.
- Financial data is non-GAAP. See appendices for reconciliation.
- Cash includes cash, cash equivalents, short-term restricted cash and cash equivalents and restricted time deposits, short-term investments, long-term restricted cash, and long-term restricted investments.
- Net Debt includes long-term restricted cash and long-term restricted investments, and excludes convertible note discounts and other unamortized discounts and issuance costs associated with our debt, which are required under GAAP. See appendices for reconciliation.
- Average interest rate excludes the impact of amortization of discounts and deferred financing fees.

# FY20 Guidance

Accelerating Revenue with 14% EPS Growth



Note: Our guidance for FY20 revenue of \$1,375 million and Diluted EPS of \$3.65 are on a non-GAAP basis.

**THANK YOU**

# Appendices

# About Non-GAAP Financial Measures

The following tables include reconciliations of certain financial measures not prepared in accordance with Generally Accepted Accounting Principles (“GAAP”), consisting of non-GAAP revenue, non-GAAP recurring revenue, non-GAAP nonrecurring revenue, non-GAAP cloud revenue, non-GAAP SaaS revenue, non-GAAP optional managed services 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 and estimated fully allocated adjusted EBITDA to the most directly comparable financial measures prepared in accordance with GAAP.

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.





# About Non-GAAP Financial 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.

# About 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.
- **Losses and expenses on early retirements or modifications of debt.** We exclude from our non-GAAP financial measures losses on early retirements of debt attributable to refinancing or repaying our debt, and expenses incurred to modify debt terms, because we believe they are not reflective of our ongoing operations.
- **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 associated with 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 \$5.6 million and \$7.5 million of fees and expenses for the three months and six months ended July 31, 2019 related to a shareholder proxy contest, all of which are unusual in nature and can vary significantly in amount and frequency.

# About Non-GAAP Financial Measures

- **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 rates for the year ending January 31, 2020 is currently approximately 9%, and was 11% 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.

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

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.

New SaaS ACV includes the annualized contract value of all new SaaS contracts received within the period; in cases where SaaS is offered to partners through usage-based contracts, we include the quarterly values of all usage contracts.



# About Non-GAAP Financial Measures

## **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.

# Financial Outlook

Our non-GAAP outlook for the three months ending October 31, 2019 and 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 \$14 million and \$55 million, for the three months ending October 31, 2019 and year ending January 31, 2020, respectively.
- Amortization of discount on convertible notes of approximately \$3 million and \$12 million, for the three months ending October 31, 2019 and year ending January 31, 2020, respectively.

Our non-GAAP outlook for the three months ending October 31, 2019 and 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 \$6 million and \$7 million, and \$26 million and \$28 million, for the three months ending October 31, 2019 and year ending January 31, 2020, respectively.
- Stock-based compensation is expected to be between approximately \$19 million and \$20 million, and \$75 million and \$79 million, for the three months ending October 31, 2019 and year ending January 31, 2020, respectively, 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 July 31, and April 30, 2019 and years ended January 31, 2019 and 2018 for the GAAP measures excluded from our non-GAAP outlook appear in the GAAP to Non-GAAP Reconciliation Tables contained in this presentation.

# GAAP to Non-GAAP Reconciliations

(\$ in millions)

	Year Ended		Three Months Ended				Year Ended	Three Months Ended		Six Months Ended
	January 31, 2017	January 31, 2018	April 30, 2018	July 31, 2018	October 31, 2018	January 31, 2019	January 31, 2019	April 30, 2019	July 31, 2019	July 31, 2019
<b>Revenue Reconciliation</b>										
<b>GAAP revenue</b>	\$ 1,062.1	\$ 1,135.2	\$ 289.2	\$ 306.3	\$ 304.0	\$ 330.2	\$ 1,229.7	\$ 315.3	\$ 324.3	\$ 639.6
Revenue adjustments	10.6	15.3	2.8	2.2	4.0	6.5	15.4	8.9	7.0	15.9
<b>Non-GAAP revenue</b>	\$ 1,072.7	\$ 1,150.5	\$ 292.0	\$ 308.5	\$ 308.0	\$ 336.7	\$ 1,245.1	\$ 324.2	\$ 331.3	\$ 655.5
<b>Gross Profit Reconciliation</b>										
<b>GAAP gross profit</b>	\$ 639.5	\$ 688.4	\$ 175.1	\$ 193.0	\$ 192.7	\$ 219.7	\$ 780.5	\$ 201.1	\$ 207.9	\$ 408.9
<b>GAAP gross margin</b>	60.2%	60.6%	60.6%	63.0%	63.4%	66.5%	63.5%	63.8%	64.1%	63.9%
Revenue adjustments	10.6	15.3	2.8	2.2	4.0	6.5	15.4	8.9	7.0	15.9
Amortization of acquired technology	37.3	38.2	7.4	5.5	5.9	6.5	25.4	6.7	5.6	12.3
Stock-based compensation expenses	8.6	8.5	0.8	1.9	1.4	1.6	5.7	1.4	2.0	3.5
Acquisition expenses	-	0.1	-	-	-	0.3	0.4	-	-	-
Restructuring expenses	2.3	2.2	0.4	0.7	0.1	0.3	1.5	0.5	1.1	1.5
<b>Non-GAAP gross profit</b>	\$ 698.3	\$ 752.7	\$ 186.5	\$ 203.3	\$ 204.1	\$ 234.9	\$ 828.9	\$ 218.6	\$ 223.6	\$ 442.1
<b>Non-GAAP gross margin</b>	65.1%	65.4%	63.9%	65.9%	66.3%	69.8%	66.6%	67.4%	67.5%	67.4%

Notes: Amounts may not cross foot due to rounding.

