

VERINT[®]

**FY21
First Quarter
Conference Call**

Actionable Intelligence[®]

June 9, 2020

Disclaimers

Forward Looking Statements

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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.

Overview

Q1 Results

February and March – Bookings Growth
April – On-Premises Deployments Delayed

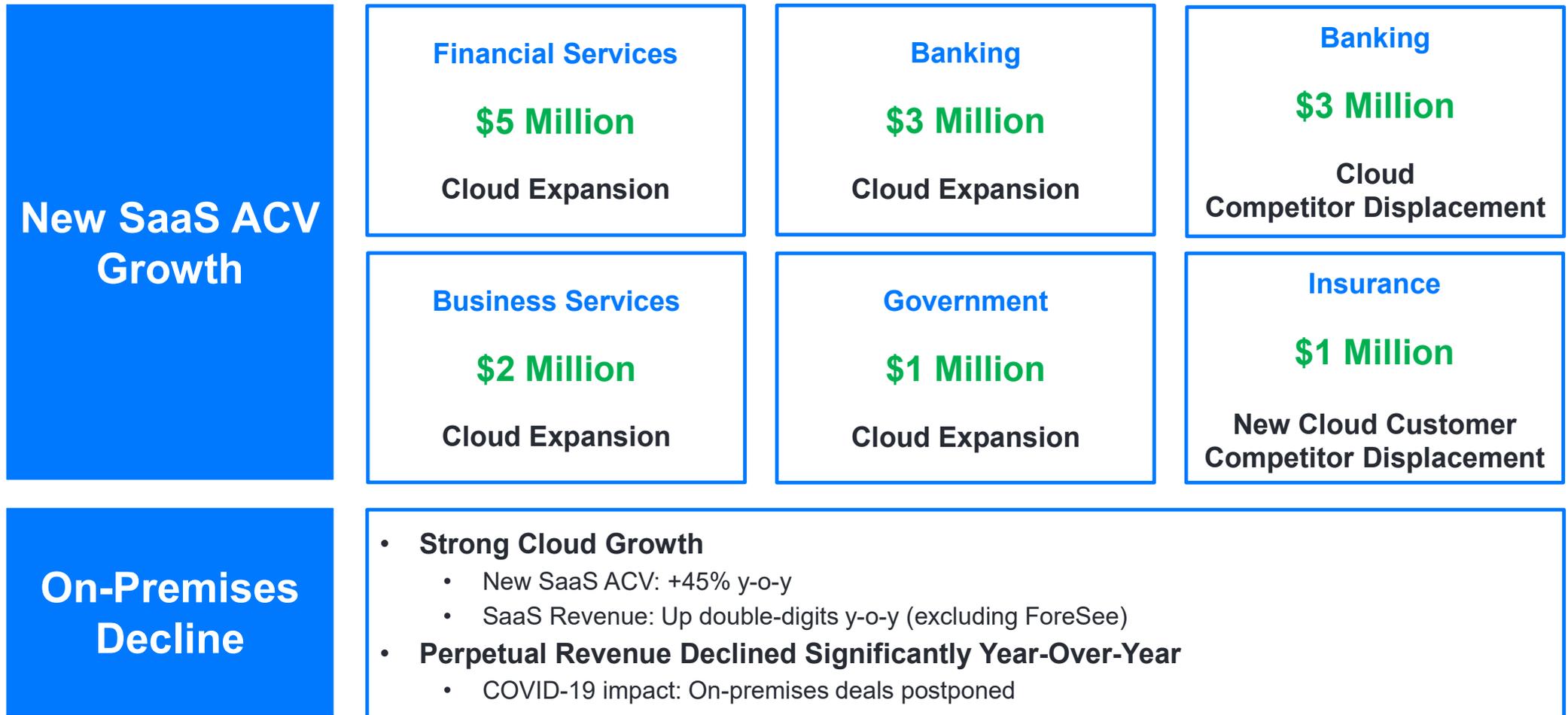
Outlook

Q2 – Expect Sequential Improvement
H2 – Expect On-Premises Deployments to Come Back and Cloud Growth

Separation

Targeting Separation Shortly After Fiscal Year-End
Closed Apax First-Tranche Investment and Term Loan Amendment

Customer Engagement – Accelerated Cloud Adoption



Note: Dollar amounts for cloud deals represent total contract values.

Customer Engagement – Strong Customer Base

Mission Critical Software

Verint solutions drive productivity, business analytics, compliance and fraud detection

Large customer base with majority of revenue from existing customers

Large enterprises with >85% of Fortune 100

Key verticals: financial services, healthcare, utilities, technology, government

Q1 Renewal Rates Remained Strong

Financial Services

\$2 Million

Cloud Renewal

Technology

\$2 Million

Cloud Renewal

Financial Services

\$1 Million

Cloud Renewal

Healthcare

\$4 Million

Maintenance Renewal

Government

\$3 Million

Maintenance Renewal

Utilities

\$1 Million

Maintenance Renewal



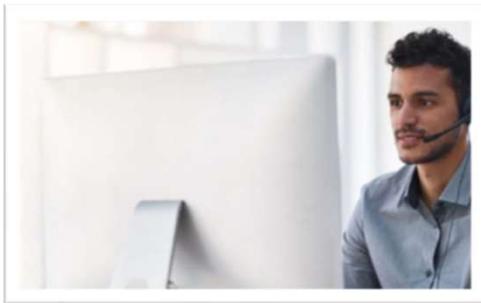
Note: Dollar amounts for cloud deals represent total contract values.

Well Positioned to Help Customers Address the “New Normal”

Customer Initial Response to Work@Home: Focus on connectivity to support remote workers

Now: Focus on managing the workforce, gaining visibility, ensuring compliance and reducing fraud

Workforce Engagement



Enables organizations to address new social distancing rules, workspace hygiene checks, and workforce assignment rules

Productivity Analytics



Enables organizations to analyze remote agent desktop applications and workflows and drive real-time improvements

Automated Compliance



Enables organizations to automatically ensure remote agents are adhering to compliance rules

Customer Engagement – Outlook

On-premises deals pick-up as organizations return to offices

Cloud growth accelerates as industry shift to cloud accelerates

Well positioned to help customers address the “new normal”

Ongoing Demand for Cyber Intelligence Solutions

Mission Critical Software

Data mining analytics provide insights and helps accelerate investigations
Helping our customers maintain law and order, both in times of peace and crisis

Large Q1 Orders

>\$15 Million

**Three Orders
~\$5 Million Each**

**Four Orders
~\$3 Million Each**

Cyber Intelligence – Software Model Benefits

Customer Benefits

Faster Innovation and
Software Refresh Cycles

Verint Benefits

Competitive Differentiation
Improved Margins

On-Going Reduction of Pass-Through Hardware and Customization Revenue Drives Gross Margin Expansion	FY18	FY19	FY20	Q1 FY21
Estimated Fully Allocated Gross Margin Note: GAAP FY18, FY19, FY20, Q1 FY21 was 55.4%, 59.9%, 64.2% and 67.7%, respectively.	60.1%	62.0%	65.7%	69.2%

Software Model Drives Increase in Recurring Revenue	FY18	FY19	FY20	Q1 FY21
Recurring Revenue as a Percentage of Total Revenue Note: GAAP FY18, FY19, FY20, Q1 FY21 was 33.1%, 38.1%, 42.1% and 55.2%, respectively.	33.1%	38.2%	41.7%	55.7%



Note: Non-GAAP metrics unless otherwise noted.

Cyber Intelligence – Outlook

Travel restrictions lifted facilitating on-premises deployments

Security challenges drive demand for data mining analytics

Software model continues to generate strong benefits

Preparing for the Separation

\$200 Million Tranche 1 Investment Completed



- Significant experience in corporate carve-outs
- Significant experience in cloud transitions

Term Loan Amendment Completed



- Term loan amendment to permit separation
- Attractive terms remain in place post separation

FINANCIAL REVIEW

Customer Engagement Dashboard Available on our IR Website

(\$ in millions)		Three Months Ended								Year Ended		Three Months Ended	
		4/30/2019		7/31/2019		10/31/2019		1/31/2020		1/31/2020		4/30/2020	
		GAAP	Non-GAAP/ Operating Metric	GAAP	Non-GAAP/ Operating Metric	GAAP	Non-GAAP/ Operating Metric	GAAP	Non-GAAP/ Operating Metric	GAAP	Non-GAAP/ Operating Metric	GAAP	Non-GAAP/ Operating Metric
Revenue Metrics	Software	\$171.0	\$179.8	\$177.3	\$184.3	\$185.1	\$191.3	\$180.8	\$185.5	\$714.3	\$740.9	\$157.6	\$160.9
	Perpetual	\$47.6	\$47.6	\$48.0	\$48.0	\$43.7	\$43.7	\$40.5	\$40.5	\$179.9	\$179.9	\$28.5	\$28.5
	Cloud	\$47.1	\$55.7	\$47.8	\$54.7	\$61.4	\$67.6	\$59.5	\$64.1	\$215.8	\$242.2	\$53.0	\$56.2
	Support	\$76.3	\$76.5	\$81.5	\$81.6	\$79.9	\$80.0	\$80.8	\$80.9	\$318.6	\$318.9	\$76.1	\$76.1
	Professional Services	\$36.1	\$36.1	\$34.1	\$34.1	\$32.8	\$32.8	\$29.2	\$29.2	\$132.3	\$132.3	\$28.3	\$28.3
	Total Revenue	\$207.1	\$215.9	\$211.4	\$218.4	\$217.9	\$224.2	\$210.1	\$214.8	\$846.5	\$873.2	\$185.9	\$189.1
	Reported Revenue Growth	11.1%	14.1%	5.3%	7.6%	10.4%	11.3%	-0.7%	-1.4%	6.3%	7.6%	-10.3%	-12.4%
	Constant Currency Revenue Growth	13.2%	15.8%	6.6%	8.9%	11.4%	12.2%	-0.7%	-1.3%	7.4%	8.7%	-9.2%	-11.5%
	Recurring Revenue Mix	% of Revenue that is Software Revenue	82.6%	83.3%	83.9%	84.4%	84.9%	85.4%	86.1%	86.4%	84.4%	84.9%	84.8%
	% of Software Revenue that is Recurring Revenue	72.2%	73.5%	72.9%	74.0%	76.4%	77.1%	77.6%	78.2%	74.8%	75.7%	81.9%	82.3%
Bookings Metrics	New SaaS ACV		\$8.2		\$10.1		\$15.6		\$15.8		\$49.7		\$11.9
	New SaaS ACV Growth YoY		37.6%		115.2%		131.0%		35.4%		71.0%		45.3%
	New Perpetual License Equivalent Bookings		\$65.4		\$64.0		\$69.9		\$76.4		\$275.6		\$51.7
	Year-over-Year Growth		14.3%		7.9%		19.1%		-6.5%		7.3%		-21.0%
Cloud Detail	Cloud Revenue	\$47.1	\$55.7	\$47.8	\$54.7	\$61.4	\$67.6	\$59.5	\$64.1	\$215.8	\$242.2	\$53.0	\$56.2
	SaaS Bundled Revenue	\$27.2	\$34.4	\$27.2	\$33.6	\$30.1	\$35.8	\$31.4	\$35.6	\$115.9	\$139.4	\$33.4	\$36.3
	SaaS Unbundled Revenue	\$6.3	\$7.1	\$6.4	\$6.5	\$17.1	\$17.1	\$13.6	\$13.6	\$43.4	\$44.3	\$5.5	\$5.5
	Optional Managed Services Revenue	\$13.6	\$14.2	\$14.2	\$14.6	\$14.2	\$14.7	\$14.5	\$14.9	\$56.5	\$58.4	\$14.1	\$14.4
	Cloud Revenue Growth YoY	43.6%	57.9%	30.6%	41.3%	63.4%	62.4%	36.5%	28.8%	43.2%	46.4%	12.5%	0.8%
	SaaS Revenue Growth YoY	39.0%	58.5%	25.8%	42.7%	71.7%	70.7%	43.7%	33.5%	45.3%	50.5%	16.0%	0.6%
Operating Expense Metrics	Estimated Fully Allocated Research and Development, net	\$32.2	\$30.1	\$33.0	\$30.6	\$31.5	\$29.3	\$30.4	\$27.0	\$127.1	\$116.9	\$30.1	\$27.8
	% of Revenue	15.5%	13.9%	15.6%	14.0%	14.4%	13.1%	14.5%	12.6%	15.0%	13.4%	16.2%	14.7%
	Estimated Fully Allocated Selling, General and Administrative	\$80.1	\$67.5	\$84.4	\$69.0	\$77.8	\$65.6	\$79.2	\$61.3	\$321.6	\$263.4	\$72.3	\$60.6
	% of Revenue	38.7%	31.2%	39.9%	31.6%	35.7%	29.3%	37.7%	28.5%	38.0%	30.2%	38.9%	32.0%
Profitability Metrics	Estimated Fully Allocated Gross Profit	\$132.2	\$147.8	\$135.0	\$149.5	\$143.4	\$157.1	\$135.9	\$148.5	\$546.5	\$602.8	\$116.3	\$125.8
	Estimated Fully Allocated Gross Margin %	63.8%	68.4%	63.8%	68.4%	65.8%	70.1%	64.7%	69.2%	64.6%	69.0%	62.6%	66.5%
	Estimated Fully Allocated Operating Income	\$12.4	\$50.2	\$10.0	\$49.8	\$26.5	\$62.2	\$18.2	\$60.2	\$67.0	\$222.5	\$6.1	\$37.5
	Estimated Fully Allocated Operating Margin %	6.0%	23.3%	4.7%	22.8%	12.1%	27.8%	8.6%	28.0%	7.9%	25.5%	3.3%	19.8%
	Estimated Fully Allocated Adjusted EBITDA		\$55.3		\$54.9		\$67.9		\$66.0		\$244.2		\$44.4
	Estimated Fully Allocated Adjusted EBITDA Margin		25.6%		25.2%		30.3%		30.7%		28.0%		23.5%



