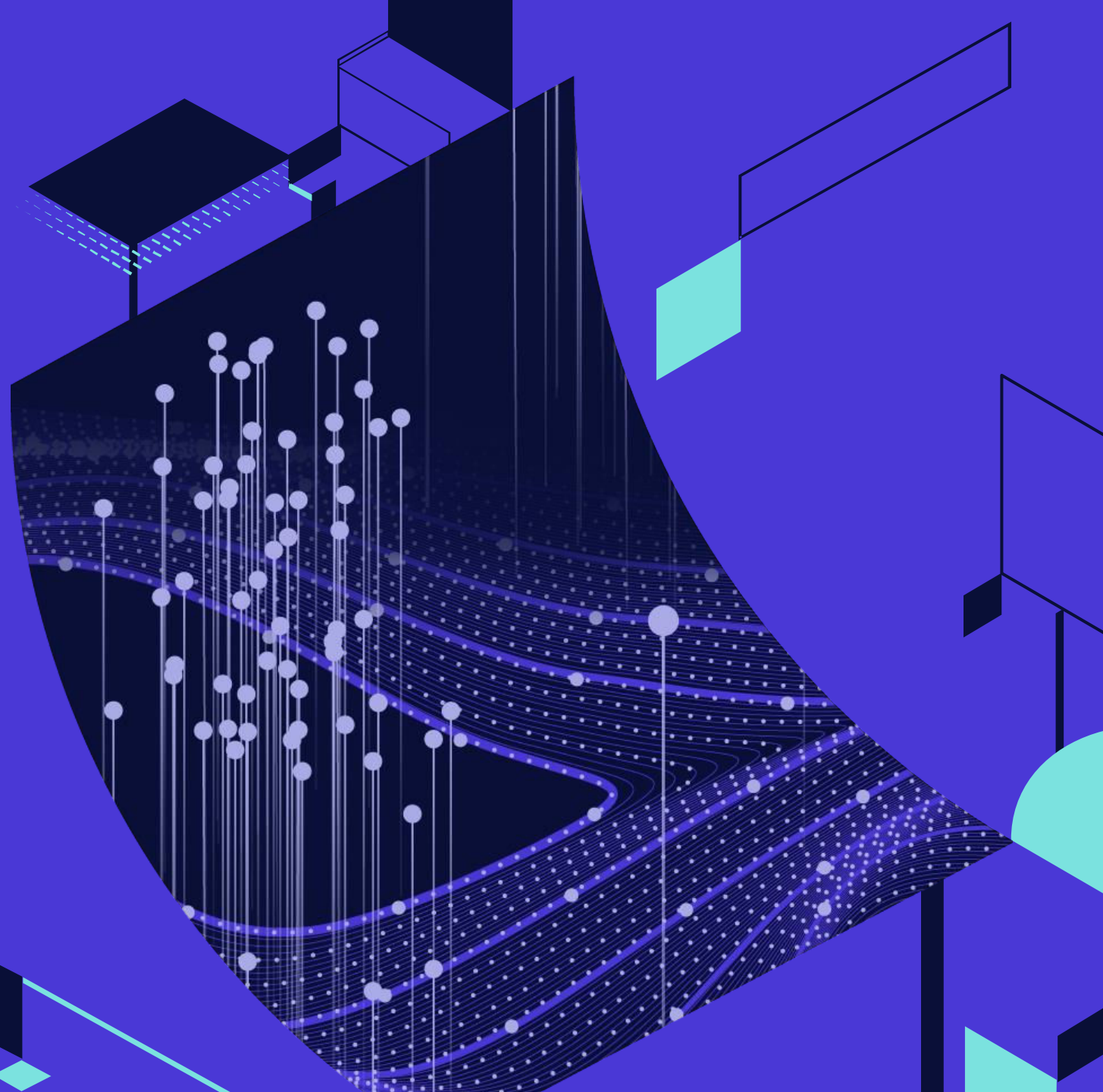


Cognyte

# Q1 FYE24 Conference Call

June 15, 2023



# 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).

# Q1 FYE24 Highlights

- + Revenue of \$73 million, ahead of expectations**
- + Gross profit grew faster than revenue**
- + Strong free cash flow of \$17 million**

Cash flow from operations was \$18.9 million

# Creating Customer Value - Q1 Significant Wins



## National Intelligence

Expansion

~\$8 Million Deal

*Selected based on:*  
Technology strength &  
customer relationship



## National Security

Expansion

~\$9 Million Deal

*Selected based on:*  
Ability to address evolving needs  
& customer relationship



## National Security

Upgrade & Expansion

~\$5 Million Deal

*Selected based on:*  
Technology strength &  
customer relationship

# **Differentiation Through Analytics & Artificial Intelligence**

- + Customers need timely and quality insights to accelerate investigations**
- + Track record of innovation in investigative analytics**
- + Recent AI developments present new opportunities**

# FYE24 Outlook

- + Raising revenue outlook to \$303 million at the midpoint with a range of +/- 2%**
  - ~7% year-over-year growth at mid point on an SIS Adjusted non-GAAP basis
- + Gross profit expected to grow more than 10% year over year on an SIS Adjusted non-GAAP basis**
- + Expecting full-year positive cash flow from operations**

GAAP revenue outlook for FYE24 represents approximately 3% decline year over year at the midpoint of the range  
GAAP gross profit outlook for FYE24 represents approximately 4% growth year over year at the midpoint of the range



# Financial Summary

# Q1 FYE24 Financials

- + **Non-GAAP revenue of \$73.4 million**
- + **Adjusted non-GAAP gross profit up 9% sequentially and 7% year over year**
- + **Adjusted non-GAAP gross margin 68.4%, up 800 basis points year over year**
- + **Positive cash flow from operations of \$19 million**
- + **Cash balance of \$73 million**

