

**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): September 7, 2016**

**Verint Systems Inc.**

(Exact name of registrant as specified in its charter)

**001-34807**

(Commission File Number)

**Delaware**

(State or other jurisdiction  
of incorporation)

**11-3200514**

(I.R.S. Employer  
Identification No.)

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

(Address of principal executive offices)

**11747**

(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))
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**Item 2.02 Results of Operations and Financial Condition.**

On September 7, 2016, Verint Systems Inc. issued a press release providing selected financial information for the three and six months ended July 31, 2016, and outlook for the year ending January 31, 2017. 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.*

<b>Exhibit Number</b>	<b>Description</b>
99.1	Press Release of Verint Systems Inc., dated September 7, 2016

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**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:** September 7, 2016

**By:** /s/ Douglas E. Robinson

**Name:** Douglas E. Robinson

**Title:** Chief Financial Officer

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**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
99.1	Press Release of Verint Systems Inc., dated September 7, 2016



## Press Release

### Contacts:

#### Investor Relations

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

## Verint Reports Second Quarter Results

**Conference Call to Discuss Selected Financial Information and Outlook to be Held Today at 4:30 p.m. ET**

**MELVILLE, N.Y., September 7, 2016 - Verint® Systems Inc.** (NASDAQ: VRNT), a global leader in Actionable Intelligence® solutions and value-added services, today announced results for the three and six months ended July 31, 2016.

### Financial Highlights

Below is selected unaudited financial information for the three and six months ended July 31, 2016 prepared in accordance with generally accepted accounting principles ("GAAP") and not in accordance with GAAP ("non-GAAP").

#### **Three Months Ended July 31, 2016 - GAAP**

Revenue: \$261.9 million<sup>(1)</sup>  
Operating income: \$3.7 million  
Diluted net loss per share: \$(0.19)

#### **Three Months Ended July 31, 2016 - Non-GAAP**

Revenue: \$264.2 million<sup>(1)</sup>  
Operating income: \$48.4 million  
Diluted net income per share: \$0.57

#### **Six Months Ended July 31, 2016 - GAAP**

Revenue: \$507.3 million<sup>(1)</sup>  
Operating loss: \$(7.5) million  
Diluted net loss per share: \$(0.47)

#### **Six Months Ended July 31, 2016 - Non-GAAP**

Revenue: \$513.1 million<sup>(1)</sup>  
Operating income: \$83.2 million  
Diluted net income per share: \$1.03

(1) Please refer to Table 6 for constant currency revenue information and "Supplemental Information about Non-GAAP Financial Measures" at the end of this press release for more information.

### CEO Commentary

"We are pleased with our second quarter results and the progress we made in the first half of the year and believe we are well positioned for long-term growth in both the enterprise and security markets," said Dan Bodner, Verint CEO and President.

Bodner continued, "In enterprise, we experienced strong sequential revenue growth reflecting our customer engagement optimization leadership and our land and expand go-to-market strategy. Behind our leadership is our broad portfolio of best-of-breed analytical applications, our hybrid cloud strategy and our extensive partner ecosystem."

"In cyber intelligence, we are pleased to report early signs of improvement in certain emerging market countries, including receiving several large contracts. Also, I am pleased to report that we were awarded the largest government project in Verint's history potentially valued at more than \$200 million, if all phases outlined in the

contract are initiated by the customer. These large contracts reflect our leadership position and we believe we are on track to return to growth in cyber intelligence next year," concluded Bodner.

## **Financial Outlook**

Below is Verint's non-GAAP outlook for the year ending January 31, 2017.

- For the year ending January 31, 2017, we expect total revenue to be \$1.11 billion +/- 2.0% and diluted earnings per share to be \$2.85 at the mid-point of our revenue guidance.

We are not providing a complete quantitative reconciliation of our non-GAAP outlook to the corresponding GAAP information because the GAAP measures that we exclude from our non-GAAP outlook are uncertain and difficult to predict, and are therefore not available without unreasonable effort. Moreover, because of these uncertainties, we are only able to assess a range of the probable significance for some but not all of these excluded GAAP measures.