Cloud Momentum

New bookings growth

Revenue trends

Large deals with stable deal tenure

Recurring revenue and renewal rates

Cyber Intelligence Dashboard Available on our IR Website

(\$ in millions)		Three Months Ended								Year Ended		Three Months Ended	
		4/30/2019		7/31/2019		10/31/2019		1/31/2020		1/31/2020		4/30/2020	
		GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP
Revenue Metrics	Recurring Revenue	\$46.8	\$46.9	\$46.2	\$46.2	\$47.5	\$47.5	\$52.1	\$52.6	\$192.6	\$193.2	\$56.0	\$57.1
	Nonrecurring Revenue	\$61.4	\$61.4	\$66.7	\$66.7	\$59.4	\$59.4	\$77.1	\$82.1	\$264.5	\$269.6	\$45.4	\$45.4
	Total Revenue	\$108.2	\$108.3	\$112.9	\$112.9	\$106.9	\$106.9	\$129.1	\$134.7	\$457.1	\$462.8	\$101.4	\$102.5
Growth Metrics	Reported Revenue Growth YoY	5.3%	5.3%	7.0%	7.0%	0.4%	0.4%	8.8%	13.3%	5.5%	6.7%	-6.2%	-5.3%
	Constant Currency Revenue Growth YoY	7.1%	7.0%	8.0%	8.0%	1.4%	1.4%	9.5%	13.6%	6.4%	7.7%	-4.8%	-4.0%
	Estimated Fully Allocated Gross Profit Growth YoY	22.2%	18.2%	18.3%	16.5%	7.5%	6.2%	7.0%	12.2%	13.1%	13.1%	-0.2%	0.2%
Operating Expense Metrics	Estimated Fully Allocated Research and Development, net	\$25.0	\$23.9	\$25.7	\$24.4	\$26.2	\$25.0	\$27.7	\$25.9	\$104.6	\$99.2	\$29.0	\$27.7
	% of Revenue	23.1%	22.0%	22.8%	21.6%	24.5%	23.4%	21.5%	19.2%	22.9%	21.4%	28.6%	27.0%
	Estimated Fully Allocated Selling, General and Administrative	\$41.6	\$34.9	\$41.8	\$33.6	\$38.5	\$31.9	\$45.4	\$35.8	\$167.3	\$136.3	\$39.4	\$33.2
	% of Revenue	38.5%	32.2%	37.1%	29.8%	36.0%	29.9%	35.1%	26.6%	36.6%	29.4%	38.8%	32.4%
Profitability Metrics	Estimated Fully Allocated Gross Profit	\$68.9	\$70.8	\$72.9	\$74.1	\$68.2	\$69.2	\$83.5	\$90.2	\$293.4	\$304.3	\$68.7	\$70.9
	Estimated Fully Allocated Gross Margin %	63.7%	65.4%	64.6%	65.6%	63.7%	64.7%	64.6%	67.0%	64.2%	65.7%	67.7%	69.2%
	Estimated Fully Allocated Operating Income	\$2.1	\$12.1	\$5.3	\$16.1	\$3.4	\$12.2	\$10.1	\$28.5	\$20.9	\$68.8	\$0.1	\$10.0
	Estimated Fully Allocated Operating Margin %	2.0%	11.1%	4.7%	14.3%	3.1%	11.4%	7.8%	21.1%	4.6%	14.9%	0.1%	9.7%
	Estimated Fully Allocated EBITDA		\$14.8		\$18.9		\$15.2		\$31.6		\$80.4		\$13.6
	Estimated Fully Allocated EBITDA Margin		13.6%		16.7%		14.2%		23.4%		17.4%		13.3%



Strong Balance Sheet and Liquidity

	As of 4/30/2020 <i>(Adjusted for Apax Investment on May 7th)</i>
Total Assets	~\$3 billion
Cash and Short-term Investments	\$823 million
Net Debt	\$168 million
Net Debt/LTM Adjusted EBITDA	<1.0x



Note: Net debt and Net debt/LTM adjusted EBITDA treat the convertible preferred as equity.

Strong Customer Base

Large enterprises and governments, including >85% Fortune 100

Key verticals: financial services, healthcare, utilities, technology and government

Majority of revenue generated from existing customers

Revenue from recurring sources steadily increasing; strong renewal rates

Managing Through COVID-19 and Emerging Stronger

Significant experience managing expenses through different economic cycles

Continuing to invest for long-term growth

Remaining focused on our cloud-first and software model strategies

Preparing the company for the separation

Separation Update

Tax: IRS and ITA (Israel Tax Authority) Filings Submitted

Financials: Required Carve-out Financial Statements in Process

Spin Documents: Drafting in Process

IT: Separation of Infrastructure and Applications in Process

Overview

Q1 Results

February and March – Bookings Growth
April – On-Premises Deployments Delayed

Outlook

Q2 – Expect Sequential Improvement
H2 – Expect On-Premises Deployments to Come Back and Cloud Growth

Separation

Targeting Separation Shortly After Fiscal Year-End
Closed Apax First-Tranche Investment and Term Loan Amendment

Appendix

Consolidated Summary Metrics

(\$ in millions)		Year Ended		Year Ended		Year Ended		Three Months Ended								Year Ended		Three Months Ended	
		1/31/2017		1/31/2018		1/31/2019		4/30/2019		7/31/2019		10/31/2019		1/31/2020		1/31/2020		4/30/2020	
		GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP		
Revenue	Total Revenue	\$1,062.1	\$1,072.7	\$1,135.2	\$1,150.5	\$1,229.7	\$1,245.1	\$315.3	\$324.2	\$324.3	\$331.3	\$324.9	\$331.1	\$339.2	\$349.5	\$1,303.6	\$1,336.0	\$287.3	\$291.6
Shared Support Metrics	Segment Expenses*	\$849.7	\$717.9	\$891.0	\$769.6	\$914.4	\$814.3	\$244.8	\$218.0	\$249.0	\$221.0	\$238.2	\$211.3	\$249.5	\$217.1	\$981.5	\$867.4	\$226.3	\$200.9
	% of Total Expenses	81.3%	82.7%	82.0%	83.3%	82.0%	83.2%	81.4%	83.3%	80.6%	83.3%	80.7%	82.3%	80.2%	83.2%	80.7%	83.0%	80.5%	82.3%
	Shared Support Expenses**	\$195.0	\$150.2	\$195.6	\$154.7	\$201.1	\$163.9	\$56.0	\$43.9	\$60.0	\$44.4	\$56.8	\$45.4	\$61.4	\$43.7	\$234.3	\$177.3	\$54.9	\$43.3
	% of Total Expenses	18.7%	17.3%	18.0%	16.7%	18.0%	16.8%	18.6%	16.7%	19.4%	16.7%	19.3%	17.7%	19.8%	16.8%	19.3%	17.0%	19.5%	17.7%
Profitability Metrics	Estimated Fully Allocated Gross Profit	\$639.5	\$698.3	\$688.4	\$752.7	\$780.5	\$828.9	\$201.1	\$218.6	\$207.9	\$223.6	\$211.6	\$226.2	\$219.3	\$238.7	\$839.9	\$907.1	\$185.0	\$196.7
	Estimated Fully Allocated Gross Margin %	60.2%	65.1%	60.6%	65.4%	63.5%	66.6%	63.8%	67.4%	64.1%	67.5%	65.1%	68.3%	64.7%	68.3%	64.4%	67.9%	64.4%	67.4%
	Estimated Fully Allocated Operating Income	\$17.4	\$204.6	\$48.6	\$226.1	\$114.2	\$266.9	\$14.5	\$62.3	\$15.3	\$65.9	\$29.8	\$74.4	\$28.3	\$88.7	\$87.9	\$291.3	\$6.2	\$47.4
	Estimated Fully Allocated Operating Margin %	1.6%	19.1%	4.3%	19.7%	9.3%	21.4%	4.6%	19.2%	4.7%	19.9%	9.2%	22.5%	8.3%	25.4%	6.7%	21.8%	2.1%	16.3%
	Estimated Fully Allocated EBITDA	\$233.5	\$256.6	\$233.5	\$256.6	\$233.5	\$256.6	\$70.1	\$73.8	\$70.1	\$73.8	\$70.1	\$73.8	\$70.1	\$73.8	\$233.5	\$256.6	\$70.1	\$73.8
Fully Allocated Estimated EBITDA Margin	21.8%	23.8%	21.8%	23.8%	21.8%	23.8%	21.6%	23.8%	21.6%	23.8%	21.6%	23.8%	21.6%	23.8%	21.8%	23.8%	21.6%	23.8%	



Consolidated Revenue

(\$ in millions)	Year Ended			Three Months Ended				Year Ended	Three Months Ended
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
Customer Engagement	\$ 705.9	\$ 740.1	\$ 796.3	\$ 207.1	\$ 211.4	\$ 217.9	\$ 210.1	\$ 846.5	\$ 185.9
Cyber Intelligence	356.2	395.1	433.4	108.2	112.9	106.9	129.1	457.1	101.4
GAAP Total Revenue	\$ 1,062.1	\$ 1,135.2	\$ 1,229.7	\$ 315.3	\$ 324.3	\$ 324.9	\$ 339.2	\$ 1,303.6	\$ 287.3
Revenue Adjustments:									
Customer Engagement	\$ 10.3	\$ 14.9	\$ 15.0	\$ 8.8	\$ 7.0	\$ 6.2	\$ 4.7	\$ 26.7	\$ 3.3
Cyber Intelligence	0.3	0.4	0.4	0.1	-	-	5.6	5.7	1.1
Total Revenue Adjustments	\$ 10.6	\$ 15.3	\$ 15.4	\$ 8.9	\$ 7.0	\$ 6.2	\$ 10.3	\$ 32.4	\$ 4.4
Non-GAAP Revenue by Segment:									
Customer Engagement	\$ 716.2	\$ 755.0	\$ 811.3	\$ 215.9	\$ 218.4	\$ 224.2	\$ 214.8	\$ 873.2	\$ 189.1
Cyber Intelligence	356.5	395.5	433.8	108.3	112.9	106.9	134.7	462.8	102.5
Non-GAAP Total Revenue	\$ 1,072.7	\$ 1,150.5	\$ 1,245.1	\$ 324.2	\$ 331.3	\$ 331.1	\$ 349.5	\$ 1,336.0	\$ 291.6