GAAP revenue for Q1 FYE24 was \$73.3 million

GAAP gross profit was up 11% sequentially and down 4% year over year

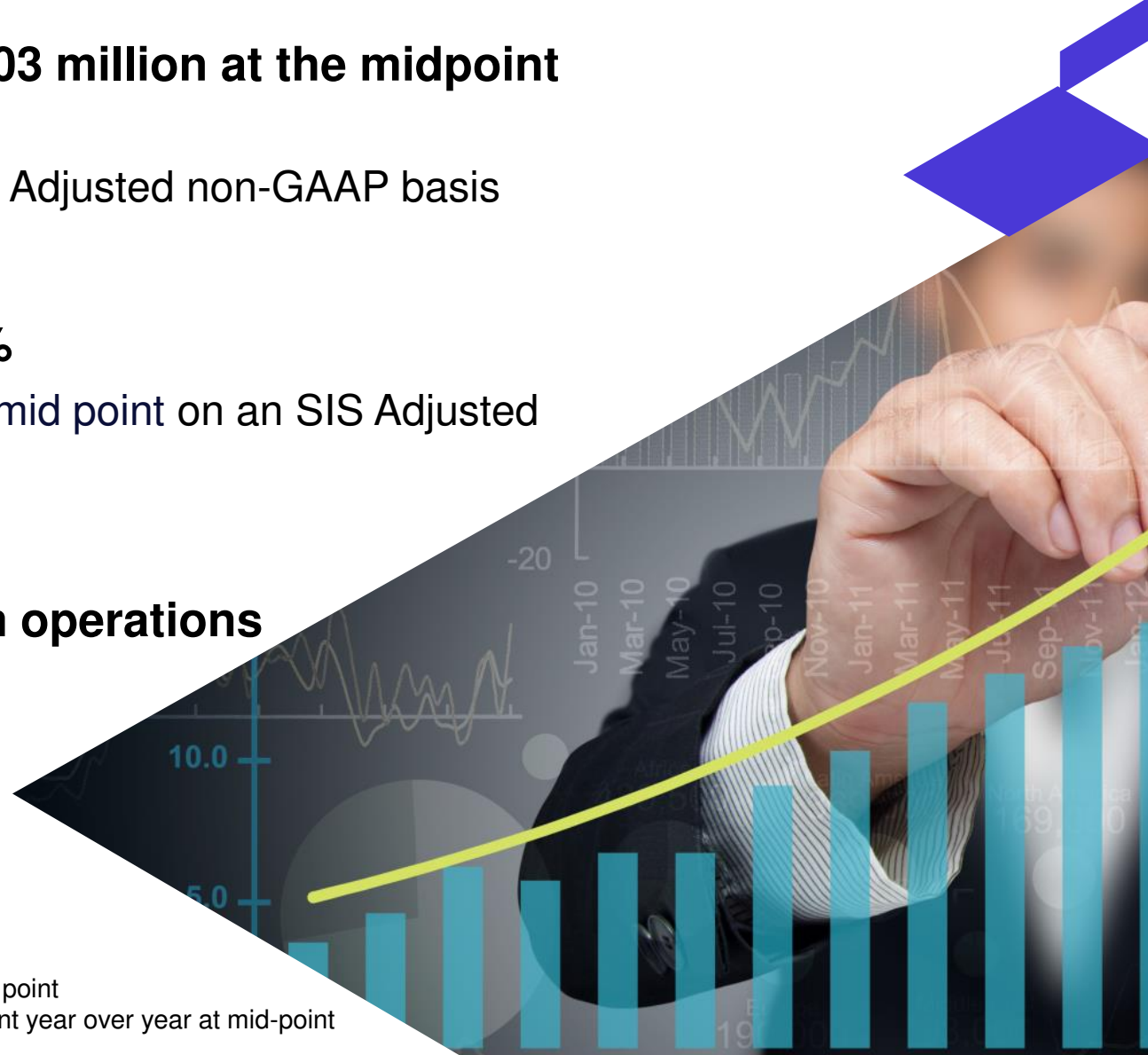
GAAP gross margin for Q1 FYE24 was 67.9%, up 800 basis points year over year



# FYE24 Outlook

- + **Raising revenue guidance for FYE24 to \$303 million at the midpoint with a range of +/- 2%**
  - 7% year over year growth at mid point on an SIS Adjusted non-GAAP basis
- + **Full-year non-GAAP gross margin of 66.5%**
  - 375 basis points year over year improvement at mid point on an SIS Adjusted non-GAAP basis
- + **Expecting positive full-year cash flow from operations**

GAAP revenue outlook for FYE24 represents approximately 3% decline year over year at mid point  
GAAP gross margin outlook for FYE24 represents approximately 400 basis points improvement year over year at mid-point



# Summary

The Cognnyte logo is a large, stylized blue arrow pointing to the right. The word "Cognnyte" is written in white, sans-serif font across the middle of the arrow.

Cognnyte

- + Market leader in investigative analytics**
- + Technological innovations increase customer value and drive demand**
- + Raising FYE24 outlook**
- + Positioned well for long-term growth**

Cognyte  
**Thank you**

[cognyte.com](https://cognyte.com)



