



Cognyte

Formerly a Verint company

# Q2 FYE22 Conference Call

September 20, 2021

# Disclaimers

## **Forward Looking Statements**

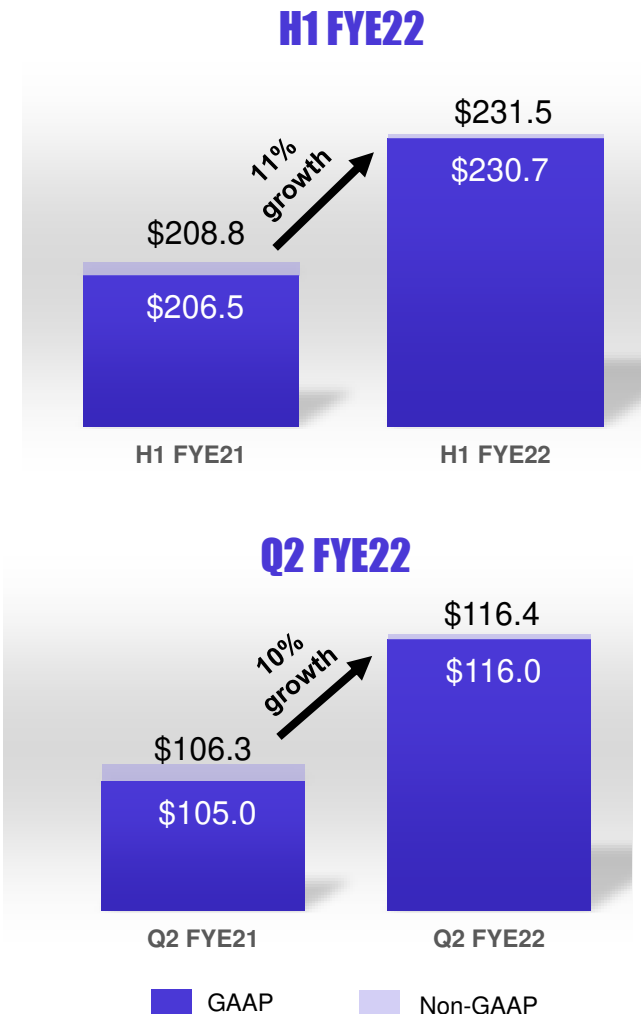
This presentation contains "forward-looking statements," including statements regarding expectations, predictions, views, opportunities, plans, strategies, beliefs, and statements of similar effect relating to Cognyte Software Ltd. These forward-looking statements are not guarantees of future performance and they are based on management's expectations that involve a number of known and unknown risks, uncertainties, assumptions, and other important factors, any of which could cause our actual results to differ materially from those expressed in or implied by the forward-looking statements. The forward-looking statements contained in this presentation are made as of the date of this presentation and, except as required by law, Cognyte assumes no obligation to update or revise them, or to provide reasons why actual results may differ. For a more detailed discussion of how these and other risks, uncertainties, and assumptions could cause Cognyte's actual results to differ materially from those indicated in its forward-looking statements, see Cognyte's filings with the Securities and Exchange Commission.

## **Non-GAAP Financial Measures**

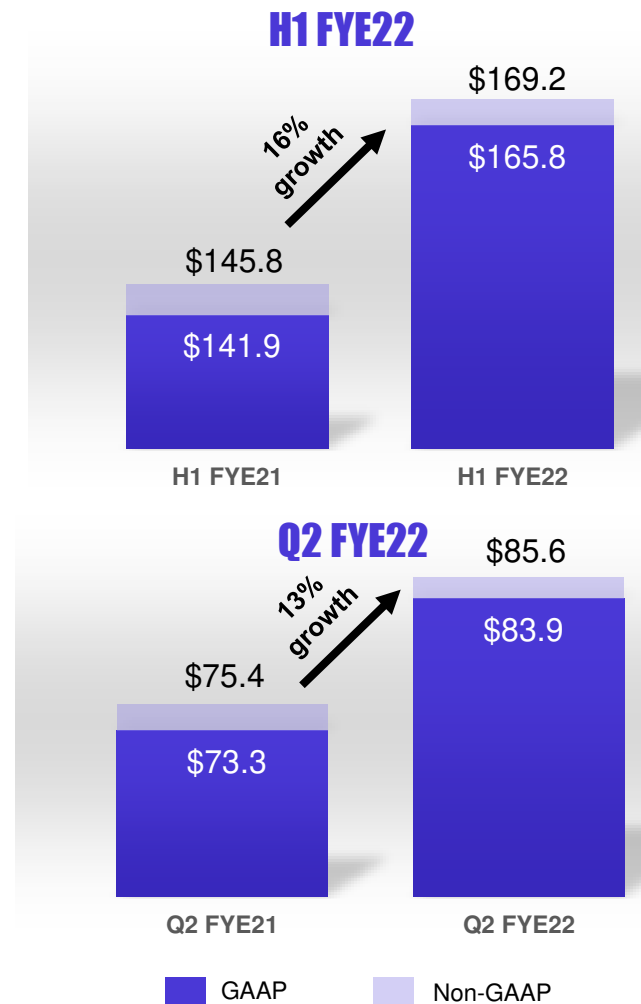
This presentation includes financial measures which are not prepared in accordance with generally accepted accounting principles ("GAAP"), including certain constant currency measures. For a description of these non-GAAP financial measures, including the reasons management uses each measure, and reconciliations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

# Strong H1 as a pure play security analytics company

## Revenue



## Gross Profit



- + Strong Q2 and H1
- + Software strategy ahead of plan
  - + Q2 gross margin up 250bps y-o-y
- + Adjusted EBITDA
  - + Q2: \$18.5 million
  - + H1: \$39.6 million
- + Diluted EPS
  - + Q2: GAAP (\$0.00), Non-GAAP \$0.17
  - + H1: GAAP (\$0.07), Non-GAAP \$0.37