Our non-GAAP outlook for the year ending January 31, 2017 excludes the following GAAP measures which we are able to quantify with reasonable certainty:

- Amortization of intangible assets - approximately \$81 million.
- Amortization of discount on convertible notes - approximately \$11 million.

Our non-GAAP outlook for the year ending January 31, 2017 excludes the following GAAP measures for which we are able to provide a range of probable significance:

- Revenue adjustments related to completed acquisitions - for the six months ended July 31, 2016, revenue adjustments related to completed acquisitions were approximately \$6 million, and are expected to be between approximately \$7 million and \$10 million for the year ending January 31, 2017.
- Stock-based compensation - for the six months ended July 31, 2016, stock-based compensation was approximately \$32 million, and is expected to be between approximately \$60 million and \$70 million for the year ending January 31, 2017, assuming market prices for our common stock approximately consistent with current levels.

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

We are unable to assess the probable significance of 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 tax adjustments due to the level of unpredictability and uncertainty associated with these items. Actual amounts for these measures for the three and six months ended July 31, 2016 appear in Table 3 to 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 and six months ended July 31, 2016 and outlook for the year ending January 31, 2017. An online, real-time webcast of the conference call will be available on our website at [www.verint.com](http://www.verint.com). The conference call can also be accessed live via telephone at 1-844-309-0615 (United States and Canada) and 1-661-378-9462 (international) and the passcode is 67615267. 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 Tables 2, 3 and 6 as well as "Supplemental Information About Non-GAAP Financial Measures" at the end of this press release.

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## **About Verint Systems Inc.**

Verint® (Nasdaq: VRNT) is a global leader in Actionable Intelligence® solutions with a focus on customer engagement optimization, security intelligence, and fraud, risk and compliance. Today, more than 10,000 organizations in 180 countries—including over 80 percent of the Fortune 100—count on intelligence from Verint solutions to make more informed, effective and timely decisions. Learn more about how we're creating A Smarter World with Actionable Intelligence® at [www.verint.com](http://www.verint.com).

## **Cautions About Forward-Looking Statements**

This press release contains forward-looking statements, including statements regarding expectations, predictions, views, opportunities, plans, strategies, beliefs, and statements of similar effect relating to Verint Systems Inc. These forward-looking statements are not guarantees of future performance and they are based on management's expectations that involve a number of known and unknown risks, uncertainties, assumptions, and other important factors, any of which could cause our actual results or conditions to differ materially from those expressed in or implied by the forward-looking statements. Some of the factors that could cause our actual results or conditions to differ materially from current expectations include, among others: uncertainties regarding the impact of general economic conditions in the United States and abroad, particularly in information technology spending and government budgets, on our business; risks associated with our ability to keep pace with technological changes, evolving industry standards, and customer challenges, such as the proliferation and strengthening of encryption, to adapt to changing market potential from area to area within our markets, and to successfully develop, launch, and drive demand for new, innovative, high-quality products that meet or exceed customer needs, while simultaneously preserving our legacy businesses; risks due to aggressive competition in all of our markets, including with respect to maintaining margins and sufficient levels of investment in our business; risks created by the continued consolidation of our competitors or the introduction of large competitors in our markets with greater resources than we have; risks associated with our ability to successfully compete for, consummate, and implement mergers and acquisitions, including risks associated with valuations, capital constraints, costs and expenses, maintaining profitability levels, expansion into new areas, management distraction, post-acquisition integration activities, and potential asset impairments; risks relating to our ability to effectively and efficiently enhance our existing operations and execute on our growth strategy, including managing investments in our business and operations and enhancing and securing our internal and external operations; risks associated with our ability to effectively and efficiently allocate limited financial and human resources to business, developmental, strategic, or other opportunities, and risk that such investments may not come to fruition or produce satisfactory returns; risks that we may be unable to establish and maintain relationships with key resellers, partners, and systems integrators; risks associated with our reliance on third-party suppliers, partners, or original equipment manufacturers ("OEMs") for certain components, products, or services, including companies that may compete with us or work with our competitors; risks associated with the mishandling or perceived mishandling of sensitive or confidential information and with security vulnerabilities or lapses, including information technology system breaches, failures, or disruptions; risks that our products or services, or those of third-party suppliers, partners, or OEMs which we incorporate into our offerings or otherwise rely on, may contain defects or may be vulnerable to cyber-attacks; risks associated with our significant international operations, including, among others, in Israel, Europe, and Asia, exposure to regions subject to political or economic instability, and fluctuations in foreign exchange rates; risks associated with a significant amount of our business coming from domestic and foreign government customers, including the ability to maintain security clearances for applicable projects; risks associated with complex and changing local and foreign regulatory environments in the jurisdictions in which we operate; risks associated with our ability to retain and recruit qualified personnel in regions in which we operate, including in new markets and growth areas we may enter; challenges associated with selling sophisticated solutions, including with respect to educating our customers on the benefits of our solutions or assisting them in realizing such benefits; challenges associated with pursuing larger sales opportunities that often involve longer sales cycles, including with respect to transaction reductions, deferrals, or cancellations during the sales cycle, our ability to accurately forecast when a sales opportunity will convert to an order, or to forecast revenue and expenses, and increased volatility of our operating results from period to period; risks that our intellectual property rights may not be adequate to protect our business or assets or that others may make claims on our intellectual property or claim infringement on their intellectual property rights; risks that our customers or partners delay or cancel orders or are unable to honor contractual commitments due to liquidity issues, challenges in their business, or otherwise; risks that we may experience liquidity or working capital issues and related risks that financing sources may be unavailable to us on reasonable terms or at all; risks associated with significant leverage resulting from our current debt position or our ability to incur additional debt, including with respect to liquidity considerations, covenant limitations and compliance, fluctuations in interest rates, dilution considerations (with respect to our convertible notes), and our ability to maintain our credit ratings; risks arising as a

