

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): June 9, 2021

Verint Systems Inc

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34807
(Commission File Number)

11-3200514
(I.R.S. Employer
Identification No.)

**175 Broadhollow Road
Melville, New York 11747**

(Address of principal executive offices, and zip code) **(631) 962-9600**

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|--|--------------------------|---|
| Common Stock, \$.001 par value per share | VRNT | The NASDAQ Stock Market, LLC (NASDAQ Global Select Market) |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On June 9, 2021, Verint Systems Inc. ("Verint" or the "Company") issued a press release providing selected financial information for the three months ended April 30, 2021, and its outlook. A copy of the press release is attached as Exhibit 99.1 hereto and is incorporated by reference into this Item 2.02 in its entirety.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|--|
| 99.1 | Press Release of Verint Systems Inc., dated June 9, 2021 |
| 104 | Cover Page Interactive Data File (embedded within XBRL document) |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VERINT SYSTEMS INC.

Date: June 9, 2021

By: /s/ Douglas E. Robinson

Name: Douglas E. Robinson

Title: Chief Financial Officer

EXHIBIT INDEX

| Exhibit Number | Description |
|---------------------------|--|
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Press Release

Investor Relations Contact

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 Verint Systems Inc.
 (631) 962-9672
 matthew.frankel@verint.com

Verint Announces Strong Cloud Growth in the First Quarter

Open Cloud Platform Drives Large Cloud Wins

MELVILLE, N.Y., June 9, 2021 - Verint® (Nasdaq: VRNT), The Customer Engagement Company™, today announced results for the three months ended April 30, 2021 (FYE 2022). Revenue for the three months ended April 30, 2021 was \$201 million on a GAAP basis representing 8% year-over-year growth and \$202 million on a non-GAAP basis representing 7% year-over-year growth. For the three months ended April 30, 2021, net loss per common share was (\$0.04) on a GAAP basis, and diluted EPS was \$0.44 on a non-GAAP basis.

“We are pleased with our results coming in ahead of our expectations and our strong performance across all key cloud metrics. We believe our open cloud platform is a true differentiator helping brands connect work, data and experiences across the enterprise to support their digital transformation strategies,” said Dan Bodner, Verint CEO.

Bodner added: “Recent large multi-year cloud wins driven by our cloud platform include orders (total contract value) for \$17 million (healthcare), \$10 million (financial services), \$4 million (business services), \$4 million (logistics) and \$3 million (insurance). In May, we held our annual Customer Engage Conference with 5,000 registrations, up nearly 40% year-over-year. During the event we showcased innovation across our open cloud platform including our new solutions for Real-time Work, providing in-the-moment AI based assistance to the workforce.”

First Quarter Key Cloud Metrics

- **Strong Cloud Growth:** Cloud revenue up more than 35% year-over-year
- **Strong Software Bookings Growth:** Perpetual license equivalent bookings (PLE) up 28% year-over-year with more than half derived from SaaS
- **Improving Visibility from Multi-year Cloud Deals:** Remaining performance obligations (RPO) increased 30% year-over-year to \$619 million

FYE 2022 Outlook

Our non-GAAP outlook for the year ending January 31, 2022 is as follows:

- Cloud Revenue Growth: 30% to 35%
- New PLE Bookings Growth: 10+%
- Revenue: \$860 million with a range of +/- 2%
- Diluted EPS: \$2.23 at the midpoint of our revenue guidance

Our non-GAAP outlook for the three months ending July 31, 2021 and year ending January 31, 2022 excludes the following GAAP measures which we are able to quantify with reasonable certainty:

- Amortization of intangible assets of approximately \$12 million and \$45 million, for the three months ending July 31, 2021 and year ending January 31, 2022, respectively.

- Losses on early retirement of debt of \$0 million and \$2 million, for the three months ending July 31, 2021 and year ending January 31, 2022, respectively.
- Favorable change in fair value of future tranche right of \$0 million and \$16 million, for the three months ending July 31, 2021 and year ending January 31, 2022, respectively.
- Unrealized losses on derivatives, net of \$0 million and \$14 million, for the three months ending July 31, 2021 and year ending January 31, 2022, respectively.

Our non-GAAP outlook for the three months ending July 31, 2021 and year ending January 31, 2022 excludes the following GAAP measures for which we are able to provide a range of probable significance:

- Revenue adjustments are expected to be between approximately \$1 million and \$2 million, and \$3 million and \$4 million, for the three months ending July 31, 2021 and year ending January 31, 2022, respectively.
- Stock-based compensation is expected to be between approximately \$17 million and \$20 million, and \$65 million and \$72 million, for the three months ending July 31, 2021 and year ending January 31, 2022, respectively, assuming market prices for our common stock approximately consistent with current levels.
- Further costs associated with Verint's February 1, 2021 separation into two independent public companies are expected to be between approximately \$3 million and \$5 million, and \$12 million and \$15 million, for the three months ending July 31, 2021 and year ending January 31, 2022, respectively.

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

We are unable, without unreasonable efforts, to provide a reconciliation for other GAAP measures which are excluded from our non-GAAP outlook, including the impact of future business acquisitions or acquisition expenses, future restructuring expenses, and non-GAAP income tax adjustments due to the level of unpredictability and uncertainty associated with these items. For these same reasons, we are unable to assess the probable significance of these excluded items. While historical results may not be indicative of future results, actual amounts for the three months ended April 30, 2021 and 2020 for the GAAP measures excluded from our non-GAAP outlook appear in Tables 2, 3 and 4 of this press release.

Conference Call Information

We will conduct a conference call today at 4:30 p.m. ET to discuss our results for the three months ended April 30, 2021, outlook, and long-term targets. An online, real-time webcast of the conference call and webcast slides will be available on our website at www.verint.com. The webcast slides will be available on our website until at least July 31, 2021. The conference call can also be accessed live via telephone at 1-844-309-0615 (United States and Canada) and 1-661-378-9462 (international) and the passcode is 8399029. Please dial in 5-10 minutes prior to the scheduled start time.

