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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended

January 31, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 001-39829

**Cognyte Software Ltd.**

(Exact name of registrant as specified in its charter)

Not applicable

(Translation of Registrant's name into English)

Israel

(Jurisdiction of incorporation or organization)

33 Maskit

Herzliya Pituach

4673333, Israel

(Address of principal executive office)

David Abadi

33 Maskit

Herzliya Pituach

4673333, Israel

+972-9-962-2300

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Ordinary Shares, no par value	CGNT	The Nasdaq Stock Market, LLC (Nasdaq Global Select Market)

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act  
**None**

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:  
70,996,535 Ordinary Shares, no par value, at January 31, 2024.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☐

Accelerated filer

☒

Non-accelerated filer

☐

Emerging growth company

☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

☒

International Financial Reporting Standards as issued by the International Accounting Standards Board

☐

Other

☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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## INTRODUCTION AND USE OF CERTAIN TERMS

*We have prepared this annual report on Form 20-F for the fiscal year ended January 31, 2024 (this “Form 20-F” or “Annual Report”) using a number of conventions, which you should consider when reading the information contained herein. In this Form 20-F, “we,” “us,” “our” and “Cognyte” shall refer to Cognyte Software Ltd. together with its consolidated subsidiaries as a consolidated entity.*

We are a global leader in investigative analytics software that empowers a variety of government and other organizations with Actionable Intelligence for a Safer World™. Our open interface software is designed to help customers accelerate and improve the effectiveness of investigations and decision-making. Hundreds of customers rely on our solutions to accelerate and conduct investigations and derive insights, with which they identify, neutralize, and tackle threats to national security and address different forms of criminal and terror activities.

Formerly a business unit of Verint Systems Inc. (“Verint”), we were formed in May 2020 under the name “Cognyte Software Ltd.” and, after previously being a part of Verint, we converted to an independent public company through a spin-off from Verint on February 1, 2021. Our shares are listed on The Nasdaq Global Select Market (“Nasdaq”) under the symbol “CGNT.”

Additionally, as used in this Annual Report, except where the context otherwise requires or where otherwise indicated:

- “Cognyte Business” or “our business” refers to our business, which prior to the spin-off was operated by Verint as its Cyber Intelligence Solutions business;
- “distribution” refers to the transaction in which Verint distributed to Verint shareholders, on a pro rata basis, 100% of our shares;
- “internal transactions” refers to the series of related internal transactions pursuant to which Verint transferred and assigned to us the Cognyte Business immediately prior to the consummation of the spin-off;
- “separation” refers to the transaction in which Verint transferred certain operations and assets of its Cognyte Business unit to us;
- “SIS” refers to our situational intelligence solutions business, which was part of our Threat Intelligence Analytics offering, and which was divested on December 1, 2022; and
- “spin-off” refers collectively to the separation and the distribution.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Our consolidated financial statements responsive to Item 17 of this Annual Report are prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). We present our consolidated financial statements in U.S. dollars.

Our fiscal year ends on January 31 of each year. References to fiscal year ended January 31, 2021 refer to the fiscal year starting February 1, 2020 and ending January 31, 2021, references to fiscal year ended January 31, 2022 or fiscal year 2022 refer to the fiscal year starting February 1, 2021 and ending January 31, 2022, references to fiscal year ended January 31, 2023 or fiscal year 2023 refer to the fiscal year starting February 1, 2022 and ending January 31, 2023, references to fiscal year ended January 31, 2024 or fiscal year 2024 refer to the fiscal year starting February 1, 2023 and ending January 31, 2024, and references to fiscal year ending January 31, 2025 or fiscal year 2025 refer to the fiscal year starting February 1, 2024 and ending January 31, 2025.

All references in this Annual Report to “Israeli currency” and “NIS” refer to New Israeli Shekels, the terms “dollar,” “USD” or “\$” refer to U.S. dollars, and the terms “€” or “Euro” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended.

Certain monetary amounts, percentages and other figures included elsewhere in this Annual Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables or charts may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them. Certain amounts in prior periods have been reclassified to conform to the current period presentation.

## TRADEMARKS

We have proprietary rights to trademarks used in this Annual Report that are important to our business, many of which are registered under applicable intellectual property laws. Solely for convenience, trademarks and trade names referred to in this Annual Report may appear without the “®” or “™” symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent possible under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other companies’ trademarks, trade names or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other companies. Each trademark, trade name or service mark of any other company appearing in this Annual Report is the property of its respective holder.

## MARKET INFORMATION

Unless otherwise indicated, information in this Annual Report concerning economic conditions, our industry, our markets and our competitive position is based on a variety of sources, including information from independent industry analysts and publications, as well as our own estimates and research.

Our estimates are derived from publicly available information released by independent third-party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of our industry, which we believe to be reasonable.

None of the independent industry publications relied upon by us or otherwise referred to in this Annual Report were prepared on our behalf. Although we believe the data from these third-party sources is reliable, we have not independently verified any such information, and these sources generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed.

Projections, assumptions and estimates of the future performance of the industry in which we operate and our future performance are necessarily subject to uncertainty and risk due to a variety of factors, including those described in “Risk Factors” and “Special Note About Forward-Looking Statement and Risk Factor Summary.” These and other factors could cause results to differ materially from those expressed in the estimates made by independent third parties and by us.

Certain estimates of market opportunity and forecasts of market growth included in this Annual Report may prove to be inaccurate. The market for our products may experience changes over time. The estimates and forecasts in this Annual Report relating to the size of our target market, market demand and adoption, capacity to address this demand and pricing may prove to be inaccurate. The addressable market we estimate may not materialize for many years, if ever, and even if the markets in which we compete meet the size estimates in this Annual Report, our business could fail to grow at similar rates, if at all.

## SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

This Annual Report contains forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the U.S. Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements contained in this Annual Report other than statements of historical fact, including, without limitation, statements regarding our future results of operations and financial position, growth strategy, plans and objectives of management for future operations, including, among others, expansion in new and existing markets, development and introductions of new products, capital expenditures and debt service obligations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “potential,” “continue,” “anticipate,” “intend,” “expect,” “could,” “would,” “project,” “forecasts,” “aims,” “plan,” “target,” and similar expressions are intended to identify forward-looking statements, though not all forward-looking statements use these words or expressions. These forward-looking statements are principally contained in the sections entitled Item 3.D. “*Key Information — Risk Factors*,” Item 4. “*Information on the Company*,” and Item 5. “*Operating and Financial Review and Prospects*.” These statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

The below important factors and uncertainties, among others, could cause actual results to differ materially from those described in these forward-looking statements. The below is also a summary of the risk factors described in Item 3.D “Key Information – Risk Factors” of this Annual Report.

- Risks associated with macroeconomic and/or global conditions.
- Risks related to government contract dependency, including procurement risks, risks related to geopolitical changes and investor visibility constraints.
- Risks associated with the conditions in Israel.
- Risks associated with our international operations, including due to fluctuations in foreign exchange rates and exposure to regions subject to political or economic instability.
- Risks related to the impact of inflation and related volatility on our financial performance.
- Risks related to the impact of disruptions to the global supply chain.
- Risks resulting from health epidemics or pandemics or actions taken in response to such pandemics.
- Risks associated with customer concentration and challenges associated with our ability to accurately forecast revenue and expenses.
- Risks associated with our ability to keep pace with technological advances and challenges and evolving industry standards.
- Risks due to the aggressive competition in all of our markets.
- Risks associated with implementation and use of artificial intelligence tools and technology.
- Risks associated with political and reputational factors related to our business or operations;
- Challenges associated with our long sales cycles and with the sophisticated nature of our solutions and customers.
- Risks relating to adverse changes to the regulatory constraints to which we are subject.
- Risks that we may be unable to establish and maintain relationships with key resellers, partners, and system integrators and risks associated with our reliance on third-party suppliers for certain components, products or services.
- Risks associated with our need to retain, recruit and train qualified personnel.
- Risks relating to our ability to properly manage investments in our business and operations, execute on growth or strategic initiatives.
- Risks associated with acquisitions, strategic investments, partnerships or alliances.
- Risks relating to defects, operational problems, or vulnerability to cyber-attacks of our products or any of the components used in our products.
- Risks associated with the mishandling or perceived mishandling of sensitive, confidential or classified information;
- Risk of security vulnerabilities, including cyber-attacks, information technology system breaches, failures or disruptions.
- Risks associated with complex and changing regulatory environments relating to our operations and the markets we operate in.
- Risks relating to the adequacy of our existing infrastructure, systems, processes, policies, procedures, internal controls and personnel for our current and future operations and reporting needs.
- Risks associated with our failure to comply with laws.
- Risks related to the strengths of our intellectual property rights protection.
- Risks relating to proprietary rights infringement claims.
- Risks associated with our credit facilities or that we may experience liquidity or working capital issues and related risks that financing sources may be unavailable to us on reasonable terms.
- Risks associated with changing tax laws and regulations, tax rates, and the continuing availability of expected tax benefits in the countries in which we operate.
- Risks associated with our limited operating history as an independent public company.
- Risks related to the tax treatment of our spin-off from Verint.
- Risks associated with different corporate governance requirements applicable to Israeli companies and risks associated with being a foreign private issuer.

Some of these factors are discussed in more detail in this Annual Report, including under “Item 3. Key Information—3.D. Risk Factors,” “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects.”

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled “Risk factors” and elsewhere in this Annual Report. Moreover, we operate in an evolving environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any estimates or forward-looking statements. We qualify all of our estimates and forward-looking statements by these cautionary statements.

The estimates and forward-looking statements contained in this Annual Report speak only as of the date of this Annual Report. Except as required by applicable law, we undertake no obligation to publicly update or revise any estimates or forward-looking



statements contained in this Annual Report, whether as a result of any new information, future events, or otherwise, or to reflect the occurrence of unanticipated events or otherwise.

## PART 1

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

### ITEM 3. KEY INFORMATION

#### 3.A. Reserved

#### 3.B. CAPITALIZATION AND INDEBTEDNESS

Not Applicable.

#### 3.C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not Applicable.

#### 3.D. RISK FACTORS

*You should carefully consider the risks described below, together with all of the other information included in this Annual Report, in evaluating us and our shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price and value of our ordinary shares could decline due to any of these risks, and you may lose all or part of your investment. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Annual Report.*

#### Risks Associated with Macroeconomic and Global Conditions

***Our business is impacted by changes in macroeconomic and/or global conditions and by the resulting impact on information technology spending and government budgets.***

We generate the substantial majority of our revenue from contracts with various governments around the world, including national, regional and local government agencies. We expect that government contracts will continue to be a significant source of our revenue for the foreseeable future. Governmental budget allocations and their impact on demand for information technology, including solutions like ours, are significantly impacted by macroeconomic changes that governments may face. Such changes include global and regional conflicts, increasing inflation and interest rates, tightening credit markets, global health crises, supply challenges, changes in commodity or energy prices, and actual or threatened trade wars or restrictions on international trade. Historically, governmental agencies facing economic challenges, reduced budgets, liquidity issues, restrictions on trade or other macroeconomic challenges have deferred purchase decisions or projects related to our solutions, canceled or reduced orders, as well as delayed or defaulted on payments to us. We expect governmental agencies facing similar challenges in the future to take similar actions. As a result, our business is subject to risks arising from adverse changes in domestic and global macroeconomic and other conditions and such events have caused, and will likely continue to cause, governments around the world and other customers to delay, reduce or even cancel planned spending or projects, and may continue to impact our business and operations.

If governmental agencies reduce their spending with us, significantly delay projects, or significantly delay or fail to make payments to us, our business, results of operations, and financial condition may be materially adversely affected. This risk may be further elevated if such macroeconomic changes occur in a jurisdiction in which we have experienced significant customer concentration. See “Market and Strategy Risks —We have experienced significant customer concentration in recent periods,

and our revenue levels would likely decline if any significant customer failed to purchase product or services from us at anticipated levels.”

***A significant portion of our business comes from government contracts, which exposes us to additional risks inherent in the government procurement process, potential adverse changes in the geopolitical environment, and limitations on investor visibility due to classification or contractual restrictions.***

We provide products and services, directly and indirectly, to a variety of government entities around the world, including pursuant to contracts awarded to us, including under defense and homeland security-related programs. A majority of our revenue comes from sales to such governmental agencies, governmental authorities and government-owned companies.

Risks associated with licensing and selling products and services to government entities include more extended sales and collection cycles, varying governmental budgeting processes, adherence to complex procurement regulations, and other government-specific contractual requirements, including possible renegotiation or termination at the election of the government customer including due to geopolitical events and macroeconomic conditions that are beyond our control. Additionally, sometimes procurement may be put on hold, for example during election periods or due to other internal political developments, further affecting revenue predictability. We may also be subject to offset requirements in our contracts with government entities that require us to spend money that we receive under the sale transaction, or to retain services that are needed in connection with our systems and products, in the country of the purchaser. This could reduce the economic value of the sales of our systems and products from our perspective. We may also be subject to audits, investigations or other proceedings relating to our government contracts and any violations could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, payment of fines, and suspension or debarment from future government business, as well as harm to our reputation and financial results.

Our revenue from governmental entities is directly affected by those entities’ budgetary constraints and the priority allocated in their budgets to the procurement of our products. This risk is heightened during periods of global economic slowdown. Accordingly, governmental purchases of our systems, products and services may decline in the future if governmental purchasing agencies terminate, reduce or modify contracts.

Additionally, a significant portion of our government business is subject to security restrictions, either as a result of governmental classification requirements or contractual requirements, which, among other things, generally preclude us from disclosing certain information about these transactions, customarily including the identity of the customer and the solutions we are providing to the customer. As a result, our investors have less visibility into certain of our engagements which are subject to such restrictions than into our business or contracts with customers and companies not subject to such restrictions

#### **Risks Related to the Location of Our Headquarters in Israel**

***Conditions in Israel, including the recent attack by Hamas and other terrorist organizations from the Gaza Strip and elsewhere in the region, and Israel’s war against them, may materially adversely affect our operations and personnel and may limit our ability to produce, market and sell our products, which would lead to a decrease in revenues***

Because we are headquartered and have significant operations in Israel, and a majority of our management, employees and consultants, including employees of our service providers, are located in Israel, our business and operations are directly affected by economic, political, geopolitical and military conditions in Israel.

Since the establishment of the State of Israel in 1948, a number of armed conflicts have occurred between Israel and its neighboring countries and terrorist organizations active in the region. These conflicts have involved missile strikes, hostile infiltration and terrorism against civilian targets in various parts of Israel, which have negatively affected business conditions in Israel.

In October 2023, Hamas terrorists infiltrated Israel’s southern border from the Gaza Strip, and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket strikes on the Israeli population and industrial centers located along Israel’s border with the Gaza Strip and other areas within the State of Israel. These attacks resulted in extensive deaths, injuries and kidnapping of civilians and soldiers. In response, Israel’s security cabinet declared war against Hamas and a military campaign commenced in parallel to Hamas’ continued rocket and terror attacks. In addition, since the commencement of these events, there have been continued hostilities along Israel’s northern border with Lebanon (with the Hezbollah terror organization) and southern border (with the Houthi movement in Yemen, as described below). It is possible that hostilities with Hezbollah in Lebanon will escalate, and that other terrorist organizations, including Palestinian military organizations in the West Bank as well as other hostile countries, such as Iran, will join the hostilities. Such clashes may escalate in the future into a greater regional conflict.

In connection with Israel's war against Hamas and possible hostilities with other organizations, several hundred thousand military reservists were drafted to perform immediate military service. Although many of such military reservists have since been released, they may be called up for additional reserve duty, depending on developments in the war in Gaza and along Israel's other borders. Certain of our employees and consultants in Israel, in addition to employees of our service providers located in Israel, have been called up, and additional employees may be called up, for service in the current or future wars or other armed conflicts with Hamas, as well as the other pending or future armed conflicts in which Israel is or may become engaged, and such persons may be absent for an extended period of time. As a result, our operations may be disrupted by such absences, which may materially and adversely affect our business and results of operations. Additionally, some consultants and service providers we work with have been called to military reserve, and their inability to provide full services in the current or future wars or other armed conflicts may affect our ability to deliver or provide products and services to customers.

The intensity and duration of Israel's current war against Hamas and military actions involving other terrorist organizations, as well as additional potential crises involving hostile countries, such as Iran, are difficult to predict, as are such the resulting economic implications on the Company's business and operations and on Israel's economy in general. These events may be intertwined with wider macroeconomic indications of a deterioration of Israel's economic standing that may involve a downgrade in Israel's credit rating by rating agencies (such as the recent downgrade by Moody's of its credit rating of Israel from A1 to A2, as well as the downgrade of its outlook rating from "stable" to "negative"), which may have a material adverse effect on the Company and its ability to effectively conduct its operations.

Furthermore, following the Hamas and Hezbollah attacks on Israel and Israel's security cabinet declaration of war against Hamas, the Houthi movement, which controls parts of Yemen, launched a number of attacks on marine vessels traversing the Red Sea, which marine vessels were thought either to be en route toward Israel or to be partly owned by Israeli persons. The Red Sea is a vital maritime route for international trade traveling to or from Israel. As a result of such disruptions, we have experienced in the past and may experience in the future delays in supplier deliveries (including electronic components and other products upon which we rely), extended lead times, and increased cost of freight, increased insurance costs, purchased materials and manufacturing labor costs. If such attacks continue or become more widespread, it may result in disruption to the supply chain of certain electronic components or increase the costs of such electronic components. See "—Disruptions to the global supply chain have adversely affected our financial results and may negatively impact government spending."

The hostilities with Hamas, Hezbollah and other organizations and countries have included and may include terror, missile and drone attacks. In the event that our facilities are damaged as a result of hostile actions, or hostilities otherwise disrupt our ongoing operations, our ability to deliver or provide products and services in a timely manner to meet our contractual obligations towards customers and vendors could be materially and adversely affected. .

Our commercial insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East or of events associated with war and terrorism. Although the Israeli government is currently committed to covering the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained, or if maintained, will be sufficient to compensate us fully for any damages incurred. Any losses or damages incurred by our Israeli operations could have a material adverse effect on our business. Any armed conflicts or political instability in the region may require operational or business adjustments, which may result in additional costs and potential disruptions to our operations, and would likely negatively affect business conditions generally and could harm our results of operations.

In addition, some countries around the world restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or political instability in the region continue or increase. There have been increased efforts by countries, activists and organizations to cause companies and consumers to boycott Israeli goods and services.

In addition, in January 2024 the International Court of Justice, or ICJ, issued an emergency ruling in a case filed by South Africa against Israel in December 2023, amid the war in Gaza. In its interim ruling, the ICJ ordered Israel to abide to certain provisional measures. Efforts to boycott Israeli goods and companies may become more widespread, and customers may be deterred from engaging with Israeli companies, if international organizations and tribunals, including the ICJ, rule against Israel. Such efforts by countries, activists and organizations, particularly if they become more widespread, may materially and adversely impact our ability to sell our solutions outside of Israel. Finally, political conditions within Israel may affect our operations. Israel has held five general elections between 2019 and 2022, and prior to October 2023, the Israeli government pursued extensive changes to Israel's judicial system, which sparked extensive political debate and unrest. In response to such initiative, many individuals, organizations and institutions, both within and outside of Israel, voiced concerns that the proposed changes may negatively impact the business environment in Israel, including due to reluctance of foreign investors to invest or transact business in Israel, as well as to increased currency fluctuations, downgrades in credit rating, increased interest rates, increased volatility in security markets and other changes in macroeconomic conditions. To date, these initiatives have been

substantially put on hold. If such changes to Israel's judicial system are again pursued by the government and approved by the parliament, this may have an adverse effect on our business, our results of operations and our ability to raise additional funds, if deemed necessary by our management and board of directors.

### **Risks Associated with the Global Nature of Our Operations**

***Because we have significant operations and business around the world, we are subject to geopolitical and other risks that could materially adversely affect our results.***

We have significant operations and business around the world, including sales, research and development, manufacturing, customer services and support, and administrative services. The countries in which we have our most significant operations include Israel, Cyprus, Bulgaria, Romania, Brazil, India, Germany and the U.S. We also generate significant revenue from customers in more than a dozen other countries, and smaller amounts of revenue from customers in many more countries, including a number of emerging markets. We intend to continue to grow our business internationally.

Our global operations are, and any future growth will be, subject to a variety of risks, many of which are beyond our control, including risks associated with, but not limited to:

- foreign currency fluctuations;
- political, security, and economic instability or corruption;
- geopolitical risks from war, natural disasters, pandemics or other events;
- changes in international and local laws and regulations, including those related to trade compliance, anti-corruption, information security, data privacy and protection, AI, tax, labor, currency restrictions and other requirements;
- differences in tax regimes and potentially adverse tax consequences of operating in foreign countries;
- product customization or localization issues;
- preferences for or policies and procedures that protect local suppliers;
- legal uncertainties regarding intellectual property rights or rights and obligations generally; and
- challenges or delays in collection of accounts receivable.

Any or all of these factors could materially adversely affect our business or results of operations.

***Inflation and related volatility in the global economy could negatively impact our results of operations.***

In addition to reduced government spending which may result in reduced demand for our solutions, rising inflation and interest rates may result in increased costs. A significant portion of our expenses, primarily labor expenses, is denominated in New Israeli Shekels. The annual inflation rate in Israel was approximately 3% for the year ended December 31, 2023. If inflation rates in Israel and other places in which we operate or incur costs continue to increase or persist for a prolonged period of time, it may continue to affect our expenses, including, but not limited to, employee compensation expenses and benefits, and general administrative costs. In the event inflation increases beyond expectation, we may seek to increase the sales prices of our products and solutions in order to maintain satisfactory margins. Any attempts to offset cost increases with price increases may result in reduced sales, increase customer dissatisfaction or otherwise harm our reputation.

***The regulatory landscape may change the demand for our products and services.***

The domestic and international regulatory landscape governing the sale and usage of our solutions is subject to constant change, often influenced by factors beyond our control or anticipation. Such factors may include a spectrum of elements, including the dynamic political climate, budgetary considerations, evolving international relations between countries and organizations, public sentiment, pressures from prominent institutional investors, politicians and public bodies, media and non-governmental organizations (NGOs), as well as various events in international affairs. Changes in the legislation, regulation or policies governing the sale and usage of our solutions, including changes in the interpretation of existing legislation, regulation and policies, could reduce the demand for our solutions or necessitate adjustments to product design and functionality, all in order to ensure continued compliance and competitiveness. For example, legislative requirements mandating telecommunication

providers to facilitate the monitoring of communications by law enforcement, or governing the purchase and usage of security solutions similar to ours, can significantly impact the market demand for some of our solutions. Such regulations may also influence customer requirements for particular functionalities, performance standards, or adherence to technical specifications. The ability to successfully anticipate and adapt to these regulatory or policy shifts is critical to our continued success. Failure to do so, whether due to an inability to foresee regulatory or policy changes or an inability to promptly redesign our products to meet evolving standards, may have a material adverse effect on our operational results.

In recent years, the usage of solutions like ours and other tools and products for the collection, analysis and fusion of data and communication as well as advanced cyber tools have faced increased attention and in some cases scrutiny, including by some regulators, government officials, media and influential politicians. As a result, there has been, and there will likely be, additional legislation and regulatory initiatives, as well as calls for changes in policies, intended to impose new definitions and possibly limit or restrict the sale and usage of solutions that may also include some of our solutions. These initiatives and policy changes may result in reduced demand for some of our solutions or limitations in our business environment. There is no assurance that we will be able to timely identify legislation, regulation or policy changes or that if we identify such changes that we will be able to modify our solutions to meet any new requirements. Furthermore, we can not ensure that demand for our solutions or our ability to pursue our business will not be impacted by such changes even if we will be able to modify the solutions to comply with any new requirements.

***Our business, financial condition and results of operations may be materially and adversely affected by any negative impact on the global economy resulting from the ongoing conflict in Ukraine or any other geopolitical tensions.***

The ongoing Russia-Ukraine conflict has led to and could continue to create market disruptions, including significant volatility in commodity prices, uncertainty in credit and capital markets, restrictions on international trade as a result of export restrictions, sanctions, and currency control measures, as well as supply chain interruptions. In addition, Russia's military actions against Ukraine have led to an unprecedented, coordinated expansion of export restrictions and sanctions imposed by the United States, the European Union, the United Kingdom, and numerous other countries against Russia and Belarus. Furthermore, Russian authorities have imposed significant currency control measures, other sanctions and imposed other economic and financial restrictions. Further sanctions and export restrictions could negatively impact the global economy and financial markets and could adversely affect our business.

We are continuing to monitor the situation and assessing its potential impact on our business. While we do not trade with any Russian or Belarusian governmental agencies or with any of the entities which are the target of sanctions, any of the above-mentioned factors could adversely affect our business, prospects, financial condition, and operating results and/or exacerbate other risks highlighted in this Annual Report. The extent and duration of the military action, sanctions and resulting market disruptions are currently impossible to predict but could be substantial. Additionally, disruptive impacts of the conflict on other countries in Eastern Europe, including Bulgaria and Romania, where we have operations and facilities, could be prolonged, which may require us to reevaluate our operations there and/or otherwise harm our business. In addition, in response to the armed conflicts, governments may allocate budgets to military or other immediate needs, at the expense of our solutions.

***Disruptions to the global supply chain have adversely affected our financial results and may negatively impact government spending.***

The global supply chain remains susceptible to significant disruptions due to ongoing challenges of electronic components and labor shortages and other macroeconomic factors. These disruptions, which persisted throughout 2022 and 2023, are expected to continue into 2024 and have been exacerbated by the recent surge in attacks on shipments traversing the Red Sea, posing a risk to our global supply chain. The strategic location of the Red Sea as a vital maritime route for international trade makes it a critical conduit for the transportation of goods. The escalating frequency of maritime security incidents and geopolitical tensions in the region raises concerns about the reliability and safety of the Red Sea route. As a result of these and / or other disruptions, we have experienced in the past and may experience in the future delays in supplier deliveries (including electronic components and other products upon which we rely), extended lead times, and increased cost of freight and insurance, purchased materials and manufacturing labor costs. The risk of ongoing supply disruptions may result in delayed deliveries of our products. If the impacts of the supply chain disruptions are more severe than we expect, it could result in even longer lead times and further increased costs, all of which could materially adversely affect our business, financial condition and results of operations. In addition, governments may reduce their budgets or defer purchase decisions until supply chain disruptions lessen.

***A regional or global health epidemic or pandemic, such as the COVID-19 pandemic and its variants, may have a material adverse impact on our customers and could harm our operations and business results.***

Regional or global health epidemics or pandemics, including variants of COVID-19, as well as the implementation of measures attempting to contain and mitigate the effects of any such epidemic or pandemic, have disrupted in the past and may disrupt in the future our operations, and reduce demand for our products and services.

For example, following the COVID -19 pandemic, our revenue was negatively impacted by delays and reduced spending attributed to the impact of the COVID-19 pandemic on our customers' operational priorities and as a result of cost containment measures that they implemented. Many of our customers are government agencies, and their budgets were impacted due to the efforts taken to combat the pandemic and the economic consequences resulting therefrom. When government customers experienced budget shortfalls, due to the impacts of regional or global pandemics or otherwise, they have decided in the past and will likely in the future decide to forgo using our services, purchasing new products or upgrading existing solutions. Future impacts such as this could materially and adversely impact our financial condition and results of operations.

## Market and Strategy Risks

### *Large orders or contracts, customer concentration, and other factors may significantly impact our results from period to period.*

It is customary for us to receive large orders from time to time, either as part of a new contract or under an existing contract. We also have long-standing relationships with certain customers, resellers and partners that have historically accounted for a significant amount of our annual revenue. Any decision of said customers, resellers or partners, to stop or significantly reduce their business with us, for commercial, geopolitical or any other reason, may cause a significant decrease of our revenue and periodic variations in results of operations. A single customer or reseller, or a small number of customers, have historically and may in the future represent a substantial portion of our revenue in such periods, either in the form of a single order or in the form of multiple separate orders. A significant order during one period is usually not followed by further significant orders from the same customer in subsequent periods, and may not be followed by similarly-sized orders from other customers. As a result, our revenue and operating results are subject to substantial periodic variations, especially from quarter to quarter, in the event of receipt of one or more significant orders, a deferral or loss of one or more significant orders, a delay in a large implementation, or a deterioration in our relationship with a significant customer.

Since our quarterly performance may vary significantly, our results of operations for any quarter or fiscal year are not necessarily indicative of the results that we might achieve for any subsequent period. Accordingly, quarter-to-quarter and year-to-year comparisons of our operating results may not be meaningful. In addition, we have an order backlog that is generally composed of orders that are fulfilled within a period of three to thirty six months after receipt, which makes revenue in any quarter substantially dependent upon orders received in prior quarters. The extended time frame and uncertainty associated with many of our sales opportunities also makes it difficult for us to accurately forecast our revenues (and attendant budgeting and guidance decisions) and increases the volatility of our operating results from period to period. Our ability to forecast and the volatility of our operating results is also impacted by the fact that pricing, margins, and other deal terms may vary substantially from transaction to transaction, especially across product lines and regions. The terms of our transactions, including with respect to pricing, future deliverables, and termination clauses, and dependency of our customers readiness for deployment also impact the timing of our ability to recognize revenue. Because these transaction-specific factors are difficult to predict in advance, this also complicates the forecasting of revenue and creates challenges in managing our revenue mix.

As with other software-focused companies, a large amount of our quarterly business tends to come in the last few weeks, or even the last few days, of each quarter. This trend may complicate the process of accurately predicting revenue and other operating results, particularly on a quarterly basis. Our business is subject to seasonal factors that may also cause our results to fluctuate from quarter to quarter. See "Item 4B. Information on the Company—Business Overview—Seasonality". This may also impact our ability to accurately predict our earnings, which could in turn adversely affect the trading price of our ordinary shares. For more information, see "Risks Related to our Ordinary Shares—If we do not meet the expectations of securities analysts, if they do not publish research or reports about our business, or if they issue unfavorable commentary or downgrade our ordinary shares, or, alternatively, if we do not meet our own earnings guidance, the price of our ordinary shares could decline.

### *We have experienced significant customer concentration in recent periods, and our revenue levels would likely decline if any significant customer failed to purchase product or services from us at anticipated levels.*

For the years ended January 31, 2024, 2023 and 2022, we had two government customers that jointly represented approximately 28%, 28%, and 23%, respectively, of our total revenue. We define a customer as an organization from which we have recognized revenue in a reporting period. In situations where we sell to a governmental organization that acts on behalf of multiple agencies or departments, we treat that organization as the customer for reporting purposes notwithstanding that each of the underlying agencies or departments is generally making its own independent purchasing decisions. Our contracts with government customers, or when the end user is a government customer, contain customary terms and conditions for government contracts of this kind, including a right for the customer to terminate the applicable contract with or without cause upon notice. We believe that the loss of one or more of these contracts (which are separately terminable) would not have a material adverse effect on our results of operations, especially over the long-term; however, given the factors impacting the periodic variations of our revenues and operating results discussed above, we cannot assure you that such a loss would never result in a material adverse impact on our operation results, especially in the short-term. In the past, orders from our largest

customers have fluctuated from time to time based on our customers' needs or other factors outside of our control. To the extent that any of these customers terminates its relationship with us or fails to purchase products or services from us at the anticipated levels, it may negatively impact our results of operations. Furthermore, we often sell our products and solutions in certain jurisdictions through resellers. A single reseller, or a small number of resellers, have historically and may in the future represent a substantial portion of our revenue in a given period. If any such reseller terminates its engagement with us, or will alternatively work on an exclusive basis with any of our competitors, it could negatively impact our results of operations, especially in the short-term. See "Risks Associated with the Global Nature of Our Operations—If we are unable to establish and maintain our relationships with third parties that market and sell our products, our business and ability to grow could be materially adversely affected."

***The industry in which we operate is characterized by rapid technological changes, evolving industry standards and challenges, and changing market potential, and if we cannot anticipate and react to such changes our results may suffer.***

The markets for our products are characterized by rapidly-changing technologies and evolving industry standards and challenges. The introduction of products embodying new technologies, new delivery platforms, the commoditization of older technologies, and the emergence of new industry standards and technological hurdles can exert pricing pressure on existing products and services and/or render them unmarketable or obsolete.

In addition, changes such as the increasing use of artificial intelligence (AI), including generative AI (GenAI), the increasing complexity and sophistication of security threats, the exponential growth in data and prevalence of encrypted communications have created significantly greater challenges for our customers and for our solutions to address.

In recent years we have enhanced our solutions by using AI, including GenAI. Continuing to embed AI models seamlessly into our solutions may present challenges, resulting in delays or limitations in product development. Ensuring the successful incorporation of these advanced technologies requires overcoming obstacles related to algorithmic bias, deployment, and staying aligned with evolving regulatory frameworks. Our ability to continue to navigate these challenges and further integrate AI and GenAI seamlessly into our solutions will have a significant impact on our competitiveness and the value we provide to customers.

Moreover, the market potential and growth rates of the markets we serve are not uniform and are evolving. It is critical to our success that we are able to anticipate and respond to changes in technology and industry standards and new customer challenges by consistently developing new, innovative, high-quality products and services that meet the changing challenges and needs of our customers. We must also successfully identify, enter, and appropriately prioritize areas of growing market potential, including by launching, successfully executing, and driving demand for new and enhanced solutions and services, while simultaneously preserving our legacy businesses and migrating away from areas of commoditization. We must also develop and maintain the expertise of our employees as the needs of the market and our solutions evolve. If we are unable to execute on these strategic priorities, we may lose market share or experience slower growth, and our profitability and other results of operations may be materially adversely affected.

***Intense competition in our markets and competitors with greater resources than us may limit our market share, profitability, and growth.***

We face aggressive competition from numerous and varied competitors in all of our markets, making it difficult to maintain market share, remain profitable, invest and grow. We are also encountering new competitors as we expand into new markets or as new competitors expand into ours. Our competitors may be able to more quickly develop or adapt to new or emerging technologies, better respond to changes in customer needs or preferences, better identify and enter into new areas of growth, or devote greater resources to the development, promotion and sale of their products. Additionally, our competitive landscape is becoming increasingly intricate with the rapid evolution of AI technologies. In this dynamic environment, competitors may exploit disruptions, and leverage shortened development cycles to swiftly introduce innovations that could pose a significant threat to our market position. The accelerated pace of AI development may compel our customers to quickly adapt to technological progress introduced by our competitors. A delayed response to shifts in customer needs, preferences or technological trends could erode our competitive edge. This could impact our market share and/or our ability to remain profitable, invest strategically and sustain long-term growth. Some of our competitors have, in relation to us, longer operating histories, larger customer bases, longer standing relationships with customers, superior brand recognition, superior margins, and significantly greater financial or other resources, especially in new markets we may enter. Consolidation among our competitors may also improve their competitive position. We also face competition from solutions developed internally by our customers or partners. For more information, see "Item 4B. Information on the Company—Business Overview—Competition." To the extent that we cannot compete effectively, our market share and results of operations would be materially adversely affected.

Because price and related terms are key considerations for many of our customers, we may have to accept less-favorable payment terms, lower the prices of our products and services, and/or reduce our cost structure, including reducing headcount or

investment in research and development, in order to remain competitive. If we are forced to take these kinds of actions to remain competitive in the short-term, such actions may adversely impact our ability to execute and compete in the long-term.

***If we are unable to develop enhancements to our products, increase adoption and usage of our products, and introduce new products and capabilities that achieve market acceptance, our business, financial condition and results of operations may be adversely affected.***

Our ability to attract new customers and increase revenue from existing customers depends on numerous factors, including our ability to enhance and improve our existing products, increase adoption and usage of our products, and introduce new products and capabilities. In particular, if we are not able to develop technology that is able to keep pace with new and increasingly complex criminal and fraudulent activities which technology would result in an increased success rate of our customers' analytical investigations or shorten the time frames for such investigations, we may not be able to achieve a return on investment that satisfies our customers. The success of any enhancements, including our ability to continue to leverage advancements in AI and GenAI, and the introduction of new products depends on several factors, including timely completion, adequate quality testing, introduction to the market, market acceptance and adaptability to changes in the investigative technology landscape. Any products we develop may not be introduced in a timely or cost-effective manner (or at all), may contain errors or defects, or may not achieve the broad market acceptance necessary to generate sufficient revenue. If we are unable to successfully enhance our existing products including by the implementation of AI and GenAI into our solutions, to meet our customers' requirements, increase adoption and usage of our products, or develop new products, our business, financial condition and results of operations may be adversely affected.

***Our continued implementation and use of artificial intelligence may have an adverse effect on our business.***

We use AI and machine learning technologies throughout our solutions, including to develop or assist in the development of our own software code. As with many technological innovations, there are significant risks and challenges involved in developing, maintaining and deploying these technologies and there can be no assurance that the usage of such technologies will always enhance our products or services or be beneficial to our business.

Further, changes and ongoing development in how we use AI and machine learning technologies and how we train our models, in particular if those AI or machine learning models are (i) incorrectly designed or implemented; (ii) trained or reliant on incomplete, inadequate, inaccurate, biased or otherwise poor quality data; and/ or (iii) are adversely impacted by unforeseen defects, technical challenges, cybersecurity threats or material performance issues, the performance of our solutions, as well as our reputation and the reputations of our customers and partners, could suffer or we could incur liability through the violation of laws or contracts to which we are a party or through civil claims.

The market for AI and machine learning technologies is rapidly evolving and remains unproven in many industries, including our own. We are in varying stages of development in relation to our products or services which utilize proprietary and third party AI and machine learning technologies, and we may not be successful in our ongoing development of these technologies in the face of novel and evolving technical, reputational and market factors. Our failure to successfully develop and commercialize our products or services which utilize proprietary machine learning and AI technologies could adversely affect our business.

Furthermore, the market of AI and machine learning is subject to rapidly evolving regulatory frameworks. Various government bodies worldwide are introducing or considering new laws to govern these technologies, with recent developments including President Biden's Executive Order on Safe, Secure and Trustworthy Artificial Intelligence and the EU's forthcoming AI Act. Our compliance with these regulations may pose challenges and significant costs, potentially impacting our operations and financial performance.

***Reputational and political factors related to our business or operations may adversely affect us.***

We have experienced, and may continue to experience, reputational harm from negative publicity as a result of allegations regarding the misuse of our solutions by countries and organizations that are perceived as violating human rights.

The sale, and the alleged sale, of our solutions to countries or customers that are viewed as having poor human rights or democracy records or that have allegedly misused our solutions has resulted and could further result in negative publicity and reputational harm, even where such activities or transactions are permissible under applicable laws or were not conducted by our solutions. In particular, in 2021, Meta Platforms, Inc. ("Meta") announced publicly that it had removed accounts that it claimed were associated with us and that it alleged were used to gather information on individuals contrary to its terms of service. In addition, we have been, and may continue to be, associated with other companies in our industry and in other industries that engage with countries or customers viewed as having poor human rights or democratic records or with companies that apply techniques that are viewed negatively, which has harmed and may continue to harm our reputation. We are subject to heightened scrutiny and criticism by public opinion commentators, privacy advocates, privacy non-governmental



organizations (“NGOs”), politicians, media outlets and others, who have made allegations relating to human rights infringement by certain customers using our solutions, which allegations have adversely affected our reputation. Media attention to our industry has increased over time and may continue to increase in the future. Given the nature of our business and the sensitivity of our products, we often cannot respond to adverse publicity, which has and can exacerbate the risk of reputational damage. Investors may perceive our inability to address negative coverage as a lack of proactive measures to promote responsible use of our products, despite our ongoing efforts in that direction. This may also have an adverse effect on our reputation in the public sphere, potentially leading to misunderstandings about our commitment to ethical governance and responsible business practices.

We have implemented policies, guidelines and measures that are aimed to support our goal of having our solutions used solely in a manner that serves their intended purpose and to mitigate the risk of any misuse. See “Item 4.B. Business Overview – Internal Oversight.” Although we take very seriously the risk that our solutions will be exploited or misused, there can be no assurance that such mitigating measures will be successful and that customers will not misuse our solutions.

Furthermore, such heightened scrutiny and allegations have resulted, and may in the future result, in investigations into our solutions and business and the imposition of restrictions on our business as well as deter potential customers. The risk of these adverse impacts has resulted and may continue to result in lost business opportunities that impact our results of operations and may also deter or restrict investors. In addition, if we continue to experience reputational harm, it may negatively impact our ability to recruit and retain qualified personnel. These risks may grow as we grow our business and our brand.

***Sales processes for sophisticated solutions and a broad solution portfolio like ours present significant challenges and may be unpredictable.***

We offer our customers a broad solution portfolio and many of our solutions are sophisticated and may represent a significant investment for our customers. As a result, our sales cycles can range in duration from a few months to well over a year and may require, for example, discussions about budget and which potential solution is most suitable for the customer. As the length or complexity of a sales process increases, so does the risk of successfully closing the sale. Larger sales are often made by competitive bid, which also increases the time and uncertainty associated with such opportunities. Because of the long approval process that typically accompanies strategic initiatives or capital expenditures by our customers, our sales process is often delayed, with little or no control over any delays encountered by us. Customers may also require education on the value and functionality of our solutions as part of the sales process, further extending the time frame and uncertainty of the process.

Longer sales cycles, competitive bid processes, and the need to educate customers mean that:

- There is greater risk of customers deferring, scaling back, or canceling sales as a result of, among other things, their receipt of a competitive proposal, changes in budgets and purchasing priorities, extensive internal approval processes, or the introduction or anticipated introduction of new or enhanced products by us or our competitors during the process.
- We may make a significant investment of time and money in opportunities that do not come to fruition, which investments may not be usable or recoverable in future sales.
- We may be required to bid on a project in advance of the completion of its design or be required to begin working on a project in advance of finalizing a sale, in either case, increasing the risk of unforeseen technological difficulties or cost overruns.
- We face greater downside risks if we do not correctly and efficiently deploy limited personnel and financial resources and convert such sales opportunities into orders.

Larger solution sales also require greater expertise in sales execution and transaction implementation than more basic product sales, including in establishing and maintaining appropriate contacts and relationships with customers and partners, product development, project management and implementation, staffing, integration, services, and support. Our ability to develop, sell, implement, and support larger solutions and a broad solution portfolio is a competitive differentiator for us, which provides for solution diversification and more opportunities for growth, but also requires greater investment for us and presents challenges, including, among others, challenges associated with competition for limited internal resources, complex customer requirements, and project deadlines. After the completion of a sale, our customers or partners may need assistance from us in generating maximum value from the functionality of our solutions, in realizing their benefits, or in implementation generally. If we are unable to assist our customers and partners in realizing the benefits they expect from our solutions and products, demand for our solutions and products may decline and our operating results may suffer. Any failure to develop high-quality solutions and

to provide high-quality services and support could adversely affect our reputation, our ability to sell our service offerings to existing and prospective customers, and our operating results.

***We have been subject to claims by third parties that our solutions infringe their terms of use or other proprietary rights and may in the future become subject to similar or other claims that, regardless of merit, could disrupt our business, harm our reputation and adversely affect our results of operations or financial condition.***

Our solutions fuse and analyze data collected from various sources, including from commercial web sources and social media platforms. Such sources and platforms have alleged and may allege in the future that our solutions and techniques for capturing and collecting data and information from such sources violate their terms of use or other proprietary rights of such sources or of their users. For example, in December 2021, Meta issued a report alleging that certain solutions offered by us that interface with Facebook and Instagram violate Meta's terms of use. Concurrently with the issuance of the foregoing report, Meta announced that it had removed accounts that it claimed were associated with our solutions and requested we cease data collection from its social media platforms. We made modifications to certain features of our solutions that we believe addressed Meta's concerns. While these modifications impacted the manner our customers can use these solutions, as of the date of this report neither such allegations nor the modification to our practices in light of such allegations have had a material impact on our business, including without limitation results of operations and financial condition. However any allegations that our solutions and techniques infringe the terms of use or rights of third parties has resulted in and may result in future legal claims against us or our customers and such claims may damage our reputation, adversely impact our customer relationships and create liability for us. See "Reputational and political factors related to our business or operations may adversely affect us." We generally agree in our customer contracts to indemnify customers for expenses or liabilities they incur as a result of third-party intellectual property infringement claims associated with our solutions, and the resolution of these claims, irrespective of whether a court ultimately determines that our solutions and techniques infringed another party's intellectual property rights, may be time-consuming, disruptive to our business and very costly. In addition, in connection with an infringement dispute, or claims of infringement, we may be required to, or may voluntarily decide to cease using or developing certain features or solutions that we offer to our customers. These circumstances could adversely affect our ability to generate revenues as well as require us to incur significant expenses to develop alternative or modified solutions for our customers.

***Regulatory constraints may limit our ability to offer and sell some of our products and services and to compete with competitors that are not subject to the same regulations.***

The technologies that we develop, and that we rely upon in our products, are subject to regulations including export and trade restrictions. See "Regulatory Risks - We are subject to complex, evolving regulatory requirements that may be difficult and expensive to comply with and that could negatively impact our business." Due to such regulations and restrictions, our international sales and marketing, as well as our international procurement of skilled human resources, technology and components, depend largely on export and marketing license approvals from governmental agencies in Israel and in other countries. If we fail to obtain approvals in the future, or if approvals previously obtained are revoked or expire or are not renewed due to factors such as changes in political conditions, government policies or the imposition of sanctions, or if existing or future approvals are conditioned upon requirements that we are unable to meet or fulfill, then our ability to market and sell our products and services to customers outside the country in which they are developed and our ability to obtain goods and services essential to our business could be interrupted, resulting in a material adverse effect on our business, revenues, assets, liabilities and results of operations. In the past, certain of our licenses to market, export or provide services to certain countries or regions were revoked or suspended for reasons beyond our control, including due to political and geopolitical reasons. We cannot assure you that in the future material licenses or approvals will not be revoked or suspended.

Moreover, as an additional measure to mitigate the risk that our solutions will be exploited in a manner that may violate human rights, we have in the past and may in the future, opt to abstain from onboarding new customers, renewing licenses or extending additional services to existing customers as part of voluntarily imposed guidelines or business decisions, even though such guidelines or decisions are not mandated by law or regulation. Furthermore, we may refrain from engaging in business activities in particular countries or with potential customers for similar reasons. The export and trade regulations and requirements we and our solutions are subject to as well as voluntarily imposed guidelines place us at an economic disadvantage compared to some of our competitors that are not subject to the same regulatory constraints or self-imposed guidelines, and can cause us to lose market share or experience slower growth compared to our competitors. For more information regarding the mitigating measures we have taken, see "Item 4.B. Business Overview - Additional Oversight Measures."

***If we cannot retain and recruit qualified personnel, our ability to operate and grow our business may be impaired.***

We depend on the continued services of our management and employees to run and grow our business. To remain successful and to grow, we need to retain existing employees and attract new qualified employees, including in new markets and growth areas we may enter, such as employees in the technology sectors. The market for qualified personnel is competitive in the geographies in which we operate and may be limited especially in areas of emerging technology. We may be at a disadvantage

to larger companies with greater brand recognition or financial resources or to start-ups or other emerging companies in trending market sectors. Larger companies with whom we compete have expended and will likely continue to expend more resources than we do on employee recruitment and are often better able to offer more favorable compensation and incentive packages than we can. In addition, all of our executive officers and key personnel are at-will employees and may terminate their employment relationship with us at any time. The loss of the services of our key personnel and any of our other executive officers, and our inability to find suitable replacements in a timely fashion, could result in a decline in sales, delays in product development, and harm to our business and operations.

The armed conflict in Ukraine has led to many companies reducing their head count in Ukraine and instead looking to recruit personnel in other eastern European countries, which could lead to increased competition for talented personnel in such jurisdictions. For example, the high inflation rate in Eastern Europe during fiscal year ended 2023 led to a rise in wages, resulting in increased competition in the regions where we operate.

Furthermore, if we experience high turnover of our product and development personnel, a lack of managerial resources to guide our research and development, or a lack of other research and development resources, we may miss or fail to execute on new product development and strategic opportunities and consequently lose potential and actual market share. The success of our business is largely dependent on our product and development teams developing and executing on a product roadmap that allows us to retain and increase the spending of our existing customers and attract new customers. A failure to continue offering the same caliber of solutions due to a loss of key personnel could therefore adversely affect our business and results of operations.

We seek to retain and motivate existing personnel through our compensation practices, company culture and career development opportunities. However, efforts we engage in to establish operations in new geographies where additional talent may be available, potentially at a lower cost, may be unsuccessful or fail to result in the desired cost savings. If we are unable to attract and retain qualified personnel when and where they are needed, our ability to operate and grow our business could be impaired. Moreover, if we are not able to properly balance investment in personnel with sales, our profitability may be adversely affected.

Moreover, prolonged economic downturns may require us to undertake further optimization and cost saving initiatives, including streamlining our organization and adjusting the size and structure of our workforce. We have implemented in the past and may implement in the future, certain cost reduction efforts to reduce material spend and operating expenses, including a reduction in workforce. Any reduction in work force may yield unintended consequences and costs, such as attrition beyond the intended reduction in force, the distraction of employees and reduced employee morale, which could, in turn, adversely impact productivity, including through a loss of continuity, loss of accumulated knowledge or inefficiency during transitional periods. Any of these impacts could also adversely affect our reputation as an employer, make it more difficult for us to hire new employees in the future and increase the risk that we may not achieve the anticipated benefits from the restructuring.

In recent years, we transitioned to a hybrid working model, whereby some of our employees are working a portion or all of their time remotely. We have a limited history of operating with a hybrid workforce and this transition may impose challenges relating our operations, the execution of our business plans, and on third-party service providers who perform critical services for us. The increase in remote working may also result in increased privacy, data security and fraud risks, and our understanding of applicable legal and regulatory requirements, may be subject to legal or regulatory challenges, particularly as regulatory guidance evolves in response to future developments. Such risks could materially and adversely affect our business and results of operations.