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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 CTI's former subsidiary, Xura, Inc. (formerly, Comverse, Inc.), being unwilling or unable to provide us with certain indemnities or transition services to which we are entitled; risks relating to the adequacy of our existing infrastructure, systems, processes, policies, procedures, and personnel and our ability to successfully implement and maintain adequate systems and internal controls for our current and future operations and reporting needs, including related risks of financial statement omissions, misstatements, restatements, or filing delays; and risks associated with changing tax rates, tax laws and regulations, and the continuing availability of expected tax benefits. 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, 2016, our Quarterly Report on Form 10-Q for the quarter ended July 31, 2016, when filed, and other filings we make with the SEC.

VERINT, ACTIONABLE INTELLIGENCE, MAKE BIG DATA ACTIONABLE, CUSTOMER-INSPIRED EXCELLENCE, INTELLIGENCE IN ACTION, IMPACT 360, WITNESS, VERINT VERIFIED, KANA, LAGAN, VOVICI, GMT, VICTRIO, AUDIOLOG, CONTACT SOLUTIONS, ENTERPRISE INTELLIGENCE SOLUTIONS, SECURITY INTELLIGENCE SOLUTIONS, VOICE OF THE CUSTOMER ANALYTICS, NEXTIVA, EDGEVR, RELIANT, VANTAGE, STAR-GATE, ENGAGE, CYBERVISION, FOCALINFO, SUNTECH, and VIGIA are trademarks or registered trademarks of Verint Systems Inc. or its subsidiaries. Other trademarks mentioned are the property of their respective owners.