Consolidated Gross Profit

(\$ in millions)	Year Ended			Three Months Ended				Year Ended	Three Months Ended
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
Total GAAP revenue	\$ 1,062.1	\$ 1,135.2	\$ 1,229.7	\$ 315.3	\$ 324.3	\$ 324.9	\$ 339.2	\$ 1,303.6	\$ 287.3
Segment product costs	116.9	127.0	125.6	26.3	27.5	28.5	36.4	118.7	20.6
Segment service expenses	244.6	261.5	279.5	76.5	76.8	73.0	71.0	297.3	73.5
Amortization of acquired technology	37.4	38.2	25.4	6.7	5.6	6.0	5.7	24.0	4.6
Stock-based compensation expenses (1)	8.6	8.4	5.7	1.4	2.0	1.8	3.0	8.2	1.0
Shared support expenses allocation (2)	15.2	11.7	13.0	3.3	4.5	4.0	3.7	15.5	2.6
Total GAAP cost of revenue	\$ 422.6	\$ 446.8	\$ 449.2	\$ 114.2	\$ 116.4	\$ 113.3	\$ 119.9	\$ 463.8	\$ 102.3
GAAP gross profit	\$ 639.5	\$ 688.4	\$ 780.5	\$ 201.1	\$ 207.9	\$ 211.6	\$ 219.3	\$ 839.9	\$ 185.0
GAAP gross margin	60.2%	60.6%	63.5%	63.8%	64.1%	65.1%	64.7%	64.4%	64.4%
Revenue adjustments	10.6	15.3	15.4	8.9	7.0	6.2	10.3	32.4	4.4
Amortization of acquired technology	37.4	38.2	25.4	6.7	5.6	6.0	5.7	24.0	4.6
Stock-based compensation expenses (1)	8.6	8.5	5.7	1.4	2.0	1.8	3.0	8.2	1.0
Acquisition expenses, net (3)	-	0.1	0.4	-	-	0.0	0.1	0.1	0.2
Restructuring expenses (3)	2.3	2.2	1.5	0.5	1.1	0.7	0.4	2.5	1.6
Estimated fully allocated non-GAAP gross profit	\$ 698.3	\$ 752.7	\$ 828.9	\$ 218.6	\$ 223.6	\$ 226.2	\$ 238.7	\$ 907.1	\$ 196.7
Estimated fully allocated non-GAAP gross margin	65.1%	65.4%	66.6%	67.4%	67.5%	68.3%	68.3%	67.9%	67.4%



Consolidated Operating and EBITDA Margins

(\$ in millions)	Year Ended			Three Months Ended				Year Ended	Three Months Ended
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
GAAP operating income	\$ 17.4	\$ 48.6	\$ 114.2	\$ 14.5	\$ 15.3	\$ 29.8	\$ 28.3	\$ 87.9	\$ 6.2
GAAP operating margin	1.6%	4.3%	9.3%	4.6%	4.7%	9.2%	8.3%	6.7%	2.1%
Revenue adjustments	10.6	15.3	15.4	8.9	7.0	6.2	10.3	32.4	4.4
Amortization of acquired technology	37.4	38.2	25.4	6.7	5.6	6.0	5.7	24.0	4.6
Amortization of other acquired intangible assets	44.1	34.2	31.0	7.7	7.6	7.8	8.3	31.5	8.1
Stock-based compensation expenses	65.6	69.4	66.7	17.1	20.6	18.6	26.5	82.7	14.2
Acquisitions expenses, net	12.9	1.6	9.9	4.0	2.5	2.2	2.4	10.9	(3.3)
Restructuring expenses	15.7	13.4	4.9	1.4	1.6	2.1	1.4	6.6	5.5
Separation expenses	0.6	1.3	0.3	0.0	0.2	1.5	3.6	5.3	7.8
Impairment charges	-	3.3	-	-	-	-	-	-	-
Other adjustments	0.4	0.8	(0.9)	2.0	5.5	0.4	2.2	10.1	0.1
Estimated fully allocated non-GAAP operating income	\$ 204.6	\$ 226.1	\$ 266.9	\$ 62.3	\$ 65.9	\$ 74.4	\$ 88.7	\$ 291.3	\$ 47.4
Depreciation and amortization (7)	28.8	30.5	29.8	7.8	7.9	8.7	8.9	33.3	10.6
Estimated adjusted EBITDA	\$ 233.5	\$ 256.6	\$ 296.7	\$ 70.1	\$ 73.8	\$ 83.1	\$ 97.6	\$ 324.6	\$ 58.0
Estimated fully allocated non-GAAP operating margin	19.1%	19.7%	21.4%	19.2%	19.9%	22.5%	25.4%	21.8%	16.3%
Estimated fully allocated adjusted EBITDA	21.8%	22.3%	23.8%	21.6%	22.3%	25.1%	27.9%	24.3%	19.9%

Consolidated Constant Currency

(\$ in millions)	Year Ended	Year Ended	Year Ended	Three Months Ended				Year Ended	Three Months Ended
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
GAAP									
Revenue for the three months ended prior period	\$ 1,130.3	\$ 1,062.1	\$ 1,135.2	\$ 289.2	\$ 306.3	\$ 304.0	\$ 330.2	\$ 1,229.7	\$ 315.3
Revenue for the three months ended current period	\$ 1,062.1	\$ 1,135.2	\$ 1,229.7	\$ 315.3	\$ 324.3	\$ 324.9	\$ 339.2	\$ 1,303.6	\$ 287.3
Revenue for the three months ended current period at constant currency (8)	\$ 1,072.0	\$ 1,130.0	\$ 1,230.0	\$ 321.0	\$ 328.0	\$ 328.0	\$ 340.0	\$ 1,316.0	\$ 291.0
Reported period-over-period revenue growth	-6.0%	6.9%	8.3%	9.0%	5.9%	6.9%	2.7%	6.0%	-8.9%
% impact from change in foreign currency exchange rates	0.8%	-0.5%	0.0%	2.0%	1.2%	1.0%	0.3%	1.0%	1.2%
Constant currency period-over-period revenue growth	-5.2%	6.4%	8.3%	11.0%	7.1%	7.9%	3.0%	7.0%	-7.7%
Non-GAAP									
Revenue for the three months ended prior period	\$ 1,134.6	\$ 1,072.7	\$ 1,150.4	\$ 292.0	\$ 308.5	\$ 308.0	\$ 336.7	\$ 1,245.1	\$ 324.2
Revenue for the three months ended current period	\$ 1,072.7	\$ 1,150.4	\$ 1,245.1	\$ 324.2	\$ 331.3	\$ 331.1	\$ 349.5	\$ 1,336.0	\$ 291.6
Revenue for the three months ended current period at constant currency (8)	\$ 1,083.0	\$ 1,145.0	\$ 1,245.0	\$ 329.0	\$ 335.0	\$ 334.0	\$ 350.0	\$ 1,349.0	\$ 295.0
Reported period-over-period revenue growth	-5.5%	7.2%	8.2%	11.0%	7.4%	7.5%	3.8%	7.3%	-10.0%
% impact from change in foreign currency exchange rates	0.9%	-0.5%	0.0%	1.7%	1.2%	0.9%	0.2%	1.0%	1.0%
Constant currency period-over-period revenue growth	-4.6%	6.7%	8.2%	12.7%	8.6%	8.4%	4.0%	8.3%	-9.0%

Consolidated Operating Expenses

(\$ in millions)	Year Ended	Year Ended	Year Ended	Three Months Ended				Year Ended	Three Months Ended
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
Research and Development, net									
Segment expenses	\$ 143.6	\$ 158.9	\$ 175.9	\$ 48.4	\$ 49.3	\$ 48.0	\$ 46.1	\$ 191.7	\$ 49.6
Stock-based compensation expenses (4)	11.6	13.1	9.9	2.6	3.4	3.0	4.5	13.4	2.3
Shared support service allocation (5)	15.8	18.6	23.3	6.2	6.0	6.8	7.5	26.5	7.2
GAAP research and development, net as a % of GAAP revenue	\$ 171.1	\$ 190.6	\$ 209.1	\$ 57.2	\$ 58.7	\$ 57.7	\$ 58.1	\$ 231.7	\$ 59.1
	16.1%	16.8%	17.0%	18.1%	18.0%	17.8%	17.1%	17.8%	20.6%
Stock-based compensation expenses (4)	(11.6)	(13.1)	(9.9)	(2.6)	(3.4)	(3.0)	(4.5)	(13.4)	(2.3)
Acquisition expenses, net (6)	(0.2)	-	(0.2)	(0.2)	(0.2)	(0.1)	(0.3)	(0.8)	(0.3)
Restructuring expenses (6)	(1.7)	(1.0)	(0.5)	(0.4)	(0.1)	(0.3)	(0.4)	(1.3)	(0.9)
Estimated fully allocated non-GAAP research and development, net as a % of non-GAAP revenue	\$ 157.5	\$ 176.5	\$ 198.5	\$ 54.0	\$ 55.0	\$ 54.3	\$ 52.9	\$ 216.1	\$ 55.5
	14.7%	15.3%	15.9%	16.6%	16.6%	16.4%	15.1%	16.2%	19.0%
Selling, General and Administrative expenses									
Segment expenses	\$ 221.1	\$ 229.1	\$ 239.3	\$ 69.8	\$ 70.5	\$ 64.6	\$ 66.0	\$ 270.9	\$ 62.5
Stock-based compensation expenses (4)	45.4	47.8	51.1	13.1	15.2	13.8	19.0	61.1	10.9
Shared support service allocation (5)	140.4	138.2	135.8	38.9	40.6	37.9	39.6	156.9	38.2
GAAP selling, general and administrative expenses as a % of GAAP revenue	\$ 407.0	\$ 415.0	\$ 426.2	\$ 121.7	\$ 126.3	\$ 116.3	\$ 124.6	\$ 488.9	\$ 111.7
	38.3%	36.6%	34.7%	38.6%	38.9%	35.8%	36.7%	37.5%	38.9%
Stock-based compensation expenses (4)	(45.4)	(47.8)	(51.1)	(13.1)	(15.2)	(13.8)	(19.0)	(61.1)	(10.9)
Acquisition expenses, net (6)	(12.7)	(1.5)	(9.4)	(3.7)	(2.3)	(2.0)	(2.0)	(10.0)	3.8
Restructuring expenses (6)	(11.7)	(10.4)	(3.0)	(0.5)	(0.5)	(1.1)	(0.6)	(2.7)	(2.9)
Separation expenses (6)	(0.6)	(1.3)	(0.3)	(0.0)	(0.2)	(1.5)	(3.6)	(5.3)	(7.8)
Impairment charges (6)	-	(3.3)	-	-	-	-	-	-	-
Other adjustments (6)	(0.4)	(0.7)	0.9	(2.0)	(5.5)	(0.4)	(2.2)	(10.1)	(0.1)
Estimated fully allocated non-GAAP selling, general and administrative expenses as a % of non-GAAP revenue	\$ 336.2	\$ 350.0	\$ 363.4	\$ 102.4	\$ 102.6	\$ 97.5	\$ 97.1	\$ 399.6	\$ 93.8
	31.3%	30.4%	29.2%	31.6%	31.0%	29.5%	27.8%	29.9%	32.1%