FYE19 results included in this presentation reflect our February 1, 2018 adoption of new GAAP revenue recognition guidance.



# GAAP to Non-GAAP Reconciliations

(\$ in millions)

	Year Ended		Three Months Ended				Year Ended	Three Months Ended		Six Months Ended
	January 31, 2017	January 31, 2018	April 30, 2018	July 31, 2018	October 31, 2018	January 31, 2019	January 31, 2019	April 30, 2019	July 31, 2019	July 31, 2019
<b>Operating Income Reconciliation</b>										
<b>GAAP operating income</b>	\$ 17.4	\$ 48.6	\$ 7.8	\$ 29.2	\$ 33.7	\$ 43.6	\$ 114.2	\$ 14.5	\$ 15.3	\$ 29.7
<b>As a percentage of GAAP revenue</b>	<b>1.6%</b>	<b>4.3%</b>	<b>2.7%</b>	<b>9.5%</b>	<b>11.1%</b>	<b>13.2%</b>	<b>9.3%</b>	<b>4.6%</b>	<b>4.7%</b>	<b>4.7%</b>
Revenue adjustments	10.6	15.3	2.8	2.2	4.0	6.5	15.4	8.9	7.0	15.9
Amortization of acquired technology	37.3	38.2	7.4	5.5	5.9	6.5	25.4	6.7	5.6	12.3
Amortization of other acquired intangible assets	44.1	34.2	7.7	7.4	7.6	8.3	31.0	7.7	7.6	15.3
Stock-based compensation expenses	65.6	69.4	16.4	17.5	16.6	16.1	66.7	17.1	20.6	37.7
Acquisition expenses, net	12.9	1.6	2.3	0.1	1.9	5.7	9.9	3.9	2.5	6.4
Restructuring expenses	15.7	13.4	1.1	0.9	1.0	1.9	4.9	1.4	1.6	3.1
Impairment charges	-	3.3	-	-	-	-	-	-	-	-
Other adjustments	1.0	2.1	0.6	0.6	(1.5)	(0.4)	(0.6)	2.1	5.7	7.8
<b>Non-GAAP operating income</b>	\$ 204.6	\$ 226.1	\$ 46.1	\$ 63.4	\$ 69.2	\$ 88.2	\$ 266.9	\$ 62.3	\$ 65.9	\$ 128.2
<b>As a percentage of non-GAAP revenue</b>	<b>19.1%</b>	<b>19.7%</b>	<b>15.8%</b>	<b>20.6%</b>	<b>22.5%</b>	<b>26.2%</b>	<b>21.4%</b>	<b>19.2%</b>	<b>19.9%</b>	<b>19.6%</b>
<b>Other Expense Reconciliation</b>										
<b>GAAP other expense, net</b>	\$ (40.8)	\$ (29.7)	\$ (8.7)	\$ (10.0)	\$ (7.8)	\$ (9.9)	\$ (36.5)	\$ (9.3)	\$ (7.5)	\$ (16.8)
Unrealized losses (gains) on derivatives, net	0.5	(3.2)	(0.5)	0.4	0.4	0.9	1.1	0.7	0.6	1.3
Amortization of convertible note discount	10.7	11.2	2.9	2.9	2.9	3.0	11.9	3.1	3.1	6.2
Losses and expenses on early retirement or modification of debt	-	2.7	-	-	-	-	-	-	-	-
Acquisition expenses, net	(0.1)	0.9	-	0.3	-	0.1	0.4	(0.1)	-	(0.1)
Restructuring expenses	0.2	0.1	-	-	-	-	-	-	-	-
Impairment charges	2.4	-	-	-	-	-	-	-	-	-
<b>Non-GAAP other expense, net</b>	\$ (27.1)	\$ (18.0)	\$ (6.3)	\$ (6.4)	\$ (4.5)	\$ (5.9)	\$ (23.1)	\$ (5.6)	\$ (3.8)	\$ (9.4)

Note: Amounts may not cross foot due to rounding.





# GAAP to Non-GAAP Reconciliations

(\$ in millions, except share and per share data; shares in thousands)