About Non-GAAP Financial Measures

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

About Verint Systems Inc.

Verint® (Nasdaq: VRNT) helps the world's most iconic brands – including over 85 of the Fortune 100 companies – build enduring customer relationships by connecting work, data, and experiences across the enterprise. The Verint Customer Engagement portfolio draws on the latest advancements in AI and analytics, an open cloud architecture, and The Science of Customer Engagement™ to help customers close the Engagement Capacity Gap™.

Verint. The Customer Engagement Company™. Learn more at Verint.com.

Cautions About Forward-Looking Statements

This press release contains forward-looking statements, including statements regarding expectations, predictions, views, opportunities, plans, strategies, beliefs, and statements of similar effect relating to Verint Systems Inc. These forward-looking statements are not guarantees of future performance and they are based on management's expectations that involve a number of known and unknown risks, uncertainties, assumptions, and other important factors, any of which could cause our actual results or conditions to differ materially from those expressed in or implied by the forward-looking statements. Some of the factors that could cause our actual results or conditions to differ materially from current expectations include, among others: uncertainties regarding the impact of changes in macroeconomic and/or global conditions, including as a result of slowdowns, recessions, economic instability, political unrest, armed conflicts, natural disasters, or outbreaks of disease, such as the COVID-19 pandemic, as well as the resulting impact on information technology spending by enterprises and government customers, on our business; risks that our customers delay, cancel, or refrain from placing orders, refrain from renewing subscriptions or service contracts, or are unable to honor contractual commitments or payment obligations due to liquidity issues or other challenges in their budgets and business, due to the COVID-19 pandemic or otherwise; risks that restrictions resulting from the COVID-19 pandemic or actions taken in response to the pandemic adversely impact our operations or our ability to fulfill orders, complete implementations, or recognize revenue; risks associated with our ability to keep pace with technological advances and challenges and evolving industry standards; to adapt to changing market potential from area to area within our markets; and to successfully develop, launch, and drive demand for new, innovative, high-quality products that meet or exceed customer challenges and needs, while simultaneously preserving our legacy businesses and migrating away from areas of commoditization; risks due to aggressive competition in all of our markets, including with respect to maintaining revenue, margins, and sufficient levels of investment in our business and operations, and competitors with greater resources than we have; risks relating to our ability to properly manage investments in our business and operations, execute on growth or strategic initiatives, and enhance our existing operations and infrastructure, including the proper prioritization and allocation of limited financial and other resources; risks associated with our ability to identify suitable targets for acquisition or investment or successfully compete for, consummate, and implement mergers and acquisitions, including risks associated with valuations, reputational considerations, capital constraints, costs and expenses, maintaining profitability levels, expansion into new areas, management distraction, post-acquisition integration activities, and potential asset impairments; challenges associated with selling sophisticated solutions, including with respect to longer sales cycles, more complex sales processes, and assisting customers in understanding and realizing the benefits of our solutions, as well as with developing, offering, implementing, and maintaining a broad solution portfolio; challenges associated with our cloud transition, including increased importance of subscription renewal rates, and risk of increased variability in our period to period results based on the mix, terms, and timing of our transactions; risks that we may be unable to maintain, expand, and enable our relationships with partners as part of our growth strategy; risks associated with our reliance on third-party suppliers, partners, or original equipment manufacturers ("OEMs") for certain components, products, or services, including companies that may compete with us or work with our competitors, as well as cloud hosting providers; risks associated with our ability to retain, recruit, and train qualified personnel in regions in which we operate, including in new markets and growth areas we may enter; risks associated with our significant international operations, exposure to regions subject to political or economic instability, fluctuations in foreign exchange rates, and challenges associated with a significant portion of our cash being held overseas; risks associated with a significant part of our business coming from government contracts and associated procurement processes; risks associated with complex and changing domestic and foreign regulatory environments, relating to our own operations, the products and services we offer, and/or the use of our solutions by our customers, including, among others, with respect to data privacy and protection, government contracts, anti-corruption, trade compliance, tax, and labor matters; risks associated with the mishandling or perceived mishandling of sensitive or confidential information and data, including personally identifiable information or other information that may belong to our customers or other third parties, including in connection with our SaaS or other hosted or managed service offerings or when we are asked to perform service or support; risks that our solutions or services, or those of third-party suppliers, partners, or OEMs which we use in or with our offerings or otherwise rely on, including third-party hosting platforms, may contain defects, develop operational problems, or be vulnerable to cyber-attacks; risk of security vulnerabilities or lapses, including cyber-attacks, information technology system breaches, failures, or disruptions; risks that our intellectual property rights may not be adequate to protect our business or assets or that others may make claims on our intellectual property, claim infringement on their intellectual property rights, or claim a violation of their license rights, including relative to free or open source components we may use; risks associated with leverage resulting from our current debt position or our ability to incur additional debt, including with respect to liquidity considerations, covenant limitations and compliance, fluctuations in interest rates, dilution considerations (with respect to our convertible notes), and our ability to maintain our credit ratings; risks that we may experience liquidity or working capital issues and related risks that financing sources may be unavailable to us on reasonable terms or at all; risks arising as a result of contingent or other obligations or liabilities assumed in our acquisition of our former parent company, Comverse Technology, Inc. ("CTI"), or associated with formerly being consolidated with, and part of a consolidated tax group with, CTI, or as a result of the successor to CTI's business operations, Mavenir, Inc., being unwilling or unable to provide us with certain indemnities to which we are entitled; risks associated with changing accounting principles or standards, tax laws and regulations, tax rates, and the continuing availability of expected tax benefits; risks relating to the

