# 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): January 10, 2014**

# Verint Systems Inc.
**(Exact name of registrant as specified in its charter)**

**001-34807**
**(Commission File Number)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of incorporation)** | **11-3200514**<br>**(I.R.S. Employer Identification No.)** |
| **330 South Service Road, Melville, New York**<br>**(Address of principal executive offices)** | **11747**<br>**(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))

**Item 7.01. Regulation FD Disclosure.**

As previously disclosed, on January 6, 2014, Verint Systems Inc. (“Verint”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Kiwi Acquisition Inc., an indirect, wholly owned subsidiary of Verint (“Merger Sub”), Kay Technology Holdings, Inc. (“KANA”) and Accel-KKR Capital Partners III, LP, providing for the merger, upon the terms and subject to the conditions set forth in the Merger Agreement, of Merger Sub with and into KANA with KANA continuing as the surviving corporation and an indirect, wholly owned subsidiary of Verint (the “Merger”). Subject to the terms and conditions of the Merger Agreement, the merger consideration will consist of cash in an amount equal to $514 million, subject to certain closing adjustments set forth in the Merger Agreement. A portion of the consideration paid in the Merger is expected to be financed using the proceeds of incremental term loans on terms similar to Verint’s existing term loans under its secured credit agreement.

In connection with the proposed financing, Verint expects to make a presentation to lenders and prospective lenders (the “Lender Presentation”). A copy of the Lender Presentation is furnished as Exhibit 99.1 to this Current Report and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934.

The information contained in the Lender Presentation is summary information that should be considered in the context of Verint’s filings with the Securities and Exchange Commission and other public announcements that Verint may make by press release or otherwise from time to time. The Lender Presentation speaks as of the date of this Current Report. While Verint may elect to update the Lender Presentations in the future to reflect events and circumstances occurring or existing after the date of this Current Report, Verint specifically disclaims any obligation to do so, except as may be required by law. By furnishing the Lender Presentation with this Current Report, Verint makes no admission as to the materiality of any information in the Lender Presentation.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits**

| Exhibit No. | Description |
|---|---|
| 99.1 | Lender Presentation. |

* * * * * *

**Cautions about Forward-Looking Statements**

This document contains forward-looking statements, including statements regarding expectations, predictions, views, opportunities, plans, strategies, beliefs, and statements of similar effect relating to Verint and the expected benefits of the Merger. These forward-looking statements are not guarantees of future performance and they are based on management’s expectations that involve a number of risks, uncertainties and assumptions, any of which could cause actual results or events to differ materially from those expressed in or implied by the forward-looking statements, including risks associated with the Merger, such as uncertainties regarding the closing of the Merger or the ability to realize the expected benefits of the Merger, as well as risks associated with related system integrations. For a detailed discussion of risk factors impacting Verint, see Verint’s Annual Report on Form 10-K for the year ended January 31, 2013, its Quarterly Report on Form 10-Q for the quarter ended October 31, 2013, and other filings Verint makes with the Securities and Exchange Commission. The forward-looking statements contained in this document are made as of the date hereof, and Verint assumes no obligation to revise or update any forward-looking statement, except as otherwise required by law.

## 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: January 10, 2014

By: /s/ Peter Fante
Name: Peter Fante
Title: Chief Legal Officer

## EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|
| 99.1 | Lender Presentation. |

Exhibit 99.1

# Verint Systems Inc.

## *Making Big Data Actionable* TM

Presentation to Lenders

January 2014

THE COMPANY ACKNOWLEDGES THAT THE RECIPIENT OF THIS PRESENTATION HAS STATED THAT IT DOES NOT WISH TO RECEIVE MATERIAL NON-PUBLIC INFORMATION WITH RESPECT TO THE COMPANY OR ITS SECURITIES. NEITHER THE COMPANY NOR THE ARRANGERS TAKE ANY RESPONSIBILITY FOR THE RECIPIENT'S DECISION TO LIMIT THE SCOPE OF THE INFORMATION IT HAS OBTAINED IN CONNECTION WITH ITS EVALUATION OF THE COMPANY AND THE FACILITIES.

VERINT.

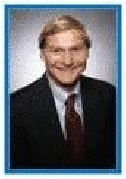
# Forward-Looking Statements

This document contains forward-looking statements, including statements regarding expectations, predictions, views, opportunities, plans, strategies, beliefs, and statements of similar effect relating to Verint and the expected benefits of the KANA acquisition. Forward-looking statements are often identified by future or conditional words such as "will", "would", "plans", "expects", "intends", "believes", "seeks", "estimates", or "anticipates", or by variations of such words or by similar expressions. These forward-looking statements are not guarantees of future performance and they are based on management's expectations that involve a number of risks, uncertainties, and assumptions, any of which could cause actual results or events to differ materially from those expressed in or implied by the forward-looking statements, including risks associated with the KANA acquisition, such as uncertainties regarding the closing of the KANA acquisition or the ability to realize the expected benefits of the transaction, as well as risks associated with related system integrations. For a detailed discussion of risk factors impacting Verint, see Verint's Annual Report on Form 10-K for the year ended January 31, 2013, its Quarterly Report on Form 10-Q for the quarter ended October 31, 2013, and other filings Verint makes with the SEC. The forward-looking statements contained in this document are made as of the date of this document, and Verint assumes no obligation to revise or update any forward-looking statement, except as otherwise required by law.

