

The Cognnyte logo features the word "Cognnyte" in a white, sans-serif font. The letter "C" is stylized with a small circle inside it. The background of the slide is a vibrant blue with abstract geometric shapes and a central graphic of a curved surface with a grid of white dots and lines, suggesting a digital or data environment.

Formerly a Verint company

Q4 FYE21 Conference Call

April 29, 2021

Disclaimers

Forward Looking Statements

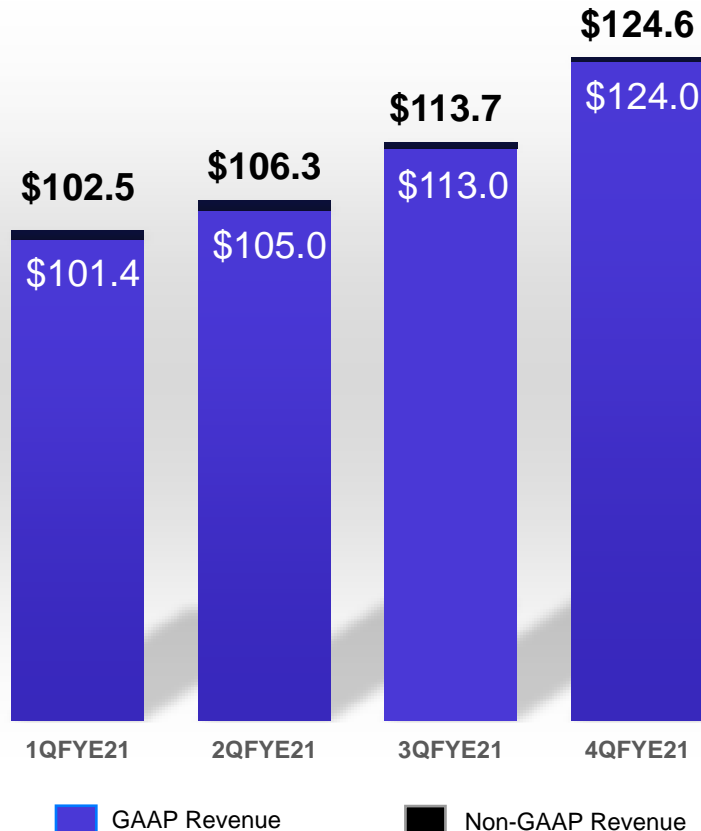
This presentation contains "forward-looking statements," including statements regarding expectations, predictions, views, opportunities, plans, strategies, beliefs, and statements of similar effect relating to Cognyte Software Ltd. These forward-looking statements are not guarantees of future performance 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 our financial dashboard within the Investors tab on Cognyte's website [Cognyte.com](https://www.cognyte.com).

Strong finish to the year

Quarterly Revenue



FYE21 Strong Margin Expansion

Non-GAAP Gross Margin: 71%
Up 530bps year-over-year
GAAP Gross Margin: 70%
Up 600bps year-over-year

% Revenue from Software: 85%
Favorable Mix

Adjusted EBITDA Margins: 20%
Up 210bps year-over-year

Cognyte's differentiation - why we win

Cognyte



Technology Strength

- + Strong analytics software, open and highly interoperable
- + Real time actionable insights
- + Broad portfolio addresses a wide range of security challenges



Brand Leadership

- + 1,000+ customers in 100+ countries
- + Successful track record working with governments and enterprises
- + Deep domain expertise built through collaboration with customers

Q4 customer examples – execution of our strategy



NATIONAL SECURITY

(Existing Customer)

Modernizing Technology
to Accelerate
Investigation Insights

~\$10 Million Order

Selected based on:

- + Fast technology refresh
- + Proven execution



MINISTRY OF PUBLIC SECURITY

(New Customer)

Replacing
Homegrown Solution

~\$7.5 Million Order

Selected based on:

- + Open platform
- + Real-time security analytics



NATIONAL LAW ENFORCEMENT

(New Customer)