***We have implemented cost reduction efforts; however, these efforts may need to be modified, and if we need to implement additional cost reduction efforts it could materially harm our business.***

During fiscal year ended 2023, we implemented certain cost reduction efforts to improve our financial results. In connection therewith, we also reduced our headcount. There can be no assurance that these cost reduction efforts will be sufficient. As a result, we may need to implement further cost reduction initiatives across our operations, such as further reductions in the cost of our workforce and/or suspending or curtailing planned programs, either of which could materially harm our business, results of operations and future prospects. We can provide no assurance that we will be able to implement future cost reductions or that we will do so without incurring unexpected or greater than anticipated expenditures. Moreover, we may find that we are unable to achieve cost reduction goals without disrupting our business. As a result, we may choose to delay or forgo certain cost reductions as business conditions require. Failure to continue to improve our operating efficiency could adversely affect our business.

***Competition for highly skilled technical and other personnel may result in failure to attract, recruit, retain and develop qualified employees, which could impact our business, financial condition and results of operations.***

Our principal research and development and product delivery, is conducted at our headquarters in Israel and in our offices in Bulgaria, Cyprus, Romania, Brazil and India, in addition to significant elements of our general and administrative activities that are conducted in Israel, and we face competition for suitably skilled employees in these countries. In prior years we have faced, and in the future we may face, challenges in competing for qualified personnel with companies which have greater resources than we do, and we may not succeed in recruiting additional experienced or professional personnel, retaining personnel or effectively replacing current personnel who may depart with qualified or effective successors.

In addition, as a result of the competition for qualified human resources, the high-tech markets in Romania, Bulgaria, Brazil, Israel and Cyprus have also experienced and may continue to experience wage inflation. Accordingly, our efforts to attract, retain and develop personnel may also result in significant additional expenses, which could adversely affect our profitability. Furthermore, in making employment decisions, particularly in the high-tech industry, job candidates often consider the value of the equity they are to receive in connection with their employment. Employees may be more likely to leave us if the shares they own or the shares underlying their equity incentive awards have significantly decreased in value. Share price declines may reduce the employees' motivation to continue to work for us and could heighten the risk of employee attrition. As a result of such decrease in value of the employees' equity, we may be required to pay additional salaries in order to attract qualified personnel, which may significantly increase our salary costs.

While we utilize non-competition agreements with our employees as a means of improving our employee retention, those agreements may not be effective towards that goal. These agreements prohibit our employees, if they cease working for us, from competing directly with us or working for our competitors for a limited period. We may be unable to enforce these agreements under applicable law, and it may be difficult for us to restrict our competitors from benefiting from the expertise our former employees developed while working for us.

In light of the foregoing, there can be no assurance that qualified employees will remain in our employ or that we will be able to attract and retain qualified personnel in the future. Failure to retain or attract qualified personnel could have a material adverse effect on our business, financial condition and results of operations, and might cause a delay in our ability to meet our customer commitments.

## **Risks Related to Our Business and Operations**

***Our future success depends on our ability to manage investments in our business and operations properly, execute on growth or strategic initiatives, and enhance our existing operations and infrastructure.***

A key element of our long-term strategy is to continue to invest in and grow our business and operations, both organically and potentially through acquisitions. Investments in, among other things, new markets, new products, solutions and technologies, research and development, infrastructure and systems, geographic expansion, and headcount are critical components for achieving this strategy. In particular, we believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position. However, such investments and efforts present challenges and risks and may not be successful (financially or otherwise), especially in new areas or new markets in which we have little or no experience, and even if successful, may negatively impact our profitability in the short-term. To be successful in such efforts, we must be able to properly allocate limited investment funds and other resources, prioritize among technologies opportunities, projects and implementations, balance the extent and timing of investments with the associated impact on profitability, balance our focus between new areas or new markets and the operation and servicing of our legacy businesses and customers, capture efficiencies and economies of scale, and compete in the new areas or new markets, or with the new solutions, in which we have invested.

Our success also depends on our ability to execute or continue to execute on other growth or strategic initiatives we are pursuing, including maintaining our software model. For example, in addition to the other factors described in this section, our profitability objectives are highly dependent on our ability to continue to shift our product mix towards software and away from professional services and hardware resales and to maintain a more productized proprietary software offering.

Our success also depends on our ability to effectively and efficiently enhance our existing operations. Our existing infrastructure, systems, security, processes, and personnel may not be adequate for our current or future needs. System upgrades or new implementations can be complex, time-consuming, and expensive and we cannot assure you that we will not experience problems during or following such implementations, including among others, potential disruptions in our operations or financial reporting.

If we are unable to properly manage our investments, execute on growth initiatives, and enhance our existing operations and infrastructure, our results of operations and market share may be materially adversely affected.

***Acquisitions, strategic investments, partnerships, alliances or divestitures could be difficult to identify, cause post integration challenges, divert the attention of management, disrupt our business, dilute shareholder value, not achieve their intended benefits, and adversely affect our business, financial condition and results of operations.***

We may in the future seek to acquire or invest in businesses, joint ventures, products and capabilities, or technologies that we believe could complement or expand our products and solutions or otherwise offer growth opportunities. Any such acquisition or investment may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable opportunities, whether or not the transactions are completed, and may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products and capabilities, personnel, or operations of the acquired companies, particularly if we are unable to retain the key personnel of the acquired company. These transactions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for development of our existing business. Additionally, we have limited experience in acquiring other businesses. Any such transactions that we are able to complete may not result in any synergies or other benefits we had expected to achieve, which could result in substantial impairment charges and dilution of our shareholders' value.

In addition, we may from time to time pursue divestitures of certain of our businesses or assets as part of our optimization strategy. As an example, in December 2022, we sold our Situational Intelligence Solutions (SIS) business. We may make divestment based on, among other considerations, management's evaluation of or changes in business strategies and performance and valuation of divested businesses or assets. These divestment activities include inherent risks, including potential losses, if the disposed businesses or investments are disposed of at lower than anticipated valuation levels or on other unfavorable terms, as well as a risk of potential post-closing claims for indemnification or breach of transition services obligations. Moreover, divestitures may require us to separate integrated assets and personnel from our retained businesses and devote our resources to transitioning assets and services to purchasers, disrupting our ongoing business and distracting management. Any losses due to our divestments of businesses or disposal of assets could adversely affect our financial performance and may affect the market price of our shares.

***Changes in our security clearances may adversely impact our sales or may impose restrictions on how we operate.***

We and some of our subsidiaries maintain security clearances in Israel and other countries in connection with the development, marketing, sale and/or support of our solutions. These clearances are reviewed from time to time by these countries and could be deactivated, including for reasons that are beyond our control. If we lose our security clearances in a particular country, we may be unable to sell our solutions for secure projects in that country and might also experience greater challenges in selling such solutions even for non-secure projects in that country. These security clearances also impose restrictions on how we conduct our business and the information we are allowed to share with our investors and our non-Israeli board members. Even if we are able to obtain and maintain applicable security clearances, government customers may decline to purchase our solutions if they were not developed or manufactured in that country or if they were developed or manufactured in other countries that are considered disfavored by such country.

***If we fail to manage our offering of a subscription-based model, our revenues and results of operation may be harmed.***

For the past few years we have been offering certain of our solutions on a subscription model basis. We estimate that, due to the nature of our solutions and the governmental organizations' planning and purchasing behavior, governmental organizations' adoption of a subscription-based model for our solutions will be at a more moderate pace and less predictable compared to other industries that have recently transitioned to a subscription-based model. A subscription-based model may cause us to incur incremental operational, technical, legal and other costs. If we do not successfully manage the subscription-based model, our financial results could be negatively impacted.

***For certain products, components, or services, we rely on third-party suppliers, manufacturers, and partners, the failure or disruption in the supply by any of which may negatively impact our sales and adversely affect our results.***

Although we generally use standard parts and components in our products, we do rely on non-affiliated suppliers and OEM partners for certain non-standard products or components which may be critical to our products, including both hardware and software, and on manufacturers of assemblies that are incorporated into our products. We also purchase technology, license intellectual property rights, and oversee third-party development and localization of certain products or components, in some cases, by or from companies that may compete with us or work with our competitors. While we endeavor to use larger, more

established suppliers, manufacturers, and partners wherever possible, in some cases, these providers may be smaller, less established companies, particularly in the case of new or unique technologies that we have not developed internally.

If any of these suppliers, manufacturers or partners experience financial, operational, manufacturing or quality assurance difficulties, cease production or sale, or there is any other disruption in our supply, including as a result of the acquisition of a supplier or partner by a competitor or global supply chain disruptions, we will be required to locate alternative sources of supply or manufacturing, to internally develop the applicable technologies, to redesign our products, and/or to remove certain features from our products, any of which would be likely to increase expenses, create delivery delays, and negatively impact our sales. In addition, delays in the delivery of our products, including as a result of global supply chain disruptions, may result in delays in our collections, which in turn may negatively impact our financial results and our cash flow planning. Although we endeavor to establish contractual protections with key providers, including source code escrows (where needed), warranties, and indemnities, we may not be successful in obtaining adequate protections, these agreements may be short-term in duration, and the counterparties may be unwilling or unable to stand behind such protections. Moreover, these types of contractual protections offer limited practical benefits to us in the event our relationship with a key provider is interrupted.

We also rely on third parties to provide certain services to us and to our customers, including hosting partners and providers of other cloud-based services. We make contractual commitments to customers on the basis of these relationships and, in some cases, also entrust these providers with both our own sensitive data as well as the sensitive data of our customers. If these third-party providers do not perform as expected or encounter service disruptions, cyber-attacks, data breaches or other difficulties, we or our customers may be materially and adversely affected, including, among other things, by facing increased costs, potential liability to customers, end customers, or other third parties, regulatory issues and reputational harm. If it is necessary to migrate these services to other providers as a result of poor performance, security issues or considerations, or other financial or operational factors, it could result in service disruptions to our customers and significant time, expense, or exposure to us, any of which could materially adversely affect our business.

***If we are unable to establish and maintain our relationships with third parties that market and sell our products, our business and ability to grow could be materially adversely affected.***

A significant portion of our sales is made through partners, including distributors, resellers, sales representatives and system integrators. To remain successful, we must maintain our existing relationships as well as identify and establish new relationships with such parties. We must often compete with other suppliers for these relationships and our competitors often seek to establish exclusive relationships with these sales channels or to otherwise restrict others in partnering with them. Our ability to establish and maintain these relationships is based on, among other things, factors that are similar to those on which we compete for end customers, including features, functionality, ease of use, installation and maintenance, and price. Even if we are able to secure such relationships on terms we find acceptable, there is no assurance that we will be able to realize the benefits we anticipate. Some of our partners may also compete with us or have affiliates that compete with us, or may also partner with our competitors or offer our products and those of our competitors as alternatives when presenting proposals to end customers. Our ability to achieve our revenue goals and growth depends to a significant extent on maintaining, enabling, and adding to these sales channels, and if we are unable to do so, our business and ability to grow could be materially adversely affected.

## **Privacy and Information Security Risks**

***We may be subject to information technology system breaches, failures, or disruptions that could harm our operations, financial condition or reputation.***

We rely extensively on information technology systems to operate and manage our business and to process, maintain, and safeguard information, including information related to our customers, partners, and personnel. This information may be processed and maintained on our internal information technology systems or in some cases on systems hosted by third-party service providers. These systems, whether internal or external, may be subject to breaches, failures, or disruptions as a result of, among other things, cyber-attacks, computer viruses, physical security breaches, natural disasters, accidents, power disruptions, telecommunications failures, new system implementations, or acts of terrorism or war. In the current environment, there are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, hacktivists, state-sponsored intrusions, industrial espionage, employee malfeasance and human or technological error. High-profile security breaches at other companies and in government agencies have increased in frequency and sophistication in recent years. Moreover, geopolitical tensions, particularly the Israel-Hamas conflict, have contributed to a surge in cyber-attacks targeting Israeli companies and products globally, posing a threat to critical infrastructure. We have experienced and expect to continue to experience actual and attempted cyber-attacks of our IT networks and systems, such as through phishing scams and ransomware. Although none of these actual or attempted cyber-attacks has yet had a material adverse impact on our operations, financial condition or reputation, we cannot guarantee that such incidents will not have such an impact in the future. For example, the rising adoption

of AI and GenAI in daily operations and products poses data privacy and security risks. Threats include potential data leaks, social engineering attacks, and decision-making based on manipulated information. Growing regulatory requirements for information security and data protection add to the challenge. Moreover, attackers leverage AI as both a tool and exploit vulnerabilities in AI systems. In addition, from time to time, hackers publish past breaches or historical data related to us that was obtained through historical breaches. While we are continually working to maintain secure and reliable systems, our security, redundancy, and business continuity efforts may be ineffective or inadequate. We must continuously improve our design and coordination of security controls across our business groups and geographies. Despite our efforts, it is possible that our security systems, controls, and other procedures that we follow or those employed by our third-party service providers, may not prevent breaches, failures, or disruptions. Such breaches, failures, or disruptions have in the past and could in the future subject us to the loss, compromise, destruction, or disclosure of sensitive or confidential information, including personal data, or intellectual property, either of our own information or intellectual property or that of our customers (including end customers) or other third parties that may have been in our custody or in the custody of our third-party service providers, financial costs or losses from remedial actions, litigation, regulatory issues, liabilities to customers or other third parties, damage to our reputation, delays in our ability to process orders, delays in our ability to provide products and services to customers, including SaaS or other hosted or managed services offerings, research and development or production downtimes, or delays or errors in financial reporting. Information system breaches or failures at one of our partners, including hosting providers or those who support other cloud-based offerings, may also result in similar adverse consequences. Any of the foregoing could harm our competitive position, result in a loss of customer confidence, and materially and adversely affect our results of operations or financial condition.

Cybersecurity and complying with personal data rights pose economic, operational and reputational risks. If we are unable to implement the technological and digital projects required to support our future growth and profitability in compliance with applicable rules and regulations, our business and results of operations may be materially adversely affected. We carry data protection liability insurance against cyber-attacks, with limits we deem adequate to offset all or some of the costs we may incur as a result of damage to our computers, equipment and networks and resulting disruption of our operations. However, the devotion of additional resources to the security of our information technology systems in the future could significantly increase the cost of doing business or otherwise adversely impact our financial results.

In the past years, the Company transitioned to a hybrid working model and a greater number of our employees are working remotely and accessing our IT systems and networks remotely. Such hybrid model may further increase our vulnerability to cybercrimes and cyber-attacks and increase the stress on our technology infrastructure and systems. Although we maintain data protection liability insurance, this insurance may not be sufficient to cover all of our losses from any future breaches or failures of our IT systems, networks and services.

***Our solutions may contain defects or may be vulnerable to cyber-attacks, which could expose us to both financial and non-financial damages.***

Our solutions may contain defects or may develop operational problems. This risk is amplified for our more sophisticated solutions. New products and new product versions, service models such as hosting, SaaS, and managed services, and the incorporation of third-party products or services into our solutions, also give rise to the risk of defects, errors or vulnerabilities. These defects, errors or vulnerabilities may relate to the operation or the security of our products or services, including third-party components or services. If we do not discover and remedy such defects, errors, vulnerabilities or other operational or security problems until a product has been released to customers or partners, we may incur significant costs to correct such problems and/or become liable for substantial damages for product liability claims or other liabilities. Furthermore, real or perceived errors, failures, or bugs in our solutions, or dissatisfaction with our solutions and outcomes, could result in customer terminations.

Our solutions, including our SaaS offerings, may be vulnerable to cyber-attacks even if they do not contain defects. If there is a successful cyber-attack on one of our products or services, even absent a defect or error, it may also result in questions regarding the integrity of our products or services generally, which could cause adverse publicity and impair their market acceptance and could have a material adverse effect on our reputation, results or financial condition.

***The mishandling or the perceived mishandling of sensitive information could harm our business.***

Some of our products are used by customers to compile and analyze highly sensitive or confidential information and data, including information or data used in intelligence gathering or law enforcement activities as well as personal data information. While our customers' use of our products does not by itself provide us access to the customer's sensitive or confidential information or data (or the information or data our customers may collect), we or our partners may receive or come into contact with such information or data, including personal data, when we are asked to perform services or support for our customers. We or our partners may also receive or come into contact with such information or data in connection with our software-as-a-service ("SaaS") or other hosted or managed services offerings. Customers are also increasingly focused on the security of our

products and services and we continuously work to address these concerns, including through the use of encryption, access rights, and other customary security features, which vary based on the solution in question and customer requirements. We have implemented policies and procedures, and use information technology systems, to help ensure the proper handling of such information and data, including background screening of certain services personnel, non-disclosure agreements with employees and partners, access rules, and controls on our information technology systems. We also evaluate the information security of potential partners and vendors as part of our selection process and attempt to negotiate adequate protections from such third parties in our contracts. However, these policies, procedures, systems, and measures are designed to mitigate the risks associated with handling or processing sensitive data and cannot safeguard against all risks at all times.

There is a potential risk that we may be named as a defendant in claims made by companies in the social media sphere or by providers of communication services alleging any one of a number of claims, due to our products having been used to obtain valuable information from users of, or participants in, those services. There is a related risk of regulatory enforcement against us due to complaints of that kind. There have also been recent claims against companies in our field of operations for supposed damages caused by government collection of information through the use of products similar to ours.

The improper handling of sensitive data, or even the perception of such mishandling (whether or not valid), or other security lapses or breaches affecting us, our partners, or our products or services, could reduce demand for our products or services or otherwise expose us to financial or reputational harm or legal liability.

## **Regulatory Risks**

***Increasing regulatory focus on data privacy issues and expanding laws in these areas may result in increased compliance costs, impact our business models, and expose us to increased liability.***

As a global company, we are subject to privacy and data security laws, and regulations in different jurisdictions. These laws and regulations may be inconsistent across jurisdictions and are subject to evolving and differing (sometimes conflicting) interpretations. Government regulators, privacy advocates, media and class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. This increased scrutiny may result in additional compliance obligations, costs, new interpretations of existing laws and regulations, new restrictions or requirements, increased regulatory proceedings or litigation and increased exposure for significant fines, penalties or commercial liabilities, as well as reputational damage.

Globally, laws such as the General Data Protection Regulation (“GDPR”) in Europe, state laws in the United States on privacy, data and related technologies, such as the California Privacy Rights Act, which became effective as of January 1, 2023, as well as industry self-regulatory codes, create new compliance obligations and expand the scope of potential liability, either jointly or severally with our customers and suppliers. Additional U.S. states have implemented, or are in the process of implementing, similar new laws or regulations, and some observers have noted that these regulations could mark the beginning of a trend towards more stringent United States federal privacy legislation, which could increase our potential liability and compliance efforts. While we have invested in readiness to comply with applicable requirements, these new and emerging laws, regulations and codes may affect our ability to reach current and prospective customers, to respond to both enterprise and individual customer requests under the laws (such as individual rights of access, correction, and deletion of their personal information), and to implement our business models effectively. These new laws may also impact our products and services as well as our innovation in new and emerging technologies. These requirements, among others, may impact demand for our offerings and force us to bear the burden of more onerous obligations in our contracts or otherwise increase our exposure to customers, regulators, or other third parties. Furthermore, the uncertain and shifting regulatory environment may cause concerns regarding data privacy and may create privacy concerns, which could inhibit sales of our services and limit adoption of our platform. Specifically, in Europe, the supervisory authorities in member states possess some flexibility in implementing European directives and specific facets of the GDPR, resulting in divergent national regulations. Notably, European supervisory bodies have been particularly proactive in enforcing data protection regulations.

Transferring personal information across international borders is becoming increasingly complex. For example, European data transfers outside the European Economic Area are highly regulated. The mechanisms that we and many other companies rely upon for data transfers, including standard contract clauses, a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism, may be contested or invalidated. If the mechanisms for transferring personal information from certain countries or areas, including Europe, should be found invalid or if other countries implement more restrictive regulations for cross-border data transfers (or do not permit data to leave the country of origin), such developments could harm our business, financial condition and results of operations. The costs of compliance with, and other burdens imposed by, these laws, regulations, standards, and obligations, or any inability to adequately address privacy, data protection, or information security-related concerns, even if unfounded, may limit the use and adoption of our solutions, reduce overall demand for our solutions, make it more difficult to meet expectations from or commitments to customers, impact our



reputation, or slow the pace at which we close sales transactions, any of which could harm our business, financial condition, and results of operations.

There have also been privacy bills enacted in other countries around the world which have introduced new or expanded privacy requirements and we expect that privacy legislation will continue to evolve in the coming years. Therefore, it is difficult to determine whether and how such existing laws and regulations will apply to and impact the internet and our business.

***Our failure to comply with the anti-corruption, trade compliance, anti-money-laundering and terror finance and economic sanctions laws and regulations of the United States and applicable international jurisdictions could materially adversely affect our reputation and results of operations.***

We must comply with anti-corruption laws and regulations imposed by governments around the world with jurisdiction over our operations, including among others the U.S. Foreign Corrupt Practices Act of 1977 (the “FCPA”), the U.K. Bribery Act 2010 (the “Bribery Act”), Chapter 9 (sub-chapter 5) of the Israeli Penal Law, 57373-1977 and the Israeli Prohibition on Money Laundering Law, 5760-2000 (collectively, the “Israeli Anti-Corruption Laws”), and the Brazilian Anti-Corruption Act. These laws and regulations apply to companies, individual directors, officers, employees and business partners acting on our behalf and prohibit us and our officers, directors, employees and business partners acting on our behalf, including joint venture partners and agents, from corruptly offering, promising, authorizing or providing anything of value to public officials for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The Bribery Act also prohibits non-governmental “commercial” bribery and accepting bribes. As part of our business, we constantly deal with governments and state-owned business enterprises, the employees and representatives of which may be considered public officials for purposes of anti-corruption laws, including the FCPA, the Bribery Act and the Israeli Anti-Corruption Laws. In addition, some of the jurisdictions in which we operate are considered to lack a developed legal system and have elevated levels of corruption.

Our business must also be conducted in compliance with applicable economic and trade sanctions laws and regulations, such as those administered and enforced by the U.S. Department of Treasury’s Office of Foreign Assets Control, the U.S. Department of State, the U.S. Department of Commerce, the United Nations Security Council, the State of Israel and other relevant sanctions authorities. In the past, changes in these laws and regulations impaired our ability to enter into contracts with certain customers or to perform our obligations under certain existing contracts. We cannot assure you that in the future these regulations will not change in a way that will materially impair our ability to enter into new contracts with customers, or to perform our obligations under existing material contracts, or in a way that will impose restrictions on the way we operate our business or on the customers we engage with.

Our global operations expose us to the risk of violating, or being accused of violating, anti-corruption laws, anti-money-laundering laws and economic and trade sanctions laws and regulations, which may expose us to reputational harm. In addition, our failure to comply with these laws and regulations may expose us to significant penalties, including criminal fines, imprisonment, civil fines, disgorgement of profits, injunctions and debarment from government contracts, as well as other remedial measures. Investigations of alleged violations can be expensive and disruptive. Despite our compliance efforts and activities, we cannot assure compliance by our employees or business partners for which we may be held responsible, and any such violation could materially adversely affect our business, financial condition and results of operations. See “Item 4B. Information on the Company—Business Overview—Government Regulations—Anti-Corruption, Anti-Money Laundering and Sanctions.”

***We are subject to complex, evolving regulatory requirements that may be difficult and expensive to comply with and that could negatively impact our business.***

Our business and operations are subject to a variety of regulatory requirements in the countries in which we operate or offer our solutions, including, among other things, with respect to trade compliance, anti-corruption, information security, data privacy and protection, tax, labor and government contracts. For more information regarding the government regulations to which we are subject, see “Item 4.B. Business Overview — Government Regulations.” Compliance with these regulatory requirements may be onerous, time-consuming, and expensive, especially where these requirements are inconsistent from jurisdiction to jurisdiction, or where the jurisdictional reach of certain requirements is not clearly defined or seeks to reach across national borders. Regulatory requirements in one jurisdiction may make it difficult or impossible to do business in another jurisdiction. In addition, such complex regulations are subject to constant changes and developments and the interpretations thereof may change due to political and other considerations which are beyond our control. See “Risks Associated with the Global Nature of Our Operations.” We may also be unsuccessful in obtaining permits, licenses, or other authorizations required to operate our business, such as for the marketing or sale or import or export of our products and services.

While we endeavor to implement policies, procedures, and systems reasonably designed to achieve compliance with these regulatory requirements, we cannot assure you that the implementation of these policies, procedures, or systems will result in compliance with applicable rules and regulations or that we or our personnel will not violate these policies and procedures. Violations of these laws or regulations may harm our reputation and deter government agencies and other existing or potential customers or partners from purchasing our solutions. Furthermore, non-compliance with applicable laws or regulations could result in fines, damages, criminal sanctions against us, our officers, or our employees, restrictions on the conduct of our business, and damage to our reputation.

Moreover, regulatory requirements are subject to constant updates, modifications and revisions as well as different interpretations by the authorities adopting, implementing or enforcing such requirements which result in uncertainty as well as difficulties in planning ahead of time. The increased public awareness in potential human rights violations by governments and organizations using advanced cyber tools, and the resulting heightened scrutiny by the public opinion, privacy NGOs, privacy advocates, the media and others, resulted and may continue to result in regulatory and policy changes from time to time. In the past two years, the Israeli Ministry of Defense tightened the control over cyber exports and in connection therewith imposed additional requirements with respect to obtaining export licenses for certain technologies. The Israeli Ministry of Defense also updates from time to time the countries approved for export of cyber and defense tools by Israeli companies and the list of countries that are exempt from the need to obtain marketing license prior to export of the above. Adapting our practices, policies and procedures to this ever-changing regulatory environment involves resources and time and requires our regulatory compliance teams to be on the watch for any actual or potential changes, and may have an impact on our ability to pursue business opportunities and anticipate the future results.

Due to the nature of our products, we are also subject to classification of certain information under relevant legislation and regulations, and we may therefore be limited from time to time as to the information that we may disclose to the public.

***Increased attention to, and evolving expectations for, environmental, social, and governance (“ESG”) initiatives could increase our costs, harm our reputation, or otherwise adversely impact our business.***

Companies across industries are facing increasing scrutiny from a variety of stakeholders related to their ESG and sustainability practices. Expectations regarding voluntary ESG initiatives and disclosures and consumer demand for alternative forms of energy may result in increased costs (including but not limited to increased costs related to compliance, stakeholder engagement, contracting and insurance), changes in demand for certain products, enhanced compliance or disclosure obligations, or other adverse impacts to our business, financial condition, or results of operations.

While we may at times engage in voluntary initiatives (such as voluntary disclosures, certifications, or goals, among others) or commitments to improve the ESG profile of our company and/or products, such initiatives or achievements of such commitments may be costly and may not have the desired effect. For example, expectations around our management of ESG matters continue to evolve rapidly, in many instances due to factors that are out of our control. In addition, we may commit to certain initiatives or goals but not ultimately achieve such commitments or goals due to factors that are within or outside of our control. Moreover, actions or statements that we may take based on expectations, assumptions, or third-party information that we currently believe to be reasonable may subsequently be determined to be erroneous or be subject to misinterpretation. Even if this is not the case, our current actions may subsequently be determined to be insufficient by various stakeholders, and we may be subject to investor or regulator engagement on our ESG initiatives and disclosures, even if such initiatives are currently voluntary.

Certain market participants, including major institutional investors and capital providers, use third-party benchmarks and scores to assess companies’ ESG profiles in making investment or voting decisions. Unfavorable ESG ratings could lead to increased negative investor sentiment towards us or our industry, which could negatively impact our share price as well as our access to and cost of capital. To the extent ESG matters negatively impact our reputation, it may also impede our ability to compete effectively to attract and retain employees or customers, which may adversely impact our operations.

## **Intellectual Property Risks**

***Our intellectual property may not be adequately protected.***

Our success depends to a significant degree on the legal protection of our software and other proprietary technology. We rely on a combination of patent, trade secret, copyright and trademark laws, as well as confidentiality and non-disclosure agreements with employees and third parties, to establish and protect our proprietary rights. For more information, see “Item 4. Information on the Company—4.B. Business Overview— Intellectual Property Rights.” While much of our intellectual property is protected by patents or patent applications, we have not and cannot protect all of our intellectual property with patents or other registrations. There can be no assurance that patents we have applied for will be issued on the basis of our patent applications or

that, if such patents are issued, they will be, or that our existing patents are, sufficiently broad enough to protect our technologies, products, or services. Moreover, we may in the future determine that we require additional patents in order to protect our software and processes, and we may be unable to obtain patent protection for the technology covered in our applications or such patent protection may not be obtained quickly enough to meet our business needs. The patent prosecution process is expensive, time-consuming, and complex, and thus we also may not be able to prepare, file, prosecute, maintain, and enforce all necessary or desirable patent applications at a reasonable cost or in a timely manner.

Any of our intellectual property rights, including patents and trademarks, may be challenged, narrowed, invalidated, held unenforceable or circumvented in litigation or other proceedings, including, where applicable, through opposition, cancellation, re-examination, inter partes review, post-grant review, interference, nullification and derivation proceedings, and equivalent proceedings in foreign jurisdictions, and such intellectual property or other proprietary rights may be lost or no longer provide us with meaningful competitive advantages. Such proceedings may result in substantial cost and require significant time from our management, even if the eventual outcome is favorable to us.

Third parties may legitimately and independently develop products, services, and technology similar to or duplicative of our platform. In addition to protection under intellectual property laws, we rely primarily upon trade secret protection and non-disclosure provisions in agreements with employees, customers and other third parties having access to our confidential information and generally limit access to and distribution of our proprietary information. Despite our efforts, third parties may attempt to disclose, obtain, copy, reverse engineer, or use our intellectual property or other proprietary information or technology without our authorization, and our efforts to protect our intellectual property and other proprietary rights may not prevent such unauthorized disclosure or use, misappropriation, infringement, reverse engineering or other violation of our intellectual property or other proprietary rights.

Furthermore, non-disclosure and no reverse engineering provisions can be difficult to enforce, and even if successfully enforced, may not be entirely effective. The violation of our agreements by disclosing or allowing the use of our proprietary information or technology without a license or authorization may pose risks to our business. We cannot guarantee that any of the measures we have taken will prevent infringement, misappropriation, reverse engineering or other violation of our technology or other intellectual property or proprietary rights.

Preventing unauthorized use or infringement of our intellectual property rights is difficult even in jurisdictions with well-established legal protections for intellectual property. It may be even more difficult to protect our intellectual property in other jurisdictions where legal protections for intellectual property rights are less established. If we are unable to adequately protect our intellectual property against unauthorized third-party use or infringement, our competitive position could be materially and adversely affected.

Competitors and other companies could adopt trademarks and service marks that are similar to ours or try to prevent us from registering or using our trademarks, consequently impeding our ability to build brand identity and possibly leading to customer confusion.

We use machine learning and artificial intelligence (AI) technologies in our business, products, services and tools. The intellectual property ownership and license rights, including patents and copyright, surrounding AI technologies have not been fully addressed by courts or laws or regulations in countries around the world, but some courts that have reviewed these issues to date have taken the position that inventions made by AI are not patentable, and works of authorship created without substantial human input are not subject to copyright protection, and the use or adoption of third-party AI technologies into our products and services may result in exposure to claims of infringement or misappropriation of others' intellectual property. There are several lawsuits pending in the U.S. where creators of content are challenging the use of their content for purposes of training AI models.

***Our products or other intellectual property may infringe or may be alleged to infringe on the intellectual property rights of others, which could lead to costly disputes or disruptions for us and may require us to indemnify our customers and resellers for any damages they suffer.***

The technology industry is characterized by frequent allegations of intellectual property infringement. In the past, third parties have asserted that certain of our products or other technology have infringed on their intellectual property rights and similar claims may be made in the future. Any allegation of infringement against us could be time consuming and expensive to defend or resolve, result in substantial diversion of management resources, cause product shipment delays, or force us to enter into royalty or license agreements. If patent holders or other holders of intellectual property initiate legal proceedings against us, either with respect to our own intellectual property or intellectual property we license from third parties, we may be forced into protracted and costly litigation, regardless of the merits of these claims. We may not be successful in defending such litigation, in part due to the complex technical issues and inherent uncertainties in intellectual property litigation, and may not be able to procure any required royalty or license agreements on terms acceptable to us, or at all. Competitors and other companies could

adopt trademarks that are similar to ours or try to prevent us from using our trademarks, consequently impeding our ability to build brand identity and possibly leading to customer confusion. Third parties may also assert infringement claims against our customers or partners. Subject to certain limitations, we generally indemnify our customers and partners with respect to infringement by our products on the proprietary rights of third parties, which, in some cases, may not be limited to a specified maximum amount and for which we may not have sufficient insurance coverage or adequate indemnification in the case of intellectual property licensed from a third party. If any of these claims succeed, we may be forced to pay damages, be required to obtain licenses for the products our customers or partners use or sell, or incur significant expenses in developing non-infringing alternatives. If we cannot obtain necessary licenses on commercially reasonable terms, our customers may be forced to stop using or, in the case of resellers and other partners, stop selling our products.

We may rely upon certain technology, software or intellectual property rights we license from third parties, but third parties may terminate our licenses to use such third party technology, software or intellectual property rights. Loss of such licenses could have a material impact on our ability to offer our products, software and services to others.

***Use of free or open source software could expose our products to unintended restrictions and could materially adversely affect our business.***

Some of our products contain free or open source software (together, “open source software”) and we anticipate making use of open source software in the future. Open source software is generally covered by license agreements that permit the user to use, copy, modify and distribute the software without cost, provided that the users and modifiers abide by certain licensing requirements. However, the original developers of the open source software generally provide no warranties on such software or protections in the event the open source software has defects or security vulnerabilities or infringes a third party’s intellectual property rights. Although we endeavor to monitor the use of open source software in our product development, we cannot assure you that past, present or future products, including products inherited in acquisitions, will not contain open source software elements that impose unfavorable licensing restrictions or other requirements on our products, including the need to seek licenses from third parties, to re-engineer affected products, to discontinue sales of affected products, or to release all or portions of the source code of affected products. Any of these developments could materially adversely affect our business.

***Certain Israeli governmental grants that we received for certain of our research and development activities in Israel may restrict our ability to transfer manufacturing operations or technology outside of Israel without obtaining a pre-approval from the relevant authorities and, in certain circumstances, payment of significant amounts to the authorities.***

Our Israeli-based research and development efforts have been financed in part through grants that we have received from the National Technological Innovation Authority (the “Innovation Authority”), which formerly operated as the Office of the Chief Scientist of the Ministry of Economy of the State of Israel.

We must comply with the requirements of the Israeli Encouragement of Research, Development and Technological Innovation in Industry Law, 5744-1984 (the “Innovation Law”), which is formerly known as the Encouragement of Industrial Research and Development Law, 5744-1984, and related regulations, with respect to those grants.

When a company develops know-how, technology or products using grants provided by the Innovation Authority, the terms of these grants and the Innovation Law restrict the transfer of such know-how, and the transfer of manufacturing or manufacturing rights of such products, technologies or know-how outside of Israel, including:

- *Transfer of know-how outside of Israel.* Any transfer of the know-how that was developed with the funding of the Innovation Authority, outside of Israel, requires prior approval of the Innovation Authority, and the payment of a redemption fee.
- *Local manufacturing obligation.* The terms of the grants under the Innovation Law require that the manufacturing of products resulting from Innovation Authority-funded programs be carried out in Israel, unless a prior written approval of the Innovation Authority is obtained (except for a transfer of up to 10% of the production rights, for which a notification to the Innovation Authority is sufficient).
- *Certain reporting obligations.* We, as any recipient of a grant or a benefit under the Innovation Law, are required to file reports on the progress of activities for which the grant was provided. In addition, we are required to notify the Innovation Authority of certain events detailed in the Innovation Law with respect to a grant recipient.

Therefore, if aspects of our technologies are deemed to have been developed with Innovation Authority funding, the discretionary approval of an Innovation Authority committee would be required for any transfer to third parties outside of Israel of know-how or manufacturing or manufacturing rights related to those aspects of such technologies. We may not receive those

approvals. Furthermore, the Innovation Authority may impose certain conditions on any arrangement under which it permits us to transfer technology or development out of Israel.

The transfer of Innovation Authority-supported technology or know-how outside of Israel may involve the payment of significant amounts, depending upon the value of the transferred technology or know-how, the amount of Innovation Authority support, the time of completion of the Innovation Authority-supported research project and other factors. The total amount of our obligation to the Innovation Authority upon the occurrence of any such event will also include interest that has accrued annually on the grants. The consideration available to our shareholders in a transaction involving the transfer outside of Israel of technology or know-how developed with Innovation Authority funding (such as a merger or similar transaction) may be reduced by any amounts that we are required to pay to the Innovation Authority.

### **Risks Related to Our Finances and Capital Structure**

***Our credit facilities exposes us to leverage risks and subjects us to covenants which may adversely affect our operations. In addition, financing sources may not be available to us.***

We have two revolving credit facilities with terms effective as of December 31, 2023 and January 24, 2024, respectively. These facilities are valid until January, 2026 and provide for a total of up to \$65.0 million in total borrowing. Although as of January 31, 2024, we had no outstanding indebtedness under these facilities, we might be required from time to time to draw down some of or the entire amount available. A high level of debt could have material consequences on our future operations, including:

- reducing the availability of our cash flows to fund working capital, capital expenditures, project development, and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in all or a significant portion of our debt becoming immediately due and payable;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared with our competitors that have less debt or have lower leverage ratios.

Our ability to meet payment and other obligations under such debt instruments will depend on our ability to generate significant cash flows, which, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flows from operations, or that future borrowings will be available to us under such facility or any future credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under such a debt facility and to fund other liquidity needs. If we are unable to generate sufficient cash flows to service any such debt obligations or if we experience liquidity or working capital issues generally, we may need to refinance or restructure such debt or seek to raise additional capital. There can be no assurance that we would be successful in any such refinancing or restructuring effort or that financing sources would be available to us on reasonable terms or at all.

***We may require additional capital to support our operations or the growth of our business, and this capital might not be available on acceptable terms, if at all.***

We might require substantial additional financing in order to operate our business, execute our growth strategy and respond to challenges or unforeseen circumstances. Such financing might not be available on commercially reasonable terms, if at all, including as a result of increasing inflation and interest rates. If we are unable to obtain such financing, on commercially reasonable terms, or at all, we will not be able to, among other things:

- execute our growth strategy;
- develop new features, integrations, capabilities, and enhancements;
- continue to expand our product development, sales, and marketing organizations;
- respond to competitive pressures or unanticipated working capital requirements; or
- pursue acquisition opportunities.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, our shareholders' ownership interest will be diluted. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures, or declaring dividends. Debt financing could also have significant negative consequences for our business, results of operations and financial condition, including, among others, increasing our vulnerability to adverse economic and industry conditions, limiting our ability to obtain additional financing, requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the amount of our cash flow available for other purposes, limiting our flexibility in planning for, or reacting to, changes in our business, and placing us at a possible competitive disadvantage compared to less leveraged competitors or competitors that may have better access to capital resources. In addition, a portion of our business is conducted through our subsidiaries, including a joint venture that is not wholly owned by us. Such subsidiaries are separate and distinct legal entities. Therefore, our ability to generate cash is dependent on the earnings, cash flows, financial condition and the distribution of funds (whether by dividend, distribution or loan) from our subsidiaries. None of our subsidiaries is obligated to make funds available to us, other than pursuant to certain intercompany agreements. The distribution of dividends by such subsidiaries may be subject to restrictions on the payment of dividends in the jurisdictions in which such entities were incorporated. In addition, the distribution of dividends by the foregoing joint venture requires the consent of our partner in such joint venture. Inability to receive dividends from our subsidiaries could adversely affect our financial condition, results of operations, cash flows and limit shareholders' return, if any, and may require us to obtain additional financing, which may not be available to us on commercially reasonable terms.

***Exchange rate fluctuations between the U.S. dollar and the New Israeli Shekel and other non-U.S. currencies may negatively affect the earnings of our operations.***

We report our financial results and most of our revenues are recorded in U.S. dollars. However, substantially all of the research and development expenses of our Israeli operations, as well as a portion of the cost of revenues, selling and marketing, and general and administrative expenses of our Israeli operations, are incurred in New Israeli Shekels. As a result, we are exposed to exchange rate risks that may adversely affect our financial results. If the New Israeli Shekel appreciates against the U.S. dollar or if the value of the New Israeli Shekel declines against the U.S. dollar at a time when the rate of inflation in the cost of Israeli goods and services exceeds the rate of decline in the relative value of the New Israeli Shekel, then the U.S. dollar cost of our operations in Israel would increase and our results of operations would be adversely affected. Our Israeli operations also could be adversely affected if we are unable to effectively hedge against currency fluctuations in the future. We cannot predict any future trends in the rate of inflation or deflation in Israel or the rate of appreciation or devaluation of the New Israeli Shekel against the U.S. dollar. The Israeli annual rate of inflation amounted to 3%, 5.3%, and 2.8% for the calendar years 2023, 2022 and 2021, respectively. The annual depreciation (appreciation) of the New Israeli Shekel in relation to the U.S. dollar amounted to 3.1%, 13.2% and (3.3)% for the calendar years 2023, 2022 and 2021, respectively.

We also have substantial revenues and expenses that are denominated in non-U.S. currencies other than the New Israeli Shekel, particularly the Singapore dollar and the Euro. Therefore, our operating results and cash flows fluctuate due to changes in the relative values of the U.S. dollar and those foreign currencies. These fluctuations affect our operating results and cause our revenues and net income or loss to vary from quarter to quarter. Furthermore, where our sales are denominated in U.S. dollars, a strengthening of the U.S. dollar against other currencies makes our products less competitive in those foreign markets and collection of receivables more difficult.

From time to time we engage in currency hedging activities. These measures, however, may not adequately protect us from material adverse effects due to the impact of inflation in Israel or from fluctuations in the relative values of the U.S. dollar and other foreign currencies in which we transact business, and may result in a financial loss.

***If our goodwill or other intangible assets become impaired, our financial condition and results of operations could be negatively affected.***

Because we have periodically executed business combinations, goodwill and other intangible assets represent a material portion of our assets. Goodwill and other intangible assets totaled approximately \$126.8 million, or approximately 26.9% of our total assets, as of January 31, 2024. We test our goodwill for impairment at least annually, or more frequently if an event occurs indicating the potential for impairment, and we assess on an as-needed basis whether there have been impairments in our other intangible assets. We make assumptions and estimates in this assessment which are complex and often subjective. These assumptions and estimates can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy or our internal forecasts. To the extent that the factors described above change, we could be required to record additional non-cash impairment charges in the future, which could negatively affect our financial condition and results of operations. Impairment of our goodwill might result in failure to comply with the financial and other restrictive covenants contained in our debt agreements, which in the event of default could result in all or a significant portion of the debt, if any exist, becoming immediately due and payable; See also “Item 3. Risks Related to Our Finances and Capital Structure— Our indebtedness exposes us to leverage risks and subjects us to covenants which may adversely affect our operations. In addition, financing sources may not be available to us.”

***Calculating our income tax rate is complex and subject to uncertainty. We currently receive Israeli government tax benefits in respect of our Israeli operations. If we do not meet several conditions for receipt of those benefits, or if the Israeli government otherwise decides to eliminate those benefits, they may be terminated or reduced, which would impact our income tax rate and increase our costs.***

The computation of income taxes is complex because it is based on the laws of numerous taxing jurisdictions and requires significant judgment on the application of complicated rules governing accounting for tax provisions under GAAP. Examples of items that could cause variability in our income tax rate include our mix of income by jurisdiction, changes in our uncertain tax positions, the application of transfer pricing rules and tax audits. Future events, such as changes in our business and the tax law in the jurisdictions where we do business, could also affect our tax rate.

One important assumption that goes into the calculation of our tax rate is the tax benefit that we receive in respect of some of our operations in Israel, referred to as “Beneficial Enterprise” under the Law for the Encouragement of Capital Investments, 5719-1959 (the “Investment Law”). Based on an evaluation of the relevant factors under the Investment Law, including the level of foreign (that is, non-Israeli) investment in our company, we have estimated that our effective tax rate to be paid with respect to all Israeli operations under these benefit programs is 10% to 23%, based on our activities at our Israeli facilities and the available level of benefits under the law. If we do not meet the requirements for maintaining these benefits, they may be reduced or cancelled and the relevant operations would be subject to the Israeli ordinary corporate tax at the standard rate, which is currently set at 23%.

The Investment Law was significantly amended several times, most recently as part of the Economic Efficiency Law on December 29, 2016 effective as of January 1, 2017 (the “2017 Amendment”). The 2017 Amendment provides new tax benefits for “Preferred Technological Enterprises”, as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The 2017 Amendment provides, inter alia, that a technology company satisfying certain conditions may qualify as a “Preferred Technological Enterprise” and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as “Preferred Technological Income”, as defined in the Investment Law (for Preferred Technological Enterprise which is not located in development area A). In addition, a Preferred Technological Enterprise will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain “Benefited Intangible Assets” (as defined in the Investment Law) to a related foreign company if the Benefited Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million, and the sale receives prior approval from the Israel Innovation Authority (“IIA”).

Dividends distributed by a Preferred Technological Enterprise, paid out of Preferred Technological Income, are generally subject to withholding tax at source at the rate of 20% or such lower rate as may be provided in an applicable tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority (“ITA”) allowing for a reduced tax rate). However, if such dividends are paid to an Israeli company, no tax is required to be withheld. If such dividends are being distributed to a foreign company and other conditions are met, the withholding tax rate will be 4% (or a lower rate under a tax treaty, if applicable, subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate).

We have examined the impact of the 2017 Amendment and the degree to which we will qualify as a Preferred Technological Enterprise and have elected to adopt it to the extent we will generate taxable income as of fiscal year end 2022 onwards in which case we will enjoy reduced corporate tax rate of 12% on income that qualifies as “Preferred Technological Income”.

The Israeli government may furthermore independently determine to reduce, phase out or eliminate entirely the benefit programs under the Investment Law, regardless of whether we then qualify for benefits under those programs at the time, which would also adversely affect our effective tax rate and our results of operations.

Our effective income tax rate was 12.2% for the year ended January 31, 2024, please see “Item 5.A. Operating Results—Components of Results of Operations—Provision for Income Taxes”. Our effective tax rate could change over time as a result of changes in corporate income tax rates or other changes in tax laws of the jurisdictions in which we operate. Any changes in tax laws could have an adverse impact on our financial results. Corporate tax reform, base-erosion efforts and tax transparency continue to be high priorities in many tax jurisdictions where we have business operations. As a result, policies regarding corporate income and other taxes in numerous jurisdictions are under heightened scrutiny and tax reform legislation is being proposed or enacted in a number of jurisdictions.

For example, there is growing pressure in many jurisdictions and from multinational organizations such as the Organization for Economic Cooperation and Development (OECD) and the EU to amend existing international taxation rules in order to align the tax regimes with current global business practices. Specifically, in October 2015, the OECD published its final package of measures for reform of the international tax rules as a product of its Base Erosion and Profit Shifting (BEPS) initiative, which was endorsed by the G20 finance ministers. Many of the initiatives in the BEPS package required and resulted in specific amendments to the domestic tax legislation of various jurisdictions and to existing tax treaties. We continuously monitor these developments. Although many of the BEPS measures have already been implemented or are currently being implemented globally (including, in certain cases, through adoption of the OECD’s “multilateral convention” (to which Israel is also a party) to effect changes to tax treaties which entered into force on July 1, 2018 and through the European Union’s “Anti Tax Avoidance” Directives), it is still difficult in some cases to assess to what extent these changes would impact our tax liabilities in the jurisdictions in which we conduct our business or to what extent they may impact the way in which we conduct our business or our effective tax rate due to the unpredictability and interdependency of these potential changes. In January 2019 the OECD announced further work in continuation of the BEPS project, focusing on two “pillars”. On October 8, 2021, 136 countries approved a statement known as the OECD BEPS Inclusive Framework, which builds upon the OECD’s continuation of the BEPS project. The first pillar is focused on the allocation of taxing rights between countries for in-scope multinational enterprises that sell goods and services into countries with little or no local physical presence. Based on the guidelines published to date, we do not expect to fall within the scope of the rules of the first pillar. The second pillar is focused on developing a global minimum tax rate of at least 15% (measured on a country-by-country basis) applicable to in-scope multinational groups (with consolidated revenue over Euro750 million). Israel, as well as other jurisdictions where we operate, are included among more than 140 countries which have agreed in principle to the adoption of the global minimum tax rate. Given these developments, it is generally expected that tax authorities in various jurisdictions in which we operate may increase their audit activity and may seek to challenge some of the tax positions we have adopted. It is difficult to assess if and to what extent such challenges, if raised, might adversely impact our effective tax rate.

Further, there are proposals in the United States to introduce further amendments to the federal tax regime applicable to corporations. As of the date of filing, it remains unclear what legislation, if any, would be enacted. If the draft legislation currently being discussed is enacted, it could create the potential for added volatility in our provision for income taxes and might have an adverse impact on our future income tax provision and tax rate.

***Our financial results may be significantly impacted by changes in our tax position.***

We are subject to taxes in Israel, the United States and numerous foreign jurisdictions. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in valuation allowance on deferred tax assets (including our non-U.S. NOL carryforwards), changes in unrecognized tax benefits, or changes in tax laws or their interpretation. Any of these changes could have a material adverse effect on our profitability. In addition, the tax authorities in the jurisdictions in which we operate, including but not limited to Israel and the United States, may from time to time review the pricing arrangements between us and our non-U.S. subsidiaries or by and among our non-U.S. subsidiaries. An adverse determination by one or more tax authorities in this regard may have a material adverse effect on our financial results.