# Management Presenters

Dan Bodner

*President and Chief Executive Officer*



Doug Robinson

*Chief Financial Officer*

Alan Roden

*SVP, Corporate Development*

# Table of Contents

VERINT

# 1. Transaction Overview

# Transaction Overview

- On January 6, 2014, Verint Systems Inc. ("Verint" or the "Company") signed a definitive purchase agreement to acquire KANA Software ("KANA" or the "Target") from Accel-KKR for $514 million in cash (the "Transaction")
- KANA is a leader in customer service solutions delivered both on-premises and in the cloud with ~900 customers
- The Transaction is expected to be financed with:
  - ~$100 million Verint cash from balance sheet
  - $300 million incremental term loan on the Company's existing senior secured term loan facility
  - ~$126 million revolver draw
- Pro forma LTM non-GAAP revenue of $1,020 million and non-GAAP EBITDA of $258 million
  - Pro forma LTM gross and net leverage of 4.2x and 3.1x, respectively
  - Verint expects to delever through a combination of EBITDA growth, free cash flow generation and debt paydown
  - Verint has a track record of successfully delevering, having reduced net leverage from 5.7x to 2.0x within two years after acquiring Witness in FY'08
- The Company is also seeking an amendment to increase its incremental debt capacity as well as amend the conditionality requirements for future incremental borrowings in connection with permitted acquisitions
  - Existing lenders should submit signature pages for the amendment to LendAmend. Instructions will be posted to SyndTrak

Note: LTM based on 10/31/13 results for Verint and the midpoint of 12/31/13E estimates for KANA.
KANA has not closed its financials for 12/31/13. Preliminary estimates for LTM 12/31/13E are non-GAAP revenue of $135–$139 million and non-GAAP EBITDA of $35–$37 million.

# Sources & Uses and Pro Forma Capitalization

VERINT

## Sources & Uses

($ in millions)

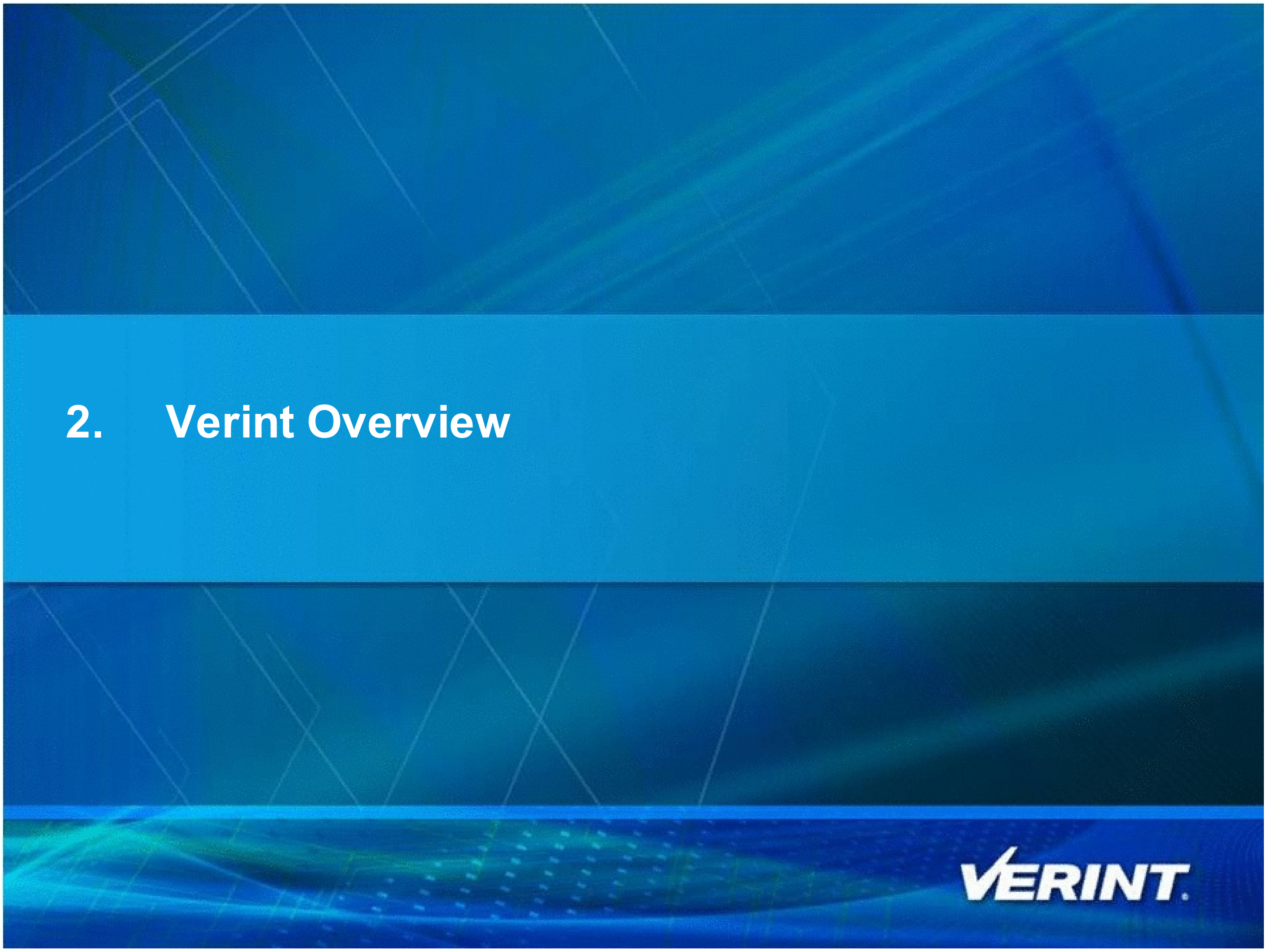
| Sources | | | Uses | |
|---|---|---|---|---|
| Revolver Draw | $126 | 24.0% | Purchase Price | $514 |
| Incremental Senior Secured Term Loan | 300 | 57.0% | Estimated Transaction Expenses | 12 |
| Verint Cash from Balance Sheet | 100 | 19.0% | | |
| **Total Sources** | **$526** | **100.0%** | **Total Uses** | **$526** |