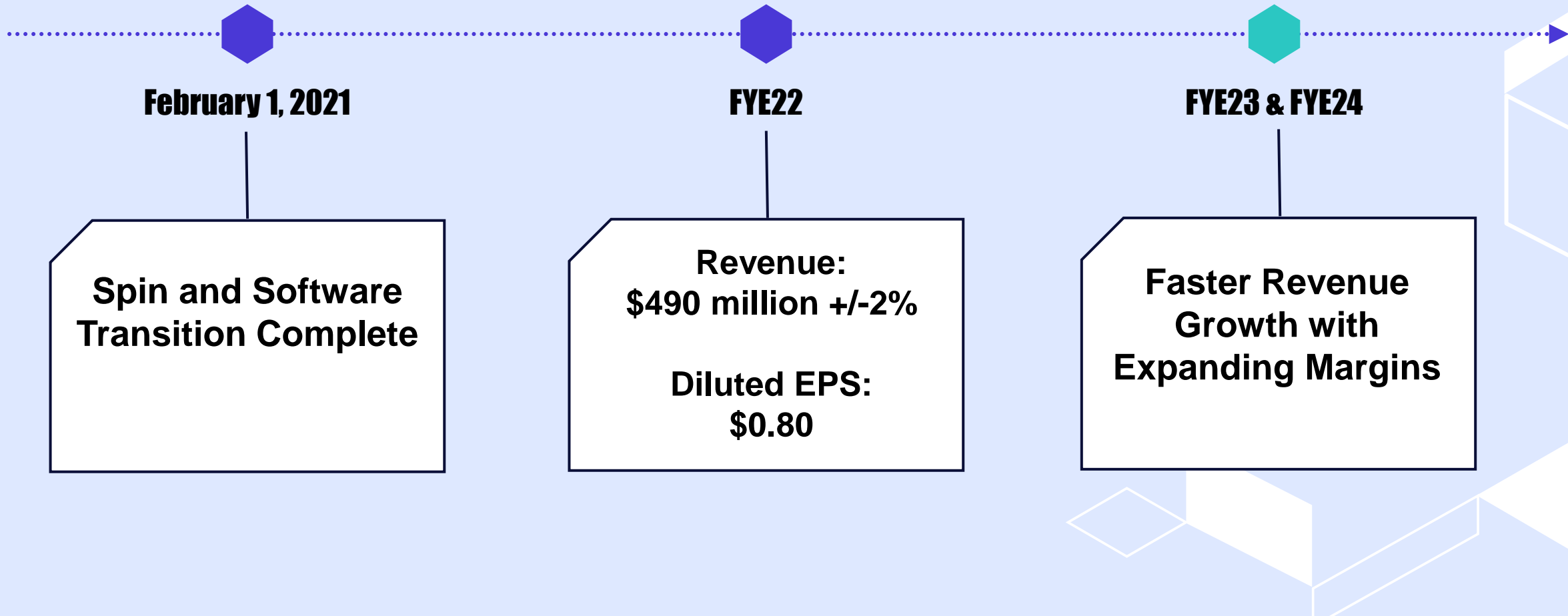
Connecting
Data Across Silos

~\$6.5 Million Order

Selected based on:

- + Open platform
- + Support of multiple use cases

Well positioned for strong FYE22 and long-term growth



Financial Summary

FYE21 – Q4 results

Non-GAAP Revenue: \$124.6 million
GAAP Revenue: \$124.0 million

Non-GAAP Gross Margin: 71%
GAAP Gross Margin: 70%

Adjusted EBITDA: \$23.7 million
Adjusted EBITDA Margin: 19%

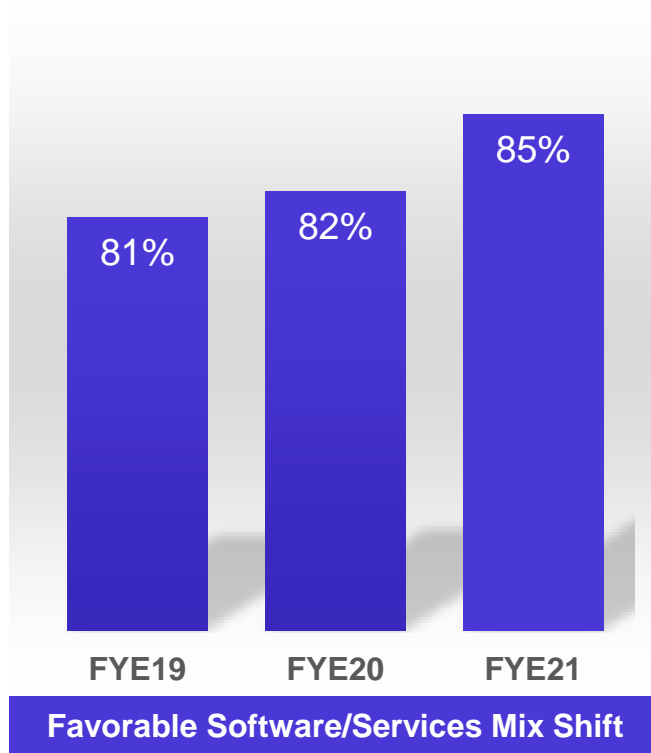
Strong Finish to the Year

Non-GAAP Gross Margin
Up 400bps year-over-year
GAAP Gross Margin
Up 550bps year-over-year