# Our opportunity – address a large TAM

## Market needs



Cutting edge analytics innovation



Open analytics platform to support multiple use cases



Open analytics platform to support growing volume and diversity of data

**~\$30bn**

**Addressable Market  
~10% growth per year**

# Winning large orders – Q2 customer examples



## National Security Agency

Expanding Capacity

**\$13 Million Order**

*Selected based on:*  
Open analytics platform  
Cutting edge technology



## National Law Enforcement

Expanding Use Cases

**\$10 Million Order**

*Selected based on:*  
Support of multiple use cases  
Pace of innovation



## Homeland Security

Replacing Homegrown Solution

**\$7 Million Order**

*Selected based on:*  
Open analytics platform  
Pace of innovation



# Cybercrime use case



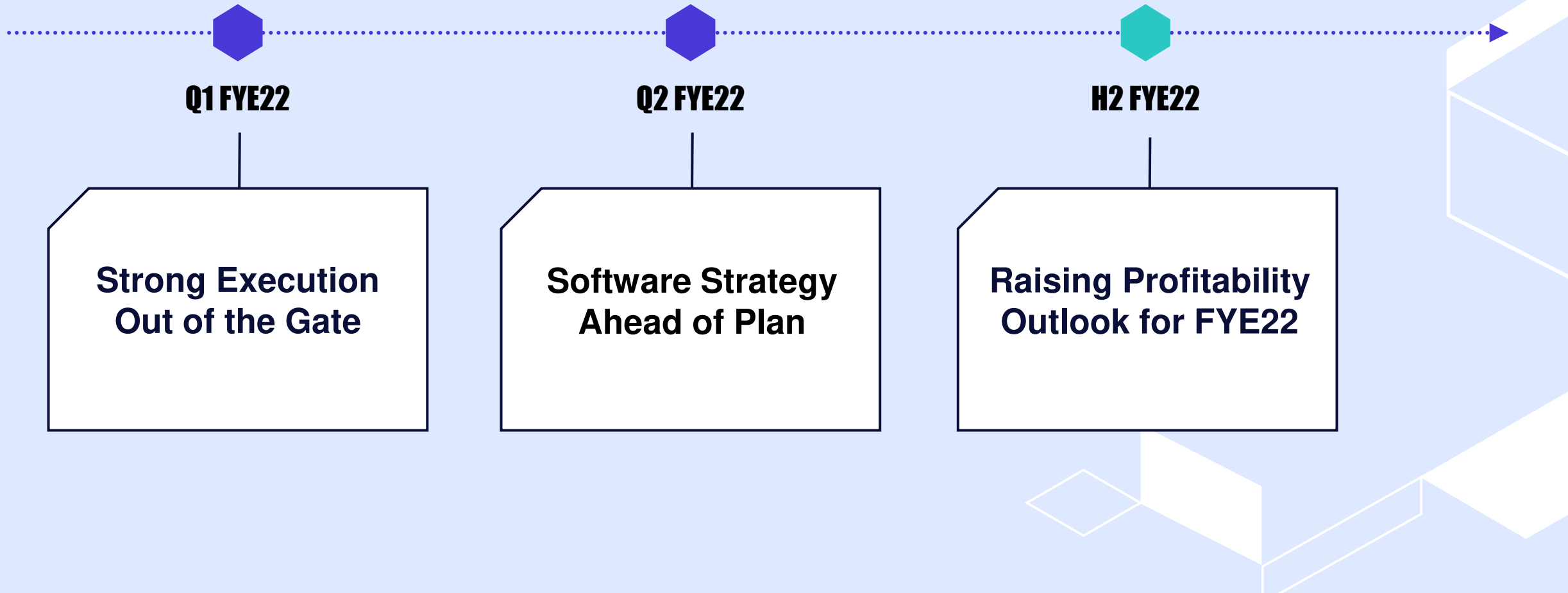
## Customer Challenge

- + Methods bad actors use have become more sophisticated
- + Limitations of homegrown solutions
  - + Unable to keep pace
  - + Difficult to maintain and upgrade
  - + Expensive to operate

## Cognyte Response

- + Leverage platform for multiple use cases
- + Frequent software refreshes keep customers at the cutting edge
- + Easily integrated into customer ecosystems
- + Deep domain expertise