## Pro Forma Capitalization

| ($ in millions) | Existing 10/31/2013 | Adjustment | Pro Forma 10/31/2013 |
|---|---|---|---|
| Unrestricted Cash and Short-Term Investments | $376 | ($100) | $276 |
| $200mm Revolving Credit Facility | – | 126 | 126 |
| Senior Secured Term Loan | 645 | 300 | 945 |
| **Total Debt** | **$645** | **$426** | **$1,071** |
| **Financial summary:** | | | |
| LTM 10/31/13 Non-GAAP EBITDA (1) | $222 | $36 | $258 |
| **Credit statistics:** | | | |
| Total Debt / LTM 10/31/13 Non-GAAP EBITDA | 2.9x | | 4.2x |
| Net Debt / LTM 10/31/13 Non-GAAP EBITDA | 1.2x | | 3.1x |

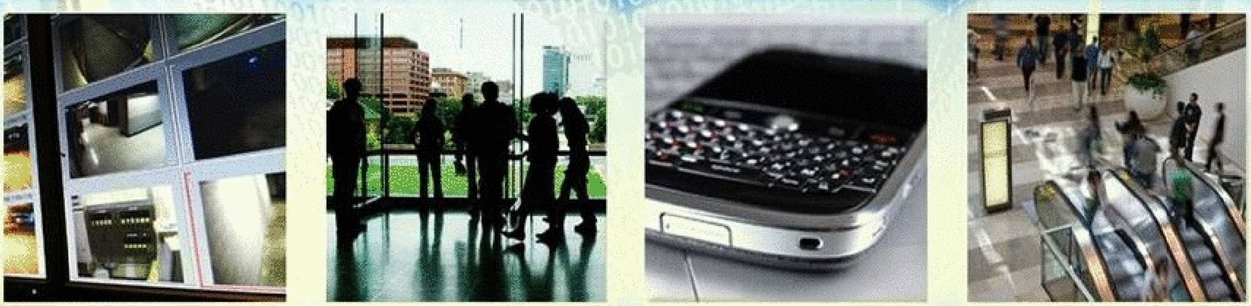
Note: Based on current expectations regarding financing structure.

(1) KANA non-GAAP EBITDA reflects the midpoint of estimated LTM 12/31/13E results of $35–$37 million.


2. Verint Overview
VERINT

# The Big Data Analytics Opportunity

Intelligent organizations are differentiating themselves and driving competitive advantage through big data analytics



# Helping Customers Collect Big Data -Examples


Objective: Extract intelligence from customer interactions for customer-centric operations


Objective: Extract intelligence from communications to fight crime and terrorism

## Enterprise Case Study

- **More than 50 million customer telephony interactions per year**
- **More than 300 million customer text related interactions per year - emails, surveys and unstructured text**

## Security Case Study

- **Tens of millions of communications per day - phone, email, chat, SMS, web session, social media, etc.**
- **Requires multiple Petabytes of storage**

# Large and Diversified Customer Base

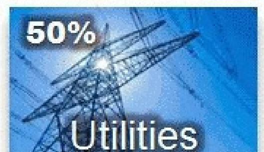
**Large base of more than 10,000 customers provides Verint the opportunity to deliver analytical applications across multiple markets**

## Strong Presence Across Global Fortune 500 Companies










Note: % represents percentage of Global Fortune 500 companies that are Verint customers. Calculations based on 2012 data.

# Enterprise Intelligence

**Our solutions enable customer service operations to enhance the customer experience while increasing revenue and improving profitability**


Understand Customer Sentiment

Optimize the Workforce

Discover Business Trends

We are expanding from our strong position in the contact center into branch, back-office and customer experience functions

# Security Intelligence

VERINT

**Our solutions enable security organizations to leverage big data from a wide range of communications, video and data sources to enhance security and prevent crime and terrorism**

Generate Intelligence and Collect Evidence

Improve Physical Security Cost Effectively

Optimize Public Safety Call Centers

**Migration to IP networks creates new challenges and new opportunities for law enforcement and security organizations**

# Go-to-Market Strategy

**Growing sales force and channel partners**

- Verticalized direct sales force with subject matter expertise
  - ~800 professionals in sales and marketing
- Partner strategy broadens market coverage
  - ~50% of business through channel partners: OEMs, SIs and regional resellers

**Flexible business models**

- Perpetual, software-as-a-service, managed services
- Business models reflect customer preferences
  - Enterprise, typical software model
  - Security, prefer turnkey solutions

## Creating a New Leader for Customer Engagement

VERINT.

**To Empower Organizations to**
**Optimize and Transform Customer Engagements**

**Combination Helps Organizations Enhance Loyalty, Mitigate Risk and Better Manage Operational Costs**

VERINT + KANA.

**The complementary solution set would enable organizations worldwide to implement a single-vendor solution that helps optimize and align customer engagement strategy**

# Complementary Solutions

VERINT

KANA.