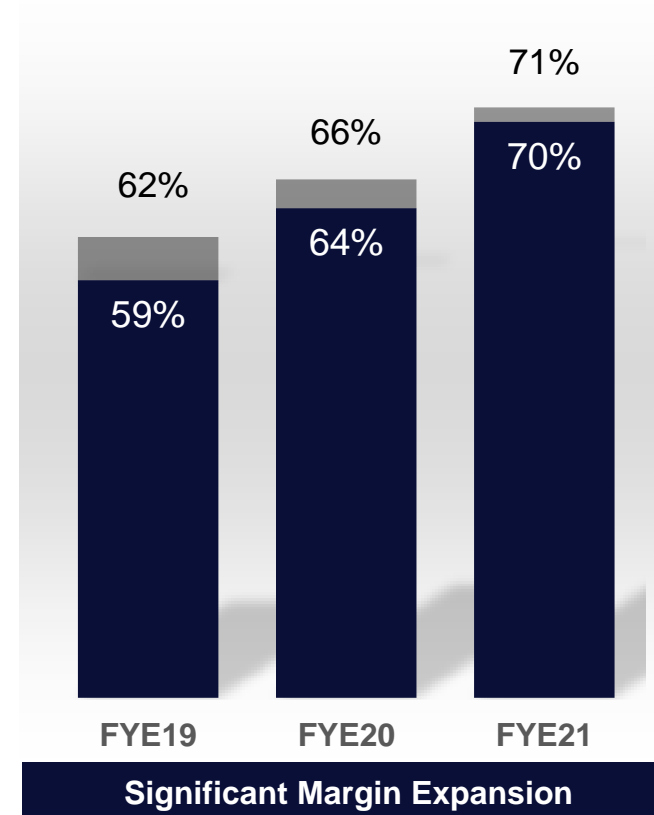
Multiple Seven and Eight Figure Orders

FYE21 – completed software model transition

% of Revenue Generated From Software



Gross Margin

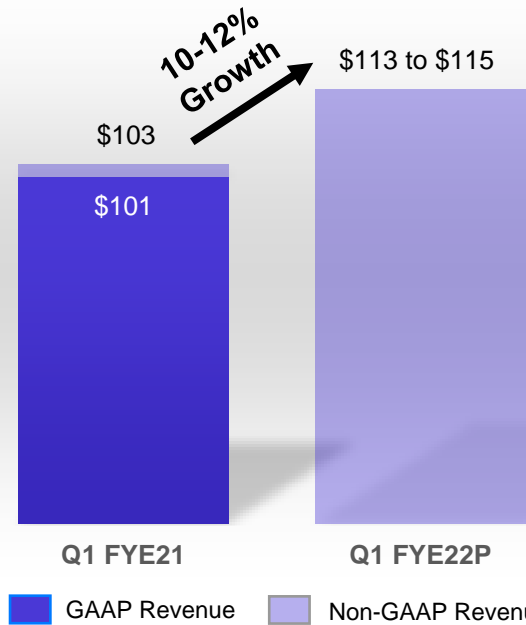


■ GAAP Gross Margin ■ Non-GAAP Gross Margin

Note: Percentage of revenue generated from software is the same on a GAAP and non-GAAP basis.

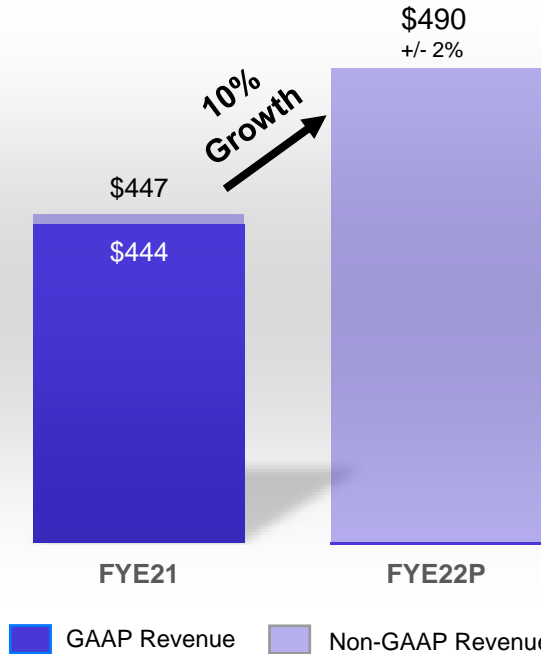
FYE22 outlook – strong start; expect 14% normalized adjusted EBITDA growth

Q1 FYE22 Revenue



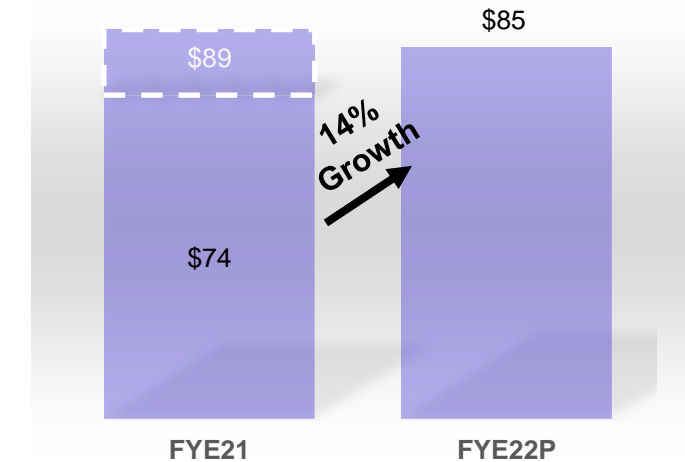
**Q1 Diluted EPS:
At least \$0.15**

FYE22 Revenue



**FYE22 Diluted EPS:
\$0.80**

FYE22 Adjusted EBITDA and Normalized Adjusted EBITDA ⁽¹⁾



Normalized Adjusted EBITDA grows faster than revenue

Note: In millions of USD. Non-GAAP metrics unless otherwise noted. Q1 FYE22 fully diluted shares: 66.6 million. FYE22 fully diluted shares: 67.25 million. The "P" indicates the value is a projection.