# Appendix

# Reconciliation of Non-GAAP to SIS Adjusted Non-GAAP

| (\$ in millions)  | Three Months Ended |                 |                 |                | Year Ended      | Three Months Ended |
|---|--------------------|-----------------|-----------------|----------------|-----------------|--------------------|
|   | 4/30/2022          | 7/31/2022       | 10/31/2022      | 1/31/2023      | 1/31/2023       | 4/30/2023          |
| <b>Revenue</b>  |                    |                 |                 |                |                 |                    |
| Total non-GAAP revenue  | 86.7               | 81.3            | 71.5            | 73.6           | 313.1           | 73.4               |
| SIS revenue adjustments   | (9.2)              | (8.5)           | (10.0)          | (2.4)          | (30.1)          | -                  |
| <b>Total SIS Adjusted non-GAAP revenue</b>                                | <b>\$ 77.5</b>     | <b>\$ 72.9</b>  | <b>\$ 61.5</b>  | <b>\$ 71.2</b> | <b>\$ 283.0</b> | <b>\$ 73.4</b>     |
| <b>Gross profit and gross margin</b>                                      |                    |                 |                 |                |                 |                    |
| Non-GAAP gross profit   | 52.7               | 52.9            | 45.3            | 47.8           | 198.8           | 50.2               |
| Non-GAAP gross margin   | 60.8%              | 65.1%           | 63.4%           | 64.9%          | 63.5%           | 68.4%              |
| SIS adjustments   | (6.0)              | (5.8)           | (7.8)           | (1.6)          | (21.2)          | -                  |
| <b>SIS Adjusted non-GAAP gross profit</b>                                 | <b>\$ 46.7</b>     | <b>\$ 47.1</b>  | <b>\$ 37.6</b>  | <b>\$ 46.2</b> | <b>\$ 177.6</b> | <b>\$ 50.2</b>     |
| <b>SIS Adjusted non-GAAP gross margin</b>                                 | <b>60.3%</b>       | <b>64.7%</b>    | <b>61.1%</b>    | <b>64.9%</b>   | <b>62.8%</b>    | <b>68.4%</b>       |
| <b>Research and development, net</b>                                      |                    |                 |                 |                |                 |                    |
| Non-GAAP research and development, net                                    | 36.2               | 35.7            | 31.4            | 26.7           | 130.0           | 27.2               |
| As a percentage of non-GAAP revenue                                       | 41.7%              | 43.9%           | 43.9%           | 36.3%          | 41.5%           | 37.1%              |
| SIS adjustments   | (3.0)              | (2.8)           | (2.5)           | (0.8)          | (9.1)           | -                  |
| <b>SIS Adjusted non-GAAP research and development, net</b>                | <b>\$ 33.1</b>     | <b>\$ 32.9</b>  | <b>\$ 28.9</b>  | <b>\$ 26.0</b> | <b>\$ 120.9</b> | <b>\$ 27.2</b>     |
| <b>As a percentage of SIS Adjusted non-GAAP revenue</b>                   | <b>42.7%</b>       | <b>45.2%</b>    | <b>47.0%</b>    | <b>36.5%</b>   | <b>42.7%</b>    | <b>37.1%</b>       |
| <b>Selling, general and administrative expenses</b>                       |                    |                 |                 |                |                 |                    |
| Non-GAAP selling, general and administrative expenses                     | 38.7               | 34.7            | 33.3            | 29.8           | 136.4           | 28.5               |
| As a percentage of non-GAAP revenue                                       | 44.6%              | 42.6%           | 46.6%           | 40.5%          | 43.6%           | 38.9%              |
| SIS adjustments   | (2.7)              | (2.2)           | (2.6)           | (0.8)          | (8.3)           | -                  |
| <b>SIS Adjusted non-GAAP selling, general and administrative expenses</b> | <b>\$ 36.0</b>     | <b>\$ 32.5</b>  | <b>\$ 30.7</b>  | <b>\$ 29.0</b> | <b>\$ 128.1</b> | <b>\$ 28.5</b>     |
| <b>As a percentage of SIS Adjusted non-GAAP revenue</b>                   | <b>46.4%</b>       | <b>44.5%</b>    | <b>49.9%</b>    | <b>40.7%</b>   | <b>45.3%</b>    | <b>38.9%</b>       |
| <b>Total operating expenses</b>   |                    |                 |                 |                |                 |                    |
| <b>Non-GAAP operating expenses</b>  | <b>\$ 74.8</b>     | <b>\$ 70.4</b>  | <b>\$ 64.7</b>  | <b>\$ 56.5</b> | <b>\$ 266.4</b> | <b>\$ 55.7</b>     |
| SIS adjustments   | (5.7)              | (5.0)           | (5.1)           | (1.6)          | (17.4)          | -                  |
| <b>SIS Adjusted non-GAAP operating expenses</b>                           | <b>\$ 69.1</b>     | <b>\$ 65.4</b>  | <b>\$ 59.6</b>  | <b>\$ 55.0</b> | <b>\$ 249.0</b> | <b>\$ 55.7</b>     |
| <b>Operating (loss) income and operating margin</b>                       |                    |                 |                 |                |                 |                    |
| Non-GAAP operating (loss) income  | (22.1)             | (17.4)          | (19.4)          | (8.8)          | (67.7)          | (5.5)              |
| Non-GAAP operating margin   | -25.5%             | -21.4%          | -27.1%          | -11.9%         | -21.6%          | -7.5%              |
| SIS adjustments   | (0.3)              | (0.8)           | (2.6)           | (0.0)          | (3.8)           | -                  |
| <b>SIS Adjusted non-GAAP operating (loss) income</b>                      | <b>\$ -22.4</b>    | <b>\$ -18.2</b> | <b>\$ -22.0</b> | <b>\$ -8.8</b> | <b>\$ -71.4</b> | <b>\$ -5.5</b>     |
| <b>SIS Adjusted non-GAAP operating margin</b>                             | <b>-28.9%</b>      | <b>-25.0%</b>   | <b>-35.8%</b>   | <b>-12.3%</b>  | <b>-25.2%</b>   | <b>-7.5%</b>       |