- Case Management
- NLP Knowledge Management
- Agent Desktop
- Web Self-Service & Secure Portal
- Business Process Management
- Inbound Routing and Queuing
- Live Chat and Co-Browsing
- Text Analytics
- Email & Whitemail Management
- Mobile and Social

VERINT

- WFO and WFM
- Performance Management
- Desktop and Process Analytics
- Enterprise Feedback Management
- Customer Feedback Management
- Quality Monitoring
- Recording
- Speech Analytics
- eLearning and Coaching
- Video and Situation Intelligence

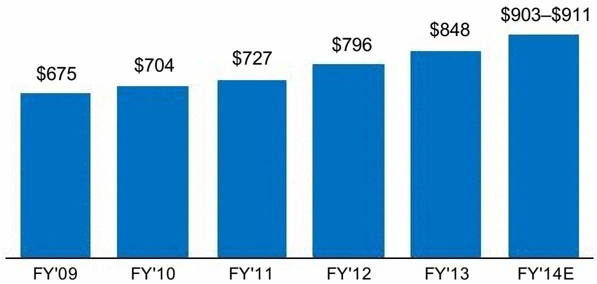
# 3. Financial Overview

VERINT

# Track Record of Strong Financial Performance

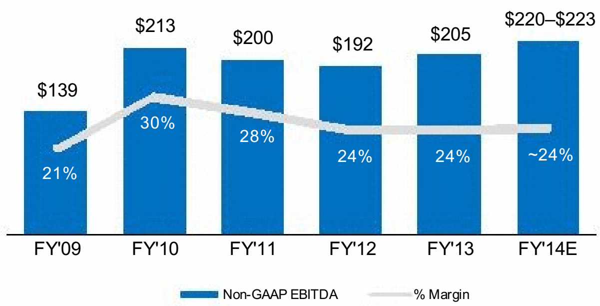
## Non-GAAP Revenue

FYE 1/31 ($ in millions)




## Non-GAAP EBITDA and % Margin

FYE 1/31 ($ in millions)




## Outlook

**Guidance from Q3 Conference Call**

- **FYE 2014**
  - Revenue Growth: 6.5% to 7.5% from the prior year
  - Diluted EPS: $2.75 to $2.80
- **FYE 2015**
  - Revenue to increase between 7.0% and 9.0% compared to the year ending January 31, 2014

**Update from 1/6/14 Conference Call**

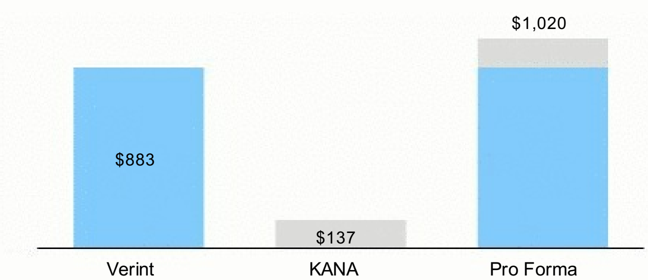
- **FYE 2014**
  - Verint reaffirmed prior guidance
- **FYE 2015**
  - Verint guidance expected to be updated after KANA transaction closes
  - CY 2014E KANA Revenue: $140 to $150 million
  - CY 2014E KANA EBITDA: $40 to $45 million

Note: Guidance relates to non-GAAP revenue, EPS and EBITDA.

# Pro Forma Financial Summary

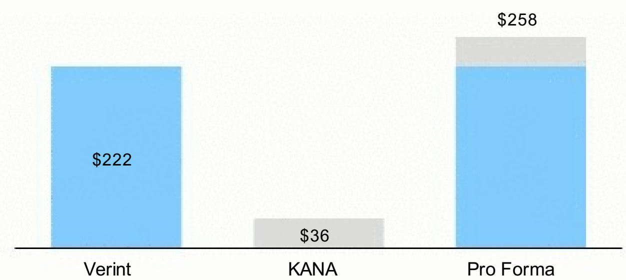
## LTM Non-GAAP Revenue Contribution

($ in millions)



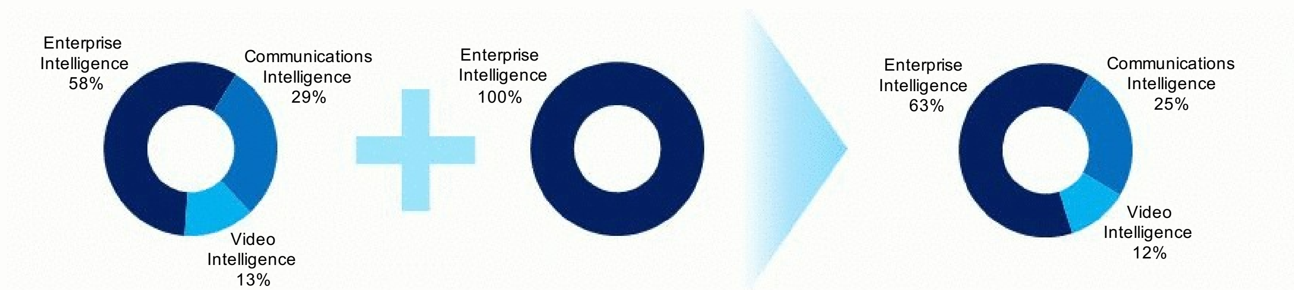

## LTM Non-GAAP EBITDA Contribution

($ in millions)




## LTM Revenue by Segment Breakdown

***Verint*** ***KANA*** ***Pro Forma***




Note: LTM financials based on 10/31/13 results for Verint and the midpoint of 12/31/13E estimates for KANA.
KANA has not closed its financials for 12/31/13. Preliminary estimates for LTM 12/31/13E are non-GAAP revenue of $135–$139 million and non-GAAP EBITDA of $35–$37 million.