	Year Ended		Three Months Ended				Year Ended	Three Months Ended		Six Months Ended
	January 31, 2017	January 31, 2018	April 30, 2018	July 31, 2018	October 31, 2018	January 31, 2019	January 31, 2019	April 30, 2019	July 31, 2019	July 31, 2019
<b>Tax Provision (Benefit) Reconciliation</b>										
GAAP provision (benefit) for income taxes	\$ 2.8	\$ 22.4	\$ 0.3	\$ (3.7)	\$ 5.6	\$ 5.4	\$ 7.5	\$ 1.4	\$ (4.5)	\$ (3.1)
GAAP effective income tax rate	-11.8%	118.3%	-28.8%	-19.4%	21.7%	16.0%	9.7%	27.3%	-58.0%	-24.0%
Non-GAAP tax adjustments	12.9	1.6	4.0	9.7	1.4	4.2	19.4	4.0	9.5	13.5
Non-GAAP provision for income taxes	\$ 15.7	\$ 24.0	\$ 4.3	\$ 6.0	\$ 7.0	\$ 9.6	\$ 26.9	\$ 5.4	\$ 5.0	\$ 10.4
Non-GAAP effective income tax rate	8.8%	11.5%	10.7%	10.5%	10.8%	11.7%	11.0%	9.5%	8.0%	8.7%
<b>Net (Loss) Income Attributable to Verint Systems Inc.</b>										
<b>Reconciliation</b>										
GAAP net (loss) income attributable to Verint Systems Inc.	\$ (29.4)	\$ (6.6)	\$ (2.2)	\$ 22.0	\$ 18.9	\$ 27.3	\$ 66.0	\$ 1.6	\$ 10.6	\$ 12.1
Total GAAP net (loss) income adjustments	188.1	187.5	36.7	28.1	37.5	44.4	146.7	47.5	44.9	92.4
Non-GAAP net income attributable to Verint Systems Inc.	\$ 158.7	\$ 180.9	\$ 34.5	\$ 50.1	\$ 56.4	\$ 71.7	\$ 212.7	\$ 49.1	\$ 55.5	\$ 104.5
GAAP diluted net (loss) income per common share attributable to Verint Systems Inc.	\$ (0.47)	\$ (0.10)	\$ (0.03)	\$ 0.33	\$ 0.29	\$ 0.41	\$ 1.00	\$ 0.02	\$ 0.16	\$ 0.18
Non-GAAP diluted net income per common share attributable to Verint Systems Inc.	\$ 2.51	\$ 2.81	\$ 0.53	\$ 0.76	\$ 0.85	\$ 1.08	\$ 3.21	\$ 0.73	\$ 0.82	\$ 1.55
GAAP weighted-average shares used in computing diluted net (loss) income per common share	62,593	63,312	63,928	65,840	66,200	66,504	66,245	67,088	67,519	67,338
Additional weighted-average shares applicable to non-GAAP net income per common share attributable to Verint Systems Inc	538	1,046	1,203	-	-	-	-	-	-	-
Non-GAAP diluted weighted-average shares used in computing net income per common share	63,131	64,358	65,131	65,840	66,200	66,504	66,245	67,088	67,519	67,338

Note: Amounts may not cross foot due to rounding.



# GAAP to Non-GAAP Reconciliations

(\$ in millions)

	Year Ended		Three Months Ended				Year Ended	Three Months Ended		Six Months Ended
	January 31, 2017	January 31, 2018	April 30, 2018	July 31, 2018	October 31, 2018	January 31, 2019	January 31, 2019	April 30, 2019	July 31, 2019	July 31, 2019
<b>Adjusted EBITDA Reconciliation</b>										
<b>GAAP net (loss) income attributable to Verint Systems Inc.</b>	\$ (29.4)	\$ (6.6)	\$ (2.2)	\$ 22.0	\$ 18.9	\$ 27.3	\$ 66.0	\$ 1.6	\$ 10.6	\$ 12.1
<b>As a percentage of GAAP revenue</b>	<b>-2.8%</b>	<b>-0.6%</b>	<b>-0.8%</b>	<b>7.2%</b>	<b>6.2%</b>	<b>8.3%</b>	<b>5.4%</b>	<b>0.5%</b>	<b>3.3%</b>	<b>1.9%</b>
Net income attributable to noncontrolling interest	3.1	3.2	1.0	0.9	1.3	1.0	4.2	2.2	1.7	3.9
Provision (benefit) income taxes	2.8	22.4	0.3	(3.7)	5.6	5.4	7.5	1.4	(4.5)	(3.1)
Other expense, net	40.8	29.7	8.7	10.0	7.8	9.9	36.5	9.3	7.5	16.8
GAAP depreciation & amortization (1)	111.1	102.9	23.3	20.3	20.6	22.0	86.2	22.3	21.1	43.4
Revenue adjustments	10.6	15.3	2.8	2.2	4.0	6.5	15.4	8.9	7.0	15.9
Stock-based compensation expenses	65.6	69.4	16.4	17.5	16.6	16.1	66.7	17.1	20.6	37.7
Acquisition expenses, net	12.9	1.6	2.3	0.1	1.9	5.7	9.9	3.9	2.5	6.4
Restructuring expenses	15.0	13.3	1.1	0.8	1.1	1.9	4.9	1.3	1.6	3.1
Impairment charges	-	3.3	-	-	-	-	-	-	-	-
Other adjustments	1.0	2.1	0.6	0.6	(1.5)	(0.4)	(0.6)	2.1	5.7	7.8
<b>Adjusted EBITDA</b>	\$ 233.5	\$ 256.6	\$ 54.3	\$ 70.7	\$ 76.3	\$ 95.4	\$ 296.7	\$ 70.1	\$ 73.8	\$ 144.0
<b>As a percentage of non-GAAP revenue</b>	<b>21.8%</b>	<b>22.3%</b>	<b>18.6%</b>	<b>22.9%</b>	<b>24.8%</b>	<b>28.3%</b>	<b>23.8%</b>	<b>21.6%</b>	<b>22.3%</b>	<b>22.0%</b>

(1) Adjusted for patent and financing fee amortization.

Note: Amounts may not cross foot due to rounding.