Consolidated Other Expense, Tax and Net Income

(\$ in millions)	Year Ended	Year Ended	Year Ended	Three Months Ended				Year Ended	Three Months Ended	
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020	
Other Expense Reconciliation										
GAAP other expense, net	\$ (40.8)	\$ (29.7)	\$ (36.5)	\$ (9.3)	\$ (7.5)	\$ (7.6)	\$ (10.1)	\$ (34.6)	\$ (11.9)	
Unrealized losses (gains) on derivatives, net	0.5	(3.2)	1.1	0.7	0.6	0.2	-	1.5	-	
Amortization of convertible note discount	10.7	11.2	11.9	3.1	3.1	3.1	3.2	12.5	3.2	
Losses and expenses on early retirement or modification of debt	-	2.7	-	-	-	-	-	-	-	
Acquisition expenses, net	(0.1)	0.9	0.4	(0.1)	-	(0.0)	(0.0)	(0.1)	0.0	
Restructuring expenses	0.2	0.1	-	-	-	-	-	-	-	
Impairment charges	2.4	-	-	-	-	-	-	-	-	
Non-GAAP other expense, net	\$ (27.1)	\$ (18.0)	\$ (23.1)	\$ (5.6)	\$ (3.8)	\$ (4.3)	\$ (7.0)	\$ (20.7)	\$ (8.7)	
Tax Provision (Benefit) Reconciliation										
GAAP provision (benefit) for income taxes	\$ 2.8	\$ 22.4	\$ 7.5	\$ 1.4	\$ (4.5)	\$ 9.2	\$ 11.5	\$ 17.6	\$ (1.8)	
GAAP effective income tax rate	-11.8%	118.3%	9.7%	27.3%	-58.0%	41.5%	63.3%	33.1%	30.7%	
Non-GAAP tax adjustments	12.9	1.6	19.4	4.0	9.5	(3.5)	(5.9)	4.1	4.6	
Non-GAAP provision for income taxes	\$ 15.7	\$ 24.0	\$ 26.9	\$ 5.4	\$ 5.0	\$ 5.8	\$ 5.6	\$ 21.7	\$ 2.8	
Non-GAAP effective income tax rate	8.8%	11.5%	11.0%	9.5%	8.0%	8.2%	6.8%	8.0%	7.2%	
Net (Loss) Income Attributable to Verint Systems Inc. Reconciliation										
GAAP net (loss) income attributable to Verint Systems Inc.	\$ (29.4)	\$ (6.6)	\$ 66.0	\$ 1.6	\$ 10.6	\$ 11.7	\$ 4.9	\$ 28.7	\$ (6.0)	
Total GAAP net (loss) income adjustments	188.1	187.5	146.7	47.5	44.9	51.4	69.5	213.3	39.9	
Non-GAAP net income attributable to Verint Systems Inc.	\$ 158.7	\$ 180.9	\$ 212.7	\$ 49.1	\$ 55.5	\$ 63.1	\$ 74.3	\$ 241.9	\$ 33.9	



Consolidated EPS and Diluted Shares Outstanding

(\$ in millions, except share and per share data; shares in thousands)	Year Ended	Year Ended	Year Ended	Three Months Ended				Year Ended	Three Months Ended
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
GAAP diluted net (loss) income per common share attributable to Verint Systems Inc.	\$ (0.47)	\$ (0.10)	\$ 1.00	\$ 0.02	\$ 0.16	\$ 0.17	\$ 0.07	\$ 0.43	\$ (0.09)
Non-GAAP diluted net income per common share attributable to Verint Systems Inc.	\$ 2.51	\$ 2.81	\$ 3.21	\$ 0.73	\$ 0.82	\$ 0.94	\$ 1.11	\$ 3.59	\$ 0.52
GAAP weighted-average shares used in computing diluted net (loss) income per common share	62,593	63,312	66,245	67,088	67,519	67,442	66,999	67,355	64,376
Additional weighted-average shares applicable to non-GAAP net income per common share attributable to Verint Systems Inc	538	1,046	-	-	-	-	-	-	1,233
Non-GAAP diluted weighted-average shares used in computing net income per common share	63,131	64,358	66,245	67,088	67,519	67,442	66,999	67,355	65,609

Consolidated Debt

(\$ in millions)	As of 1/31/2017	As of 1/31/2018	As of 1/31/2019	As of 1/31/2020	As of 4/30/2020
Current maturities of long-term debt	\$ 4.6	\$ 4.5	\$ 4.3	\$ 4.3	\$ 4.3
Long-term debt	744.3	768.5	777.8	832.8	990.4
Unamortized debt discounts and issuance costs	60.6	50.1	36.6	22.3	18.7
Gross debt	809.5	823.1	818.7	859.4	1,013.3
Less:					
Cash and cash equivalents	307.4	337.9	370.0	379.1	556.7
Restricted cash and cash equivalents, and restricted bank time deposits	9.2	33.3	42.3	43.9	46.5
Short-term investments	3.2	6.6	32.3	20.2	19.7
Long-term restricted cash, cash equivalents, bank time deposits and investments	54.6	28.4	23.1	26.4	22.6
Net debt, including long-term restricted cash, cash equivalents, bank time deposits, and investments	\$ 435.1	\$ 416.9	\$ 351.0	\$ 389.8	\$ 367.9

Consolidated Footnotes

Footnotes - Consolidated

Note: Amounts may not foot throughout the workbook due to rounding.

- Represents the stock-based compensation expenses applicable to cost of revenue, allocated proportionally based upon our prior full year ended, 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.
- (1)
- Represents the portion of our shared support expenses (as disclosed in segment footnote in Form 10-Qs and 10-Ks) applicable to cost of revenue, allocated proportionally based upon our prior full year ended 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.
- (2)
- Represents the portion of our acquisition expenses, net and restructuring expenses applicable to cost of revenue, allocated proportionally based upon prior full year ended, 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 stock-based compensation expenses applicable to research and development, net and selling, general and administrative, allocated proportionally based upon our non-GAAP segment revenue for prior full year ended, which we believe provides a reasonable approximation for purposes of understanding the relative non-GAAP operating margins of our two businesses.
- (4)
- Represents our shared support expenses (as disclosed in segment footnote in Form 10-Qs and 10-Ks), including general and administrative shared services acquisition expenses, net and restructuring expenses, separation expenses and other adjustments, allocated proportionally based upon our non-GAAP segment revenue for the prior full year ended, which we believe provides a reasonable approximation for purposes of understanding the relative non-GAAP operating margins of our two businesses.
- (5)
- Represents the portion of our acquisition expenses, net, restructuring expenses, separation expenses, impairment charges and other adjustments, allocated proportionally based upon our prior full year ended, 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.
- (6)
- 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 prior full year ended, which we believe provides a reasonable approximation for purposes of understanding the relative adjusted EBITDA of our two businesses.
- (7)
- Revenue for the current period 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 same prior period rather than actual current-period foreign currency exchange rates.
- (8)

Consolidated Supplemental Info Non-GAAP Measures

Supplemental Information About Non-GAAP Financial Measures - Consolidated

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 software revenue (includes cloud and support), non-GAAP perpetual revenue, non-GAAP support revenue, non-GAAP professional services revenue, non-GAAP recurring revenue, non-GAAP nonrecurring revenue, non-GAAP cloud revenue, non-GAAP SaaS revenue, non-GAAP bundled SaaS revenue, non-GAAP unbundled SaaS revenue, non-GAAP optional managed services revenue, estimated fully allocated cost of revenue, estimated GAAP and non-GAAP fully allocated gross profit and gross margins, estimated GAAP and non-GAAP fully allocated research and development, net, estimated GAAP and non-GAAP fully allocated selling, general and administrative expenses, estimated GAAP and non-GAAP fully allocated operating income and operating margins, 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., estimated fully allocated adjusted EBITDA and adjusted EBITDA margins, net debt, non-GAAP segment expenses, non-GAAP shared support expenses and constant currency measures. The tables above include a reconciliation of each non-GAAP financial measure for completed periods presented in this press release to the most directly comparable GAAP financial measure.

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

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

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

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

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

- Revenue adjustments.** 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.



Consolidated Supplemental Info Non-GAAP 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.

• **Separation expenses.** On December 4, 2019, we announced our intention to separate into two independent publicly traded companies: one which will consist of our Customer Engagement Solutions business, and one which will consist of our Cyber Intelligence Solutions business. We are incurring significant expenses to prepare for this separation, including third-party advisory, accounting, legal, consulting, and other similar services related to the separation as well as costs associated with the operational separation of the two businesses, including those related to human resources, brand management, real estate, and information technology to the extent not capitalized. Separation expenses also include incremental cash income taxes related to the reorganization of legal entities and operations in order to effect the separation. These costs are incremental to our normal operating expenses and are being incurred solely as a result of the separation transaction. Accordingly, we are excluding these separation expenses from our non-GAAP financial measures in order to evaluate our performance on a comparable basis.

• **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 \$7.8 million of fees and expenses related to a shareholder proxy contest that was settled during three months ended July 31, 2019, 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 rates for the year ending January 31, 2021 is currently approximately 7%, and was 8% for the year ended January 31, 2020, 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.



Consolidated Supplemental Info Non-GAAP Measures

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. Recurring Software Revenue includes SaaS, optional managed services and support revenue.

- 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.

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

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 Annual Contract Value (ACV) includes the annualized contract value of all new SaaS contracts received within the period; in cases where SaaS is offered through usage-based contracts, we include the quarterly values of usage contracts.

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.