# Track Record of De-levering and Ability to Maintain Efficient Leverage Levels

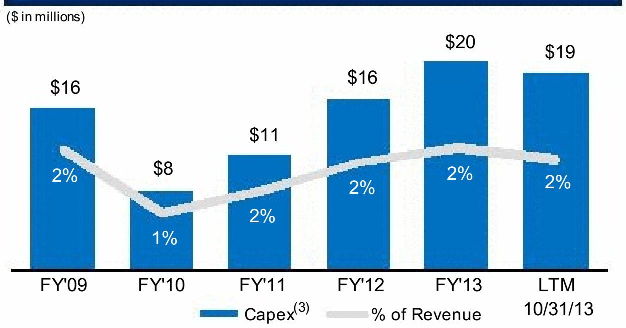
VERINT.

## Key Highlights

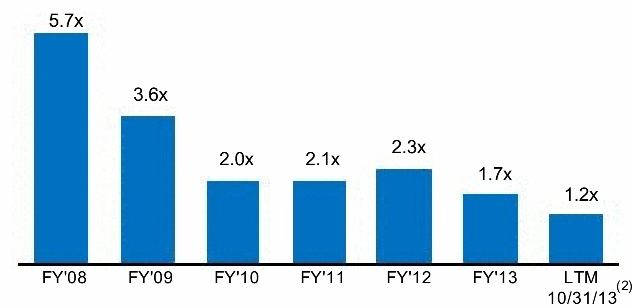
- Verint generates good free cash flow and has demonstrated an ability to de-lever
- The Company has a number of positive cash flow characteristics
  - Operating margins greater than 20%
  - Capex of less than 2%–3% of revenue
  - Minimal working capital needs
  - Low effective tax rate due to NOLs

## Net Debt(1)


## Low Capex Needs




## Net Debt(1) / Non-GAAP EBITDA




(1) Total debt less unrestricted cash and short-term investments.
(2) Cash and debt balance as of 10/31/13. Unadjusted for current transaction.
(3) Capital expenditures includes cash paid for capitalized software development costs.

# 4. Key Credit Highlights

# Verint Key Credit Highlights

VERINT

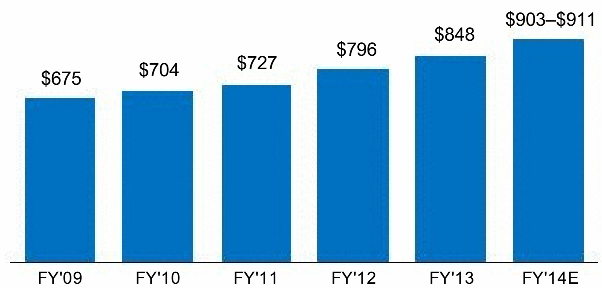
1. Strong Financial Performance Underpinned by Attractive Industry Fundamentals
2. Compelling Combination
3. Highly Diversified Business
4. Significant Free Cash Flow Generation to Support Deleveraging
5. Experienced Management Team

# Strong Financial Performance Underpinned by Attractive Industry Fundamentals

VERINT

## Non-GAAP Revenue

($ in millions)

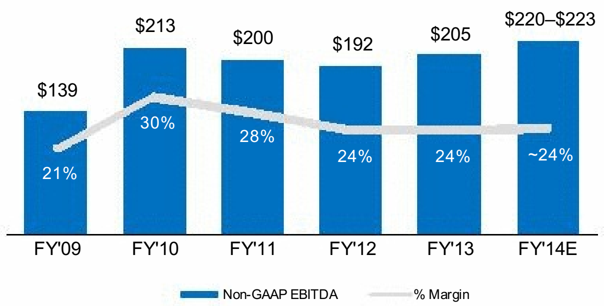



## Enterprise Intelligence Growth Drivers

- Integration of WFO applications
- Greater insight through customer interaction analytics to improve the performance of customer service operations
- Adoption of WFO across the enterprise
- Migration to VoIP technologies

## Non-GAAP EBITDA and % Margin

($ in millions)




## Security Intelligence Growth Drivers

- Growing demand for advanced intelligence and investigative solutions
- Terrorism, crime and other security threats around the world are generating demand for advanced video security solutions
- Increasingly complex communications networks and growing network traffic
- Transition to IP networks and web and cyber security
- Legal and regulatory compliance requirements

# Compelling Combination

VERINT

## Favorable Industry Reaction to the Transaction….

### …From Wall Street Analysts…

"Kana enhances VRNT's SaaS capabilities and call center technologies and deepens its reach into customer experience and workforce optimization solutions."

"We believe this acquisition is a significant enhancement for Verint, as it augments the company's existing solution suite to include significant online/e-business capabilities, such as response management for e-mail, chat, and social media, as well as KANA's agent desktop solution."

"We like the transaction as it could accelerate the adoption of customer engagement suites through the deployment of a solution set from a single vendor and increase the company's importance as a strategic supplier. KANA Software should add ~800 employees (200 in R&D) and ~900 customers to Verint. We believe the move could be an important part in helping the overall growth rate accelerate into the double-digits."

"We like this acquisition as it is expected to be accretive to FY 2015 earnings (FYE January) and see it expanding the Company's service suite in its fastest growing area – actionable intelligence."

### …And Industry Experts

"Big data and analytics meet customer experience. Verint expects to expand its customer engagement optimization offering with the acquisition of Kana. Verint's core capabilites, Vovici's voice of the customer assets, and Kana's multichannel customer experience solutions allow customers to move from data to information to insight to action or decisions."

"The acquisition provides greater gains than just complementary product lines, and a venue for both companies to expand their current footprints by cross-and upselling into their respective installed base. The acquisition provides a vision for deeply personalized customer service interactions which are delivered with maximum efficiency for a contact center."