# Revenue by Segment

(\$ in millions)

	Three Months Ended				Year Ended	Three Months Ended		Six Months Ended
	April 30, 2018	July 31, 2018	October 31, 2018	January 31, 2019	January 31, 2019	April 30, 2019	July 31, 2019	July 31, 2019
<b>GAAP Revenue by Segment:</b>								
Customer Engagement	\$ 186.5	\$ 200.8	\$ 197.5	\$ 211.5	\$ 796.3	\$ 207.1	\$ 211.4	\$ 418.5
Cyber Intelligence	102.7	105.5	106.5	118.7	433.4	108.2	112.9	221.1
<b>GAAP Total Revenue</b>	<b>\$ 289.2</b>	<b>\$ 306.3</b>	<b>\$ 304.0</b>	<b>\$ 330.2</b>	<b>\$ 1,229.7</b>	<b>\$ 315.3</b>	<b>\$ 324.3</b>	<b>\$ 639.6</b>
<b>Revenue Adjustments:</b>								
Customer Engagement	\$ 2.7	\$ 2.2	\$ 4.0	\$ 6.3	\$ 15.0	\$ 8.8	\$ 7.0	\$ 15.8
Cyber Intelligence	0.1	-	-	0.2	0.4	0.1	-	0.1
<b>Total Revenue Adjustments</b>	<b>\$ 2.8</b>	<b>\$ 2.2</b>	<b>\$ 4.0</b>	<b>\$ 6.5</b>	<b>\$ 15.4</b>	<b>\$ 8.9</b>	<b>\$ 7.0</b>	<b>\$ 15.9</b>
<b>Non-GAAP Revenue by Segment:</b>								
Customer Engagement	\$ 189.2	\$ 203.0	\$ 201.5	\$ 217.8	\$ 811.3	\$ 215.9	\$ 218.4	\$ 434.3
Cyber Intelligence	102.8	105.5	106.5	118.9	433.8	108.3	112.9	221.2
<b>Non-GAAP Total Revenue</b>	<b>\$ 292.0</b>	<b>\$ 308.5</b>	<b>\$ 308.0</b>	<b>\$ 336.7</b>	<b>\$ 1,245.1</b>	<b>\$ 324.2</b>	<b>\$ 331.3</b>	<b>\$ 655.5</b>

Note: Amounts may not cross foot due to rounding.



# Table of Reconciliation from Gross Debt to Net Debt, including Long-Term Restricted Cash, Cash Equivalents, Bank Time Deposits and Investments

(\$ in millions)

	As of January 31, 2019	As of July 31, 2019
Current maturities of long-term debt	\$ 4.3	\$ 4.3
Long-term debt	777.8	782.6
Unamortized debt discounts and issuance costs	36.6	29.6
<b>Gross debt</b>	<b>818.7</b>	<b>816.5</b>
Less:		
Cash and cash equivalents	370.0	388.5
Restricted cash and cash equivalents, and restricted bank time deposits	42.3	24.2
Short-term investments	32.3	25.6
Long-term restricted cash, cash equivalents, bank time deposits and investments	23.1	27.3
<b>Net debt, including long-term restricted cash, cash equivalents, bank time deposits, and investments</b>	<b>\$ 351.0</b>	<b>\$ 350.9</b>

## Calculation of Change in Revenue on a Constant Currency Basis

(\$ in millions, except percentages)

	GAAP Revenue		Non-GAAP Revenue	
	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended
<b>Total Revenue</b>				
Revenue for the three and six months ended July 31, 2018	\$ 306.3	\$ 595.5	\$ 308.5	\$ 600.4
Revenue for the three and six months ended July 31, 2019	\$ 324.3	\$ 639.6	\$ 331.3	\$ 655.5
Revenue for the three and six months ended July 31, 2019 at constant currency (1)	\$ 328.0	\$ 649.0	\$ 335.0	\$ 664.0
Reported period-over-period revenue growth	5.9%	7.4%	7.4%	9.2%
% impact from change in foreign currency exchange rates	1.2%	1.6%	1.2%	1.4%
Constant currency period-over-period revenue growth	<b>7.1%</b>	<b>9.0%</b>	<b>8.6%</b>	<b>10.6%</b>
<b>Customer Engagement</b>				
Revenue for the three and six months ended July 31, 2018	\$ 200.8	\$ 387.3	\$ 202.9	\$ 392.1
Revenue for the three and six months ended July 31, 2019	\$ 211.4	\$ 418.5	\$ 218.4	\$ 434.3
Revenue for the three and six months ended July 31, 2019 at constant currency (1)	\$ 214.0	\$ 425.0	\$ 221.0	\$ 440.0
Reported period-over-period revenue growth	5.3%	8.1%	7.6%	10.8%
% impact from change in foreign currency exchange rates	1.3%	1.6%	1.3%	1.4%
Constant currency period-over-period revenue growth	<b>6.6%</b>	<b>9.7%</b>	<b>8.9%</b>	<b>12.2%</b>
<b>Cyber Intelligence</b>				
Revenue for the three and six months ended July 31, 2018	\$ 105.5	\$ 208.3	\$ 105.5	\$ 208.3
Revenue for the three and six months ended July 31, 2019	\$ 112.9	\$ 221.0	\$ 112.9	\$ 221.2
Revenue for the three and six months ended July 31, 2019 at constant currency (1)	\$ 114.0	\$ 224.0	\$ 114.0	\$ 224.0
Reported period-over-period revenue growth	7.0%	6.1%	7.0%	6.2%
% impact from change in foreign currency exchange rates	1.0%	1.5%	1.0%	1.3%
Constant currency period-over-period revenue growth	<b>8.0%</b>	<b>7.6%</b>	<b>8.0%</b>	<b>7.5%</b>

Note: Amounts may not cross foot due to rounding.