# Pure-play security analytics company



# Financial Summary



# Q2 FYE22 Recap

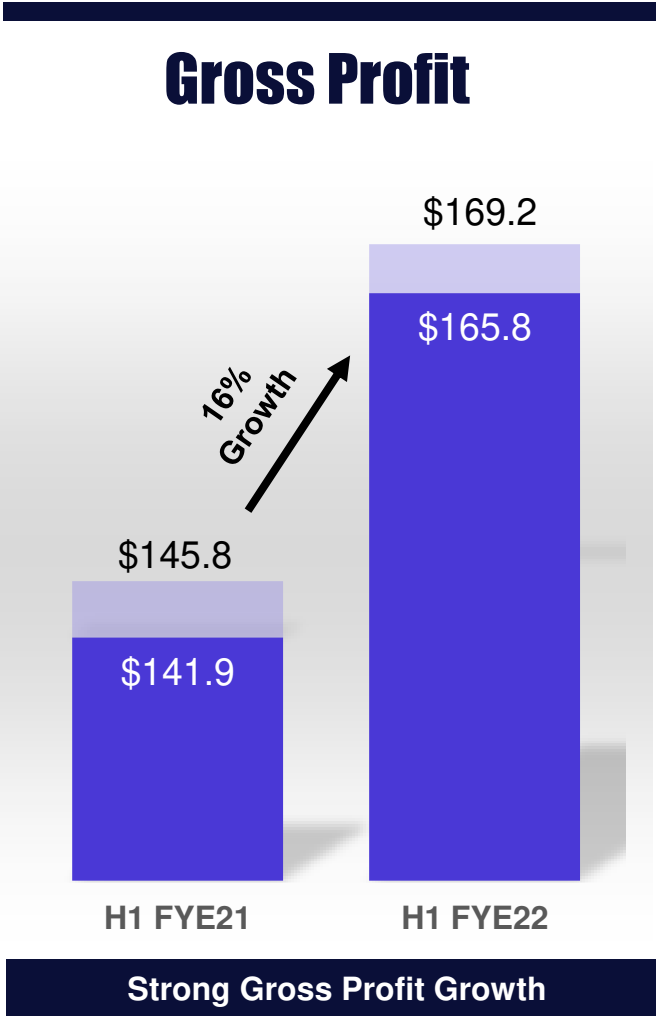
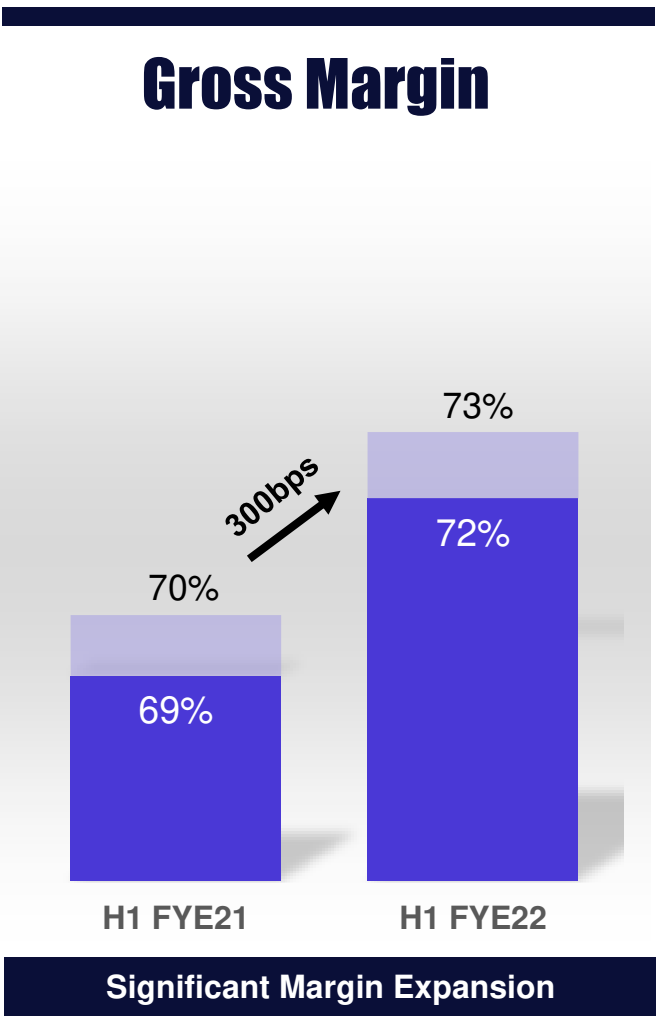
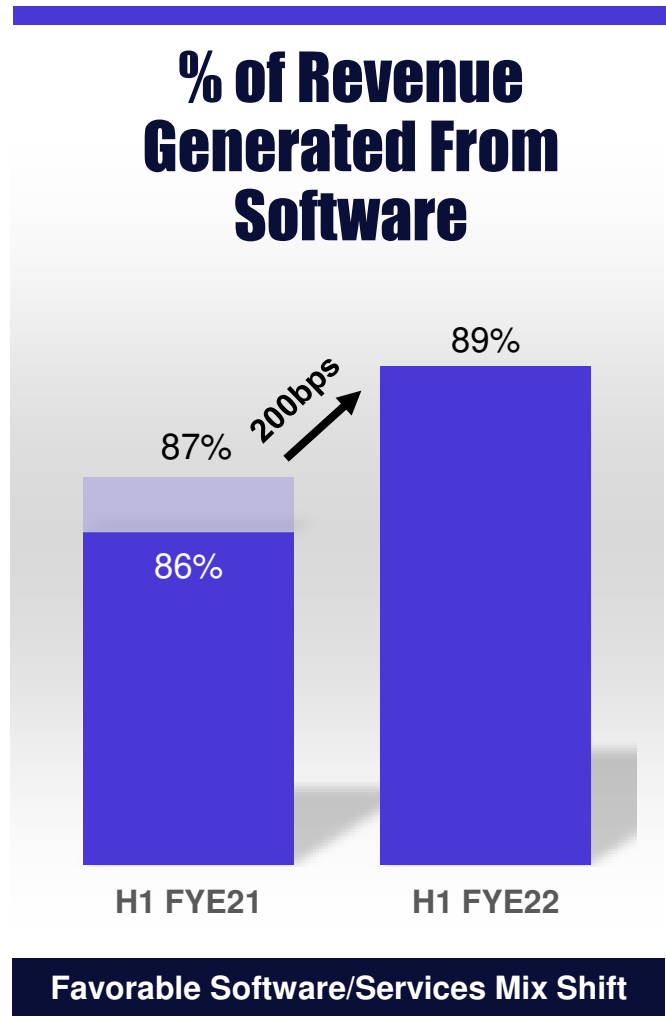
## Financial Results

- + **Revenue**  
**GAAP:** \$116.0 million  
**Non-GAAP:** \$116.4 million
- + **Adjusted EBITDA**  
**Non-GAAP:** \$18.5 million
- + **Diluted EPS**  
**GAAP:** \$0.00  
**Non-GAAP:** \$0.17

## Key Trends

- + **Strong first half** of the year
- + Multiple **seven and eight-figure orders**
- + **Results driven** by execution of software strategy – **significant gross profit growth**
- + **Well positioned** for a strong year

# Mix shift – positive impact to financial model

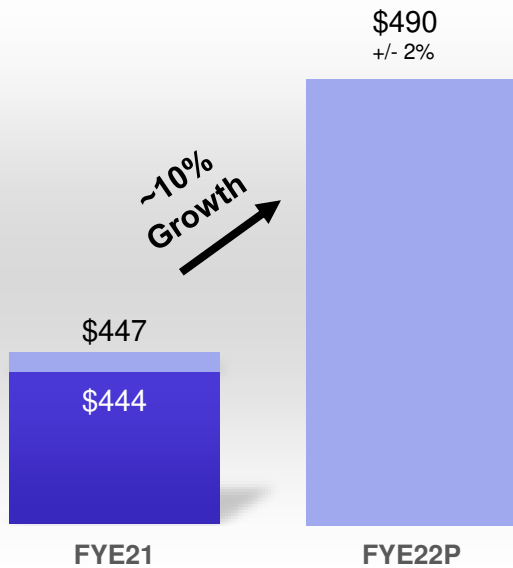


GAAP Non-GAAP

Note: Arrows reflect growth rates of non-GAAP results. H1FYE22 percentage of revenue generated from software is the same on a GAAP and non-GAAP basis.