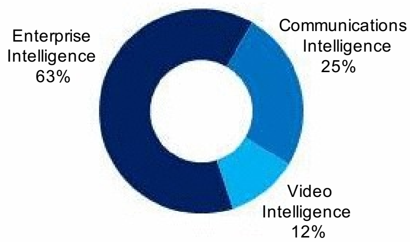
"By offering a 'best of breed' customer support suite, with pre-integrated EFM capabilities, Verint should not only be able to sell the entire stack, and have infinite upsell opportunities with existing customers, but they also can better partner with companies to create a vision for EFM, and then enable the entire vision from phone calls to final analysis."

"Kana enhances VRNT's SaaS capabilities and call center technologies and deepens its reach into customer experience and workforce optimization solutions."

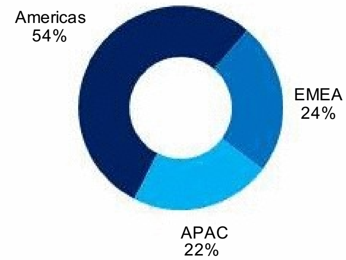
# Highly Diversified Business

3

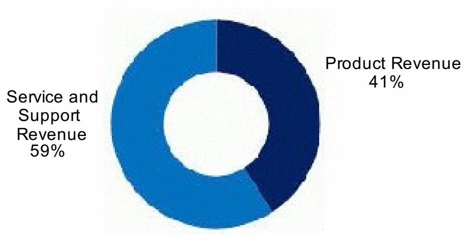
### LTM Pro Forma Revenue by Segment




### LTM Pro Forma Revenue by Region




### LTM Pro Forma Revenue by Type[1]




### More than 10,000 Customers in Over 150 Countries

- Finance and Insurance
- Retail & Hospitality
- Communications
- Health Care
- Government
- Utilities
- Enterprise
- Transportation

Note: LTM pro forma revenue based on 10/31/13 results for Verint and the midpoint of 12/31/13E estimates for KANA. KANA has not closed its financials for 12/31/13. Preliminary estimate for LTM 12/31/13E non-GAAP revenue of $135–$139 million.

(1) KANA revenue by type estimates based on historical results; Product revenue includes KANA License revenue; Service and Support revenue includes all other KANA revenue.

# Significant Free Cash Flow Generation to Support Deleveraging

VERINT.

## Capital Structure Highlights

**Favorable debt structure**

- No maturities until 2018
- Efficient capital structure with ability to prepay all debt without incurring prepayment penalties

**Significant free cash flow generation to support deleveraging**

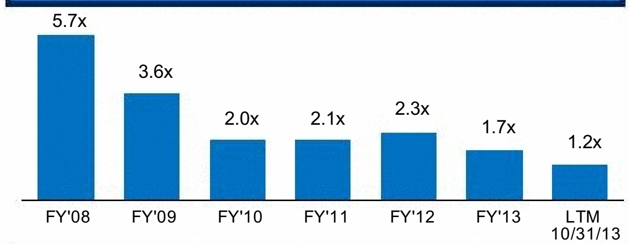
- The Company has a number of positive cash flow characteristics
  - Operating margins greater than 20%
  - Capex of less than 2%–3% of revenue
  - Minimal working capital needs
  - Low effective tax rate due to NOLs
- Proven ability to delever following an acquisition
  - Acquired Witness in FY'08 and reduced net leverage to 2.0x by the end of FY'10

**Strong liquidity**

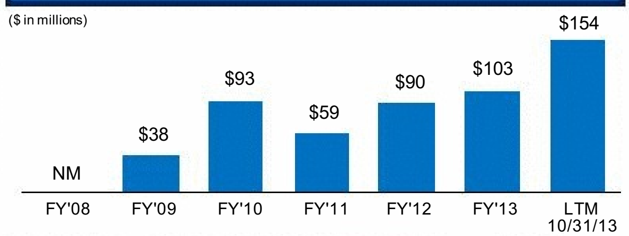
- 10/31/13 pro forma unrestricted cash and short-term investments balance of $276 million
- Pro forma revolver availability of ~$75 million

## Net Debt[1]


## Net Debt[1] / Non-GAAP EBITDA




## Free Cash Flow[2]




(1) Total debt less unrestricted cash and short-term investments.
(2) Calculated as CFO less capex and cash paid for capitalized software development costs.

# 5 Experienced Management Team

VERINT

| | Years at Verint | Professional Experience |
|---|---|---|
| **Dan Bodner**<br>Chief Executive Officer and President | 19 | 33 |
| **Doug Robinson**<br>Chief Financial Officer | 7 | 30 |
| **Elan Moriah**<br>President of Verint Enterprise Intelligence Solutions and Verint Video Intelligence Solutions | 13 | 24 |
| **Hanan Gino**<br>President, Communications and Cyber Intelligence | 1 | 27 |
| **Meir Sperling**<br>Chief Strategy Officer | 13 | 38 |
| **Peter Fante**<br>Chief Legal Officer and Chief Compliance Officer | 11 | 20 |
| **Alan Roden**<br>SVP, Corporate Development | 11 | 20 |
| **Jane O'Donnell**<br>SVP, Global Human Resources | 12 | 33 |

- *Multi-disciplinary expertise*
- *Long tenure*
- *Significant industry background*
- *Significant M&A execution and integration track record*
- *Strong public company experience*