The extent to which we will be able to use NOLs may be impacted, restricted, or eliminated by a number of factors, including changes in tax rates, laws or regulations, whether we generate sufficient future taxable income, and possible adjustments to our tax attributes. To the extent that we are unable to utilize our NOLs or other losses, our results of operations, liquidity, and financial condition could be materially adversely affected. When we cease to have NOLs available to us in a particular tax jurisdiction, either through their expiration, disallowance, or utilization, our cash tax liability will generally increase in that



jurisdiction. Disallowance of any NOLs previously utilized by the Verint group to offset Cognyte income in a particular tax jurisdiction could result in a tax payment obligation.

On December 22, 2017, the Tax Cuts and Jobs Act (“TCJA”) was enacted in the United States. The TCJA significantly revised the Code and it includes fundamental changes to taxation of U.S. multinational corporations. Compliance with the TCJA requires significant complex computations not previously required by U.S. tax law.

The key provisions of the TCJA, which may significantly impact our current and future effective tax rates, include new limitations on the tax deductions for interest expense and executive compensation and new rules related to uses and limitations of NOL carryforwards. New international provisions add a new category of deemed income from our non-U.S. operations, eliminate U.S. tax on foreign dividends (subject to certain restrictions), and add a minimum tax on certain payments made to foreign related parties. The TCJA amendments to Section 174 of the United States Internal Revenue Code of 1986, as amended (the “Code”) require that specific research and experimental expenditures be capitalized and amortized over five years if incurred in the U.S. or fifteen years if incurred in a foreign jurisdiction beginning in our fiscal 2022. Although Congress is considering legislation that would defer, modify or repeal this capitalization and amortization requirement, the possibility that this will happen is uncertain. If this requirement is not deferred, modified or repealed, it may materially reduce our future cash flows.

## Risks Associated with the Spin-Off

### *We have a limited operating history as an independent public company.*

We completed our separation from Verint in early 2021 and for a period of thirteen months following said separation Verint provided us with certain continuing services pursuant to a transition service agreement (the “Transition Services Agreement”). During the transition period, we have created our own financial, administrative, corporate governance, and listed company compliance and other support systems, including for the services Verint had historically provided to us. In addition, we have contracted with third parties to replace the Verint systems that we did not establish internally. We have also established or expanded our own tax, treasury, internal audit, investor relations, corporate governance, and listed company compliance and other corporate functions. Any failure or significant downtime in our own financial, administrative or other support systems could negatively impact our results of operations or our ability to perform administrative or other services on a timely basis.

Further, as a stand-alone public company, we have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as part of Verint. The provisions of the Sarbanes-Oxley Act of 2002 (“SOX”), as well as rules subsequently adopted by the Securities and Exchange Commission (“SEC”) and Nasdaq, have imposed various requirements on public companies, including changes in corporate governance practices. Compliance with current rules and rules that may ultimately be adopted in the future has made and may make or continue to make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources. Management’s attention may also be diverted from other business concerns, which could harm our business and operating results. Additionally, some members of our management team still have limited experience managing a publicly traded company, interacting with public company investors, and complying with the increasingly complex laws pertaining to public companies, which exposes us to greater regulatory and compliance risks.

We also face risks as a stand-alone public company relating to our internal control over financial reporting and disclosure controls and procedures. For more information on the regulations to which we are subject beginning with this Annual Report, see “Risks Related to Our Ordinary Shares— If we fail to maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.”

In addition, complying with public disclosure rules makes our business more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business and operating results.

***The spin-off could result in significant tax liability to Verint and us, and in certain circumstances, we could be required to indemnify Verint for material taxes pursuant to indemnification obligations under the Tax Matters Agreement. In addition, we agreed to certain restrictions designed to preserve the tax treatment of the spin-off that may reduce our strategic and operating flexibility.***

Verint has obtained a tax ruling (the “U.S. Tax Ruling”) from the Internal Revenue Service (the “IRS”) that certain of the requirements for tax-free treatment under Section 355 of the Code will be satisfied and that Cognyte will be treated as a

domestic corporation for U.S. federal income tax purposes under Section 7874 of the Code. Verint also obtained a written opinion of Jones Day (the “Tax Opinion”) to the effect that the distribution will qualify as tax-free, for U.S. federal income tax purposes, to Verint and to Verint shareholders under Section 355 of the Code.

The U.S. Tax Ruling may not be relied on if the facts or representations made by Verint about Verint’s and our businesses and other matters are incorrect or not otherwise satisfied. Although the U.S. Tax Ruling will be generally binding on the IRS, the continuing validity of the U.S. Tax Ruling is subject to the continuing validity of the facts and representations made in the ruling request.

The Tax Opinion is based on certain representations as to factual matters from, and certain covenants by, Verint and us. The Tax Opinion may not be relied on if any of the assumptions, representations or covenants are incorrect, incomplete or inaccurate or are violated in any material respect. Further, the Tax Opinion is not binding on the IRS or in any court, and there can be no assurance that the relevant tax authorities will not take, or any court will not affirm, a contrary position.

If the distribution were determined not to qualify for the treatment described in the U.S. Tax Ruling or the Tax Opinion, or if any conditions in the U.S. Tax Ruling or the Tax Opinion are not observed, then Verint and its shareholders could suffer adverse tax consequences and, under certain circumstances, we could have an indemnification obligation to Verint with respect to some or all of the resulting tax to Verint under the Tax Matters Agreement (the “Tax Matters Agreement”) we entered into with Verint, as described in “Item 7. Major Shareholders and Related Party Transactions—7.B. Related Party Transactions—Agreements Between Verint and Us—Tax Matters Agreement.”

In addition, under the Tax Matters Agreement, we agreed to certain restrictions designed to preserve the tax-free nature of the distribution for U.S. federal income tax purposes. These restrictions may limit our ability to pursue strategic transactions or engage in new businesses or other transactions that might be beneficial and could discourage or delay strategic transactions that our shareholders may consider favorable. Furthermore, we agreed with Verint under the Tax Matters Agreement that we will be primarily responsible for any taxes related to, or arising in connection with our business, including with respect to the period prior to the spin-off. As a result of such undertaking, we have recorded in the fiscal year that ended on January 31, 2023 a \$4.7 million tax contingency in connection with a tax position that should have been recognized by Verint beginning with 2019, prior to the spin-off, and related primarily to our business. During the fourth quarter of fiscal year ending January 31, 2024, the uncertain tax positions associated with Verint, as well as the corresponding indemnification asset, were reversed due to the expiration of the statute of limitations. For further information, please see “Item 5.A. Operating Results—Components of Results of Operations—Provision for Income Taxes” and “Item 7.B. Related Party Transactions—Agreements with Verint—Tax Matters Agreement.”

Verint has obtained a tax ruling (the “Israeli Tax Ruling”) from the Israeli Tax Authority (the “ITA”) providing that, for Israeli income tax purposes, the distribution and certain internal transactions, which are part of the spin-off and the separation, are generally tax-free to Verint shareholders, Verint and Cognyte. Certain other internal transactions not covered by the Israeli Tax Ruling should also not result in any tax liabilities in Israel.

We agreed to conditions and restrictions set forth in the Israeli Tax Ordinance and the Israeli Tax Ruling issued by the ITA. These restrictions may also limit our ability to engage in new businesses or other transactions, and the ability of certain shareholders of Verint and Cognyte to sell or otherwise transfer their shares for a period of two years following the date the internal transactions are consummated.

***Our historical financial information is not necessarily representative of the results we would have achieved as a stand-alone public company and may not be a reliable indicator of our future results.***

Our historical financial statements prior to the fiscal year ended January 31, 2021 have been derived (carved out) from the Verint consolidated financial statements and accounting records. While we have three full years of audited financial statements as a stand-alone public company, this earlier derived information does not necessarily reflect the financial position, results of operations, and cash flows we would have achieved as a stand-alone public company during the periods presented, or those that we will achieve in the future.

This is primarily because of the following factors:

- For the period covered by our consolidated financial statements, our business was operated within legal entities which hosted portions of other Verint businesses.
- Income taxes attributable to our business were determined using the separate return approach, under which current and deferred income taxes are calculated as if a separate tax return had been prepared in each tax jurisdiction. Actual

outcomes and results could differ from these separate tax return estimates, including those estimates and assumptions related to realization of tax benefits within certain Verint tax groups.

- Our consolidated financial statements include an allocation and charges of expenses related to certain Verint functions such as those related to financial reporting and accounting operations, human resources, real estate and facilities services, procurement and information technology. However, the allocations and charges may not be indicative of the actual expense that would have been incurred had we operated as an independent, publicly traded company for the period presented therein.
- Our consolidated financial statements include an allocation from Verint of certain corporate-related general and administrative expenses that we would incur as a publicly traded company that we have not previously incurred. The allocation of these additional expenses, which are included in the consolidated financial statements, may not be indicative of the actual expense that would have been incurred had we operated as an independent, publicly traded company for the period presented therein.
- In connection with the spin-off, Cognyte incurred benefits (costs) of approximately \$0.9 million, \$(0.3) million and \$(11.6) million during the fiscal years ended January 31, 2024, 2023 and 2022 respectively.

Therefore, our historical financial information may not necessarily be indicative of our future financial position, results of operations or cash flows, and the occurrence of any of the risks discussed in this “Risk Factors” section, or any other event, could cause our future financial position, results of operations or cash flows to materially differ from our historical financial information.

### **Risks Related to Our Ordinary Shares**

#### ***Our share price may be volatile for various reasons***

Our share price can be volatile for various reasons, including:

- announcements by us or our competitors regarding, among other things, strategic changes, new products, product enhancements or technological advances, acquisitions, major transactions, significant litigation or regulatory matters, stock repurchases, or management changes;
- press or analyst publications, including with respect to changes in recommendations or earnings estimates or growth rates by financial analysts, changes in investors’ or analysts’ valuation measures for our securities, our credit ratings, our security solutions and customers, speculation regarding strategy or mergers and acquisitions (“M&A”), or market trends unrelated to our performance;
- stock sales or purchases by us or our directors, officers, or other significant holders, or stock repurchases by us;
- hedging or arbitrage trading activity by third parties;
- actual or anticipated fluctuations in our results of operations;
- market conditions in our industry and changes in the estimation of the future growth and size of our markets;
- the trading volume of our ordinary shares;
- general economic and market conditions; and
- negative media and public exposures.

In addition, the stock markets have experienced extreme price and volume fluctuations. Broad market and industry factors may materially harm the market price of our ordinary shares, regardless of our operating performance. In the past, following periods of volatility in the market price of a company’s securities, securities class action litigation has often been instituted against that company. For example, in March 2023, a private securities lawsuit was filed in the U.S. against us and certain officers alleging, among other things, that we concealed the fact that our business practices violated Meta’s community standards and terms of services and that our stock price dropped after the facts were disclosed. Such lawsuits could result in substantial costs and divert management’s attention and resources, which could adversely affect our business. Furthermore, given that a significant part of certain of our employees’ compensation is linked to our share price, volatility in our share price may affect our ability to recruit

and retain qualified personnel. Lastly, volatility in our share price may adversely impact our ability to make acquisitions using our ordinary shares as consideration, our ability to raise additional funds in the capital markets and our ability to generally execute on our strategy, in turn negatively affecting our business, results of operations and financial condition.

***If we do not meet the expectations of securities analysts, if they do not publish research or reports about our business, or if they issue unfavorable commentary or downgrade our ordinary shares, or, alternatively, if we do not meet our own earnings guidance, the price of our ordinary shares could decline.***

The trading market for our ordinary shares relies in part on the research and reports that securities analysts publish about us and our business. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If our revenues, our results of operations, or our financial condition are below the estimates or expectations of public market analysts and investors, the price of our ordinary shares could decline. Moreover, the price of our ordinary shares could decline if one or more securities analysts downgrade our ordinary shares or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business. In addition, to the extent we do not meet our earnings guidance, our share price may be adversely affected. The earnings guidance we issue from time to time is based on, among other things, our expectations and assumptions regarding our business and the market we operate in, and there is no assurance that our assumptions and expectations will prove to be accurate.

***If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our business, financial condition and results of operations may be adversely affected.***

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in our consolidated financial statements and accompanying notes. Actual results could differ materially from these estimates. We base our estimates on assumptions (both historical and forward-looking), trends, and various other assumptions that are believed to be reasonable, as provided in Note 2 to our consolidated financial statements. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, in addition to the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates are used to prepare our consolidated financial statements, including revenue recognition, fair value of goodwill, income taxes related to realizability of deferred tax assets and tax uncertainties. Our business, financial condition and results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our ordinary shares.

***We may issue additional equity, which may dilute the value of our outstanding ordinary shares.***

In the future, the percentage ownership of our investors may be diluted because of equity issuances from acquisitions, capital markets transactions or otherwise, including equity awards that we will be granting to our directors, officers and employees. Our Compensation Committee of our board of directors have granted and will continue to grant additional equity awards to our employees, officers and directors, from time to time, under our employee benefits plans. These additional awards will have a dilutive effect on our earnings per share, which could adversely affect the market price of our shares.

***We are an FPI and, as a result, we are subject to reporting obligations and corporate governance practices that, to some extent, are more lenient than those of a U.S. domestic public company whose shares are listed on Nasdaq.***

We report under the Exchange Act as a Foreign Private Issuer ("FPI"). Thus, we are exempt from certain provisions of the Exchange Act applicable to U.S. domestic public companies, which are more expansive and require more frequent filings, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act and the content of proxy statements, (ii) the rules under Section 16 of the Exchange Act subjecting officers, directors and principal shareholders to beneficial ownership reporting and short-swing profit recovery and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing full unaudited financial statements and notes thereto and other specified information, and current reports on Form 8-K, which are due upon the occurrence of specified significant events. In addition, FPIs are not required to file their annual reports on Form 20-F until four months after the end of each financial year, while U.S. domestic issuers that are accelerated filers like us are required to file their annual reports on Form 10-K within 75 days after the end of each fiscal year. We are required to report certain material developments in reports furnished on Form 6-K with the SEC, and we have furnished and intend to continue furnishing on Form 6-K our unaudited quarterly financial information after the end of each fiscal quarter. FPIs are also exempt from Regulation FD, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, our shareholders may not have the same protections and/or access to information afforded to shareholders of companies that are not FPIs.

As an FPI whose shares are listed on Nasdaq, we are also permitted to follow certain home country corporate governance practices instead of certain requirements of the Nasdaq rules. Currently, as permitted under the Israeli Companies Law, our

articles of association (“Articles of Association”) provide that the quorum for any meeting of shareholders is 25% of the issued and outstanding share capital, which is less than the 33.33% minimum required under Nasdaq rules. In addition, we currently follow home country practices in Israel in lieu of compliance with the Nasdaq requirements for shareholder approval of certain significant issuances of shares pursuant to a private placement or merger/acquisition for shareholder approval for adoption and material amendments to share incentive plans and for the distribution of annual and interim reports, which requirements apply to a domestic U.S. issuer. For more information, see “Item 16G. Corporate Governance.” While we otherwise follow all Nasdaq corporate governance requirements applicable to domestic companies, we may later decide to rely on exemptions from certain of these requirements as an Israeli FPI. For instance, unlike the requirements of Nasdaq, there are currently no mandatory corporate governance requirements in Israel that would require us to (i) have a majority of its board of directors be independent, (ii) establish a nominating/governance committee, or (iii) hold regular executive sessions where only independent directors may be present.

Following our home country governance practices as opposed to the requirements that would otherwise apply to a U.S. company listed on Nasdaq may provide less protection than is accorded to investors of domestic issuers.

We could lose our status as a “foreign private issuer” under applicable securities laws and regulations if more than 50% of our outstanding voting securities were to become directly or indirectly held of record by U.S. holders and any one of the following were true: (i) the majority of our directors or executive officers were U.S. citizens or residents; (ii) more than 50% of our assets were located in the United States; or (iii) our business were administered principally in the United States. If we were to lose our status as a “foreign private issuer” in the future, we would no longer be exempt from the rules described above and, among other things, we would be required to file periodic reports and annual and quarterly financial statements as if we were a company incorporated in the United States. If this were to happen, we would likely incur significant additional legal, accounting, and other expenses and would likely have to divert significant management time and resources in order to comply with U.S. domestic issuer requirements.

***Our shareholders’ rights and responsibilities are governed by Israeli law, which differs in some material respects from the rights and responsibilities of shareholders of U.S. corporations.***

The rights and responsibilities of the holders of our shares are governed by our Articles of Association and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in U.S.-based corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders, and to refrain from abusing its power in the company, including, among other things, in voting at a general meeting of shareholders on matters such as amendments to a company’s articles of association, increases in a company’s authorized share capital, mergers and acquisitions and related party transactions requiring shareholder approval. In addition, a shareholder who is aware that it possesses the power to determine the outcome of a shareholder vote or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company. There is limited case law available to assist us in understanding the nature of these duties or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our shares that are not typically imposed on shareholders of U.S. corporations.

***Provisions of Israeli law and our Articles of Association may delay, prevent or otherwise impede a merger with, or an acquisition of, our company, which could prevent a change of control, even when the terms of such a transaction are favorable to us and our shareholders.***

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to such types of transactions, in each case, in ways that are different from and may be considered more burdensome than corresponding U.S. law.

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to our shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of a number of conditions, including, in some cases, a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies are subject to certain restrictions.

Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no disposition of the shares has occurred.

Our Articles of Association also contain provisions that could delay or prevent changes in control or changes in our management without the consent of our board of directors. These provisions include the following:

- the election of our directors on a staggered basis, such that a potential acquirer cannot readily replace our entire board of directors at a single annual general shareholder meeting;
- no cumulative voting in the election of directors, which limits the ability of minority shareholders to elect director candidates;
- approval of the holders of at least 65% of the total voting power of our shareholders is generally required to remove any of our directors from office, and any amendment to that provision in our Articles of Association shall require the approval of at least 65% of the total voting power of our shareholders; and
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors, and the right of our board of directors to fill a vacancy upon the resignation, death or removal of a director, which limits shareholders' ability to fill vacancies on our board of directors.

***If we fail to maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.***

As a publicly traded company, we are required to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting under Section 404(a) of SOX. We are also required to receive an attestation from our independent registered public accounting firm on the effectiveness of such controls under Section 404(b) of SOX.

Our system of internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with GAAP. Because of its inherent limitations, our system of internal control over financial reporting may not prevent or detect every misstatement. An evaluation of effectiveness is subject to the risk that the controls may become inadequate because of changes in conditions, because the degree of compliance with policies or procedures decreases over time, or because of unanticipated circumstances or other factors. While our management has concluded that we maintained effective disclosure controls and procedures and internal control over financial reporting as of January 31, 2024, and our independent registered public accounting firm has issued a report attesting to the effectiveness of our internal control over financial reporting as of such date, we cannot be certain at this time that all of our controls will be considered effective and our internal control over financial reporting may not satisfy the regulatory requirements going forward. As a result, we cannot assure you that our internal controls will prevent or detect every misstatement, that material weaknesses or other deficiencies will not occur or be identified in the future or that future restatements will not be required. A determination that our internal controls are not effective and any remedial actions required could divert internal resources and take a significant amount of time and effort to complete, and could result in us incurring additional costs that we did not anticipate, including the hiring of outside consultants. We could experience higher than anticipated operating expenses and higher independent auditor fees during and after the implementation of these changes. Further, the reliability of our financial statements may be questioned and our share price may suffer. Any of these outcomes could materially and adversely affect our business and your investment in our ordinary shares.

***It may be difficult to enforce a judgment of a U.S. court against us and/or our officers and directors in Israel or the United States, assert U.S. securities laws claims in Israel or serve process on our officers and directors.***

Certain of our directors or officers are not residents of the United States and most of their and our assets are located outside the United States. Service of process upon us or our non-U.S. resident directors and officers and enforcement of judgments obtained in the United States against us or our non-U.S. directors and executive officers may be difficult to obtain within the United States. We have been informed by our legal counsel in Israel that it may be difficult to assert claims under U.S. securities laws in original actions instituted in Israel or obtain a judgment based on the civil liability provisions of U.S. federal securities laws. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws against us or our non-U.S. officers and directors because Israel may not be the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above. Israeli courts might not enforce judgments rendered outside Israel, which may make it difficult to collect on judgments rendered against us or our non-U.S. officers and directors.

Moreover, an Israeli court will not enforce a non-Israeli judgment if it was given in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases), if its enforcement is likely to prejudice the

sovereignty or security of the State of Israel, if it was obtained by fraud or in the absence of due process, if it is at variance with another valid judgment that was given in the same matter between the same parties, or if a suit in the same matter between the same parties was pending before a court or tribunal in Israel at the time the foreign action was brought.

***The exclusive forum clause in our amended and restated articles of association could limit our shareholders' ability to bring claims against, as well as obtain favorable judicial forum for disputes with us and/or our directors, officers and other employees.***

Under our amended and restated articles of association, the competent courts of Tel Aviv, Israel are the exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company's shareholders, or (iii) any action asserting a claim arising pursuant to any provision of the Companies Law or the Israeli Securities Law. This exclusive forum provision is intended to apply to claims arising under Israeli Law and would not apply to claims brought pursuant to the Securities Act or the Exchange Act or any other claim for which federal courts would have exclusive jurisdiction. Such exclusive forum provision in our amended and restated articles of association will not relieve the Company of its duties to comply with federal securities laws and the rules and regulations thereunder, and shareholders of the Company will not be deemed to have waived the Company's compliance with these laws, rules and regulations. This exclusive forum provision may limit a shareholder's ability to bring a claim in a judicial forum of its choosing for disputes with the Company or its directors or other employees which may discourage lawsuits against the Company, its directors, officers and employees.

***Our amended and restated articles of association provide that, unless we consent to an alternative forum, the federal district courts of the United States shall be the exclusive forum for resolution of any complaint asserting a cause of action arising under the Securities Act.***

Our amended and restated articles of association provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the sole and exclusive forum for any claim asserting a cause of action arising under the Securities Act. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both U.S. state and federal courts have jurisdiction to entertain such claims. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the U.S. federal courts have exclusive jurisdiction, as Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder.

This choice of forum provision may limit a shareholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees and may increase the costs associated with such lawsuits, which may discourage such lawsuits against us and our directors, officers and employees. Additionally, there is uncertainty as to whether a court would enforce the exclusive forum provisions relating to causes of actions arising under the Securities Act. If a court were to find these provisions of our amended and restated articles of association inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

## **General Risk Factors**

***Actions of activist shareholders may cause us to incur substantial costs, disrupt our operations, divert management's attention, or have other material adverse effects on us.***

From time to time, activist investors may take and have taken a position in our shares. These activist investors may disagree with decisions we have made or may believe that alternative strategies or personnel, either at a management level or at a board level, would produce higher returns. Such activists may or may not be aligned with the views of our other shareholders, may be focused on short-term outcomes, or may be focused on building their reputation in the market. These activists may not have a full understanding of our business and markets and the alternative personnel they may propose may also not have the qualifications or experience necessary to lead the company.

Responding to advances or actions by activist investors may be costly and time-consuming, may disrupt our operations, and may divert the attention of our board of directors, management team, and employees from running our business and maximizing performance. Such activist activities could also interfere with our ability to execute our strategic plan, disrupt the functioning of our board of directors, or negatively impact our ability to attract and retain qualified executive leadership or board members, who may be unwilling to serve with activist personnel. Uncertainty as to the impact of activist activities may also affect the market price and volatility of our shares.

## ITEM 4. INFORMATION ON THE COMPANY

### 4.A. HISTORY AND DEVELOPMENT OF THE COMPANY

#### General Corporate Information

We are incorporated under the laws of the State of Israel as a company limited by shares. We are registered under the Israeli Companies Law as Cognyte Software Ltd., and our registration number with the Israeli Registrar of Companies is 516196425. We were formed by Verint in connection with our separation from Verint, for an unlimited duration, effective as of the date of our incorporation on May 21, 2020.

We are domiciled in Israel and our registered office is currently located at 33 Maskit, Herzliya Pituach, 4673333, Israel, which also currently serves as our principal executive offices, and our telephone number is +972-9-962-2323.

Our website address is [www.cognyte.com](http://www.cognyte.com). Information contained on, or that can be accessed through, our website does not constitute a part of this Annual Report and is not incorporated by reference herein. We have included our website address in this Annual Report solely for informational purposes. Our SEC filings are available to you on the SEC's website at <http://www.sec.gov.com>, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The information on that website is not part of this Annual Report and is not incorporated by reference herein.

#### General Development of Business

Our business has grown significantly over the past three decades through a combination of organic growth and small acquisitions, primarily technology tuck-ins. We have also expanded our geographical footprint. As we have grown, we have expanded our solutions portfolio from an initial focus on products for lawful communications interception to a provider of investigative analytics software that empowers a variety of government and other organizations with Actionable Intelligence® to accelerate and conduct investigations and derive insights with which they successfully identify, neutralize, and tackle threats to national security and address different forms of criminal and terror activities.

#### Principal Capital Expenditures

Our capital expenditures amounted to \$9.1 million, \$11.7 million and \$17.8 million during the fiscal years ended January 31, 2024, 2023 and 2022, respectively, primarily consisting of expenditures related to capitalized software development costs, internal-use software and development costs and lab equipment.

#### The Spin-Off

On December 4, 2019, Verint announced plans to separate into two independent companies: Cognyte Software Ltd., which would consist of its Cyber Intelligence Solutions business, and Verint Systems Inc., which would consist of its Customer Engagement Business. On February 1, 2021, we and Verint completed the spin-off and the related separation and distribution. As a result, we are an independent, publicly traded company and our shares are listed on Nasdaq under the ticker symbol "CGNT".

#### The SIS Divestiture

In December 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.

### 4.B. BUSINESS OVERVIEW

#### Overview

We are a global leader in investigative analytics software that empowers a variety of government and other organizations with Actionable Intelligence for a Safer World™. Our open interface software is designed to help customers accelerate and improve the effectiveness of investigations and decision-making. Hundreds of customers rely on our solutions to accelerate and conduct investigations and derive insights with which they identify, neutralize, and tackle threats to national security and address different forms of criminal and terror activities.

#### Demand Trends



We believe that the following trends are driving demand for our solutions:

- *Security Threats are Becoming More Difficult to Detect and Mitigate.* Organizations face a variety of security challenges, including threats from well-organized, well-funded entities. These threats are becoming increasingly more difficult to detect as bad actors take advantage of the latest technologies to avoid exposure. The ability to rapidly conduct investigations to detect and mitigate threats is critical to organizations. Advanced investigative analytics software can help organizations accelerate their investigations to detect and mitigate highly sophisticated threats quickly and effectively. As a result, there is ongoing market demand, from many organizations around the world, for such advanced software.
- *Data is Growing Rapidly and is Highly Fragmented.* The growing volume, types and complexity of structured and unstructured data requires new methods and more skilled resources to support investigations and quickly generate actionable insights where that data is involved. In addition, in many security organizations, data required for investigations is often fragmented and siloed. As a result, organizations are seeking solutions that can help them fuse large amounts of data from many different sources available to them to generate analytics and valuable insights upon which they can make effective decisions and act promptly.
- *Organizations Are Increasingly Adopting Open Interface Software.* Historically, organizations have built proprietary solutions with the help of integrators and internal development resources. Such solutions have historically been limited in their ability to keep pace with the rapid evolution of technology. As a result of rapid technology changes, many organizations are looking to replace proprietary solutions with open interface software that can be easily integrated into their environments and frequently updated with the latest analytics and artificial intelligence (AI) technologies.

## Our Strategy

We believe our technology and domain expertise position us to capitalize on the demand for investigative analytics solutions and, as such, our strategy is to:

- *Empower Organizations with Broad Analytics Solutions to Address Ever-Growing and Changing Challenges.* Our three decades of investigative analytics software market leadership and experience serving hundreds of customers in more than 100 countries, enable us to bring unique know-how and expertise to the development of our investigative analytics platform and solutions. Today, our platform and solutions address a wide spectrum of investigative needs to address ever-evolving threats and challenges faced by organizations and our strategy is to further enhance our platform and solutions to address new use cases, and to enhance our artificial intelligence capabilities, all with the aim of further empowering our customers with actionable intelligence to help them optimize and improve the investigation process, speed and results. We have set out below examples of how our solutions are used by customers to investigate cyber threats, drug trafficking, financial crime, fraud, organized crime, and terror activities.
- *Expand Existing Customers' Adoption of Our Open Interface Software.* Our open interface software strategy enables our customers to address many use cases. With our open interface software, our customers can deploy the capabilities they need based on their priorities and add more of our solutions and other capabilities over time. With our open interface software, our customers benefit from the rapid technological updates made to our software as well as third party solutions that may enhance our offerings. We can benefit from increased open interface software adoption through repeat business and the ability to grow revenue from our existing customer base. We will continue to encourage our customers and system integrator partners to leverage our open interface software and provide them with frequent updates applying the latest innovative technologies to drive broader adoption of our solutions.
- *Expand Across New Government Organizations.* Our leadership position in investigative analytics and our solutions' ability to address a wide range of security and civil use cases provide us with the opportunity to win new government customers in existing and new regions. Many government customers have built proprietary systems. Our strategy is to augment or replace such systems, providing customers with more agile responses to their evolving challenges.

## Our Technology

The volume and complexity of data in today's world can be overwhelming to governmental and other organizations and impact their ability to leverage data available to them to conduct investigations effectively. Advanced big data technology, connectors to a multitude of data sources, AI and analytics technology have become a necessity for these organizations when looking to generate actionable insights as part of their multi data source investigations.

Modern investigations require analysts, investigators and data scientists to parse through large amounts of data in order to extract insights, evidence and leads. This data is both structured and unstructured and typically resides in many organizational silos. Our open-interface, modular and scalable analytics platform helps customers capture data from multiple sources, fuses such data and generates analytics by applying AI technology, thereby creating a holistic investigation picture. Our analytics platform equips organizations with answers to varied investigative questions.

Our analytics platform:

- helps customers to capture, fuse and enrich large-scale and varied data sets to present a clear, logical and cohesive picture of, among other things, people, places, organizations and events;
- easily integrates with customers' and third-parties' data sources to enable fusion of such data to generate analytics and valuable insights;
- provides our customers and system integrator partners with the ability to develop customized software and apply data science to meet our customers' evolving needs; and
- provides investigators and analysts with a working environment that enables the exploration of hypotheses and supports quick and effective decision-making by revealing insights, patterns, and hidden relations based on a holistic and data-driven view.

Our analytics platform architecture is comprised of a few key components:

- *Data Fusion.* Facilitating ingestion and fusion of data from many different customer sources available to them. The platform supports virtually any type of data repository, including a Dynamic Data Modeling Studio ("DDM Studio"), extract, transform, load ("ETL") and application programming interface ("API"), which allows users to add and integrate with diverse sources, for both current and future needs.
- *Data Analytics Engines.* A diverse toolbox for data analysts to develop and perform analytical investigations such as data modeling tools, and statistical analysis tools.
- *Artificial Intelligence and Machine Learning Models.* AI including GenAI models to execute automated machine learning algorithms and to find new patterns in massive amounts of data. Our technology also offers the flexibility to develop customer specific machine learning ("ML") models using the platform's AI framework, which can then be tuned based on the aggregated data.
- *Pluggable Machine Learning.* The customizable solution enables customers' data scientists to use or expand the platform's machine learning models or build their own models based on their unique data sources and challenges.
- *Workflows.* Workflows using an integrated set of graphical tools and a drag-and-drop interface with no customizations required. Flexible workflows are configurable to a customer's specific processes and procedures.
- *Governance.* Governance functionality to monitor and manage data availability, security, usability and integrity, thereby leveraging advanced technology to control privacy, audit, monitoring and access control.

## Our Solutions

Our customers are responsible for addressing a broad range of investigative use cases including criminal and terror activities, cyber-attacks, financial crime, fraud and other threats. They seek investigative analytics platforms and solutions to transform their operations and drive more strategic outcomes.

Investigations can vary in length from several days to several years. Some investigations end without resolution due to lack of sufficient insight. More complex investigations can also be very expensive and labor intensive as they involve massive data fusion from many different sources and a challenging process of identifying connections and providing actionable insights to reach conclusions and prevent threats.

The stakes are high for our customers. An inability to conduct effective and timely investigations can result in attacks that cost lives and cause significant damage and disruption. Therefore, our customers are constantly looking for solutions that help them shorten the investigative cycle and drive a higher percentage of conclusive outcomes.

Our solutions are designed to support multiple use cases and a variety of users, including data analysts, investigation managers, security operations center (“SOC”) operators, as well as operational field teams. Visualization and workflows enable even non-technical users to easily operate the solutions within our platform. Additionally, our solutions enable skilled analysts and data scientists to perform advanced data investigations by developing and implementing their own algorithms and data models for specific analytical tasks.

Our modular platform allows our customers and system integrator partners to deploy the capabilities they need based on their priorities and add more of our solutions and other capabilities over time.

We offer a broad set of solutions that can be described along the following categories (presented by alphabetical order):

- Decision Intelligence Analytics - Our decision intelligence platform uses advanced analytics and AI, including machine learning technologies, along with data fusion, data visualization and investigation tools, to empower analysts to make faster and more accurate decisions. This technology provides our customers with a holistic, clear view of their data, and delivers actionable insights that would be virtually impossible to obtain through legacy tools or manual analysis.
- Network Intelligence Analytics - Our analytics software helps security organizations generate critical predictive and real-time insights from large amounts of structured data fused from a wide range of communication network sources leveraging advanced analytics, AI, machine learning and automation technologies.
- Operational Intelligence Analytics - Our Operational Intelligence Analytics software and solutions help field security units carry out operational missions and generate real-time or near real-time insights to support and ensure successful completion of security missions.
- Open Source and Threat Intelligence Analytics – We provide governments’ and enterprises’ security organizations and investigative teams with analytics and threat detection software that covers all layers of the constantly evolving global sources, leveraging AI and machine learning to deliver actionable insights from huge volumes of data. Investigators and SOC teams can uncover critical and near real-time insights by fusing data from multiple sources to rapidly detect developing threats.

Our customers use our solutions to help address a broad range of investigative requirements. The examples below (in alphabetical order) illustrate certain use cases that we help our customers address with our technology:

### **Cyber Threats**

Governments are fighting a battle on many fronts as bad actors use the cyber domain across borders.

Our solutions enable governmental organizations to gather mass amounts of data to analyze and enrich the data, filter out irrelevant data (“noise”) and reach actionable insights. Our solutions provide our customers with the ability to identify suspicious indicators based on network data analysis, perform advanced monitoring and automatically flag suspicious behavior and patterns in order to identify attacks before they can do serious damage.

### **Drug Trafficking**

Governmental security organizations are conducting complex, multi-layered investigations to uncover and disrupt cross-border webs of criminal activities along the entire drug trafficking supply chain – from the sourcing of raw materials to the production of the illicit drugs and distribution of the final product. In addition, organizations seek to uncover the illegal proceeds which criminals attempt to launder.

Our solutions provide our customers with the capability to fuse data from siloed sources - such as arrest and prison records, network data, financial transactions, flight records, property records and more – and to employ link analysis to uncover hidden connections between people, criminal organizations, companies, bank accounts and other entities.

By applying historical data analysis, behavioral similarity, and pattern identification, our solutions can raise proactive alerts.

### **Financial Crime**

The strategies employed by criminals and terrorists are constantly evolving. They employ new techniques and technologies to commit crimes and stay one step ahead of law enforcement and security organizations. Blockchain, as an example, has presented a valuable opportunity for dark actors to make countless types of anonymous cryptocurrency transactions, including money laundering and terror funding.

To help investigators, we offer software that leverages machine learning algorithms and blockchain analytics to gain valuable insights and accelerate financial crime investigations.

## **Fraud**

Civil agencies face growing volumes of fragmented data, making it increasingly difficult for them to identify fraudulent activities and bad actors. The inability to act upon these threats on time may result in financial losses, trade problems and even risks to public safety.

Our solutions accelerate data-driven decision making by providing analysts with a cohesive view of all available data and democratizing the power of AI. This aims to enable them to reach previously unattainable insights, and rapidly assess risks, conduct investigations, mitigate threats, boost revenue collection, and optimize resources across multiple disciplines and use cases.

## **Organized Crime**

Security and civil agencies seek to identify members of criminal organizations, understand the organization's ecosystem, including their leadership, funding sources and intentions, and ultimately prevent crimes before they happen and generate evidence. In today's digital world, criminals leave behind many digital footprints that can be very useful in accelerating investigations. The amount of digital information that is available to agencies is growing rapidly, but it is also very fragmented and siloed, making it difficult to analyze in order to find actionable insights.

Our solutions help governmental agencies to disrupt and mitigate activities of criminal organizations.

## **Terror Activities**

The national security mission grows more complex as extremists and bad actors leverage the web and social media for recruitment, fundraising and communications. Security analysts are often overwhelmed with data, and must identify potential terror threats in a timely and accurate manner, after which law enforcement must rapidly investigate and bring suspects to justice.

Our solutions enable security analysts and investigators to fuse massive volumes of fragmented data. As a result, they can develop comprehensive profiles of suspects correlating information from multiple sources.

## ***Our Customers***

We sell our investigative analytics solutions to hundreds of customers, primarily in the government sector across more than 100 countries.

Our customers are addressing a broad range of challenges and utilize our solutions to accelerate and conduct investigations and derive insights with which they identify, neutralize and tackle threats to national security and address different forms of criminal and terror activities.

Our customers typically do not allow us and other vendors to disclose our relationship with them or to publicly discuss the nature of the solutions they purchase. In our market, confidentiality is critical and as a trusted provider we make it a priority to comply with our customers' confidentiality requirements.

## ***Market Description and Opportunity***

We generate the substantial majority of our revenue from contracts with government agencies around the world, and we expect that government contracts will continue to be the most significant source of our revenue for the foreseeable future. We believe there is a significant market for solutions like ours, and, considering the increased security threats, the growing volume of data and increased sophistication of bad actors, we believe the need for and the demand for solutions like ours will continue to grow.

## **Sales**

We sell globally and organize our sales force primarily in geographical teams across territories. Mostly, each regional team is responsible for both direct sales and the partner network in that territory, including sales to existing customers and adding new customers. In the years ended January 31, 2024, 2023 and 2022, respectively, we derived approximately 17%, 20% and 17% of our revenue from sales to end users located in the Americas region. In the years ended January 31, 2024, 2023 and 2022, respectively, we derived approximately 55%, 43% and 39% of our revenue from sales to end users located in the EMEA region. In the years ended January 31, 2024, 2023 and 2022, respectively, we derived approximately 28%, 37% and 44% of our revenue from sales to end users located in the Asia-Pacific (“APAC”) region.

Winning large contracts often requires a longer, high-touch sales process that may include responding to a Request for Proposal and/or delivering a Proof of Concept. We believe that our ability to demonstrate to customers the value that can be created with our differentiated solutions is critical to winning large contracts.

The majority of our orders are generated from existing customers expanding their usage of Cognyte solutions they have already deployed or the purchase of new solutions from our portfolio to be deployed in other areas of their operations. Revenue recognized from existing customers was approximately 96% for the year ended January 31, 2024 and approximately 97% and 96% for each of the years ended January 31, 2023 and 2022 respectively, with the remainder of our revenue attributable to new customers. Our sales force provides customers with regular updates on new solutions and assists them in evaluating the benefits of such solutions to address security and other challenges. In many cases, a new order from an existing customer will include both an expansion as well as the addition of new solutions.

Initial orders from new customers are often small, and over time, as the customer develops trust in our partnership, they expand with larger follow-on orders.

Our government contracts may be subject to renegotiation or termination at the discretion of a government customer under certain conditions because of the unique nature of the terms and conditions associated with government contracts generally. Some of our government customers require us to have security credentials or engage an integrator or other customer approved legal entity. See “Item 3. Key Information—3.D. Risk Factors—Risks Associated with Macroeconomic and Global Conditions” for a more detailed discussion of certain sales and distribution risks that we face.

## **Services**

Our services include customer support, professional services and integration services.

### ***Customer Support***

Our solutions are generally sold with a customer support plan to help customers ensure the ongoing, successful use of our mission-critical solutions in their environment. We offer various customer support plans with varying prices. We also offer support plans to partners where they are responsible for providing support to end users.

### ***Professional Services***

Our solutions can be implemented by our professional service organizations, our certified partners, or a customer’s own personnel who have been trained on our solutions.

Our professional services also include user training programs to enable customers to use our solutions effectively and maximize their value. Customer and partner trainings are provided at the customer site, at our training centers around the world, and/or remotely online.

### ***Integration Services***

We offer system integration services to integrate our solutions with the customer’s environment, software customization, and the purchase and deployment of third-party hardware components.

We also certify system integrator partners to enable them to sell or deliver system integration services. This provides customers with more choices and is consistent with our open solution strategy.

## **Seasonality**

Our quarterly operating results have been, and are likely to continue to be, influenced by seasonal fluctuations due to certain purchasing patterns of some of our customers. Typically, our revenue and operating income are highest in the fourth quarter.

Moreover, in some years, revenue and operating income in the first quarter of a new year may be lower than in the fourth quarter of the preceding year, potentially by a significant margin. In addition, we generally receive a higher volume of orders in the last month of a quarter, with orders concentrated in the latter part of that month. While seasonal factors such as these are common in the software industry, this pattern should not be considered a reliable indicator of our future revenue or financial performance. Many other factors, including general economic conditions, also have an impact on our business and financial results. See “Item 3. Key Information—3.D. Risk Factors” for a more detailed discussion of factors which may affect our business and financial results.

## Research and Development

To support our innovation, we make significant investments in research and development (“R&D”) every year. We allocate our R&D resources in response to rapidly evolving technological and customer requirements. We believe our broad base of longstanding customer relationships provide us with valuable insights into our customers’ needs and allow us to focus our R&D efforts accordingly.

Our development team includes highly qualified software engineers, product managers, data scientists, and architects. As of the year ended January 31, 2024 we employed approximately 761 people in product and R&D roles globally, primarily in Israel, Bulgaria, Cyprus, Romania and Brazil. See “Item 3. Key Information—3.D. Risk Factors—Market and Strategy Risks— If we cannot retain and recruit qualified personnel, our ability to operate and grow our business may be impaired.”

Our approach to R&D focuses on technological breakthroughs, as well as incrementally enhancing the functionality of our existing solutions and providing customers with frequent software updates.

The majority of our products are developed internally. In some cases, we also acquire or license technologies, products and applications from third parties based on timing and cost considerations. See “Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Business and Operations.”

We have derived benefits from participation in certain government-sponsored programs, including those of the Innovation Authority, formerly the Office of the Chief Scientist of the Ministry of Economy of the State of Israel, and in other jurisdictions for the support of R&D activities conducted in those locations. The Israeli law under which our Innovation Authority grants are made limits our ability to manufacture products, or transfer technologies, developed using such grants outside of Israel without permission from the Innovation Authority.

## Intellectual Property Rights

### *General*

Our success depends to a significant degree on the legal protection of our software and other proprietary technology. We rely on a combination of patent, trade secret, copyright, and trademark laws, and confidentiality and non-disclosure agreements with employees and third parties to establish and protect our proprietary rights.

### *Patents*

As of January 31, 2024, we had approximately 300 patents and patent applications worldwide. We regularly review new areas of technology related to our businesses to determine whether they can and should be patented. We periodically review our patents portfolio and may from time to time, decide to forgo patent protection with respect to certain patents, including for reasons of cost savings and to align with our overall IP protection strategy.

### *Licenses*

Under our customer agreements, we provide our customers with the right to use our proprietary software in exchange for a fee. Under our partner license agreements, we normally provide our partners with the right to re-sell the right to use our proprietary software to designated customers in exchange for a fee. Our customer and partner license agreements prohibit the unauthorized use, copying and reverse engineering of our software technology and contain customer restrictions and confidentiality terms. These agreements generally warrant that the software and proprietary hardware, as applicable, will materially comply with written documentation and assert that we own or have sufficient rights in the software we sell and distribute and have not violated the intellectual property rights of others.

We license our products in a format that does not permit users to change the software code. See “Item 3. Key Information—3.D. Risk Factors—Intellectual Property Risks” for more detail.

***Trademarks and Service Marks***

We use registrations to protect many of the trademarks used in our business. We also claim common law protections for other marks we use in our business. Competitors and other companies could adopt similar marks or try to prevent us from using our marks, consequently impeding our ability to build brand identity and possibly leading to customer confusion.

See “Item 3. Key Information—3.D. Risk Factors—Intellectual Property Risks” in this Form 20-F for a more detailed discussion regarding the risks associated with the protection of our intellectual property.

**Competition**

There are many global and regional security vendors that offer a broad range of solutions to multiple market segments including law enforcement, military and national security customers. These large vendors compete with us across one or multiple solutions in our portfolio. We also face competition from a large number of point solutions vendors addressing only specific security challenges and, in many cases, competing in a limited geography. In addition, our competition includes the internal information technology departments of our customer organizations developing special purpose solutions with internal resources and with assistance from system integrators.

We believe that our deep investigative analytics domain expertise and our ability to effectively address a broad range of security use cases differentiate us from the competition.

Our global and regional large security competitors include, among others, BAE, DataWalk, Elbit, IAI, L3/Harris, Palantir, Rohde Schwarz and Thales. Our point solution competitors include, among others, Cellxion, JSI, Octasic and SS8. Our market is competitive with a fragmented set of competitors. We typically see vendors that only compete with us in a certain geography, use case or point solution.

When facing competition from our customers’ own information technology departments, we differentiate our solutions based on deep domain expertise based on three decades of serving our customers and their changing needs, successful track record in operational deployments, and our significant R&D investment over many years and quicker software and technology updates, including our unique ability to provide value using our innovative AI. In some cases, customers are looking for specific customizations and the open and modular nature of our solutions enables the customer (or their system integrator of choice) to add such customizations to our solutions.

Over the years, we have established a unique investigative analytics expertise and a strong brand reputation which has enabled us to expand within our existing customer base and win competitive deals with new customers.

In addition, consolidation is common in our markets and has in the past and may in the future improve the position of our competitors. See “Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Business and Operations” for a more detailed discussion of the competitive risks we face.

**Government Regulations*****Export Regulations***

We and our subsidiaries are subject to applicable export control regulations in countries from which we export goods and services. These controls may apply by virtue of the country in which the products are located or by virtue of the origin of the content contained in the products. If the controls of a particular country apply, the level of control generally depends on the nature of the goods and services in question. Where controls apply, the export of our products generally requires an export license or authorization or that the transaction qualify for a license exception or the equivalent, and may also be subject to corresponding reporting requirements.

Israel’s defense export policy regulates the sale of many of the systems and products that we develop in Israel. Current Israeli policy encourages exports to approved customers of defense systems and products such as ours, as long as the export is consistent with Israeli government policy. Subject to certain exemptions, a license is required to initiate marketing activities for such systems and products. We also must receive a specific export license for defense related hardware, software, services and know-how exported from Israel. Israeli law also regulates export of “dual use” items (items that are typically sold in the commercial market but that also may be used in the defense market), typically to a lesser extent than defense-related items.

Countries in the European Union, such as Cyprus, Germany, Bulgaria and Romania, as well as the United States, the United Kingdom and Brazil, in which our foreign subsidiaries operate, impose similar export controls on some of our systems and

products. The controls relate to the defense-related and “dual use” nature of some of our systems and products, and require that we obtain specific permits and/or licenses in order to import or export such systems and products to or from those jurisdictions.

#### *Israeli Security-Related Regulations and Requirements*

The Israeli Defense Entities Law (Protection of Defense Interests)—2006 provides for certain restrictions on the operations of, investments in, or transfers of control of any entity that is determined to be an Israeli “defense entity” under the terms of the law. Designation as a “defense entity” may potentially occur through an order that may be issued jointly by the Israeli Prime Minister, Minister of Defense and Minister of Economy. No such order has been issued for Cognyte, nor are we aware that any is planned; however, based on the nature of our business, such an order could be issued in the future.

An order relating to a defense entity may, among other matters: (1) impose restrictions on the ability of non-Israelis to hold “means of control” or to be able to “substantially influence” defense entities; (2) require that senior officers of defense entities have appropriate Israeli security clearances; (3) require that a defense entity’s headquarters be located in Israel; and/or (4) require that a defense entity’s entry into international joint ventures and transfer of certain technology receive the approval of the Israeli Ministry of Defense. In the case of a publicly traded company like us, such an order may also include a requirement that Israeli government approval will be required for acquisition by any person of a certain level of ownership of the voting securities that provide a “means of control” of the company.

In light of the nature of our solutions and customers (some of which are security government agencies), there are also various other Israeli security classification and data protection measures that are applicable to us and our global operations under relevant legislation or contractual obligations.

#### *Anti-Corruption, Anti-Money-Laundering and Sanctions*

We are subject to laws and regulations of the jurisdictions in which we operate or conduct business, including Israel, the United States, and the European Union, that govern or restrict our business and activities in certain countries and with certain persons, including the economic sanctions regulations administered by the U.S. Treasury Department’s Office of Foreign Assets Control, and the export control laws administered by the U.S. Commerce Department’s Bureau of Industry and Security and the U.S. State Department’s Directorate of Defense Trade Controls. Additionally, we are subject to anti-corruption, anti-bribery, anti-money laundering and similar laws imposed by governments around the world with jurisdiction over our operations, which may include, among others, the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. 201, the U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act 2010, Chapter 9 (sub-chapter 5) of the Israeli Penal Law, 1977, the Israeli Prohibition on Money Laundering Law–2000 and other applicable laws in the jurisdictions in which we operate. See “Risk Factors—Regulatory Risks—Our failure to comply with the anti-corruption, trade compliance, anti-money-laundering and terror finance and economic sanctions laws and regulations of the United States and applicable international jurisdictions could materially adversely affect our reputation and results of operations.”

#### *Israeli Tax Considerations and Government Programs*

Tax regulations also have a material impact on our business and results of operations, particularly in Israel where we are organized and have our headquarters. The following is a summary of certain aspects of the current tax structure applicable to companies in Israel, with special reference to its effect on us (and our operations, in particular). The following also contains a discussion of the Israeli government programs benefiting us. To the extent that the discussion is based on new tax legislation that has not been subject to judicial or administrative interpretation, we cannot assure you that the tax authorities or the courts will accept the views expressed in this discussion. This discussion does not address all of the Israeli tax provisions that may be relevant to our company. For a discussion of the Israeli tax consequences related to the ownership of our capital stock, please see “Item 10. Additional Information—10.E. Taxation—Material Israeli Tax Considerations.”