# Summary Metrics

| (\$ in millions, except share and per share data; shares in thousands) |   | Three Months Ended |          |           |          |            |          |           |          | Year Ended |          | Three Months Ended |          | GAAP to Non-GAAP Reconciliation  |
|--|---|--------------------|----------|-----------|----------|------------|----------|-----------|----------|------------|----------|--------------------|----------|--|
|  |   | 4/30/2022          |          | 7/31/2022 |          | 10/31/2022 |          | 1/31/2023 |          | 1/31/2023  |          | 4/30/2023          |          |  |
|  |   | 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                          | \$70.7             | \$71.0   | \$72.5    | \$72.7   | \$65.0     | \$65.2   | \$65.8    | \$66.1   | \$274.0    | \$275.0  | \$66.5             | \$66.6   | Revenue Metrics tab  |
|  | Professional services and other revenue                         | \$15.7             | \$15.7   | \$8.6     | \$8.6    | \$6.3      | \$6.3    | \$7.4     | \$7.4    | \$38.1     | \$38.1   | \$6.8              | \$6.8    |  |
|  | Total revenue   | \$86.4             | \$86.7   | \$81.1    | \$81.3   | \$71.3     | \$71.5   | \$73.3    | \$73.6   | \$312.1    | \$313.1  | \$73.3             | \$73.4   |  |
|  |   |                    |          |           |          |            |          |           |          |            |          |                    |          |  |
| Revenue Mix  | Software and software services revenue as a % of total revenue  | 81.8%              | 81.9%    | 89.3%     | 89.4%    | 91.2%      | 91.2%    | 89.8%     | 89.9%    | 87.8%      | 87.8%    | 90.7%              | 90.7%    |  |
|  | Professional services and other revenue as a % of total revenue | 18.2%              | 18.1%    | 10.7%     | 10.6%    | 8.8%       | 8.8%     | 10.2%     | 10.1%    | 12.2%      | 12.2%    | 9.3%               | 9.3%     |  |
| Growth Metrics   | Reported revenue growth YoY                                     | -24.7%             | -24.7%   | -30.1%    | -30.1%   | -39.8%     | -39.8%   | -41.4%    | -41.3%   | -34.2%     | -34.2%   | -15.2%             | -15.4%   | Revenue Metrics tab<br>Constant Currency tab<br>Gross Profit tab<br>Operating & EBITDA Margins tab |
|  | Software and software services revenue growth YoY               | -31.0%             | -31.0%   | -28.9%    | -28.9%   | -35.0%     | -35.0%   | -38.7%    | -38.6%   | -33.4%     | -33.4%   | -6.0%              | -6.2%    |  |
|  | Constant currency revenue growth YoY                            | -23.8%             | -23.9%   | -27.8%    | -27.9%   | -38.0%     | -37.9%   | -40.5%    | -40.4%   | -32.7%     | -32.8%   | -15.2%             | -15.3%   |  |
|  | Gross profit growth YoY   | -37.0%             | -36.9%   | -38.7%    | -38.1%   | -48.6%     | -48.2%   | -50.0%    | -47.5%   | -43.8%     | -42.8%   | -3.6%              | -4.8%    |  |
|  | Adjusted EBITDA growth YoY                                      |                    | -185.9%  |           | -170.9%  |            | -169.6%  |           | -123.4%  |            | -162.7%  |                    | 87.5%    |  |
| Operating Expense Metrics  | Research and development, net                                   | \$38.0             | \$36.2   | \$38.5    | \$35.7   | \$33.1     | \$31.4   | \$30.7    | \$26.7   | \$140.3    | \$130.0  | \$27.7             | \$27.2   | Operating Expenses tab   |
|  | % of revenue  | 43.9%              | 41.7%    | 47.5%     | 43.9%    | 46.5%      | 43.9%    | 41.9%     | 36.3%    | 45.0%      | 41.5%    | 37.9%              | 37.1%    |  |
|  | Selling, general and administrative                             | \$43.4             | \$38.7   | \$39.0    | \$34.7   | \$36.8     | \$33.3   | \$35.1    | \$29.8   | \$154.3    | \$136.4  | \$28.8             | \$28.5   |  |
|  | % of revenue  | 50.2%              | 44.6%    | 48.1%     | 42.6%    | 51.7%      | 46.6%    | 47.9%     | 40.5%    | 49.5%      | 43.6%    | 39.3%              | 38.9%    |  |
| Profitability Metrics  | Gross profit  | \$51.6             | \$52.7   | \$51.4    | \$52.9   | \$44.2     | \$45.3   | \$44.8    | \$47.8   | \$192.1    | \$198.8  | \$49.8             | \$50.2   | Gross Profit tab   |
|  | Gross margin %  | 59.7%              | 60.8%    | 63.4%     | 65.1%    | 62.0%      | 63.4%    | 61.2%     | 64.9%    | 61.6%      | 63.5%    | 67.9%              | 68.4%    |  |
|  | Operating income (loss)   | (\$30.0)           | (\$22.1) | (\$26.4)  | (\$17.4) | (\$26.0)   | (\$19.4) | (\$20.9)  | (\$8.8)  | (\$103.3)  | (\$67.7) | (\$6.9)            | (\$5.5)  | Operating & EBITDA Margins tab   |
|  | Operating margin %  | -34.7%             | -25.5%   | -32.6%    | -21.4%   | -36.5%     | -27.1%   | -28.6%    | -11.9%   | -33.1%     | -21.6%   | -9.4%              | -7.5%    |  |
|  | Adjusted EBITDA   |                    | (\$18.2) |           | (\$13.1) |            | (\$15.4) |           | (\$4.8)  |            | (\$51.5) |                    | (\$2.3)  |  |
|  | Adjusted EBITDA margin  |                    | -21.0%   |           | -16.2%   |            | -21.5%   |           | -6.5%    |            | -16.4%   |                    | -3.1%    |  |
| EPS  | Diluted net income (loss) per share attributable to Cognyte     | (\$0.45)           | (\$0.79) | (\$0.43)  | (\$0.04) | (\$0.41)   | (\$0.25) | (\$0.40)  | (\$0.16) | (\$1.68)   | (\$1.24) | (\$0.13)           | (\$0.23) | EPS tab  |
|  | Weighted-average shares used in computing EPS                   | 67,304             | 67,304   | 67,677    | 67,677   | 68,081     | 68,081   | 68,614    | 68,614   | 67,924     | 67,924   | 68,901             | 68,901   |  |



# Summary Metrics – SIS Adjusted

| (\$ in millions, except share and per share data; shares in thousands) |   | Three Months Ended |                       |           |                       |            |                       |           |                       | Year Ended |                       | Three Months Ended |          |
|--|---|--------------------|-----------------------|-----------|-----------------------|------------|-----------------------|-----------|-----------------------|------------|-----------------------|--------------------|----------|
|  |   | 4/30/2022          |                       | 7/31/2022 |                       | 10/31/2022 |                       | 1/31/2023 |                       | 1/31/2023  |                       | 4/30/2023          |          |
|  |   | GAAP               | SIS Adjusted Non-GAAP | GAAP      | SIS Adjusted Non-GAAP | GAAP       | SIS Adjusted Non-GAAP | GAAP      | SIS Adjusted Non-GAAP | GAAP       | SIS Adjusted Non-GAAP | GAAP               | Non-GAAP |
| Revenue Metrics  | Software and software services revenue*                         | \$70.7             | \$64.0                | \$72.5    | \$66.1                | \$65.0     | \$56.1                | \$65.8    | \$64.2                | \$274.0    | \$250.3               | \$66.5             | \$66.6   |
|  | Professional services and other revenue*                        | \$15.7             | \$13.5                | \$8.6     | \$6.8                 | \$6.3      | \$5.4                 | \$7.4     | \$7.0                 | \$38.1     | \$32.7                | \$6.8              | \$6.8    |
|  | Total revenue*  | \$86.4             | \$77.5                | \$81.1    | \$72.9                | \$71.3     | \$61.5                | \$73.3    | \$71.2                | \$312.1    | \$283.0               | \$73.3             | \$73.4   |
| Revenue Mix  | Software and software services revenue as a % of total revenue  | 81.8%              | 82.5%                 | 89.3%     | 90.7%                 | 91.2%      | 91.2%                 | 89.8%     | 90.2%                 | 87.8%      | 88.4%                 | 90.7%              | 90.7%    |
|  | Professional services and other revenue as a % of total revenue | 18.2%              | 17.5%                 | 10.7%     | 9.3%                  | 8.8%       | 8.8%                  | 10.2%     | 9.8%                  | 12.2%      | 11.6%                 | 9.3%               | 9.3%     |
| Growth Metrics   | Reported revenue growth YoY                                     | -24.7%             | -27.4%                | -30.1%    | -31.7%                | -39.8%     | -44.0%                | -41.4%    | -39.6%                | -34.2%     | -35.8%                | -15.2%             | -5.3%    |
|  | Software and software services revenue growth YoY               | -31.0%             | -32.6%                | -28.9%    | -28.9%                | -35.0%     | -39.3%                | -38.7%    | -36.6%                | -33.4%     | -34.4%                | -6.0%              | 4.1%     |
|  | Gross profit growth YoY   | -37.0%             | -40.5%                | -38.7%    | -40.3%                | -48.6%     | -53.9%                | -50.0%    | -46.2%                | -43.8%     | -45.3%                | -3.6%              | 7.5%     |
|  | Adjusted EBITDA growth YoY                                      |                    | -190.4%               |           | -184.0%               |            | -187.2%               |           | -123.9%               |            | -171.1%               |                    | 87.8%    |
| Operating Expense Metrics  | Research and development, net*                                  | \$38.0             | \$33.1                | \$38.5    | \$32.9                | \$33.1     | \$28.9                | \$30.7    | \$26.0                | \$140.3    | \$120.9               | \$27.7             | \$27.2   |
|  | % of revenue  | 43.9%              | 42.7%                 | 47.5%     | 45.2%                 | 46.5%      | 47.0%                 | 41.9%     | 36.5%                 | 45.0%      | 42.7%                 | 37.9%              | 37.1%    |
|  | Selling, general and administrative*                            | \$43.4             | \$36.0                | \$39.0    | \$32.5                | \$36.8     | \$30.7                | \$35.1    | \$29.0                | \$154.3    | \$128.1               | \$28.8             | \$28.5   |
|  | % of revenue  | 50.2%              | 46.4%                 | 48.1%     | 44.5%                 | 51.7%      | 49.9%                 | 47.9%     | 40.7%                 | 49.5%      | 45.3%                 | 39.3%              | 38.9%    |
| Profitability Metrics  | Gross profit*   | \$51.6             | \$46.7                | \$51.4    | \$47.1                | \$44.2     | \$37.6                | \$44.8    | \$46.2                | \$192.1    | \$177.6               | \$49.8             | \$50.2   |
|  | Gross margin %  | 59.7%              | 60.3%                 | 63.4%     | 64.7%                 | 62.0%      | 61.1%                 | 61.2%     | 64.9%                 | 61.6%      | 62.8%                 | 67.9%              | 68.4%    |
|  | Operating income (loss)*  | (\$30.0)           | (\$22.4)              | (\$26.4)  | (\$18.2)              | (\$26.0)   | (\$22.0)              | (\$20.9)  | (\$8.8)               | (\$103.3)  | (\$71.4)              | (\$6.9)            | (\$5.5)  |
|  | Operating margin %  | -34.7%             | -28.9%                | -32.6%    | -25.0%                | -36.5%     | -35.8%                | -28.6%    | -12.3%                | -33.1%     | -25.2%                | -9.4%              | -7.5%    |
|  | Adjusted EBITDA*  |                    | (\$18.7)              |           | (\$14.1)              |            | (\$18.3)              |           | (\$4.8)               |            | (\$55.9)              |                    | (\$2.3)  |
|  | Adjusted EBITDA margin  |                    | -24.1%                |           | -19.4%                |            | -29.7%                |           | -6.8%                 |            | -19.8%                |                    | -3.1%    |