(1) Revenue for the three and six months ended July 31, 2019 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 six months ended July 31, 2018 rather than actual current-period foreign currency exchange rates.

# GAAP to Non-GAAP Customer Engagement Recurring Revenue and Nonrecurring Revenue

(\$ in millions)

	Year Ended		Three Months Ended				Year Ended		Three Months Ended		Six Months Ended							
	January 31, 2018 (1)		April 30, 2018 (1)	July 31, 2018 (1)	October 31, 2018 (1)	January 31, 2019	January 31, 2019		April 30, 2019	July 31, 2019	July 31, 2019							
<b>Table of Reconciliation from GAAP Recurring Revenue to Non-GAAP Recurring Revenue</b>																		
<b>Customer Engagement</b>																		
Recurring revenue - GAAP	\$	425.6	\$	107.8	\$	117.7	\$	116.9	\$	123.1	\$	465.7	\$	123.4	\$	129.3	\$	252.7
As a percentage of GAAP revenue		57.5%		57.8%		58.6%		59.2%		58.2%		58.5%		59.6%		61.2%		60.4%
Estimated revenue adjustments		15.0		2.7		2.2		4.0		6.3		15.0		8.8		7.0		15.8
Recurring revenue - non-GAAP	\$	440.6	\$	110.5	\$	119.9	\$	120.9	\$	129.4	\$	480.7	\$	132.2	\$	136.3	\$	268.5
As a percentage of non-GAAP revenue		58.4%		58.4%		59.1%		60.0%		59.4%		59.3%		61.2%		62.4%		61.8%
<b>Table of Reconciliation from GAAP Nonrecurring Revenue to Non-GAAP Nonrecurring Revenue</b>																		
<b>Customer Engagement</b>																		
Nonrecurring revenue - GAAP & Non-GAAP	\$	314.4	\$	78.7	\$	83.1	\$	80.6	\$	88.4	\$	330.6	\$	83.7	\$	82.1	\$	165.8

Note: Amounts may not cross foot due to rounding.

(1) To conform with the presentation described in footnote 2 of our April 30, 2019 and July 31, 2019 Form 10-Q, the classification of Customer Engagement unbundled SaaS revenue for the three months ended April 30, 2018, July 31, 2018, October 31, 2018 and January 31, 2019 and the year ended January 31, 2018 has been updated to reflect recurring revenue which had previously been presented within nonrecurring revenue.



# GAAP to Non-GAAP Customer Engagement Cloud Revenue

(\$ in millions)

	Three Months Ended				Year Ended January 31, 2019	Three Months Ended		Six Months Ended July 31, 2019
	April 30, 2018	July 31, 2018	October 31, 2018	January 31, 2019		April 30, 2019	July 31, 2019	
<b>Table of Reconciliation from GAAP Cloud Revenue to Non-GAAP Cloud Revenue</b>								
<b>Customer Engagement</b>								
SaaS revenue - GAAP	\$ 24.1	\$ 26.7	\$ 27.6	\$ 31.3	\$ 109.6	\$ 33.6	\$ 33.7	\$ 67.1
Optional managed services - GAAP	8.7	9.9	10.1	12.3	41.1	13.5	14.1	27.8
<b>Cloud revenue - GAAP</b>	<b>\$ 32.8</b>	<b>\$ 36.6</b>	<b>\$ 37.7</b>	<b>\$ 43.6</b>	<b>\$ 150.7</b>	<b>\$ 47.1</b>	<b>\$ 47.8</b>	<b>\$ 94.9</b>
Estimated SaaS revenue adjustments	2.1	1.4	3.4	5.6	12.5	8.0	6.4	14.5
Estimated optional managed services revenue adjustments	0.4	0.7	0.5	0.6	2.2	0.6	0.5	1.1
<b>Estimated cloud revenue adjustments</b>	<b>2.5</b>	<b>2.1</b>	<b>3.9</b>	<b>6.2</b>	<b>14.7</b>	<b>8.6</b>	<b>6.9</b>	<b>15.6</b>
SaaS revenue - non-GAAP	26.2	28.1	31.0	36.9	122.1	41.6	40.1	81.6
Optional managed services - non-GAAP	9.1	10.6	10.6	12.9	43.3	14.1	14.6	28.9
<b>Cloud revenue - non-GAAP</b>	<b>\$ 35.3</b>	<b>\$ 38.7</b>	<b>\$ 41.6</b>	<b>\$ 49.8</b>	<b>\$ 165.4</b>	<b>\$ 55.7</b>	<b>\$ 54.7</b>	<b>\$ 110.5</b>



Note: Amounts may not cross foot due to rounding.