(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.

Summary

The Cognnyte logo is displayed in white text on a dark blue arrow-shaped background that points to the right. The arrow is part of a larger graphic that tapers from the left edge of the slide towards the center, where it meets the list of summary points.

- + Spin completed: pure play security analytics company**
- + Cutting edge security analytics and AI technology**
- + Large addressable market with favorable industry trends**
- + FYE22 Outlook: \$490 million of revenue +/- 2% and \$0.80 Diluted EPS**
- + 3-year outlook: accelerating revenue growth with margin expansion**

Cognyte
Thank you

cognyte.com



Appendix

Financial Outlook

Preliminary Q1 FYE22 Results:

Our non-GAAP outlook for the quarter ending April 30, 2021 is as follows:

- Revenue: \$113 - \$115 million
- Diluted EPS: At least \$0.15

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

- Revenue: \$490 million with a range of +/- 2%
- Diluted EPS: \$0.80 at the midpoint of our revenue outlook

Our non-GAAP outlook for the three months ending April 30, 2021 and year ending January, 2022 excludes the following GAAP measures which we are able to quantify with reasonable certainty:

- Amortization of intangible assets of approximately \$0.5 million and \$1.8 million for the three months ending April 30, 2021 and year ending January, 2022, respectively.
- Revenue adjustments are expected to be approximately \$0.5 million and \$1.8 million for the three months ending April 30, 2021 and year ending January, 2022, respectively.

Our non-GAAP outlook for the three months ending April 30, 2021 and year ending January, 2022 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. (Verint) and establish Cognyte as an independent public company of between approximately \$6.5 million and \$7.5 million and between approximately \$7 million and \$8 million for the three months ending April 30, 2021 and year ending January, 2022 respectively.
- Stock-based compensation is expected to be between approximately \$7.5 million and \$8.5 million and \$33 million and \$36 million, for the three months ending April 30, 2021 and year ending January, 2022, respectively, assuming market prices for our common stock 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 efforts, to provide a reconciliation for other GAAP measures which are excluded from our non-GAAP outlook, including the impact of future business acquisitions or acquisition expenses, future restructuring expenses, and non-GAAP income tax adjustments due to the level of unpredictability and uncertainty associated with these items. For these same reasons, we are unable to assess the probable significance of these excluded items. While historical results may not be indicative of future results, actual amounts for the three months and year ended January 31, 2021 and 2020 for the GAAP measures excluded from our non-GAAP outlook appear in the GAAP to Non-GAAP Reconciliation Tables contained in this presentation.