\* The financial figures on the above table are Situational Intelligence Solutions (SIS) adjusted Non-GAAP measures, see supplemental information and non-GAAP measures slides

# Revenue Metrics

| (\$ in millions)  | Three Months Ended |                |                |                | Year Ended      | Three Months Ended |
|---|--------------------|----------------|----------------|----------------|-----------------|--------------------|
|   | 4/30/2022          | 7/31/2022      | 10/31/2022     | 1/31/2023      | 1/31/2023       | 4/30/2023          |
| Software and software services revenue - GAAP                 | 70.7               | 72.5           | 65.0           | 65.8           | 274.0           | 66.5               |
| Professional services and other revenue - GAAP                | 15.7               | 8.6            | 6.3            | 7.4            | 38.1            | 6.8                |
| <b>Total revenue - GAAP</b>                                   | <b>\$ 86.4</b>     | <b>\$ 81.1</b> | <b>\$ 71.3</b> | <b>\$ 73.3</b> | <b>\$ 312.1</b> | <b>\$ 73.3</b>     |
| Estimated software and software services revenue adjustments  | 0.2                | 0.2            | 0.2            | 0.3            | 1.0             | 0.1                |
| Estimated professional services and other revenue adjustments | -                  | -              | -              | -              | -               | -                  |
| <b>Total estimated revenue adjustments</b>                    | <b>\$ 0.2</b>      | <b>\$ 0.2</b>  | <b>\$ 0.2</b>  | <b>\$ 0.3</b>  | <b>\$ 1.0</b>   | <b>\$ 0.1</b>      |
| Software and software services revenue - non-GAAP             | 71.0               | 72.7           | 65.2           | 66.1           | 275.0           | 66.6               |
| Professional services and other revenue - non-GAAP            | 15.7               | 8.6            | 6.3            | 7.4            | 38.1            | 6.8                |
| <b>Total revenue - non-GAAP</b>                               | <b>\$ 86.7</b>     | <b>\$ 81.3</b> | <b>\$ 71.5</b> | <b>\$ 73.6</b> | <b>\$ 313.1</b> | <b>\$ 73.4</b>     |

# Constant Currency Metrics

| (\$ in millions)   | Three Months Ended |               |               |               | Year Ended    | Three Months Ended |
|--|--------------------|---------------|---------------|---------------|---------------|--------------------|
|  | 4/30/2022          | 7/31/2022     | 10/31/2022    | 1/31/2023     | 1/31/2023     | 4/30/2023          |
| <b>GAAP</b>  |                    |               |               |               |               |                    |
| Revenue for the prior period ended                         | \$ 114.7           | \$ 116.0      | \$ 118.4      | \$ 125.0      | \$ 474.0      | \$ 86.4            |
| Revenue for the current period ended                       | \$ 86.4            | \$ 81.1       | \$ 71.3       | \$ 73.3       | \$ 312.1      | \$ 73.3            |
| Revenue for the current period at constant currency (2)    | \$ 87.5            | \$ 83.5       | \$ 73.5       | \$ 74.5       | \$ 319.0      | \$ 73.5            |
| Reported period-over-period revenue change                 | -24.7%             | -30.1%        | -39.8%        | -41.4%        | -34.2%        | -15.2%             |
| % impact from change in foreign currency exchange rates    | 0.9%               | 2.2%          | 1.8%          | 0.9%          | 1.5%          | 0.1%               |
| <b>Constant currency period-over-period revenue change</b> | <b>-23.8%</b>      | <b>-27.8%</b> | <b>-38.0%</b> | <b>-40.5%</b> | <b>-32.7%</b> | <b>-15.2%</b>      |
| <b>Non-GAAP</b>  |                    |               |               |               |               |                    |
| Revenue for the prior period ended                         | \$ 115.2           | \$ 116.4      | \$ 118.7      | \$ 125.3      | \$ 475.6      | \$ 86.7            |
| Revenue for the current period ended                       | \$ 86.7            | \$ 81.3       | \$ 71.5       | \$ 73.6       | \$ 313.1      | \$ 73.4            |
| Revenue for the current period at constant currency (2)    | \$ 87.5            | \$ 84.0       | \$ 73.5       | \$ 74.5       | \$ 319.5      | \$ 73.5            |
| Reported period-over-period revenue change                 | -24.7%             | -30.1%        | -39.8%        | -41.3%        | -34.2%        | -15.4%             |
| % impact from change in foreign currency exchange rates    | 0.9%               | 2.2%          | 1.8%          | 0.9%          | 1.3%          | 0.1%               |
| <b>Constant currency period-over-period revenue change</b> | <b>-23.9%</b>      | <b>-27.9%</b> | <b>-37.9%</b> | <b>-40.4%</b> | <b>-32.8%</b> | <b>-15.3%</b>      |