CES Summary Metrics

(\$ in millions)	Year Ended 1/31/2017		Year Ended 1/31/2018		Year Ended 1/31/2019		Three Months Ended								Year Ended 1/31/2020		Three Months Ended 4/30/2020		
							4/30/2019		7/31/2019		10/31/2019		1/31/2020						
	GAAP	Non-GAAP/ Operating Metric	GAAP	Non-GAAP/ Operating Metric	GAAP	Non-GAAP/ Operating Metric	GAAP	Non-GAAP/ Operating Metric	GAAP	Non-GAAP/ Operating Metric	GAAP	Non-GAAP/ Operating Metric	GAAP	Non-GAAP/ Operating Metric	GAAP	Non-GAAP/ Operating Metric	GAAP	Non-GAAP/ Operating Metric	
Revenue Metrics	Software	\$570.4	\$580.3	\$607.4	\$622.3	\$661.8	\$676.8	\$171.0	\$179.8	\$177.3	\$184.3	\$185.1	\$191.3	\$180.8	\$185.5	\$714.3	\$740.9	\$157.6	\$160.9
	Perpetual	\$172.3	\$172.5	\$181.7	\$181.7	\$196.1	\$196.1	\$47.6	\$47.6	\$48.0	\$48.0	\$43.7	\$43.7	\$40.5	\$40.5	\$179.9	\$179.9	\$28.5	\$28.5
	Cloud	\$95.4	\$104.2	\$122.1	\$135.0	\$150.7	\$165.4	\$47.1	\$55.7	\$47.8	\$54.7	\$61.4	\$67.6	\$59.5	\$64.1	\$215.8	\$242.2	\$53.0	\$56.2
	Support	\$302.7	\$303.6	\$303.6	\$305.6	\$315.0	\$315.3	\$76.3	\$76.5	\$81.5	\$81.6	\$79.9	\$80.0	\$80.8	\$80.9	\$318.6	\$318.9	\$76.1	\$76.1
	Professional Services	\$135.5	\$135.8	\$132.7	\$132.7	\$134.5	\$134.5	\$36.1	\$36.1	\$34.1	\$34.1	\$32.8	\$32.8	\$29.2	\$29.2	\$132.3	\$132.3	\$28.3	\$28.3
	Total Revenue	\$705.9	\$716.2	\$740.1	\$755.0	\$796.3	\$811.3	\$207.1	\$215.9	\$211.4	\$218.4	\$217.9	\$224.2	\$210.1	\$214.8	\$846.5	\$873.2	\$185.9	\$189.1
	Reported Revenue Growth	1.6%	2.6%	4.8%	5.4%	7.6%	7.5%	11.1%	14.1%	5.3%	7.6%	10.4%	11.3%	-0.7%	-1.4%	6.3%	7.6%	-10.3%	-12.4%
Constant Currency Revenue Growth	2.9%	4.0%	4.7%	5.1%	7.6%	7.4%	13.2%	15.8%	6.6%	8.9%	11.4%	12.2%	-0.7%	-1.3%	7.4%	8.7%	-9.2%	-11.5%	
Recurring Revenue Mix	% of Revenue that is Software Revenue	80.8%	81.0%	82.1%	82.4%	83.1%	83.4%	82.6%	83.3%	83.9%	84.4%	84.9%	85.4%	86.1%	86.4%	84.4%	84.9%	84.8%	85.1%
	% of Software Revenue that is Recurring Revenue	69.8%	70.3%	70.1%	70.8%	70.4%	71.0%	72.2%	73.5%	72.9%	74.0%	76.4%	77.1%	77.6%	78.2%	74.8%	75.7%	81.9%	82.3%
Bookings Metrics	New SaaS ACV		\$10.9		\$18.4		\$29,069		\$8.2		\$10.1		\$15.6		\$15.8		\$49.7		\$11.9
	New SaaS ACV Growth YoY				69.3%		57.6%		37.6%		115.2%		131.0%		35.4%		71.0%		45.3%
	New Perpetual License Equivalent Bookings (11)						\$256.8		\$65.4		\$64.0		\$69.9		\$76.4		\$275.6		\$51.7
	Year-over-Year Growth								14.3%		7.9%		19.1%		-6.5%		7.3%		-21.0%
Cloud Detail	Cloud Revenue	\$95.4	\$104.2	\$122.1	\$135.0	\$150.7	\$165.4	\$47.1	\$55.7	\$47.8	\$54.7	\$61.4	\$67.6	\$59.5	\$64.1	\$215.8	\$242.2	\$53.0	\$56.2
	SaaS Bundled Revenue	\$47.7	\$52.1	\$77.6	\$85.7	\$84.7	\$94.4	\$27.2	\$34.4	\$27.2	\$33.6	\$30.1	\$35.8	\$31.4	\$35.6	\$115.9	\$139.4	\$33.4	\$36.3
	SaaS Unbundled Revenue	\$8.8	\$8.8	\$2.8	\$3.2	\$24.9	\$27.7	\$6.3	\$7.1	\$6.4	\$6.5	\$17.1	\$17.1	\$13.6	\$13.6	\$43.4	\$44.3	\$5.5	\$5.5
	Optional Managed Services Revenue	\$38.9	\$43.4	\$41.7	\$46.1	\$41.1	\$43.3	\$13.6	\$14.2	\$14.2	\$14.6	\$14.2	\$14.7	\$14.5	\$14.9	\$56.5	\$58.4	\$14.1	\$14.4
	Cloud Revenue Growth YoY			28.1%	29.6%	23.4%	22.5%	43.6%	57.9%	30.6%	41.3%	63.4%	62.4%	36.5%	28.8%	43.2%	46.4%	12.5%	0.8%
SaaS Revenue Growth YoY			42.4%	46.2%	36.3%	37.3%	39.0%	58.5%	25.8%	42.7%	71.7%	70.7%	43.7%	33.5%	45.3%	50.5%	16.0%	0.6%	
Operating Expense Metrics	Estimated Fully Allocated Research and Development, net	\$98.2	\$89.1	\$105.2	\$96.0	\$116.6	\$109.7	\$32.2	\$30.1	\$33.0	\$30.6	\$31.5	\$29.3	\$30.4	\$27.0	\$127.1	\$116.9	\$30.1	\$27.8
	% of Revenue	13.9%	12.4%	14.2%	12.7%	14.6%	13.5%	15.5%	13.9%	15.6%	14.0%	14.4%	13.1%	14.5%	12.8%	15.0%	13.4%	16.2%	14.7%
	Estimated Fully Allocated Selling, General and Administrative	\$272.1	\$224.9	\$277.0	\$234.3	\$281.0	\$240.1	\$80.1	\$67.5	\$84.4	\$69.0	\$77.8	\$65.6	\$79.2	\$61.3	\$321.6	\$263.4	\$72.3	\$60.6
	% of Revenue	38.5%	31.4%	37.4%	31.0%	35.3%	29.6%	38.7%	31.2%	39.9%	31.6%	35.7%	29.3%	37.7%	28.5%	38.0%	30.2%	38.9%	32.0%
Profitability Metrics	Estimated Fully Allocated Gross Profit	\$442.7	\$482.7	\$469.5	\$515.1	\$521.1	\$559.8	\$132.2	\$147.8	\$135.0	\$149.5	\$143.4	\$157.1	\$135.9	\$148.5	\$546.5	\$602.8	\$116.3	\$125.8
	Estimated Fully Allocated Gross Margin %	62.7%	67.4%	63.4%	68.2%	65.4%	69.0%	63.8%	68.4%	63.8%	68.4%	65.8%	70.1%	64.7%	69.2%	64.6%	69.0%	62.6%	66.5%
	Estimated Fully Allocated Operating Income	\$29.8	\$168.7	\$54.0	\$184.7	\$93.1	\$209.9	\$12.4	\$50.2	\$10.0	\$49.8	\$26.5	\$62.2	\$18.2	\$60.2	\$67.0	\$222.5	\$6.1	\$37.5
	Estimated Fully Allocated Operating Margin %	4.2%	23.6%	7.3%	24.5%	11.7%	25.9%	6.0%	23.3%	4.7%	22.8%	12.1%	27.8%	8.6%	28.0%	7.9%	25.5%	3.3%	19.8%
	Estimated Fully Allocated Adjusted EBITDA		\$188.0		\$204.7		\$229.3		\$55.3		\$54.9		\$67.9		\$66.0		\$244.2		\$44.4
Estimated Fully Allocated Adjusted EBITDA Margin		26.2%		27.1%		28.3%		25.6%		25.2%		30.3%		30.7%		28.0%		23.5%	



CES Revenue Metrics

(\$ in millions)	Year Ended	Year Ended	Year Ended	Three Months Ended				Year Ended	Three Months Ended
	1/31/2017 (2)	1/31/2018 (2)	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
Software (includes cloud and support) - GAAP	\$ 570.4	\$ 607.4	\$ 661.8	\$ 171.0	\$ 177.3	\$ 185.1	\$ 180.8	\$ 714.3	\$ 157.6
Perpetual revenue - GAAP	172.3	181.7	196.1	47.6	48.0	43.7	40.5	179.9	28.5
Cloud revenue - GAAP	95.4	122.1	150.7	47.1	47.8	61.4	59.5	215.8	53.0
Support revenue - GAAP	302.7	303.6	315.0	76.3	81.5	79.9	80.8	318.6	76.1
Professional services revenue - GAAP	135.5	132.7	134.5	36.1	34.1	32.8	29.2	132.3	28.3
Total revenue - GAAP	\$ 705.9	\$ 740.1	\$ 796.3	\$ 207.1	\$ 211.4	\$ 217.9	\$ 210.1	\$ 846.5	\$ 185.9
<i>% of Revenue from Software (includes cloud and support)</i>	<i>80.8%</i>	<i>82.1%</i>	<i>83.1%</i>	<i>82.6%</i>	<i>83.9%</i>	<i>84.9%</i>	<i>86.1%</i>	<i>84.4%</i>	<i>84.8%</i>
<i>% of Revenue from Software (includes cloud and support) that is Recurring</i>	<i>69.8%</i>	<i>70.1%</i>	<i>70.4%</i>	<i>72.2%</i>	<i>72.9%</i>	<i>76.4%</i>	<i>77.6%</i>	<i>74.8%</i>	<i>81.9%</i>
Estimated software (includes cloud and support) revenue adjustments	9.9	14.9	15.0	8.8	7.0	6.2	4.7	26.7	3.3
Estimated perpetual revenue adjustments	0.2	-	-	-	-	-	-	-	-
Estimated cloud revenue adjustments	8.8	12.9	14.7	8.6	6.9	6.1	4.6	26.3	3.2
Estimated support revenue adjustments	0.9	2.0	0.3	0.2	0.1	0.1	0.1	0.3	0.1
Estimated services revenue adjustments	0.3	-	-	-	-	-	-	-	-
Total estimated revenue adjustments	10.3	14.9	15.0	8.8	7.0	6.2	4.7	26.7	3.3
Software (includes cloud and support) revenue - non-GAAP	\$ 580.3	\$ 622.3	\$ 676.8	\$ 179.8	\$ 184.3	\$ 191.3	\$ 185.5	\$ 740.9	\$ 160.9
Perpetual revenue - non-GAAP	172.5	181.7	196.1	47.6	48.0	43.7	40.5	179.9	28.5
Cloud revenue - non-GAAP	104.2	135.0	165.4	55.7	54.7	67.6	64.1	242.2	56.2
Support revenue - non-GAAP	303.6	305.6	315.3	76.5	81.6	80.0	80.9	318.9	76.1
Professional services revenue - non-GAAP	135.8	132.7	134.5	36.1	34.1	32.8	29.2	132.3	28.3
Total revenue - non-GAAP	\$ 716.2	\$ 755.0	\$ 811.3	\$ 215.9	\$ 218.4	\$ 224.2	\$ 214.8	\$ 873.2	\$ 189.1
<i>% of Revenue from Software (includes cloud and support)</i>	<i>81.0%</i>	<i>82.4%</i>	<i>83.4%</i>	<i>83.3%</i>	<i>84.4%</i>	<i>85.4%</i>	<i>86.4%</i>	<i>84.9%</i>	<i>85.1%</i>
<i>% of Revenue from Software (includes cloud and support) that is Recurring</i>	<i>70.3%</i>	<i>70.8%</i>	<i>71.0%</i>	<i>73.5%</i>	<i>74.0%</i>	<i>77.1%</i>	<i>78.2%</i>	<i>75.7%</i>	<i>82.3%</i>



CES Constant Currency

(\$ in millions)	Year Ended	Year Ended	Year Ended	Three Months Ended				Year Ended	Three Months Ended
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
GAAP									
Revenue for the three months ended prior period	\$ 694.9	\$ 705.9	\$ 740.1	\$ 186.5	\$ 200.8	\$ 197.5	\$ 211.5	\$ 796.3	\$ 207.1
Revenue for the three months ended current period	\$ 705.9	\$ 740.1	\$ 796.3	\$ 207.1	\$ 211.4	\$ 217.9	\$ 210.1	\$ 846.5	\$ 185.9
Revenue for the three months ended current period at constant currency (10)	\$ 715.0	\$ 739.0	\$ 796.0	\$ 211.0	\$ 214.0	\$ 220.0	\$ 210.0	\$ 855.0	\$ 188.0
Reported period-over-period revenue growth	1.6%	4.8%	7.6%	11.1%	5.3%	10.4%	-0.7%	6.3%	-10.3%
% impact from change in foreign currency exchange rates	1.3%	-0.1%	0.0%	2.1%	1.3%	1.0%	0.0%	1.1%	1.1%
Constant currency period-over-period revenue growth	2.9%	4.7%	7.6%	13.2%	6.6%	11.4%	-0.7%	7.4%	-9.2%
Non-GAAP									
Revenue for the three months ended prior period	\$ 698.3	\$ 716.2	\$ 755.0	\$ 189.2	\$ 203.0	\$ 201.5	\$ 217.8	\$ 811.3	\$ 215.9
Revenue for the three months ended current period	\$ 716.2	\$ 755.0	\$ 811.3	\$ 215.9	\$ 218.4	\$ 224.2	\$ 214.8	\$ 873.2	\$ 189.1
Revenue for the three months ended current period at constant currency (10)	\$ 726.0	\$ 753.0	\$ 811.0	\$ 219.0	\$ 221.0	\$ 226.0	\$ 215.0	\$ 882.0	\$ 191.0
Reported period-over-period revenue growth	2.6%	5.4%	7.5%	14.1%	7.6%	11.3%	-1.4%	7.6%	-12.4%
% impact from change in foreign currency exchange rates	1.4%	-0.3%	-0.1%	1.7%	1.3%	0.9%	0.1%	1.1%	0.9%
Constant currency period-over-period revenue growth	4.0%	5.1%	7.4%	15.8%	8.9%	12.2%	-1.3%	8.7%	-11.5%

CES Cloud Metrics

(\$ in millions)	Year Ended			Three Months Ended				Year Ended	Three Months Ended
	1/31/2017 (1)	1/31/2018 (1)	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
SaaS revenue - GAAP	\$ 56.5	\$ 80.4	\$ 109.6	\$ 33.5	\$ 33.6	\$ 47.2	\$ 45.0	\$ 159.3	\$ 38.9
Bundled SaaS revenue - GAAP	47.7	77.6	84.7	27.2	27.2	30.1	31.4	115.9	33.4
Unbundled SaaS revenue - GAAP	8.8	2.8	24.9	6.3	6.4	17.1	13.6	43.4	5.5
Optional managed services revenue - GAAP	38.9	41.7	41.1	13.6	14.2	14.2	14.5	56.5	14.1
Cloud revenue - GAAP	\$ 95.4	\$ 122.1	\$ 150.7	\$ 47.1	\$ 47.8	\$ 61.4	\$ 59.5	\$ 215.8	\$ 53.0
Estimated SaaS revenue adjustments	4.3	8.5	12.5	8.0	6.4	5.7	4.3	24.5	2.9
Estimated bundled SaaS revenue adjustments	4.3	8.1	9.7	7.2	6.4	5.7	4.2	23.5	2.9
Estimated unbundled SaaS revenue adjustments	-	0.4	2.8	0.8	0.1	0.0	0.0	1.0	0.0
Estimated optional managed services revenue adjustments	4.5	4.4	2.2	0.6	0.5	0.4	0.4	1.9	0.3
Estimated cloud revenue adjustments	8.8	12.9	14.7	8.6	6.9	6.1	4.6	26.3	3.2
SaaS revenue - non-GAAP	60.8	88.9	122.1	41.5	40.1	52.9	49.2	183.8	41.8
Bundled SaaS revenue - non-GAAP	52.1	85.7	94.4	34.4	33.6	35.8	35.6	139.4	36.3
Unbundled SaaS revenue - non-GAAP	8.8	3.2	27.7	7.1	6.5	17.1	13.6	44.3	5.5
Optional managed services revenue - non-GAAP	43.4	46.1	43.3	14.2	14.6	14.7	14.9	58.4	14.4
Cloud revenue - non-GAAP	\$ 104.2	\$ 135.0	\$ 165.4	\$ 55.7	\$ 54.7	\$ 67.6	\$ 64.1	\$ 242.2	\$ 56.2