##### *Corporate Tax in Israel—General*

Israeli resident companies are generally subject to the ordinary corporate tax on their taxable income at the rate of 23% (in 2018 and thereafter). However, the effective tax rate payable by a company that derives income from a Preferred Technology Enterprise, Preferred Enterprise, or a Beneficial Enterprise (as discussed below) may be considerably lower. In general, Capital gains derived by an Israeli resident company are subject to tax at the ordinary corporate tax rate (except in some cases according to the Law for the Encouragement of Capital Investments, 1959 (the “Investment Law”), where the relevant conditions are met - as described below).

A company’s income that is attributed to its Beneficial Enterprise is subject to a lower tax rate. These tax benefits are available to us provided that we meet various conditions. These tax benefits may be terminated or reduced in the future, which could



increase our costs and taxes. In 2018, Cognyte obtained a ruling from the ITA providing that Cognyte, subject to certain conditions, shall continue benefiting from the tax benefits applicable to the Beneficial Enterprise, as further detailed below.

#### *Law for the Encouragement of Industry (Taxes), 1969*

The Law for the Encouragement of Industry (Taxes), 1969 (the “Industry Encouragement Law”), provides certain tax benefits for an “Industrial Company”. The Industry Encouragement Law defines an “Industrial Company” as an Israeli resident company incorporated in Israel, which 90% or more of its income in the tax year, other than income from certain government loans, is derived from an “Industrial Enterprise” owned by it and located in Israel or in the “Area,” in accordance with the definition in section 3A of the Israeli Tax Ordinance. An “Industrial Enterprise” is defined as an enterprise which is held by an Industrial Company whose principal activity in any given tax year is production activity.

Some of tax benefits available to Industrial Companies include, inter-alia, the following:

- amortization over an eight-year period of the cost of patents, or rights to use a patent or know-how that were purchased in good faith and are used for the development or advancement of the Industrial Enterprise, commencing from the tax year in which the Industrial Company began to use them;
- under certain conditions, the right to elect to file consolidated tax returns with Israeli Industrial Companies controlled by it; and
- Expenses for the issuance of shares listed for trading on the stock exchange are deductible in equal amounts over three years commencing in the year of which such expenses were incurred.

Eligibility for benefits under the Industry Encouragement Law is subject to compliance with the terms defined under law but is not contingent upon the approval of any governmental authority.

#### *Tax Benefits under the Law for the Encouragement of Capital Investments, 1959*

The Investment Law provides certain incentives for capital investments in production facilities (or other eligible assets). Pursuant to the 2005 amendment of the Investment Law (the “2005 Amendment”), tax benefits granted in accordance with the provisions of the Investment Law prior to its revision by the 2005 Amendment remain in force, but any benefits granted subsequently are subject to the provisions of the amended Investment Law. Similarly, the amendment of the Investment Law made effective as of January 2011 (the “2011 Amendment”) introduced new benefits to replace those granted in accordance with the provisions of the Investment Law in effect prior to the 2011 Amendment. However, companies entitled to benefits under the Investment Law as in effect prior to January 1, 2011 were entitled to choose to continue to enjoy such benefits, provided that certain conditions are met, or elect instead, irrevocably, to forego such benefits and have the benefits of the 2011 Amendment apply. The amendment of the Investment Law made effective as of 2017 (the “2017 Amendment”) introduced new benefits for Technological Enterprises (as defined in the 2017 Amendment), alongside the existing tax benefits.

#### *Tax Benefits Subsequent to the 2005 Amendment*

The 2005 Amendment applies to new investment programs and investment programs commencing after 2004. We do not have investment programs preceding the 2005 Amendment. In order to receive the tax benefits, the 2005 Amendment states that a company must make an investment which meets all of the conditions, including exceeding a minimum investment amount specified in the Investment Law. Such investment allows a company to receive “Beneficial Enterprise” status, and may be made over a period of no more than three tax years which ended in the end of the year in which the company requested to have the tax benefits apply to its Beneficial Enterprise (the “Year of Election”). Where the company requests to apply the tax benefits to an expansion of existing facilities, for which the benefit period has expired, only the expansion will be considered to be a Beneficial Enterprise and the company’s effective tax rate will be the weighted average of the applicable rates. In that case, the minimum investment required in order to qualify as a Beneficial Enterprise is required to exceed a certain percentage of the value of the company’s production assets as it was at the end of the tax year preceding the year in which the minimum investment was started.

The extent of the tax benefits available under the 2005 Amendment to qualifying income of a Beneficial Enterprise depend on, among other things, the geographic location in Israel of the Beneficial Enterprise. The location will also determine the period for which tax benefits are available. Such tax benefits include an exemption from corporate tax on income that is not distributed to the shareholders as a dividend for a period of between two to ten years (and under certain conditions for additional period), depending on the geographic location of the Beneficial Enterprise in Israel, and a reduced corporate tax rate of between 10% to 25% for the remainder of the benefits period, depending on the percentage of non-Israeli ownership and investment in the company each year. A company qualifying for tax benefits under the 2005 Amendment that pays a dividend out of income

derived by its Beneficial Enterprise during the tax exemption period will be subject to corporate tax in respect of the gross amount of the dividend at the otherwise applicable rate of 25%, or a lower rate depending on the percentage of non-Israeli shareholding. Dividends paid out of income attributed to a Beneficial Enterprise are generally subject to withholding tax at source at the rate of 15% (in the case of non-Israeli shareholders - subject to the receipt in advance of a valid certificate from the ITA, allowing for a reduced tax rate) or a lower rate as may be applicable according to the relevant tax treaty (subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate) during the benefits period and actually paid at any time up to 12 years thereafter (except with respect to a Foreign Investor's Company, in which case the 12-year limit does not apply).

On November 15, 2021 the Investment Law was amended to provide, on a temporary basis, a reduced corporate income tax upon the distribution or release, within a year from such amendment, of tax-exempt profits derived by Beneficial Enterprises. The reduced tax rate will be determined based on a formula, by up to 60% reduction, but not less than 6% corporate income tax rate. In order to qualify for the reduction, the taxpayer will also have to invest certain amounts in productive assets and research and development in Israel. Cognyte did not elect to apply for the aforementioned temporary order.

In addition to the temporary amendment, the Investment Law was also amended to reduce the ability of companies to retain the tax-exempt profits while distributing dividend from previously taxed profits. Accordingly, effective August 15, 2021, dividend distributions will be treated as if made on a pro-rata basis from all types of earnings, including exempt profits, thus triggering additional corporate income tax. It should be noted that as of November 15, 2021, Cognyte did not distribute any dividend and does not intend to do so in the near future.

The benefits available to a Beneficial Enterprise are subject to the fulfillment of conditions stipulated in the Investment Law and its regulations. If a company does not meet those conditions, it may be required to refund the amount of tax benefits, as adjusted by the Israeli consumer price index, and interest, or other monetary penalties.

The benefit period begins in the year in which taxable income is first earned, limited to 12 years from the beginning of the "Year of Election" (except for exception cases according to the Investment Law).

#### *Tax Benefits under the 2011 Amendment*

The 2011 Amendment introduced new tax benefits for income generated by a "Preferred Company" through its "Preferred Enterprise" (as such terms are defined in the Investment Law) as of January 1, 2011. The definition of a Preferred Company includes, inter-alia, a company incorporated in Israel that is not fully owned by a governmental entity, and that has, among other things, Preferred Enterprise and is controlled and managed from Israel.

A Preferred Company is entitled to a reduced corporate tax rate with respect to the income attributed to the Preferred Enterprise, at the following rates:

<b>Tax Year</b>	<b>Development Region "A"</b>	<b>Other Areas within Israel</b>
2011-2012	10 %	15 %
2013	7 %	12.5 %
2014-2016	9 %	16 %
2017 onwards <sup>(1)</sup>	7.5 %	16 %

(1) In December 2016, the Israeli Parliament (the Knesset) approved an amendment to the Investment Law pursuant to which the tax rate applicable to Preferred Enterprises in Development Region "A" would be reduced to 7.5% as of January 1, 2017.

The classification of income generated from the provision of usage rights in know-how or software that was developed in the Preferred Enterprise, as well as royalty income received with respect to such usage - subject to the issuance of a pre-ruling from the ITA that stipulates that such income is associated with the productive activity of the Preferred Enterprise in Israel.

Dividends distributed from income which is attributed to a "Preferred Enterprise" will be subject to withholding tax at source at the following rates: (i) Israeli resident corporations will be subject to a rate of 0%; (ii) Israeli resident individuals will be subject to a tax rate of 20% (until 2013 – 15%); and (iii) non-Israeli residents (individuals and corporations) will be subject to a tax rate of 20% (until 2013 – 15%), subject to a reduced tax rate under the provisions of an applicable double tax treaty (subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate).

#### *New Tax Benefits under the 2017 Amendment that Became Effective on January 1, 2017*

The 2017 Amendment provides, inter alia, new tax benefits for “Technological Enterprises,” as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The new incentives regime applies to a company having a “Preferred Technological Enterprises” that meet certain conditions, including, inter-alia, the following: (1) the R&D expenses in each of the three years preceding the tax year were at least 7% on average of the company's turnover or exceeded NIS 75 million (approximately \$22 million); and (2) one of the following: (a) at least 20% of the workforce (or at least 200 employees) are employees whose full salary has been paid and reported in the company's financial statements as R&D expenses; (b) a venture capital investment approximately equivalent to at least NIS 8 million (approximately \$2.1 million) was previously made in the company and the company did not change its line of business; (c) growth in sales by an average of 25% or more over the three years preceding the tax year, compared to the previous tax year, provided that the turnover was at least NIS 10 million (approximately \$2.7 million), in the tax year and in each of the preceding three years; or (d) growth in workforce by an average of 25% or more over the three years preceding the tax year, compared to the previous tax year, provided that the company employed at least 50 employees, in the tax year and in each of the preceding three years.

“Preferred Technological Enterprise” will enjoy a reduced corporate tax rate of 12% on income that qualifies as “Preferred Technological Income”, (with respect to Preferred Technological Enterprise which is not located in development area A), as defined in the Investment Law. In addition, a Preferred Technology Company will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain “Benefitted Intangible Assets” (as defined in the Investment Law) to a related foreign company if the Benefitted Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million (approximately \$60 million), and the sale receives prior approval from the Israel Innovation Authority (“IIA”).

Dividends distributed by a Preferred Technological Enterprise, paid out of Preferred Technological Income, are generally subject to withholding tax at source at the rate of 20%, or a lower tax rate as may be applicable according to the relevant tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate). However, if such dividends are paid to an Israeli company, no tax is required to be withheld. If such dividends are being distributed to a foreign company and other conditions are met (including that the distributing company is held by non-Israeli companies which hold at least 90% of such distributing company), the withholding tax rate will be 4% (or a lower rate under a tax treaty, if applicable, subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate).

### **Internal Oversight**

Our solutions are designed for use, primarily by government agencies, as investigative analytics tools aimed at driving actionable intelligence for a Safer World™. Accordingly, our solutions are sold to aid government agencies in preventing and investigating crime and terror.

As part of our business processes, we apply a set of internal compliance policies, guidelines and oversight measures that are aimed to support our goal of having our solutions used solely in a manner that serves their intended purpose and to mitigate the risk of any misuse. We and our board periodically evaluate such policies, guidelines and measures.

As part of such internal compliance policies, guidelines and oversight measures, sale opportunities are reviewed by a dedicated Trade Compliance team that assesses various factors, including whether any sanctions are applied with respect to the customer or the relevant country, and assesses the nature of any regulatory requirements, the contractual arrangements with the customer, and the risk of the use of our solutions in a manner contrary to the purpose for which such solutions were developed. The assessment process and the level of review are based on the characteristics of the opportunity in question. In accordance with our internal guidelines, findings of the Trade Compliance team are presented to senior executive officers tasked with such role, who in turn from time to time, also consult with and report to board members. In the past, we have forgone sales opportunities where we assessed that there is a risk of our solutions being used in a manner inconsistent with the intended goal for which such solutions were developed. In the future, we may also forgo sale opportunities based on similar assessments.

In addition, pursuant to our contracts, customers undertake to use our solutions solely for their intended purpose and, under certain circumstances, we maintain our right to cease providing services or support should it come to our attention that our solutions have been employed in a manner that deviates from our licensing terms.

## **4.C. ORGANIZATIONAL STRUCTURE**

### **Organizational Structure**

The legal name of our company is Cognyte Software Ltd. and we are incorporated under the laws of the State of Israel.

## Significant Subsidiaries

Below is a list of subsidiaries that have total assets exceeding 10% of our combined assets, or revenues in excess of 10% of our combined sales:

Name	Country of Incorporation	% of Equity Interest
Cognyte Technologies Israel Ltd.	Israel	100
SYBORG Informationssysteme b.h. OHG	Germany	100
UTX Technologies Limited	Cyprus	100

## 4.D. PROPERTY, PLANTS AND EQUIPMENT

Our corporate headquarters is located in Israel. The principal office for our international operations, which is also our registered office, is located in Israel.

We believe that our facilities have adequate capacity for our short and medium-term needs and that, should it be needed, suitable additional space will be available to accommodate any expansion of our operations.

### Major Facilities

The following table sets forth our most significant facilities as of January 31, 2024:

Location	Size of Site (in square feet)	Held	Lease Term	Major Activity
Herzliya, Israel <sup>(1)</sup>	175,645	Leased	2033	Research and development, sales, marketing and support services
Limassol, Cyprus	43,658	Leased	2026	Research and development and support services
Borovo, Bulgaria	19,880	Leased	2029	Research and development
Florianopolis, Brazil	21,453	Leased	2024	Research and development, sales and support services
Bucharest, Romania <sup>(2)</sup>	11,812	Leased	2024	Research and development

(1) During the year ended January 31, 2024 there was a modification to our lease agreement. Effective of July 2024, the leased space will be reduced to 119,050 square feet.

(2) During the year ended January 31, 2024 we signed a new lease agreement in Romania for our research and development center. The lease will be effective as of July 2024, the leased space will be 17,168 square feet.

We believe that we have satisfactory title to our plants and facilities in accordance with standards generally accepted in our industry. We believe that all of our production facilities are in good operating condition. As of January 31, 2024, the combined net book value of our property, plant and equipment was \$24.4 million.

## 4.E. UNRESOLVED STAFF COMMENTS

Not Applicable.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

### 5.A. OPERATING RESULTS

This operating and financial review should be read together with the section “Item 4, Information on the Company—4.B. Business Overview” and our consolidated financial statements and the related notes to those statements included elsewhere in

this Annual Report. Among other things, those financial statements include more detailed information regarding the basis of preparation for the following information. Our consolidated financial statements have been prepared in accordance with GAAP. This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under “Risk Factors” and elsewhere in this Form 20-F, our actual results may differ materially from those anticipated in these forward-looking statements. Please see “Special Note About Forward-Looking Statements and Risk Factor Summary” in this Annual Report.

## **Background and Recent Developments**

### ***Separation from Verint***

On February 1, 2021 we completed our spin-off from Verint and the related distribution. As a result, we have transitioned to an independent, publicly traded company.

Cognyte incurred separation benefits (costs) of approximately \$0.9 million, \$(0.3) million and \$(11.6) million during the fiscal years ending January 31, 2024, 2023 and 2022, respectively. These costs and benefits include developing stand-alone information systems and related information technology costs, third-party advisory, consulting, legal and professional services, as well as other costs that are incremental and one-time in nature that are related to the spin-off. The majority of these costs were financed through ongoing operations and existing cash, cash equivalents and short-term investments.

### ***Conflicts in Israel***

We are headquartered, and have significant operations, in Israel. As such, the ongoing war between Israel and Hamas along with other terror organizations in the region, which was launched after Hamas terrorists infiltrated Israel’s southern border from the Gaza Strip on October 7, 2023, as well as any potential escalation of the hostilities with such terror organizations, may have an adverse effect on our operations and our ability to market and sell our solutions to certain governments. The intensity and duration of Israel’s current war against Hamas and military actions involving other terrorist organizations are difficult to predict, and we are continuing to monitor the situation and assessing its potential impact on our business. See “Item 3. Key Information—3.D. Risk Factors—Risks Related to the Location of Our Headquarters in Israel”.

### ***War in Europe***

The ongoing Russia-Ukraine conflict has led to and could continue to create market disruptions, including significant volatility in commodity prices, uncertainty in credit and capital markets, restrictions on international trade as a result of export restrictions, sanctions, and currency control measures, as well as supply chain interruptions. In addition, Russia’s military actions against Ukraine have led to an unprecedented, coordinated expansion of export restrictions and sanctions imposed by the United States, the European Union, the United Kingdom, and numerous other countries against Russia and Belarus. Furthermore, Russian authorities have imposed significant currency control measures, other sanctions and imposed other economic and financial restrictions. Further sanctions and export restrictions could negatively impact the global economy and financial markets and could adversely affect our business.

We are continuing to monitor the situation and assessing its potential impact on our business. While we do not trade with any Russian or Belarusian governmental agencies or with any of the entities which are the target of sanctions, any of the above-mentioned factors could adversely affect our business, prospects, financial condition, and operating results and/or exacerbate other risks highlighted in this Annual Report. The extent and duration of the military action, sanctions and resulting market disruptions are currently impossible to predict but could be substantial. Additionally, disruptive impacts of the conflict on other countries in Eastern Europe, including Bulgaria and Romania, where we have operations and facilities, could be prolonged, which may require us to reevaluate our operations there and/or otherwise harm our business. In addition, in response to the armed conflicts, governments may allocate budgets to military or other immediate needs, at the expense of our solutions.

### ***The SIS Divestiture***

In December 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.

## **Demand Trends**

We believe our technology and domain expertise position us to capitalize on the demand for investigative analytics solutions and, as such, our strategy is to:

- *Empower Organizations with Broad Analytics Solutions to Address Ever-Growing and Changing Challenges.* Our three decades of investigative analytics software market leadership and experience serving hundreds of customers in more than 100 countries, enable us to bring unique know-how and expertise to the development of our investigative analytics platform and solutions. Today, our platform and solutions address a wide spectrum of investigative needs to address ever-evolving threats and challenges faced by organizations and our strategy is to further enhance our platform and solutions to address new use cases, and to enhance our artificial intelligence capabilities, all with the aim of further empowering our customers with actionable intelligence to help them optimize and improve the investigation process, speed and results. We have set out below examples of how our solutions are used by customers to investigate cyber threats, drug trafficking, financial crime, fraud, organized crime, and terror activities.
- *Expand Existing Customers' Adoption of Our Open Interface Software.* Our open interface software strategy enables our customers to address many use cases. With our open interface software, our customers can deploy the capabilities they need based on their priorities and add more of our solutions and other capabilities over time. With our open interface software, our customers benefit from the rapid technological updates made to our software as well as third party solutions that may enhance our offerings. We can benefit from increased open interface software adoption through repeat business and the ability to grow revenue from our existing customer base. We will continue to encourage our customers and system integrator partners to leverage our open interface software and provide them with frequent updates applying the latest innovative technologies to drive broader adoption of our solutions.
- *Expand Across New Government Organizations.* Our leadership position in investigative analytics and our solutions' ability to address a wide range of security and civil use cases provide us with the opportunity to win new government customers in existing and new regions. Many government customers have built proprietary systems. Our strategy is to augment or replace such systems, providing customers with more agile responses to their evolving challenges.

### **Basis of Presentation**

For further information on the basis of presentation of the consolidated financial statements see "Note 1. Organization, Operations and Basis of Presentation" to our consolidated financial statements included elsewhere in this Annual Report.

### **Critical Accounting Estimates**

An appreciation of our critical accounting policies is necessary to understand our financial results. The accounting policies outlined below are considered to be critical because they can materially affect our operating results and financial condition, as these policies may require us to make difficult and subjective judgments regarding uncertainties. The accuracy of these estimates and the likelihood of future changes depend on a range of possible outcomes and a number of underlying variables, many of which are beyond our control, and there can be no assurance that our estimates are accurate.

### **Revenue Recognition**

We derive and report our revenue in three categories: (a) software revenue, including the sale of subscription (i.e., term-based) or perpetual licenses, and appliances that include software that is essential to the product's functionality, (b) software service revenue, including support revenue and revenue from cloud-based SaaS subscriptions, and (c) professional service and other revenue, including revenue from installation and integration services, customer specific development work, resale of third-party hardware, and consulting and training services.

We account for revenue in accordance with Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." Our revenue recognition policies require us to make significant judgments and estimates. In applying our revenue recognition policy, we must determine which portions of our revenue are recognized at a point in time (generally software revenue, and the resale of third-party hardware) and which portions have to be deferred and recognized over time (generally software service revenue and professional service revenue). We analyze various factors including, but not limited to, the selling price of undelivered services when sold on a stand-alone basis, our pricing policies, the creditworthiness of our customers, and contractual terms and conditions in helping us to make such judgments about revenue recognition. Changes in judgment on any of these factors could materially impact the timing and amount of revenue recognized in a given period.

Our contracts with customers often include obligations to transfer multiple products and services to a customer. In contracts with multiple performance obligations, we identify each performance obligation and evaluate whether the promised goods or services are distinct within the context of the contract at contract inception. Promised goods or services that are not distinct at

contract inception are consolidated. Contracts that include software customization and development services may result in the combination of the customization and development services with the software license as one distinct performance obligation. The transaction price is generally in the form of a fixed fee at contract inception, and excludes taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by us from a customer.

We allocate the transaction price to each distinct performance obligation based on the estimated stand-alone selling price (“SSP”) for each performance obligation. Judgment is required to determine the SSP for each distinct performance obligation. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we estimate the SSP of each performance obligation based on an adjusted market assessment approach. We may have more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, we may use information such as the size of the customer and geographic region in determining the SSP.

We then look to how control is transferred to the customer in order to determine the timing of revenue recognition. Software revenue is typically recognized when the software is delivered and/or made available for download as this is the point the user of the software can direct the use of, and obtain substantially all of the remaining benefits from the functional intellectual property. We do not recognize software revenue related to the renewal of software licenses earlier than the beginning of the renewal period. Subscription license revenue is recognized when the software is delivered to the customer over the term of the subscription period. In contracts that include customer substantive acceptance, we recognize revenue when we have delivered the software and received customer acceptance. We recognize support revenue, which includes software updates on a when-and-if-available basis, telephone support, and bug fixes or patches, over the term of the customer support agreement, which is typically between one to three years. Revenue related to professional services is typically recognized over time as the services are performed. Revenue related to the resale of third-party hardware is typically recognized at the point in time control is transferred to the customer, generally upon shipment or delivery.

Some of our customer contracts require specific customer development work to meet the particular requirements of the customer. The contract pricing is stated as a fixed amount and generally results in the transfer of control of the applicable performance obligation over time. We recognize revenue based on the proportion of labor hours expended to the total hours expected to complete the performance obligation. The determination of the total labor hours expected to complete the performance obligation on fixed-fee contracts involves significant judgment. We incorporate revisions to hour and cost estimates when the causal facts become known. We measure our estimate of completion on fixed-price contracts, which in turn determines the amount of revenue we recognize, based primarily on actual hours incurred to date and our estimate of remaining hours necessary to complete the contract.

Our products are generally not sold with a right of return and credits have been minimal in both amount and frequency. Shipping and handling activities that are typically bundled in the total sale price billed to customers and occur after control over a product has transferred to a customer are accounted for as fulfillment costs and are included in cost of revenue. Historically, these expenses have not been material.

### ***Goodwill***

Goodwill is the excess of the aggregate purchase price paid over the fair value of the net tangible and identifiable intangible assets acquired. Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We have determined that we operate as one reporting unit and have selected January 31 as the date to perform our annual impairment test. In the valuation of our goodwill, we must make assumptions regarding estimated future cash flows to be derived from our business. If these estimates or their related assumptions change in the future, we may be required to record impairment for these assets.

In testing for goodwill impairment, we may elect to utilize a qualitative assessment to evaluate whether it is more likely than not that the fair value of our reporting unit is less than its carrying amount. If we elect to bypass a qualitative assessment, or if our qualitative assessment indicates that goodwill impairment is more likely than not, we perform quantitative impairment testing. If our quantitative testing determines that the carrying value of our reporting unit exceeds its fair value, goodwill impairment is recognized in an amount equal to that excess, limited to the total goodwill allocated to the reporting unit. There was no impairment of goodwill recorded for the years ended January 31, 2024, 2023 and 2022 as the fair value substantially exceeded the carrying amount of the reporting unit for each of these years.

For all of our goodwill impairment reviews, the assumptions and estimates used in the process are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy or our internal forecasts. Although we believe the assumptions,

judgments, and estimates we have used in our assessments are reasonable and appropriate, a material change in any of our assumptions or external factors could lead to future goodwill impairment charges.

#### *Fiscal year end 2024 Impairment Testing*

Management performed its annual goodwill testing as of January 31, 2024. Cognyte's management elected to utilize a qualitative assessment and determined that it is more likely than not that the fair value of our reporting unit is higher than its carrying amount. Based on this qualitative assessment, no indicators of impairment were identified.

#### *Fiscal year end 2023 Impairment Testing*

Management performed its annual goodwill testing as of January 31, 2023. Cognyte elected to bypass the qualitative analysis for the reporting unit goodwill. See additional discussion in the "Reporting Unit Impairment Analysis" section below.

#### Reporting Unit Impairment Analysis for the fiscal year ended 2023

In conjunction with Cognyte's annual goodwill impairment testing as of January 31, 2023, management performed a quantitative impairment analysis of the reporting unit that holds goodwill. The decision to bypass the optional qualitative impairment assessment and proceed directly to a quantitative impairment analysis was primarily based on the significantly low market value of our stock price on Nasdaq.

The fair value of the reporting unit as of January 31, 2023 for which we performed quantitative impairment tests was estimated using a combination of 33% weighting to income approach, which incorporates the use of the discounted cash flow method, and 33% weighting to market approach, which incorporates the use of earnings and revenue multiples based on market data as well as 33% weighting to the market approach which incorporates trailing average of the stock price and market participant acquisition premium. For the income approach, we used projections, which require the use of significant estimates and assumptions to the reporting unit. The assumptions include revenue growth, profit margins, terminal value growth rates, capital expenditures projections, assumed tax rates, discount rates and other assumptions deemed reasonable by management. For the market approach, we used judgment in identifying the relevant comparable-company market multiples as well as assumptions related to market participant acquisition premium.

Based on the quantitative impairment analysis, management concluded the goodwill was not impaired. The estimated fair values of the reporting unit exceeded the carrying amount by \$84.0 million. The fair value of the reporting unit goodwill at the January 31, 2023 testing date was \$305 million.

Management's revenue and profitability forecasts used in the reporting unit valuations considered historical performance, strategic initiatives and industry trends. Assumptions used in the valuations were similar to those that would be used by market participants performing independent valuations of the business. Key assumptions developed by management and used in the quantitative analysis of the reporting unit include:

- Financial projections and future cash flows, including a base year reflecting actual results, revenue growth and profitability improvement throughout the forecast period that reflects the long-term strategy for the business, and terminal growth rates based on the expected long-term growth rate of the business;
- Tax rates based on the statutory rates for the countries in which Cognyte operates;
- Market-based discount rates; and
- Market participant acquisition premium.

The valuation model used by management in the impairment testing assumes revenue growth and profitability improvement, including execution of its long-term growth strategy. If Cognyte will fail to achieve the financial projections, an impairment of the reporting unit goodwill could occur in the future. Management performed sensitivity analyses on the impairment models used to test the reporting unit goodwill. In doing so, management determined that individual changes of a 20% decrease in the compound annual growth rate for EBITDA or a 490 basis-point increase in the discount rate used in the discounted cash flow model resulted in the estimated fair value of the reporting unit to be below its carrying value, which would result in impairment.

#### *Management's Use of Estimates and Assumptions*

Management made its estimates based on information available as of the date of our assessments, using assumptions we believe market participants would use in performing an independent valuation of the business. It is possible that Cognyte's conclusions regarding impairment of goodwill could change in future periods. There can be no assurance that the estimates and assumptions used in our goodwill impairment testing will prove to be accurate predictions of the future, if, for example, (i) the businesses do



not perform as projected, (ii) overall economic conditions in Fiscal year end 2024 or future years vary from current assumptions (including changes in discount rates), (iii) business conditions or strategies change from current assumptions, including loss of major customers, or (iv) enterprise values of comparable publicly traded companies, or actual sales transactions of comparable companies, were to decline, resulting in lower multiples of revenues and EBITDA.

### ***Income Taxes***

We account for income taxes under the asset and liability method which includes the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in our consolidated financial statements. Under this approach, deferred taxes are recorded for the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus deferred taxes. Deferred taxes result from differences between the financial statement and tax bases of our assets and liabilities, and are adjusted for changes in tax rates and tax laws when changes are enacted. The effects of future changes in income tax laws or rates are not anticipated.

We are subject to income taxes in Israel, the United States and numerous foreign jurisdictions. The calculation of our income tax provision involves the application of complex tax laws and requires significant judgment and estimates. We evaluate the realizability of our deferred tax assets for each jurisdiction in which we operate at each reporting date, and establish valuation allowances when it is more likely than not that all or a portion of our deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income of the same character and in the same jurisdiction. We consider all available positive and negative evidence in making this assessment, including, but not limited to, the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. In circumstances where there is sufficient negative evidence indicating that our deferred tax assets are not more-likely-than-not realizable, we establish a valuation allowance.

We use a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate tax positions taken or expected to be taken in a tax return by assessing whether they are more-likely-than-not sustainable, based solely on their technical merits, upon examination and including resolution of any related appeals or litigation process. The second step is to measure the associated tax benefit of each position as the largest amount that we believe is more-likely-than-not realizable. Differences between the amount of tax benefits taken or expected to be taken in our income tax returns and the amount of tax benefits recognized in our financial statements represent our unrecognized income tax benefits, which we either record as a liability or as a reduction of deferred tax assets. Our policy is to include interest (expense and/or income) and penalties related to unrecognized income tax benefits as a component of the provision for income taxes.

### **Components of Results of Operations**

#### ***Impact of Inflation and Currency Fluctuations on Results of Operations, Liabilities and Assets***

Our financial results, which are reported in U.S. dollars, are affected by changes in foreign currency. Most of our revenue and expenses, primarily labor expenses, are denominated in U.S. dollars, New Israeli Shekels, Singapore dollars and Euros. Additionally, certain assets, especially cash, trade receivables and other accounts receivables, as well as part of our liabilities are denominated in U.S. dollars, New Israeli Shekels, Euros and Singapore dollars. As a result, fluctuations in rates of exchange between the U.S. dollar and non-U.S. dollar currencies may affect our operating results and financial condition. The U.S. dollar cost of our operations in Israel may be adversely affected by the appreciation of the New Israeli Shekel against the U.S. dollar. In addition, the value of our non-U.S. dollar revenue could be adversely affected by the depreciation of the U.S. dollar against Singapore dollars and Euros.

#### ***Conditions in Israel***

We are incorporated under the laws of, and our principal executive offices and research and development facilities are located in, the State of Israel. See “Item 3. Key Information—3.D. Risk Factors—Risks Related to the Location of Our Headquarters in Israel” for a description of governmental, economic, fiscal, monetary and political policies or factors that have materially affected or could materially affect our operations.

### **Results of Operations**

The following discussion includes a comparison of our results of operations and liquidity and capital resources for the years ended January 31, 2024 and 2023. A discussion regarding our financial condition and results of operations for the year ended

January 31, 2023 compared to the year ended January 31, 2022 can be found under Item 5 in our [Annual Report on Form 20-F](#) for the fiscal year ended January 31, 2023, filed with the SEC on April 11, 2023, which is hereby incorporated by reference herein and considered part of this Annual Report on Form 20-F only to the extent referenced and is available free of charge on the SEC's website at [www.sec.gov](http://www.sec.gov) and our website at [www.cognyte.com/investors](http://www.cognyte.com/investors).

### Overview of Operating Results

The following table sets forth a summary of certain key financial information for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,		
	2024	2023	2022
Revenue	\$ 313,404	\$ 312,062	\$ 474,042
Operating (loss) income	\$ (18,054)	\$ (103,323)	\$ 10,961
Net loss attributable to Cognyte Software Ltd.	\$ (15,570)	\$ (114,132)	\$ (14,890)

Our historical operational results prior to the fiscal year ended January 31, 2024 are including our divested SIS results of operation, which has a significant impact on our year over year fluctuation analysis. Our revenue increased approximately \$1.3 million, or 0.4%, from \$312.1 million in the year ended January 31, 2023 to \$313.4 million in the year ended January 31, 2024. The increase consisted of a \$15.3 million increase in software revenue, a \$10.7 million decrease in software service revenue and a \$3.2 million decrease in professional service and other revenue. For additional details on our revenue, see “—Software Revenue, Software Service Revenue, and Professional Service and Other Revenue.” Revenue from end users located in the Americas, EMEA and APAC represented approximately 17%, 55% and 28% of our total revenue, respectively, in the year ended January 31, 2024, compared to approximately 20%, 43% and 37%, respectively, in the year ended January 31, 2023.

Operating loss was \$18.1 million in the year ended January 31, 2024 compared to operating loss of \$103.3 million in the year ended January 31, 2023. This decrease in operating loss was due to \$23.3 million increase in gross profit and \$62 million decrease in operating expenses, which primarily consisted of a \$28.6 million decrease in selling, general and administrative expenses, a \$33.0 million decrease in net research and development expenses, and a \$0.4 million decrease in amortization of other acquired intangible assets.

Net loss attributable to Cognyte was \$15.6 million in the year ended January 31, 2024, compared to net loss attributable to Cognyte of \$114.1 million in the year ended January 31, 2023. The decrease in net loss attributable to Cognyte in the year ended January 31, 2024 was primarily due to a \$85.3 million increase in operating income, as described above, a \$14.6 million decrease in our provision for income taxes, partially offset by a \$1.5 million decrease in total other income, net, and a \$0.3 million decrease in net income attributable to our noncontrolling interests.

A portion of our business is conducted in currencies other than the U.S. dollar, and therefore our revenue and operating expenses are affected by fluctuations in applicable foreign currency exchange rates. When comparing average exchange rates for the year ended January 31, 2024 to average exchange rates for the year ended January 31, 2023, the U.S. dollar strengthened relative to the New Israeli Shekel and weakened relative to the Euro and the Singapore dollar, resulting in an overall increase in our revenue, a decrease in operating expenses and an increase in operating income on a U.S. dollar-denominated basis. For the year ended January 31, 2024, had foreign exchange rates remained unchanged from rates in effect for the year ended January 31, 2023, our revenue would have been approximately \$2.8 million lower, and the unhedged operating expenses on a combined basis would have been approximately \$0.7 million higher, which would have resulted in an \$3.5 million decrease in operating income.

As of January 31, 2024, we employed approximately 1,600 professionals, including part-time employees and certain contractors, compared to approximately 1,650 as of January 31, 2023.

### Revenue

#### Software Revenue, Software Service Revenue, and Professional Service and Other Revenue

We derive and report our revenue in three categories: (a) software revenue, including the sale of subscription (i.e., term-based) or perpetual licenses, and appliances that include software that is essential to the product's functionality, (b) software service revenue, including support revenue and revenue from cloud-based SaaS subscriptions, and (c) professional service and other revenue, including revenue from installation and integration services, customer specific development work, resale of third-party hardware, and consulting and training services.

The following table sets forth revenue for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,			% Change	
	2024	2023	2022	2024-2023	2023-2022
Software	\$ 113,541	\$ 98,288	\$ 209,988	16%	(53)%
Software service	165,027	175,690	201,563	(6)%	(13)%
Professional service and other	34,836	38,084	62,491	(9)%	(39)%
<b>Total revenue</b>	<b>\$ 313,404</b>	<b>\$ 312,062</b>	<b>\$ 474,042</b>	<b>—%</b>	<b>(34)%</b>

### *Software Revenue*

Software revenue increased approximately \$15.3 million, or 16%, from \$98.3 million for the year ended January 31, 2023 to \$113.5 million for the year ended January 31, 2024, primarily due to an increase in appliance deliveries in the amount of \$22.7 million partially offset by \$7.4 million decrease related to the SIS divestiture.

### *Software Service Revenue*

Software service revenue decreased approximately \$10.7 million, or 6%, from \$175.7 million for the year ended January 31, 2023 to \$165.0 million for the year ended January 31, 2024, primarily resulting from \$17.3 million decrease related to the SIS divestiture which was partially offset by \$6.6 million increase in support and subscription services.

### *Professional Service and Other Revenue*

Professional service and other revenue decreased approximately \$3.2 million, or 9%, from \$38.1 million for the year ended January 31, 2023 to \$34.8 million for the year ended January 31, 2024. The decrease was primarily due to \$5.4 million related to the SIS divestiture and \$1.3 million in third-party hardware reselling activity mainly offset by \$3.4 million increase in deployment services aligned with our software revenue growth.

### *Cost of Revenue*

The following table sets forth cost of revenue by software, software service and professional service and other, as well as amortization of acquired technology for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,			% Change	
	2024	2023	2022	2024-2023	2023-2022
Cost of software revenue	\$ 18,919	\$ 19,975	\$ 28,955	(5)%	(31)%
Cost of software service revenue	43,305	48,400	46,413	(11)%	4%
Cost of professional service and other revenue	35,776	50,941	56,349	(30)%	(10)%
Amortization of acquired technology	—	619	682	(100)%	(9)%
<b>Total cost of revenue</b>	<b>\$ 98,000</b>	<b>\$ 119,935</b>	<b>\$ 132,399</b>	<b>(18)%</b>	<b>(9)%</b>

### *Cost of Software Revenue*

Cost of software revenue decreased approximately \$1.0 million, or 5%, from \$20.0 million for the year ended January 31, 2023 to \$18.9 million for the year ended January 31, 2024, primarily due to a \$6.1 million decrease mainly related to the SIS divestiture, software amortization and other costs offset by a \$5.0 million increase in cost of appliance materials as a result of revenue increase as explained in Software Revenue. Software revenue gross margins increased from 80% in the year ended January 31, 2023 to 83% in the year ended January 31, 2024 mainly due to higher margin as a result of improved pricing and the cost of material.

### *Cost of Software Service Revenue*

Cost of software service revenue decreased approximately \$5.1 million, or 11%, from \$48.4 million in the year ended January 31, 2023 to \$43.3 million in the year ended January 31, 2024. The decrease was primarily due to \$3.2 million in cost mainly related to the SIS divestiture and \$1.9 million mainly due to third party cost optimization. Our software service gross margins increased from 72% in the year ended January 31, 2023 to 74% in the year ended January 31, 2024, mainly due to efficiency and cost reductions.

### *Cost of Professional Service and Other Revenue*

Cost of professional service and other revenue decreased by approximately \$15.2 million, or 30%, from \$50.9 million in the year ended January 31, 2023 to \$35.8 million in the year ended January 31, 2024. The decrease was primarily due to efficiency and cost saving efforts resulted from decreased personnel costs which included \$5.3 million in deployment services costs and \$4.2 million in product development costs. In addition, there was a \$4.3 million decrease in cost related to the SIS divestiture as well as \$1.4 million decrease is related to third-party hardware reselling. Our professional service and other gross margins increased from a negative (34)% in the year ended January 31, 2023 to a negative (3)% in the year ended January 31, 2024, primarily due to improved deployment efficiency reflected by decreased personnel costs and achieving higher revenues.

#### *Amortization of Acquired Technology*

All acquired technology was fully amortized during the year ended January 31, 2023.

#### **Research and Development, Net**

The following table sets forth research and development, net for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,			% Change	
	2024	2023	2022	2024-2023	2023-2022
Research and development, net	\$ 107,283	\$ 140,324	\$ 143,360	(24)%	(2)%

Research and development, net decreased approximately \$33.0 million, or 24%, from \$140.3 million in the year ended January 31, 2023 to \$107.3 million in the year ended January 31, 2024. The decrease was primarily attributable to \$21.2 million decrease in personnel costs, mainly due to the change in research and development roadmap focus, organization restructuring and cost saving initiatives. Additionally, there was a \$9.1 million decrease related to the SIS business divestiture.

#### **Selling, General and Administrative Expenses**

The following table sets forth selling, general and administrative expenses for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,			% Change	
	2024	2023	2022	2024-2023	2023-2022
Selling, general and administrative	\$ 125,784	\$ 154,347	\$ 185,867	(19)%	(17)%

Selling, general and administrative expenses decreased approximately \$28.6 million, or 19%, from \$154.3 million in the year ended January 31, 2023 to \$125.8 million in the year ended January 31, 2024. This decrease was primarily attributable to a \$18.7 million decrease in personnel costs, mainly due to cost saving and organization restructuring as well as the SIS divestiture. Additionally, there was a \$9.9 million decrease that was mainly related to \$5.9 million facility, restructuring and separation expenses, travel, IT and consulting costs. This was partially offset by \$1.9 million increase in agent commissions mainly due to changes in revenue regional mix.

#### **Amortization of Other Acquired Intangible Assets**

The following table sets forth amortization of other acquired intangible assets for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,			% Change	
	2024	2023	2022	2024-2023	2023-2022
Amortization of other acquired intangible assets	\$ 391	\$ 779	\$ 1,455	(50)%	(46)%

Amortization of other acquired intangible assets decreased approximately \$0.4 million, or 50%, from \$0.8 million in the year ended January 31, 2023 to \$0.4 million in the year ended January 31, 2024. The decrease was attributable mainly to fully amortized technology- related intangible assets in the year ended January 31, 2023.

#### **Other Income, Net**

The following table sets forth total other income, net for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,			% Change	
	2024	2023	2022	2024-2023	2023-2022
Interest income	\$ 1,896	\$ 774	\$ 177	145%	337%
Interest expense	(16)	(1,597)	(196)	(99)%	715%
Other income (expense):					
Gains on business divestiture	\$ 4,768	\$ 5,764	\$ —	(17)%	100%
Gains on investments, net	—	1,660	729	(100)%	128%
Foreign currency losses	(846)	(51)	(3,140)	1,558%	(98)%
(Losses) gains on derivatives	(330)	(426)	134	(22)%	(418)%
Other, net	(677)	204	(404)	(432)%	(150)%
Other income (expense), net	2,915	7,151	(2,681)	(59)%	(367)%
<b>Total other income (expense), net</b>	<b>\$ 4,795</b>	<b>\$ 6,328</b>	<b>\$ (2,700)</b>	<b>(24)%</b>	<b>(334)%</b>

Total other income, net, decreased by \$1.5 million from income of \$6.3 million in the year ended January 31, 2023 to \$4.8 million income in the year ended January 31, 2024. This decrease was mainly due to a \$1.7 million gain on investments recognized during 2023, a net increase in foreign currency losses of \$0.8 million resulting from fluctuations in U.S. dollar relative to other foreign currencies, primarily including the New Israeli Shekel, Singapore dollar, Brazilian Real and Euro, a decrease of \$1 million in gain recognized on the SIS business divestiture, and an additional decrease in other income of \$0.9 million mainly resulting from higher commitment fees to the banks on the unutilized credit line. The decrease in other income is offset by a \$1.6 million decrease in interest expenses due to unutilized credit facility during the year ended January 31, 2024, and an increase in interest income of \$1.1 million due to higher interest rate on deposits.

### Provision for Income Taxes

The following table sets forth our provision for income taxes for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,			% Change	
	2024	2023	2022	2024-2023	2023-2022
Provision for income taxes	\$ (1,614)	\$ 12,956	\$ 18,517	(112)%	(30)%

Our effective income tax rate was 12.2% for the year ended January 31, 2024, compared to an effective income tax rate of (13.4)% for the year ended January 31, 2023. For the year ended January 31, 2024, our change in effective income tax rate compared to the U.S. federal statutory income tax rate of 21.0% is primarily due to the release of \$5.1 million of tax contingencies, \$2.3 million increase in valuation allowances related to Israeli entities, \$2.2 million of U.S tax effects of non-U.S. operations, \$1.2 million of non-U.S. tax rate differential, and \$1.0 million of stock-based compensation. During the fourth quarter of fiscal year January 31, 2024, the uncertain tax positions associated with Verint, as well as the corresponding indemnification asset, were reversed due to the expiration of the statute of limitations. The reverse which amounted to \$4.7 million is reflected in the release of the tax contingencies for the year ended January 31, 2024.

For the year ended January 31, 2023, our change in effective income tax rate compared to the U.S. federal statutory income tax rate of 21.0% is primarily due to \$7.4 million of permanent tax adjustments related to the SIS divestiture, \$7.5 million increase in valuation allowances related to Israeli entities, \$6.3 million of tax contingencies differences, \$1.1 million of stock-based compensation and \$8.6 million of non-U.S. tax rate differential. The change in gross unrecognized tax benefits during fiscal year 2023 includes an uncertain tax position that should have been recognized beginning in fiscal year 2019. The net unrecognized tax benefit associated with this uncertain tax position amounted to \$4.7 million as of January 31, 2023, which has been recognized as an out-period-correction in the fourth quarter of fiscal year January 31, 2023. In addition, as disclosed in Note “17. COMMITMENTS AND CONTINGENCIES” to the consolidated financial statements, since the uncertain tax position originated prior to the Spin-Off Date, we have indemnified Verint for this amount under the Tax Matters Agreement between Verint and Cognyte that became effective on the Spin-Off Date. The rollover impact of this out-of-period correction was not material, individually or in the aggregate, to any of the Company’s previously reported net income (loss), comprehensive income (loss), or basic and fully diluted earnings (loss) per common share.

### Net income attributable to noncontrolling interest

The following table sets forth the net income attributable to noncontrolling interest for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,			% Change	
	2024	2023	2022	2024-2023	2023-2022
Net income attributable to noncontrolling interest	\$ 3,925	\$ 4,181	\$ 4,634	(6)%	(10)%

Total net income attributable to noncontrolling interest, decreased by \$0.3 million from \$4.2 million in the year ended January 31, 2023 to \$3.9 million in the year ended January 31, 2024. This decrease was mainly due to lower profit in the relevant joint venture.

## 5.B. LIQUIDITY AND CAPITAL RESOURCES

### Overview

Our primary recurring source of cash is the collection of proceeds from the sale of products and services to our customers, including cash periodically collected in advance of delivery or performance.

Our primary recurring use of cash is payment of our operating costs, which consist primarily of employee-related expenses, such as compensation and benefits, as well as general operating expenses for material suppliers, travel, marketing, facilities, overhead costs, taxes and capital expenditure. Cash generated from operations, along with our existing cash, cash equivalents, and short-term investments, are our primary sources of operating liquidity.

On October 19, 2022, Cognyte announced that it has entered into an agreement to sell SIS to the Volaris group (“Volaris”) and the transaction closed on December 1, 2022. In consideration for the sale we received \$42.4 million in cash at closing and an additional amount of \$4.7 million was held back (recorded as Prepaid expenses and other current assets). An additional earn-out amount may be paid, subject to the SIS business meeting certain performance-based goals. The sale included equity interests, assets and liabilities attributable to the SIS business, for a total consideration of \$47.1 million, plus a performance based earn-out, if and to the extent earned. The SIS sale resulted in a pre-tax gain on sale of \$5.8 million, net of \$4.7 million closing costs included in Other income (expenses), net in the consolidated statements of operations. The sale price was adjusted during the year ended January 31, 2024 based on changes in actual closing net working capital which resulted in an additional pre-tax gain of \$4.8 million.

Based on past performance and current expectations, we believe that our cash, cash equivalents, short-term investments and cash generated from operations will be sufficient to meet anticipated operating costs, working capital needs, ordinary course capital expenditures, research and development spending, and other commitments for at least the next twelve months.

We have historically expanded our business in part by investing in strategic growth initiatives, including acquisitions of products, technologies, and businesses. We have used cash as consideration for all of our historical business acquisitions. There were no business acquisitions during the years ended January 31, 2024 and 2023.

Our off-balance sheet purchase obligations totaled approximately \$28 million as of January 31, 2024. These obligations are associated with agreements for purchases of goods or services generally including agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transactions. Agreements to purchase goods or services that have cancellation provisions with no penalties are excluded from these purchase obligations.

In the normal course of business, we provide certain customers with financial performance guarantees, which are generally backed by bank guarantees and, in certain cases, by standby letters of credit. At January 31, 2024, we had approximately \$50 million of outstanding bank guarantees and letters of credit relating primarily to these performance guarantees. In addition, the Company provided bank guarantees in the amount \$3.6 million related to its offices in Israel and exports transaction towards the Israeli Chamber of Commerce.

We entered into two revolving credit facilities effective upon the completion of the spin-off, February 1, 2021, which were valid for three years until January 31, 2024 and provided for a total of up to \$100 million in total borrowings. Based on the Company’s financial objectives, current cash balance and expected cash, we have extended our two revolving credit facilities effective as of December 31, 2023 and January 24, 2024, for an additional two years until January 2026 which provide for a total of up to \$65.0 million in total borrowings. As of January 31, 2024 and 2023, we do not have any withdrawn funds from the revolving credit facilities. Interest rates on both facilities are based on Term SOFR plus a margin of 3.26% - 3.31%. Interest expenses related to our revolving credit facilities was \$0 and \$1.6 million for the years ended January 31, 2024 and 2023, respectively. In addition, we are required to pay a commitment fee with respect to unused credit under the credit facilities at a

rate of 0.75% per annum. The commitment fee incurred with respect to unused credit under the credit facilities was \$0.7 million and \$0.3 million for the year ended January 31, 2024 and 2023, respectively.

We continually examine our options with respect to terms and sources of existing and future short-term and long-term capital resources to enhance our operating results and to ensure that we retain financial flexibility.