# Gross Profit

| (\$ in millions)   | Three Months Ended |                 |                 |                 | Year Ended       | Three Months Ended |
|--|--------------------|-----------------|-----------------|-----------------|------------------|--------------------|
|  | 4/30/2022          | 7/31/2022       | 10/31/2022      | 1/31/2023       | 1/31/2023        | 4/30/2023          |
| <b>Total GAAP gross profit</b>                           | \$ 51.6            | \$ 51.4         | \$ 44.2         | \$ 44.8         | \$ 192.1         | \$ 49.8            |
| <b>Total GAAP gross margin</b>                           | <b>59.7%</b>       | <b>63.4%</b>    | <b>62.0%</b>    | <b>61.2%</b>    | <b>61.6%</b>     | <b>67.9%</b>       |
| Revenue adjustments                                      | 0.2                | 0.2             | 0.2             | 0.3             | 1.0              | 0.1                |
| Intangible write-off                                     | -                  | -               | -               | 0.6             | 0.6              | -                  |
| Amortization of acquired technology                      | 0.2                | 0.2             | 0.2             | 0.1             | 0.6              | -                  |
| Stock-based compensation expenses                        | 0.7                | 0.8             | 0.6             | 1.3             | 3.3              | 0.3                |
| Acquisition expenses, net                                | -                  | -               | -               | -               | -                | -                  |
| Restructuring expenses                                   | 0.0                | 0.3             | 0.1             | 0.7             | 1.1              | -                  |
| Separation expenses                                      | -                  | -               | -               | -               | -                | -                  |
| <b>Total non-GAAP gross profit</b>                       | <b>\$ 52.7</b>     | <b>\$ 52.9</b>  | <b>\$ 45.3</b>  | <b>\$ 47.8</b>  | <b>\$ 198.8</b>  | <b>\$ 50.2</b>     |
| <b>Total non-GAAP gross margin</b>                       | <b>60.8%</b>       | <b>65.1%</b>    | <b>63.4%</b>    | <b>64.9%</b>    | <b>63.5%</b>     | <b>68.4%</b>       |
| <b>Software and software services</b>                    |                    |                 |                 |                 |                  |                    |
| Software and software services gross profit - GAAP       | \$ 53.7            | \$ 55.1         | \$ 49.5         | \$ 47.3         | \$ 205.6         | \$ 52.1            |
| Software and software services gross margin - GAAP       | <b>75.9%</b>       | <b>76.1%</b>    | <b>76.2%</b>    | <b>71.9%</b>    | <b>75.0%</b>     | <b>78.3%</b>       |
| Software and software services gross profit adjustments  | 0.5                | 0.7             | 0.6             | 2.1             | 3.8              | 0.3                |
| Software and software services gross profit - non-GAAP   | <b>\$ 54.1</b>     | <b>\$ 55.8</b>  | <b>\$ 50.1</b>  | <b>\$ 49.4</b>  | <b>\$ 209.4</b>  | <b>\$ 52.4</b>     |
| Software and software services gross margin - non-GAAP   | <b>76.3%</b>       | <b>76.7%</b>    | <b>76.8%</b>    | <b>74.8%</b>    | <b>76.2%</b>     | <b>78.6%</b>       |
| <b>Professional services and other</b>                   |                    |                 |                 |                 |                  |                    |
| Professional services and other gross profit - GAAP      | (1.8)              | (3.5)           | (5.1)           | (2.4)           | (12.9)           | (2.3)              |
| Professional services and other gross margin - GAAP      | <b>-11.7%</b>      | <b>-40.5%</b>   | <b>-82.1%</b>   | <b>-31.9%</b>   | <b>-33.8%</b>    | <b>-33.6%</b>      |
| Professional services and other gross profit adjustments | 0.4                | 0.7             | 0.4             | 0.7             | 2.2              | 0.1                |
| Professional services and other gross profit - non-GAAP  | <b>\$ (1.4)</b>    | <b>\$ (2.8)</b> | <b>\$ (4.8)</b> | <b>\$ (1.7)</b> | <b>\$ (10.7)</b> | <b>\$ (2.2)</b>    |
| Professional services and other gross margin - non-GAAP  | <b>-8.9%</b>       | <b>-32.9%</b>   | <b>-76.0%</b>   | <b>-22.4%</b>   | <b>-28.0%</b>    | <b>-31.8%</b>      |