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

(in thousands, except per share data)	Three Months Ended July 31,		Six Months Ended July 31,	
	2016	2015	2016	2015
<b>Revenue:</b>				
Product	\$ 90,456	\$ 121,767	\$ 166,168	\$ 224,566
Service and support	171,465	174,115	341,177	340,852
<b>Total revenue</b>	<b>261,921</b>	<b>295,882</b>	<b>507,345</b>	<b>565,418</b>
<b>Cost of revenue:</b>				
Product	26,573	41,877	52,956	76,774
Service and support	66,754	66,805	131,885	127,101
Amortization of acquired technology	9,134	9,856	18,314	17,836
<b>Total cost of revenue</b>	<b>102,461</b>	<b>118,538</b>	<b>203,155</b>	<b>221,711</b>
<b>Gross profit</b>	<b>159,460</b>	<b>177,344</b>	<b>304,190</b>	<b>343,707</b>
<b>Operating expenses:</b>				
Research and development, net	43,099	46,132	87,819	89,298
Selling, general and administrative	101,146	111,769	201,181	214,619
Amortization of other acquired intangible assets	11,466	10,733	22,732	21,470
<b>Total operating expenses</b>	<b>155,711</b>	<b>168,634</b>	<b>311,732</b>	<b>325,387</b>
<b>Operating income (loss)</b>	<b>3,749</b>	<b>8,710</b>	<b>(7,542)</b>	<b>18,320</b>
<b>Other income (expense), net:</b>				
Interest income	313	463	466	657
Interest expense	(8,724)	(8,561)	(17,268)	(16,898)
Other expense, net	(5,358)	(3,751)	(1,539)	(3,540)
<b>Total other expense, net</b>	<b>(13,769)</b>	<b>(11,849)</b>	<b>(18,341)</b>	<b>(19,781)</b>
<b>Loss before provision for income taxes</b>	<b>(10,020)</b>	<b>(3,139)</b>	<b>(25,883)</b>	<b>(1,461)</b>
Provision for income taxes	1,058	2,621	1,388	3,568
<b>Net loss</b>	<b>(11,078)</b>	<b>(5,760)</b>	<b>(27,271)</b>	<b>(5,029)</b>
Net income attributable to noncontrolling interest	627	1,325	1,890	2,472
<b>Net loss attributable to Verint Systems Inc.</b>	<b>\$ (11,705)</b>	<b>\$ (7,085)</b>	<b>\$ (29,161)</b>	<b>\$ (7,501)</b>
<b>Net loss per common share attributable to Verint Systems Inc.:</b>				
<b>Basic</b>	<b>\$ (0.19)</b>	<b>\$ (0.11)</b>	<b>\$ (0.47)</b>	<b>\$ (0.12)</b>
<b>Diluted</b>	<b>\$ (0.19)</b>	<b>\$ (0.11)</b>	<b>\$ (0.47)</b>	<b>\$ (0.12)</b>
<b>Weighted-average common shares outstanding:</b>				
<b>Basic</b>	<b>62,668</b>	<b>61,733</b>	<b>62,463</b>	<b>61,392</b>
<b>Diluted</b>	<b>62,668</b>	<b>61,733</b>	<b>62,463</b>	<b>61,392</b>

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

(in thousands)	Three Months Ended July 31,		Six Months Ended July 31,	
	2016	2015	2016	2015
<b>GAAP Revenue By Segment:</b>				
Enterprise Intelligence	\$ 164,383	\$ 159,557	\$ 316,391	\$ 306,273
Cyber Intelligence	74,737	106,697	141,865	198,148
Video Intelligence	22,801	29,628	49,089	60,997
Security Intelligence	97,538	136,325	190,954	259,145
<b>GAAP Total Revenue</b>	<b>\$ 261,921</b>	<b>\$ 295,882</b>	<b>\$ 507,345</b>	<b>\$ 565,418</b>
<b>Revenue Adjustments Related to Acquisitions:</b>				
Enterprise Intelligence	\$ 2,018	\$ 628	\$ 5,507	\$ 1,309
Cyber Intelligence	211	589	276	729
Video Intelligence	—	—	—	—
Security Intelligence	211	589	276	729
<b>Total Revenue Adjustments Related to Acquisitions</b>	<b>\$ 2,229</b>	<b>\$ 1,217</b>	<b>\$ 5,783</b>	<b>\$ 2,038</b>
<b>Non-GAAP Revenue By Segment:</b>				
Enterprise Intelligence	\$ 166,401	\$ 160,185	\$ 321,898	\$ 307,582
Cyber Intelligence	74,948	107,286	142,141	198,877
Video Intelligence	22,801	29,628	49,089	60,997
Security Intelligence	97,749	136,914	191,230	259,874
<b>Non-GAAP Total Revenue</b>	<b>\$ 264,150</b>	<b>\$ 297,099</b>	<b>\$ 513,128</b>	<b>\$ 567,456</b>