CES Operating Expenses

(\$ in millions)	Year Ended	Year Ended	Year Ended	Three Months Ended				Year Ended	Three Months Ended
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
Research and Development, net									
Segment expenses	\$ 79.9	\$ 84.4	\$ 94.9	\$ 26.5	\$ 26.9	\$ 25.1	\$ 22.5	\$ 101.0	\$ 23.9
Stock-based compensation expenses (6)	7.8	8.6	6.5	1.7	2.2	1.9	2.9	8.8	1.5
Shared support service allocation (7)	10.6	12.2	15.2	4.0	3.9	4.4	4.9	17.3	4.7
GAAP research and development, net as a % of GAAP revenue	\$ 98.2 13.9%	\$ 105.2 14.2%	\$ 116.6 14.6%	\$ 32.2 15.5%	\$ 33.0 15.6%	\$ 31.5 14.4%	\$ 30.4 14.5%	\$ 127.1 15.0%	\$ 30.1 16.2%
Stock-based compensation expenses (6)	(7.8)	(8.6)	(6.5)	(1.7)	(2.2)	(1.9)	(2.9)	(8.8)	(1.5)
Acquisition expenses, net (8)	(0.1)	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.5)	(0.2)
Restructuring expenses (8)	(1.2)	(0.6)	(0.3)	(0.3)	(0.1)	(0.2)	(0.3)	(0.9)	(0.6)
Estimated fully allocated non-GAAP research and development, net as a % of non-GAAP revenue	\$ 89.1 12.4%	\$ 96.0 12.7%	\$ 109.7 13.5%	\$ 30.1 13.9%	\$ 30.6 14.0%	\$ 29.3 13.1%	\$ 27.0 12.6%	\$ 116.9 13.4%	\$ 27.8 14.7%
Selling, General and Administrative expenses									
Segment expenses	\$ 148.0	\$ 155.0	\$ 159.2	\$ 46.2	\$ 48.1	\$ 44.2	\$ 41.0	\$ 179.4	\$ 40.1
Stock-based compensation expenses (6)	30.3	31.3	33.3	8.5	9.9	9.0	12.4	39.8	7.1
Shared support service allocation (7)	93.8	90.6	88.6	25.3	26.5	24.7	25.8	102.3	25.0
GAAP selling, general and administrative expenses as a % of GAAP revenue	\$ 272.1 38.5%	\$ 277.0 37.4%	\$ 281.0 35.3%	\$ 80.1 38.7%	\$ 84.4 39.9%	\$ 77.8 35.7%	\$ 79.2 37.7%	\$ 321.6 38.0%	\$ 72.3 38.9%
Stock-based compensation expenses (6)	(30.3)	(31.3)	(33.3)	(8.5)	(9.9)	(9.0)	(12.4)	(39.8)	(7.1)
Acquisition expenses, net (8)	(8.5)	(1.0)	(6.1)	(2.4)	(1.5)	(1.3)	(1.3)	(6.5)	2.5
Restructuring expenses (8)	(7.8)	(6.8)	(1.9)	(0.3)	(0.3)	(0.7)	(0.4)	(1.8)	(1.9)
Separation expenses (8)	(0.4)	(0.8)	(0.2)	(0.0)	(0.1)	(1.0)	(2.3)	(3.4)	(5.1)
Impairment charges (8)	-	(2.2)	-	-	-	-	-	-	-
Other adjustments (8)	(0.3)	(0.5)	0.6	(1.3)	(3.6)	(0.2)	(1.4)	(6.6)	(0.1)
Estimated fully allocated non-GAAP selling, general and administrative expenses as a % of non-GAAP revenue	\$ 224.9 31.4%	\$ 234.3 31.0%	\$ 240.1 29.6%	\$ 67.5 31.2%	\$ 69.0 31.6%	\$ 65.6 29.3%	\$ 61.3 28.5%	\$ 263.4 30.2%	\$ 60.6 32.0%



CES Gross Profit

(\$ in millions)	Year Ended			Three Months Ended				Year Ended	Three Months Ended
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
Total GAAP revenue	\$ 705.9	\$ 740.1	\$ 796.3	\$ 207.1	\$ 211.4	\$ 217.9	\$ 210.1	\$ 846.5	\$ 185.9
Segment product costs	32.7	34.7	35.0	8.5	8.9	8.4	9.7	35.5	7.1
Segment service expenses	192.1	199.2	209.3	57.8	57.8	56.5	54.4	226.6	55.7
Amortization of acquired technology	21.2	22.2	18.0	5.4	5.2	5.6	5.4	21.6	4.4
Stock-based compensation expenses (3)	7.1	6.8	4.4	1.1	1.6	1.4	2.3	6.3	0.7
Shared support expenses allocation (4)	10.2	7.6	8.5	2.1	3.0	2.6	2.4	10.1	1.7
Total GAAP cost of revenue	\$ 263.2	\$ 270.6	\$ 275.2	\$ 74.9	\$ 76.5	\$ 74.5	\$ 74.2	\$ 300.0	\$ 69.6
GAAP gross profit	\$ 442.7	\$ 469.5	\$ 521.1	\$ 132.2	\$ 135.0	\$ 143.4	\$ 135.9	\$ 546.5	\$ 116.3
GAAP gross margin	62.7%	63.4%	65.4%	63.8%	63.8%	65.8%	64.7%	64.6%	62.6%
Revenue adjustments	10.3	14.9	15.0	8.8	7.0	6.2	4.7	26.7	3.3
Amortization of acquired technology	21.2	22.2	18.0	5.4	5.2	5.6	5.4	21.6	4.4
Stock-based compensation expenses (3)	7.1	6.9	4.4	1.1	1.6	1.4	2.3	6.3	0.7
Acquisition expenses, net (5)	-	0.1	0.3	-	-	0.0	0.0	0.1	0.1
Restructuring expenses (5)	1.5	1.5	1.0	0.3	0.7	0.4	0.2	1.6	1.1
Estimated fully allocated non-GAAP gross profit	\$ 482.7	\$ 515.1	\$ 559.8	\$ 147.8	\$ 149.5	\$ 157.1	\$ 148.5	\$ 602.8	\$ 125.8
Estimated fully allocated non-GAAP gross margin	67.4%	68.2%	69.0%	68.4%	68.4%	70.1%	69.2%	69.0%	66.5%

CES Operating and EBITDA Margins

(\$ in millions)	Year Ended			Three Months Ended				Year Ended		Three Months Ended	
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020		
GAAP operating income	\$ 29.8	\$ 54.0	\$ 93.1	\$ 12.4	\$ 10.0	\$ 26.5	\$ 18.2	\$ 67.0	\$ 6.1		
GAAP operating margin	4.2%	7.3%	11.7%	6.0%	4.7%	12.1%	8.6%	7.9%	3.3%		
Revenue adjustments	10.3	14.9	15.0	8.8	7.0	6.2	4.7	26.7	3.3		
Amortization of acquired technology	21.2	22.2	18.0	5.4	5.2	5.6	5.4	21.6	4.4		
Amortization of other acquired intangible assets	42.5	33.3	30.3	7.6	7.5	7.7	8.1	30.9	7.8		
Stock-based compensation expenses	45.2	46.8	44.2	11.3	13.7	12.3	17.6	54.9	9.4		
Acquisitions expenses, net	8.6	1.1	6.5	2.5	1.6	1.4	1.5	7.1	(2.2)		
Restructuring expenses	10.5	8.9	3.2	0.9	1.0	1.4	0.9	4.3	3.6		
Separation expenses	0.4	0.8	0.2	0.0	0.1	1.0	2.3	3.4	5.1		
Impairment charges	-	2.2	-	-	-	-	-	-	-		
Other adjustments	0.3	0.5	(0.6)	1.3	3.6	0.2	1.4	6.6	0.1		
Estimated fully allocated non-GAAP operating income	\$ 168.7	\$ 184.7	\$ 209.9	\$ 50.2	\$ 49.8	\$ 62.2	\$ 60.2	\$ 222.5	\$ 37.5		
Depreciation and amortization (9)	19.3	20.0	19.4	5.1	5.1	5.7	5.8	21.7	6.9		
Estimated adjusted EBITDA	\$ 188.0	\$ 204.7	\$ 229.3	\$ 55.3	\$ 54.9	\$ 67.9	\$ 66.0	\$ 244.2	\$ 44.4		
Estimated fully allocated non-GAAP operating margin	23.6%	24.5%	25.9%	23.3%	22.8%	27.8%	28.0%	25.5%	19.8%		
Estimated fully allocated adjusted EBITDA	26.2%	27.1%	28.3%	25.6%	25.2%	30.3%	30.7%	28.0%	23.5%		

CES Footnotes

Footnotes - Customer Engagement

Note: Amounts may not foot throughout the workbook due to rounding.

- 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 unbundled SaaS revenue which had previously been presented within perpetual and professional services revenue.
- 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 cloud revenue which had previously been presented within perpetual and professional services revenue.
- Represents the stock-based compensation expenses applicable to cost of revenue, allocated proportionally based upon our prior full year ended, 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.
- Represents the portion of our shared support expenses (as disclosed in segment footnote in Form 10-Qs and 10-Ks) applicable to cost of revenue, allocated proportionally based upon our prior full year ended 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.
- Represents the portion of our acquisition expenses, net and restructuring expenses applicable to cost of revenue, allocated proportionally based upon prior full year ended, 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.
- Represents the stock-based compensation expenses applicable to research and development, net and selling, general and administrative, allocated proportionally based upon our non-GAAP segment revenue for prior full year ended, which we believe provides a reasonable approximation for purposes of understanding the relative non-GAAP operating margins of our two businesses.
- Represents our shared support expenses (as disclosed in segment footnote in Form 10-Qs and 10-Ks), including general and administrative shared services acquisition expenses, net and restructuring expenses, separation expenses and other adjustments, allocated proportionally based upon our non-GAAP segment revenue for the prior full year ended, which we believe provides a reasonable approximation for purposes of understanding the relative non-GAAP operating margins of our two businesses.
- Represents the portion of our acquisition expenses, net, restructuring expenses, separation expenses, impairment charges and other adjustments, allocated proportionally based upon our prior full year ended, 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.
- 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 prior full year ended, which we believe provides a reasonable approximation for purposes of understanding the relative adjusted EBITDA of our two businesses.
- Revenue for the current period 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 same prior period rather than actual current-period foreign currency exchange rates.
- New Perpetual License Equivalent Bookings contains a catch-up in Q4 FYE20 to include New Bundled SaaS Conversion ACV less Support Conversion ACV Bookings.