# FYE22 Guidance

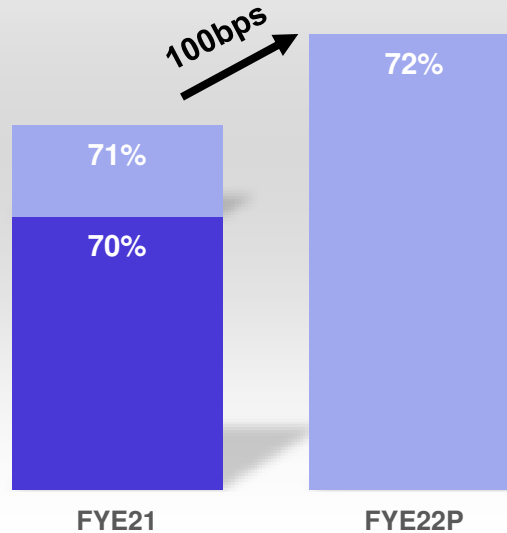
## Revenue



■ GAAP Revenue ■ Non-GAAP Revenue

**Recurring Revenue Mix %:**  
~50%

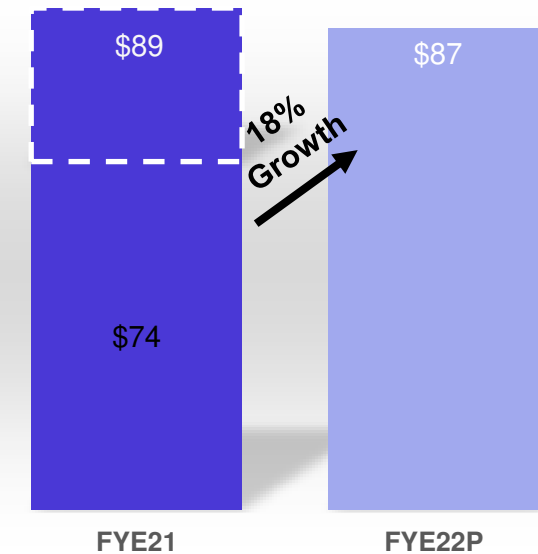
## Gross Margin



■ GAAP Revenue ■ Non-GAAP Revenue

**Gross Profit Growth:**  
~12%

## Adjusted EBITDA and Normalized Adjusted EBITDA <sup>(1)</sup>



**Diluted EPS:**  
\$0.82

Note: In millions of USD. Guidance is provided on a non-GAAP basis. The "P" indicates the value is a projection.

Guidance for recurring revenue, gross margin, gross profit growth, adjusted EBITDA and diluted EPS assumes revenue at the midpoint of guidance.

(1) FYE21 adjusted EBITDA value in black font is proforma for \$15 million of public company dis-synergies costs. The adjusted EBITDA value in white font excludes any adjustment for the spin dis-synergies. GAAP operating income for FYE21 was \$18 million.

Cognyte  
**Thank you**

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# Appendix



# Financial Outlook

## FYE22 Outlook

Our non-GAAP outlook for the year ending January 31, 2022 ("FYE22") is as follows:

- **Revenue:** Up ~10% to \$490 million with a range of +/- 2%
  - We expect Q3 revenue to be in a range of \$112 million to \$117 million and to finish the year with our typical strong Q4.
- **Diluted EPS:** \$0.82 at the midpoint of our revenue outlook
  - We expect Q3 EPS to be \$0.10 and to finish the year with our typical strong Q4.

Our non-GAAP outlook for the three months ending October 31, 2021, and FYE22 excludes the following GAAP measures which we are able to quantify with reasonable certainty, as described further below under "Supplemental Information About non-GAAP Financial Measures and Operating Metrics":

- Revenue adjustments are expected to be approximately \$0.4 million and \$1.6 million for the three months ending October 31, 2021, and FYE22, respectively.
- Amortization of intangible assets of approximately \$0.4 million and \$1.8 million for the three months ending October 31, 2021, and FYE22, respectively.

Our non-GAAP outlook for the three months ending October 31, 2021, and FYE22 excludes the following GAAP measures for which we are able to provide a range of probable significance:

- Costs to complete separation of Cognyte from Verint Systems Inc. (hereafter "Verint") and establish Cognyte as an independent public company of between approximately \$0.5 million and \$1 million and between approximately \$11 million and \$12 million for the three months ending October 31, 2021, and FYE22, respectively.
- Stock-based compensation is expected to be between approximately \$8 million and \$9 million and \$33 million and \$36 million, for the three months ending October 31, 2021, and FYE22, respectively, assuming market prices for our ordinary shares are generally consistent with current levels.

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

We are unable, without unreasonable effort, 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 and six months ended July 31, 2021, and 2020, respectively, for the GAAP measures excluded from our non-GAAP outlook appear in Table 4 of this press release.

# Summary metrics

(\$ in millions, except share and per share data; shares in thousands)	
Revenue Metrics	Software and software services revenue
	Professional services and other revenue
	Total revenue

Revenue Mix	Software and software services revenue as a % of total revenue
	Professional services and other revenue as a % of total revenue

Growth Metrics	Reported revenue growth YoY
	Software and software services revenue growth YoY
	Constant currency revenue growth YoY
	Gross profit growth YoY
	Adjusted EBITDA growth YoY

Operating Expense Metrics	Research and development, net
	% of revenue
	Selling, general and administrative
	% of revenue

Profitability Metrics	Gross profit
	Gross margin %
	Operating income (loss)
	Operating margin %
	Adjusted EBITDA
	Adjusted EBITDA margin

EPS	Diluted net income (loss) per share attributable to Cognyte
	weighted-average shares used in computing EPS

Three Months Ended							
4/30/2020		7/31/2020		10/31/2020		1/31/2021	
GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP
\$86.1	\$87.2	\$92.2	\$93.5	\$92.6	\$93.3	\$106.2	\$106.8
\$15.3	\$15.3	\$12.8	\$12.8	\$20.3	\$20.3	\$17.8	\$17.8
\$101.4	\$102.5	\$105.0	\$106.3	\$113.0	\$113.7	\$124.0	\$124.6

84.9%	85.1%	87.8%	87.9%	82.0%	82.1%	85.6%	85.7%
15.1%	14.9%	12.2%	12.1%	18.0%	17.9%	14.4%	14.3%