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

(in thousands, except per share data)	Three Months Ended July 31,		Six Months Ended July 31,	
	2016	2015	2016	2015
<b>Table of Reconciliation from GAAP Gross Profit to Non-GAAP Gross Profit</b>				
<b>GAAP gross profit</b>	<b>\$ 159,460</b>	<b>\$ 177,344</b>	<b>\$ 304,190</b>	<b>\$ 343,707</b>
<b>GAAP gross margin</b>	<b>60.9 %</b>	<b>59.9 %</b>	<b>60.0 %</b>	<b>60.8 %</b>
Revenue adjustments related to acquisitions	2,229	1,217	5,783	2,038
Amortization of acquired technology and backlog	9,134	9,856	18,314	17,836
Stock-based compensation expenses	2,262	2,286	3,766	2,882
Other adjustments	315	3,216	1,044	3,629
<b>Non-GAAP gross profit</b>	<b>\$ 173,400</b>	<b>\$ 193,919</b>	<b>\$ 333,097</b>	<b>\$ 370,092</b>
<b>Non-GAAP gross margin</b>	<b>65.6 %</b>	<b>65.3 %</b>	<b>64.9 %</b>	<b>65.2 %</b>
<b>Table of Reconciliation from GAAP Operating Income (Loss) to Non-GAAP Operating Income</b>				
<b>GAAP operating income (loss)</b>	<b>\$ 3,749</b>	<b>\$ 8,710</b>	<b>\$ (7,542)</b>	<b>\$ 18,320</b>
<b>As a percentage of GAAP revenue</b>	<b>1.4 %</b>	<b>2.9 %</b>	<b>(1.5)%</b>	<b>3.2 %</b>
Revenue adjustments related to acquisitions	2,229	1,217	5,783	2,038
Amortization of acquired technology and backlog	9,134	9,856	18,314	17,836
Amortization of other acquired intangible assets	11,466	10,733	22,732	21,470
Stock-based compensation expenses	16,388	18,983	31,728	33,833
Other adjustments	5,445	9,500	12,191	16,822
<b>Non-GAAP operating income</b>	<b>\$ 48,411</b>	<b>\$ 58,999</b>	<b>\$ 83,206</b>	<b>\$ 110,319</b>
<b>As a percentage of non-GAAP revenue</b>	<b>18.3 %</b>	<b>19.9 %</b>	<b>16.2 %</b>	<b>19.4 %</b>
<b>Table of Reconciliation from GAAP Other Expense, Net to Non-GAAP Other Expense, Net</b>				
<b>GAAP other expense, net</b>	<b>\$ (13,769)</b>	<b>\$ (11,849)</b>	<b>\$ (18,341)</b>	<b>\$ (19,781)</b>
Unrealized losses (gains) on derivatives, net	134	(296)	392	125
Amortization of convertible note discount	2,650	2,515	5,264	4,995
Other adjustments	2,503	242	2,849	301
<b>Non-GAAP other expense, net<sup>(1)</sup></b>	<b>\$ (8,482)</b>	<b>\$ (9,388)</b>	<b>\$ (9,836)</b>	<b>\$ (14,360)</b>
<b>Table of Reconciliation from GAAP Provision for Income Taxes to Non-GAAP Provision for Income Taxes</b>				
<b>GAAP provision for income taxes</b>	<b>\$ 1,058</b>	<b>\$ 2,621</b>	<b>\$ 1,388</b>	<b>\$ 3,568</b>
<b>GAAP effective income tax rate</b>	<b>(10.6)%</b>	<b>(83.5)%</b>	<b>(5.4)%</b>	<b>(244.2)%</b>
Non-GAAP tax adjustments	2,586	1,646	5,230	4,630
<b>Non-GAAP provision for income taxes</b>	<b>\$ 3,644</b>	<b>\$ 4,267</b>	<b>\$ 6,618</b>	<b>\$ 8,198</b>
<b>Non-GAAP effective income tax rate</b>	<b>9.1 %</b>	<b>8.6 %</b>	<b>9.0 %</b>	<b>8.5 %</b>
<b>Table of Reconciliation from GAAP Net Loss Attributable to Verint Systems Inc. to Non-GAAP Net Income Attributable to Verint Systems Inc.</b>				
<b>GAAP net loss attributable to Verint Systems Inc.</b>	<b>\$ (11,705)</b>	<b>\$ (7,085)</b>	<b>\$ (29,161)</b>	<b>\$ (7,501)</b>
Revenue adjustments related to acquisitions	2,229	1,217	5,783	2,038
Amortization of acquired technology and backlog	9,134	9,856	18,314	17,836
Amortization of other acquired intangible assets	11,466	10,733	22,732	21,470
Stock-based compensation expenses	16,388	18,983	31,728	33,833