CES Supplemental Info Non-GAAP Measures

Supplemental Information About Non-GAAP Financial Measures and Operating Metrics - Customer Engagement

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 software revenue (includes cloud and support), non-GAAP perpetual revenue, non-GAAP support revenue, non-GAAP professional services revenue, non-GAAP recurring revenue, non-GAAP nonrecurring revenue, non-GAAP cloud revenue, non-GAAP SaaS revenue, non-GAAP bundled SaaS revenue, non-GAAP unbundled SaaS revenue, non-GAAP optional managed services revenue, estimated fully allocated cost of revenue, estimated GAAP and non-GAAP fully allocated gross profit and gross margins, estimated GAAP and non-GAAP fully allocated research and development, net, estimated GAAP and non-GAAP fully allocated selling, general and administrative expenses, estimated GAAP and non-GAAP fully allocated operating income and operating margins, 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., estimated fully allocated adjusted EBITDA and adjusted EBITDA margins, net debt, non-GAAP segment expenses, non-GAAP shared support expenses and constant currency measures. The tables above include a reconciliation of each non-GAAP financial measure for completed periods presented in this press release to the most directly comparable GAAP financial measure.

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

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

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

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

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

- **Revenue adjustments.** 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.

CES Supplemental Info Non-GAAP 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.

• **Separation expenses.** On December 4, 2019, we announced our intention to separate into two independent publicly traded companies: one which will consist of our Customer Engagement Solutions business, and one which will consist of our Cyber Intelligence Solutions business. We are incurring significant expenses to prepare for this separation, including third-party advisory, accounting, legal, consulting, and other similar services related to the separation as well as costs associated with the operational separation of the two businesses, including those related to human resources, brand management, real estate, and information technology to the extent not capitalized. Separation expenses also include incremental cash income taxes related to the reorganization of legal entities and operations in order to effect the separation. These costs are incremental to our normal operating expenses and are being incurred solely as a result of the separation transaction. Accordingly, we are excluding these separation expenses from our non-GAAP financial measures in order to evaluate our performance on a comparable basis.

• **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 \$7.8 million of fees and expenses related to a shareholder proxy contest that was settled during three months ended July 31, 2019, 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 rates for the year ending January 31, 2021 is currently approximately 7%, and was 8% for the year ended January 31, 2020, 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.

CES Supplemental Info Non-GAAP Measures

Customer Engagement Revenue Metrics

Software (includes cloud and support) includes software licenses, appliances, SaaS and optional managed services. Recurring Software Revenue includes SaaS, optional managed services and support revenue.

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.

New SaaS Annual Contract Value (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 incremental value of usage contracts over a rolling four quarters.

New Perpetual License Equivalent Bookings are used to normalize between perpetual and SaaS bookings and measure overall software growth. We calculate new perpetual license equivalent bookings by multiplying New SaaS ACV bookings (excluding bookings from maintenance conversions, except for the uplift) by a conversion factor of 2.0 and adding that amount to perpetual license bookings. The conversion factor of 2.0 is an estimate that is derived from an analysis of our historical bookings and may change over time. Management uses perpetual license equivalent bookings to understand our performance, including our software growth and SaaS/perpetual license mix. This metric should not be viewed in isolation from other operating metrics that we make available to investors. The New Perpetual License Equivalent Bookings calculation was adjusted in Q4 for the full year to exclude bookings from maintenance conversion, except for uplift.

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.



CIS Summary Metrics

(\$ in millions)	Year Ended 1/31/2017		Year Ended 1/31/2018		Year Ended 1/31/2019		Three Months Ended								Year Ended 1/31/2020		Three Months Ended 4/30/2020	
	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	4/30/2019		7/31/2019		10/31/2019		1/31/2020		GAAP	Non-GAAP	GAAP	Non-GAAP
							GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP				
Revenue Metrics	Recurring Revenue \$122.1 \$122.2 \$130.6 \$130.8 \$165.2 \$165.6 \$46.8 \$46.9 \$46.2 \$46.2 \$47.5 \$47.5 \$52.1 \$52.6 \$192.6 \$193.2 \$56.0 \$57.1 Nonrecurring Revenue \$234.1 \$234.3 \$264.5 \$264.7 \$268.2 \$268.2 \$61.4 \$61.4 \$66.7 \$66.7 \$59.4 \$59.4 \$77.1 \$82.1 \$264.5 \$269.6 \$45.4 \$45.4 Total Revenue \$356.2 \$356.5 \$395.1 \$395.5 \$433.4 \$433.8 \$108.2 \$108.3 \$112.9 \$112.9 \$106.9 \$106.9 \$129.1 \$134.7 \$457.1 \$462.8 \$101.4 \$102.5																	
Growth Metrics	Reported Revenue Growth YoY -18.2% -18.3% 10.9% 10.9% 9.7% 9.7% 5.3% 5.3% 7.0% 7.0% 0.4% 0.4% 8.8% 13.3% 5.5% 6.7% -6.2% -5.3% Constant Currency Revenue Growth YoY -18.0% -18.2% 9.8% 9.9% 9.8% 9.8% 7.1% 7.0% 8.0% 8.0% 1.4% 1.4% 9.5% 13.6% 6.4% 7.7% -4.8% -4.0% Estimated Fully Allocated Gross Profit Growth YoY 11.2% 10.2% 18.5% 13.3% 22.2% 18.2% 18.3% 16.5% 7.5% 6.2% 7.0% 12.2% 13.1% 13.1% -0.2% 0.2%																	
Operating Expense Metrics	Estimated Fully Allocated Research and Development, net \$72.8 \$68.3 \$85.4 \$80.5 \$92.5 \$88.8 \$25.0 \$23.9 \$25.7 \$24.4 \$26.2 \$25.0 \$27.7 \$25.9 \$104.6 \$99.2 \$29.0 \$27.7 % of Revenue 20.5% 19.2% 21.6% 20.4% 21.3% 20.5% 23.1% 22.0% 22.8% 21.6% 24.5% 23.4% 21.5% 19.2% 22.9% 21.4% 28.6% 27.0% Estimated Fully Allocated Selling, General and Administrative \$134.8 \$111.3 \$138.0 \$115.7 \$145.1 \$123.3 \$41.6 \$34.9 \$41.8 \$33.6 \$38.5 \$31.9 \$45.4 \$35.8 \$167.3 \$136.3 \$39.4 \$33.2 % of Revenue 37.9% 31.2% 34.9% 29.2% 33.5% 28.4% 38.5% 32.2% 37.1% 29.8% 36.0% 29.9% 35.1% 26.6% 36.6% 29.4% 38.8% 32.4%																	
Profitability Metrics	Estimated Fully Allocated Gross Profit \$196.8 \$215.6 \$218.9 \$237.6 \$259.4 \$269.1 \$68.9 \$70.8 \$72.9 \$74.1 \$68.2 \$69.2 \$83.5 \$90.2 \$293.4 \$304.3 \$68.7 \$70.9 Estimated Fully Allocated Gross Margin % 55.2% 60.5% 55.4% 60.1% 59.9% 62.0% 63.7% 65.4% 64.6% 65.6% 63.7% 64.7% 64.6% 67.0% 64.2% 65.7% 67.7% 69.2% Estimated Fully Allocated Operating Income (\$12.4) \$35.9 (\$5.4) \$41.3 \$21.1 \$57.0 \$2.1 \$12.1 \$5.3 \$16.1 \$3.4 \$12.2 \$10.1 \$28.5 \$20.9 \$68.8 \$0.1 \$10.0 Estimated Fully Allocated Operating Margin % -3.5% 10.1% -1.4% 10.5% 4.9% 13.1% 2.0% 11.1% 4.7% 14.3% 3.1% 11.4% 7.8% 21.1% 4.6% 14.9% 0.1% 9.7% Estimated Fully Allocated EBITDA \$45.5 \$51.8 \$51.8 \$67.4 \$18.9 \$67.4 \$14.8 \$14.8 \$18.9 \$18.9 \$15.2 \$15.2 \$31.6 \$31.6 \$80.4 \$80.4 \$13.6 \$13.6 Estimated Fully Allocated EBITDA Margin 12.8% 14.5% 13.1% 17.1% 4.3% 15.5% 13.6% 13.6% 16.7% 16.7% 14.2% 14.2% 23.4% 23.4% 17.4% 17.4% 13.3% 13.3%																	



CIS Revenue Metrics

(\$ in millions)	Year Ended			Three Months Ended				Year Ended	Three Months Ended
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
Recurring revenue - GAAP	\$ 122.1	\$ 130.6	\$ 165.2	\$ 46.8	\$ 46.2	\$ 47.5	\$ 52.1	\$ 192.6	\$ 56.0
Nonrecurring revenue - GAAP	234.1	264.5	268.2	61.4	66.7	59.4	77.1	264.5	45.4
Total revenue - GAAP	356.2	395.1	433.4	108.2	112.9	106.9	129.1	457.1	101.4
Estimated recurring revenue adjustments	0.1	0.2	0.4	0.1	-	-	0.5	0.6	1.1
Estimated nonrecurring revenue adjustments	0.2	0.2	-	-	-	-	5.1	5.1	-
Total estimated revenue adjustments	0.3	0.4	0.4	0.1	-	-	5.6	5.7	1.1
Recurring revenue - non-GAAP	122.2	130.8	165.6	46.9	46.2	47.5	52.6	193.2	57.1
Nonrecurring revenue - non-GAAP	234.3	264.7	268.2	61.4	66.7	59.4	82.1	269.6	45.4
Total revenue - non-GAAP	\$ 356.5	\$ 395.5	\$ 433.8	\$ 108.3	\$ 112.9	\$ 106.9	\$ 134.7	\$ 462.8	\$ 102.5

CIS Constant Currency

(\$ in millions)	Year Ended	Year Ended	Year Ended	Three Months Ended				Year Ended	Three Months Ended
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
GAAP									
Revenue for the three months ended prior period	\$ 435.4	\$ 356.2	\$ 395.1	\$ 102.7	\$ 105.5	\$ 106.5	\$ 118.7	\$ 433.4	\$ 108.2
Revenue for the three months ended current period	\$ 356.2	\$ 395.1	\$ 433.4	\$ 108.2	\$ 112.9	\$ 106.9	\$ 129.1	\$ 457.1	\$ 101.4
Revenue for the three months ended current period at constant currency (8)	\$ 357.0	\$ 391.0	\$ 434.0	\$ 110.0	\$ 114.0	\$ 108.0	\$ 130.0	\$ 461.0	\$ 103.0
Reported period-over-period revenue growth	-18.2%	10.9%	9.7%	5.3%	7.0%	0.4%	8.8%	5.5%	-6.2%
% impact from change in foreign currency exchange rates	0.2%	-1.1%	0.1%	1.8%	1.0%	1.0%	0.7%	0.9%	1.4%
Constant currency period-over-period revenue growth	-18.0%	9.8%	9.8%	7.1%	8.0%	1.4%	9.5%	6.4%	-4.8%
Non-GAAP									
Revenue for the three months ended prior period	\$ 436.3	\$ 356.5	\$ 395.4	\$ 102.8	\$ 105.5	\$ 106.5	\$ 118.9	\$ 433.8	\$ 108.3
Revenue for the three months ended current period	\$ 356.5	\$ 395.4	\$ 433.8	\$ 108.3	\$ 112.9	\$ 106.9	\$ 134.7	\$ 462.8	\$ 102.5
Revenue for the three months ended current period at constant currency (8)	\$ 357.0	\$ 392.0	\$ 434.0	\$ 110.0	\$ 114.0	\$ 108.0	\$ 135.0	\$ 467.0	\$ 104.0
Reported period-over-period revenue growth	-18.3%	10.9%	9.7%	5.3%	7.0%	0.4%	13.3%	6.7%	-5.3%
% impact from change in foreign currency exchange rates	0.1%	-1.0%	0.1%	1.7%	1.0%	1.0%	0.3%	1.0%	1.3%
Constant currency period-over-period revenue growth	-18.2%	9.9%	9.8%	7.0%	8.0%	1.4%	13.6%	7.7%	-4.0%