-6.2%	-5.3%	-6.9%	-5.9%	5.7%	6.3%	-4.0%	-7.5%
-0.8%	0.3%	3.4%	4.8%	0.5%	1.2%	1.0%	-3.4%
-4.8%	-4.0%	-6.1%	-4.3%	4.7%	5.7%	-4.8%	-7.9%
0.6%	0.6%	1.1%	2.1%	18.6%	18.8%	4.3%	-2.0%
	-10.0%		32.5%		50.3%		-23.8%

\$31.2	\$29.9	\$29.1	\$27.3	\$31.9	\$30.1	\$36.5	\$35.1
30.7%	29.2%	27.7%	25.7%	28.3%	26.5%	29.5%	28.2%
\$40.3	\$31.8	\$32.7	\$26.5	\$40.2	\$30.9	\$49.4	\$33.7
39.7%	31.1%	31.2%	24.9%	35.6%	27.2%	39.8%	27.0%

\$68.5	\$70.4	\$73.3	\$75.4	\$82.3	\$83.8	\$86.6	\$88.2
67.6%	68.6%	69.8%	71.0%	72.8%	73.7%	69.8%	70.8%
(\$3.2)	\$8.6	\$11.2	\$21.6	\$9.9	\$22.8	\$0.4	\$19.5
-3.2%	8.4%	10.7%	20.4%	8.7%	20.0%	0.3%	15.7%
	\$12.7		\$25.8		\$26.8		\$23.7
	12.4%		24.2%		23.6%		19.0%

(\$0.04)	\$0.09	\$0.07	\$0.29	\$0.12	\$0.29	\$0.07	\$0.36
65,773	65,773	65,773	65,773	65,773	65,773	65,773	65,773

Year Ended 1/31/2021	
GAAP	Non-GAAP
\$377.2	\$380.8
\$66.2	\$66.2
\$443.5	\$447.0

85.1%	85.2%
14.9%	14.8%

-3.0%	-3.4%
1.0%	0.5%
-2.9%	-3.2%
6.0%	4.4%
	7.8%

\$128.7	\$122.4
29.0%	27.4%
\$162.6	\$122.8
36.7%	27.5%

\$310.8	\$317.8
70.1%	71.1%
\$18.3	\$72.6
4.1%	16.2%
	\$89.0
	19.9%

\$0.22	\$1.03
65,773	65,773

Three Months Ended			
4/30/2021		7/31/2021	
GAAP	Non-GAAP	GAAP	Non-GAAP
\$102.4	\$102.9	\$101.9	\$102.3
\$12.3	\$12.3	\$14.1	\$14.1
\$114.7	\$115.2	\$116.0	\$116.4

89.3%	89.3%	87.8%	87.9%
10.7%	10.7%	12.2%	12.1%

13.1%	12.3%	10.4%	9.5%
19.0%	18.0%	10.5%	9.4%
11.4%	10.2%	7.6%	6.3%
19.5%	18.8%	14.4%	13.5%
	65.8%		-28.1%

\$33.4	\$31.3	\$36.1	\$34.0
29.1%	27.2%	31.1%	29.2%
\$50.8	\$35.0	\$45.1	\$36.9
44.3%	30.3%	38.9%	31.7%

\$81.9	\$83.6	\$83.9	\$85.6
71.4%	72.6%	72.3%	73.5%
(\$2.6)	\$17.3	\$1.9	\$14.7
-2.3%	15.0%	1.7%	12.7%
	\$21.1		\$18.5
	18.3%		15.9%

(\$0.07)	\$0.20	(\$0.00)	\$0.17
65,842	66,806	66,405	67,051

# Revenue metrics

(\$ in millions)	Three Months Ended				Year Ended	Three Months Ended	
	4/30/2020	7/31/2020	10/31/2020	1/31/2021	1/31/2021	4/30/2021	7/31/2021
Software and software services revenue - GAAP	86.1	92.2	92.6	106.2	377.2	102.4	101.9
Professional services and other revenue - GAAP	15.3	12.8	20.3	17.8	66.2	12.3	14.1
<b>Total revenue - GAAP</b>	<b>101.4</b>	<b>105.0</b>	<b>113.0</b>	<b>124.0</b>	<b>\$ 443.5</b>	<b>\$ 114.7</b>	<b>\$ 116.0</b>
Estimated software and software services revenue adjustments	1.1	1.2	0.7	0.5	3.6	0.4	0.4
Estimated professional services and other revenue adjustments	-	-	-	-	-	-	-
<b>Total estimated revenue adjustments</b>	<b>\$ 1.1</b>	<b>\$ 1.2</b>	<b>\$ 0.7</b>	<b>\$ 0.5</b>	<b>\$ 3.6</b>	<b>\$ 0.4</b>	<b>\$ 0.4</b>
Software and software services revenue - non-GAAP	87.2	93.5	93.3	106.8	380.8	102.9	102.3
Professional services and other revenue - non-GAAP	15.3	12.8	20.3	17.8	66.2	12.3	14.1
<b>Total revenue - non-GAAP</b>	<b>\$ 102.5</b>	<b>\$ 106.3</b>	<b>\$ 113.7</b>	<b>\$ 124.6</b>	<b>\$ 447.0</b>	<b>\$ 115.2</b>	<b>\$ 116.4</b>