# Estimated GAAP to Non-GAAP Fully Allocated Gross Margins

(\$ in millions)

	For Year Ended January 31, 2018		
	Customer Engagement	Cyber Intelligence	Consolidated
GAAP Product revenue	\$ 184.2	\$ 215.5	\$ 399.7
GAAP Service revenue	555.9	179.6	735.5
<b>Total GAAP revenue</b>	<b>740.1</b>	<b>395.1</b>	<b>1,135.2</b>
Product costs	34.7	92.3	127.0
Service expenses	197.6	61.5	259.1
Amortization of acquired technology	22.2	16.0	38.2
Stock-based compensation expenses (1)	6.9	1.6	8.5
Shared support expenses allocation (2)	9.2	4.8	14.0
<b>Total GAAP cost of revenue</b>	<b>270.6</b>	<b>176.2</b>	<b>446.8</b>
<b>GAAP gross profit</b>	<b>\$ 469.5</b>	<b>\$ 218.9</b>	<b>\$ 688.4</b>
<b>GAAP gross margin</b>	<b>63.4%</b>	<b>55.4%</b>	<b>60.6%</b>
Revenue adjustments	14.9	0.4	15.3
Amortization of acquired technology	22.2	16.0	38.2
Stock-based compensation expenses (1)	6.9	1.6	8.5
Acquisition expenses, net (3)	0.1	-	0.1
Restructuring expenses (3)	1.5	0.7	2.2
<b>Non-GAAP gross profit</b>	<b>\$ 515.1</b>	<b>\$ 237.6</b>	<b>\$ 752.7</b>
<b>Non-GAAP gross margin</b>	<b>68.2%</b>	<b>60.1%</b>	<b>65.4%</b>

	For Six Months Ended July 31, 2018		
	Customer Engagement	Cyber Intelligence	Consolidated
GAAP Product revenue	\$ 103.9	\$ 112.0	\$ 215.9
GAAP Service revenue	283.4	96.2	379.6
<b>Total GAAP revenue</b>	<b>387.3</b>	<b>208.2</b>	<b>595.5</b>
Product costs	17.3	48.4	65.7
Service expenses	104.5	34.3	138.8
Amortization of acquired technology	8.4	4.5	12.9
Stock-based compensation expenses (1)	2.3	0.5	2.8
Shared support expenses allocation (2)	4.7	2.5	7.2
<b>Total GAAP cost of revenue</b>	<b>137.2</b>	<b>90.2</b>	<b>227.4</b>
<b>GAAP gross profit</b>	<b>\$ 250.1</b>	<b>\$ 118.0</b>	<b>\$ 368.1</b>
<b>GAAP gross margin</b>	<b>64.6%</b>	<b>56.7%</b>	<b>61.8%</b>
Revenue adjustments	4.8	0.1	4.9
Amortization of acquired technology	8.4	4.5	12.9
Stock-based compensation expenses (1)	2.3	0.5	2.8
Acquisition expenses, net (3)	-	-	-
Restructuring expenses (3)	0.6	0.5	1.1
<b>Non-GAAP gross profit</b>	<b>\$ 266.2</b>	<b>\$ 123.6</b>	<b>\$ 389.8</b>
<b>Non-GAAP gross margin</b>	<b>67.9%</b>	<b>59.3%</b>	<b>64.9%</b>

	For Year Ended January 31, 2019		
	Customer Engagement	Cyber Intelligence	Consolidated
GAAP Product revenue	\$ 221.7	\$ 232.9	\$ 454.6
GAAP Service revenue	574.6	200.5	775.1
<b>Total GAAP revenue</b>	<b>796.3</b>	<b>433.4</b>	<b>1,229.7</b>
Product costs	35.0	90.6	125.6
Service expenses	208.1	69.6	277.7
Amortization of acquired technology	18.0	7.4	25.4
Stock-based compensation expenses (1)	4.4	1.3	5.7
Shared support expenses allocation (2)	9.7	5.1	14.8
<b>Total GAAP cost of revenue</b>	<b>275.2</b>	<b>174.0</b>	<b>449.2</b>
<b>GAAP gross profit</b>	<b>\$ 521.1</b>	<b>\$ 259.4</b>	<b>\$ 780.5</b>
<b>GAAP gross margin</b>	<b>65.4%</b>	<b>59.9%</b>	<b>63.5%</b>
Revenue adjustments	15.0	0.4	15.4
Amortization of acquired technology	18.0	7.4	25.4
Stock-based compensation expenses (1)	4.4	1.3	5.7
Acquisition expenses, net (3)	0.3	0.1	0.4
Restructuring expenses (3)	1.0	0.5	1.5
<b>Non-GAAP gross profit</b>	<b>\$ 559.8</b>	<b>\$ 269.1</b>	<b>\$ 828.9</b>
<b>Non-GAAP gross margin</b>	<b>69.0%</b>	<b>62.0%</b>	<b>66.6%</b>