Our consolidated balance sheet at January 31, 2024 included \$5.8 million of non-current tax reserves, including interest and penalties of \$1.2 million, net of related benefits for uncertain tax positions. We regularly assess the adequacy of our provisions for income tax contingencies. As a result, we may adjust the reserves for unrecognized tax benefits for the impact of new facts and developments, such as changes to interpretations of relevant tax law, assessments from taxing authorities, settlements with taxing authorities, and lapses of statutes of expiration. We believe that it is reasonably possible that the total amount of unrecognized tax benefits at January 31, 2024 could decrease by approximately \$2.1 million in the next twelve months as a result of settlement of certain tax audits or lapses of statutes of limitation. Such decreases may involve the payment of additional taxes.

Our cash balances as of January 31, 2024 include cash and cash equivalents held by our consolidated subsidiaries, including a joint venture where our partner holds a non-controlling interest. The distribution of dividends to us by our consolidated subsidiaries may be subject to restrictions on the payment of dividends in the jurisdiction in which such subsidiaries are incorporated. In addition, the distribution of dividends by the foregoing joint venture is subject to the consent of our joint venture partner, and upon the distribution of any dividends by such joint venture, a portion of such dividend will be paid to the partner holding the non-controlling interest. See “Item 5.B. Liquidity and Capital Resources—Financing Activities” and our consolidated financial statements and the related notes to those statements included elsewhere in this Annual Report. Cash balances that are restricted pursuant to the terms of various agreements are classified as restricted cash and included in restricted cash and cash equivalents, and restricted bank time deposits, and other assets in our consolidated balance sheets. These restricted balances primarily represent deposits to secure bank guarantees in connection with customer sales contracts. The amounts of these deposits can vary depending upon the terms of the underlying contracts and were not available for general operating use. As of January 31, 2024 and 2023, we held \$8.8 million and \$4.6 million, respectively, of restricted cash, cash equivalents, and restricted bank time deposits (including long-term portions).

Our future capital requirements will depend on many factors, including our rate of revenue growth, timing of collection, the expansion of our sales and marketing activities, the timing and extent of spending to support product development efforts and expansion into new geographic locations, the timing of introductions of new products and enhancements to existing products, the continuing market acceptance of our offerings, and our use of cash to pay for acquisitions, if any.

Our liquidity could be negatively impacted by a decrease in demand for our products and service and support, including the impact of changes in customer buying behavior due to circumstances over which we have no control. If we determine to make additional business acquisitions or otherwise require additional funds, we may need to raise additional capital, which could involve the issuance of equity or debt securities or expansion of our current credit facility.

As of January 31, 2024, we did not have any off-balance sheet arrangements that we believe have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

#### Cash Flow Activity for the Years Ended January 31, 2024 and 2023

The following table summarizes our total cash, cash equivalents, restricted cash, cash equivalents, and bank time deposits, and short-term investments, as of January 31, 2024 and 2023:

(in thousands)	January 31,	
	2024	2023
Cash and cash equivalents	\$ 74,477	\$ 34,579
Restricted cash and cash equivalents, and restricted bank time deposits (excluding long term portions)	8,667	4,359
Short-term investments	—	17,507
<b>Total cash, cash equivalents, restricted cash and cash equivalents, restricted bank time deposits, and short-term investments</b>	<b>\$ 83,144</b>	<b>\$ 56,445</b>

A summary of the sources and uses of cash, cash equivalents, restricted cash and restricted cash equivalents for the years ended January 31, 2024, 2023, and 2022 is as follows:



(in thousands)	Year Ended January 31,		
	2024	2023	2022
Net cash provided by (used in) operating activities	\$ 34,561	\$ (36,987)	\$ 2,630
Net cash provided by (used in) investing activities	9,358	20,127	(17,851)
Net cash (used in) provided by financing activities	(2,452)	(102,934)	58,743
Effect of foreign currency exchange rate changes on cash, cash equivalents, restricted cash, and restricted cash equivalents	(115)	617	41
<b>Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents</b>	<b>\$ 41,352</b>	<b>\$ (119,176)</b>	<b>\$ 43,563</b>

### *Operating Activities*

Net cash generated by operating activities increased by \$71.5 million, from \$37 million used during the year ended January 31, 2023 to \$34.6 million generated during the year ended January 31, 2024. This increase is driven primarily by \$77.7 million increase in our net profit adjusted by non-cash adjustments, a decrease in cash bonus payments as well as a bonus provision of \$17.3 million, a decrease in payments to suppliers in the amount of \$18 million, a decrease in inventory purchases in the amount of \$12.2 million related to better supply chain environment and optimization of inventory management, a decrease in legal settlement payments of \$6.2 million, a reduction in our cash tax payments of \$4.5 million due to execution of a tax optimization plan, increased interest income and reduced interest expenses of \$2.4 million due to the unutilized credit line and higher interest rate on deposits. This increase was partially offset by \$66.7 million decrease in cash collection in excess of revenue recognized in the year ended January 31, 2023 in comparison to the year ended January 31, 2024 mainly due to reduction of revenues between year ended January 31, 2022 and 2023.

Our cash flow from operating activities can fluctuate from period to period due to several factors, including our operating results, the timing of our billings and collections as well as timing to cash tax, other payments to suppliers and payment of legal settlement and interest expenses on our facility credit agreement.

### *Investing Activities*

During the year ended January 31, 2024, our investing activities provided \$9.4 million of net cash, including \$17.2 million net maturities and sales of short-term investments and \$5 million of proceeds received from SIS business divestiture, net of cost. The cash provided by these investing activities was partially offset by \$9 million of payments for purchases of property and equipment, capitalized software development costs and \$2.8 million cash used in restricted bank time deposits, including long-term portion.

During the year ended January 31, 2023, our investing activities used \$20.1 million of net cash, including \$37.6 million of proceeds received from SIS business divestiture, net of cost. The cash provided by these investing activities was partially offset by \$11.7 million of payments for property, equipment, and capitalized software development costs, \$6.4 million net maturities and sales of short-term investments.

We had no significant commitments for capital expenditures as of January 31, 2024 and 2023.

Our cash flow from investing activities can fluctuate from period to period mainly due to purchases of property and equipment and our short term investment policy.

### *Financing Activities*

For the year ended January 31, 2024, our financing activities used \$2.5 million of net cash related to dividends paid to noncontrolling interest holders in our joint venture.

For the year ended January 31, 2023, our financing activities used \$102.9 million of net cash, mainly due to a payment of \$100 million to our revolving credit facilities and \$2.9 million of dividends to the noncontrolling interest holders in our joint venture.

### **Foreign Currency, Derivatives, and Hedging**

From time to time, we enter into foreign currency forward contracts in an effort to reduce the volatility of cash flows primarily related to forecasted payroll and payroll-related expenses denominated in New Israeli Shekels. These contracts are generally limited to durations of approximately twelve months or less. We have also periodically entered into foreign currency forward



contracts to manage exposures resulting from forecasted customer collections denominated in currencies other than the respective entity's functional currency and exposures from cash, cash equivalents, short-term investments and accounts payable denominated in currencies other than the applicable functional currency.

During the years ended January 31, 2024 and 2023, we recorded a \$0.3 million and \$0.4 million net loss, respectively, on foreign currency forward contracts not designated as hedges for accounting purposes. We had \$1.6 million of net unrealized gains for the year ended January 31, 2024 and \$1.3 million of net unrealized losses for the year ended January 31, 2023 on outstanding foreign currency forward contracts. The notional amounts of our forward contract totaled \$74.4 million and \$91.3 million for the years ended January 31, 2024 and 2023, respectively.

The counterparties to our foreign currency forward contracts are major commercial banks. While we believe the risk of counterparty nonperformance is not material, past disruptions in the global financial markets have impacted some of the financial institutions with which we do business. A sustained decline in the financial stability of financial institutions as a result of disruption in the financial markets could affect our ability to secure creditworthy counterparties for our foreign currency hedging programs.

## 5.C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Our gross research and development spending totaled \$107.3 million, \$140.4 million and \$143.7 million for the years ended January 31, 2024, 2023 and 2022 respectively. As described in the "Risk Factors" section and elsewhere in this Form 20-F, government regulations and policies can make developing or marketing new technologies expensive or uncertain due to various restrictions on trade and technology transfers. See "Item 3. Key Information—3.D. Risk Factors" and "Item 4. Information on the Company—4.B. Business Overview—Government Regulations." For further information on our research and development policies and additional product information, see "Item 4. Information on the Company—4.B. Business Overview."

## 5.D. TREND INFORMATION

Please see "—5.A. Operating Results" and "Item 4. Information on the Company—4.B. Business Overview—Demand Trends" for trend information.

## 5.E. CRITICAL ACCOUNTING ESTIMATES

Please see "—5.A. Operating Results—Critical Accounting Estimates" for critical accounting estimates.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### 6.A. DIRECTORS AND SENIOR MANAGEMENT

#### Board of Directors

The following table presents information about our current executive officers and directors as of the date of this Annual Report:

Name	Age
Elad Sharon, Chief Executive Officer	48
Earl Shanks	67
Avi Cohen	70
Richard Nottenburg	70
Dafna Sharir	55
Zvika Naggan*	65
Karmit Shilo*	62
Ron Shvili**	57
Sarit Sagiv**	55

(\*) Resigned from our board of directors effective May 1, 2024

(\*\*) Expected to join our board of directors effective as of May 1, 2024.

*Elad Sharon, Chief Executive Officer and Director*

Mr. Sharon has served as our Chief Executive Officer and as a member of our board of directors since February 1, 2021, the effective date of the spin-off. Previously, he served as the President of Verint's Cyber Intelligence Solutions business since February 2016. Since joining Verint in 1997, Mr. Sharon held a broad range of management positions in the Cyber Intelligence Solutions business, including Senior Vice President of Products, R&D and Delivery, Senior Vice President of Strategic Programs, and Chief Operating Officer.

***Earl Shanks, Chairman of the Board***

Mr. Shanks has served as a member of our board of directors since January 18, 2021, shortly before the effective date of the spin-off and as non-executive Chairman of the board of directors since September 6, 2023. Mr. Shanks previously served as a director of Verint until the completion of the spin-off. Since March 2017, Mr. Shanks has served as a director of Gaming & Leisure Properties, Inc. From November 2015 until May 2017, Mr. Shanks served as the Chief Financial Officer of Essendant Inc. Previously, Mr. Shanks served as the Chief Financial Officer at Convergys Corporation, and held various financial leadership roles with NCR Corporation, ultimately serving as its Chief Financial Officer.

***Avi Cohen, Director***

Mr. Cohen has served as a member of our board of directors since June 4, 2023. Mr. Cohen serves as a member of the board of directors of NOVA Ltd. (Nasdaq: NVMI). Additionally, he is the executive chairman of ZOOZ Power Ltd. (TASE: ZOOZ TA), as well as a member of the board of directors of Cortica Ltd., CGS Tower Networks Ltd and Sight Diagnostics Ltd.

Previously, Mr. Cohen served as Chief Executive Officer of MX1, which was formed in July 2016 following the acquisition of RR Media (Nasdaq: RRM) by SES S.A. followed by the merger of RR Media with SES Platform Services GmbH. Prior to the merger, Mr. Cohen had served as Chief Executive Officer of RR Media since July 2012. Up until March 2012, Mr. Cohen served as President and Chief Executive Officer of Orbit Technologies, a publicly traded company. From September 2006 to December 2008, Mr. Cohen served as ECI Telecom Ltd.'s Chief Operating Officer and deputy to the company's Chief Executive Officer. A variety of executive management positions were held by Mr. Cohen at KLA (Nasdaq: KLAC) prior to joining ECI. From 2003 Mr. Cohen was a Group Vice President and member of the Executive Management Committee. From 1995 Mr. Cohen was President of KLA Israel responsible for the optical metrology division. Prior to that, and after serving as Chief Executive Officer of Allegro Intelligent Systems, which he founded and was acquired by Octel, Mr. Cohen spent three years as Managing Director of Octel Communications, Israel.

***Dafna Sharir, Director***

Ms. Sharir has served as a member of our board of directors since March, 2022. Ms. Sharir has served as a business advisor to various companies, including BrightCodes Technologies Ltd. from 2018 to 2021. Previously, Ms. Sharir has provided M&A Advisory services to FAM, a U.S. asset management firm, from 2008 to 2010 and to Ofer Group and Israel Corp. from 2005 to 2008. She has held various senior positions, including as Senior Vice President Investments at AMPAL from 2002-2005. Ms. Sharir currently serves as an independent director and chairman of the compensation committee at Ormat Technologies Inc., as an independent director and a member of the audit committee at Gilat Satellite Networks Ltd., as a director at BrightCodes Technologies Ltd., and as a director at Minute Media Inc.

***Zvika Naggan, Director***

Mr. Naggan has served as a member of our board of directors since February 1, 2021, the effective date of the spin-off. Mr. Naggan served as a Managing Partner at Red Dot Capital Partners from 2016 to 2019 and as an Executive Director at Team 8 – Cyber Security Foundry from 2015 to 2016. Previously, Mr. Naggan served as Chief Information Officer at Bank Hapoalim from 2011 to 2014, in several senior management positions at Amdocs, culminating in President of the Product Business Group, from 2005 to 2010, as President and CEO of Cimatron from 2003 to 2005, and in multiple executive roles at Comverse from 1992 to 2002. Mr. Naggan has served as a director of several companies including Migdal Funds, Claroty, Global E, and Celeno. Mr. Naggan currently serves as an independent director at Bank Leumi and as the chairman of its Compensation Committee and a member of both its Audit Committee and Technology Committee. Mr. Naggan has resigned from our Board of Directors on April 4, 2024, which resignation will become effective on May 1, 2024.

***Richard Nottenburg, Director***

Dr. Nottenburg has served as a member of our board of directors since February 1, 2021, the effective date of the spin-off. Dr. Nottenburg also serves as a director and chairman of the compensation committee of Verint. Dr. Nottenburg is currently the executive chairman of NxBeam Inc., an early-stage fabless semiconductor company, and an investor in various early-stage

technology companies. Previously, Dr. Nottenburg served as President and Chief Executive Officer and a member of the board of directors of Sonus Networks, Inc. from 2008 through 2010. From 2004 until 2008, Dr. Nottenburg was an officer with Motorola, Inc., ultimately serving as its Executive Vice President, Chief Strategy Officer and Chief Technology Officer. Dr. Nottenburg is currently a member of the board of directors of Sequans Communications S.A., where he serves as a member of the compensation committee and the audit committee, as director and chairman of the audit and compensation committee of Applied Digital Corp. as well as an executive chairman of Q-Sensei and Deeyook Ltd. Dr. Nottenburg previously served on the board of directors of PMC-Sierra Inc., Aeroflex Holding Corp., Anaren, Inc., Comverse Technology, Inc. and Violin Memory, Inc.

#### ***Karmit Shilo, Director***

Ms. Shilo has served as a member of our board of directors since February 1, 2021, the effective date of the spin-off. From 2000 to 2019, Ms. Shilo served in various management roles at Amdocs, including Global Head of HR (from 2010 to 2019), Vice President of Products, Vice President of Consulting and Learning Services, and Director of Business Consulting Corporate Sales. Since 2019, Ms. Shilo serves as an advisor to various business and non-profit organizations. Ms. Shilo has resigned from our Board of Directors on April 4, 2024, which resignation will become effective on May 1, 2024.

#### ***Ron Shvili, Director***

Mr. Shvili was appointed to serve as a director of our board of directors on April 4, 2024 effective as of May 1, 2024. Currently Mr. Shvili serves as an advisor to Phoenix Holdings, a major investment, insurance and asset management group in Israel, on innovation and early stage investments in insurtech and fintech. Mr. Shvili also serves as a board member at Seenity and nSure and an observer at Hoenycomb insurance and Notch, is a venture partner at Magenta ventures and senior advisory at Phinergy and on the advisory board of a few startups. From 2020-2023, Mr. Shvili was Executive Vice President and the Chief Technology, IT and Innovation Officer at Phoenix Holdings. From 2013-2020, he served as Chief Technology Officer and Vice President of Technology and Engineering at Cellcom Israel Ltd. Prior to these roles, from 1990 to 2012 Mr. Shvili held various key managerial and technological positions in the Israeli Defense Forces and the Israeli Ministry of Defense, including senior positions as the Head of an R&D division in DDR&D (MAFAT) directorate of the MOD and Head of the technology center of an elite IDF unit both at the rank of Colonel. In these roles he was responsible for the research, strategic planning, development and implementation of cutting edge technologies in various areas amongst them communications, cyber, AI and IT.

#### ***Sarit Sagiv, Director***

Ms. Sagiv was appointed to serve as a director of our board of directors on April 4, 2024 effective as of May 1, 2024. Ms. Sagiv currently serves as a member of the Investments Committee of Phoenix Insurance and as a member of the board of directors of Nova Ltd. (Nasdaq and TASE: NVMI) and of OPC Energy Ltd. (TASE: OPCE). Ms. Sagiv had served as General Manager of the Global Business division at Amdocs (Nasdaq: DOX). Prior to this role, Ms. Sagiv served as the Chief Financial Officer of Nice Ltd. (NASDAQ and TASE: NICE) and of Retalix Ltd. (Nasdaq and TASE: RTLX). Ms. Sagiv also held various other Chief Financial Officer and senior financial positions.

#### **Senior Management**

The following table sets forth information regarding our senior management as of the date of this Annual Report.

<b>Name</b>	<b>Age</b>
Elad Sharon, Chief Executive Officer	48
David Abadi, Chief Financial Officer	50
Gil Cohen, Chief Product Officer	53
Amir Barel, Chief Technology Officer	59
Ilan Rotem, Chief Legal Officer	59
Efi Nuri, Chief Revenue Officer	62
Rini Karlin, Chief People Officer	52
Sharon Chouli, Chief Customer Officer	54

#### ***David Abadi, Chief Financial Officer***

Mr. Abadi has served as Chief Financial Officer since the completion of the spin-off. Previously, he served as the Chief Financial Officer of Verint's Cyber Intelligence Solutions division since 2012. Mr. Abadi has more than two decades of finance and accounting experience. Prior to joining Verint, he served as the EMEA Finance Controller for Polycom in Netherlands and

as Senior Finance Manager for Polycom in Israel. He also spent over five years in various capacities at PricewaterhouseCoopers in its New York and Israel offices.

***Ilan Rotem, Chief Legal Officer***

Mr. Rotem has served as our Chief Legal Officer since November 1, 2022. Mr. Rotem brings 30 years of legal experience as corporate and commercial counsel. As Chief Legal Officer, Mr. Rotem leads our global legal, risk management, compliance, and regulatory affairs. Prior to joining Cognyte in 2022, Mr. Rotem served as general counsel of Nano-X Imaging and Chief Legal Officer of Ness Technologies Group, and was a partner in a leading boutique law firm.

***Efi Nuri, Chief Revenue Officer***

Mr. Nuri has served as our Chief Revenue Officer since February 1, 2023. As Chief Revenue Officer, Mr. Nuri leads Cognyte's global sales team, with responsibility to drive sales, gain market share, and implement Cognyte's revenue growth strategy. Mr. Nuri previously served as a General Manager in the sales business unit at Cognyte, and brings almost 30 years of experience in Cognyte's market, offering, technology, and sales environment. Mr. Nuri joined Cognyte in 1993 and has served in multiple engineering and sales management roles.

***Gil Cohen, Chief Product Officer***

Mr. Cohen has served as our Chief Product Officer since February 1, 2023. As Chief Product Officer, Mr. Cohen leads our product organization, global R&D centers, and the go-to-market strategy of our investigative analytics platform. Mr. Cohen is a seasoned software executive with a proven track record leading large global organizations, and brings over two decades of experience and expertise in enterprise software, big data, telco and artificial intelligence. Prior to joining the Cognyte business in 2021, Mr. Cohen served as the general manager of the NICE voice recording platform, and Chief Executive Officer of Telefonica Israel.

***Amir Barel, Chief Technology Officer***

Mr. Barel has served as our Chief Technology Officer since February 1, 2021, and since February 1, 2023 he joined our senior management team. As Chief Technology Officer, Mr. Barel leads Cognyte's technology and innovation roadmap, technology business development and advanced data and AI research. Mr. Barel brings over 30 years of global experience, driving product and technology development and business growth in data analytics and telecom industries. Prior to joining the Cognyte business in 2010, Amir served as General Manager of SimpliVity Israel and as Vice President Products and R&D at Starhome-Mach.

***Rini Karlin, Chief People Officer***

Ms. Karlin has served as our Chief People Officer since the completion of the spin-off. Previously, she served as the Senior Vice President of Human Resources of Verint's Cyber Intelligence Solutions business since the end of 2018. Ms. Karlin is a seasoned HR executive with over two decades of experience in global HR management in technology companies, who brings a strategic approach to leadership and talent development, scaling employee experience, culture transformation and reward planning. Prior to joining the Cognyte business, Ms. Karlin was Senior Vice President at Perion Network and Vice President Human Resources at Comverse.

***Sharon Chouli, Chief Customer Officer***

Mr. Chouli has served as our Chief Customer Officer since the completion of the spin-off. Since joining Verint in 1997, Mr. Chouli held a broad range of management positions in the Cyber Intelligence Solutions business, culminating in the position of Senior Vice President, Head of Global Customer Operations. Mr. Chouli is an accomplished leader with over two decades of experience in information technology and software. Prior to joining the Cognyte Business, Mr. Chouli held roles in Telrad Networks and in the Israel Aerospace Industries R&D unit.

**Arrangements Concerning Election of Directors; Family Relationships**

We are not a party to, and are not aware of, any arrangements pursuant to which any of our senior management members or directors was selected as such. In addition, there are no family relationships among our senior management members or directors.

**6.D. EMPLOYEES**

As of January 31, 2024 we employed approximately 1,600 professionals, including certain contractors, with approximately, 52%, 34%, 9% and 5% of our employees and contractors located in Israel, EMEA, Americas, and APAC, respectively.

We consider our relationship with our employees to be good and a critical factor in our success. Our employees in Israel are not covered by any collective bargaining agreements, although certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Laborers in Israel) and the Coordinating Bureau of Economic Organizations (including the Manufacturers' Association of Israel) are applicable to our Israeli employees by virtue of expansion orders of the Israeli Ministry of Industry, Trade and Labor. In some cases, our employees outside Israel are automatically subject to certain protections negotiated by organized labor in those countries directly with the government or trade unions, or are automatically entitled to severance or other benefits mandated under local laws. Although in certain countries we have work councils and statutory employee representation obligations, our employees are generally not represented by labor unions on an ongoing basis. We have never experienced a work stoppage.

The table below sets forth the breakdown of the total year-end number of our full-time equivalent employees by main category of activity for the past three years.

	As of January 31,		
	2024	2023	2022
	(full-time equivalents)		
Management and G&A	245	263	294
Product Delivery	98	115	141
Research & Development	761	786	949
Sales & Marketing	279	276	348
Service & Support	230	212	270
<b>Total</b>	<b>1,613</b>	<b>1,652</b>	<b>2,002</b>

**6.B. COMPENSATION**

The aggregate compensation expensed, including share-based compensation and other compensation expensed by us and our subsidiaries, with respect to the year ended January 31, 2024, to our directors and senior management that served at any time during the year ended January 31, 2024 was \$12.5 million. This amount includes approximately \$0.9 million set aside or accrued to provide pension, severance, retirement, or similar benefits.

The table below sets forth the compensation earned by our five most highly compensated office holders (as defined below under “—6.C. Board Practices—Compensation Committee—Compensation Policy under the Companies Law”) during or with respect to the year ended January 31, 2024. We refer to the five individuals for whom disclosure is provided herein as our “Covered Executives”. For purposes of the table and the summary below, “compensation” includes base salary, bonuses, equity-based compensation, retirement or termination payments, and any benefits or perquisites such as car, phone and social benefits, as well as any undertaking to provide such compensation in the future.

*Summary Compensation Table*

<b>Name and Principal Position<sup>(2)</sup></b>	<b>Base Salary (\$)</b>	<b>Benefits and Perquisites (\$)<sup>(3)</sup></b>	<b>Variable compensation (\$)<sup>(4)</sup></b>	<b>Equity-Based Compensation (\$)<sup>(5)</sup></b>	<b>Total (\$)</b>
<b>(in thousands, US dollars)<sup>(1)</sup></b>					
Elad Sharon, Chief Executive Officer	371	149	1,278	744	<b>2,542</b>
David Abadi, Chief Financial Officer	358	116	1,226	358	<b>2,058</b>
Sharon Chouli, Chief Customer Officer	272	114	774	233	<b>1,393</b>
Rini Karlin, Chief People Officer	272	114	771	228	<b>1,385</b>
Efi Nuri, Chief Revenue Officer	265	95	540	150	<b>1,050</b>

(1) All amounts reported in the table are in terms of cost to us accrued with respect to the year ended January 31, 2024, as recorded in our financial statements.

(2) All Covered Executives listed in the table were our full-time employees during the year. Cash compensation amounts denominated in currencies other than the U.S. dollar were converted into U.S. dollars at the average conversion rate for the year ended January 31, 2024.

(3) Amounts reported in this column include car allowance and social benefits accrued by us on behalf of the Covered Executives, convalescence pay, contributions made by the company to an insurance policy or a pension fund, work disability insurance, severance, retirement, educational fund, and payments for social security.

(4) Amounts reported in this column refer to incentive and variable compensation payments which were paid or accrued in cash or shares with respect to the year ended January 31, 2024. In accordance with the Company's compensation policy, we accrued for bonuses to our Covered Executives upon compliance with predetermined performance and other parameters as set by the compensation committee and the board of directors. These amounts were provided for in our financial statements for the year ended January 31, 2024. We also award PSUs to executive officers that vest upon the achievement of specified performance goals. We recognize compensation expenses for the value of the awards, which vest based on service conditions, using the straight-line method, over the requisite service period of each of the awards, net of estimated forfeitures.

(5) Amounts reported in this column represent the expense recorded in our financial statements for the year ended January 31, 2024 with respect to equity-based compensation grants. The relevant amounts underlying the equity awards granted to our officers will continue to be expensed in our financial statements over a period of time during the years on account of the grants made during the year ended January 31, 2024 in similar annualized amounts. All equity-based compensation grants to our Covered Executives were made in accordance with the parameters of our Company's compensation policy and were approved by our compensation committee and board of directors.

*Share Incentive Plan*

The following sets forth certain information with respect to our share incentive plan. The following description is only a summary of the plan and is qualified in its entirety by reference to the full text of the plan, which serves as an exhibit to this Form 20-F.

Upon the expiration of our share incentive plan, no further grants may be made thereunder, although any existing awards will continue in full force in accordance with the terms under which they were granted.

*2021 Share Incentive Plan*

In connection with the spin-off we adopted a new 2021 share incentive plan (the "2021 Plan"), under which we are able to grant equity-based incentive awards to attract, motivate and retain the talent for which we compete.

During March 2024, we amended the 2021 Plan to allow for the grant of up to 4,910,926 shares under the 2021 Plan, subject to any further increases or decreases. As of 31 March 2024, a total of 2,669,074 Restricted Share Units (RSUs) are subject to outstanding awards under the 2021 Plan.

The 2021 Plan provides for granting awards under various tax regimes, including, without limitation, in compliance with Section 102 of the Israeli Tax Ordinance, and Section 3(i) of the Israeli Tax Ordinance and for awards granted to our United States employees or service providers, including those who are deemed to be residents of the United States for tax purposes, Section 422 of the Code and Section 409A of the Code.

Section 102 of the Israeli Tax Ordinance allows employees, directors and officers who are not controlling shareholders and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options, subject to the terms and conditions set forth in the Israeli Tax Ordinance. Our non-employee service providers and controlling shareholders may only be granted options under Section 3(i) of the Israeli Tax Ordinance, which does not provide for similar tax benefits.

The 2021 Plan provides for the grant of stock options (including incentive stock options and nonqualified stock options), ordinary shares, restricted shares, restricted share units and other share-based awards. Grants may be evidenced by award agreements, other contractual arrangements and/or resolutions of the Compensation Committee of our board of directors. Options granted under the 2021 Plan to our employees who are U.S. residents may qualify as “incentive stock options” within the meaning of Section 422 of the Code, or may be non-qualified stock options.

In the event of termination of a grantee’s employment or service with the company or any of its affiliates (other than by reason of death or permanent disability), all vested and exercisable awards held by such grantee as of the date of termination may be exercised within three months after such date of termination, unless otherwise determined by the administrator. After such three-month period, all unexercised awards will terminate.

In the event of termination of a grantee’s employment or service with the company or any of its affiliates due to such grantee’s death or permanent disability, all vested and exercisable awards held by such grantee as of the date of termination may be exercised by the grantee or the grantee’s legal guardian, estate, or by a person who acquired the right to exercise the award by bequest or inheritance, as applicable, within twelve months after such date of termination, unless otherwise provided by the administrator. Any awards which are unvested as of the date of such termination or which are vested but not then exercised within the twelve-month period following such date will terminate.

Notwithstanding any of the foregoing, if a grantee commits an act during the course of the grantee’s employment or services with the company or any of its affiliates that constitutes or would have constituted “cause,” as defined in the 2021 Plan, the Compensation Committee of our board of directors may provide for cancellation or forfeiture of all outstanding awards (whether vested or unvested).

#### ***Policy For Recovery of Erroneously Awarded Compensation***

In September 2023, the Board adopted the policy for the recovery of erroneously awarded compensation (the “Policy”) in compliance with the SEC rules. The Policy provides for the recovery of erroneously awarded incentive-based compensation from current and former officers when there is an accounting restatement due the Company’s material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

## **6.C. BOARD PRACTICES**

### **General**

Our board of directors consists of seven members. Our Articles of Association provide that the number of board members (including external directors, if applicable) shall be set by our board of directors from time to time, provided that it will consist of not less than three and not more than eleven members. Pursuant to the Companies Law, the management of our business is vested in our board of directors. Our board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders or to management. Our executive officers are responsible for our day-to-day management and have individual responsibilities established by our board of directors. Our chief executive officer is appointed by, and serves at the discretion of, our board of directors, subject to the employment agreement that we have entered into with him. All other executive officers are appointed by our chief executive officer. Their terms of employment are subject to the approval of the Compensation Committee of our board of directors and of our board of directors, and are subject to the terms of any applicable employment agreements that we may enter into with them.

Our board of directors may, subject to the provisions of the Companies Law, delegate any or all of its powers to committees of the board of directors, and it may, from time to time, revoke such delegation or alter the composition of any such committees, subject to certain limitations. Unless otherwise expressly provided by our board of directors, the committees shall not be empowered to further delegate such powers. The composition and duties of our Audit Committee and Compensation Committee are described below.

Our board of directors oversees how management monitors compliance with our risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by us. Our board of directors is assisted in its oversight role by an internal audit department. The internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to our Audit Committee.

### **Board Structure**

Under our Articles of Association, our directors are divided into three classes with staggered three-year terms. Each class of directors consists, as nearly as possible, of one-third of the total number of directors constituting our entire board of directors. At each annual general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors will be for a term of office that expires on the third annual general meeting following such election or re-election.

Our directors are divided among the three classes as follows:

- Class I directors: Mr. Nottenburg, Mr. Naggan and Ms. Shilo, and effective as of May 1, 2024, when each of Mr. Naggan's and Ms. Shilo's resignation and Mr. Svili's and Ms. Sagiv's appointment will become effective, the Class I directors will consist of Mr. Nottenburg, Mr. Shvili and Ms. Sagiv;
- Class II directors: Mr. Cohen and Ms. Sharir; and
- Class III directors: Mr. Shanks and Mr. Sharon.

Any amendment to the foregoing structure of our board of directors, or to the authorized range of number of directors set forth in our Articles of Association, requires the approval of at least 65% of the total voting power of our shareholders.

### **Nomination, Election and Removal of Directors**

Each of the directors shall be elected by a vote of the holders of a majority of the voting power present and voting at that meeting (excluding abstentions), provided that in the event of a contested election, the method of calculation of the votes and the manner in which the resolutions for election of directors will be presented to the meeting shall be determined by our board of directors in its discretion. Each director will hold office until the annual general meeting of our shareholders for the year in which his or her term expires, unless the tenure of such director expires earlier pursuant to the Companies Law or unless he or she is removed from office as described below.

Under our Articles of Association, the approval of the holders of at least 65% of the total voting power of our shareholders will generally be required to remove any of our directors from office, and any amendment to that provision shall require the approval of at least 65% of the total voting power of our shareholders. In addition, vacancies on our board of directors may be filled exclusively by a vote of a simple majority of the directors then in office, or, if determined by the board, by a vote of our shareholders. A director so appointed will hold office until the next annual general meeting of our shareholders for the class in respect of which the vacancy was created, or in the case of a vacancy due to the number of directors being less than the maximum number of directors stated in the Articles of Association, until the next annual general meeting of our shareholders at which the class to which he or she has been assigned by our board of directors is subject to election. The approval of at least 65% of the total voting power of our outstanding shares is required in order to amend this Articles provision concerning the filling of vacancies on the board.

Under the Companies Law, any shareholder holding at least five percent of our outstanding voting power may nominate a director. However, any such shareholder may make such a nomination only if a written notice of such shareholder's intent to make such nomination has been given to our board of directors. Any such notice must include certain information, including the consent of the proposed director nominee to serve as our director if elected, and a declaration that the nominee signed declaring



that he or she possess the requisite skills and has the availability to carry out his or her duties. Additionally, the nominee must provide details of such skills, and demonstrate an absence of any limitation under the Companies Law that may prevent his or her election, and affirm that all of the required election-information is provided to us, pursuant to the Companies Law. Any such shareholder notice (and related documentation) must be delivered to our registered Israeli office within seven days after we publish notice of our upcoming annual general meeting (or within 14 days after we publish a preliminary notification of an upcoming annual general meeting).

### **Chairman of the Board**

Our board of directors may elect one director to serve as the chairman of our board of directors to preside at the meetings of our board of directors, and may also remove that director as chairman. Pursuant to the Companies Law, neither the chief executive officer nor any of his or her relatives is permitted to serve as the chairman of our board of directors, and a company may not vest the chairman or any of his or her relatives with the chief executive officer's authorities. In addition, a person who reports, directly or indirectly, to the chief executive officer may not serve as the chairman of the company; the chairman may not be vested with authorities of a person who reports, directly or indirectly, to the chief executive officer; and the chairman may not serve in any other position in the company or a controlled company, but he or she may serve as a director or chairman of a controlled company. However, the Companies Law permits a company's shareholders to determine, for a period not exceeding three years from each such determination, that the chairman or his or her relative may serve as chief executive officer or be vested with the chief executive officer's authorities, and that the chief executive officer or his or her relative may serve as chairman or be vested with the chairman's authorities. Such determination of a company's shareholders requires either: (1) the approval of at least a majority of the shares of those shareholders present and voting on the matter (other than controlling shareholders and those having a personal interest in the determination) (shares held by abstaining shareholders shall not be considered); or (2) that the total number of shares opposing such determination does not exceed 2% of the total voting power in the company. Currently, we have a separate chairman and chief executive officer.

### **External Directors**

Under the Companies Law, companies incorporated under the laws of the State of Israel that are "public companies," including companies with shares listed on Nasdaq, are required to appoint at least two external directors. Pursuant to regulations promulgated under the Companies Law, companies with shares traded on certain U.S. stock exchanges, including the Nasdaq, may, subject to certain conditions, "opt out" from the Companies Law requirements to appoint external directors and related Companies Law rules concerning the composition of the audit committee and compensation committee of the board of directors. In accordance with these regulations, we elected to "opt out" from the Companies Law requirement to appoint external directors and related Companies Law rules concerning the composition of the audit committee and compensation committee of the board of directors.

### **Committees of Our Board of Directors**

Our board of directors has established three standing committees: the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee. In addition, during April 2024, our board of directors established a Strategy Committee.

#### ***Audit Committee***

##### *Companies Law Requirements*

Under the Companies Law, the board of directors of a public company must appoint an audit committee. The audit committee must be comprised of at least three directors. Because we have opted out from the external director requirement under the Companies Law, we need not comply with this composition requirement for our Audit Committee under the Companies Law (so long as we comply with the corresponding Nasdaq requirement).

##### *Listing Requirements*

Under the Nasdaq corporate governance rules, we are required to maintain an audit committee consisting of at least three independent directors, each of whom is financially literate and one of whom has accounting or related financial management expertise.

Our Audit Committee consists of Ms. Sharir, Mr. Cohen and Mr. Naggan. Effective as of May 1, 2024, following Mr. Naggan's resignation from our board of directors and the effectiveness of Ms. Sagiv's appointment, our Audit Committee will consist of Ms. Sharir, Mr. Cohen and Ms. Sagiv. Ms. Sharir serves as the chairperson of the Audit Committee. All members of our Audit Committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the Nasdaq corporate governance rules. Our board of directors has determined that Ms. Sharir is an "audit committee financial expert" as defined by the SEC rules and has the requisite financial experience as defined by the Nasdaq corporate governance rules.

Our board of directors has determined that each member of our Audit Committee is "independent" as such term is defined in Rule 10A-3(b)(1) under the Exchange Act, which is different from the general test under Nasdaq rules for independence of board and committee members.

#### *Audit Committee Role*

Our board of directors has adopted an audit committee charter setting forth the responsibilities of the Audit Committee consistent with the Companies Law, the SEC rules and the Nasdaq corporate governance rules, which include:

- retaining and terminating our independent auditors, subject to the ratification of our board of directors, and in the case of retention, to that of our shareholders;
- pre-approving of audit and non-audit services and related fees and terms, to be provided by the independent auditors;
- overseeing the accounting and financial reporting processes of our company and audits of our financial statements, the effectiveness of our internal control over financial reporting and making such reports as may be required of an audit committee under the rules and regulations promulgated under the Exchange Act;
- reviewing with management and our independent auditor our annual and quarterly financial statements prior to publication or filing (or submission, as the case may be) to the SEC;
- recommending to our board of directors the retention and termination of the head internal auditor, and the head internal auditor's engagement fees and terms, in accordance with the Companies Law as well as approving the yearly or periodic work plan proposed by the internal audit department;
- reviewing with our Chief Legal Officer and/or external counsel, as deemed necessary, legal and regulatory matters that could have a material impact on the financial statements;
- identifying irregularities in our business administration, inter alia, by consulting with the head internal auditor or with the independent auditor, and suggesting corrective measures to our board of directors;
- reviewing policies and procedures with respect to transactions (other than transactions related to the compensation or terms of services) between the Company and officers and directors, or affiliates of officers or directors, or transactions that are not in the ordinary course of the Company's business and deciding whether to approve such acts and transactions if so required under the Companies Law; and
- establishing procedures for the handling of employees' complaints as to the management of our business and the protection to be provided to such employees.

#### *Compensation Committee*

##### *Companies Law Requirements*

Under the Companies Law, the board of directors of a public company must appoint a compensation committee, which generally must be comprised of at least three directors. Because we have opted out from the external director requirement under

the Companies Law, we need not comply with this composition requirement for our Compensation Committee under the Companies Law (so long as we comply with the corresponding Nasdaq requirement).

### *Listing Requirements*

Under the Nasdaq corporate governance rules, we are required to maintain a compensation committee consisting of at least two independent directors.

Our Compensation Committee consists of Mr. Nottenburg, Ms. Sharir and Ms. Shilo. Effective as of May 1, 2024, following Ms. Shilo's resignation from our board of directors, our Compensation Committee will consist of Mr. Nottenburg, Ms. Sharir and Mr. Cohen. Mr. Nottenburg serves as chairman of the Compensation Committee. Our board of directors has determined that each member of our Compensation Committee is independent under the Nasdaq rules, including the additional independence requirements applicable to the members of a compensation committee.

### *Compensation Committee Role*

In accordance with the Companies Law, the roles of our Compensation Committee are, among others, as follows:

- recommending to our board of directors with respect to the approval of the compensation policy for office holders and, once every three years, regarding any extensions to a compensation policy that was adopted for a period of more than three years;
- reviewing the implementation of the compensation policy and periodically recommending to our board of directors with respect to any amendments or updates of the compensation policy;
- resolving whether or not to approve arrangements with respect to the terms of office and employment of office holders; and
- exempting, under certain circumstances, a transaction with our chief executive officer from the approval of the general meeting of our shareholders.

Our board of directors has adopted a compensation committee charter setting forth the responsibilities of the committee consistent with the Nasdaq rules, which include among others:

- approving and recommending to our board of directors for its approval a compensation policy in accordance with the requirements of the Companies Law as well as other compensation policies, incentive-based compensation plans and equity-based compensation plans, and overseeing the development and implementation of such policies and recommending to our board of directors any amendments or modifications the committee deems appropriate, including as required under the Companies Law;
- approving and recommending to our board of directors for its approval the granting of options and other incentive awards to our chief executive officer and other executive officers, including reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer and other executive officers, including evaluating their performance in light of such goals and objectives;
- approving and exempting certain transactions regarding office holders' compensation pursuant to the Companies Law; and
- assisting the board of directors in administering our equity-based compensation plans, including without limitation, recommending to our board of directors the adoption and/or amendment of such plans, interpreting such plans and the awards and agreements issued pursuant thereto, and approving and recommending to our board of directors the approval of awards to eligible persons under the plans and the terms of such awards.

*Compensation Policy under the Companies Law*

In general, under the Companies Law, a public company must have a compensation policy approved by the company's board of directors after receiving and considering the recommendations of its compensation committee. In addition, a compensation policy must be approved at least once every three years, first, by the company's board of directors, upon recommendation of the compensation committee, and second, by a simple majority of the shares present, in person or by proxy, and voting at a shareholders meeting, provided that either:

- such majority includes at least a majority of the shares held by shareholders who are not controlling shareholders and shareholders who do not have a personal interest in such compensation policy and who are present, in person or by proxy, and voting (excluding abstentions); or
- the total number of shares of noncontrolling shareholders and shareholders who do not have a personal interest in the compensation policy and who vote against the policy does not exceed two percent (2%) of the aggregate voting rights in the company.

Under special circumstances, the company's board of directors may approve the compensation policy despite the objection of its shareholders on the condition that the compensation committee and then the board of directors decide, on the basis of detailed grounds and after discussing again the compensation policy, that approval of the compensation policy, despite the objection of shareholders, is for the benefit of the company.

If a company such as ours that adopted a compensation policy in advance of its initial public offering or distribution of its securities, and described it in its prospectus (or similar document, such as the Form 20-F filed in connection with the spin-off) for such offering/distribution, then that compensation policy shall be deemed a validly adopted policy in accordance with the Companies Law requirements described above. Furthermore, that compensation policy will remain in effect for a term of five years from the date on which that company becomes a public company.

The compensation policy must serve as the basis for decisions concerning the financial terms of employment or engagement of office holders, including exculpation, insurance, indemnification or any monetary payment or obligation of payment in respect of employment or engagement. The compensation policy must be determined and later reevaluated according to certain factors, including: the advancement of the company's objectives, business plan and long-term strategy; the creation of appropriate incentives for office holders, while considering, among other things, the company's risk management policy; the size and the nature of the company's operations; and with respect to variable compensation, the contribution of the office holder towards the achievement of the company's long-term goals and the maximization of its profits, all with a long-term objective and according to the position of the office holder. The compensation policy must furthermore consider the following additional factors:

- the education, skills, experience, expertise and accomplishments of the relevant office holder;
- the office holder's position, responsibilities and prior compensation agreements with him or her;
- the ratio between the cost of the terms of employment of an office holder and the cost of the employment of other employees of the company, including employees employed through contractors who provide services to the company, in particular the ratio between such cost to the average and median salary of such employees of the company, as well as the impact of disparities between them on the work relationships in the company;
- if the terms of employment include variable components—the possibility of reducing variable components at the discretion of the board of directors and the possibility of setting a limit on the value of non-cash variable equity-based components; and
- if the terms of employment include severance compensation—the term of employment or office of the office holder, the terms of his or her compensation during such period, the company's performance during such period, his or her

individual contribution to the achievement of the company goals and the maximization of its profits and the circumstances under which he or she is leaving the company.

The compensation policy must also include, among other features:

- with regards to variable components:
- with the exception of office holders who report directly to the chief executive officer, determining the variable components on long-term performance basis and on measurable criteria; however, the company may determine that an immaterial part of the variable components of the compensation package of an office holder shall be awarded based on non-measurable criteria, if such amount is not higher than three monthly salaries per annum, while taking into account such office holder's contribution to the company;
- the ratio between variable and fixed components, as well as the limit of the values of variable components at the time of their payment, or in the case of equity-based compensation, at the time of grant;
- a condition under which the office holder will return to the company, according to conditions to be set forth in the compensation policy, any amounts paid as part of his or her terms of employment, if such amounts were paid based on information later discovered to be wrong, and such information was restated in the company's financial statements;
- the minimum holding or vesting period of variable equity-based components to be set in the terms of office or employment, as applicable, while taking into consideration long-term incentives; and
- a limit to retirement grants.

Our compensation policy, which became effective upon the closing of the spin-off, is designed to promote retention and motivation of directors and executive officers, incentivize superior individual excellence, align the interests of our directors and executive officers with our long-term performance and provide a risk management tool. To that end, a portion of our executive officer compensation package is targeted to reflect our short and long-term goals, as well as the executive officer's individual performance. On the other hand, our compensation policy includes measures designed to reduce the executive officer's incentives to take excessive risks that may harm us in the long-term, such as limits on the value of cash bonuses and equity-based compensation, limitations on the ratio between the variable and the total compensation of an executive officer and minimum vesting periods for equity-based compensation.

Our compensation policy also addresses our executive officers' individual characteristics (such as the officer's respective position, education, scope of responsibilities and contribution to the attainment of our goals) as the basis for compensation variation among our executive officers and considers the internal ratios between compensation of our executive officers and directors and other employees. Pursuant to our compensation policy, the compensation that may be granted to an executive officer may include: base salary, annual bonuses and other cash bonuses (such as a signing bonus and special bonuses with respect to any special achievements, such as outstanding personal achievement, outstanding personal effort or outstanding company performance or a unique company transaction), equity-based compensation, benefits and retirement and termination of service arrangements. All cash bonuses are limited to a maximum amount linked to the executive officer's base salary.

An annual cash bonus may be awarded to executive officers upon the attainment of pre-set periodic objectives and individual targets. The annual cash bonus that may be granted to our executive officers other than our chief executive officer will be based on performance objectives and a discretionary evaluation of the executive officer's overall performance by our chief executive officer and subject to minimum thresholds. The annual cash bonus that may be granted to executive officers other than our chief executive officer may alternatively be based entirely on a discretionary evaluation. Furthermore, our chief executive officer will be entitled to approve performance objectives for executive officers who report to him.

The measurable performance objectives of our chief executive officer will be determined annually by our Compensation Committee and our board of directors. A non-material portion of the chief executive officer's annual cash bonus may be based on a discretionary evaluation of the chief executive officer's overall performance by the Compensation Committee and our board of directors, based on quantitative and qualitative criteria.

The equity-based compensation under our compensation policy for our executive officers (including members of our board of directors) is designed in a manner consistent with the underlying objectives in determining the base salary and the annual cash bonus, with its main objectives being to enhance the alignment between the executive officers' interests with our long-term interests and those of our shareholders and to strengthen the retention and the motivation of executive officers in the long term. Our compensation policy provides for executive officer compensation in the form of share options or other equity-based awards, such as restricted shares and time or performance based restricted share units, in accordance with our share incentive plan then in place. Equity-based incentives granted to executive officers are generally subject to vesting periods in order to promote long-term retention of the awarded executive officers. The equity-based compensation shall be granted from time to time and be individually determined and awarded according to the performance, educational background, prior business experience, qualifications, role and the personal responsibilities of the executive officer.

In addition, our compensation policy contains compensation recovery provisions which allow us under certain conditions to recover bonuses paid in excess. The policy also enables our chief executive officer to approve an immaterial change in the terms of employment of an executive officer who reports directly him (provided that the changes of the terms of employment are in accordance with our compensation policy) and allows us to exculpate, indemnify and insure our executive officers and directors to the maximum extent permitted by Israeli law, subject to certain limitations set forth therein.

Our compensation policy also provides for compensation to the members of our board of directors either (i) in accordance with the amounts provided in the Companies Regulations (Rules Regarding the Compensation and Expenses of an External Director) of 2000, as amended by the Companies Regulations (Relief for Public Companies Traded in Stock Exchange Outside of Israel) of 2000, as such regulations may be amended from time to time, or (ii) in accordance with the amounts determined in our compensation policy. Pursuant to our compensation policy, the compensation that may be granted to a director may include: an initial "welcome" equity grant for new board members, an annual equity grant, an annual cash retainer, annual cash fees for service on board committees or in board leadership roles, and an annual cash supplement for international directors (who reside outside of Israel).

### ***Nominating and Governance Committee***

#### ***Companies Law Requirements***

The Companies Law does not require that our board of directors appoints a nominating committee or governance committee to address director nominations or corporate governance requirements. We have nevertheless elected to comply with the Nasdaq requirement to appoint such a committee, as described below, rather than to rely upon home country practice.

#### ***Listing Requirements***

Under the Nasdaq corporate governance rules, we are required to maintain a nominating committee consisting of at least two independent directors.

Our Nominating and Governance Committee consists of Mr. Shanks and Ms. Shilo. Effective as of May 1, 2024, following Ms. Shilo's resignation from our board of directors and the effectiveness of Mr. Shvili's and Ms. Sagiv's appointment, our Nominating and Governance Committee will consist of Mr. Shanks, Mr. Shvili and Ms. Sagiv. Mr. Shanks serves as chairman of the Nominating and Governance Committee. Our board of directors has determined that each member of our Nominating and Governance Committee is independent under the Nasdaq rules.