# Constant currency metrics

(\$ in millions)	Three Months Ended				Year Ended	Three Months Ended	
	4/30/2020	7/31/2020	10/31/2020	1/31/2021	1/31/2021	4/30/2021	7/31/2021
<b>GAAP</b>							
Revenue for the prior period ended	\$ 108.2	\$ 112.9	\$ 106.9	\$ 129.1	\$ 457.1	\$ 101.4	\$ 105.0
Revenue for the current period ended	\$ 101.4	\$ 105.0	\$ 113.0	\$ 124.0	\$ 443.5	\$ 114.7	\$ 116.0
Revenue for the current period at constant currency (4)	\$ 103.0	\$ 106.0	\$ 112.0	\$ 123.0	\$ 444.0	\$ 113.0	\$ 113.0
Reported period-over-period revenue growth	-6.2%	-6.9%	5.7%	-4.0%	-3.0%	13.1%	10.4%
% impact from change in foreign currency exchange rates	1.4%	0.8%	-1.0%	-0.8%	0.1%	-1.7%	-2.8%
<b>Constant currency period-over-period revenue growth</b>	<b>-4.8%</b>	<b>-6.1%</b>	<b>4.7%</b>	<b>-4.8%</b>	<b>-2.9%</b>	<b>11.4%</b>	<b>7.6%</b>
<b>Non-GAAP</b>							
Revenue for the prior period ended	\$ 108.3	\$ 112.9	\$ 106.9	\$ 134.7	\$ 462.8	\$ 102.5	\$ 106.3
Revenue for the current period ended	\$ 102.5	\$ 106.3	\$ 113.7	\$ 124.6	\$ 447.0	\$ 115.2	\$ 116.4
Revenue for the current period at constant currency (4)	\$ 104.0	\$ 108.0	\$ 113.0	\$ 124.0	\$ 448.0	\$ 113.0	\$ 113.0
Reported period-over-period revenue growth	-5.3%	-5.9%	6.3%	-7.5%	-3.4%	12.3%	9.5%
% impact from change in foreign currency exchange rates	1.3%	1.6%	-0.6%	-0.4%	0.2%	-2.1%	-3.2%
<b>Constant currency period-over-period revenue growth</b>	<b>-4.0%</b>	<b>-4.3%</b>	<b>5.7%</b>	<b>-7.9%</b>	<b>-3.2%</b>	<b>10.2%</b>	<b>6.3%</b>

# Gross profit

(\$ in millions)	Three Months Ended				Year Ended	Three Months Ended	
	4/30/2020	7/31/2020	10/31/2020	1/31/2021	1/31/2021	4/30/2021	7/31/2021
<b>Total GAAP gross profit</b>	\$ 68.5	\$ 73.3	\$ 82.3	\$ 86.6	\$ 310.8	\$ 81.9	\$ 83.9
<b>Total GAAP gross margin</b>	<b>67.6%</b>	<b>69.8%</b>	<b>72.8%</b>	<b>69.8%</b>	<b>70.1%</b>	<b>71.4%</b>	<b>72.3%</b>
Revenue adjustments	1.1	1.2	0.7	0.5	3.6	0.4	0.4
Amortization of acquired technology	0.3	0.2	0.2	0.2	0.9	0.2	0.2
Stock-based compensation expenses (1)	0.4	0.6	0.6	0.5	2.1	1.0	1.2
Acquisition expenses, net (2)	-	-	-	0.4	0.4	-	-
Restructuring expenses (2)	(0.0)	-	-	0.0	0.0	-	0.0
Separation expenses (benefit) (2)	-	-	0.0	0.0	0.0	0.0	(0.0)
<b>Total non-GAAP gross profit</b>	<b>\$ 70.4</b>	<b>\$ 75.4</b>	<b>\$ 83.8</b>	<b>\$ 88.2</b>	<b>\$ 317.8</b>	<b>\$ 83.6</b>	<b>\$ 85.6</b>
<b>Total non-GAAP gross margin</b>	<b>68.6%</b>	<b>71.0%</b>	<b>73.7%</b>	<b>70.8%</b>	<b>71.1%</b>	<b>72.6%</b>	<b>73.5%</b>
<b>Software and software services</b>							
Software and software services gross profit - GAAP	\$ 67.5	\$ 72.9	\$ 74.5	\$ 81.8	\$ 296.7	\$ 82.6	\$ 82.6
Software and software services gross margin - GAAP	78.4%	79.1%	80.5%	77.0%	78.7%	80.6%	81.0%
Software and software services gross profit adjustments	1.3	1.6	1.0	1.1	5.0	0.7	0.9
Software and software services gross profit - non-GAAP	\$ 68.8	\$ 74.5	\$ 75.5	\$ 82.9	\$ 301.7	\$ 83.3	\$ 83.5
Software and software services gross margin - non-GAAP	78.9%	79.6%	81.0%	77.6%	79.2%	81.0%	81.6%
<b>Professional services and other</b>							
Professional services and other gross profit - GAAP	\$ 1.3	\$ 0.7	\$ 8.0	\$ 5.1	\$ 15.0	\$ (0.5)	\$ 1.5
Professional services and other gross margin - GAAP	8.5%	5.4%	39.2%	28.4%	22.7%	-4.0%	10.5%
Professional services and other gross profit adjustments	0.2	0.3	0.3	0.3	1.1	0.8	0.6
Professional services and other gross profit - non-GAAP	\$ 1.5	\$ 1.0	\$ 8.2	\$ 5.4	\$ 16.2	\$ 0.3	\$ 2.1
Professional services and other gross margin - non-GAAP	10.1%	7.6%	40.6%	30.3%	24.4%	2.7%	15.0%