adequacy of our existing infrastructure, systems, processes, policies, procedures, internal controls, and personnel, and our ability to successfully implement and maintain enhancements to the foregoing, for our current and future operations and reporting needs, including related risks of financial statement omissions, misstatements, restatements, or filing delays; risks associated with market volatility in the prices of our common stock and convertible notes based on our performance, third-party publications or speculation, or other factors and risks associated with actions of activist stockholders; risks associated with Apax Partners' significant ownership position and potential that its interests will not be aligned with those of our common stockholders; and risks associated with the spin-off of our Cyber Intelligence Solutions business, including the possibility that the spin-off does not achieve the benefits anticipated, does not qualify as a tax-free transaction, or exposes us to unexpected claims or liabilities. We assume no obligation to revise or update any forward-looking statement, except as otherwise required by law. For a detailed discussion of these risk factors, see our Annual Report on Form 10-K for the fiscal year ended January 31, 2021, our Quarterly Report on Form 10-Q for the quarter ended April 30, 2021, when filed, and other filings we make with the SEC.

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

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

| (in thousands, except per share data) | Three Months Ended April 30, | |
|---|---------------------------------|-------------------|
| | 2021 | 2020 |
| Revenue: | | |
| Recurring | \$ 144,453 | \$ 129,070 |
| Nonrecurring | 56,451 | 56,795 |
| Total revenue | 200,904 | 185,865 |
| Cost of revenue: | | |
| Recurring | 38,076 | 34,928 |
| Nonrecurring | 29,880 | 31,619 |
| Amortization of acquired technology | 4,384 | 4,356 |
| Total cost of revenue | 72,340 | 70,903 |
| Gross profit | 128,564 | 114,962 |
| Operating expenses: | | |
| Research and development, net | 29,148 | 32,412 |
| Selling, general and administrative | 87,646 | 76,827 |
| Amortization of other acquired intangible assets | 7,328 | 7,764 |
| Total operating expenses | 124,122 | 117,003 |
| Operating income (loss) | 4,442 | (2,041) |
| Other income (expense), net: | | |
| Interest income | 23 | 481 |
| Interest expense | (5,019) | (10,689) |
| Losses on early retirements of debt | (2,474) | — |
| Other income (expense), net | 4,050 | (1,822) |
| Total other expense, net | (3,420) | (12,030) |
| Income (loss) from continuing operations before provision for income taxes | 1,022 | (14,071) |
| (Benefit from) provision for income taxes | (72) | 347 |
| Net income (loss) from continuing operations | 1,094 | (14,418) |
| Net income from discontinued operations | — | 10,443 |
| Net income (loss) | 1,094 | (3,975) |
| Net income attributable to noncontrolling interests from continuing operations | 295 | 240 |
| Net income attributable to noncontrolling interests from discontinued operations | — | 1,799 |
| Net income (loss) attributable to Verint Systems Inc. | 799 | (6,014) |
| Dividends on preferred stock | (3,322) | — |
| Net loss attributable to Verint Systems Inc. common shares | \$ (2,523) | \$ (6,014) |
| Net (loss) income attributable to Verint Systems Inc. common shares | | |
| Net loss from continuing operations attributable to Verint Systems Inc. common shares | \$ (2,523) | \$ (14,658) |
| Net income from discontinued operations attributable to Verint Systems Inc. common shares | \$ — | \$ 8,644 |
| Basic net (loss) income per common share attributable to Verint Systems Inc.: | | |
| Continuing operations | \$ (0.04) | \$ (0.23) |
| Discontinued operations | — | 0.14 |
| Total basic net loss per common share attributable to Verint Systems Inc. | \$ (0.04) | \$ (0.09) |
| Diluted net (loss) income per common share attributable to Verint Systems Inc.: | | |
| Continuing operations | \$ (0.04) | \$ (0.23) |
| Discontinued operations | — | 0.14 |
| Total diluted net loss per common share attributable to Verint Systems Inc. | \$ (0.04) | \$ (0.09) |
| Weighted-average common shares outstanding: | | |
| Basic | 65,661 | 64,376 |
| Diluted | 65,661 | 64,376 |

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

Three Months Ended
April 30,

| (in thousands) | 2021 | 2020 |
|---|------------------|------------------|
| <u>Table of Reconciliation from GAAP Cloud Revenue to Non-GAAP Cloud Revenue</u> | | |
| SaaS revenue - GAAP | \$ 63,592 | \$ 40,888 |
| Bundled SaaS revenue - GAAP | 39,309 | 33,393 |
| Unbundled SaaS revenue - GAAP | 24,283 | 7,495 |
| Optional managed services revenue - GAAP | 16,458 | 14,132 |
| Cloud revenue - GAAP | \$ 80,050 | \$ 55,020 |
| Estimated SaaS revenue adjustments | \$ 844 | \$ 2,926 |
| Estimated bundled SaaS revenue adjustments | 782 | 2,882 |
| Estimated unbundled SaaS revenue adjustments | 62 | 44 |
| Estimated optional managed services revenue adjustments | 187 | 281 |
| Estimated cloud revenue adjustments | \$ 1,031 | \$ 3,207 |
| SaaS revenue - non-GAAP | \$ 64,436 | \$ 43,814 |
| Bundled SaaS revenue - non-GAAP | 40,091 | 36,275 |
| Unbundled SaaS revenue - non-GAAP | 24,345 | 7,539 |
| Optional managed services revenue - non-GAAP | 16,645 | 14,413 |
| Cloud revenue - non-GAAP | \$ 81,081 | \$ 58,227 |
| <u>Table of New SaaS ACV</u> | | |
| New SaaS ACV | \$ 18,804 | \$ 11,892 |
| New SaaS ACV Growth YoY | 58.1 % | 45.3 % |
| <u>Table of New Perpetual License Equivalent Bookings</u> | | |
| New perpetual license equivalent bookings | \$ 60,982 | \$ 47,692 |
| New perpetual license equivalent bookings change YoY | 27.9 % | (23.7) % |
| % of new perpetual license equivalent bookings from SaaS | 51.2 % | 40.2 % |