#### ***Nominating and Governance Committee Role***

Our board of directors has adopted a nominating and governance committee charter that sets forth the responsibilities of the Nominating and Governance Committee, which include, among other things:

- evaluating and making recommendations to our board of directors concerning the structure, composition and functioning of our board of directors and any committee thereof, to ensure the board has the requisite expertise and its membership consists of persons with sufficiently diverse and independent backgrounds;

- recommending to our board of directors for its approval criteria for board and committee membership, including a description of any specific and minimum qualifications that the Nominating and Governance Committee believes must be met by a committee-recommended nominee;
- identifying and evaluating individuals, including individuals proposed by our shareholders, qualified to serve as members of our board of directors, consistent with criteria established by the committee, a new director candidate evaluation process and the qualification requirements set forth under the Companies Law and Nasdaq corporate governance rules;
- recommending to the board candidates for election or reelection by our board of directors at each annual general meeting of shareholders;
- establishing procedures for and oversee performance evaluations of the members of our board of directors and our board of directors and the committees thereof on a collective basis;
- reviewing our board of directors meeting procedures, including the appropriateness and adequacy of the information supplied to directors prior to and during meetings of our board of directors;
- establishing and maintaining effective corporate governance policies and practices, including, but not limited to, developing and recommending to the board a set of corporate governance guidelines applicable to our company; and
- assisting our board of directors in fulfilling its oversight responsibilities relating to corporate responsibility and environmental, social and governance matters.

### ***Strategy Committee***

In April 2024, our board of directors established our Strategy Committee, which is comprised of Mr. Cohen (Chairperson), Ms. Sharir and Mr. Shvili. Our board of directors has adopted a strategy committee charter that sets forth the responsibilities of the Strategy Committee, which include, among other things, responsibility for providing the board of directors with recommendations, in relation to the development and execution of the Company's strategy, including its strategic plans and initiative. In addition, the Strategy Committee shall provide guidance and support to management in the execution of strategic projects and initiatives, including resource allocation and performance management. The Strategy Committee shall assist management in assessing and monitoring external factors such as regulatory changes, technological advancements, and economic conditions that may impact the Company's strategy. The committee shall also maintain a cooperative, interactive planning process with management, including but not limited to, identifying and prioritizing strategic goals.

### ***Internal Auditor***

Under the Companies Law, the board of directors of an Israeli public company must also appoint an internal auditor nominated by the audit committee.

The role of the internal auditor is to examine, among other things, whether a company's actions comply with the law and proper business procedure. The Audit Committee is required to oversee the activities, and to assess the performance of the internal auditor as well as to review the internal auditor's work plan. An internal auditor may not be an interested party or office holder, or a relative of any interested party or office holder, and may not be a member of the company's independent accounting firm or its representative. The Companies Law defines an interested party as a holder of 5% or more of the outstanding shares or voting rights of a company, any person or entity that has the right to nominate or appoint at least one director or the general manager of the company or any person who serves as a director or as the general manager of a company. Our Internal Auditor is not our employee, but rather a firm which specializes in internal auditing.

### ***Fiduciary Duties of Office Holders***

The Companies Law imposes a duty of care and a duty of loyalty on all office holders of a company.

The duty of care requires an office holder to act with the level of care with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care of an office holder includes a duty to use reasonable means to obtain:

- information on the advisability of a given action brought for such office holder's approval or performed by him or her by virtue of his or her position; and
- all other important information pertaining to these actions.

The duty of loyalty of an office holder requires an office holder to act in good faith and for the benefit of the company, and includes a duty to:

- refrain from any conflict of interest between the performance of his or her duties in the company and his or her performance of his or her other duties or personal affairs;
- refrain from any action that is competitive with the company's business;
- refrain from exploiting any business opportunity of the company to receive a personal gain for such office holder or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder has received due to his or her position as an office holder.

### **Approval of Related Party Transactions under Israeli Law**

#### ***General***

Under the Companies Law, we may approve an action by an office holder from which the office holder would otherwise have to refrain, as described above, if:

- the office holder acts in good faith and the act or its approval does not cause harm to the company; and
- the office holder disclosed the nature of his or her interest in the transaction (including any significant fact or document) to the company at a reasonable time before the company's approval of such matter.

#### ***Disclosure of Personal Interests of an Office Holder***

The Companies Law requires that an office holder disclose to the company, promptly, and, in any event, not later than the board meeting at which the transaction is first discussed, any direct or indirect personal interest that he or she may have and all related material information known to him or her relating to any existing or proposed transaction by the company. If the transaction is an extraordinary transaction, the office holder must also disclose any personal interest held by:

- the office holder's relatives; or
- any corporation in which the office holder or his or her relatives holds 5% or more of the shares or voting rights, serves as a director or general manager or has the right to appoint at least one director or the general manager.

Under the Companies Law, an extraordinary transaction is a transaction:

- not in the ordinary course of business;
- not on market terms; or



- that is likely to have a material effect on the company’s profitability, assets or liabilities.

The Companies Law does not specify to whom within Cognyte nor the manner in which required disclosures are to be made. We require our office holders to make such disclosures to our board of directors.

Under the Companies Law, once an office holder complies with the above disclosure requirement, the board of directors may approve a transaction between the company and an office holder, or a third party in which an office holder has a personal interest, unless the articles of association provide otherwise and provided that the transaction is in the company’s interest. If the transaction is an extraordinary transaction in which an office holder has a personal interest, first the audit committee and then the board of directors, in that order, must approve the transaction. Under specific circumstances, shareholder approval may also be required. A director who has a personal interest in an extraordinary transaction, which is considered at a meeting of the board of directors or the audit committee, may not be present at that meeting or vote on that matter, unless a majority of the board of directors or the audit committee, as the case may be, has a personal interest. If a majority of the board of directors has a personal interest, then shareholder approval is generally also required.

Under the Companies Law, all arrangements as to compensation of office holders require approval of the compensation committee and board of directors, and compensation of office holders who are directors must be also approved, subject to certain exceptions, by the shareholders, in that order. Where the director is also a controlling shareholder, the requirements for approval of transactions with controlling shareholders apply.

### ***Disclosure of Personal Interests of a Controlling Shareholder***

Under the Companies Law, the disclosure requirements that apply to an office holder also apply to a controlling shareholder of a public company. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, including a private placement in which a controlling shareholder has a personal interest, as well as transactions for the provision of services whether directly or indirectly by a controlling shareholder or his or her relative, or a company such controlling shareholder controls, and transactions concerning the terms of engagement of a controlling shareholder or a controlling shareholder’s relative, whether as an office holder or an employee, require the approval of the audit committee or the compensation committee, as the case may be, the board of directors and a majority of the shares voted by the shareholders of the company participating and voting on the matter in a shareholders’ meeting. In addition, the shareholder approval must fulfill one of the following requirements:

- at least a majority of the shares held by shareholders who have no conflict of interest (referred to under the Companies Law as a “personal interest”) in the transaction and are voting at the meeting must be voted in favor of approving the transaction, excluding abstentions; or
- the shares voted by shareholders who have no personal interest in the transaction who vote against the transaction represent no more than 2% of the voting rights in the company.

In addition, any extraordinary transaction with a controlling shareholder or in which a controlling shareholder has a personal interest with a term of more than three years requires the above-mentioned approval every three years; however, such transactions not involving the receipt of services or compensation can be approved for a longer term, provided that the audit committee determines that such longer term is reasonable under the circumstances.

The Companies Law requires that every shareholder that participates, in person, by proxy or by voting instrument, in a vote regarding a transaction with a controlling shareholder, must indicate in advance (via the proxy card or voting instruction form) or in the ballot whether or not that shareholder has a personal interest in the vote in question. Failure to so indicate will result in the invalidation of that shareholder’s vote.

The term “controlling shareholder” is defined in the Companies Law as a shareholder with the ability to direct the activities of the company, other than by virtue of being an office holder. A shareholder is presumed to be a controlling shareholder if the shareholder holds 50% or more of the voting rights in a company or has the right to appoint the majority of the directors of the company or its chief executive officer. In the context of a transaction involving a shareholder of the company, a controlling shareholder also includes a shareholder who holds 25% or more of the voting rights in the company if no other shareholder

holds more than 50% of the voting rights in the company. For this purpose, the holdings of all shareholders who have a personal interest in the same transaction will be aggregated.

### **Duties of Shareholders**

Under the Companies Law, a shareholder has a duty to refrain from abusing its power in the company and to act in good faith and in an acceptable manner in exercising its rights and performing its obligations toward the company and other shareholders, including, among other things, voting at general meetings of shareholders (and at shareholder class meetings) on the following matters:

- amendment of the articles of association;
- increase in the company's authorized share capital;
- merger; and
- the approval of related party transactions and acts of office holders that require shareholder approval.

A shareholder also has a general duty to refrain from oppressing other shareholders.

The remedies generally available upon a breach of contract will also apply to a breach of the above mentioned duties, and in the event of oppression of other shareholders, additional remedies are available to the injured shareholder.

In addition, any controlling shareholder, any shareholder that knows that its vote can determine the outcome of a shareholder vote and any shareholder that, under a company's articles of association, has the power to appoint or prevent the appointment of an office holder, or has another power with respect to a company, is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness, taking the shareholder's position in the company into account.

### **Code of Conduct and Business Ethics**

Our board of directors adopted a written Code of Business Conduct and Ethics reinforcing our guiding principles to act with the highest level of integrity and ethical standards and setting forth our expectations regarding personal and corporate conduct for all of our directors, officers, employees and representatives. For more information, see "Item 16B. Code of Ethics."

### **Exculpation, Indemnification and Insurance of Directors and Officers**

#### ***Exculpation of Office Holders***

Under the Companies Law, an Israeli company may not exempt an office holder from his or her liability for a breach of the duty of loyalty to the company, but may exempt an office holder, in advance, from his or her liability, in whole or in part, for a breach of his or her duty of care to the company (except with regard to distributions), if the articles of association so provide. Our Articles of Association permit us to exempt our office holders, retroactively or in advance, from his or her liability, in whole or in part, for a breach of his or her duty of care to the company, up to the highest amount permitted by law.

#### ***Office Holders' Insurance***

As permitted by the Companies Law, our Articles of Association provide that, subject to the provisions of the Companies Law, we may enter into a contract for the insurance of the liability of any of our office holders concerning an act performed by him or her in his or her capacity as an office holder for:

- a breach of his or her duty of care to us or to another person;

- a breach of his or her duty of loyalty to us, provided that the office holder acted in good faith and had reasonable cause to assume that his or her act would not prejudice our interests;
- a financial liability imposed upon him or her in favor of another person;
- expenses he or she incurs as a result of administrative proceedings that may be instituted against him or her under Israeli securities laws, if applicable, and payments made to injured persons under specific circumstances thereunder;
- expenses he or she incurs as a result of administrative proceedings that may be instituted against him or her, including reasonable litigation expenses; and
- any other matter in respect of which it is permitted or will be permitted under applicable law to insure the liability of an office holder in Cognyte.

#### ***Indemnification of Office Holders***

As permitted by the Companies Law, our Articles of Association provide that we may indemnify any of our office holders for an act performed in his or her capacity as an office holder, retroactively (after the liability has been incurred) or in advance against the following:

- a financial liability incurred by, or imposed on, him or her in favor of another person by any judgment, including a settlement or an arbitration award approved by a court; provided that our undertaking to indemnify with respect to such events on a prospective basis is, according to the Companies Law, limited to events that our board of directors believes are foreseeable in light of our actual operations at the time of providing the undertaking and to a sum or standard that our board of directors determines to be reasonable under the circumstances, and further provided that such events and amount or criteria are set forth in the undertaking to indemnify;
- reasonable litigation expenses, including attorney's fees, incurred by the office holder as a result of an investigation or proceeding instituted against him or her by a competent authority, provided that such investigation or proceeding concluded without the filing of an indictment against him or her or concluded with the imposition of a financial liability in lieu of criminal proceedings with respect to a criminal offense that does not require proof of criminal intent, all according to the law, or in connection with a financial sanction;
- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or charged to him or her by a court, resulting from the following: proceedings we institute against him or her or instituted on our behalf or by another person; a criminal indictment from which he or she was acquitted; or a criminal indictment in which he or she was convicted for a criminal offense that does not require proof of intent;
- expenses he or she incurs as a result of administrative proceedings that may be instituted against him or her under Israeli securities laws, if applicable, and payments made to injured persons under specific circumstances thereunder;
- expenses paid in connection with the administrative proceeding which was instituted against him or her, including reasonable litigation expenses, such as attorneys' fees; and
- any other matter in respect of which it is permitted or will be permitted under applicable law to indemnify an office holder in Cognyte.

#### ***Limitations on Exculpation, Insurance and Indemnification***

The Companies Law provides that a company may not indemnify an office holder nor exculpate an office holder nor enter into an insurance contract which would provide coverage for any monetary liability incurred as a result of any of the following:

- a breach by the office holder of his or her duty of loyalty, unless with respect to indemnification and insurance, the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach by the office holder of his or her duty of care if the breach was committed intentionally or recklessly, unless it was committed only negligently;
- any act or omission committed with the intent to derive an illegal personal benefit; or
- any fine levied against the office holder.

In addition, under the Companies Law, exculpation of, an undertaking to indemnify or indemnification of, and procurement of insurance coverage for, our office holders must be approved by our Compensation Committee and our board of directors and, in specified circumstances, such as if the office holder is a director, is generally required to be approved by our shareholders.

We have entered into agreements with each of our directors and executive officers to indemnify them to the fullest extent permitted by law, subject to limited exceptions. The maximum aggregate amount of indemnification that we may pay to our directors and executive officers based on such indemnification agreements is, generally, in any five year-period, the greatest of:

- twenty-five percent (25%) of our total shareholders' equity based on our most recent financial statements as of the time of the actual payment of indemnification;
- \$200.0 million;
- ten percent (10%) of our total market capitalization (determined based on the average closing price of our shares over the 30 trading days prior to the actual payment of indemnification multiplied by the total number of our issued and outstanding shares as of the date of actual payment); and
- in connection with or arising out of a public offering of our securities, the aggregate amount of proceeds from the sale by us and/or any of our shareholders of securities in such offering.

We also maintain a directors' and officers' liability insurance policy, which we may adjust from time to time. The aggregate coverage limit of the policy we will maintain each year is not currently expected to exceed the greater of \$50.0 million or 50% of our shareholders equity, based on our most recent financial statements at the time of approval by our Compensation Committee. The annual premiums that we pay under that policy will reflect current market conditions and will not materially affect our profitability, assets or liabilities.

## 6.E. SHARE OWNERSHIP

For information regarding the share ownership of directors and officers, see "Item 7.A. *Major Shareholders and Related Party Transactions—Major Shareholders.*" For information as to our equity incentive plans, see "Item 6.B. *Director, Senior Management and Employees—Compensation—Share Option Plans.*"

## 6.F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

Not Applicable.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### 7.A. MAJOR SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership of our shares as of March 31, 2024 by:

- each person or entity known by us to own beneficially more than 5% of our outstanding shares;
- each of our directors and executive officers individually; and
- all of our executive officers and directors as a group.

The beneficial ownership of ordinary shares is determined in accordance with the SEC rules and generally includes any ordinary shares over which a person exercises sole or shared voting or investment power. For the purposes of the table below, we deem restricted shares units scheduled to vest within 60 days of March 31, 2024, to be outstanding and to be beneficially owned by the person holding restricted shares units for the purposes of computing the percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person. The percentage of shares beneficially owned is based on 71,023,492 ordinary shares outstanding as of March 31, 2024.

All of our shareholders, including the shareholders listed below, have the same voting rights attached to their ordinary shares. Unless otherwise noted below, each shareholder's address is 33 Maskit, Herzliya Pituach, 4673333, Israel.

Name of beneficial owner	Shares Beneficially Owned	
	Number	%
<i>Directors and executive officers</i>		
Elad Sharon	389,460	0.55%
Earl Shanks	207,621	0.29%
Richard Nottenburg	33,659	*
Dafna Sharir	63,692	*
Zvika Naggan	59,890	*
Karmit Shilo	68,883	*
Avi Cohen	22,057	*
Sarit Sagiv **	—	*
Ron Shvili **	—	*
David Abadi	275,851	0.39%
Amir Barel	72,707	0.10%
Gil Cohen	67,120	*
Ilan Rotem	39,140	*
Sharon Chouli	161,285	0.23%
Efi Nuri	73,474	0.10%
Rini Karlin	135,359	0.19%
All directors and executive officers as a group (16 persons)	1,670,198	2.35%
<i>Major Shareholders</i>		
Edenbrook Capital, LLC (1)	6,075,551	8.55%
American Capital Management, Inc. (3)	5,802,415	8.17%
Neuberger Berman, LLC(2)	5,038,357	7.09%
Legal & General Investment Management Limited (4)	4,033,757	5.68%
<sup>1</sup> ValueBase Ltd. and affiliates (5)	3,697,552	5.21%

\* Less than 0.1%

<sup>1</sup>

\*\* Expected to join our board of directors effective as of May 1, 2024

(1) According to a Schedule 13D/A filed on October 13, 2022 by Edenbrook Capital, LLC (“Edenbrook Capital”) and Jonathan Brolin, each had shared voting and dispositive power over 6,538,998 Cognyte ordinary shares. The number of shares set forth in the table is based on 6,075,551 shares reported in a Form 13F-HR filed with the SEC on February 13, 2024 by Edenbrook Capital and Jonathan Brolin. The address of each of the reporting persons is 116 Radio Circle, Mt. Kisco, NY 10549.

(2) As reported on Schedule 13G filed with the SEC on February 14, 2024 by American Capital Management, Inc. (“ACMI”). ACMI has sole voting power over 1,787,581 Cognyte ordinary shares and sole dispositive power over 5,802,415 Cognyte ordinary shares. The address of ACMI is 575 Lexington Avenue, 30th Floor, New York, NY 10022.

(3) As reported on Schedule 13G/A filed with the SEC on February 12, 2024 by Neuberger Berman Group, LLC (“NB Group”) and Neuberger Berman Investment Advisers LLC (“NBIA”). NB Group has shared voting power over 4,098,684 shares and shared dispositive power over 5,038,357 shares. NBIA has shared voting power over 4,005,531 and shared dispositive power over 4,880,459 shares. Neuberger Berman Trust Co N.A., Neuberger Berman Trust Co of Delaware N.A., Neuberger Berman Asia Ltd., Neuberger Berman Canada ULC, and NBIA and certain affiliated persons may be deemed to beneficially these Cognyte ordinary shares in their various fiduciary capacities. NB Group, through its subsidiaries Neuberger Berman Investment Advisers Holdings LLC and Neuberger Trust Holdings LLC controls Neuberger Berman Trust Co N.A., Neuberger Berman Asia Ltd., Neuberger Berman Canada ULC, Neuberger Berman Trust Co of Delaware N.A. and NBIA and certain affiliated persons. Each of NB Group, NBIA, Neuberger Trust Holdings LLC, Neuberger Berman Trust Co N.A., Neuberger Berman Asia Ltd., Neuberger Berman Canada ULC, Neuberger Berman Trust Co of Delaware N.A. and Neuberger Berman Investment Advisers LLC and certain affiliated persons disclaim beneficial ownership of these Cognyte ordinary shares. The address of each of these reporting persons is 1290 Avenue of the Americas, New York, NY 10104

(4) As reported in the Schedule 13G filed with the SEC on February 14, 2024 by Legal & General Investment Management Limited (“LGIM”), LGIM Managers (Europe) Limited (“LGIM Managers”) and Legal & General UCITS ETF PLC (“UCITS”). Each of these entities have shared voting and dispositive power over 4,033,757 Cognyte ordinary shares. The address of LGIM is One Coleman Street, London, EC2R 5AA and the address of LGIM Managers and UCITS is 70 Sir John Rogersons Quay, Dublin 2, Ireland.

(5) As reported on Schedule 13G/A filed with the SEC on February 13, 2024 by Value Base Ltd. (“Value Base”), Ido Nouberger and Victor Shamrich. 1,439,213 Cognyte ordinary shares are owned directly by Value Base, which is controlled by Messrs Nouberger and Shamrich and which wholly owns Value Base Hedge Fund Ltd., the general partner of Harmony Base L.P. 1,114,585 Cognyte ordinary shares are owned directly by Harmony Base L.P. 671,354 Cognyte ordinary shares are owned directly by Mr. Shamrich. 472,400 Cognyte ordinary shares are owned directly by Mr. Nouberger. As such, each of Value Base, Mr. Nouberger and Mr. Shamrich has shared voting and dispositive power over 3,697,552 Cognyte ordinary shares, and disclaims beneficial ownership of all such shares. The address of each of the reporting persons is 23 Yehuda Halevi St., Tel-Aviv 6513601, Israel.

### **Registered Holders**

Based on a review of the information provided to us by our transfer agent, as of January 31, 2024, there were 1,553 United States registered holders of our shares, one of which (Cede & Co., the nominee of the Depository Trust Company) held approximately 99.8% of our outstanding ordinary shares.

## **7.B. RELATED PARTY TRANSACTIONS**

The following is a description of material transactions, or series of related material transactions, since February 1, 2024, that are required to be disclosed under Item 7.B of Form 20-F. For information relating to our policies on approval of related party transactions, since “Item 6.C. Board Practices—Approval of Related Party Transactions under Israeli Law.”

The summaries of the material transactions described below set forth the terms of the agreements that we believe are material. These summaries are qualified in their entirety by reference to the full text of the applicable agreements, which are incorporated by reference into this Annual Report.

### **Agreements with Verint**

In connection with the spin-off we entered into a Separation and Distribution Agreement (the “Separation and Distribution Agreement”) with Verint related to the separation and distribution, and we entered into several other agreements with Verint prior to completion of the spin-off to effect the separation and provide a framework for our relationship with Verint after the spin-off. These agreements govern the relationship between Verint and us following the completion of the spin-off and established the separation of the assets, employees, liabilities and obligations (including investments, property and employee benefits and tax liabilities) of Verint and its subsidiaries that constituted the Cognyte Business. In addition to the Separation and Distribution Agreement (which contains many of the key provisions related to our separation from Verint and the distribution of our shares to holders of Verint shares), these agreements include:

- a Tax Matters Agreement;
- an Employee Matters Agreement;
- an Intellectual Property Cross License Agreement; and
- a Trademark Cross License Agreement.

### **Separation and Distribution Agreement**

We entered into the Separation and Distribution Agreement with Verint. The Separation and Distribution Agreement sets forth our agreements with Verint regarding the principal actions taken, and to be taken, in connection with the separation and distribution.

*Transfer of Assets and Assumption of Liabilities.* The Separation and Distribution Agreement identifies the assets to be transferred, liabilities to be assumed and contracts to be assigned to each of us and Verint, including as part of the internal transactions effected prior to the distribution, the purpose of which is to ensure that, at the time of the spin-off and thereafter, each of us and Verint holds the assets which it requires to operate, in our case, the Cognyte Business and, in the case of Verint, Verint’s other businesses, and retains or assumes (as applicable) liabilities, including pending and future claims, which primarily relate to such business or such assets (whether arising prior to, at or after the date of execution of the Separation and Distribution Agreement).

The Separation and Distribution Agreement provides for when and how such transfers, assumptions and assignments occurred, or should have occurred following the separation (to the extent that such transfers, assumptions and assignments have not already occurred prior to the parties’ entry into the Separation and Distribution Agreement). The Separation and Distribution Agreement further sets forth the basis on which individual assets and liabilities (or any part thereof), the transfer of which is subject to a third-party consent or notification which has not been obtained or if the transfer thereof cannot for regulatory reasons occur by the date on which implementation of the separation occurs in the relevant jurisdiction, will, subject to certain exceptions, continue to be held by the relevant transferor for the use, benefit or burden of, and at the cost of, the relevant transferee.

*The Distribution.* The Separation and Distribution Agreement governs the rights and obligations of the parties with respect to the distribution. On the distribution date, Verint distributed to its shareholders that held Verint common stock as of the record date all of our issued and outstanding shares on a pro rata basis.

*Representations and Warranties.* We and Verint each provided customary representations and warranties as to our respective capacity to enter into the Separation and Distribution Agreement. Except as expressly set forth in the Separation and Distribution Agreement or any Ancillary Agreement, neither we nor Verint made any representation or warranty as to the assets, business or liabilities transferred or assumed as part of the separation, or as to the legal sufficiency of any assignment, document or instrument delivered to convey title to any asset or thing of value to be transferred in connection with the separation. Except as expressly set forth in the Separation and Distribution Agreement and the Ancillary Agreements, all assets were transferred on an “as is,” “where is” basis.

*Release of Claims.* We and Verint each agreed to release the other and its affiliates, successors and assigns, and all persons that prior to completion of the spin-off have been the shareholders, directors, officers, agents or employees of the other or its affiliates, and their respective heirs, executors, administrators, successors and assigns, from any claims against any of them that arise out of or relate to liabilities arising from (i) the transactions and activities to implement the separation and distribution, and

(ii) our respective businesses or liabilities. These releases will be subject to limited exceptions set forth in the Separation and Distribution Agreement.

*Indemnification.* We and Verint each agreed to indemnify the other and each of the other's affiliates and past, present, or future directors, officers, agents and employees and each of the heirs, executors, successors and assigns of any of the foregoing against certain liabilities incurred in connection with the spin-off and related to our and Verint's respective businesses. The amount of either Verint or our indemnification obligations will be reduced by any insurance proceeds the party being indemnified receives or other amounts actually recovered (including pursuant to any indemnity from a third party).

*Management of Certain Litigation Matters.* Subject to certain exceptions, we will direct the defense of any litigation or claims that constitute only our liabilities or our assets and certain actions specified at the time of signing the Separation and Distribution Agreement. Verint will direct the defense of any litigation or claims that constitute only Verint liabilities or Verint assets and certain actions specified at the time of signing the Separation and Distribution Agreement. In the case of any litigation or claim that constitutes only our liabilities or our assets, but Verint or an affiliate is named as a party thereto, we will use commercially reasonable efforts to have Verint or such Verint affiliate removed as a party. In the case of any litigation or claim that constitutes only Verint liabilities or Verint assets, but we or an affiliate are named as a party thereto, Verint will use commercially reasonable efforts to have us or such affiliate removed as a party. We and Verint will jointly manage (whether as co-defendants or as co-plaintiffs) certain actions specified at the time of signing the Separation and Distribution Agreement and any litigation or claims that constitute both our liability and a Verint liability or both our assets and Verint's assets.

*Dispute Resolution.* For any disputes between us and Verint arising out of the Separation and Distribution Agreement or the Ancillary Agreements, such disputes will initially be considered for informal dispute resolution by a committee comprised of two of our representatives and two Verint representatives on a steering committee. If the dispute is not resolved within 15 days of submission to the steering committee, we or Verint may submit the dispute for non-binding mediation. If negotiation and any mediation fails, we and Verint will resolve the dispute in a court of competent jurisdiction located in New York, New York. However, we or Verint may seek preliminary or injunctive relief from a court without first complying with the dispute resolution procedures if such action is reasonably necessary to avoid irreparable damage.

*Term / Termination.* The Separation and Distribution Agreement may not be terminated following the completion of the distribution unless the parties mutually agree in writing to terminate it.

*Expenses.* We and Verint will each bear our own expenses in connection with the separation and distribution.

*Other Matters Governed by the Separation and Distribution Agreement.* Other matters governed by the Separation and Distribution Agreement include, without limitation, mutual non-compete and non-solicitation obligations, insurance arrangements, confidentiality, further assurances, treatment of outstanding guarantees and similar credit support, record retention and the exchange of and access to certain information, books and records.

*Internal Transactions.* Upon the terms and conditions set forth in the Separation and Distribution Agreement, we and Verint effected the internal transactions steps set forth in the schedules to the Separation and Distribution Agreement. The purpose of the internal transactions is to ensure that, at the time of the spin-off and thereafter, each of us and Verint holds the assets which it requires to operate, in our case, Cognyte and, in the case of Verint, the Customer Engagement Business, and retains or assumes (as applicable) liabilities, including pending and future claims, which primarily relate to such business or such assets (whether arising prior to, at or after the date of execution of the Separation and Distribution Agreement).

### ***Tax Matters Agreement***

In connection with the spin-off, we entered into the Tax Matters Agreement with Verint under which we and Verint each agreed to share the obligation to pay any taxes as shown on tax returns filed by Verint (or any member of its group), on one hand, and us (or any member of our group), on the other hand, such that we will be primarily responsible for any taxes related to, or arising in connection with Cognyte, and Verint will be responsible for any taxes related to, or arising in connection with, the Customer Engagement Business, regardless of which party prepares and files any such tax return and whether such taxes arise prior to or after the spin-off. As a result of such undertaking, we have recorded in the fiscal year that ended on January 31, 2023 a \$4.7 million tax contingency in connection with a tax position that should have been recognized by Verint beginning with 2019, prior to the spin-off, and related primarily to Cognyte. During the fourth quarter of fiscal year January 31, 2024, the uncertain tax positions associated with Verint, as well as the corresponding indemnification asset, were reversed due to the expiration of the statute of limitations. For further information, please see "Item 5.A. Operating Results—Components of Results of Operations—Provision for Income Taxes". We and Verint also agreed to share responsibility for preparing relevant



tax returns, which responsibility will depend on the type of a tax return and the period for which such tax return is being filed. We and Verint agreed to indemnify each other under the Tax Matters Agreement for certain actions or inactions that cause the distribution of our stock to fail to qualify as tax-free for U.S. federal income and Israeli tax purposes. If the distribution fails to qualify as tax-free due to no fault of either Verint or us, Verint and we will jointly be responsible for any resulting tax. We and Verint agree generally to cooperate in preparing and filing tax returns and will retain and make available tax records to the other party. Contests with taxing authorities are generally controlled by whichever of us or Verint bears the potential liability for the contested tax. However, with respect to certain income tax returns of Verint group, Verint has an exclusive right to control any contest with taxing authorities regarding tax liabilities in connection with such income tax returns, even if we are allocated all or a portion of such taxes under the terms of the Tax Matters Agreement. If any tax contest relates to a failure of the spin-off to qualify as tax-free due to the fault of Verint or us, then the party at fault will control such tax contest. If neither party is at fault, Verint and we will jointly control any tax contest relating to the failure of the distribution to qualify as tax-free for U.S. federal income or Israeli tax purposes. Disputes among the parties to the Tax Matters Agreement will be referred to independent tax counsel in the event the parties are unable to resolve such disputes in a timely manner without the engagement of independent tax counsel.

### ***Employee Matters Agreement***

In connection with the spin-off, we entered into an employee matters agreement (the “Employee Matters Agreement”) with Verint which sets forth our agreements with Verint regarding the allocation of liabilities and responsibilities with respect to employees, employment matters, compensation, benefit plans, and other related matters in connection with the separation and distribution.

*Allocation of Employment Liabilities.* The general principle for the allocation of employment-related liabilities is that (i) we assume (or retain) all such liabilities relating to our employees as well as former employees of the CES Group (as defined in the Separation and Distribution Agreement) who worked wholly or substantially in Cognyte as of the date immediately prior to the termination of their employment (“former Cognyte employees”) and (ii) Verint assumes (or retains) all such liabilities relating to all other current and former employees of the CES Group, in each case, regardless of when such liabilities arise. In addition, we assume (or retain) all liabilities set forth in offer letters extended to prospective employees ultimately hired by us (or any member of our group), and Verint assumes (or retains) all liabilities set forth in offer letters extended to prospective employees ultimately hired by the CES Group, in each case, including any promises to recommend equity grants.

We will cooperate in good faith with Verint to identify our employees, and we will indemnify Verint for any liabilities (including severance) relating to the transfer of employment to Cognyte, the termination of any our employees following the date of the spin-off, and any other liabilities assumed by us under the Employee Matters Agreement.

*Terms and Conditions of Cognyte Employees.* Prior to and for a period of twelve months following the date of the spin-off, if it is determined that it is in the mutual best interests of the parties to transfer either an individual classified as a Verint employee to us, or an individual classified as one of our employees to Verint, then the parties will use commercially reasonable efforts to ensure that such employees are transferred accordingly, and such subsequently transferring employees will continue to be classified as either Verint employees or our employees, as applicable, until the date of such transfer.

*Employee Benefit and Bonus Plans.* We agreed to adopt or continue in effect our benefit plans that were in effect prior to the distribution date, including the new equity incentive plan, which was adopted prior to the spin-off. We will be responsible for all cash bonus payments to our employees, and any bonuses that our employees have elected to receive in the form of equity under Verint's stock bonus program will be settled in shares of our common stock.

*Collective Bargaining Agreements.* We agreed to retain or assume each collective bargaining agreement covering any of our employees and will assume all liabilities arising under such collective bargaining agreements.

*Severance and Unemployment Compensation.* We agreed to retain or assume all severance and unemployment compensation liabilities relating to our employees or former Cognyte employees, or reimburse Verint for any such expenses it incurs in connection with the separation.

*Incentive Equity Awards.* As of the date of the spin-off, outstanding Verint incentive equity awards, both inside and outside of the United States, were separated into either (1) adjusted awards over Verint common stock for those employees who remained with Verint, or (2) converted and adjusted awards over our ordinary shares for those employees who remained with us

following the separation and distribution. Outstanding phantom awards tied to the value of Verint equity received the same treatment as the incentive equity awards described in the previous sentence but were settled in cash.

### ***Intellectual Property Cross License Agreement***

On the date of the spin-off, we entered into an Intellectual Property Cross License Agreement with Verint under which each party and its affiliates grants reciprocal licenses to the other party for certain patents and other non-trademark intellectual property (“patents and other IP”). The reciprocal licenses permit each party’s affiliates to practice the patents and other IP either directly or by way of a sublicense. The Intellectual Property Cross License Agreement will continue until the parties mutually agree to terminate it or a party terminates it for uncured breach by, or bankruptcy or insolvency of, the other party.

### ***Trademark Cross License Agreement***

In connection with the spin-off, we entered into a trademark cross license agreement (the “Trademark Cross License Agreement”) with Verint under which Verint and its affiliates granted to us, and we were able to sublicense to our affiliates, and we and our affiliates granted to Verint and its affiliates a non-exclusive, worldwide, non-transferable license to use certain Verint or Cognyte trademarks for which each party retains ownership in connection with the separation, solely for uses of the licensed trademarks as such marks are used in the respective business as of the date of the spin-off and/or for the purposes of transitioning Cognyte and Verint to separate businesses. All licenses granted under the Trademark Cross License Agreement have terminated at the end of the 12-month transition period, which ended on January 31, 2022.

### **Agreement with Bank Leumi**

Effective as of February 2021, we entered into a revolving credit facility with Bank Leumi Le-Israel B.M. (“Bank Leumi”), an Israeli bank. Under the credit facility with Bank Leumi, we were provided with a total of up to \$50 million in borrowings, made available to the Company for three years from the effective date. As of December 31, 2023, we have proactively updated the credit facility with Bank Leumi and the total amount of credit has been adjusted to \$35 million, and the availability period has been revised to two years, so that the term of the extended facility shall end on January 31, 2026. Our obligations under the credit facility are guaranteed by certain customary affirmative and restrictive covenants for credit facilities of this type. The credit facilities also contain financial covenants which are measured at the end of each quarter. During October 2022, Zvika Naggan, a member of our board of directors, was appointed to serve as member of the board of directors of Bank Leumi.

## **7.C. INTERESTS OF EXPERTS AND COUNSEL**

Not Applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **8.A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

#### **Consolidated Financial Statements**

See “Item 18. Financial Statements”.

#### **Policy on Dividend Distributions**

We do not anticipate paying any cash dividends on our ordinary shares in the future. We currently intend to retain all future earnings to finance our operations and to expand our business. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, financial condition and future prospects and other factors our board of directors may deem relevant.

### **8.B. SIGNIFICANT CHANGES**

A discussion of significant changes in our business can be found under Item 4.A. “Information on the Company—History and Development of the Company,” Item 4.B. “Information on the Company—Business Overview” and Item 5.A. “Operating and Financial Review and Prospects—Results of Operations.”

## **ITEM 9. THE OFFER AND LISTING**

### **9.A. OFFER AND LISTING DETAILS**

Our ordinary shares commenced trading on Nasdaq under the symbol “CGNT” on February 2, 2021. Prior to this, no public market existed for our ordinary shares.

### **9.B. PLAN OF DISTRIBUTION**

Not Applicable.

### **9.C. MARKETS**

Our ordinary shares commenced trading on Nasdaq on February 2, 2021 under the symbol “CGNT”.

### **9.D. SELLING SHAREHOLDERS**

Not Applicable.

### **9.E. DILUTION**

Not Applicable.

### **9.F. EXPENSES OF THE ISSUE**

Not Applicable.

## **ITEM 10. ADDITIONAL INFORMATION**

### **10.A. SHARE CAPITAL**

Not Applicable.

### **10.B. MEMORANDUM AND ARTICLES OF ASSOCIATION**

A copy of our amended and restated articles of association is attached as [Exhibit 1.1](#) to this Annual Report. The information called for by this Item is set forth in [Exhibit 2.1](#) to this Annual Report and is incorporated by reference into this Annual Report.

### **10.C. MATERIAL CONTRACTS**

For information concerning our material contracts, see “Item 4. Information on the Company,” “Item 5. Operating and Financial Review and Prospects” and “Item 7. Major Shareholders and Related Party Transactions— 7.B. Related Party Transactions.”

### **10.D. EXCHANGE CONTROLS**

Israeli law and regulations do not impose any material foreign exchange restrictions on non-Israeli holders of our shares. There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our shares or the proceeds from the sale of the shares, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding certain transactions. However, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time.

The ownership or voting of our shares by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel, is not restricted in any way by our Articles of Association or by the laws of the State of Israel.

### **10.E. TAXATION**

#### **Material U.S. Federal Income Tax Considerations**

The following summary of United States federal income tax considerations is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Form 20-F. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the descriptions and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of our shares. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of our shares. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the receipt, ownership, and disposition of our shares, including the applicability and effect of any other tax laws or tax treaties, of pending or proposed changes in applicable tax laws as of the date of this Form 20-F, and of any actual changes in applicable tax laws after such date.

The following summarizes the material U.S. federal income tax considerations relating to the ownership and disposition of our shares by U.S. Holders (as defined below). This summary applies only to U.S. Holders that hold our ordinary shares as capital assets within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) (generally, property held for investment) and that have the U.S. dollar as their functional currency for U.S. federal income tax purposes.

This summary is based on the Code, U.S. Treasury regulations promulgated thereunder and on judicial and administrative interpretations of the Code and the Treasury regulations, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. Except with respect to the U.S. Tax Ruling, as discussed below under “Treatment of Cognyte as a U.S. Corporation for U.S. Federal Income Tax Purposes,” Cognyte has not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS will not take or a court will not sustain a contrary position regarding the tax consequences discussed below. This summary does not purport to be a complete description of the consequences of the transactions described in this Annual Report, nor does it address the application of estate, gift or non-income U.S. federal tax laws or any state, local or foreign tax laws. The tax treatment of a holder of our shares may vary depending upon that holder’s particular situation. Moreover, this summary does not address certain holders that may be subject to special rules not discussed below, such as (but not limited to):

- persons that are not U.S. Holders (as defined below);
- persons that are subject to alternative minimum taxes;
- insurance companies;
- tax-qualified retirement plans;
- tax-exempt entities;
- governmental organizations;
- banks and other financial institutions;
- real estate investment trusts, grantor trusts or regulated investment companies;
- U.S. expatriates or former citizens or long-term residents of the U.S.;
- broker-dealers;
- dealers or traders subject to a mark-to-market method of accounting with respect to the securities;
- partnerships or other entities or arrangements classified as partnerships or other pass-through entities for U.S. federal income tax purposes (including S-corporations) or holders of equity interests therein;
- a U.S. Holder that owns shares through a non-U.S. broker or other non-U.S. intermediary;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- persons that actually or constructively own 10% or more of the total combined voting power or value of all classes of our ordinary shares;

- persons subject to special tax accounting rules as a result of any item of gross income with respect to our common stock being taken into account in an applicable financial statement;
- traders in securities that elect to apply a mark-to-market method of accounting, holders that hold our shares as part of a “hedge,” “straddle,” “constructive sale,” “wash sale,” “conversion,” or other risk reduction transaction for U.S. federal income tax purposes;
- “controlled foreign corporations,” “passive foreign investment companies,” and corporations that accumulate earnings to avoid U.S. federal income tax (and their shareholders); and
- individuals who receive our shares upon the exercise of compensatory options or otherwise as compensation.

**HOLDERS AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE RECEIPT, OWNERSHIP AND DISPOSITION OF OUR SHARES.**

For purposes of this summary, a “U.S. Holder” is a beneficial owner of our shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or other entity or arrangement taxable as a partnership for U.S. federal income tax purposes) holds our ordinary shares, the tax treatment of a partner in such partnership will generally depend upon the status of the partner, the status and activities of the partnership, and certain determinations made at the partner level. If you are a partner in a partnership or such other entity or arrangement taxable as a partnership for U.S. federal income tax purposes holding our shares, you should consult your tax advisor.

**THIS DISCUSSION IS ONLY A SUMMARY OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF COGNYTE’S SECURITIES. EACH HOLDER OF COGNYTE’S SECURITIES IS URGED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF COGNYTE’S SECURITIES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS AND APPLICABLE TAX TREATIES.**

***Treatment of Cognyte as a U.S. Corporation for U.S. Federal Income Tax Purposes***

Although Cognyte is organized as an Israeli limited company, Verint obtained a U.S. Tax Ruling that Cognyte will be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code. As a result, we have been treating Cognyte as a U.S. corporation for U.S. federal income tax purposes and, therefore, we do not intend to treat Cognyte as a “passive foreign investment company,” as such rules apply only to non-U.S. corporations that are treated as such for U.S. federal income tax purposes.

The remainder of this discussion assumes that Cognyte is treated as a U.S. corporation for all U.S. federal income tax purposes.

***Distributions***

Distributions of cash or property that we pay in respect of our ordinary shares will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles) and will be includible in gross income by a U.S. holder upon receipt. Any such dividend will be eligible for the

dividends received deduction if received by an otherwise qualifying corporate U.S. Holder that meets the holding period and other requirements for the dividends received deduction. With certain exceptions (including, but not limited to, dividends treated as investment income for purposes of investment interest deduction limitations), dividends paid by us to certain non-corporate U.S. Holders (including individuals) are eligible for U.S. federal income taxation at the rates generally applicable to long term capital gains for individuals (currently at a maximum tax rate of 20%), provided that the U.S. Holder receiving the dividend satisfies the applicable holding period and other requirements. A U.S. Holder may be eligible to claim a foreign tax credit with respect to any Israeli withholding tax imposed on dividends paid by us. However, the foreign tax credit rules are complex, and their application in connection with Section 7874 of the Code in the presence of the U.S.-Israel Double Tax Treaty, are not entirely clear at this time. U.S. Holders should consult their own tax advisors with respect to any benefits they may be entitled to under the foreign tax credit rules and the U.S.-Israel Double Tax Treaty.

If the amount of a distribution exceeds our current and accumulated earnings and profits, such excess first will be treated as a tax-free return of capital to the extent of the U.S. Holder's tax basis in our shares, and thereafter will be treated as capital gain.

### ***Sale, Exchange or Other Taxable Disposition***

Upon a sale, exchange or other taxable disposition of our ordinary shares, a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange or other taxable disposition and the U.S. Holder's adjusted tax basis in our shares disposed of. Such capital gain or loss will be long term capital gain or loss if the U.S. Holder has held our shares for more than one year at the time of disposition. Long term capital gains of certain non-corporate U.S. Holders (including individuals) are currently subject to U.S. federal income taxation at a maximum rate of 20%. The deductibility of capital losses is subject to limitations under the Code.

A U.S. Holder may be eligible to claim a foreign tax credit with respect to any Israeli withholding tax imposed on gain from the sale or other disposition of our ordinary shares. However, the foreign tax credit rules are complex, and their application in connection with Section 7874 of the Code in the presence of the U.S.-Israel Double Tax Treaty are not entirely clear at this time. U.S. Holders should consult their own tax advisors with respect to any benefits they may be entitled to under the foreign tax credit rules and the U.S.-Israel Double Tax Treaty.

### ***Medicare Surtax***

Certain U.S. Holders who are individuals, trusts or estates are required to pay a 3.8% tax on "net investment income" including, among other things, dividends on and net capital gains from the sale or other disposition of shares of stock. U.S. Holders should consult their own advisors regarding the effect, if any, of this legislation on their ownership and disposition of our ordinary shares.

### ***Backup Withholding and Information Reporting***

United States backup withholding tax and information reporting requirements may apply to certain payments to certain U.S. Holders of stock. Information reporting requirements generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, our ordinary shares made within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder of our ordinary shares, other than an exempt recipient. A payor will be required to withhold backup withholding tax from any payments of dividends on, or the proceeds from the sale or redemption of, ordinary shares within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder, other than an exempt recipient, if such U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will generally be allowed as a credit against the beneficial owner's United States federal income tax liability, if any, and any excess amounts withheld under the backup withholding rules may be refunded, provided that the required information is timely furnished to the U.S. Internal Revenue Service.

### ***Material Israeli Tax Considerations***

Cognyte is treated as a domestic corporation for Israeli income tax purposes (notwithstanding it being a domestic corporation also for U.S. Federal tax purposes). The following summary of Israeli income tax consequences is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Form 20-F. Any legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to holders of our shares. Some parts of this discussion are based on tax legislation which has not been subject to judicial or administrative interpretation. This summary does not purport to be a legal opinion or advice or to address all Israeli tax aspects that may be relevant to a holder of our shares. Examples of this kind of investor include traders in securities or persons that own, directly or indirectly, 10% or more of our outstanding voting capital, not for profit organizations, pension funds and other exempt institutional investors, partnerships and other transparent entities, individuals under the tax regime for

“new immigrants” or “returning residents” and other taxpayers who are subject to special tax regimes not covered in this discussion. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the receipt, ownership, and disposition of our shares, including the applicability and effect of any other tax laws or tax treaties, of pending or proposed changes in applicable tax laws as of the date of this Form 20-F, and of any actual changes in applicable tax laws after such date.

**SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE ISRAELI TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR SHARES.**

***Capital Gains***

This discussion is limited to investors for whom disposition of our shares is treated as a capital gain within the meaning of Part E of the Israeli Tax Ordinance (generally, disposition of an asset held for passive investment). Further, this discussion does not purport to consider all aspects of Israeli income taxation that may be relevant to shareholders in light of their particular circumstances. Israeli capital gain tax is imposed on the sale of assets by an Israeli resident, and on the sale of such assets by a non-Israel resident if, inter-alia, those assets are either (i) located in Israel, (ii) are shares or a right to a share in an Israeli resident corporation, or (iii) represent, directly or indirectly, rights that are primarily for assets located in Israel. It should be noted, that under certain conditions, the non-Israel resident may be exempt from capital gain tax in Israel, according to the Israeli Tax Ordinance (as described below). In addition, the relevant tax treaty between Israel and the seller's country of residence may provide tax reliefs in this regard. The Israeli Tax Ordinance distinguishes between “Real Capital Gain” and the “Inflationary Surplus”. Real Capital Gain is the excess of the total capital gain over Inflationary Surplus computed generally on the basis of the increase in the Israeli Consumer Price Index or, in certain circumstances, according to the change in the foreign currency exchange rate, between the date of purchase and the date of the sale of the asset.

The Real Capital Gain accrued by individuals on the sale of our shares (that were purchased after January 1, 2012, whether listed on a stock exchange or not) will be taxed at the rate which will not exceed 25%. However, if such shareholder is a “Controlling Shareholder” (i.e., a person who holds, directly or indirectly, alone or together with such person's relative or another person who collaborates with such person on a permanent basis, at least 10% of one or more of the Israeli resident company's means of control) at the time of the sale or at any time during the preceding twelve (12) months period, such gain will be taxed at a rate which will not exceed 30%.

The Real Capital Gain derived by corporations will be generally subject to the ordinary corporate income tax rate (23% in 2018 and thereafter).

An individual shareholder dealing in securities, or to whom such income is otherwise taxable as ordinary business income, is taxed in Israel at the marginal tax rates applicable to business income (up to 47% in 2023 - in addition to excess tax as described below), unless the benefiting provisions of an applicable tax treaty apply.

Notwithstanding the foregoing, capital gain derived from the sale of our shares by a non-Israeli resident (whether an individual or a corporation) shareholder may be exempt under the Israeli Tax Ordinance from Israeli taxation provided that the following cumulative conditions are met (regarding shares that were purchased on or after January 1, 2009): (i) such capital gain was not derived from a permanent business or business activity that the non-Israeli resident maintains in Israel, (ii) the purchase of such shares was not from related party (as it defined in the Israeli Tax Ordinance), (iii) the provisions of chapter E2 of the Income Tax Ordinance did not apply on the purchase of such shares (the tax ruling issued by the ITA with respect to the separation from Verint provides that our shares received as part of the separation will not be deemed as purchased in accordance with Chapter E2 of the Income Tax Ordinance) and also the provisions of section 70 of the Real Estate Tax Law did not apply on the purchase of such shares, and (iv) the shares are not traded on the Israel Stock Exchange at the time of the sale. These provisions dealing with capital gain are not applicable to a person whose gains from selling or otherwise disposing of the shares are deemed to be business income. It should be noted, that with respect to shares that were purchased before January 1, 2009, the conditions are different, and the exemption also depends on the purchase day. In addition, according to the tax ruling which was issued by the ITA with respect to the separation from Verint, for shareholders who received their shares as a result of the separation, such an exemption is applicable only in the case that the seller would have been exempt on the sale of its shares in Verint before the separation from Verint was occurred. However, non-Israeli corporations will not be entitled to the foregoing exemptions if Israeli residents (i) are controlling shareholders in such non-Israeli corporation (shareholders who hold, directly or indirectly, alone, together with another, or together with another Israeli resident, one or more of the means of control at a rate exceeding 25%) or (ii) are the beneficiaries or entitled to 25% or more of the non-Israeli corporation's revenue or profits, directly or indirectly. A non-Israeli resident who derives capital gains from the sale of shares of an Israeli resident company that were purchased after the company was listed for trading on a stock exchange outside of Israel will generally be exempt from Israeli capital gains tax so long as the capital gain is not attributed to a permanent establishment that the non-Israeli resident maintains in Israel and the gain is not subject to the Israeli Income Tax Law (Inflationary Adjustments) 5745-1985.