# 5. Syndication Overview and Timing

VERINT

# Indicative Terms

VERINT

## Incremental Senior Secured Term Loan

| | |
|---|---|
| **Borrower:** | Verint Systems Inc. |
| **Joint Lead Arrangers:** | Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., RBC Capital Markets, Barclays, HSBC Securities (USA) Inc. |
| **Issue:** | $300 million Incremental Senior Secured Term Loan (fungible with existing TL-B) |
| **Maturity:** | September 6, 2019 (same as existing TL-B) |
| **LIBOR margin:** | L + 300 bps (-25 bps step-down at BB-/ Ba3) |
| **LIBOR floor:** | 1.00% |
| **Issue price:** | 99.75 |
| **Guarantors:** | Same as existing, but will include all of KANA Software's domestic subsidiaries |
| **Amortization :** | 1.00% per annum (adjusted to be fungible with existing term loans); payable quarterly, with balance due at maturity |
| **Incremental facility :** | $200mm plus an unlimited amount subject to 3.5x 1st lien net leverage (1) |
| **Call protection:** | 101 repricing protection through 3/6/2014 (same as existing TL-B) |
| **Security:** | Same as under existing facilities, with inclusion of assets of U.S. subsidiaries of Kay Technology Holdings, Inc., including KANA Software, as new guarantors |
| **Mandatory prepayments:** | Same as existing TL-B |
| **Financial covenants:** | None |

(1) Credit agreement terms include a cap on cash netting of $150mm. Accordingly, pro forma for this transaction, the 1st lien net leverage ratio is approximately 3.6x.

# Timetable

VERINT.

**January 2014**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | **1** | 2 | 3 | 4 |
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 12 | **13** | 14 | 15 | 16 | **17** | 18 |
| 19 | **20** | 21 | 22 | 23 | 24 | 25 |
| 26 | 27 | 28 | 29 | 30 | 31 | |

**February 2014**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | | | 1 |
| 2 | **3** | 4 | 5 | 6 | 7 | 8 |
| 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| 16 | **17** | 18 | 19 | 20 | 21 | 22 |
| 23 | 24 | 25 | 26 | 27 | 28 | |

Holiday Key date

| Date | Event |
|---|---|
| January 13 | Lender conference call |
| January 17 | Commitments due from lenders |
| February 3[1] | Close and fund |

(1) Closing is subject to the expiration of applicable regulatory waiting periods and the satisfaction or waiver of the other closing conditions.

# Transaction Contacts

| | Title | Phone | Email |
|---|---|---|---|
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# Appendix

# About Non-GAAP Financial Measures

The following tables include a reconciliation of certain financial measures prepared in accordance with Generally Accepted Accounting Principles ("GAAP") to the most directly comparable financial measures not prepared in accordance with GAAP ("non-GAAP"). Non-GAAP financial measures should not be considered in isolation or as a substitute for comparable GAAP financial measures. The non-GAAP financial measures we present in the following tables 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 the adjustments made in these non-GAAP financial measures.

We believe that the non-GAAP financial measures we present in the following tables provide meaningful supplemental information regarding our operating results primarily because they exclude certain non-cash charges or items that we do not believe are reflective of our ongoing operating results when budgeting, planning and forecasting, determining compensation and when assessing the performance of our business with our individual operating segments or our senior management. We believe that these non-GAAP financial measures also facilitate the comparison by management and investors of results between periods and among our peer companies. However, those companies may calculate similar non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.

Our non-GAAP financial measures reflect adjustments to the corresponding GAAP financial measure based on the items set forth below. The purpose of these adjustments is to give an indication of our performance exclusive of certain non-cash charges and other items that are considered by our senior management to be outside of our ongoing operating results.

The non-GAAP financial measures Verint presents have limitations in that they do not reflect all of the amounts associated with Verint's or KANA's results of operations as determined in accordance with GAAP, and these non-GAAP financial measures should only be used to evaluate Verint's or KANA's results of operations in conjunction with the corresponding GAAP financial measures. These non-GAAP financial measures do not represent discretionary cash available to Verint or KANA to invest in the growth of its business, and Verint or KANA may in the future incur expenses similar to or in addition to the adjustments made in these non-GAAP financial measures.

Because we do not predict special items that might occur in the future, and our outlook is developed at a level of detail different than that used to prepare GAAP financial measures, we are not providing a reconciliation to GAAP of forward-looking financial measures for the fiscal years ending January 31, 2014 and January 31, 2015.

Estimates for KANA's non-GAAP measures presented in this document were prepared in a manner similar to Verint's non-GAAP measures. KANA defines EBITDA as earnings (or loss) from continuing operations before interest expense, income taxes, depreciation and amortization, and amortization of non-cash stock-based compensation, non-recurring acquisition and restructuring expenses and the goodwill impairment charges.