Summary metrics

(\$ in millions)		Year Ended 1/31/2019		Year Ended 31/01/2020		Three Months Ended								Year Ended 31/01/2021	
		30/04/2020		31/07/2020		31/10/2020		31/01/2021		31/01/2021		31/01/2021			
		GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP		
Revenue Metrics	Software and software services revenue	\$349.2	\$349.5	\$373.3	\$378.8	\$86.1	\$87.2	\$92.2	\$93.5	\$92.6	\$93.3	\$106.2	\$106.8	\$377.2	\$380.8
	Professional services and other revenue	\$84.3	\$84.3	\$83.8	\$84.0	\$15.3	\$15.3	\$12.8	\$12.8	\$20.3	\$20.3	\$17.8	\$17.8	\$66.2	\$66.2
	Total revenue	\$433.5	\$433.8	\$457.1	\$462.8	\$101.4	\$102.5	\$105.0	\$106.3	\$113.0	\$113.7	\$124.0	\$124.6	\$443.5	\$447.0
Revenue Mix	Software and software services revenue as a % of total revenue	80.6%	80.6%	81.7%	81.9%	84.9%	85.1%	87.8%	87.9%	82.0%	82.1%	85.6%	85.7%	85.1%	85.2%
	Professional services and other revenue as a % of total revenue	19.4%	19.4%	18.3%	18.1%	15.1%	14.9%	12.2%	12.1%	18.0%	17.9%	14.4%	14.3%	14.9%	14.8%
Growth Metrics	Reported revenue growth YoY	9.7%	9.7%	5.5%	6.7%	-6.2%	-5.3%	-6.9%	-5.9%	5.7%	6.3%	-4.0%	-7.5%	-3.0%	-3.4%
	Software and software services revenue growth YoY	N/A	N/A	6.9%	8.4%	-0.8%	0.3%	3.4%	4.8%	0.5%	1.2%	1.0%	-3.4%	1.0%	0.5%
	Constant currency revenue growth YoY	9.8%	9.8%	6.4%	7.7%	-4.8%	-4.0%	-6.1%	-4.3%	4.7%	5.7%	-4.8%	-7.9%	-2.9%	-3.2%
	Gross profit growth YoY	N/A	N/A	14.2%	14.2%	0.6%	0.6%	1.1%	2.1%	18.6%	18.8%	4.3%	-2.0%	6.0%	4.4%
	Adjusted EBITDA growth YoY		N/A		24.8%	0.0%	-10.0%	0.0%	32.5%	0.0%	50.3%	0.0%	-23.8%	0.0%	7.8%
Operating Expense Metrics	Research and development, net	\$100.0	\$95.2	\$111.3	\$104.5	\$31.2	\$29.9	\$29.1	\$27.3	\$31.9	\$30.1	\$36.5	\$35.1	\$128.7	\$122.4
	% of revenue	23.1%	21.9%	24.3%	22.6%	30.8%	29.2%	27.7%	25.7%	28.3%	26.5%	29.5%	28.2%	29.0%	27.4%
	Selling, general and administrative	\$137.3	\$118.4	\$153.9	\$131.5	\$40.3	\$31.8	\$32.7	\$26.5	\$40.2	\$30.9	\$49.4	\$33.7	\$162.6	\$122.8
	% of revenue	31.7%	27.3%	33.7%	28.4%	39.7%	31.1%	31.2%	24.9%	35.6%	27.2%	39.8%	27.0%	36.7%	27.5%
Profitability Metrics	Gross profit	\$256.7	\$266.6	\$293.1	\$304.4	\$68.6	\$70.4	\$73.3	\$75.4	\$82.3	\$83.8	\$86.6	\$88.3	\$310.8	\$317.8
	Gross margin %	59.2%	61.5%	64.1%	65.8%	67.6%	68.6%	69.8%	71.0%	72.8%	73.7%	69.8%	70.9%	70.1%	71.1%
	Operating income	\$18.7	\$53.1	\$27.3	\$68.3	(\$3.2)	\$8.6	\$11.2	\$21.6	\$9.9	\$22.8	\$0.4	\$19.5	\$18.3	\$72.6
	Operating margin %	4.3%	12.3%	6.0%	14.8%	-3.2%	8.4%	10.7%	20.4%	8.7%	20.0%	0.3%	15.7%	4.1%	16.2%
	Adjusted EBITDA		\$66.1		\$82.5		\$12.7		\$25.8		\$26.8		\$23.7		\$89.0
Adjusted EBITDA margin		15.2%		17.8%		12.4%		24.3%		23.6%		19.0%		19.9%	

Revenue metrics

(\$ in millions)	Year Ended	Year Ended	Three Months Ended				Year Ended
	1/31/2019	1/31/2020	4/30/2020	7/31/2020	10/31/2020	1/31/2021	1/31/2021
Software and software services revenue - GAAP	349.2	373.3	86.1	92.2	92.6	106.2	377.2
Professional services and other revenue - GAAP	84.3	83.8	15.3	12.8	20.3	17.8	66.2
Total revenue - GAAP	\$ 433.5	\$ 457.1	\$ 101.4	\$ 105.0	\$ 113.0	\$ 124.0	\$ 443.5
Estimated software and software services revenue adjustments	0.3	5.5	1.1	1.2	0.7	0.5	3.6
Estimated professional services and other revenue adjustments	-	0.2	-	-	-	-	-
Total estimated revenue adjustments	\$ 0.3	\$ 5.7	\$ 1.1	\$ 1.2	\$ 0.7	\$ 0.5	\$ 3.6
Software and software services revenue - non-GAAP	349.5	378.8	87.2	93.5	93.3	106.8	380.8
Professional services and other revenue - non-GAAP	84.3	84.0	15.3	12.8	20.3	17.8	66.2
Total revenue - non-GAAP	\$ 433.8	\$ 462.8	\$ 102.5	\$ 106.3	\$ 113.7	\$ 124.6	\$ 447.0

Constant currency metrics

(\$ in millions)	Year Ended	Year Ended	Three Months Ended				Year Ended
	1/31/2019	1/31/2020	4/30/2020	7/31/2020	10/31/2020	1/31/2021	1/31/2021
GAAP							
Revenue for the prior period ended	\$ 395.1	\$ 433.5	\$ 108.2	\$ 112.9	\$ 106.9	\$ 129.1	\$ 457.1
Revenue for the current period ended	\$ 433.5	\$ 457.1	\$ 101.4	\$ 105.0	\$ 113.0	\$ 124.0	\$ 443.5
Revenue for the current period at constant currency ⁽⁸⁾	\$ 434.0	\$ 461.0	\$ 103.0	\$ 106.0	\$ 112.0	\$ 123.0	\$ 444.0
Reported period-over-period revenue growth	9.7%	5.5%	-6.2%	-6.9%	5.7%	-4.0%	-3.0%
% impact from change in foreign currency exchange rates	0.1%	0.9%	1.4%	0.8%	-1.0%	-0.8%	0.1%
Constant currency period-over-period revenue growth	9.8%	6.4%	-4.8%	-6.1%	4.7%	-4.8%	-2.9%
Non-GAAP							
Revenue for the prior period ended	\$ 395.4	\$ 433.8	\$ 108.3	\$ 112.9	\$ 106.9	\$ 134.7	\$ 462.8
Revenue for the current period ended	\$ 433.8	\$ 462.8	\$ 102.5	\$ 106.3	\$ 113.7	\$ 124.6	\$ 447.0
Revenue for the current period at constant currency ⁽⁸⁾	\$ 434.0	\$ 467.0	\$ 104.0	\$ 108.0	\$ 113.0	\$ 124.0	\$ 448.0
Reported period-over-period revenue growth	9.7%	6.7%	-5.3%	-5.9%	6.3%	-7.5%	-3.4%
% impact from change in foreign currency exchange rates	0.1%	1.0%	1.3%	1.6%	-0.6%	-0.4%	0.2%
Constant currency period-over-period revenue growth	9.8%	7.7%	-4.0%	-4.3%	5.7%	-7.9%	-3.2%