# Operating expenses

(\$ in millions)	Three Months Ended				Year Ended	Three Months Ended	
	4/30/2020	7/31/2020	10/31/2020	1/31/2021	1/31/2021	4/30/2021	7/31/2021
<b>GAAP research and development, net as a % of GAAP revenue</b>	<b>\$ 31.2</b> <b>30.8%</b>	<b>\$ 29.1</b> <b>27.7%</b>	<b>\$ 31.9</b> <b>28.2%</b>	<b>\$ 36.5</b> <b>29.5%</b>	<b>\$ 128.7</b> <b>29.0%</b>	<b>\$ 33.4</b> <b>29.1%</b>	<b>\$ 36.1</b> <b>31.1%</b>
Stock-based compensation expenses (1)	(1.2)	(1.5)	(1.7)	(1.3)	(5.6)	(2.0)	(1.9)
Acquisition (expenses) benefit, net (2)	(0.1)	(0.1)	-	(0.0)	(0.2)	-	-
Restructuring (expenses) benefit (2)	0.0	(0.1)	(0.3)	0.0	(0.3)	-	(0.2)
Separation (expenses) benefit (2)	-	-	-	(0.1)	(0.1)	(0.1)	-
Other adjustments (2)	-	(0.1)	0.1	(0.0)	0.0	0.0	0.0
<b>Non-GAAP research and development, net as a % of non-GAAP revenue</b>	<b>\$ 29.9</b> <b>29.2%</b>	<b>\$ 27.3</b> <b>25.7%</b>	<b>\$ 30.1</b> <b>26.5%</b>	<b>\$ 35.1</b> <b>28.1%</b>	<b>\$ 122.4</b> <b>27.4%</b>	<b>\$ 31.3</b> <b>27.2%</b>	<b>\$ 34.0</b> <b>29.2%</b>
<b>GAAP selling, general and administrative expenses as a % of GAAP revenue</b>	<b>\$ 40.3</b> <b>39.7%</b>	<b>\$ 32.7</b> <b>31.2%</b>	<b>\$ 40.2</b> <b>35.6%</b>	<b>\$ 49.4</b> <b>39.8%</b>	<b>\$ 162.6</b> <b>36.7%</b>	<b>\$ 50.8</b> <b>44.3%</b>	<b>\$ 45.1</b> <b>38.9%</b>
Stock-based compensation expenses (1)	(4.7)	(4.7)	(5.2)	(5.2)	(19.8)	(6.1)	(6.3)
Acquisition (expenses) benefit, net (2)	0.1	0.7	1.9	(1.2)	1.5	(0.7)	0.1
Restructuring (expenses) benefit (2)	(0.9)	(0.2)	(0.5)	(0.8)	(2.4)	(0.5)	0.1
Separation (expenses) benefit (2)	(2.9)	(2.5)	(5.6)	(8.4)	(19.4)	(8.6)	(2.2)
Other adjustments (2)	0.0	0.4	0.1	(0.1)	0.3	(0.0)	(0.0)
<b>Non-GAAP selling, general and administrative expenses as a % of non-GAAP revenue</b>	<b>\$ 31.8</b> <b>31.1%</b>	<b>\$ 26.5</b> <b>24.9%</b>	<b>\$ 30.9</b> <b>27.2%</b>	<b>\$ 33.7</b> <b>27.0%</b>	<b>\$ 122.8</b> <b>27.5%</b>	<b>\$ 35.0</b> <b>30.3%</b>	<b>\$ 36.9</b> <b>31.7%</b>

# Operating and EBITDA margins

(\$ in millions)	Three Months Ended				Year Ended	Three Months Ended	
	4/30/2020	7/31/2020	10/31/2020	1/31/2021	1/31/2021	4/30/2021	7/31/2021
<b>GAAP operating profit (loss)</b>	\$ (3.2)	\$ 11.2	\$ 9.9	\$ 0.4	\$ 18.3	\$ (2.6)	\$ 1.9
<b>GAAP operating margin</b>	-3.2%	10.7%	8.7%	0.3%	4.1%	-2.3%	1.7%
Revenue adjustments	1.1	1.2	0.7	0.5	3.6	0.4	0.4
Amortization of acquired technology	0.3	0.2	0.2	0.2	0.9	0.2	0.2
Amortization of other acquired intangible assets	0.3	0.3	0.3	0.3	1.2	0.3	0.7
Stock-based compensation expenses	6.3	6.8	7.5	7.0	27.5	9.2	9.4
Acquisitions expenses (benefit), net	0.0	(0.6)	(1.9)	1.5	(0.9)	0.7	(0.1)
Restructuring expenses	0.9	0.3	0.8	0.8	2.8	0.5	0.1
Separation expenses	2.9	2.5	5.6	8.5	19.5	8.7	2.2
Other adjustments	(0.0)	(0.3)	(0.2)	0.2	(0.3)	(0.0)	0.0
<b>Non-GAAP operating profit</b>	\$ 8.6	\$ 21.6	\$ 22.8	\$ 19.5	\$ 72.6	\$ 17.3	\$ 14.7
Depreciation and amortization (3)	\$ 4.2	\$ 4.1	\$ 4.0	\$ 4.1	\$ 16.4	\$ 3.8	\$ 3.8
<b>Adjusted EBITDA</b>	\$ 12.7	\$ 25.8	\$ 26.8	\$ 23.7	\$ 89.0	\$ 21.1	\$ 18.5
<b>Non-GAAP operating margin</b>	8.4%	20.4%	20.0%	15.7%	16.2%	15.0%	12.7%
<b>Adjusted EBITDA margin</b>	12.4%	24.2%	23.6%	19.0%	19.9%	18.3%	15.9%

# Other expense, tax and net income

(\$ in millions)	Three Months Ended				Year Ended	Three Months Ended	
	4/30/2020	7/31/2020	10/31/2020	1/31/2021	1/31/2021	4/30/2021	7/31/2021
<b>Other income (expense) reconciliation</b>							
<b>GAAP other income (expense), net</b>	\$ 0.1	\$ 0.9	\$ 3.3	\$ 2.2	\$ 6.4	\$ 0.2	\$ (0.5)
Change in fair value of equity investment	-	-	(3.8)	-	(3.8)	(0.7)	-
Other adjustments	-	-	-	-	-	-	-
<b>Non-GAAP other income (expense), net</b>	<b>\$ 0.1</b>	<b>\$ 0.9</b>	<b>\$ (0.5)</b>	<b>\$ 2.2</b>	<b>\$ 2.7</b>	<b>\$ (0.6)</b>	<b>\$ (0.5)</b>
<b>Tax provision (benefit) reconciliation</b>							
<b>GAAP provision for (benefit from) income taxes</b>	\$ (2.5)	\$ 5.9	\$ 4.0	\$ (3.0)	\$ 4.4	\$ 0.8	\$ 0.4
<b>GAAP effective income tax rate</b>	<b>78.9%</b>	<b>48.4%</b>	<b>30.4%</b>	<b>-115.5%</b>	<b>17.9%</b>	<b>-33.8%</b>	<b>26.9%</b>
Non-GAAP tax adjustments	3.1	(4.1)	(2.2)	(0.1)	(3.3)	1.2	1.4
<b>Non-GAAP provision for (benefit from) income taxes</b>	<b>\$ 0.7</b>	<b>\$ 1.8</b>	<b>\$ 1.7</b>	<b>\$ (3.1)</b>	<b>\$ 1.1</b>	<b>\$ 2.0</b>	<b>\$ 1.7</b>
<b>Non-GAAP effective income tax rate</b>	<b>7.8%</b>	<b>7.8%</b>	<b>7.8%</b>	<b>-14.3%</b>	<b>1.5%</b>	<b>12.2%</b>	<b>12.2%</b>
<b>Net income (loss) reconciliation</b>							
<b>GAAP net income (loss)</b>	\$ (0.7)	\$ 6.3	\$ 9.2	\$ 5.5	\$ 20.3	\$ (3.3)	\$ 1.0
Total GAAP net income adjustments	\$ 8.6	\$ 14.5	\$ 11.4	\$ 19.3	\$ 53.8	\$ 18.0	\$ 11.4
<b>Non-GAAP net income</b>	<b>\$ 8.0</b>	<b>\$ 20.8</b>	<b>\$ 20.5</b>	<b>\$ 24.8</b>	<b>\$ 74.1</b>	<b>\$ 14.7</b>	<b>\$ 12.5</b>
<b>Net income (Loss) attributable to cogynte software Ltd. common shares reconciliation</b>							
<b>GAAP net income (loss) attributable to Cogynte Software Ltd. common shares</b>	\$ (2.5)	\$ 4.5	\$ 7.8	\$ 4.3	\$ 14.2	\$ (4.4)	\$ (0.3)
Total GAAP net income (loss) adjustments	8.6	14.5	11.4	19.3	53.8	18.0	11.4
<b>Non-GAAP net income attributable to Cogynte Software Ltd common shares</b>	<b>\$ 6.2</b>	<b>\$ 19.0</b>	<b>\$ 19.2</b>	<b>\$ 23.6</b>	<b>\$ 68.0</b>	<b>\$ 13.6</b>	<b>\$ 11.1</b>