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

| (in thousands, except per share data) | Three Months Ended April 30, | |
|---|---------------------------------|-------------------|
| | 2021 | 2020 |
| REVENUE | | |
| Recurring revenue - GAAP | \$ 144,453 | \$ 129,070 |
| Nonrecurring revenue - GAAP | 56,451 | 56,795 |
| Total GAAP revenue | 200,904 | 185,865 |
| Recurring revenue adjustments | 1,039 | 3,262 |
| Nonrecurring revenue adjustments | — | — |
| Total revenue adjustments | 1,039 | 3,262 |
| Recurring revenue - non-GAAP | 145,492 | 132,332 |
| Nonrecurring revenue - non-GAAP | 56,451 | 56,795 |
| Total non-GAAP revenue | \$ 201,943 | \$ 189,127 |
| GROSS PROFIT AND GROSS MARGIN | | |
| Recurring costs | \$ 38,076 | \$ 34,928 |
| Nonrecurring costs | 29,880 | 31,619 |
| Amortization of acquired technology | 4,384 | 4,356 |
| Total GAAP cost of revenue | 72,340 | 70,903 |
| GAAP gross profit | 128,564 | 114,962 |
| GAAP gross margin | 64.0 % | 61.9 % |
| Revenue adjustments | 1,039 | 3,262 |
| Amortization of acquired technology | 4,384 | 4,356 |
| Stock-based compensation expenses | 1,262 | 537 |
| Acquisition expenses, net | 25 | 189 |
| Restructuring expenses | 462 | 1,619 |
| Separation expenses ⁽³⁾ | 78 | — |
| Discontinued operations corporate overhead adjustment | — | 1,425 |
| Allocation methodology difference | — | (543) |
| Non-GAAP gross profit | \$ 135,814 | \$ 125,807 |
| Non-GAAP gross margin | 67.3 % | 66.5 % |
| RESEARCH AND DEVELOPMENT, NET | | |
| GAAP research and development, net | \$ 29,148 | \$ 32,412 |
| As a percentage of GAAP revenue | 14.5 % | 17.4 % |
| Stock-based compensation expenses | (1,773) | (1,173) |
| Acquisition expenses, net | (24) | (201) |
| Restructuring expenses | (184) | (927) |
| Separation expenses ⁽³⁾ | (457) | — |
| Discontinued operations corporate overhead adjustment | — | (4,521) |
| Allocation methodology difference | — | 2,202 |

| | Three Months Ended April 30, | |
|---|---------------------------------|--------------------|
| | 2021 | 2020 |
| (in thousands, except per share data) | | |
| Non-GAAP research and development, net | \$ 26,710 | \$ 27,792 |
| As a percentage of non-GAAP revenue | 13.2 % | 14.7 % |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | | |
| GAAP selling, general and administrative expenses | \$ 87,646 | \$ 76,827 |
| As a percentage of GAAP revenue | 43.6 % | 41.3 % |
| Stock-based compensation expenses | (13,366) | (8,968) |
| Acquisition (expenses) benefit, net | (1,644) | 3,743 |
| Restructuring expenses | (609) | (2,018) |
| Separation expenses ⁽³⁾ | (5,527) | — |
| Other adjustments | (44) | (101) |
| Discontinued operations corporate overhead adjustment | — | (7,566) |
| Allocation methodology difference | — | (1,354) |
| Non-GAAP selling, general and administrative expenses | \$ 66,456 | \$ 60,563 |
| As a percentage of non-GAAP revenue | 32.9 % | 32.0 % |
| OPERATING INCOME (LOSS) AND OPERATING MARGIN | | |
| GAAP operating income (loss) | \$ 4,442 | \$ (2,041) |
| GAAP operating margin | 2.2 % | (1.1) % |
| Revenue adjustments | 1,039 | 3,262 |
| Amortization of acquired technology | 4,384 | 4,356 |
| Amortization of other acquired intangible assets | 7,328 | 7,764 |
| Stock-based compensation expenses | 16,401 | 10,678 |
| Acquisition expenses (benefit), net | 1,693 | (3,353) |
| Restructuring expenses | 1,255 | 4,564 |
| Separation expenses ⁽³⁾ | 6,062 | — |
| Other adjustments | 44 | 101 |
| Discontinued operations corporate overhead adjustment | — | 13,512 |
| Allocation methodology difference | — | (1,391) |
| Non-GAAP operating income | \$ 42,648 | \$ 37,452 |
| Non-GAAP operating margin | 21.1 % | 19.8 % |
| Table of Reconciliation from GAAP Other Expense, Net to Non-GAAP Other Expense, Net | | |
| GAAP other expense, net | \$ (3,420) | \$ (12,030) |
| Unrealized losses on derivatives, net | 14,305 | — |
| Amortization of convertible note discount | — | 3,226 |
| Losses on early retirements of debt | 2,474 | — |
| Change in fair value of future tranche right | (15,810) | — |
| Acquisition (benefit) expenses, net | (3,200) | 12 |
| Non-GAAP other expense, net⁽¹⁾ | \$ (5,651) | \$ (8,792) |
| Table of Reconciliation from GAAP (Benefit from) Provision for Income Taxes to Non-GAAP Provision for Income Taxes | | |
| GAAP (benefit from) provision for income taxes | \$ (72) | \$ 347 |
| GAAP effective income tax rate | (7.1) % | (2.5) % |
| Non-GAAP tax adjustments | 3,740 | 2,037 |
| Non-GAAP provision for income taxes | \$ 3,668 | \$ 2,384 |
| Non-GAAP effective income tax rate | 9.9 % | 8.3 % |