# Operating Expenses

| (\$ in millions)  | Three Months Ended             |                                |                                |                                | Year Ended                      | Three Months Ended             |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|--------------------------------|
|   | 4/30/2022                      | 7/31/2022                      | 10/31/2022                     | 1/31/2023                      | 1/31/2023                       | 4/30/2023                      |
| <b>GAAP research and development, net<br/>as a % of GAAP revenue</b>                        | <b>\$ 38.0</b><br><b>43.9%</b> | <b>\$ 38.5</b><br><b>47.5%</b> | <b>\$ 33.1</b><br><b>46.5%</b> | <b>\$ 30.7</b><br><b>41.9%</b> | <b>\$ 140.3</b><br><b>45.0%</b> | <b>\$ 27.7</b><br><b>37.9%</b> |
| Stock-based compensation expenses   | (1.8)                          | (1.9)                          | (1.3)                          | (3.0)                          | (8.0)                           | (0.5)                          |
| Acquisition expenses, net   | -                              | -                              | -                              | -                              | -                               | -                              |
| Restructuring expenses  | -                              | (0.9)                          | (0.4)                          | (0.9)                          | (2.3)                           | (0.1)                          |
| Separation expenses   | -                              | -                              | -                              | (0.0)                          | (0.0)                           | -                              |
| Other adjustments   | 0.0                            | -                              | -                              | -                              | 0.0                             | -                              |
| <b>Non-GAAP research and development, net<br/>as a % of non-GAAP revenue</b>                | <b>\$ 36.2</b><br><b>41.7%</b> | <b>\$ 35.7</b><br><b>43.9%</b> | <b>\$ 31.4</b><br><b>43.9%</b> | <b>\$ 26.7</b><br><b>36.3%</b> | <b>\$ 130.0</b><br><b>41.5%</b> | <b>\$ 27.2</b><br><b>37.1%</b> |
| <b>GAAP selling, general and administrative expenses<br/>as a % of GAAP revenue</b>         | <b>\$ 43.4</b><br><b>50.2%</b> | <b>\$ 39.0</b><br><b>48.1%</b> | <b>\$ 36.8</b><br><b>51.7%</b> | <b>\$ 35.1</b><br><b>47.9%</b> | <b>154.3</b><br><b>49.5%</b>    | <b>28.8</b><br><b>39.3%</b>    |
| Stock-based compensation expenses   | (2.6)                          | (3.7)                          | (2.9)                          | (4.7)                          | (13.9)                          | (1.1)                          |
| Acquisition expenses, net   | (0.1)                          | (0.0)                          | (0.6)                          | 0.6                            | (0.0)                           | 0.0                            |
| Restructuring expenses  | (2.0)                          | (0.7)                          | (0.0)                          | (0.8)                          | (3.5)                           | (0.1)                          |
| Separation expenses   | (0.0)                          | (0.0)                          | (0.0)                          | (0.3)                          | (0.3)                           | 1.0                            |
| Provision for legal claim   | (0.0)                          | (0.0)                          | -                              | -                              | (0.0)                           | -                              |
| Other adjustments   | (0.0)                          | (0.0)                          | -                              | (0.1)                          | (0.1)                           | (0.1)                          |
| <b>Non-GAAP selling, general and administrative expenses<br/>as a % of non-GAAP revenue</b> | <b>\$ 38.7</b><br><b>44.6%</b> | <b>\$ 34.7</b><br><b>42.6%</b> | <b>\$ 33.3</b><br><b>46.6%</b> | <b>\$ 29.8</b><br><b>40.5%</b> | <b>\$ 136.4</b><br><b>43.6%</b> | <b>\$ 28.5</b><br><b>38.9%</b> |

# Operating and Adjusted EBITDA Margins

| (\$ in millions)                                 | Three Months Ended |                  |                  |                 | Year Ended       | Three Months Ended |
|--|--------------------|------------------|------------------|-----------------|------------------|--------------------|
|  | 4/30/2022          | 7/31/2022        | 10/31/2022       | 1/31/2023       | 1/31/2023        | 4/30/2023          |
| <b>GAAP operating profit (loss)</b>              | \$ (30.0)          | \$ (26.4)        | \$ (26.0)        | \$ (20.9)       | \$ (103.3)       | \$ (6.9)           |
| <b>GAAP operating margin</b>                     | <b>-34.7%</b>      | <b>-32.6%</b>    | <b>-36.5%</b>    | <b>-28.6%</b>   | <b>-33.1%</b>    | <b>-9.4%</b>       |
| Revenue adjustments                              | 0.2                | 0.2              | 0.2              | 0.3             | 1.0              | 0.1                |
| Intangible write-off                             | -                  | -                | -                | 0.6             | 0.6              | -                  |
| Amortization of acquired technology              | 0.2                | 0.2              | 0.2              | 0.1             | 0.6              | -                  |
| Amortization of other acquired intangible assets | 0.3                | 0.3              | 0.3              | 0.0             | 0.8              | 0.1                |
| Stock-based compensation expenses                | 5.1                | 6.4              | 4.8              | 9.0             | 25.2             | 1.9                |
| Acquisitions expenses, net                       | 0.1                | 0.0              | 0.6              | (0.6)           | 0.0              | (0.0)              |
| Restructuring expenses                           | 2.0                | 1.9              | 0.6              | 2.4             | 6.9              | 0.2                |
| Separation expenses                              | 0.0                | 0.0              | 0.0              | 0.3             | 0.3              | (1.0)              |
| Provision for legal claim                        | 0.0                | 0.0              | -                | -               | 0.0              | -                  |
| Other adjustments                                | (0.0)              | 0.0              | -                | 0.1             | 0.1              | 0.1                |
| <b>Non-GAAP operating profit (loss)</b>          | <b>\$ (22.1)</b>   | <b>\$ (17.4)</b> | <b>\$ (19.4)</b> | <b>\$ (8.8)</b> | <b>\$ (67.7)</b> | <b>\$ (5.5)</b>    |
| Depreciation and amortization                    | 3.9                | 4.3              | 4.0              | 4.0             | 16.2             | 3.2                |
| <b>Adjusted EBITDA</b>                           | <b>\$ (18.2)</b>   | <b>\$ (13.1)</b> | <b>\$ (15.4)</b> | <b>\$ (4.8)</b> | <b>\$ (51.5)</b> | <b>\$ (2.3)</b>    |
| <b>Non-GAAP operating margin</b>                 | <b>-25.5%</b>      | <b>-21.4%</b>    | <b>-27.1%</b>    | <b>-11.9%</b>   | <b>-21.6%</b>    | <b>-7.5%</b>       |
| <b>Adjusted EBITDA margin</b>                    | <b>-21.0%</b>      | <b>-16.2%</b>    | <b>-21.5%</b>    | <b>-6.5%</b>    | <b>-16.4%</b>    | <b>-3.1%</b>       |