	For Three Months Ended April 30, 2019		
	Customer Engagement	Cyber Intelligence	Consolidated
GAAP Product revenue	\$ 54.0	\$ 50.2	\$ 104.2
GAAP Service revenue	153.1	58.0	211.1
<b>Total GAAP revenue</b>	<b>207.1</b>	<b>108.2</b>	<b>315.3</b>
Product costs	8.5	17.9	26.4
Service expenses	57.5	18.5	76.0
Amortization of acquired technology	5.4	1.3	6.7
Stock-based compensation expenses (1)	1.1	0.3	1.4
Shared support expenses allocation (2)	2.4	1.3	3.7
<b>Total GAAP cost of revenue</b>	<b>74.9</b>	<b>39.3</b>	<b>114.2</b>
<b>GAAP gross profit</b>	<b>\$ 132.2</b>	<b>\$ 68.9</b>	<b>\$ 201.1</b>
<b>GAAP gross margin</b>	<b>63.8%</b>	<b>63.7%</b>	<b>63.8%</b>
Revenue adjustments	8.8	0.1	8.9
Amortization of acquired technology	5.4	1.3	6.7
Stock-based compensation expenses (1)	1.1	0.3	1.4
Acquisition expenses, net (3)	-	-	-
Restructuring expenses (3)	0.3	0.2	0.5
<b>Non-GAAP gross profit</b>	<b>\$ 147.8</b>	<b>\$ 70.8</b>	<b>\$ 218.6</b>
<b>Non-GAAP gross margin</b>	<b>68.4%</b>	<b>65.4%</b>	<b>67.4%</b>

Note: Amounts may not cross foot due to rounding. Please refer to notes on bottom of Slide 41.





## Estimated GAAP to Non-GAAP Fully Allocated Gross Margins – Cont'd

(\$ in millions)

	For Three Months Ended July 31, 2019		
	Customer Engagement	Cyber Intelligence	Consolidated
GAAP Product revenue	\$ 54.5	\$ 55.5	\$ 110.0
GAAP Service revenue	156.9	57.4	214.3
<b>Total GAAP revenue</b>	<b>211.4</b>	<b>112.9</b>	<b>324.3</b>
Product costs	8.9	18.6	27.5
Service expenses	57.1	18.6	75.7
Amortization of acquired technology	5.2	0.4	5.6
Stock-based compensation expenses (1)	1.6	0.4	2.0
Shared support expenses allocation (2)	3.6	2.0	5.6
<b>Total GAAP cost of revenue</b>	<b>76.4</b>	<b>40.0</b>	<b>116.4</b>
<b>GAAP gross profit</b>	<b>\$ 135.0</b>	<b>\$ 72.9</b>	<b>\$ 207.9</b>
<b>GAAP gross margin</b>	<b>63.8%</b>	<b>64.6%</b>	<b>64.1%</b>
Revenue adjustments	7.0	-	7.0
Amortization of acquired technology	5.2	0.4	5.6
Stock-based compensation expenses (1)	1.6	0.4	2.0
Acquisition expenses, net (3)	-	-	-
Restructuring expenses (3)	0.7	0.4	1.1
<b>Non-GAAP gross profit</b>	<b>\$ 149.5</b>	<b>\$ 74.1</b>	<b>\$ 223.6</b>
<b>Non-GAAP gross margin</b>	<b>68.4%</b>	<b>65.6%</b>	<b>67.5%</b>

	For Six Months Ended July 31, 2019		
	Customer Engagement	Cyber Intelligence	Consolidated
GAAP Product revenue	\$ 108.5	\$ 105.7	\$ 214.2
GAAP Service revenue	310.1	115.3	425.4
<b>Total GAAP revenue</b>	<b>418.6</b>	<b>221.0</b>	<b>639.6</b>
Product costs	17.4	36.4	53.8
Service expenses	114.7	37.1	151.8
Amortization of acquired technology	10.6	1.7	12.3
Stock-based compensation expenses (1)	2.7	0.8	3.5
Shared support expenses allocation (2)	6.1	3.2	9.3
<b>Total GAAP cost of revenue</b>	<b>151.5</b>	<b>79.2</b>	<b>230.7</b>
<b>GAAP gross profit</b>	<b>\$ 267.1</b>	<b>\$ 141.8</b>	<b>\$ 408.9</b>
<b>GAAP gross margin</b>	<b>63.8%</b>	<b>64.1%</b>	<b>63.9%</b>
Revenue adjustments	15.8	0.1	15.9
Amortization of acquired technology	10.6	1.7	12.3
Stock-based compensation expenses (1)	2.7	0.8	3.5
Acquisition expenses, net (3)	-	-	-
Restructuring expenses (3)	1.0	0.5	1.5
<b>Non-GAAP gross profit</b>	<b>\$ 297.2</b>	<b>\$ 144.9</b>	<b>\$ 442.1</b>
<b>Non-GAAP gross margin</b>	<b>68.4%</b>	<b>65.5%</b>	<b>67.4%</b>

Note: Amounts may not cross foot due to rounding.

(1) Represents the stock-based compensation expenses applicable to cost of revenue, allocated proportionally based upon our year ended January 31, 2019 and 2018, respectively, annual segment operations and service expense wages, 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 July 31, 2019 Form 10-Q, when filed and footnote 16 to our April 30, 2019 Form 10-Q) applicable to cost of revenue, allocated proportionally based upon our year ended January 31, 2019 annual non-GAAP segment revenue, and our shared support expenses (as disclosed in footnote 15 to our January 31, 2018 Form 10-K) applicable to cost of revenue, allocated proportionally to our year ended January 31, 2018 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 based upon 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.