Unrealized losses (gains) on derivatives, net	134	(296)	392	125
Amortization of convertible note discount	2,650	2,515	5,264	4,995
Other adjustments	7,948	9,742	15,040	17,123
Non-GAAP tax adjustments	(2,586)	(1,646)	(5,230)	(4,630)
Total GAAP net loss adjustments	47,363	51,104	94,023	92,790
<b>Non-GAAP net income attributable to Verint Systems Inc.</b>	<b>\$ 35,658</b>	<b>\$ 44,019</b>	<b>\$ 64,862</b>	<b>\$ 85,289</b>

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

GAAP diluted net loss per common share attributable to Verint Systems Inc.	\$ (0.19)	\$ (0.11)	\$ (0.47)	\$ (0.12)
Non-GAAP diluted net income per common share attributable to Verint Systems Inc.	\$ 0.57	\$ 0.70	\$ 1.03	\$ 1.36

**GAAP diluted weighted-average shares used in computing net loss per common share attributable to Verint Systems Inc.**

	62,668	61,733	62,463	61,392
Additional weighted-average anti-dilutive shares applicable to non-GAAP net income per common share attributable to Verint Systems Inc.	260	1,040	421	1,261
<b>Non-GAAP diluted weighted-average shares used in computing net income per common share attributable to Verint Systems Inc.</b>	<b>62,928</b>	<b>62,773</b>	<b>62,884</b>	<b>62,653</b>

**Table of Reconciliation from GAAP Net Loss Attributable to Verint Systems Inc. to Adjusted EBITDA**

<b>GAAP net loss attributable to Verint Systems Inc.</b>	<b>\$ (11,705)</b>	<b>\$ (7,085)</b>	<b>\$ (29,161)</b>	<b>\$ (7,501)</b>
Net income attributable to noncontrolling interest	627	1,325	1,890	2,472
Provision for income taxes	1,058	2,621	1,388	3,568
Other expense, net	13,769	11,849	18,341	19,781
Depreciation and amortization <sup>(2)</sup>	27,894	26,558	55,441	50,848
Revenue adjustments related to acquisitions	2,229	1,217	5,783	2,038
Stock-based compensation expenses	16,388	18,983	31,728	33,833
Other adjustments	5,442	9,485	12,187	16,789
<b>Adjusted EBITDA</b>	<b>\$ 55,702</b>	<b>\$ 64,953</b>	<b>\$ 97,597</b>	<b>\$ 121,828</b>

**July 31,**      **January 31,**  
**2016**              **2016**

**Table of Reconciliation from Gross Debt to Net Debt**

Current maturities of long-term debt	\$ 5,186	\$ 2,104
Long-term debt	739,914	735,983
Unamortized debt discounts and issuance costs	67,021	73,055
<b>Gross debt</b>	<b>812,121</b>	<b>811,142</b>
Less:		
Cash and cash equivalents	340,116	352,105
Restricted cash and bank time deposits	8,957	11,820
Short-term investments	27,337	55,982
<b>Net debt</b>	<b>\$ 435,711</b>	<b>\$ 391,235</b>

(1) For the three months ended July 31, 2016, non-GAAP other expense, net of \$8.5 million was comprised of \$6.3 million of interest and other expense, and \$2.2 million of foreign exchange charges primarily related to balance sheet translations.

(2) Adjusted for financing fee amortization.