CIS Operating Expenses

(\$ in millions)	Year Ended	Year Ended	Year Ended	Three Months Ended				Year Ended	Three Months Ended
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
Research and Development, net									
Segment expenses	\$ 63.7	\$ 74.5	\$ 81.0	\$ 21.9	\$ 22.4	\$ 22.8	\$ 23.6	\$ 90.7	\$ 25.7
Stock-based compensation expenses (4)	3.9	4.5	3.4	0.9	1.2	1.0	1.6	4.7	0.8
Shared support service allocation (5)	5.3	6.4	8.1	2.2	2.1	2.4	2.6	9.2	2.5
GAAP research and development, net as a % of GAAP revenue	\$ 72.8 20.5%	\$ 85.4 21.6%	\$ 92.5 21.3%	\$ 25.0 23.1%	\$ 25.7 22.8%	\$ 26.2 24.5%	\$ 27.7 21.5%	\$ 104.6 22.9%	\$ 29.0 28.6%
Stock-based compensation expenses (4)	(3.9)	(4.5)	(3.4)	(0.9)	(1.2)	(1.0)	(1.6)	(4.7)	(0.8)
Acquisition expenses, net (6)	(0.1)	-	(0.1)	(0.1)	(0.1)	(0.0)	(0.1)	(0.3)	(0.1)
Restructuring expenses (6)	(0.6)	(0.4)	(0.2)	(0.1)	-	(0.1)	(0.1)	(0.5)	(0.3)
Estimated fully allocated non-GAAP research and development, net as a % of non-GAAP revenue	\$ 68.3 19.2%	\$ 80.5 20.4%	\$ 88.8 20.5%	\$ 23.9 22.0%	\$ 24.4 21.6%	\$ 25.0 23.4%	\$ 25.9 19.2%	\$ 99.2 21.4%	\$ 27.7 27.0%
Selling, General and Administrative expenses									
Segment expenses	\$ 73.1	\$ 74.1	\$ 80.1	\$ 23.6	\$ 22.4	\$ 20.5	\$ 25.0	\$ 91.5	\$ 22.4
Stock-based compensation expenses (4)	15.1	16.4	17.8	4.6	5.3	4.8	6.6	21.3	3.8
Shared support service allocation (5)	46.6	47.5	47.3	13.5	14.1	13.2	13.8	54.6	13.2
GAAP selling, general and administrative expenses as a % of GAAP revenue	\$ 134.8 37.9%	\$ 138.0 34.9%	\$ 145.1 33.5%	\$ 41.6 38.5%	\$ 41.8 37.1%	\$ 38.5 36.0%	\$ 45.4 35.1%	\$ 167.3 36.6%	\$ 39.4 38.8%
Stock-based compensation expenses (4)	(15.1)	(16.4)	(17.8)	(4.6)	(5.3)	(4.8)	(6.6)	(21.3)	(3.8)
Acquisition expenses, net (6)	(4.2)	(0.5)	(3.3)	(1.3)	(0.8)	(0.7)	(0.7)	(3.5)	1.3
Restructuring expenses (6)	(3.9)	(3.6)	(1.0)	(0.2)	(0.2)	(0.4)	(0.2)	(1.0)	(1.0)
Separation expenses (6)	(0.2)	(0.4)	(0.1)	(0.0)	(0.1)	(0.5)	(1.2)	(1.8)	(2.7)
Impairment charges (6)	-	(1.1)	-	-	-	-	-	-	-
Other adjustments (6)	(0.1)	(0.3)	0.3	(0.7)	(1.9)	(0.1)	(0.8)	(3.5)	(0.0)
Estimated fully allocated non-GAAP selling, general and administrative expenses as a % of non-GAAP revenue	\$ 111.3 31.2%	\$ 115.7 29.2%	\$ 123.3 28.4%	\$ 34.9 32.2%	\$ 33.6 29.8%	\$ 31.9 29.9%	\$ 35.8 26.6%	\$ 136.3 29.4%	\$ 33.2 32.4%



CIS Gross Profit

(\$ in millions)	Year Ended	Year Ended	Year Ended	Three Months Ended				Year Ended	Three Months Ended
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
Total GAAP revenue	\$ 356.2	\$ 395.1	\$ 433.4	\$ 108.2	\$ 112.9	\$ 106.9	\$ 129.1	\$ 457.1	\$ 101.4
Segment product costs	84.1	92.3	90.6	17.9	18.7	20.1	26.7	83.3	13.5
Segment service expenses	52.5	62.3	70.2	18.7	18.9	16.5	16.6	70.8	17.8
Amortization of acquired technology	16.2	16.0	7.4	1.3	0.4	0.4	0.4	2.4	0.3
Stock-based compensation expenses (1)	1.5	1.6	1.3	0.3	0.5	0.4	0.7	1.9	0.2
Shared support expenses allocation (2)	5.1	4.0	4.5	1.1	1.6	1.4	1.3	5.4	0.9
Total GAAP cost of revenue	\$ 159.4	\$ 176.2	\$ 174.0	\$ 39.3	\$ 40.0	\$ 38.8	\$ 45.7	\$ 163.7	\$ 32.7
GAAP gross profit	\$ 196.8	\$ 218.9	\$ 259.4	\$ 68.9	\$ 72.9	\$ 68.2	\$ 83.5	\$ 293.4	\$ 68.7
GAAP gross margin	55.2%	55.4%	59.9%	63.7%	64.6%	63.7%	64.6%	64.2%	67.7%
Revenue adjustments	0.3	0.4	0.4	0.1	-	-	5.6	5.7	1.1
Amortization of acquired technology	16.2	16.0	7.4	1.3	0.4	0.4	0.4	2.4	0.3
Stock-based compensation expenses (1)	1.5	1.6	1.3	0.3	0.4	0.4	0.7	1.9	0.2
Acquisition expenses, net (3)	-	-	0.1	-	-	0.0	0.0	0.0	0.1
Restructuring expenses (3)	0.8	0.7	0.5	0.2	0.4	0.2	0.1	0.9	0.6
Estimated fully allocated non-GAAP gross profit	\$ 215.6	\$ 237.6	\$ 269.1	\$ 70.8	\$ 74.1	\$ 69.2	\$ 90.2	\$ 304.3	\$ 70.9
Estimated fully allocated non-GAAP gross margin	60.5%	60.1%	62.0%	65.4%	65.6%	64.7%	67.0%	65.7%	69.2%



CIS Operating and EBITDA Margins

(\$ in millions)	Year Ended			Three Months Ended				Year Ended	Three Months Ended
	1/31/2017	1/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	1/31/2020	4/30/2020
GAAP operating income	\$ (12.4)	\$ (5.4)	\$ 21.1	\$ 2.1	\$ 5.3	\$ 3.4	\$ 10.1	\$ 20.9	\$ 0.1
GAAP operating margin	-3.5%	-1.4%	4.9%	2.0%	4.7%	3.1%	7.8%	4.6%	0.1%
Revenue adjustments	0.3	0.4	0.4	0.1	-	-	5.6	5.7	1.1
Amortization of acquired technology	16.2	16.0	7.4	1.3	0.4	0.4	0.4	2.4	0.3
Amortization of other acquired intangible assets	1.6	0.9	0.7	0.1	0.1	0.1	0.2	0.6	0.3
Stock-based compensation expenses	20.4	22.5	22.5	5.8	6.9	6.2	8.9	27.8	4.8
Acquisitions expenses, net	4.3	0.5	3.4	1.5	0.9	0.8	0.8	3.8	(1.1)
Restructuring expenses	5.2	4.5	1.7	0.5	0.7	0.7	0.5	2.3	1.9
Separation expenses	0.2	0.4	0.1	0.0	0.1	0.5	1.2	1.8	2.7
Impairment charges	-	1.1	-	-	-	-	-	-	-
Other adjustments	0.1	0.4	(0.3)	0.7	1.9	0.1	0.8	3.5	0.0
Estimated fully non-GAAP allocated operating income	\$ 35.9	\$ 41.3	\$ 57.0	\$ 12.1	\$ 16.1	\$ 12.2	\$ 28.5	\$ 68.8	\$ 10.0
Depreciation and amortization (7)	9.6	10.5	10.4	2.7	2.8	3.0	3.1	11.6	3.7
Estimated adjusted EBITDA	\$ 45.5	\$ 51.8	\$ 67.4	\$ 14.8	\$ 18.9	\$ 15.2	\$ 31.6	\$ 80.4	\$ 13.6
Estimated fully allocated non-GAAP operating margin	10.1%	10.5%	13.1%	11.1%	14.3%	11.4%	21.1%	14.9%	9.7%
Estimated fully allocated adjusted EBITDA	12.8%	13.1%	15.5%	13.6%	16.7%	14.2%	23.4%	17.4%	13.3%

CIS Footnotes

Footnotes - Cyber Intelligence

Note: Amounts may not foot throughout the workbook due to rounding.

- (1) Represents the stock-based compensation expenses applicable to cost of revenue, allocated proportionally based upon our prior full year ended, 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 segment footnote in Form 10-Qs and 10-Ks) applicable to cost of revenue, allocated proportionally based upon our prior full year ended 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 prior full year ended, 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.
- (4) Represents the stock-based compensation expenses applicable to research and development, net and selling, general and administrative, allocated proportionally based upon our non-GAAP segment revenue for prior full year ended, which we believe provides a reasonable approximation for purposes of understanding the relative non-GAAP operating margins of our two businesses.
- (5) Represents our shared support expenses (as disclosed in segment footnote in Form 10-Qs and 10-Ks), including general and administrative shared services acquisition expenses, net and restructuring expenses, separation expenses and other adjustments, allocated proportionally based upon our non-GAAP segment revenue for the prior full year ended, which we believe provides a reasonable approximation for purposes of understanding the relative non-GAAP operating margins of our two businesses.
- (6) Represents the portion of our acquisition expenses, net, restructuring expenses, separation expenses, impairment charges and other adjustments, allocated proportionally based upon our prior full year ended, 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.
- (7) 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 prior full year ended, which we believe provides a reasonable approximation for purposes of understanding the relative adjusted EBITDA of our two businesses.
- (8) Revenue for the current period 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 same prior period rather than actual current-period foreign currency exchange rates.



CIS Supplemental Info Non-GAAP Measures

Supplemental Information About Non-GAAP Financial Measures - Consolidated

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 software revenue (includes cloud and support), non-GAAP perpetual revenue, non-GAAP support revenue, non-GAAP professional services revenue, non-GAAP recurring revenue, non-GAAP nonrecurring revenue, non-GAAP cloud revenue, non-GAAP SaaS revenue, non-GAAP bundled SaaS revenue, non-GAAP unbundled SaaS revenue, non-GAAP optional managed services revenue, estimated fully allocated cost of revenue, estimated GAAP and non-GAAP fully allocated gross profit and gross margins, estimated GAAP and non-GAAP fully allocated research and development, net, estimated GAAP and non-GAAP fully allocated selling, general and administrative expenses, estimated GAAP and non-GAAP fully allocated operating income and operating margins, 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., estimated fully allocated adjusted EBITDA and adjusted EBITDA margins, net debt, non-GAAP segment expenses, non-GAAP shared support expenses and constant currency measures. The tables above include a reconciliation of each non-GAAP financial measure for completed periods presented in this press release to the most directly comparable GAAP financial measure.

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

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

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

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

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

•**Revenue adjustments.** 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.



CIS Supplemental Info Non-GAAP 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.

• **Separation expenses.** On December 4, 2019, we announced our intention to separate into two independent publicly traded companies: one which will consist of our Customer Engagement Solutions business, and one which will consist of our Cyber Intelligence Solutions business. We are incurring significant expenses to prepare for this separation, including third-party advisory, accounting, legal, consulting, and other similar services related to the separation as well as costs associated with the operational separation of the two businesses, including those related to human resources, brand management, real estate, and information technology to the extent not capitalized. Separation expenses also include incremental cash income taxes related to the reorganization of legal entities and operations in order to effect the separation. These costs are incremental to our normal operating expenses and are being incurred solely as a result of the separation transaction. Accordingly, we are excluding these separation expenses from our non-GAAP financial measures in order to evaluate our performance on a comparable basis.

• **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 \$7.8 million of fees and expenses related to a shareholder proxy contest that was settled during three months ended July 31, 2019, 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 rates for the year ending January 31, 2021 is currently approximately 7%, and was 8% for the year ended January 31, 2020, 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.

CIS Supplemental Info Non-GAAP Measures

Cyber Intelligence Recurring and Nonrecurring Revenue Metrics

Recurring revenue, on both a GAAP and non-GAAP basis, primarily consists of initial and renewal support, subscription software licenses, and SaaS in certain limited transactions.

Nonrecurring revenue, on both a GAAP and non-GAAP basis, primarily consists of our perpetual licenses, long-term projects including software customizations that are recognized over time using a percentage of completion (“POC”) method, consulting, implementation and installation services, training, and hardware.

We believe that recurring and nonrecurring 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.