In addition, the sale of shares may be exempt from Israeli capital gain tax under the provisions of an applicable tax treaty (subject to the receipt in advance of a valid certificate from the ITA allowing for an exemption). For example, the U.S.-Israel Double Tax Treaty exempts a U.S. resident holding the shares as a capital asset who is entitled to claim the benefits afforded to such a resident by the U.S.-Israel Double Tax Treaty from Israeli capital gain tax in connection with such sale, exchange or other disposition, provided that (i) the U.S. resident owned, directly or indirectly, less than 10% of an Israeli resident company's voting power at any time within twelve-month period preceding such sale, exchange or other disposition, subject to certain conditions; (ii) the seller, being an individual, is present in Israel for a period or periods of less than 183 days in the aggregate during the taxable year; (iii) the capital gain from the sale, exchange or other disposition is not treated as industrial or commercial profit attributable to a permanent establishment that the U.S. resident maintains in Israel; (iv) the capital gains arising from such sale, exchange or other disposition is not attributed to real estate located in Israel or (v) the capital gains arising from such sale, exchange or other disposition is not attributed to royalties; and (vi) the shareholder is a U.S. resident (for purposes of the U.S.-Israel Double Tax Treaty) who is holding the shares as a capital asset. If any of the above conditions is not met, the sale, exchange or other disposition of our shares would be subject to Israeli tax, to the extent applicable.

In some instances where our shareholders may be liable for Israeli tax on the sale of their shares, the payment of the consideration may be subject to withholding of Israeli tax at source. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding tax at source at the time of sale. Specifically, in transactions involving a sale of all of the shares of an Israeli resident company, in the form of a merger or otherwise, the ITA may require from shareholders who are not liable for Israeli tax to sign on declarations in forms specified by this authority or obtain a specific exemption from the ITA to confirm their status as non-Israeli residents, and, in the absence of such declarations or exemptions, may require the purchaser of the shares to withhold taxes at source.

Either the purchaser or the Israeli stockbroker or financial institution through which the shares are held is obliged, subject to the above-mentioned exemptions, to withhold tax upon the sale of securities from the amount of the consideration paid upon the sale of the securities at the rate of 25% from the real capital gain amount in respect of an individual, or at a rate of corporate income tax, in respect of a corporation (currently 23%), from the real capital gain amount or from the consideration amount, as applicable.

Upon the sale of securities traded on a stock exchange, a detailed return, including a computation of the tax due, must be filed and an advance payment must be paid on January 31 and July 31 of every tax year in respect of sales of securities made within the previous six months. However, if all tax due was withheld at source according to applicable provisions of the Israeli Tax Ordinance and regulations promulgated thereunder, the aforementioned return need not be filed and no advance payment must be paid, provided that (i) such income was not generated from business conducted in Israel by the taxpayer, (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed and an advance payment does not need to be made, and (iii) the taxpayer is not obligated to pay Excess Tax (as further explained below). Capital gain is also reportable in the annual income tax return.

### ***Dividends***

A distribution of dividends from income, which is not attributed to a Beneficial Enterprise or a Technological Enterprise, to an Israeli resident individual, will generally be subject to income tax at a rate of 25%. However, a 30% tax rate will apply if the dividend recipient is a "Controlling Shareholder" (as defined above) at the time of the distribution or at any time during the preceding twelve-month period.

In addition, if the recipient of the dividend is an Israeli resident corporation, such dividend (which is not attributed to a Beneficial Enterprise) will be generally exempt from income tax, provided that the income from which such dividend is distributed was derived or accrued within Israel and such dividend was received directly or indirectly from a corporation that is subject to Israeli corporate income tax.

Furthermore, the Israeli Tax Ordinance generally provides that a non-Israeli resident (either individual or corporation) is subject to Israeli income tax on dividends at the rate of 25% (30% if the dividend recipient is a "Controlling Shareholder" (as defined above), at the time of distribution or at any time during the preceding twelve-month period); Those rates are subject to a reduced tax rate under the provisions of an applicable double tax treaty (subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate).

For example, under the U.S.-Israel Double Tax Treaty, the following rates will apply in respect of dividends distributed by an Israeli resident company to a U.S. resident who is entitled to the U.S.-Israel Double Tax Treaty benefits: (i) if the U.S. resident is a corporation which holds during the part of the paying corporation's taxable year which precedes the date of payment of the dividend and during the whole of its prior taxable year (if any), at least 10% of the outstanding shares of the voting stock of the



Israeli resident paying corporation and not more than 25% of the gross income of the Israeli resident paying corporation for such prior taxable year (if any) consists of certain type of interest or dividends—the withholding tax rate is 12.5% of the gross amount of the dividend paid and could be 15% if the dividend is distributed from income derived during any period for which the paying corporation is entitled to the reduced tax rate applicable to an Approved Enterprise, and (ii) in all other cases, the tax rate is 25%, or the domestic rate (if such is lower). The aforementioned rates under the U.S.-Israel Double Tax Treaty will not apply if the dividend income was derived through a permanent establishment that the U.S. resident maintains in Israel. U.S. residents who are subject to Israeli withholding tax on a dividend may be entitled to a credit or deduction for United States federal income tax purposes in the amount of the taxes which were withheld, subject to detailed rules contained in the U.S. tax legislation.

A non-Israeli resident that receives dividend income derived from or accrued from Israel, from which the full amount of tax was withheld at source, is generally exempt from the obligation to file tax returns in Israel with respect to such income, provided that (i) such income was not generated from a business conducted in Israel by the taxpayer, (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed, and (iii) the taxpayer is not obliged to pay excess tax (as further explained below).

Intermediary payers of dividends on our shares, including the financial institution through which the securities are held, are generally required, subject to (i) any of the foregoing exemptions, (ii) reduced tax rates, or (iii) the demonstration of a shareholder of his, her or its foreign residency, to withhold taxes upon the distribution of dividends at a rate of 25%, provided that the shares are registered with a nominee company (for corporations and individuals).

Distribution of dividends from income attributed to a Beneficial Enterprise / Preferred Enterprise / Preferred Technological Enterprise may generally be subject to a lower tax rate, as detailed described in section 4.B. BUSINESS OVERVIEW - *Israeli Tax Considerations and Government Programs*.

### ***Excess Tax***

Individuals who are subject to tax in Israel are also subject to an additional tax at a rate of 3% on annual income exceeding a certain threshold (NIS 663,240 for 2022 and NIS 698,280 for 2023), including, but not limited to income derived from dividends, interest and capital gains.

### ***Estate and Gift Tax***

Israeli law presently does not impose estate or gift taxes.

## **10.F. DIVIDENDS AND PAYING AGENTS**

Not Applicable.

## **10.G. STATEMENT BY EXPERTS**

Not Applicable.

## **10.H. DOCUMENTS ON DISPLAY**

We report under the Exchange Act as an FPI. Thus, we are exempt from certain provisions of the Exchange Act applicable to U.S. domestic public companies, which are more expansive and require more frequent filings, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act and the content of proxy statements, (ii) the rules under Section 16 of the Exchange Act subjecting officers, directors and principal shareholders to beneficial ownership reporting and short-swing profit recovery and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing full unaudited financial statements and notes thereto and other specified information, and current reports on Form 8-K, which are due upon the occurrence of specified significant events.

However, we will file with the SEC, within 120 days after the end of each subsequent fiscal year, or such applicable time as required by the SEC, an annual report on Form 20-F containing financial statements audited by an independent registered public accounting firm, and have furnished and intend to continue furnishing to the SEC reports on Form 6-K containing unaudited quarterly financial information after the end of each fiscal quarter.

The SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is [www.sec.gov](http://www.sec.gov). In addition, copies of all information and documents pertaining to press releases, media conferences, investor updates and presentations at analyst and investor presentation conferences can be downloaded from our website at [www.cognyte.com/investors/](http://www.cognyte.com/investors/). The information contained on our website is not a part of this Form 20-F.

## 10.I. SUBSIDIARY INFORMATION

Not Applicable.

## 10.J. ANNUAL REPORT TO SECURITY HOLDERS

Not Applicable.

## ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in exchange rates, interest rates and inflation. All of these market risks arise in the ordinary course of business, as we do not engage in speculative trading activities. The following analysis provides additional information regarding these risks.

### *Interest rate risk*

As of January 31, 2024, we had \$83.1 million of Cash and cash equivalents, Restricted cash and cash equivalents and restricted bank time deposits and Short-term investments. Interest-earning instruments carry a degree of interest rate risk. A hypothetical 10% change in interest rates would not have a material impact on our financial results for the years ended January 31, 2024 and 2023. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

### *Foreign Currency Exchange Risk*

Our reporting currency and the functional currency in most of our non-U.S. subsidiaries is U.S. dollar. The majority of our revenues were denominated in U.S. dollars and the remainder in other currencies. However, a significant portion of our operating costs in Israel, consisting principally of salaries and employee-related costs are denominated in NIS. This foreign currency exposure gives rise to market risk associated with exchange rate movements of the U.S. dollar against the NIS.

To reduce the impact of foreign currency exchange risks associated with forecasted future cash flows and certain existing assets and liabilities and the volatility in our consolidated statements of operations, we have established a hedging policy. We utilize foreign currency contracts, primarily forward, with financial institutions to protect against foreign currency exchange risks, mainly the exposure to changes in the exchange rate of the NIS and SGD against the U.S. dollar that are associated with future cash flows denominated in NIS and SGD. Please also see the information set forth under “Note 14. Derivative Financial Instruments” of our consolidated financial statements. We account for our derivative instruments as either assets or liabilities and carry them at fair value in the consolidated balance sheets. The accounting for changes in the fair value of the derivative depends on the intended use of the derivative and the resulting designation. Our hedging activities reduce but do not eliminate the impact of currency exchange rate movements. We may in the future enter into other derivative financial instruments if it is determined that such hedging activities are appropriate to further reduce our foreign currency exchange risk.

The effect of a hypothetical 10% weakening of the exchange rate of the U.S. dollar would have impacted our results of operation by \$1.7 million decrease for the year ended January 31, 2024.

The major financing risks faced by us will be managed by our treasury function. For information about the effects of currency and interest rate fluctuations and how we manage currency and interest risk, see “Item 5. Operating and Financial Review and Prospects—5.B. Liquidity and Capital Resources.” Please also see the information set forth under “Note 14. Derivative Financial Instruments” of our consolidated financial statements and related notes included elsewhere in this Form 20-F.

## ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

### 12.A. DEBT SECURITIES

Not Applicable.

**12.B. WARRANTS AND RIGHTS**

Not Applicable.

**12.C. OTHER SECURITIES**

Not Applicable.

**12.D. AMERICAN DEPOSITARY SHARES**

Not Applicable.

## PART II

## ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

## ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

## ITEM 15. CONTROLS AND PROCEDURES

*Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of January 31, 2024. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of January 31, 2024, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us, including our consolidated subsidiaries, in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

*Management's Annual Report on Internal Control over Financial Reporting*

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act). Our internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404(a) of the Sarbanes-Oxley Act of 2002 and related rules promulgated by the SEC, our management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of internal control over financial reporting as of January 31, 2024 based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that our internal control over financial reporting was effective as of January 31, 2024.

*Attestation Report of the Registered Public Accounting Firm*

Our independent registered public accounting firm, Brightman Almagor Zohar & Co., Certified Public Accountants, a firm in the Deloitte Global Network, has audited the consolidated financial statements for the year ended January 31, 2024 included in this annual report on Form 20-F, and as part of its audit, has issued its audit report on the effectiveness of our internal control

over financial reporting as of January 31, 2024. The report of Brightman Almagor Zohar & Co. is included with our consolidated financial statements included elsewhere in this annual report and is incorporated herein by reference.

### ***Changes in Internal Control over Financial Reporting***

There were no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **ITEM 16A. AUDIT COMMITTEE AND FINANCIAL EXPERT**

Our Board has determined that Dafna Sharir, Avi Cohen and Zvika Naggan each satisfy the “independence” requirements set forth in Rule 10A-3 under the Exchange Act. In addition, our board of directors determined that Sarit Sagiv, who is expected to join to the audit committee of the board of directors effective as of May 1, 2024, also satisfies the “independence” requirements set forth in Rule 10A-3 under the Exchange Act. Our board of directors has also determined that Dafna Sharir shall be considered an “audit committee financial expert” as defined in Item 16A of Form 20-F under the Exchange Act.

## **ITEM 16B. CODE OF ETHICS**

We have adopted a Code of Conduct that applies to all our employees, officers and directors, including our principal executive, principal financial and principal accounting officers. Our Code of Conduct addresses, among other things, competition and fair dealing, conflicts of interest, financial matters and external reporting, company funds and assets, confidentiality and corporate opportunity requirements and the process for reporting violations of the Code of Conduct, employee misconduct, conflicts of interest or other violations. Our Code of Conduct is intended to meet the definition of “code of ethics” under Item 16B of 20-F under the Exchange Act.

We will disclose on our website any amendment to, or waiver from, a provision of our Code of Conduct that applies to our directors or executive officers to the extent required under the rules of the SEC or Nasdaq. Our Code of Conduct is available on our website at [www.cognyte.com/investors](http://www.cognyte.com/investors). The information contained on our website is not incorporated by reference in this Annual Report.

## **ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

We have recorded the following fees for professional services rendered by Brightman Almagor Zohar & Co., Certified Public Accountants, a firm in the Deloitte Global Network for the years ended January 31, 2024 and 2023:

(\$ in thousands)	Year Ended January 31,	
	2024	2023
Audit Fees	\$ 736	\$ 805
Audit-Related Fees	—	75
Tax Fees	13	24
<b>Total</b>	<b>\$ 749</b>	<b>\$ 904</b>

“Audit fees” include fees for professional services rendered for the audit of our annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements, including consents and assistance with and review of documents filed with the SEC.

“Audit-related fees” include fees which are for assurance and related services other than those included in Audit fees. Audit services related to other statutory or regulatory filings and due diligence.

“Tax fees” include fees for professional services rendered by our independent registered public accounting firm for tax compliance, tax advice and tax planning on actual or contemplated transactions.

### ***Pre-Approval Policies and Procedures***

The advance approval of the Audit Committee or members thereof, to whom approval authority has been delegated, is required for all audit and non-audit services provided by our auditors.

#### **ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not Applicable.

#### **ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

None.

#### **ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT**

None.

#### **ITEM 16G. CORPORATE GOVERNANCE**

We are a “foreign private issuer” (as such term is defined in Rule 3b-4 under the Exchange Act) and our ordinary shares are listed on Nasdaq. We believe the following to be the significant differences between our corporate governance practices and those applicable to U.S. companies under the Nasdaq rules. Under the Nasdaq rules, listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by Nasdaq with limited exceptions. We rely on this “home country practice exemption” with respect to the quorum requirement for shareholder meetings, certain of the Nasdaq shareholder approval requirements and the distribution of annual and interim reports. As permitted under the Companies Law, pursuant to our amended and restated articles of association, the quorum required for an ordinary meeting of shareholders consists of at least two shareholders present in person, by proxy or by other voting instrument in accordance with the Companies Law, who hold at least 25% of the voting power of our shares (and in an adjourned meeting, with some exceptions, any number of shareholders), instead of 33.33% of the issued share capital required under the Nasdaq rules. Additionally, we currently follow home country practices in Israel in lieu of compliance with the Nasdaq requirements for shareholder approval of certain significant issuances of shares pursuant to a private placement or merger/acquisition, and for shareholder approval for adoption and material amendments to share incentive plans. For further information please see Exhibit 2.3 to this Annual Report. Finally, unlike Nasdaq rules, which requires listed issuers to make annual reports on Form 20-F available to shareholders in one of a number of specific manners, Israeli law does not require us to distribute such reports directly to shareholders, and the generally accepted business practice in Israel is not to distribute such reports to shareholders but to make such reports available through a public website. In addition, we will make our annual report on Form 20-F containing audited financial statements available to our shareholders at our offices (in addition to a public website).

We otherwise comply with and intend to continue to comply with the rules generally applicable to U.S. domestic companies listed on Nasdaq. We may in the future, however, decide to use other foreign private issuer exemptions with respect to some or all of the other Nasdaq rules. Following our home country governance practices may provide less protection than is accorded to investors under the Nasdaq rules applicable to domestic issuers.

#### **ITEM 16H. MINE SAFETY DISCLOSURE**

Not Applicable.

#### **ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not Applicable.

#### **ITEM 16J. INSIDER TRADING POLICIES**

Not Applicable.

#### **ITEM 16K. CYBERSECURITY**

##### *Cybersecurity Risk Management and Strategy*

We have developed and implemented a cybersecurity risk management program, intended to protect the confidentiality, integrity and availability of our critical systems and information. We design and assess our program using the ISO/IEC 27001:2022 standard as a guide to help us identify, assess and manage cybersecurity risks relevant to our business. Our cybersecurity risk management program is integrated into our overall enterprise risk management program, and shares common

methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, operational and financial risk areas.

Our cybersecurity risk management program includes:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise IT environment, which in turn allow us to develop remediation plans for risks to ensure we are responsive to an ever-evolving cybersecurity threat landscape;
- a security team principally responsible for managing (1) our cybersecurity risk assessment processes, (2) our cyber security controls, and (3) our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security controls, including penetration testing and audits against NIST standards;
- cybersecurity awareness training of our employees, incident response personnel and senior management; and
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents, tabletop exercises at least annually and management's response and procedures to follow, to ensure relevant actions are taken in case an incident occurs and all relevant stakeholders are involved in incident response activities.

As described in Item 3.D "Risk Factors," our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Computer viruses, hackers, employee or vendor misconduct, and other external hazards could expose our information systems and those of our vendors to cybersecurity breaches, incidents or other disruptions, any of which could materially and adversely affect our business. While we have experienced cybersecurity incidents, to date, we are not aware that we have experienced a material cybersecurity incident during the fiscal year.

The sophistication of cybersecurity threats, including through the use of artificial intelligence, continues to increase, and the controls and preventative actions we take to reduce the risk of cybersecurity incidents and to protect our systems, including the testing of our cybersecurity incident response plan, may be insufficient. In addition, new technology that could result in greater operational efficiency, such as our use of AI, may further expose our computer systems to the risk of cybersecurity incidents.

#### *Cybersecurity Governance*

Our Board considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee (the "Committee") oversight of cybersecurity. The Committee, comprised of independent directors, oversees management's implementation of our cybersecurity risk management program.

The Committee receives updates from management on our cybersecurity risk management program and posture. In addition, management updates the Committee, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential.

The Committee reports to the full Board regarding its activities, including those related to cybersecurity. The full Board also receives briefings from management on our cyber risk management program. Board members receive presentations on cybersecurity topics from our Head of Information Security, Risk and Compliance who is CISSP, CIPM and CISM certified, as well as from our CISO, who brings over 20 years of extensive experience in the areas of information security, security compliance and risk management. Board members also receive presentations from external experts as part of the Board's continuing education on topics that impact public companies.

Our CISO, as well as our management team, including our Chief Customer Officer, our Chief Legal Officer, our Chief Technology Officer and our Chief Information Officer, is responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and supervises both our internal cybersecurity personnel and our retained external cybersecurity consultants.

Our CISO and our management team supervise efforts to prevent, detect, mitigate and remediate cybersecurity risks and incidents through various means, which may include briefings from internal cyber security personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the IT environment.

At the employee level, we maintain an experienced information technology team, managed by our CISO, who are tasked with implementing our cybersecurity program and support the CISO in carrying out reporting, security and mitigation functions. We also hold employee trainings on privacy and cybersecurity, records and information management, conduct phishing tests and generally seek to promote awareness of cybersecurity risk through communication and education of our management and employee population.

### PART III

## ITEM 17. FINANCIAL STATEMENTS

### Consolidated Financial Statements

Please refer to pages F-1 through F-44 of this Form 20-F.

## ITEM 18. FINANCIAL STATEMENTS

Not Applicable.

## ITEM 19. EXHIBITS

We have filed the following documents as exhibits to this Form 20-F:

Exhibit Number	Description	Incorporation by Reference			
		Form	File No.	Filing Date	Filed / Furnished
<a href="#">1.1</a>	<a href="#">Articles of Association of Cognyte Software Ltd.</a>	20FR12B/A	001-39829	January 14, 2021	
<a href="#">2.1</a>	<a href="#">Specimen of Share Certificate for Cognyte's Ordinary Shares</a>	20FR12B/A	001-39829	January 14, 2021	
<a href="#">2.2</a>	<a href="#">Form of Separation and Distribution Agreement</a>	20FR12B/A	001-39829	January 14, 2021	
<a href="#">2.3</a>	<a href="#">Description of Securities</a>				*
<a href="#">4.1</a>	<a href="#">Form of Tax Matters Agreement</a>	20FR12B/A	001-39829	January 14, 2021	
<a href="#">4.2</a>	<a href="#">Form of Employee Matters Agreement</a>	20FR12B/A	001-39829	January 14, 2021	
<a href="#">4.4</a>	<a href="#">Form of Intellectual Property Cross License Agreement</a>	20FR12B/A	001-39829	January 14, 2021	
<a href="#">4.5</a>	<a href="#">Form of Trademark Cross License Agreement</a>	20FR12B/A	001-39829	January 14, 2021	
<a href="#">4.6</a>	<a href="#">Form of Cognyte Software Ltd. 2021 Share Incentive Plan</a>	20FR12B/A	001-39829	January 14, 2021	***
<a href="#">4.7</a>	<a href="#">Form of Indemnification Agreement</a>	20FR12B/A	001-39829	January 14, 2021	***
<a href="#">4.8</a>	<a href="#">Form of Compensation Policy for Executive Officers and Directors</a>	20FR12B/A	001-39829	January 14, 2021	***
<a href="#">4.9</a>	<a href="#">Credit Facility, dated December 27, 2020, among Cognyte Technologies Israel Ltd., as borrower, Cognyte Software Ltd., as guarantor, and Bank Leumi Le-Israel B.M., as lender ("Leumi Credit Facility")</a>	20FR12B/A	001-39829	January 14, 2021	



<a href="#">4.9A</a>	<a href="#">Amendment No. 1 to the Leumi Credit Facility dated July 28, 2022</a>	20-F	001-39829	April, 11, 2023	*†
<a href="#">4.9B</a>	<a href="#">Amendment No. 2 to the Leumi Credit Facility dated January 31, 2023</a>	20-F	001-39829	April, 11, 2023	*†
<a href="#">4.9C</a>	<a href="#">Amendment No.3 to the Leumi Credit Facility dated December 31, 2023 (incorporated by reference, Exhibit 99.1)</a>	6-K	001-39829	January 3, 2024	**
<a href="#">4.10D</a>	<a href="#">Credit Facility, dated January 24, 2024, among Cognyte Software Ltd., as borrower or guarantor, Cognyte Technologies Israel Ltd., as borrower or guarantor, and Bank Hapoalim B.M., as lender (incorporated by reference, Exhibit 99.1).</a>	6-K	001-39829	January 25, 2024	**
<a href="#">4.10E</a>	<a href="#">Amended and Restated Deed of Undertaking dated January 24, 2024, among Cognyte Software Ltd., Cognyte Technologies Israel Ltd. and Bank Hapoalim B.M. (incorporated by reference, Exhibit 99.1A).</a>	6-K	001-39829	January 25, 2024	**
<a href="#">8.1</a>	<a href="#">List of Subsidiaries</a>				*
<a href="#">12.1</a>	<a href="#">Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				*
<a href="#">12.2</a>	<a href="#">Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				*
<a href="#">13.1</a>	<a href="#">Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>				*
<a href="#">13.2</a>	<a href="#">Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>				*
<a href="#">15.1</a>	<a href="#">Consent of Brightman Almagor Zohar &amp; Co.</a>				*
<a href="#">15.2</a>	<a href="#">Consent of Ron Shvili</a>				*
<a href="#">15.3</a>	<a href="#">Consent of Sarit Sagiv</a>				*
<a href="#">97.1</a>	<a href="#">Policy relating to recovery of erroneously awarded compensation, as required by applicable listing standards.</a>				*
101.INS	Inline XBRL Instance Document.				*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.				*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.				*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.				*

101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	*
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).	*

\* Filed herewith.

\*\* Furnished herewith.

\*\*\* Management contract or compensatory plan, arrangement or contract.

† Certain confidential information contained in this document, has been redacted in accordance with Instructions as to Exhibits to Form 20-F, because (i) the company customarily and actually treats that information as private or confidential and (ii) the omitted information is not material. “[\*\*\*]” indicates where the information has been omitted from this exhibit.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

COGNYTE SOFTWARE LTD.

By: /s/ Elad Sharon  
Name: Elad Sharon  
Title: Chief Executive Officer

By: /s/ David Abadi  
Name: David Abadi  
Title: Chief Financial Officer

Date: April 9, 2024

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and the Board of Directors of Cognyte Software Ltd.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Cognyte Software Ltd. and subsidiaries (the "Company") as of January 31, 2024 and 2023, the related consolidated statements of operations, comprehensive loss, statements of equity and cash flows for each of the three years in the period ended January 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2024, in conformity with principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2024, based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 9, 2024, expressed an unqualified opinion on the Company's internal control over financial reporting.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

**Revenue Recognition – Over Time Accounting – Input Method — Refer to Notes 2 and 4 “Revenue Recognition” to the financial statements***Critical Audit Matter Description*

The Company recognizes revenue for contracts that require significant customization of the software to meet the requirements of the customer over the term of the contract (“over time”) as the Company’s performance does not create an asset with an alternative use and the Company has an enforceable right to payment including a reasonable profit throughout the process. The Company uses labor hours incurred to measure progress towards completion for contracts involving significant customization and the extent of progress towards completion is measured based on the ratio of labor hours incurred to the total estimated labor hours at completion of the performance obligation. The Company’s determination of revenue recognition for contracts accounted for over time that require significant customization of the software involves estimating the total labor hours needed to complete the contracts and updating those estimates throughout the life of those contracts. This requires management to make significant estimates related to forecasts of future labor hours for contracts for which revenue is recognized over time. Changes in the estimates of total labor at completion for such contracts could have a significant impact on the timing or amount of revenue recognition during the year.

Given the judgments necessary to estimate total labor hours at completion for contracts involving significant customization for which revenue is recognized over time, auditing such estimates required extensive audit effort due to the complexity of long-term contracts and a high degree of auditor judgment when performing audit procedures and evaluating the results of those procedures.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to estimates of future labor hours and labor hours at completion included the following, among others:

- We tested the effectiveness of controls over revenue recognized over time, including those over labor hours incurred to date and estimates of future labor hours at completion.
- We selected a sample of contracts accounted for over time that required significant customization of the software and performed the following:
  - Evaluated whether the contracts were properly included in management’s calculation of revenue recognized over time based on the terms and conditions of each contract.
  - Evaluated the reasonableness and consistency of the methods and assumptions used by management to develop the estimates of future labor hours and labor hours at completion.
  - Tested the completeness and accuracy and corroborated the labor hours incurred by agreeing to supporting documentation and time-charged records.
  - Evaluated management’s ability to achieve the estimates of future labor hours and labor hours at completion by comparing the estimates to management’s work plans and performing corroborating inquiries with the Company’s project managers related to their expectation of labor hours at completion.
  - Evaluated management’s ability to estimate total labor hours by comparing the estimated labor hours at contract inception to actual labor hours incurred at project completion or as of year-end.

/s/ Brightman Almagor Zohar & Co.

Brightman Almagor Zohar & Co.  
Certified Public Accountants  
A Firm in the Deloitte Global Network

Tel Aviv, Israel  
April 9, 2024

We have served as the Company's auditor since 2021.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Cognyte Software Ltd.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Cognyte Software Ltd. and subsidiaries (the “Company”) as of January 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended January 31, 2024, of the Company and our report dated April 9, 2024, expressed an unqualified opinion on those financial statements.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management’s Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Brightman Almagor Zohar & Co.

Brightman Almagor Zohar & Co.  
Certified Public Accountants  
A Firm in the Deloitte Global Network

Tel Aviv, Israel  
April 9, 2024

**Cognyte Software Ltd.**  
**Consolidated Balance Sheets**

(in thousands)	January 31	
	2024	2023
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 74,477	\$ 34,579
Restricted cash and cash equivalents and restricted bank time deposits	8,666	4,359
Short-term investments	—	17,507
Accounts receivable, net of allowance for credit losses of \$2.7 million and \$1.6 million, respectively	113,260	113,201
Contract assets, net of allowance for credit losses of \$1.4 million and \$0 million, respectively	8,859	17,476
Inventories	24,584	25,263
Prepaid expenses and other current assets	35,135	39,339
<b>Total current assets</b>	<b>264,981</b>	<b>251,724</b>
Property and equipment, net	24,384	25,874
Operating lease right-of-use assets	33,833	17,559
Goodwill	126,563	126,487
Intangible assets, net	258	650
Deferred income taxes	2,928	823
Other assets	19,135	19,961
<b>Total assets</b>	<b>\$ 472,082</b>	<b>\$ 443,078</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable	20,863	20,677
Accrued expenses and other current liabilities	75,826	78,297
Contract liabilities	93,778	94,882
<b>Total current liabilities</b>	<b>190,467</b>	<b>193,856</b>
Long-term contract liabilities	29,362	14,382
Deferred income taxes	1,964	3,031
Operating lease liabilities	27,950	10,368
Other liabilities	7,606	11,667
<b>Total liabilities</b>	<b>257,349</b>	<b>233,304</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' equity:</b>		
Common stock - \$0 par value; Authorized 300,000,000 shares. Issued and outstanding 70,996,535 and 68,842,601 at January 31, 2024 and January 31, 2023, respectively	—	—
Additional paid-in capital	355,097	338,465
Accumulated deficit	(144,592)	(129,022)
Accumulated other comprehensive loss	(12,630)	(15,314)
<b>Total Cognyte Software Ltd. stockholders' equity</b>	<b>197,875</b>	<b>194,129</b>
Noncontrolling interest	16,858	15,645
<b>Total stockholders' equity</b>	<b>214,733</b>	<b>209,774</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 472,082</b>	<b>\$ 443,078</b>

See notes to consolidated financial statements.



**Cognyte Software Ltd.**  
**Consolidated Statements of Operations**

(in thousands except share and per share data)	Year Ended January 31,		
	2024	2023	2022
<b>Revenue:</b>			
Software	\$ 113,541	\$ 98,288	\$ 209,988
Software service	165,027	175,690	201,563
Professional service and other	34,836	38,084	62,491
<b>Total revenue</b>	<b>313,404</b>	<b>312,062</b>	<b>474,042</b>
<b>Cost of revenue:</b>			
Software	18,919	19,975	28,955
Software service	43,305	48,400	46,413
Professional service and other	35,776	50,941	56,349
Amortization of acquired technology	—	619	682
<b>Total cost of revenue</b>	<b>98,000</b>	<b>119,935</b>	<b>132,399</b>
<b>Gross profit</b>	<b>215,404</b>	<b>192,127</b>	<b>341,643</b>
<b>Operating expenses:</b>			
Research and development, net	107,283	140,324	143,360
Selling, general and administrative	125,784	154,347	185,867
Amortization of other acquired intangible assets	391	779	1,455
<b>Total operating expenses</b>	<b>233,458</b>	<b>295,450</b>	<b>330,682</b>
<b>Operating (loss) income</b>	<b>(18,054)</b>	<b>(103,323)</b>	<b>10,961</b>
<b>Other income (expenses), net:</b>			
Interest income	1,896	774	177
Interest expense	(16)	(1,597)	(196)
Other income (expenses), net	2,915	7,151	(2,681)
<b>Total other income (expenses), net</b>	<b>4,795</b>	<b>6,328</b>	<b>(2,700)</b>
<b>(Loss) income before provision for income taxes</b>	<b>(13,259)</b>	<b>(96,995)</b>	<b>8,261</b>
<b>(Benefit) provision for income taxes</b>	<b>(1,614)</b>	<b>12,956</b>	<b>18,517</b>
<b>Net loss</b>	<b>(11,645)</b>	<b>(109,951)</b>	<b>(10,256)</b>
Net income attributable to noncontrolling interest	3,925	4,181	4,634
<b>Net loss attributable to Cognyte Software Ltd.</b>	<b>\$ (15,570)</b>	<b>\$ (114,132)</b>	<b>\$ (14,890)</b>
<b>Net loss per share attributable to Cognyte Software Ltd.:</b>			
<b>Basic and diluted</b>	<b>\$ (0.22)</b>	<b>\$ (1.68)</b>	<b>\$ (0.22)</b>
<b>Weighted-average shares outstanding:</b>			
<b>Basic and diluted</b>	<b>70,081</b>	<b>67,924</b>	<b>66,570</b>

See notes to consolidated financial statements.

**Cognyte Software Ltd.**  
**Consolidated Statements of Comprehensive Loss**

(in thousands)	Year Ended January 31,		
	2024	2023	2022
<b>Net loss</b>	<b>\$ (11,645)</b>	<b>\$ (109,951)</b>	<b>\$ (10,256)</b>
<b>Other comprehensive income (loss), net of reclassification adjustments:</b>			
Foreign currency translation adjustments	196	1,828	(219)
Net increase (decrease) from foreign exchange contracts designated as hedges	2,228	(16)	(1,253)
Benefit for income taxes on net increase (decrease) from foreign exchange contracts designated as hedges	—	—	84
<b>Other comprehensive income (loss)</b>	<b>2,424</b>	<b>1,811</b>	<b>(1,388)</b>
<b>Comprehensive loss</b>	<b>(9,221)</b>	<b>(108,140)</b>	<b>(11,644)</b>
Comprehensive income attributable to noncontrolling interest	3,665	4,627	4,420
<b>Comprehensive loss attributable to Cognyte Software Ltd.</b>	<b>\$ (12,886)</b>	<b>\$ (112,767)</b>	<b>\$ (16,064)</b>

See notes to consolidated financial statements.

**Cognyte Software Ltd.**  
**Consolidated Statements of Equity**

(in thousands)	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Former Net Parent Investment	Accumulated Other Comprehensive Loss	Total Cognyte Software Ltd. Equity	Non- controlling Interest	Total Equity
<b>Balances as of January 31, 2021</b>	\$ —	\$ —	\$ —	\$ —	\$ 273,006	\$ (15,505)	\$ 257,501	\$ 12,870	\$ 270,371
Spin-off from Verint	\$ —	\$ —	\$ —	\$ —	\$ 9,558	\$ —	\$ 9,558	\$ —	\$ 9,558
Net (loss) income	\$ —	\$ —	\$ —	\$ (14,890)	\$ —	\$ —	\$ (14,890)	\$ 4,634	\$ (10,256)
Other comprehensive loss	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (1,174)	\$ (1,174)	\$ (214)	\$ (1,388)
Reclassification of former net parent investment	\$ —	\$ 282,564	\$ —	\$ —	\$ (282,564)	\$ —	\$ —	\$ —	\$ —
Share-based compensation activity	\$ —	\$ 34,142	\$ 181	\$ —	\$ —	\$ —	\$ 34,323	\$ —	\$ 34,323
Repurchase of shares	\$ —	\$ —	\$ (181)	\$ —	\$ —	\$ —	\$ (181)	\$ —	\$ (181)
Dividends to noncontrolling interest	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (3,338)	\$ (3,338)
<b>Balances as of January 31, 2022</b>	\$ —	\$ 316,706	\$ —	\$ (14,890)	\$ —	\$ (16,679)	\$ 285,137	\$ 13,952	\$ 299,089
Net (loss) income	\$ —	\$ —	\$ —	\$ (114,132)	\$ —	\$ —	\$ (114,132)	\$ 4,181	\$ (109,951)
Other comprehensive income	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,365	\$ 1,365	\$ 446	\$ 1,811
Share-based compensation activity	\$ —	\$ 21,759	\$ —	\$ —	\$ —	\$ —	\$ 21,759	\$ —	\$ 21,759
Dividends to noncontrolling interest	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (2,934)	\$ (2,934)
<b>Balances as of January 31, 2023</b>	\$ —	\$ 338,465	\$ —	\$ (129,022)	\$ —	\$ (15,314)	\$ 194,129	\$ 15,645	\$ 209,774
Net (loss) income	\$ —	\$ —	\$ —	\$ (15,570)	\$ —	\$ —	\$ (15,570)	\$ 3,925	\$ (11,645)
Other comprehensive income	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,684	\$ 2,684	\$ (260)	\$ 2,424
Share-based compensation activity	\$ —	\$ 16,632	\$ —	\$ —	\$ —	\$ —	\$ 16,632	\$ —	\$ 16,632
Dividends to noncontrolling interest	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (2,452)	\$ (2,452)
<b>Balances as of January 31, 2024</b>	\$ —	\$ 355,097	\$ —	\$ (144,592)	\$ —	\$ (12,630)	\$ 197,875	\$ 16,858	\$ 214,733

See notes to consolidated financial statements.

**Cognyte Software Ltd.**  
**Consolidated Statements of Cash Flows**

(in thousands)	Year Ended January 31,		
	2024	2023	2022
<b>Cash flows from operating activities:</b>			
Net loss	\$ (11,645)	\$ (109,951)	\$ (10,256)
<b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b>			
Depreciation and amortization	13,816	18,050	21,278
Allowance for credit losses	2,508	2,763	432
Gain from business divestiture, see Note 7	(4,768)	(5,764)	—
Stock-based compensation, excluding cash-settled awards	12,167	25,246	32,865
(Benefit) provision from deferred income taxes	(3,196)	45	5,860
Non-cash gains (losses) on derivative financial instruments, net	330	426	(133)
Change in fair value of contingent consideration for business combinations	—	—	(134)
Other non-cash items, net	(685)	681	766
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable	12,436	59,186	(5,718)
Contract assets	(7,340)	8,517	(7,115)
Inventories	(960)	(13,101)	(363)
Prepaid expenses and other assets	5,307	(2,364)	8,465
Accounts payable and accrued expenses	4,332	(37,885)	4,885
Contract liabilities	13,897	18,000	(51,314)
Other liabilities	(2,904)	174	1,761
Other, net	1,266	(1,010)	1,351
<b>Net cash provided by (used in) operating activities</b>	<b>34,561</b>	<b>(36,987)</b>	<b>2,630</b>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(7,035)	(8,274)	(11,759)
Purchases of short-term investments	(58,695)	(55,150)	(58,973)
Maturities and sales of short-term investments	75,906	48,765	52,978
Settlements of derivative financial instruments not designated as hedges	(977)	201	(138)
Cash paid for capitalized software development costs	(2,034)	(3,408)	(6,033)
Proceeds from Business divestiture, net of cost, see Note 7	4,975	37,635	—
Change in restricted bank time deposits, including long-term portion	(2,782)	358	5,561
Other investing activities	—	—	513
<b>Net cash provided by (used in) investing activities</b>	<b>9,358</b>	<b>20,127</b>	<b>(17,851)</b>
<b>Cash flows from financing activities:</b>			
(Repayment) withdrawal from credit facility - presented as short term loan	—	(100,000)	100,000
Dividend paid to former parent	—	—	(35,000)
Dividends paid to noncontrolling interest	(2,452)	(2,934)	(3,338)
Payments of contingent consideration for business combinations (financing portion)	—	—	(2,738)
Other financing activities	—	—	(181)
<b>Net cash (used in) provided by financing activities</b>	<b>(2,452)</b>	<b>(102,934)</b>	<b>58,743</b>
Foreign currency effects on cash, cash equivalents, restricted cash, and restricted cash equivalents	(115)	617	41
<b>Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents</b>	<b>41,352</b>	<b>(119,176)</b>	<b>43,563</b>
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period</b>	<b>39,044</b>	<b>158,220</b>	<b>114,657</b>
<b>Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period</b>	<b>\$ 80,396</b>	<b>\$ 39,044</b>	<b>\$ 158,220</b>
<b>Reconciliation of cash, cash equivalents, restricted cash and restricted cash equivalents at end of period:</b>			
Cash and cash equivalents	\$ 74,477	\$ 34,579	\$ 152,590
Restricted cash and cash equivalents included in restricted cash and cash equivalents and restricted bank time deposits	5,825	4,302	3,486
Restricted cash and cash equivalents included in other assets	94	163	2,144
<b>Total cash, cash equivalents, restricted cash, and restricted cash equivalents</b>	<b>\$ 80,396</b>	<b>\$ 39,044</b>	<b>\$ 158,220</b>

See notes to consolidated financial statements.

**Cognyte Software Ltd.**  
**Notes to Consolidated Financial Statements**

## **1. ORGANIZATION, OPERATIONS AND BASIS OF PRESENTATION**

### ***Description of Business***

Cognyte Software Ltd. (the “Company”, “Cognyte”, “we”, “us” and “our”) is a global leader in investigative analytics software that empowers a variety of government and other organizations with Actionable Intelligence for a Safer World™. Our open interface software is designed to help customers accelerate and improve the effectiveness of investigations and decision-making. Hundreds of customers rely on our solutions to accelerate and conduct investigations and derive insights, with which they identify, neutralize, and tackle threats to national security and address different forms of criminal and terror activities.

### ***Basis of Presentation***

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

The currency of the primary economic environment in which the operations of Cognyte and certain subsidiaries are conducted is the U.S. dollar ("dollar"); thus, the dollar is the functional currency of Cognyte and certain subsidiaries.

Cognyte and certain subsidiaries' transactions and balances denominated in dollars are presented at their original amounts. Non-dollar transactions and balances have been remeasured to dollars in accordance with ASC 830, “Foreign Currency Matters”. All transaction gains and losses from remeasurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statements of income as financial income or expenses, as appropriate.

For those subsidiaries whose functional currency has been determined to be a non-dollar currency, assets and liabilities are translated at year-end foreign currency exchange rates and statement of income items are translated at average exchange rates prevailing during the year. Such translation adjustments are recorded as a separate component of accumulated other comprehensive income (loss) in shareholders' equity.

The accompanying consolidated financial statements include a joint venture in which we hold a 50% equity interest. The joint venture is a variable interest entity (“VIE”) in which we are the primary beneficiary as we have the power to direct the activities that are most significant to the VIE. The joint venture’s activities primarily include promoting transactions with end customers as well as negotiating their commercial terms, providing local technical support and interfacing with customers. The noncontrolling interest in the less than wholly owned subsidiary is reflected within equity in our consolidated balance sheets, but separately from our equity.

Equity investments in companies in which we have less than a 20% ownership interest and cannot exercise significant influence, and which do not have readily determinable fair values, are accounted for at cost, adjusted for changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer, less any impairment.

To maintain consistency and comparability, certain amounts from prior periods have been reclassified to conform to current period presentation with no effect on net income or stockholders’ equity as previously reported.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand and highly liquid investments having an original maturity of three months or less.

### ***Restricted Cash and Cash Equivalents, and Restricted Bank Time Deposits***

Restricted cash and cash equivalents, and restricted bank time deposits are mainly pledged as collateral for performance guarantees.

### ***Investments***

Our investments generally consist of bank time deposits with remaining maturities in excess of 90 days at the time of purchase. We held no marketable debt securities at January 31, 2024 and 2023. Investments with maturities in excess of one year are included in other assets.

### ***Accounts Receivable, net***

Accounts receivable are comprised of invoiced amounts due from customers for which we have an unconditional right to collect and are not interest-bearing. Credit is extended to customers based on an evaluation of their financial condition and other factors. We generally do not require collateral or other security to support accounts receivable. The Company performs ongoing credit evaluations of its customers for the purpose of determining the appropriate allowance for credit losses.

### ***Concentrations of Credit Risk***

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and cash equivalents, bank time deposits, short-term investments, accounts receivable, and contract assets. We invest our cash in bank accounts and bank time deposits. By policy, we seek to limit credit exposure on investments through diversification and by restricting our investments to highly rated securities.

We grant credit terms to our customers in the ordinary course of business. Concentrations of credit risk with respect to accounts receivable and contract assets are generally limited due to the large number of customers comprising our customer base and their dispersion across different industries and geographic areas. We have both direct and indirect contracts with two governments outside the United States, that combined accounted for \$42.6 million and \$54.2 million of our aggregated accounts receivable and contract assets, at January 31, 2024 and 2023, respectively. We believe our contracts with these governments present insignificant credit risk.

### ***Allowance for Credit Losses***

Our allowance for credit losses is estimated based on an analysis of the aging of our accounts receivable and contract assets, historical write-offs, customer payment patterns, individual customer creditworthiness, current economic trends, reasonable and supportable forecasts of future economic conditions, and/or establishment of specific reserves for customers in adverse financial condition. We write-off an account receivable and charge it against its recorded allowance at the point when it is considered uncollectible. We assess the adequacy of the allowance for credit losses on a quarterly basis.

The following table summarizes the activity in our credit losses for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,		
	2024	2023	2022
Allowance for credit losses, beginning of year	\$ 1,583	\$ 2,110	\$ 4,559
Provisions charged to expense	2,578	2,824	342
Amounts written off	(7)	(3,080)	(2,791)
Business divestiture	(62)	(308)	—
Other, including fluctuations in foreign exchange rates	(1)	37	—
<b>Allowance for credit losses, end of year</b>	<b>\$ 4,091</b>	<b>\$ 1,583</b>	<b>\$ 2,110</b>

### ***Inventories***

Inventories are stated at the lower of cost or market. Cost is determined using the weighted-average method of inventory accounting. The valuation of our inventories requires us to make estimates regarding excess or obsolete inventories, including making estimates of the future demand for our products. Although we make every effort to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand, price, or technological developments could have a significant impact on the value of our inventory and reported operating results. Charges for excess and obsolete inventories are included within cost of revenue.

### ***Property and Equipment, net***

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is computed using the straight-line method based over the estimated useful lives of the assets. The vast majority of equipment, furniture and other is depreciated over periods ranging from three to six years. Software is typically depreciated over a period of four years. Buildings are typically depreciated over fifty years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease term.

The cost of maintenance and repairs of property and equipment is charged to operations as incurred. When assets are retired or disposed of, the cost and accumulated depreciation or amortization thereon are removed from the consolidated balance sheet and any resulting gain or loss is recognized in the consolidated statement of operations.

### ***Segment Reporting***

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the enterprise's chief operating decision maker ("CODM"), or decision making group, in deciding how to allocate resources and in assessing performance. We evaluated segment reporting in accordance with Accounting Standards Codification ("ASC") Topic 280, *Segment Reporting*. We concluded that we operate in a single operating segment and a single reportable segment based on the operating results available and evaluated regularly by the CODM to make decisions about resource allocation and performance assessment. The CODM makes operational performance assessments and resource allocation decisions on a consolidated basis, inclusive of all of the Company's products.

### ***Goodwill and Other Acquired Intangible Assets***

For business combinations, the purchase prices are allocated to the tangible assets and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition dates, with the remaining unallocated purchase prices recorded as goodwill.

We test goodwill for impairment at the reporting unit level on an annual basis usually as of November 1, or more frequently if changes in facts and circumstances indicate that impairment in the value of goodwill may exist.

We operate as one reporting unit. In testing for goodwill impairment, we may elect to utilize a qualitative assessment to evaluate whether it is more likely than not that the fair value of our reporting unit is less than its carrying amount. If we elect to bypass a qualitative assessment, or if our qualitative assessment indicates that goodwill impairment is more likely than not, we perform quantitative impairment testing. If our quantitative testing determines that the carrying value of the reporting unit exceeds its fair value, goodwill impairment is recognized in an amount equal to that excess, limited to the total goodwill allocated to our reporting unit. For each of the three years in the period ended January 31, 2024, 2023 and 2022, no impairment was identified.

We utilize some or all of three primary approaches to assess the fair value of a reporting unit: (a) an income-based approach, using projected discounted cash flows, (b) a market-based approach, using valuation multiples of comparable companies, and (c) a transaction-based approach, using valuation multiples for recent acquisitions of similar businesses made in the marketplace. Our estimate of fair value of our reporting unit is based on a number of subjective factors, including: (a) appropriate consideration of valuation approaches (income approach, comparable public company approach, and comparable transaction approach), (b) estimates of future growth rates, (c) estimates of our future cost structure, (d) discount rates for our estimated cash flows, (e) selection of peer group companies for the public company and the market transaction approaches, (f) required levels of working capital, (g) assumed terminal value, and (h) time horizon of cash flow forecasts.

Acquired identifiable intangible assets include identifiable acquired technologies, customer relationships, trade names, distribution networks, and non-competition agreements. We amortize the cost of finite-lived identifiable intangible assets over

their estimated useful lives, which are periods of 7 years or less. Amortization is based on the pattern in which the economic benefits of the intangible asset are expected to be realized, which typically is on a straight-line basis. The fair values assigned to identifiable intangible assets acquired in business combinations are determined primarily by using the income approach, which discounts expected future cash flows attributable to these assets to present value using estimates and assumptions determined by management. The acquired identifiable finite-lived intangible assets are being amortized primarily on a straight-line basis, which we believe approximates the pattern in which the assets are utilized, over their estimated useful lives.

### ***Fair Value Measurements***

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. This fair value hierarchy consists of three levels of inputs that may be used to measure fair value:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: unobservable inputs that are supported by little or no market activity.

We review the fair value hierarchy classification of our applicable assets and liabilities at each reporting period. Changes in the observability of valuation inputs may result in transfers within the fair value measurement hierarchy.

### ***Fair Values of Financial Instruments***

Our recorded amounts of cash and cash equivalents, restricted cash and cash equivalents, and restricted bank time deposits, accounts receivable, contract assets, contract liabilities, short term loan, investments, and accounts payable approximate fair value, due to the short-term nature of these instruments. We measure certain financial assets and liabilities at fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

### ***Derivative Financial Instruments***

The Company accounts for derivatives and hedging based on ASC 815, *Derivatives and Hedging*, which requires recognizing all derivatives on the balance sheet at fair value. If the derivatives meet the definition of a cash flow hedge and are so designated, depending on the nature of the hedge, the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period, or periods, during which the hedged transaction affects earnings.