# About Non-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 standalone basis. We exclude these adjustments from our non-GAAP financial measures because these are not reflective of our ongoing operations.
- ***Amortization of acquired intangible assets, including acquired technology and backlog.*** When we acquire an entity, it is 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 and backlog, from our non-GAAP financial measures. These expenses are excluded from our non-GAAP financial measures because they are non-cash charges. In addition, these amounts are inconsistent in amount and frequency and are significantly impacted by the timing and size of acquisitions. Thus, we also exclude these amounts to provide better comparability of pre- and post-acquisition operating results.
- ***Stock-based compensation expenses.*** We exclude stock-based compensation expenses related to stock options, restricted stock awards and units, stock bonus plans and phantom stock from our non-GAAP financial measures. These expenses are excluded from our non-GAAP financial measures because they are primarily non-cash charges. In prior periods, we also incurred (and excluded from our non-GAAP financial measures) significant cash-settled stock compensation expense due to our previous extended filing delay and restrictions on our ability to issue new shares of common stock to our employees.
- ***M&A and other adjustments.*** We exclude from our non-GAAP financial measures legal, other professional fees and certain other expenses associated with acquisitions, whether or not consummated, and certain extraordinary transactions, including reorganizations and restructurings. Also excluded are changes in the fair value of contingent consideration liabilities associated with business combinations. These expenses are excluded from our non-GAAP financial measures because we believe that they are not reflective of our ongoing operations.
- ***Unrealized (gains) losses on derivatives, net.*** We exclude from our non-GAAP financial measures unrealized gains and losses on interest rate swaps and foreign currency derivatives not designated as hedges. These 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 and which we believe are not reflective of our ongoing operations.
- ***Loss on extinguishment of debt.*** We exclude from our non-GAAP financial measures loss on extinguishment of debt attributable to refinancing of our debt because we believe it is not reflective of our ongoing operations.
- ***Non-cash tax adjustments.*** We exclude from our non-GAAP financial measures non-cash tax adjustments, which represent the difference between the amount of taxes we actually paid and our GAAP tax provision on an annual basis. On a quarterly basis, this adjustment reflects our expected annual effective tax rate on a cash basis.
- ***Expenses related to our previous extended filing delay.*** We exclude from our non-GAAP financial measures expenses related to our restatement of previously filed financial statements and our extended filing delay. These expenses included professional fees and related expenses as well as expenses associated with a special cash retention program. These expenses are excluded from our non-GAAP financial measures because they are not reflective of our ongoing operations.
- ***Restructuring costs.*** We exclude from our non-GAAP financial measures expense associated with the restructuring of our operations due to internal or external market factors. These expenses are excluded from our non-GAAP financial measures because we believe they are not reflective of our ongoing operations.
- ***Impairments of goodwill and other acquired intangible assets.*** Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and identifiable intangible assets acquired. We exclude from our non-GAAP financial measures charges relating to impairment of goodwill and acquired identifiable intangible assets. These expenses are excluded from our non-GAAP financial measures because they are non-cash charges.
- ***In-process research and development.*** We exclude from our non-GAAP financial measures the fair value of incomplete in-process research and development projects that had not yet reached technological feasibility and have no known alternative future use as of the date of the acquisition. These expenses are excluded from our non-GAAP financial measures because they are non-cash charges that we do not believe are reflective of our ongoing operations.
- ***Integration costs.*** We exclude from our non-GAAP financial measures expenses directly related to the integration of Witness. These expenses are excluded from our non-GAAP financial measures because they are not reflective of our ongoing operations.
- ***Other legal expenses (recoveries).*** We exclude from our non-GAAP financial measures other legal fees and settlements associated with certain intellectual property litigations assumed in connection with the Witness acquisition. We excluded these items from our non-GAAP financial measures because they are not reflective of our ongoing operations.

# Verint GAAP to Non-GAAP Reconciliation

| ($ in millions) | FY | FY | FY | FY | FY | FY | FY 2014 | | | LTM |
|---|---|---|---|---|---|---|---|---|---|---|
| FYE 1/31 | 2008A | 2009A | 2010A | 2011A | 2012A | 2013A | Q1A | Q2A | Q3A | 10/31/2013 |
| **Revenue Reconciliation** | | | | | | | | | | |
| GAAP revenue | $535 | $670 | $704 | $727 | $783 | $840 | $205 | $222 | $224 | $881 |
| Revenue Adjustments Related to Acquisitions | 37 | 6 | – | – | 14 | 9 | 1 | 0 | 0 | 3 |
| **Non-GAAP revenue** | **$572** | **$675** | **$704** | **$727** | **$796** | **$848** | **$205** | **$223** | **$225** | **$883** |
| **EBIT Reconciliation** | | | | | | | | | | |
| GAAP Operating Income | ($115) | ($15) | $66 | $73 | $86 | $100 | $14 | $31 | $38 | $118 |
| Revenue Adjustments Related to Acquisitions | 37 | 6 | – | – | 14 | 9 | 1 | 0 | 0 | 3 |
| Amortization and Impairment of Acquired Technology and Backlog | 8 | 9 | 8 | 9 | 12 | 15 | 4 | 2 | 2 | 12 |
| Amortization of Other Acquired Intangible Assets | 20 | 25 | 22 | 21 | 23 | 24 | 6 | 6 | 6 | 24 |
| Restructuring Costs | 3 | 6 | 0 | – | – | – | – | – | – | – |
| Stock-Based Compensation Expenses | 31 | 36 | 44 | 47 | 28 | 25 | 6 | 9 | 10 | 32 |
| M&A and Other Adjustments | – | – | 1 | 5 | 12 | 17 | 6 | 2 | 0 | 17 |
| Expenses Related to Restatement and Extended Filing Delay | 41 | 29 | 55 | 29 | 1 | – | – | – | – | – |
| Impairments of Goodwill and Other Acquired Intangible Assets | 23 | 26 | – | – | – | – | – | – | – | – |
| In-process Research and Development | 7 | – | – | – | – | – | – | – | – | – |
| Integration Costs | 11 | 3 | – | – | – | – | – | – | – | – |
| Other Legal Expenses (Recoveries) | 9 | (4) | – | – | – | – | – | – | – | – |
| **Non-GAAP Operating Income** | **$75** | **$120** | **$196** | **$185** | **$177** | **$189** | **$37** | **$51** | **$56** | **$205** |
| Non-GAAP Depreciation and Amortization | 18 | 19 | 18 | 15 | 15 | 16 | 4 | 4 | 4 | 17 |
| **Non-GAAP EBITDA** | **$93** | **$139** | **$213** | **$200** | **$192** | **$205** | **$41** | **$55** | **$61** | **$222** |