Gross profit

(\$ in millions)	Year Ended	Year Ended	Three Months Ended				Year Ended
	1/31/2019	1/31/2020	4/30/2020	7/31/2020	10/31/2020	1/31/2021	1/31/2021
Total GAAP revenue	\$ 433.5	\$ 457.1	\$ 101.4	\$ 105.0	\$ 113.0	\$ 124.0	\$ 443.5
Software, software services, professional services and other costs	161.8	151.7	30.7	30.1	28.3	35.2	124.3
Amortization of acquired technology	7.4	2.4	0.3	0.2	0.2	0.2	0.9
Stock-based compensation expenses ⁽¹⁾	2.2	2.9	0.4	0.6	0.6	0.5	2.1
Shared support expenses allocation ⁽²⁾	5.3	7.0	1.4	0.7	1.6	1.5	5.3
Total GAAP cost of revenue	\$ 176.8	\$ 164.0	\$ 32.9	\$ 31.7	\$ 30.7	\$ 37.4	\$ 132.7
Total GAAP gross profit	\$ 256.7	\$ 293.1	\$ 68.6	\$ 73.3	\$ 82.3	\$ 86.6	\$ 310.8
Total GAAP gross margin	59.2%	64.1%	67.6%	69.8%	72.8%	69.8%	70.1%
Revenue adjustments	0.3	5.7	1.1	1.2	0.7	0.5	3.6
Amortization of acquired technology	7.4	2.4	0.3	0.2	0.2	0.2	0.9
Stock-based compensation expenses ⁽¹⁾	2.2	2.9	0.4	0.6	0.6	0.5	2.1
Acquisition expenses, net ⁽³⁾	-	-	-	-	-	0.4	0.4
Restructuring expenses ⁽³⁾	-	0.2	-	-	-	-	-
Separation expenses ⁽⁶⁾	-	-	-	-	-	-	-
Total non-GAAP gross profit	\$ 266.6	\$ 304.4	\$ 70.4	\$ 75.4	\$ 83.8	\$ 88.3	\$ 317.8
Total non-GAAP gross margin	61.5%	65.8%	68.6%	71.0%	73.7%	70.9%	71.1%
Software and software services							
Software and software services gross profit - GAAP	\$ 263.8	\$ 292.3	\$ 67.5	\$ 72.9	\$ 74.5	\$ 81.8	\$ 296.7
Software and software services gross margin - GAAP	75.6%	78.3%	78.4%	79.0%	80.4%	77.0%	78.7%
Software and software services gross profit adjustments	1.3	6.9	1.3	1.6	1.0	1.1	5.0
Software and software services gross profit - non-GAAP	\$ 265.1	\$ 299.2	\$ 68.8	\$ 74.5	\$ 75.5	\$ 82.9	\$ 301.7
Software and software services gross margin - non-GAAP	75.9%	79.0%	78.9%	79.7%	80.9%	77.6%	79.2%
Professional services and other							
Professional services and other gross profit - GAAP	\$ 0.3	\$ 3.2	\$ 1.3	\$ 0.7	\$ 8.0	\$ 5.1	\$ 15.0
Professional services and other gross margin - GAAP	0.3%	3.9%	8.5%	5.4%	39.2%	28.4%	22.7%
Professional services and other gross profit adjustments	1.2	2.0	0.2	0.3	0.3	0.3	1.1
Professional services and other gross profit - non-GAAP	\$ 1.5	\$ 5.2	\$ 1.5	\$ 1.0	\$ 8.2	\$ 5.4	\$ 16.2
Professional services and other gross margin - non-GAAP	1.8%	6.2%	10.1%	7.6%	40.5%	30.3%	24.4%