**Three Months Ended
April 30,**

(in thousands, except per share data)

| | 2021 | 2020 |
|--|-------------------|--------------------|
| Table of Reconciliation from GAAP Net Loss from Continuing Operations Attributable to Verint Systems Inc. Common Shares to Non-GAAP Net Income from Continuing Operations Attributable to Verint Systems Inc. Common Shares | | |
| GAAP net loss from continuing operations attributable to Verint Systems Inc. common shares | \$ (2,523) | \$ (14,658) |
| Revenue adjustments | 1,039 | 3,262 |
| Amortization of acquired technology | 4,384 | 4,356 |
| Amortization of other acquired intangible assets | 7,328 | 7,764 |
| Stock-based compensation expenses | 16,401 | 10,678 |
| Unrealized losses on derivatives, net | 14,305 | — |
| Amortization of convertible note discount | — | 3,226 |
| Losses on early retirements of debt | 2,474 | — |
| Change in fair value of future tranche right | (15,810) | — |
| Acquisition benefit, net | (1,507) | (3,341) |
| Restructuring expenses | 1,255 | 4,564 |
| Separation expenses ⁽³⁾ | 6,062 | — |
| Other adjustments | 44 | 101 |
| Discontinued operations corporate overhead adjustment | — | 13,512 |
| Allocation methodology difference | — | (1,391) |
| Non-GAAP tax adjustments | (3,740) | (2,037) |
| Dividends, reversed due to assumed conversion of preferred stock | 3,322 | — |
| Total adjustments | 35,557 | 40,694 |
| Non-GAAP net income from continuing operations attributable to Verint Systems Inc. common shares | \$ 33,034 | \$ 26,036 |

Table Comparing GAAP Diluted Net Loss from Continuing Operations Per Common Share Attributable to Verint Systems Inc. to Non-GAAP Diluted Net Income from Continuing Operations Per Common Share Attributable to Verint Systems Inc.

| | | |
|---|-----------|-----------|
| GAAP diluted net loss from continuing operations per common share attributable to Verint Systems Inc. | \$ (0.04) | \$ (0.23) |
| Non-GAAP diluted net income from continuing operations per common share attributable to Verint Systems Inc. | \$ 0.44 | \$ 0.40 |

| | | |
|--|---------------|---------------|
| GAAP weighted-average shares used in computing diluted net loss from continuing operations per common share attributable to Verint Systems Inc. | 65,661 | 64,376 |
| Additional weighted-average shares applicable to non-GAAP diluted net income from continuing operations per common share attributable to Verint Systems Inc. | 10,031 | 1,233 |
| Non-GAAP diluted weighted-average shares used in computing net income from continuing operations per common share attributable to Verint Systems Inc. | 75,692 | 65,609 |

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

| | | |
|--|---------------|--------------------|
| GAAP net income (loss) from continuing operations attributable to Verint Systems Inc. | \$ 799 | \$ (14,658) |
| As a percentage of GAAP revenue | 0.4 % | (7.9) % |
| Net income attributable to noncontrolling interest | 295 | 240 |
| (Benefit from) provision for income taxes | (72) | 347 |
| Other expense, net | 3,420 | 12,030 |

| (in thousands, except per share data) | Three Months Ended April 30, | |
|---|---------------------------------|------------------|
| | 2021 | 2020 |
| Depreciation and amortization ⁽²⁾ | 18,281 | 19,025 |
| Revenue adjustments | 1,039 | 3,262 |
| Stock-based compensation expenses | 16,401 | 10,678 |
| Acquisition expenses (benefit), net | 1,693 | (3,353) |
| Restructuring expenses | 1,254 | 4,564 |
| Separation expenses ⁽³⁾ | 5,696 | — |
| Other adjustments | 44 | 101 |
| Discontinued operations corporate overhead adjustment | — | 13,512 |
| Allocation methodology difference | — | (1,391) |
| Adjusted EBITDA | \$ 48,850 | \$ 44,357 |
| As a percentage of non-GAAP revenue | 24.2 % | 23.5 % |

| | April 30, 2021 | January 31, 2021 |
|--|-------------------|---------------------|
| Table of Reconciliation from Gross Debt to Net Debt | | |
| Current maturities of long-term debt | \$ 386,887 | \$ 386,713 |
| Long-term debt | 405,614 | 402,781 |
| Unamortized debt discounts and issuance costs | 9,386 | 7,518 |
| Gross debt | 801,887 | 797,012 |
| Less: | | |
| Cash and cash equivalents | 359,418 | 585,273 |
| Restricted cash and cash equivalents, and restricted bank time deposits | 389,795 | 15 |
| Short-term investments | 668 | 46,300 |
| Net debt, excluding long-term restricted cash, cash equivalents, time deposits, and investments | 52,006 | 165,424 |
| Long-term restricted cash, cash equivalents, time deposits and investments | 483 | 651 |
| Net debt, including long-term restricted cash, cash equivalents, time deposits, and investments | \$ 51,523 | \$ 164,773 |

(1) For the three months ended April 30, 2021, non-GAAP other expense, net of \$5.7 million was comprised of \$5.1 million of interest and other expense, net of \$0.6 million of foreign exchange gains primarily related to balance sheet translations.

(2) Adjusted for financing fee amortization.

(3) For the three months ended April 30, 2020, separation expenses are considered part of discontinued operations and are, therefore, not included in the reported results from continuing operations.