## Estimated Non-GAAP Fully Allocated Operating Margins and Estimated Fully Allocated Adjusted EBITDA

(\$ in millions)

	For Year Ended January 31, 2017			For Year Ended January 31, 2018		
	Customer Engagement	Cyber Intelligence	Consolidated	Customer Engagement	Cyber Intelligence	Consolidated
Non-GAAP segment revenue	\$ 716.2	\$ 356.5	\$ 1,072.7	\$ 755.0	\$ 395.5	\$ 1,150.5
Segment contribution (1)	269.0	85.8	354.8	286.2	94.6	380.8
Shared support expenses allocation (2)	100.3	49.9	150.2	103.5	51.2	154.7
Estimated non-GAAP operating income	168.7	35.9	204.6	182.7	43.4	226.1
Depreciation and amortization (3)	19.3	9.6	28.9	20.0	10.5	30.5
Estimated adjusted EBITDA	\$ 188.0	\$ 45.5	\$ 233.5	\$ 202.7	\$ 53.9	\$ 256.6
Segment contribution margin	37.6%	24.1%	33.1%	37.9%	23.9%	33.1%
Estimated non-GAAP fully allocated operating margin	23.6%	10.1%	19.1%	24.2%	11.0%	19.7%
Estimated fully allocated EBITDA margin	26.2%	12.8%	21.8%	26.8%	13.6%	22.3%

	Six Months Ended July 31, 2018			For Year Ended January 31, 2019		
	Customer Engagement	Cyber Intelligence	Consolidated	Customer Engagement	Cyber Intelligence	Consolidated
Non-GAAP segment revenue	\$ 392.1	\$ 208.3	\$ 600.4	\$ 811.3	\$ 433.8	\$ 1,245.1
Segment contribution (1)	145.6	45.7	191.3	316.8	114.0	430.8
Shared support expenses allocation (2)	53.7	28.1	81.8	106.9	57.0	163.9
Estimated non-GAAP operating income	91.9	17.6	109.5	209.9	57.0	266.9
Depreciation and amortization (3)	10.2	5.3	15.5	19.4	10.4	29.8
Estimated adjusted EBITDA	\$ 102.1	\$ 22.9	\$ 125.0	\$ 229.3	\$ 67.4	\$ 296.7
Segment contribution margin	37.1%	21.9%	31.9%	39.0%	26.3%	34.6%
Estimated non-GAAP fully allocated operating margin	23.4%	8.5%	18.2%	25.9%	13.1%	21.4%
Estimated fully allocated EBITDA margin	26.0%	11.0%	20.8%	28.3%	15.5%	23.8%

Note: Amounts may not cross foot due to rounding. Please refer to notes on bottom of Slide 43.



## Estimated Non-GAAP Fully Allocated Operating Margins and Estimated Fully Allocated Adjusted EBITDA

(\$ in millions)

	Three Months Ended April 30, 2019			Three Months Ended July 31, 2019			Six Months Ended July 31, 2019		
	Customer Engagement	Cyber Intelligence	Consolidated	Customer Engagement	Cyber Intelligence	Consolidated	Customer Engagement	Cyber Intelligence	Consolidated
Non-GAAP segment revenue	\$ 215.9	\$ 108.3	\$ 324.2	\$ 218.4	\$ 112.9	\$ 331.3	\$ 434.3	\$ 221.2	\$ 655.5
Segment contribution (1)	78.8	27.3	106.1	78.8	31.5	110.3	157.6	58.9	216.5
Shared support expenses allocation (2)	28.6	15.2	43.8	29.0	15.4	44.4	57.5	30.8	88.3
Estimated non-GAAP operating income	50.2	12.1	62.3	49.8	16.1	65.9	100.1	28.1	128.2
Depreciation and amortization (3)	5.1	2.7	7.8	5.1	2.8	7.9	10.3	5.5	15.8
Estimated adjusted EBITDA	\$ 55.3	\$ 14.8	\$ 70.1	\$ 54.9	\$ 18.9	\$ 73.8	\$ 110.4	\$ 33.6	\$ 144.0
Segment contribution margin	36.5%	25.2%	32.7%	36.1%	27.9%	33.3%	36.3%	26.6%	33.0%
Estimated non-GAAP fully allocated operating margin	23.3%	11.1%	19.2%	22.8%	14.3%	19.9%	23.0%	12.7%	19.6%
Estimated fully allocated EBITDA margin	25.6%	13.6%	21.6%	25.2%	16.7%	22.3%	25.4%	15.2%	22.0%

Note: Amounts may not cross foot due to rounding.

(1) See footnote 16 to our Form 10-K for the year ended January 31, 2019, 2018 and 2017, and footnote 16 to our April 30, 2019 Form 10-Q, and our July 31, 2019 Form 10-Q, when filed.

(2) When determining segment contribution, we do not allocate "Shared support expenses" which are provided by shared resources or are otherwise generally not controlled by segment management, the majority of which are expenses for administrative support functions, such as information technology, human resources, finance, legal, and other general corporate support, and also include occupancy expenses, procurement, manufacturing support, and logistics expenses. For the year ended January 31, 2017 expenses are allocated proportionally based upon our year ended January 31, 2017 annual non-GAAP segment revenue. For the year ended January 31, 2018 expenses are allocated proportionally based upon our year ended January 31, 2018 annual non-GAAP segment revenue. For the year ended January 31, 2019 and three months ended July 31, and April 30, 2019, respectively, expenses are allocated proportionally based upon our year ended January 31, 2019 annual non-GAAP segment revenue 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 based upon our non-GAAP segment revenue for the years ended January 31, 2019, January 31, 2018 and January 31, 2017, respectively, which we believe provides a reasonable approximation for purposes of understanding the relative adjusted EBITDA of our two businesses.