# Other Income, Tax and Net Income

| (\$ in millions)   | Three Months Ended |                  |                  |                  | Year Ended        | Three Months Ended |
|--|--------------------|------------------|------------------|------------------|-------------------|--------------------|
|  | 4/30/2022          | 7/31/2022        | 10/31/2022       | 1/31/2023        | 1/31/2023         | 4/30/2023          |
| <b><u>Other income (expense) reconciliation</u></b>  |                    |                  |                  |                  |                   |                    |
| <b>GAAP other income (expense), net</b>  | \$ 0.7             | \$ (1.0)         | \$ 0.8           | \$ 5.7           | \$ 6.3            | \$ 1.3             |
| Change in fair value of equity investment  | (1.7)              | -                | -                | -                | (1.7)             | -                  |
| Business divestiture and other   | -                  | -                | -                | (5.8)            | (5.8)             | 0.2                |
| <b>Non-GAAP other income (expense), net</b>  | <b>\$ (0.9)</b>    | <b>\$ (1.0)</b>  | <b>\$ 0.8</b>    | <b>\$ (0.04)</b> | <b>\$ (1.1)</b>   | <b>\$ 1.5</b>      |
| <b><u>Tax provision (benefit) reconciliation</u></b>   |                    |                  |                  |                  |                   |                    |
| <b>GAAP provision (benefit) for income taxes</b>   | <b>\$ 0.1</b>      | <b>\$ 0.3</b>    | <b>\$ 1.6</b>    | <b>\$ 10.9</b>   | <b>\$ 13.0</b>    | <b>\$ 1.9</b>      |
| GAAP effective income tax rate   | -0.5%              | -1.1%            | -6.5%            | -71.6%           | -13.4%            | -33.6%             |
| Non-GAAP tax adjustments   | 29.4               | (17.1)           | (4.3)            | (9.7)            | (1.7)             | 8.7                |
| <b>Non-GAAP provision (benefit) for income taxes</b>   | <b>\$ 29.5</b>     | <b>\$ (16.7)</b> | <b>\$ (2.7)</b>  | <b>\$ 1.2</b>    | <b>\$ 11.3</b>    | <b>\$ 10.6</b>     |
| Non-GAAP effective income tax rate   | -128.4%            | 90.9%            | 14.3%            | -13.3%           | -16.4%            | -260.6%            |
| <b><u>Net income (loss) reconciliation</u></b>   |                    |                  |                  |                  |                   |                    |
| <b>GAAP net income (loss)</b>  | <b>\$ (29.4)</b>   | <b>\$ (27.7)</b> | <b>\$ (26.8)</b> | <b>\$ (26.1)</b> | <b>\$ (110.0)</b> | <b>\$ (7.4)</b>    |
| Total GAAP net income adjustments  | (23.1)             | 26.0             | 10.9             | 16.1             | 29.9              | (7.2)              |
| <b>Non-GAAP net income (loss)</b>  | <b>\$ (52.5)</b>   | <b>\$ (1.7)</b>  | <b>\$ (15.9)</b> | <b>\$ (10.0)</b> | <b>\$ (80.0)</b>  | <b>\$ (14.6)</b>   |
| Net income attributable to noncontrolling interest   | \$ 1.0             | \$ 1.2           | \$ 1.0           | \$ 1.1           | \$ 4.2            | \$ 1.3             |
| <b><u>Net income (Loss) attributable to Cognyte software Ltd. common shares reconciliation</u></b> |                    |                  |                  |                  |                   |                    |
| <b>GAAP net income (loss) attributable to Cognyte Software Ltd. common shares</b>                  | <b>\$ (30.4)</b>   | <b>\$ (28.9)</b> | <b>\$ (27.8)</b> | <b>\$ (27.1)</b> | <b>\$ (114.1)</b> | <b>\$ (8.8)</b>    |
| Total GAAP net income (loss) adjustments   | (23.1)             | 26.0             | 10.9             | 16.1             | 29.9              | (7.2)              |
| <b>Non-GAAP net income (loss) attributable to Cognyte Software Ltd common shares</b>               | <b>\$ (53.5)</b>   | <b>\$ (2.9)</b>  | <b>\$ (16.9)</b> | <b>\$ (11.0)</b> | <b>\$ (84.2)</b>  | <b>\$ (15.9)</b>   |

# EPS

| (Shares in thousands)  | Three Months Ended |               |               |               | Year Ended    | Three Months Ended |
|--|--------------------|---------------|---------------|---------------|---------------|--------------------|
|  | 4/30/2022          | 7/31/2022     | 10/31/2022    | 1/31/2023     | 1/31/2023     | 4/30/2023          |
| GAAP diluted net income (loss) per share attributable to Cognyte software Ltd.                                       | \$ (0.45)          | \$ (0.43)     | \$ (0.41)     | \$ (0.40)     | \$ (1.68)     | \$ (0.13)          |
| Non-GAAP diluted net income (loss) per share attributable to Cognyte software Ltd.                                   | \$ (0.79)          | \$ (0.04)     | \$ (0.25)     | \$ (0.16)     | \$ (1.24)     | \$ (0.23)          |
| <b>GAAP weighted-average shares used in computing diluted net income (loss) per common share</b>                     | <b>67,304</b>      | <b>67,677</b> | <b>68,081</b> | <b>68,614</b> | <b>67,924</b> | <b>68,901</b>      |
| Additional weighted-average shares applicable to non-GAAP net income per share attributable to Cognyte software Ltd. | -                  | -             | -             | -             | -             | -                  |
| <b>Non-GAAP diluted weighted-average shares used in computing net income (loss) per share</b>                        | <b>67,304</b>      | <b>67,677</b> | <b>68,081</b> | <b>68,614</b> | <b>67,924</b> | <b>68,901</b>      |

# Footnotes

- (1) The actual cash tax paid, net of refunds, was \$1.0 million and \$3.0 million for the three months ended April 30, 2023 and 2022, respectively.

- (2) Revenue for the three months ended April 30, 2023, 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 April 30, 2022, 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 expenses, net, non-GAAP selling, general and administrative expenses, non-GAAP operating loss and operating margins, non-GAAP other income (expense), net, non-GAAP provision for income taxes and non-GAAP effective income tax rate, non-GAAP net loss attributable to Cognyte, adjusted EBITDA and adjusted EBITDA margin, non-GAAP diluted net loss per share attributable to Cognyte and non-GAAP diluted 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 ordinary shares. 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 accelerated depreciation and amortization of assets which became obsolete following the 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.

*Business Divestiture gains/losses.* In certain cases, we may divest a portion of our business, which may result in a gain or loss on divestiture. These gains or losses may result from the sale of a business unit or the termination of a product line or service. We exclude these gains or losses from our non-GAAP financial measures in order to provide a more meaningful comparisons of our ongoing business performance between periods and to other companies in our industry. On December 1, 2022, as part of our ongoing strategic plan to simplify and focus the Company on fewer agendas, we sold our Situational Intelligence Solutions (SIS) business.

# Supplemental Information and Non-GAAP Measures

*Provision for legal claim.* We exclude from our non-GAAP financial measures accrual made for the settlement of certain legal claims related to our business acquisitions.

*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 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. 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) attributable to non-controlling interest 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.

## **SIS Adjusted Non-GAAP**

SIS Adjusted Non-GAAP is a non-GAAP financial measure used by Cognyte that excludes SIS non-GAAP direct business contribution (which was divested on December 1, 2022) on financial measures such as non-GAAP revenue, non-GAAP gross profit, and gross margins, non-GAAP research and development expenses, net, non-GAAP selling, general and administrative expenses, non-GAAP operating (loss) income and operating margins.

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



# Supplemental Information and Non-GAAP Measures

## **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 each of 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.