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

| (in thousands) | Three Months Ended April 30, | |
|--|---------------------------------|-------------------|
| | 2021 | 2020 |
| Table of Reconciliation from GAAP Recurring and Nonrecurring Revenue to Non-GAAP Recurring and Nonrecurring Revenue | | |
| Recurring revenue - GAAP | \$ 144,453 | \$ 129,070 |
| Cloud revenue - GAAP | 80,050 | 55,020 |
| Support revenue - GAAP | 64,403 | 74,050 |
| Nonrecurring revenue - GAAP | \$ 56,451 | \$ 56,795 |
| Perpetual revenue - GAAP | 29,323 | 28,525 |
| Professional services revenue - GAAP | 27,128 | 28,270 |
| Total revenue - GAAP | \$ 200,904 | \$ 185,865 |
| Estimated recurring revenue adjustments | \$ 1,039 | \$ 3,262 |
| Estimated cloud revenue adjustments | 1,031 | 3,207 |
| Estimated support revenue adjustments | 8 | 55 |
| Estimated nonrecurring revenue adjustments | \$ — | \$ — |
| Estimated perpetual revenue adjustments | — | — |
| Estimated professional services revenue adjustments | — | — |
| Total estimated revenue adjustments | \$ 1,039 | \$ 3,262 |
| Recurring revenue - non-GAAP | \$ 145,492 | \$ 132,332 |
| Cloud revenue - non-GAAP | 81,081 | 58,227 |
| Support revenue - non-GAAP | 64,411 | 74,105 |
| Nonrecurring revenue - non-GAAP | \$ 56,451 | \$ 56,795 |
| Perpetual revenue - non-GAAP | 29,323 | 28,525 |
| Professional services revenue - non-GAAP | 27,128 | 28,270 |
| Total revenue - non-GAAP | \$ 201,943 | \$ 189,127 |
| Table of Reconciliation from GAAP Recurring Gross Profit to Non-GAAP Recurring Gross Profit | | |
| GAAP recurring revenue | \$ 144,453 | \$ 129,070 |
| GAAP recurring costs | 38,076 | 34,928 |
| GAAP recurring gross profit | 106,377 | 94,142 |
| GAAP recurring gross margin | 73.6 % | 72.9 % |
| Recurring revenue adjustments | 1,039 | 3,262 |
| Recurring stock-based compensation expenses | 429 | 265 |
| Recurring acquisition expenses, net | 25 | 28 |
| Recurring restructuring expenses | 353 | 781 |
| Recurring separation expenses ⁽¹⁾ | 32 | — |
| Recurring discontinued operations corporate overhead adjustment | — | 224 |
| Recurring allocation methodology difference | — | 207 |
| Non-GAAP recurring gross profit | \$ 108,255 | \$ 98,909 |
| Non-GAAP recurring gross margin | 74.4 % | 74.7 % |

| (in thousands) | Three Months Ended April 30, | |
|--|---------------------------------|------------------|
| | 2021 | 2020 |
| Table of Reconciliation from GAAP Nonrecurring Gross Profit to Non-GAAP Nonrecurring Gross Profit | | |
| GAAP nonrecurring revenue | \$ 56,451 | \$ 56,795 |
| GAAP nonrecurring costs | 29,880 | 31,619 |
| GAAP nonrecurring gross profit | 26,571 | 25,176 |
| GAAP nonrecurring gross margin | 47.1 % | 44.3 % |
| Nonrecurring revenue adjustments | — | — |
| Nonrecurring stock-based compensation expenses | 833 | 272 |
| Nonrecurring acquisition expenses, net | — | 161 |
| Nonrecurring restructuring expenses | 109 | 838 |
| Nonrecurring separation expenses ⁽¹⁾ | 46 | — |
| Nonrecurring discontinued operations corporate overhead adjustment | — | 1,201 |
| Nonrecurring allocation methodology difference | — | (750) |
| Non-GAAP nonrecurring gross profit | \$ 27,559 | \$ 26,898 |
| Non-GAAP nonrecurring gross margin | 48.8 % | 47.4 % |

(1) For the three months ended April 30, 2020, separation expenses are considered part of discontinued operations and are, therefore, not included in the reported results from continuing operations.

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

| (in thousands, except percentages) | GAAP Revenue | Non-GAAP Revenue |
|---|--------------------|--------------------|
| | Three Months Ended | Three Months Ended |
| Revenue for the three months ended April 30, 2020 | \$ 185,865 | \$ 189,127 |
| Revenue for the three months ended April 30, 2021 | \$ 200,904 | \$ 201,943 |
| Revenue for the three months ended April 30, 2021 at constant currency ⁽¹⁾ | \$ 196,000 | \$ 197,000 |
| Reported period-over-period revenue growth | 8.1 % | 6.8 % |
| % impact from change in foreign currency exchange rates | (2.6)% | (2.6)% |
| Constant currency period-over-period revenue growth | 5.5 % | 4.2 % |

(1) Revenue for the three months ended April 30, 2021 at constant currency is calculated by translating current-period GAAP or non-GAAP foreign currency revenue (as applicable) into U.S. dollars using average foreign currency exchange rates for the three months ended April 30, 2020 rather than actual current-period foreign currency exchange rates.