Operating expenses

(\$ in millions)	Year Ended	Year Ended	Three Months Ended				Year Ended
	1/31/2019	1/31/2020	4/30/2020	7/31/2020	10/31/2020	1/31/2021	1/31/2021
Research and development, net	\$ 80.7	\$ 90.4	\$ 25.3	\$ 23.4	\$ 26.1	\$ 30.7	\$ 105.5
Stock-based compensation expenses ⁽⁴⁾	4.9	6.3	1.2	1.5	1.7	1.3	5.6
Shared support service allocation ⁽⁵⁾	14.5	14.6	4.7	4.2	4.2	4.5	17.6
GAAP research and development, net	\$ 100.0	\$ 111.3	\$ 31.2	\$ 29.1	\$ 31.9	\$ 36.5	\$ 128.7
as a % of GAAP revenue	23.1%	24.3%	30.8%	27.7%	28.3%	29.5%	29.0%
Stock-based compensation expenses ⁽⁴⁾	(4.9)	(6.3)	(1.2)	(1.5)	(1.7)	(1.3)	(5.6)
Acquisition expenses, net ⁽⁶⁾	-	(0.3)	(0.1)	(0.1)	-	-	(0.2)
Restructuring expenses ⁽⁶⁾	-	(0.2)	-	(0.1)	(0.3)	-	(0.3)
Separation expenses ⁽⁶⁾	-	-	-	-	-	(0.1)	(0.1)
Other adjustments ⁽⁶⁾	-	-	-	(0.1)	0.1	-	-
Non-GAAP research and development, net	\$ 95.2	\$ 104.5	\$ 29.9	\$ 27.3	\$ 30.1	\$ 35.1	\$ 122.4
as a % of non-GAAP revenue	21.9%	22.6%	29.2%	25.7%	26.5%	28.2%	27.4%
Selling, general and administrative expenses	\$ 79.2	\$ 89.2	\$ 22.7	\$ 17.1	\$ 19.6	\$ 23.1	\$ 82.5
Stock-based compensation expenses ⁽⁴⁾	18.4	21.8	4.7	4.7	5.2	5.2	19.8
Shared support service allocation ⁽⁵⁾	39.7	42.9	12.9	10.9	15.4	21.1	60.3
GAAP selling, general and administrative expenses	\$ 137.3	\$ 153.9	\$ 40.3	\$ 32.7	\$ 40.2	\$ 49.4	\$ 162.6
as a % of GAAP revenue	31.7%	33.7%	39.7%	31.2%	35.6%	39.8%	36.7%
Stock-based compensation expenses ⁽⁴⁾	(18.4)	(21.8)	(4.7)	(4.7)	(5.2)	(5.2)	(19.8)
Acquisition expenses, net ⁽⁶⁾	(0.7)	4.8	0.1	0.7	1.9	(1.2)	1.5
Restructuring expenses ⁽⁶⁾	(0.4)	(0.4)	(0.9)	(0.2)	(0.5)	(0.8)	(2.4)
Separation expenses ⁽⁶⁾	(0.1)	(2.2)	(2.9)	(2.5)	(5.6)	(8.4)	(19.4)
Other adjustments ⁽⁶⁾	0.7	(2.7)	-	0.4	0.1	(0.1)	0.3
Non-GAAP selling, general and administrative expenses	\$ 118.4	\$ 131.5	\$ 31.8	\$ 26.5	\$ 30.9	\$ 33.7	\$ 122.8
as a % of non-GAAP revenue	27.3%	28.4%	31.1%	24.9%	27.2%	27.0%	27.5%

Operating and EBITDA margins

(\$ in millions)	Year Ended		Three Months Ended				Year Ended
	1/31/2019	1/31/2020	4/30/2020	7/31/2020	10/31/2020	1/31/2021	1/31/2021
GAAP operating income (loss)	\$ 18.7	\$ 27.3	\$ (3.2)	\$ 11.2	\$ 9.9	\$ 0.4	\$ 18.3
GAAP operating margin	4.3%	5.9%	-3.1%	10.6%	8.7%	0.3%	4.1%
Revenue adjustments	0.3	5.7	1.1	1.2	0.7	0.5	3.6
Amortization of acquired technology	7.4	2.4	0.3	0.2	0.2	0.2	0.9
Amortization of other acquired intangible assets	0.7	0.6	0.3	0.3	0.3	0.3	1.2
Stock-based compensation expenses	25.5	31.0	6.3	6.8	7.5	7.0	27.5
Acquisitions expenses, net	0.6	(4.5)	-	(0.6)	(1.9)	1.5	(0.9)
Restructuring expenses	0.4	0.8	0.9	0.3	0.8	0.8	2.8
Separation expenses	0.1	2.2	2.9	2.5	5.6	8.5	19.5
Impairment charges	-	-	-	-	-	-	-
Other adjustments	(0.7)	2.7	-	(0.3)	(0.2)	0.2	(0.3)
Non-GAAP operating income	\$ 53.1	\$ 68.3	\$ 8.6	\$ 21.6	\$ 22.8	\$ 19.5	\$ 72.6
Depreciation and amortization ⁽⁷⁾	12.9	14.2	4.2	4.1	4.0	4.1	16.4
Adjusted EBITDA	\$ 66.1	\$ 82.5	\$ 12.7	\$ 25.8	\$ 26.8	\$ 23.7	\$ 89.0
Non-GAAP operating margin	12.3%	14.8%	8.4%	20.4%	20.0%	15.7%	16.2%
Adjusted EBITDA margin	15.2%	17.8%	12.4%	24.3%	23.6%	19.0%	19.9%