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

(in thousands, except share and per share data)	July 31, 2016	January 31, 2016
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 340,116	\$ 352,105
Restricted cash and bank time deposits	8,957	11,820
Short-term investments	27,337	55,982
Accounts receivable, net of allowance for doubtful accounts of \$2.1 million and \$1.2 million, respectively	265,227	256,419
Inventories	21,069	18,312
Deferred cost of revenue	3,450	1,876
Prepaid expenses and other current assets	64,148	57,598
<b>Total current assets</b>	<b>730,304</b>	<b>754,112</b>
Property and equipment, net	77,802	68,904
Goodwill	1,218,699	1,207,176
Intangible assets, net	240,460	246,682
Capitalized software development costs, net	10,662	11,992
Long-term deferred cost of revenue	10,345	13,117
Other assets	50,980	53,752
<b>Total assets</b>	<b>\$ 2,339,252</b>	<b>\$ 2,355,735</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 56,876	\$ 65,447
Accrued expenses and other current liabilities	222,531	209,071
Deferred revenue	166,628	167,912
<b>Total current liabilities</b>	<b>446,035</b>	<b>442,430</b>
Long-term debt	739,914	735,983
Long-term deferred revenue	19,057	20,488
Other liabilities	97,892	88,670
<b>Total liabilities</b>	<b>1,302,898</b>	<b>1,287,571</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity:</b>		
Preferred stock - \$0.001 par value; authorized 2,207,000 shares at July 31, 2016 and January 31, 2016, respectively; none issued.	—	—
Common stock - \$0.001 par value; authorized 120,000,000 shares. Issued 63,986,000 and 62,614,000 shares; outstanding 63,138,000 and 62,266,000 shares at July 31, 2016 and January 31, 2016, respectively.	64	63
Additional paid-in capital	1,422,906	1,387,955
Treasury stock, at cost - 848,000 and 348,000 shares at July 31, 2016 and January 31, 2016, respectively.	(27,413)	(10,251)
Accumulated deficit	(230,597)	(201,436)
Accumulated other comprehensive loss	(138,822)	(116,194)
<b>Total Verint Systems Inc. stockholders' equity</b>	<b>1,026,138</b>	<b>1,060,137</b>
Noncontrolling interest	10,216	8,027
<b>Total stockholders' equity</b>	<b>1,036,354</b>	<b>1,068,164</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,339,252</b>	<b>\$ 2,355,735</b>

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

(in thousands)	Six Months Ended July 31,	
	2016	2015
<b>Cash flows from operating activities:</b>		
Net loss	\$ (27,271)	\$ (5,029)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>		
Depreciation and amortization	57,035	52,388
Stock-based compensation, excluding cash-settled awards	31,638	33,702
Amortization of discount on convertible notes	5,264	4,995
Non-cash losses (gains) on derivative financial instruments, net	1,963	(274)
Other non-cash items, net	7,402	11,075
<b>Changes in operating assets and liabilities, net of effects of business combinations:</b>		
Accounts receivable	(21)	16,614
Inventories	(3,142)	(2,460)
Deferred cost of revenue	1,169	2,834
Prepaid expenses and other assets	(2,450)	(8,400)
Accounts payable and accrued expenses	(2,838)	(26,380)
Deferred revenue	(2,450)	(9,982)
Other, net	2,997	(2,920)
<b>Net cash provided by operating activities</b>	<b>69,296</b>	<b>66,163</b>
<b>Cash flows from investing activities:</b>		
Cash paid for business combinations, including adjustments, net of cash acquired	(72,269)	(21,215)
Purchases of property and equipment	(15,133)	(10,191)
Purchases of investments	(32,260)	(39,842)
Maturities and sales of investments	60,942	15,479
Cash paid for capitalized software development costs	(1,338)	(2,136)
Change in restricted cash and bank time deposits, including long-term portion, and other investing activities, net	2,720	15,141
<b>Net cash used in investing activities</b>	<b>(57,338)</b>	<b>(42,764)</b>
<b>Cash flows from financing activities:</b>		
Repayments of borrowings and other financing obligations	(371)	(212)
Proceeds from exercises of stock options	1	229
Purchases of treasury stock	(17,162)	—
Payments of contingent consideration for business combinations (financing portion)	(3,231)	(2,856)
Other financing activities	(849)	(239)
<b>Net cash used in financing activities</b>	<b>(21,612)</b>	<b>(3,078)</b>
Effect of foreign currency exchange rate changes on cash and cash equivalents	(2,335)	794
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(11,989)</b>	<b>21,115</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>352,105</b>	<b>285,072</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 340,116</b>	<b>\$ 306,187</b>