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

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

| (in thousands, except share and per share data) | April 30, 2021 | January 31, 2021 |
|--|---------------------|---------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 359,418 | \$ 585,273 |
| Restricted cash and cash equivalents, and restricted bank time deposits | 389,795 | 15 |
| Short-term investments | 668 | 46,300 |
| Accounts receivable, net of allowance for doubtful accounts of \$1.5 million and \$1.6 million, respectively | 147,932 | 206,157 |
| Contract assets, net | 38,907 | 36,716 |
| Inventories | 5,593 | 5,541 |
| Prepaid expenses and other current assets | 56,223 | 42,814 |
| Current assets of discontinued operations | — | 354,926 |
| Total current assets | 998,536 | 1,277,742 |
| Property and equipment, net | 69,071 | 69,090 |
| Operating lease right-of-use assets | 53,396 | 57,849 |
| Goodwill | 1,329,798 | 1,327,407 |
| Intangible assets, net | 132,316 | 143,744 |
| Other assets | 118,194 | 104,511 |
| Long-term assets of discontinued operations | — | 280,952 |
| Total assets | \$ 2,701,311 | \$ 3,261,295 |
| Liabilities, Temporary Equity, and Stockholders' Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 35,797 | \$ 35,463 |
| Accrued expenses and other current liabilities | 154,606 | 211,517 |
| Current maturities of long-term debt | 386,887 | 386,713 |
| Contract liabilities | 244,892 | 261,033 |
| Current liabilities of discontinued operations | — | 268,713 |
| Total current liabilities | 822,182 | 1,163,439 |
| Long-term debt | 405,614 | 402,781 |
| Long-term contract liabilities | 17,391 | 16,502 |
| Operating lease liabilities | 51,412 | 56,712 |
| Other liabilities | 38,743 | 75,710 |
| Long-term liabilities of discontinued operations | — | 58,118 |
| Total liabilities | 1,335,342 | 1,773,262 |
| Commitments and Contingencies | | |
| Temporary Equity: | | |
| Preferred Stock - \$0.001 par value; authorized 2,207,000 shares | | |
| Series A Preferred Stock; 200,000 shares issued and outstanding at April 30, 2021 and January 31, 2021, respectively; aggregate liquidation preference and current redemption value of \$203,467 and \$206,067 at April 30, 2021 and January 31, 2021, respectively. | 200,628 | 200,628 |
| Series B Preferred Stock; 200,000 shares issued and outstanding at April 30, 2021; no shares issued and outstanding at January 31, 2021; aggregate liquidation preference and current redemption value of \$200,722 at April 30, 2021. | 235,693 | — |
| Equity component of currently redeemable convertible notes | — | 4,841 |
| Total temporary equity | 436,321 | 205,469 |
| Stockholders' Equity: | | |
| Common stock - \$0.001 par value; authorized 120,000,000 shares. Issued 69,946,000 and 70,177,000 shares; outstanding 64,999,000 and 65,773,000 shares at April 30, 2021 and January 31, 2021, respectively. | 70 | 70 |
| Additional paid-in capital | 1,333,312 | 1,726,166 |
| Treasury stock, at cost - 4,947,000 and 4,404,000 shares at April 30, 2021 and January 31, 2021, respectively. | (233,992) | (208,124) |
| Accumulated deficit | (68,123) | (113,797) |
| Accumulated other comprehensive loss | (104,171) | (136,878) |

| (in thousands, except share and per share data) | April 30, 2021 | January 31, 2021 |
|--|---------------------|---------------------|
| Total Verint Systems Inc. stockholders' equity | 927,096 | 1,267,437 |
| Noncontrolling interests | 2,552 | 15,127 |
| Total stockholders' equity | 929,648 | 1,282,564 |
| Total liabilities, temporary equity, and stockholders' equity | \$ 2,701,311 | \$ 3,261,295 |

See notes to condensed consolidated financial statements.

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

| (in thousands) | Three Months Ended April 30, | |
|--|---|----------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 1,094 | \$ (3,975) |
| (Income) from discontinued operations, net of income taxes | — | (10,443) |
| Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities: | | |
| Depreciation and amortization | 19,049 | 20,989 |
| Stock-based compensation, excluding cash-settled awards | 16,405 | 10,683 |
| Change in fair value of future tranche right | (15,810) | — |
| Amortization of discount on convertible notes | — | 3,226 |
| Non-cash losses on derivative financial instruments, net | 14,374 | 1 |
| Losses on early retirements of debt | 2,474 | — |
| Other, net | (2,317) | (3,703) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 58,026 | 36,159 |
| Contract assets | (2,184) | 6,064 |
| Inventories | (350) | (2,855) |
| Prepaid expenses and other assets | (18,781) | (10,657) |
| Accounts payable and accrued expenses | (1,510) | 3,679 |
| Contract liabilities | (15,524) | (7,158) |
| Deferred income taxes | (16,977) | 752 |
| Other, net | (260) | 2,557 |
| Net cash provided by operating activities - continuing operations | 37,709 | 45,319 |
| Net cash (used in) provided by operating activities - discontinued operations | (8,007) | 30,659 |
| Net cash provided by operating activities | 29,702 | 75,978 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (4,369) | (4,201) |
| Maturities and sales of investments | 45,640 | 9,000 |
| Cash paid for capitalized software development costs | (1,966) | (2,287) |
| Change in restricted bank time deposits, and other investing activities, net | (32) | 11 |
| Net cash provided by investing activities - continuing operations | 39,273 | 2,523 |
| Net cash provided by investing activities - discontinued operations | — | 6,770 |
| Net cash provided by investing activities | 39,273 | 9,293 |
| Cash flows from financing activities: | | |
| Proceeds from issuance of preferred stock | 200,000 | — |
| Proceeds from borrowings | 315,000 | 155,000 |
| Repayments of borrowings and other financing obligations | (310,633) | (1,898) |
| Purchases of capped calls | (40,950) | — |
| Payments of debt-related costs | (9,422) | — |
| Purchases of treasury stock and common stock for retirement | (75,014) | (36,836) |
| Preferred stock dividend payments | (5,200) | — |
| Distributions paid to noncontrolling interest | — | (245) |
| Payment for termination of interest rate swap | (16,502) | — |
| Net cash transferred to Cognyte Software Ltd. | (114,657) | — |
| Dividend and other settlements received from Cognyte Software Ltd. | 40,164 | — |
| Payments of contingent consideration for business combinations (financing portion) and other financing activities | (2,842) | (1,282) |
| Net cash (used in) provided by financing activities | (20,056) | 114,739 |
| Foreign currency effects on cash, cash equivalents, restricted cash, and restricted cash equivalents | 218 | (3,106) |
| Net increase in cash, cash equivalents, restricted cash, and restricted cash equivalents | 49,137 | 196,904 |
| Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period | 700,133 | 411,657 |

| (in thousands) | Three Months Ended April 30, | |
|--|---------------------------------|-------------------|
| | 2021 | 2020 |
| Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period | \$ 749,270 | \$ 608,561 |
| Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period to the condensed consolidated balance sheets: | | |
| Cash and cash equivalents | \$ 359,418 | \$ 556,671 |
| Restricted cash and cash equivalents included in restricted cash and cash equivalents, and restricted bank time deposits | 389,795 | 38,004 |
| Restricted cash and cash equivalents included in other assets | 57 | 13,886 |
| Total cash, cash equivalents, restricted cash, and restricted cash equivalents | \$ 749,270 | \$ 608,561 |

See notes to condensed consolidated financial statements.