Other expense, tax and net income

(\$ in millions)	Year Ended	Year Ended	Three Months Ended				Year Ended
	1/31/2019	1/31/2020	4/30/2020	7/31/2020	10/31/2020	1/31/2021	1/31/2021
<u>Other income (expense) reconciliation</u>							
GAAP other income (expense), net	\$ 1.3	\$ 2.6	\$ 0.1	\$ 0.9	\$ 3.3	\$ 2.2	\$ 6.4
Change in fair value of equity investment	-	-	-	-	(3.8)	-	(3.8)
Other adjustments	0.1	-	-	-	-	-	-
Non-GAAP other income (expense), net	\$ 1.4	\$ 2.6	\$ 0.1	\$ 0.9	\$ (0.5)	\$ 2.2	\$ 2.7
<u>Tax provision (benefit) reconciliation</u>							
GAAP provision (benefit) for income taxes	\$ 7.6	\$ 2.6	\$ (1.0)	\$ 4.4	\$ 4.0	\$ (3.0)	\$ 4.4
GAAP effective income tax rate	38.2%	8.6%	30.8%	36.0%	30.4%	-115.5%	17.9%
Non-GAAP tax adjustments	-	7.1	1.6	(2.6)	(2.2)	(0.1)	(3.3)
Non-GAAP provision (benefit) for income taxes	\$ 7.6	\$ 9.6	\$ 0.7	\$ 1.8	\$ 1.7	\$ (3.1)	\$ 1.1
Non-GAAP effective income tax rate	13.9%	13.6%	7.8%	7.8%	7.8%	-14.3%	1.5%
<u>Net income (Loss) attributable to cogynte software Ltd. common shares reconciliation</u>							
GAAP net income (loss) attributable to Cogynte Software Ltd. common shares	\$ 8.7	\$ 20.2	\$ (4.0)	\$ 6.0	\$ 7.8	\$ 4.3	\$ 14.2
Total GAAP net income (loss) adjustments	34.4	33.9	10.2	13.0	11.4	19.3	53.8
Non-GAAP net income attributable to Cogynte Software Ltd common shares	\$ 43.1	\$ 54.1	\$ 6.2	\$ 19.0	\$ 19.2	\$ 23.6	\$ 68.0

Footnotes

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

- (1) Represents Verint stock-based compensation expenses applicable to cost of revenue, allocated to Cognyte 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 of our business.
- (2) Represents the portion of Verint shared support expenses applicable to cost of revenue, allocated to Cognyte 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 of our businesses.
- (3) Represents the portion of Verint acquisition expenses, net and restructuring expenses applicable to cost of revenue, allocated to Cognyte 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 of our business.
- (4) Represents Verint stock-based compensation expenses applicable to research and development, net and selling, general and administrative, allocated to Cognyte 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 non-GAAP operating margins of our business.
- (5) Represents a portion of Verint shared support expenses, including general and administrative shared services acquisition expenses, net and restructuring expenses, separation expenses and other adjustments, allocated to Cognyte 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 non-GAAP operating margin of our business.
- (6) Represents the portion of Cognyte's acquisition expenses, net, restructuring expenses, separation expenses and other adjustments, allocated to Cognyte 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 margin of our business.
- (7) Represents certain depreciation and amortization expenses, which are otherwise included in Cognyte's non-GAAP operating income, allocated to Cognyte 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 our business.
- (8) Revenue for the three months and year ended January 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 months and year ended January 31, 2021 rather than actual current-period foreign currency exchange rates.
- (9) Financial results for the year ended January 31st 2018 are as originally reported by Verint for the Cyber Intelligence business. Shared costs of Verint and Cognyte for this period were allocated based on verint estimated allocations (allocated proportionally based upon Verint prior full year ended, annual non-GAAP segment revenue) which differ from the allocation method mentioned above. Allocations for financial periods beyond January 31st 2018 are consistent with our Form 20F reporting for the applicable periods.

Supplemental information and non-GAAP measures

The above tables include reconciliations of certain financial measures not prepared in accordance with Generally Accepted Accounting Principles (“GAAP”), consisting of non-GAAP revenue, non-GAAP software and software services revenue, non-GAAP professional services and other revenue, GAAP and non-GAAP gross profit and gross margins, non-GAAP software and software services gross profit, non-GAAP professional services and other gross profit, GAAP and non-GAAP research and development, net, GAAP and non-GAAP selling, general and administrative expenses, GAAP and non-GAAP operating income and operating margins, GAAP and non-GAAP other income (expense), net, GAAP and non-GAAP provision (benefit) for income taxes and non-GAAP effective income tax rate, GAAP and non-GAAP net income attributable to our common shares, adjusted EBITDA and adjusted EBITDA margin. 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 investors have informed us that they find this supplemental information useful.

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

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

Revenue adjustments. We exclude from our non-GAAP revenue the impact of fair value adjustments required under GAAP relating to software and software services revenue and professional services 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.

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, 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.

Supplemental information and non-GAAP measures

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.

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. Our non-GAAP effective income tax rate for the year ended January 31, 2021 was 2%, and for the year ended January 31, 2020 was 14%. 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.