# EPS

(Shares in thousands)	Three Months Ended				Year Ended		Three Months Ended	
	4/30/2020	7/31/2020	10/31/2020	1/31/2021	1/31/2021		4/30/2021	7/31/2021
GAAP diluted net income (loss) per share attributable to Cognyte softare Ltd.	\$ (0.04)	\$ 0.07	\$ 0.12	\$ 0.07	\$ 0.22		\$ (0.07)	\$ (0.00)
Non-GAAP diluted net income per share attributable to Cognyte softare Ltd.	\$ 0.09	\$ 0.29	\$ 0.29	\$ 0.36	\$ 1.03		\$ 0.20	\$ 0.17
<b>GAAP weighted-average shares used in computing diluted net income (loss) per common share</b>	<b>65,773</b>	<b>65,773</b>	<b>65,773</b>	<b>65,773</b>	<b>65,773</b>		<b>65,842</b>	<b>66,405</b>
Additional weighted-average shares applicable to non-GAAP net income per share attributable to Cognyte softare Ltd.	-	-	-	-	-		964	646
<b>Non-GAAP diluted weighted-average shares used in computing net income per share</b>	<b>65,773</b>	<b>65,773</b>	<b>65,773</b>	<b>65,773</b>	<b>65,773</b>		<b>66,806</b>	<b>67,051</b>

# Footnotes

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

(1) The figures for the periods prior to the three and six months ended July 31, 2021 represent the stock-based compensation expenses applicable to cost of revenue, research and development expenses and selling, general and administrative expenses as allocated to Cognyte from the combined Verint total expenses based on specific identification where possible, with the remainder being allocated on the basis of revenue as a relevant measure, which we believe provides a reasonable approximation for purposes of understanding the relative GAAP and non-GAAP gross margins and operating margins of the Cognyte business.

(2) The figures for the periods prior to the three and six months ended July 31, 2021 represent the portion of acquisition expenses (benefit), net, restructuring expenses and separation expenses applicable to cost of revenue, research and development expenses and selling, general and administrative expenses as allocated to Cognyte from the combined Verint total expenses based on specific identification where possible, with the remainder being allocated on the basis of revenue as a relevant measure, which we believe provides a reasonable approximation for purposes of understanding the relative GAAP and non-GAAP gross margins and operating margins of the Cognyte business.

(3) The figures for the periods prior to the three and six months ended July 31, 2021 represent certain depreciation and amortization expenses, which are otherwise included in non-GAAP operating income as allocated to Cognyte from the combined Verint total expenses based on specific identification where possible, with the remainder being allocated on the basis of revenue as a relevant measure, which we believe provides a reasonable approximation for purposes of understanding the relative adjusted EBITDA of the Cognyte business.

(4) Revenue for the three and six months ended July 31, 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 and six months ended July 31, 2020 rather than actual current-period foreign currency exchange rates.



# Supplemental information and non-GAAP measures

The press release includes reconciliations of certain financial measures not prepared in accordance with GAAP, consisting of non-GAAP revenue, 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 attributable to Cognyte, adjusted EBITDA and adjusted EBITDA margin, non-GAAP diluted net income per share attributable to Cognyte and weighted average shares used in computing such measure. 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 software 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 our management believes they provide meaningful information about the financial performance of our business and are useful to investors for informational and comparative purposes.

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 software and software service revenue and professional service and other revenue 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. 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.

# Supplemental information and non-GAAP measures

*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.

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

*Restructuring expenses.* We exclude restructuring expenses from our non-GAAP financial measures, which include employee termination costs, facility exit costs, certain professional fees, asset impairment charges, and other costs directly associated with resource realignments incurred in reaction to changing strategies or business conditions. All of these costs can vary significantly in amount and frequency based on the nature of the actions as well as the changing needs of our business and we believe that excluding them provides easier comparability of pre- and post-restructuring operating results.

*Separation expenses.* On December 4, 2019, Verint announced its intention to separate into two independent publicly traded companies: Cognyte Software Ltd., which consists of Verint's Cyber Intelligence Solutions business, and Verint Systems Inc., which consists of its Customer Engagement Business. We incurred significant expenses to separate the aforesaid businesses, including third-party advisory, accounting, legal, consulting, and other similar services related to the separation as well as costs associated with the operational separation from Verint, including those related to human resources, brand management, real estate, and information technology to the extent not capitalized. These costs are incremental to our normal operating expenses and 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.

*Other adjustments.* We exclude from our non-GAAP financial measures rent expense for redundant facilities, gains on change in fair value of equity investment, 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.

# Supplemental information and non-GAAP measures

*Non-GAAP income tax adjustments.* We exclude our GAAP provision (benefit) for income taxes from our non-GAAP measures of net income attributable to Cognyte Software Ltd., 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. 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.

## **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.

## **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. 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.