Verint Systems Inc. and Subsidiaries

Supplemental Information About Non-GAAP Financial Measures and Operating Metrics

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

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

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

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

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

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

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

Amortization of convertible note discount. Our non-GAAP financial measures for periods prior to February 1, 2021 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 were required to be bifurcated into separate liability (debt) and equity (conversion option) components in a manner that reflected the issuer's assumed non-convertible debt borrowing rate. For GAAP purposes, we were required to recognize imputed interest expense on the difference between our assumed non-convertible debt borrowing rate and the coupon rate on our 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. Effective with the February 1, 2021 adoption of ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, we no longer record the conversion feature of our convertible senior notes in equity. Instead, we combined the previously separated equity component with the liability component, which together is classified as debt, thereby eliminating the subsequent amortization of the debt discount as interest expense.

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

Change in fair value of future tranche right. On December 4, 2019, we entered into an Investment Agreement with an affiliate of Apax Partners (the "Apax Investor"), whereby the Apax Investor agreed to make an investment in us of up to \$400.0 million of convertible preferred stock. In connection with the Apax Investor's first \$200.0 million investment on May 7, 2020 (for 200,000 shares of Series A Preferred Stock), we determined that our obligation to issue, and the Apax Investor's obligation to purchase the Series B Preferred Stock in connection with the completion of the spin-off of Cognyte Software Ltd. (our former Cyber Intelligence Solutions business) and other customary closing conditions (the "Future Tranche Right") met the definition of a freestanding financial instrument. This Future Tranche Right was reported at fair value as an asset or liability on our consolidated balance sheet and was remeasured at fair value each reporting period until the settlement of the right at the time of issuance of the Series B Preferred Stock, which occurred on April 6, 2021. Changes in its fair value have been recognized as a non-cash charge or benefit within other income (expense), net on the condensed consolidated statement of operations. We are excluding this change in fair value of the Future Tranche Right from our non-GAAP financial measures because it is unusual in nature, can vary significantly in amount, and is unrelated to our ongoing operations.

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

Restructuring expenses. 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 February 1, 2021, we completed the previously announced spin-off of Cognyte Software Ltd., whose business and operations consist of our former Cyber Intelligence Solutions business. We have incurred and expect to incur, significant expenses in connection with the spin-off, 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 (which IT expenses are included in Separation expenses to the extent not capitalized). Separation expenses also include incremental cash income taxes related to the reorganization of legal entities and operations in order to effect the separation. 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 already included within restructuring or acquisition activity), rent expense for redundant facilities, gains or losses on sales of property, gains or losses on settlements of certain legal matters, and certain professional fees unrelated to our ongoing operations, all of which are unusual in nature and can vary significantly in amount and frequency.

Discontinued operations corporate overhead adjustment. These amounts represent general corporate overhead costs related to executive management, finance, legal, information technology, and other shared services functions that were historically allocated to Cognyte, but are not permitted to be included in discontinued operations under GAAP guidelines as they represent indirect expenses of Cognyte.

Allocation methodology difference. These amounts are the result of presenting our former Cognyte business on a discontinued operations basis for quarters previously reported due to the completion of the spin-off on February 1, 2021. This adjustment represents the difference between the allocation of shared corporate support expenses under GAAP guidelines for reporting discontinued operations compared to management's previously estimated allocations of those shared corporate support expenses.

Non-GAAP income tax adjustments. We exclude our GAAP provision for (benefit from) income taxes from our non-GAAP measures of net income attributable to Verint Systems Inc., and instead include a non-GAAP provision for income taxes, determined by applying a non-GAAP effective income tax rate to our income before provision for income taxes, as adjusted for the non-GAAP items described above. The non-GAAP effective income tax rate is generally based upon the income taxes we expect to pay in the reporting year. Our GAAP effective income tax rate can vary significantly from year to year as a result of tax law changes, settlements with tax authorities, changes in the geographic mix of earnings including acquisition activity, changes in the projected realizability of deferred tax assets, and other unusual or period-specific events, all of which can vary in size and frequency. We believe that our non-GAAP effective income tax rate removes much of this variability and facilitates meaningful comparisons of operating results across periods. Our non-GAAP effective income tax rate for the year ending January 31, 2022 is currently approximately 10% and was 8% for the year ended January 31, 2021. We evaluate our non-GAAP effective income tax rate on an ongoing basis, and it can change from time to time. Our non-GAAP income tax rate can differ materially from our GAAP effective income tax rate.

Revenue Metrics and Operating Metrics

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

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

Cloud revenue primarily consists of SaaS and optional managed services.

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

Optional Managed Services 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 bookings growth. We calculate new perpetual license equivalent bookings by adding to perpetual licenses an amount equal to New SaaS ACV bookings multiplied by a conversion factor that normalizes the mix of bundled and unbundled SaaS and perpetual bookings in a given period. The conversion factor used is based on our order mix and may change from period to period. Management uses perpetual license equivalent bookings to understand our performance, including our software bookings growth and SaaS/perpetual license mix. This metric should not be viewed in isolation from other operating metrics that we make available to investors.

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.