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

(in thousands, except percentages)	GAAP Revenue		Non-GAAP Revenue	
	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended
<b>Total Revenue</b>				
Revenue for the three and six months ended July 31, 2015	\$ 295,882	\$ 565,418	\$ 297,099	\$ 567,456
Revenue for the three and six months ended July 31, 2016	\$ 261,921	\$ 507,345	\$ 264,150	\$ 513,128
Revenue for the three and six months ended July 31, 2016 at constant currency <sup>(1)</sup>	\$ 265,000	\$ 512,000	\$ 267,000	\$ 518,000
Reported period-over-period revenue change	(11.5)%	(10.3)%	(11.1)%	(9.6)%
% impact from change in foreign currency exchange rates	1.1 %	0.9 %	1.0 %	0.9 %
Constant currency period-over-period revenue change	(10.4)%	(9.4)%	(10.1)%	(8.7)%
<b>Enterprise Intelligence</b>				
Revenue for the three and six months ended July 31, 2015	\$ 159,557	\$ 306,273	\$ 160,185	\$ 307,582
Revenue for the three and six months ended July 31, 2016	\$ 164,383	\$ 316,391	\$ 166,401	\$ 321,898
Revenue for the three and six months ended July 31, 2016 at constant currency <sup>(1)</sup>	\$ 167,000	\$ 320,000	\$ 169,000	\$ 326,000
Reported period-over-period revenue growth	3.0 %	3.3 %	3.9 %	4.7 %
% impact from change in foreign currency exchange rates	1.7 %	1.2 %	1.6 %	1.3 %
Constant currency period-over-period revenue growth	4.7 %	4.5 %	5.5 %	6.0 %
<b>Security Intelligence</b>				
Revenue for the three and six months ended July 31, 2015	\$ 136,325	\$ 259,145	\$ 136,914	\$ 259,874
Revenue for the three and six months ended July 31, 2016	\$ 97,538	\$ 190,954	\$ 97,749	\$ 191,230
Revenue for the three and six months ended July 31, 2016 at constant currency <sup>(1)</sup>	\$ 98,000	\$ 192,000	\$ 98,000	\$ 192,000
Reported period-over-period revenue change	(28.5)%	(26.3)%	(28.6)%	(26.4)%
% impact from change in foreign currency exchange rates	0.4 %	0.4 %	0.2 %	0.3 %
Constant currency period-over-period revenue change	(28.1)%	(25.9)%	(28.4)%	(26.1)%

(1) Revenue for the three and six months ended July 31, 2016 at constant currency is calculated by translating current-period foreign currency revenue into U.S. dollars using average foreign currency exchange rates for the three and six months ended July 31, 2015 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.



## **Verint Systems Inc. and Subsidiaries**

### **Supplemental Information About Non-GAAP Financial Measures**

This press release contains non-GAAP financial measures, consisting of non-GAAP revenue, non-GAAP gross profit and gross margin, non-GAAP operating income and operating margin, non-GAAP other income (expense), net, non-GAAP provision (benefit) for income taxes and non-GAAP effective income tax rate, non-GAAP net income attributable to Verint Systems Inc., non-GAAP net income per common share attributable to Verint Systems Inc., adjusted EBITDA, net debt, and constant currency measures. Tables 2 and 3 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, including 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 related to acquisitions.* We exclude from our non-GAAP revenue the impact of fair value adjustments required under GAAP relating to acquired customer support contracts, 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

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to varying valuation methodologies and subjective assumptions, and therefore we believe that excluding stock-based compensation from our non-GAAP financial measures allows for meaningful comparisons of our current operating results to our historical operating results and to other companies in our industry.

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

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

*Other Adjustments.* Other Adjustments include the following:

- *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.
- *Acquisition Expenses.* 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, 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, are dependent on factors that may be beyond our control, 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.
- *Other adjustments.* We exclude from our non-GAAP financial measures changes in the fair value of contingent consideration obligations, asset impairment charges other than those associated with restructuring or acquisition activity, rent expense for redundant facilities, and gains or losses on sales of property, 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 for 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, 2017 is currently approximately 9%, and was 8.1% for the year ended January 31, 2016. 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.

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### 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 related to acquisitions, 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 competitors 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 and bank time deposits, 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.