As part of our risk management strategy, when considered appropriate, we use derivative financial instruments including foreign currency forward contracts to hedge against certain foreign currency exposure. Our intent is to mitigate gains and losses caused by the underlying exposures with offsetting gains and losses on the derivative contracts. By policy, we do not enter into speculative positions with derivative instruments.

To protect against the increase in value of expected foreign currency cash flows resulting mainly from salaries and related benefits paid in NIS during the year, the Company hedges portions of its anticipated payroll denominated in NIS for a period of one to twelve months with forward contracts (the "Hedging Contracts"). Accordingly, when the USD strengthens against the NIS, the decline in present value of future NIS currency expenses is offset by losses in the fair value of the Hedging Contracts. Conversely, when the USD weakens against the NIS, the increase in the present value of future NIS expenses is offset by gains in the fair value of the Hedging Contracts. These Hedging Contracts are designated as cash flow hedges.

We also periodically utilize foreign currency forward contracts to manage exposures resulting from expected customer collections to be remitted in currencies other than the applicable functional currency, and exposures from cash, cash equivalents and short-term investments denominated in currencies other than the applicable functional currency.



The counterparties to our derivative financial instruments consist of two major financial institutions. We regularly monitor the financial strength of these institutions. While the counterparties to these contracts expose us to credit-related losses in the event of a counterparty's non-performance, the risk would be limited to the unrealized gains on such affected contracts. We do not anticipate any such losses.

### ***Revenue Recognition***

We account for revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. For additional details please refer to note 4, "Revenue Recognition".

### ***Cost of Revenue***

Our cost of revenue includes costs of materials, compensation and benefit costs for operations and service personnel, subcontractor costs, royalties and license fees related to third-party software included in our products and third-party SaaS providers, cloud infrastructure costs, depreciation of equipment used in operations and service, amortization of capitalized software development costs, provision for slow moving inventory, and certain purchased intangible assets, travel expenses associated with provision of installation, training, consulting and development services resources dedicated to project management and an allocation of overhead costs, such as facility, information technology, operations costs, and other overhead expenses. Costs that relate to materials and software are generally expensed upon shipment and costs related to travel, subcontractors, and personnel and related expenses are generally expensed as incurred in the period in which the personnel related services are performed. Refer to Note 4, "Revenue Recognition" under the heading "Costs to Obtain and Fulfill Contracts" for further details regarding customer contract costs.

### ***Research and Development, net***

With the exception of certain software development costs, all research and development costs are expensed as incurred, and consist primarily of personnel and consulting costs, travel, depreciation of research and development equipment, and related overhead and other costs associated with research and development activities.

We used to receive and we might receive non-refundable grants from the Israeli Innovation Authority ("IIA") that fund a portion of our research and development expenditures. We have elected to enter only into non-royalty-bearing arrangements with the IIA which do not require us to pay royalties. Funds received from the IIA are recorded as a reduction to research and development expense. Royalties, to the extent paid, are recorded as part of our cost of revenue.

We also periodically derive benefits from participation in certain government-sponsored programs in other jurisdictions, for the support of research and development activities conducted in those locations.

### ***Software Development Costs***

Costs incurred to acquire or develop software to be sold, leased or otherwise marketed are capitalized after technological feasibility is established, and continue to be capitalized through the general release of the related software product. Amortization of capitalized costs begins in the period in which the related product is available for general release to customers and is recorded on a straight-line basis, which approximates the pattern in which the economic benefits of the capitalized costs are expected to be realized, over the estimated economic lives of the related software products, generally over a period of up to 4 years.

### ***Internal-Use Software***

We capitalize costs associated with software that is acquired, internally developed or modified solely to meet our internal needs. Capitalization begins when the preliminary project stage has been completed and management with the relevant authority authorizes and commits to the funding of the project. These capitalized costs include external direct costs utilized in developing or obtaining the applications and expenses for employees who are directly associated with the development of the applications. Capitalization of such costs continues until the project is substantially complete and is ready for its intended purpose. Capitalized costs of computer software developed for internal use are generally amortized over estimated useful lives of four years on a straight-line basis, which best represents the pattern of the software's use.

We capitalize integration and testing costs incurred from implementing cloud computing hosting arrangements that are service contracts at the application development stage. Capitalized costs are amortized on a straight-line basis over the term of each arrangement.

## ***Income Taxes***

We account for income taxes under the asset and liability method which includes the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in our consolidated financial statements. Under this approach, deferred taxes are recorded for the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus deferred taxes. Deferred taxes result from differences between the financial statement and tax bases of our assets and liabilities, and are adjusted for changes in tax rates and tax laws when changes are enacted. The effects of future changes in income tax laws or rates are not anticipated.

We are subject to income taxes in Israel, the United States and numerous foreign jurisdictions. The calculation of our income tax provision involves the application of complex tax laws and requires significant judgment and estimates. We evaluate the realizability of our deferred tax assets for each jurisdiction in which we operate at each reporting date, and establish valuation allowances when it is more likely than not that all or a portion of our deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income of the same character and in the same jurisdiction. We consider all available positive and negative evidence in making this assessment, including, but not limited to, the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. In circumstances where there is sufficient negative evidence indicating that our deferred tax assets are not more-likely-than-not realizable, we establish a valuation allowance.

We use a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate tax positions taken or expected to be taken in a tax return by assessing whether they are more-likely-than-not sustainable, based solely on their technical merits, upon examination and including resolution of any related appeals or litigation process. The second step is to measure the associated tax benefit of each position as the largest amount that we believe is more-likely-than-not realizable. Differences between the amount of tax benefits taken or expected to be taken in our income tax returns and the amount of tax benefits recognized in our financial statements represent our unrecognized income tax benefits, which we either record as a liability or as a reduction of deferred tax assets. Our policy is to include interest (expense and/or income) and penalties related to unrecognized income tax benefits as a component of the provision for income taxes.

## ***Functional Currencies and Foreign Currency Transaction Gains and Losses***

Our functional currency, and the functional currency of most of our subsidiaries, is the U.S. dollar, although we have some subsidiaries with functional currencies that are their local currency.

Transactions denominated in currencies other than a functional currency are converted to the functional currency on the transaction date, and any resulting assets or liabilities are further remeasured at each reporting date and at settlement. Gains and losses recognized upon such remeasurements are included within Other income (expenses), net in the consolidated statements of operations. We recorded net foreign currency losses of \$0.8 million, \$0.1 million and \$3.1 million for the years ended January 31, 2024, 2023, and 2022, respectively.

For consolidated reporting purposes, in those instances where a subsidiary has a functional currency other than the U.S. dollar, revenue and expenses are translated into U.S. dollars using average exchange rates for the reporting period, while assets and liabilities are translated into U.S. dollars using period-end rates. The effects of foreign currency translation adjustments are included in stockholders' equity as a component of accumulated other comprehensive income or loss in the accompanying consolidated balance sheets.

## ***Stock-Based Compensation***

Certain Company employees participate in a stock-based compensation plan sponsored by Cognyte. Awards granted under the plan are based on Cognyte's common shares and, as such, are included in Additional Paid in Capital. The Company accounts for share-based compensation under ASC 718, *Compensation - Stock Compensation*, which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payment awards made to employees and directors. ASC 718 requires companies to estimate the fair value of equity-based awards on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statements of operations. The Company estimates the expected forfeitures as of the awards grant date, and revised if necessary in subsequent periods, if actual forfeitures differ from those estimates.

The Company recognizes compensation expenses for the value of its awards, which vest in tranches based on service conditions, using the straight-line method, over the requisite service period of each of the awards, net of estimated forfeitures. Estimated forfeitures are based on actual historical pre-vesting forfeitures. For performance-based share units, the Company recognizes compensation expenses for the value of such awards, if and when the Company concludes that it is probable that a performance condition will be achieved based on the accelerated attribution method over the requisite service period. The Company reassesses the probability of vesting at each reporting period for awards with performance conditions and adjusts compensation cost based on its probability assessment.

### ***Leases***

We are accounting for leases according to ASC 842, *Leases*. We determine if an arrangement is a lease at inception. Operating lease assets are presented as operating lease right-of-use (“ROU”) assets, and corresponding operating lease liabilities are presented within accrued expenses and other current liabilities (current portions), and as operating lease liabilities (long-term portions), on our consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the remaining lease payments over the lease term at commencement date. Our leases do not provide an implicit interest rate. We calculate the incremental borrowing rate to reflect the interest rate that we would have to pay to borrow on a collateralized basis an amount equal to the lease payments in a similar economic environment over a similar term, and consider our historical borrowing activities and market data in this determination. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components, which we account for as a single lease component. Some of our leases contain variable lease payments, which are expensed as incurred unless those payments are based on an index or rate. Variable lease payments based on an index or rate are initially measured using the index or rate in effect at lease commencement and included in the measurement of the lease liability; thereafter, changes to lease payments due to rate or index updates are recorded as rent expense in the period incurred. We have elected not to recognize ROU assets and lease liabilities for short-term leases that have a term of twelve months or less. The effect of short-term leases on our ROU assets and lease liabilities was not material. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. In addition, we do not have any related party leases.

### ***Legal Contingencies***

From time to time, the Company becomes involved in legal proceedings or is subject to claims arising in its ordinary course of business. Such matters are generally subject to many uncertainties and outcomes that are not predictable with certainty. The Company accrues for contingencies when the loss is probable, and it can reasonably estimate the amount of any such loss. Loss contingencies considered to be remote by the Company are generally not disclosed unless material. The respective legal fees are expensed as incurred.

### ***Tax indemnification***

Income tax indemnifications are contractual arrangements established between two parties whereby one party will reimburse the other for income taxes paid to a taxing authority related to tax positions that arose (typically) prior to a transaction. If we are a primary obligor to the taxing authority, we should account for any tax exposure pursuant to the uncertain tax provision guidance of ASC 740 *Income taxes*. If we are not a primary obligor to the taxing authority, we should account for the tax risk pursuant to ASC 460, *Guarantees*, which requires the use of the greater of the fair value of the indemnity or the contingent liability required to be recognized under ASC 450, *Contingencies*.

In accordance with the Tax Matters Agreement entered between the Company and Verint in conjunction with the spin-off, the Company had an indemnification obligation to Verint with respect to some or all of the resulting tax to Verint under the Tax Matters Agreement in the amount of \$4.7 million for the year ended January 31, 2023. During the fourth quarter of the year ended January 31, 2024, the uncertain tax positions associated with Verint, as well as the corresponding indemnification asset, were reversed due to the expiration of the statute of limitations.

### ***Business Combinations***

The Company accounts for business combinations in accordance with ASC 805, *Business Combinations*. ASC 805 requires recognition of assets acquired, liabilities assumed, and any non-controlling interest at the acquisition date, measured at their fair values as of that date. Any excess of the fair value of net assets acquired over the purchase price is allocated to goodwill and any subsequent changes in estimated contingencies are recorded in earnings. In addition, changes in valuation allowance related to acquired deferred tax assets and in changes in acquired income tax positions are recognized in earnings.

Acquisition related costs are expensed to the consolidated statements of operations in the periods incurred.

### ***Recent Accounting Pronouncements***

#### ***New Accounting Pronouncements Recently Adopted***

In October 2021, the FASB issued ASU 2021-08 *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, *Revenue from Contracts with Customers*. The guidance will result in the acquirer recognizing contract assets and contract liabilities at the same amounts recorded by the acquiree. The guidance should be applied prospectively to acquisitions occurring on or after the effective date. The guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of this guidance does not have a material impact on the Company's consolidated financial statements.

#### ***New Accounting Pronouncements Not Yet Effective***

In November 2023, the FASB issued ASU 2023-07 *Segment Reporting (Topic 280): Improvements to reportable segment disclosures*. The amendments in this update improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. The amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating these amendments to determine the impact it may have on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09 *Income Taxes (Topic 740): Improvements to Income Tax Disclosure*. The amendments in this update intended to address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments should be applied on a prospective basis. The amendments are effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company is currently evaluating these amendments to determine the impact it may have on its consolidated financial statements.

### **3. RELATED PARTY TRANSACTIONS**

#### **Related party transactions with Bank Leumi**

During October 2022, Zvika Naggan, a member of our board of directors, was appointed to serve as member of the board of directors of Bank Leumi. Effective as of December 31, 2023 we have extended the revolving credit facility with Bank Leumi Le-Israel B.M. ("Bank Leumi"), an Israeli bank. Under the credit facility with Bank Leumi, we were provided with a total of up to \$35 million in borrowings, made available to the Company for two years, through January 2026. Our obligations under the credit facility are guaranteed by certain customary affirmative and restrictive covenants for credit facilities of this type. The credit facilities also contain financial covenants which are measured at the end of each quarter.

As of January 31, 2024 we did not withdraw any funds from the credit facility with Bank Leumi.

#### **Related party transactions with Verint**

In connection with the spin-off we entered into a Separation and Distribution Agreement with Verint related to the separation and distribution. In addition, we entered into several other agreements with Verint prior to completion of the spin-off to effect the separation and provide a framework for our relationship with Verint after the spin-off, including a Tax Matters Agreement, an Employee Matters Agreement, an Intellectual Property Cross License Agreement, and a Trademark Cross License

Agreement. In the years ended January 31, 2024 and 2023, we incurred net income (expenses) of \$4.7 million and \$(4.7) million, respectively in relation to the Tax Matters Agreement with Verint. See also note “17. Commitment and Contingencies”.

#### **4. REVENUE RECOGNITION**

Revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. When an arrangement contains multiple performance obligations, we account for individual performance obligations separately if they are distinct. We recognize revenue through the application of the following five steps:

*1) Identify the contract(s) with a customer*

A contract with a customer exists when (i) we enter into an enforceable contract with the customer that defines each party’s rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance, and (iii) we determine that collection of substantially all consideration for goods or services that are transferred is probable based on the customer’s intent and ability to pay the promised consideration. We apply judgment in determining the customer’s ability and intention to pay, which is based on a variety of factors including the customer’s historical payment experience or in the case of a new customer, published credit and financial information pertaining to the customer. Our customary business practice is to enter into legally enforceable written contracts with our customers, which set forth the general terms and conditions between the parties. Typically, our customers also submit a purchase order to specify the different goods and services, and the associated prices. Multiple contracts with a single counterparty entered into at or near the same time are evaluated to determine if the contracts should be combined and accounted for as a single contract.

*2) Identify the performance obligations in the contract*

Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or services either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods or services, we must apply judgment to determine whether promised goods or services are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised goods or services are accounted for as a combined performance obligation. Generally, our contracts do not include non-distinct performance obligations, but certain contracts require design, development, or significant customization of our products to meet the customer’s specific requirements, in which case the products and services promised do not represent a distinct performance obligation and are combined into one distinct performance obligation. Additionally, our subscription license offerings provide customers with access to and the right to utilize ongoing support to ensure our software is continuously up-to-date with the latest cyber security capabilities. We consider our software subscription licenses and access to critical support to be a single performance obligation.

*3) Determine the transaction price*

The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring goods or services to the customer. We assess the timing of transfer of goods and services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, we do not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less, which is the case in the majority of our customer contracts. The primary purpose of our invoicing terms is not to receive or provide financing from or to customers. Certain contracts may require an advance payment to encourage customer commitment to the project and protect us from early termination of the contract. To the extent the transaction price includes variable consideration, we estimate the amount of variable consideration that should be included in the transaction price, utilizing either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price, if we assessed that a significant future reversal of cumulative revenue under the contract will not occur. Typically, our contracts do not provide our customers with any right of return or refund, and we do not constrain the contract price as it is probable that there will not be a significant revenue reversal due to a return or refund.

*4) Allocate the transaction price to the performance obligations in the contract*

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. However, if a series of distinct goods or services that are substantially the same qualifies as a single performance obligation in a contract with variable consideration, we must determine if the variable consideration is attributable to the entire contract or to a specific part of the contract. We allocate the variable amount to one or more distinct performance obligations but not all or to one or more distinct services that forms a part of a single performance obligation, when the payment terms of the variable amount relate solely to our efforts to satisfy that distinct performance obligation and it results in an allocation that is consistent with the overall allocation objective of ASC 606. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative stand-alone selling price basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct good or service that forms part of a single performance obligation. We determine stand-alone selling price (“SSP”) based on the price at which the performance obligation is sold separately. If the SSP is not observable through past transactions, we estimate the SSP taking into account available information such as market conditions, including geographic or regional specific factors, competitive positioning, internal costs, profit objectives, and internally approved pricing guidelines related to the performance obligation.

#### *5) Recognize revenue when (or as) the entity satisfies a performance obligation*

We satisfy performance obligations either over time or at a point in time depending on the nature of the underlying promise. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised good or service to a customer. In certain contracts that include customer substantive acceptance criteria, revenue is not recognized until we can objectively conclude that the product or service meets the agreed-upon specifications in the contract.

We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer to our customers. Revenue is measured based on consideration specified in a contract with a customer, and excludes taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by us from a customer.

Shipping and handling activities that are billed to the customer and occur after control over a product has transferred to a customer are accounted for as fulfillment costs and are included in cost of revenue. Historically, these expenses have not been material.

We do not adjust the promised amount of consideration for the effects of a significant financing component since the Company expects, at contract inception, that the period between the time of transfer of the promised goods or services to the customer and the time the customer pays for these goods or services to be generally one year or less, based on the practical expedient. The Company’s credit terms to customers are, on average, between 30 and 60 days.

### **Nature of Goods and Services**

We derive and report our revenue in three categories: (a) software revenue, including the sale of subscription (i.e., term-based) or perpetual licenses, and appliances that include software that is essential to the product’s functionality, (b) software service revenue, including support revenue and revenue from cloud-based software-as-a-service subscriptions (“SaaS”), and (c) professional service and other revenue, including revenue from installation and integration services, customer specific development work, resale of third-party hardware, and consulting and training services.

Software revenue licenses either provide our customers a perpetual right to use our software or the right to use our software for only a fixed term, in most cases between one and three-year time frame. Generally, our contracts do not provide significant services of integration and customization and installation services are not required to be purchased directly from us. For the majority of our software licenses, we have concluded that the licenses are distinct as our customers can benefit from the software on its own. Software revenue is typically recognized when the software is delivered or made available for download to the customer. Our subscription software licenses are not distinct from our support services as the utility of the software to the customer will significantly degrade during the license term. Subscription license revenue is recognized over the term of the subscription period beginning when the software is delivered to the customer. We rarely sell our software licenses on a stand-alone basis and as a result SSP is not directly observable and must be estimated. We apply the adjusted market assessment approach, considering both market conditions and entity specific factors such as assessment of historical data of bundled sales of software licenses with other promised goods and services in order to maximize the use of observable inputs. Software SSP is established based on an appropriate discount from our established list price, taking into consideration whether there is certain stratification of the population with different pricing practices.



Software service revenue is derived from cloud-based SaaS revenue and, providing technical support services, bug fixes and unspecified software updates to customers on a when-and-if-available basis. Each of these performance obligations provide benefit to the customer on a stand-alone basis and are distinct in the context of the contract. Each of these distinct performance obligations represent a stand ready obligation to provide service to a customer, which is concurrently delivered and has the same pattern of transfer to the customer, which is why we account for these support services as a single performance obligation. We recognize support services ratably over the contractual term, which typically is one year and develop SSP for support services based on stand-alone renewal contracts.

Our solutions are generally sold with warranties that typically range from 1 year to 3 years. These warranties do not represent an additional performance obligation as services beyond assuring that the software license and hardware comply with agreed-upon specifications are not provided.

Professional service revenues primarily consist of fees for installation and integration, deployment and optimization services, as well as consulting and training, and are generally recognized over time as the customer simultaneously receives and consumes the benefits of the professional service as the services are performed. For contracts billed on a fixed price basis, revenue is recognized over time using an input method based on labor hours expended to date relative to the total labor hours expected to be required to satisfy the related performance obligation. Additionally, other revenues consist of the resale of third-party hardware including servers, laptops and communication equipment, and are recognized at a point in time generally upon shipment or delivery. We rarely sell professional services and third-party hardware on a stand-alone basis and as a result SSP is not directly observable and must be estimated. We apply the adjusted market assessment approach, considering both market conditions and entity specific factors such as assessment of historical data of bundled sales of professional services and resale of third-party hardware with other promised goods and services in order to maximize the use of observable inputs. Professional services SSP and resale of third-party hardware SSP is established based on an appropriate discount from our established list price, taking into consideration whether there is certain stratification of the population with different pricing practices.

Certain contracts require us to significantly customize our software and these contracts are generally recognized over time as we perform because our performance does not create an asset with an alternative use and we have an enforceable right to payment plus a reasonable profit for performance completed to date. Revenue is recognized over time based on the extent of progress towards completion of the performance obligation. We use labor hours incurred to measure progress for these contracts because it best depicts the transfer of the asset to the customer. Under the labor hours incurred measure of progress, the extent of progress towards completion is measured based on the ratio of labor hours incurred to date to the total estimated labor hours at completion of the distinct performance obligation. Due to the nature of the work performed in these arrangements, the estimation of total labor hours at completion is complex, subject to many variables and requires significant judgment. If circumstances arise that change the original estimates of revenues, costs, or extent of progress toward completion, revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in revenue on a cumulative catch-up basis in the period in which the circumstances that gave rise to the revision become known. We use an appropriate discount from our established list price, taking into consideration whether there is certain stratification of the population with different pricing practices, to estimate the SSP of our significantly customized solutions.

### **Disaggregation of Revenue**

The following table provides information about disaggregated revenue by the recurring or nonrecurring nature of revenue. Recurring revenue is the portion of our revenue that we believe is likely to be renewed in the future. The recurrence of these revenue streams in future periods depends on a number of factors including contractual periods and customers' renewal decisions:

- Recurring revenue primarily consists of initial and renewal support, subscription software licenses, and cloud-based SaaS in certain transactions.
- Nonrecurring revenue primarily consists of our perpetual licenses, appliances, custom development, installation and integration services, consulting and training, and the resale of third-party hardware.

(in thousands)	Year Ended January 31,		
	2024	2023	2022
<b>Revenue by recurrence:</b>			
Recurring revenue	\$ 167,634	\$ 197,398	\$ 230,969
Nonrecurring revenue	145,770	114,664	243,073
<b>Total revenue</b>	<b>\$ 313,404</b>	<b>\$ 312,062</b>	<b>\$ 474,042</b>

## Contract Balances

The following table provides information about accounts receivable, contract assets, and contract liabilities from contracts with customers:

(in thousands)	January 31,	
	2024	2023
Accounts receivable, net	\$ 113,260	\$ 113,201
Contract assets, net	\$ 8,859	\$ 17,476
Contract liabilities	\$ 93,778	\$ 94,882
Long-term contract liabilities	\$ 29,362	\$ 14,382

We receive payments from customers based upon contractual billing schedules, and accounts receivable are recorded when the right to consideration becomes unconditional. Contract assets are rights to consideration in exchange for goods or services that we have transferred to a customer when that right is conditional on something other than the passage of time. The majority of our contract assets represent unbilled amounts related to arrangements where our right to consideration is subject to the contractually agreed upon billing schedule. We expect billing and collection of our contract assets to occur within the next twelve months. We incurred asset impairment related to contract assets in the amount of \$1.4 million for the year ended January 31, 2024. During the years ended January 31, 2024 and 2023, we transferred \$14.4 million and \$16.3 million, respectively, to accounts receivable from contract assets recognized at the beginning of each period, as a result of the right to the transaction consideration becoming unconditional. We recognized \$7.4 million and \$10.3 million of contract assets during the years ended January 31, 2024 and 2023, respectively. During the year ended January 31, 2023, the Company divested a portion of its business, as described in Note 7. As a result, the Company divested \$2.1 million of its contract assets.

There are two customers that accounted for a combined \$42.6 million and \$54.2 million of our aggregated accounts receivable and contract assets at January 31, 2024 and 2023, respectively. These amounts result from both direct and indirect contracts with governments outside of the U.S. which we believe present insignificant credit risk.

Contract liabilities represent consideration received or consideration which is unconditionally due from customers prior to transferring goods or services to the customer under the terms of the contract. Revenue recognized during the years ended January 31, 2024 and 2023 from amounts included in contract liabilities at the beginning of each period was \$76.6 million and \$61.3 million, respectively.

## Remaining Performance Obligations

Transaction price allocated to remaining performance obligations (“RPO”) represents contracted revenue that has not yet been recognized, which includes contract liabilities and non-cancelable amounts that will be invoiced and recognized as revenue in future periods. The majority of our arrangements are for periods of up to three years, with a significant portion being one year or less.

The timing and amount of revenue recognition for our RPO is influenced by several factors, including timing of support renewals, and the revenue recognition for certain projects can extend over longer periods of time, delivery under which, for various reasons, may be delayed, modified, or canceled. Therefore, the amount of remaining obligations may not be a meaningful indicator of future results. In some cases, we may decide to unilaterally cancel outstanding orders and reduce the RPO when there have been extended delays by customers to pay the agreed upon down payments or due to other reasons.

The following table provides information about our RPO:



(in thousands)	January 31,	
	2024	2023
<b>RPO:</b>		
Expected to be recognized within 1 year	\$ 302,524	\$ 280,662
Expected to be recognized in more than 1 year	289,383	302,329
<b>Total RPO</b>	<b>\$ 591,907</b>	<b>\$ 582,991</b>

### Costs to Obtain and Fulfill Contracts

We capitalize commissions paid to internal sales personnel and agent commissions that are incremental to obtaining customer contracts. We have determined that these commissions are in fact incremental and would not have occurred absent the customer contract. Our sales and agent commissions paid on annual renewals of support are commensurate with the commission paid on the initial contract. Capitalized sales and agent commissions are amortized over the period the goods or services are transferred to the customer to which the assets relate.

Total capitalized costs to obtain contracts were \$12.6 million as of January 31, 2024, of which \$10.1 million is included in prepaid expenses and other current assets and \$2.6 million is included in other assets on our consolidated balance sheet. Total capitalized costs to obtain contracts were \$9.7 million as of January 31, 2023, of which \$7.4 million is included in prepaid expenses and other current assets and \$2.3 million is included in other assets on our consolidated balance sheet. During the years ended January 31, 2024, 2023, and 2022, we expensed \$15.6 million, \$13.3 million, and \$24.4 million, respectively, of sales and agent commissions, which are included in selling, general and administrative expenses.

We capitalize costs incurred to fulfill our contracts when the costs relate directly to the contract and are expected to generate resources that will be used to satisfy the performance obligation under the contract and are expected to be recovered through revenue generated under the contract. Costs to fulfill contracts are expensed to cost of revenue as we satisfy the related performance obligations. Total capitalized costs to fulfill contracts were \$1.8 million as of January 31, 2024, of which \$1.5 million is included in prepaid expenses and other current assets and \$0.4 million is included in other assets on our consolidated balance sheet. Total capitalized costs to fulfill contracts were \$2.5 million as of January 31, 2023, of which \$2.4 million is included in prepaid expenses and other current assets and \$0.1 million is included in other assets on our consolidated balance sheet. Deferred cost of revenue is classified in its entirety as current or long-term based on whether the related revenue will be recognized within twelve months of the origination date of the arrangement. The amounts capitalized primarily relate to prepaid third-party cloud costs. During the years ended January 31, 2024, 2023, and 2022, we amortized \$2.3 million, \$3.9 million, and \$7.8 million, respectively, of contract fulfillment costs.

### 5. SHORT TERM LOAN

We entered into two revolving credit facilities effective upon the completion of the spin-off, February 1, 2021, which were valid for three years until January 31, 2024 and provided for a total of up to \$100 million in total borrowings. Based on the Company's financial objectives, current cash balance and expected cash, we have extended these two revolving credit facilities effective as of December 31, 2023 and January 24, 2024, for an additional two years through January, 2026 which provide for a total of up to \$65 million in total borrowings. As of January 31, 2024, we do not have any withdrawn funds from the revolving credit facilities. Interest rates on both facilities are based on Term SOFR plus a margin of 3.26% - 3.31%. We did not incur interest expenses related to our revolving credit facilities for the year ended January 31, 2024. Interest expenses in the amount of \$1.6 million were incurred for the year ended January 31, 2023. In addition, we are required to pay a commitment fee with respect to unused credit under the credit facilities at a rate of 0.75% per annum. The commitment fee incurred with respect to unused credit under the credit facilities was \$0.7 million and \$0.3 million for the years ended January 31, 2024 and 2023, respectively.

Our obligations under the credit facilities are guaranteed by certain customary affirmative and restrictive covenants for credit facilities of this type. The credit facilities also contain financial covenants which are measured at the end of each quarter. With respect to the two years extensions, we have negotiated updated financial covenants in the credit facilities with the banks. The current financial covenants are:

1. The equity shall not decrease below \$165 million or below 30% of Cognyte's total consolidated assets.
2. Cognyte shall maintain, on consolidated basis, an amount of unrestricted cash and cash equivalents (including short term investments) of at least \$25 million.
3. The current assets shall be higher than current liabilities.

4. The unrestricted net cash (total cash, cash equivalents and short term investments less total debt) shall be higher than \$15 million.

The limitations imposed by the covenants are subject to certain exceptions.

The credit facility agreements provide for default events with corresponding grace periods that are customary for credit facilities of this nature. Upon a default event, all of our obligations owed under the credit facilities may be declared immediately due and payable, and the lenders' commitments to provide loans under the credit facility agreements may be terminated.

As at January 31, 2024 and 2023 we met all the financial covenants.

## **6. CONTINGENT CONSIDERATION ASSOCIATED WITH BUSINESS COMBINATIONS**

The acquisition date fair values of contingent consideration obligations associated with business combinations are estimated based on probability adjusted present values of the consideration expected to be transferred using significant inputs that are not observable in the market. Key assumptions used in these estimates include probability assessments with respect to the likelihood of achieving the performance targets and discount rates consistent with the level of risk of achievement. At each reporting date, we revalue the contingent consideration obligations to their fair values and record increases and decreases in fair value within selling, general and administrative expenses in our consolidated statements of operations. Changes in the fair value of the contingent consideration obligations result from changes in discount periods and rates, and changes in probability assumptions with respect to the likelihood of achieving the performance targets.

For the year ended January 31, 2022, we recorded benefits of \$0.2 million, within selling, general and administrative expenses for changes in the fair values of contingent consideration obligations associated with business combinations. All remaining contingent consideration obligations associated with business combinations were fully paid during the financial year ended January 31, 2022.

Payments of contingent consideration earned under these agreements were \$2.7 million for the years ended January 31, 2022.

## **7. DIVESTITURE**

On December 1, 2022 Cognyte sold SIS to Volaris group ("Volaris"). The sale was accomplished by \$42.4 million in cash purchase and \$4.7 million in hold back (recorded in Prepaid expenses and other current assets as of January 31, 2023) which was paid during the year ended January 31, 2024. The sale included equity interests, assets and liabilities attributable to the SIS business for a total consideration of \$47.1 million, plus a performance based earn-out, if and to the extent earned. As of January 31, 2024 performance targets were not reached. The SIS sale resulted in a pre-tax gain on sale of \$5.8 million, net of \$4.7 million closing costs included in Other income (expenses), net in the consolidated statements of operations. The sale price is subject to adjustment based on changes in actual closing net working capital. Final potential working capital adjustments are pending. The sale price was adjusted during the year ended January 31, 2024 based on changes in actual closing net working capital and the completion of asset transfer which resulted in an additional pre-tax gain of \$4.8 million recorded within other income.

In connection with the sale, the Company and Volaris entered into a transition services agreement whereby the Company provides certain post-closing services to Volaris related to the business of SIS.

The transaction did not meet the criteria set forth in ASC 205-20 for discontinued operations as it did not reflect a significant strategic shift that would have a major effect on the Company's operations or financial results.

The following is a summary of the assets and liabilities distributed as part of the SIS completed sale as of January 31, 2024:

	As of January 31, 2024
(in thousands)	
<b>Current assets:</b>	
Accounts receivable	\$ 5,719
Contract assets, net	2,091
Inventories	731
Prepaid expenses and other current assets	407
<b>Total current assets</b>	<b>8,948</b>
Property and equipment, net	1,424
Operating lease right-of-use assets	710
Goodwill	31,865
Intangible assets, net	415
Deferred income taxes	162
Other assets	3,392
<b>Total assets</b>	<b>\$ 46,916</b>
<b>Current liabilities:</b>	
Accounts payable	\$ 1,327
Accrued expenses and other current liabilities	1,257
Contract liabilities	5,863
<b>Total current liabilities</b>	<b>8,447</b>
Long-term contract liabilities	946
Operating lease liabilities	510
<b>Total liabilities</b>	<b>\$ 9,903</b>

## 8. INTANGIBLE ASSETS AND GOODWILL

Acquisition-related intangible assets consisted of the following as of January 31, 2024 and 2023:

	January 31, 2024		
(in thousands)	Cost	Accumulated Amortization	Net
<b>Intangible assets with finite lives:</b>			
Acquired technology	\$ 53,118	\$ (53,118)	\$ —
Customer relationships	1,451	(1,193)	258
Distribution network	2,000	(2,000)	—
<b>Total intangible assets</b>	<b>\$ 56,569</b>	<b>\$ (56,311)</b>	<b>\$ 258</b>

  

	January 31, 2023		
(in thousands)	Cost	Accumulated Amortization	Net
<b>Intangible assets with finite lives:</b>			
Acquired technology	\$ 61,058	\$ (61,058)	\$ —
Customer relationships	3,550	(3,002)	549
Trade names	805	(704)	101
Distribution network	2,000	(2,000)	—
<b>Total intangible assets</b>	<b>\$ 67,413</b>	<b>\$ (66,764)</b>	<b>\$ 650</b>

Total amortization expense recorded for acquisition-related intangible assets was \$0.4 million, \$1.4 million and \$2.1 million for the years ended January 31, 2024, 2023, and 2022, respectively.

Estimated future amortization expense on finite-lived acquisition-related intangible assets is as follows:

(in thousands)

<b>Years Ending January 31,</b>	<b>Amount</b>
2025	\$ 258
<b>Total</b>	<b>\$ 258</b>

No impairments of acquired intangible assets were recorded during the year ended January 31, 2024. We wrote-off fully amortized intangibles in the amount of \$10.9 million during the year ended January 31, 2024. We recorded \$0.7 million of impairments for certain acquired technology assets for the year ended January 31, 2023. These impairments are reflected in both software cost of revenue and selling, general and administrative expenses of \$0.6 million and \$0.1 million, respectively. No impairments of acquired intangible assets were recorded during the year ended January 31, 2022.

The change in the net carrying amount of goodwill activity for the years ended January 31, 2024 and 2023 was as follows:

(in thousands)	<b>Amount</b>
<b>Goodwill at January 31, 2022</b>	<b>\$ 158,233</b>
Foreign currency translation	119
Business divestiture	(31,865)
<b>Goodwill at January 31, 2023</b>	<b>\$ 126,487</b>
Foreign currency translation	76
<b>Goodwill at January 31, 2024</b>	<b>\$ 126,563</b>

During the year ended January 31, 2023, the Company divested a portion of its business, as described in Note 7. As a result, the Company allocated a portion of its total goodwill to the divested business, based on the relative fair value associated with the divested business, in the amount of \$31.9 million.

No goodwill impairment was identified for the years ended January 31, 2024, 2023 and 2022.

## 9. SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENT INFORMATION

### Consolidated Balance Sheets

Inventories consisted of the following as of January 31, 2024 and 2023:

(in thousands)	<b>January 31,</b>	
	<b>2024</b>	<b>2023</b>
Raw materials	\$ 12,124	\$ 17,337
Work-in-process	6,751	7,057
Finished goods	5,709	869
<b>Total inventories</b>	<b>\$ 24,584</b>	<b>\$ 25,263</b>

Property and equipment, net consisted of the following as of January 31, 2024 and 2023:

(in thousands)	<b>January 31,</b>	
	<b>2024</b>	<b>2023</b>
Land and buildings	\$ 2,854	\$ 2,854
Leasehold improvements	12,368	13,486
Software	26,355	27,889
Equipment, furniture and other	51,551	54,617
<b>Total cost</b>	<b>93,128</b>	<b>98,846</b>
Less: accumulated depreciation and amortization	(68,744)	(72,971)
<b>Total property and equipment, net</b>	<b>\$ 24,384</b>	<b>\$ 25,874</b>

Depreciation expense on property and equipment was \$9.9 million, \$11.7 million and \$15.5 million in the years ended January 31, 2024, 2023, and 2022, respectively.

Prepaid expenses and other current assets consisted of the following as of January 31, 2024 and 2023:

(in thousands)	January 31,	
	2024	2023
Prepaid expenses	\$ 26,701	\$ 29,081
Deferred cost of revenue	1,451	2,347
Income tax receivables	4,249	7,028
Foreign currency forward contracts	1,792	288
Other	942	595
<b>Total prepaid expenses and other current assets</b>	<b>\$ 35,135</b>	<b>\$ 39,339</b>

Other assets consisted of the following as of January 31, 2024 and 2023:

(in thousands)	January 31,	
	2024	2023
Long-term restricted cash and time deposits	\$ 137	\$ 203
Capitalized software development costs, net	8,370	9,706
Deferred commissions	2,567	2,339
Long-term deferred cost of revenue	390	127
Long-term security deposits	132	6
Noncontrolling investments accounted under ASC 321	7,186	7,046
Other	353	534
<b>Total other assets</b>	<b>\$ 19,135</b>	<b>\$ 19,961</b>

Accrued expenses and other current liabilities consisted of the following as of January 31, 2024 and 2023:

(in thousands)	January 31,	
	2024	2023
Compensation and benefits	\$ 45,476	\$ 38,253
Distributor and agent commissions	9,630	10,345
Operating lease obligations - current portion	5,413	6,604
Income taxes	3,428	3,121
Taxes other than income taxes	8,447	12,720
Fair value of derivatives - current portion	223	1,592
Other	3,209	5,662
<b>Total accrued expenses and other current liabilities</b>	<b>\$ 75,826</b>	<b>\$ 78,297</b>

Other liabilities consisted of the following as of January 31, 2024 and 2023:

(in thousands)	January 31,	
	2024	2023
Unrecognized tax benefits, including interest and penalties	\$ 5,810	\$ 9,563
Obligations for severance compensation	1,796	2,104
<b>Total other liabilities</b>	<b>\$ 7,606</b>	<b>\$ 11,667</b>

## Consolidated Statements of Operations

Other income (expense), net consisted of the following for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,		
	2024	2023	2022
Gain from business divestiture	\$ 4,768	\$ 5,764	\$ —
Gains on investments, net	\$ —	\$ 1,660	\$ 729
Foreign currency losses, net	\$ (846)	\$ (51)	\$ (3,140)
(Losses) gains on derivative financial instruments, net	\$ (330)	\$ (426)	\$ 133
Other (expense) income, net	(677)	204	(403)
<b>Total other income (expense), net</b>	<b>\$ 2,915</b>	<b>\$ 7,151</b>	<b>\$ (2,681)</b>

## Consolidated Statements of Cash Flows

The following table provides supplemental information regarding our consolidated cash flows for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,		
	2024	2023	2022
Cash paid for interest, including commitment fee	\$ 663	\$ 1,978	\$ 470
Cash payments of income taxes, net	\$ 6,766	11,284	8,232
<b>Non-cash investing and financing transactions:</b>			
Accrued but unpaid purchases of property and equipment	\$ 163	972	1,166
Extinguishment of liability with stocks	\$ 3,856	—	2,514
Inventory transfers to property and equipment	\$ 1,639	1,474	537

## 10. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss includes items such as foreign currency translation adjustments and unrealized gains and losses on derivative financial instruments designated as hedges. Accumulated other comprehensive loss is presented as a separate line item in the equity section of our consolidated balance sheets. Accumulated other comprehensive loss items have no impact on our net income as presented in our consolidated statements of operations.

The following table summarizes changes in the components of our accumulated other comprehensive loss for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Unrealized Gains (Losses) on Derivative Financial Instruments Designated as Hedges	Foreign Currency Translation Adjustments	Total
<b>Balance at January 31, 2021</b>	<b>559</b>	<b>(16,064)</b>	<b>(15,505)</b>
Other comprehensive income (loss) before reclassifications	1,229	(5)	1,224
Amounts reclassified out of accumulated other comprehensive income	2,398	—	2,398
Net current period OCI	(1,169)	(5)	(1,174)
<b>Balance at January 31, 2022</b>	<b>(610)</b>	<b>(16,069)</b>	<b>(16,679)</b>
Other comprehensive (loss) income before reclassifications	(6,148)	1,382	(4,766)
Amounts reclassified out of accumulated other comprehensive income	(6,131)	—	(6,131)
Net current period OCI	(16)	1,382	1,365
<b>Balance at January 31, 2023</b>	<b>(626)</b>	<b>(14,687)</b>	<b>(15,314)</b>
Other comprehensive (loss) income before reclassifications	(4,256)	456	(3,800)
Amounts reclassified out of accumulated other comprehensive income	(6,484)	—	(6,484)
Net current period OCI	2,228	456	2,684
<b>Balance at January 31, 2024</b>	<b>\$ 1,602</b>	<b>\$ (14,231)</b>	<b>\$ (12,630)</b>

All amounts presented in the table above are net of income taxes, if applicable. The accumulated net income in foreign currency translation adjustments primarily reflect the weakening of the U.S. dollar against the Brazilian real, which has resulted in higher U.S. dollar-translated balances of Brazilian real, and the strengthening of the U.S. dollar against the Singapore dollar, which has resulted in lower U.S. dollar-translated balances of Singapore dollar.

The amounts reclassified out of accumulated other comprehensive loss into the consolidated statements of operations, with presentation location, for the years ended January 31, 2024, 2023, and 2022, were as follows:

(in thousands)	Year Ended January 31,			Financial Statement Location
	2024	2023	2022	
<b>Unrealized (losses) gains on derivative financial instruments:</b>				
Foreign currency forward contracts	\$ (10)	\$ (54)	\$ 6	Cost of software revenue
	(97)	(278)	40	Cost of software service revenue
	(643)	(311)	225	Cost of professional service and other revenue
	(2,893)	(3,009)	1,190	Research and development, net
	(2,841)	(2,479)	853	Selling, general and administrative
	<b>(6,484)</b>	<b>(6,131)</b>	<b>2,314</b>	<b>Total, before income taxes</b>
	—	—	84	(Provision) benefit for income taxes
	<b>\$ (6,484)</b>	<b>\$ (6,131)</b>	<b>\$ 2,398</b>	<b>Total, net of income taxes</b>

## 11. RESEARCH AND DEVELOPMENT, NET

Our gross research and development expenses for the years ended January 31, 2024, 2023, and 2022, were \$107.3 million, \$140.4 million and \$143.7 million, respectively. We had no reimbursements from the IIA and other government grant programs for the year ended January 31, 2024 and 2023. Reimbursements from the IIA and other government grant programs amounted to \$0.3 million for the year ended January 31, 2022, which were recorded as reductions of gross research and development expenses.

We capitalize certain costs incurred to develop our commercial software products, and we then recognize those costs within cost of software revenue as the products are available for sale. Activity for our capitalized software development costs for the

years ended January 31, 2024, 2023, and 2022, was as follows:

(in thousands)	Year Ended January 31,		
	2024	2023	2022
Capitalized software development costs, net, beginning of year	\$ 9,706	\$ 13,920	\$ 11,315
Software development costs capitalized during the year	2,034	3,408	6,033
Amortization of capitalized software development costs	(3,370)	(4,708)	(3,291)
Business divestiture	—	(2,922)	—
Write-offs of capitalized software development costs	—	—	(142)
Foreign currency translation and other	—	8	5
<b>Capitalized software development costs, net, end of year</b>	<b>\$ 8,370</b>	<b>\$ 9,706</b>	<b>\$ 13,920</b>

During the years ended January 31, 2024 and 2023 there were no write-offs of capitalized software development costs. During the year ended January 31, 2022 we recorded an impairment charge of 0.1 million, in software cost of revenue, reflecting the write-off of previously capitalized software development costs that were deemed non-recoverable based on our expectations of future market conditions.

## 12. INCOME TAXES

The components of income (loss) before provision for income taxes for the years ended January 31, 2024, 2023, and 2022 were as follows:

(in thousands)	Year Ended January 31,		
	2024	2023	2022
U.S.	\$ (11,360)	\$ (18,240)	\$ (9,596)
Non-U.S.	(1,899)	(78,755)	17,857
<b>Total income before provision for income taxes</b>	<b>\$ (13,259)</b>	<b>\$ (96,995)</b>	<b>\$ 8,261</b>

The provision for income taxes for the years ended January 31, 2024, 2023, and 2022 consisted of the following:

(in thousands)	Year Ended January 31,		
	2024	2023	2022
<b>Current provision (benefit) for income taxes:</b>			
U.S. Federal	\$ (4,116)	\$ 5,161	\$ —
U.S. State	(120)	204	(11)
Non-U.S.	5,738	7,546	12,668
<b>Total current provision (benefit) for income taxes</b>	<b>1,502</b>	<b>12,911</b>	<b>12,657</b>
<b>Deferred provision (benefit) for income taxes:</b>			
U.S. Federal	(199)	2,155	(1,143)
U.S. State	(52)	(414)	53
Non-U.S.	(2,865)	(1,696)	6,950
<b>Total deferred provision (benefit) for income taxes</b>	<b>(3,116)</b>	<b>45</b>	<b>5,860</b>
<b>Total provision for income taxes</b>	<b>\$ (1,614)</b>	<b>\$ 12,956</b>	<b>\$ 18,517</b>

Although Cognyte is organized as an Israeli limited company, on November 24, 2020 Verint obtained a U.S. Tax Ruling that Cognyte will be treated as a United States corporation for U.S. federal income tax purposes. The reconciliation of the U.S. federal statutory rate to our effective tax rate on income before provision for income taxes for the years ended January 31, 2024, 2023, and 2022 was as follows:



(dollars in thousands)	Year Ended January 31,		
	2024	2023	2022
U.S. federal statutory income tax rate	21.0 %	21.0 %	21.0 %
Income tax provision at the U.S. federal statutory rate	\$ (2,785)	\$ (20,369)	\$ 1,735
U.S. State income tax (benefit) provision	(172)	(156)	40
Non-U.S. tax rate differential	1,187	8,636	2,892
Tax incentives	(196)	(158)	(2,671)
Valuation allowances	2,267	7,450	12,731
Non-deductible expenses/non-taxable income	46	491	255
Business divestiture	111	7,372	—
Tax contingencies	(5,136)	6,286	2,056
Stock based and other compensation	954	1,102	898
U.S. tax effects of non-U.S. operations	2,162	2,316	540
Other, net	(52)	(14)	41
<b>Total provision for income taxes</b>	<b>\$ (1,614)</b>	<b>\$ 12,956</b>	<b>\$ 18,517</b>
<b>Effective income tax rate</b>	<b>12.2 %</b>	<b>(13.4)%</b>	<b>224.1 %</b>

The change in gross unrecognized tax benefits during fiscal year 2023 included an uncertain tax position that should have been recognized beginning in fiscal year 2019. The net unrecognized tax benefit associated with this uncertain tax position amounted to \$4.7 million as of January 31, 2023, which was recognized as an out-period-correction in the fourth quarter of fiscal year January 31, 2023. In addition, as disclosed in Note “17. COMMITMENTS AND CONTINGENCIES”, since the uncertain tax position originated prior to the Spin-Off Date, we had indemnified Verint for this amount under the Tax Matters Agreement between Verint and Cognyte that became effective on the Spin-Off Date. The rollover impact of this out-of-period correction was not material, individually or in the aggregate, to any of the Company’s previously reported net loss, comprehensive loss, or basic and fully diluted loss per common share. During the fourth quarter of fiscal year ending January 31, 2024, the uncertain tax positions associated with Verint, as well as the corresponding indemnification asset, were reversed due to the expiration of the statute of limitations.

Our operations in Israel have been granted “Approved Enterprise” (“AE”) status by the Investment Center of the Israeli Ministry of Industry, Trade and Labor, and “Beneficial Enterprise” (“BA”) (after the 2005 Amendment) which makes us eligible for tax benefits under the Israeli Law for Encouragement of Capital Investments, 1959 (the “Investment Law”). Under the terms of the programs, income attributable to an “AE” or “BA” is exempt from income tax for a period of two years and is subject to a reduced income tax rate for the subsequent five to eight years, depending on the geographic location of the enterprise in Israel (generally 10% - 25%, depending on the percentage of non-Israeli investment in the company). Pursuant to Amendment 73 to the Investment Law adopted in 2017, a company located in the center of Israel which meets the conditions for Preferred Technological Enterprise (“PTE”), is subject to a 12% tax rate on the eligible income. Income not eligible for PTE benefits is taxed at the regular corporate income tax rate of 23%. We have examined the impact of Amendment 73 and the degree to which we will qualify as a PTE and have elected to adopt it to the extent we will generate taxable income as of January 31, 2021 onwards in which case we will enjoy reduced corporate tax rate of 12% on income that qualifies as “Preferred Technological Income”. In addition, certain operations in Cyprus qualify for favorable tax treatment under the Cypriot Intellectual Property Regime (“IP Regime”). This legislation exempts 80% of income and gains derived from patents, copyrights, and trademarks from taxation. These tax incentives decreased our effective tax rate by 0.4%, 0.1% and 32.3% for the years ended January 31, 2024, 2023, and 2022, respectively.

Deferred tax assets and liabilities consisted of the following at January 31, 2024 and 2023:

(in thousands)	January 31,	
	2024	2023
<b>Deferred tax assets:</b>		
Loss carryforwards	\$ 18,100	\$ 16,219
Accrued compensation	10,996	10,741
Capitalized research and development	5,080	5,192
Inventory	1,199	43
Accrued expenses	706	126
Operating lease liabilities	—	59
Exchange rate differences	400	105
<b>Total deferred tax assets</b>	<b>36,481</b>	<b>32,485</b>
<b>Deferred tax liabilities:</b>		
Deferred revenue	(565)	(1,784)
Goodwill and other intangible assets	(6,242)	(5,884)
Depreciation of property and equipment	—	(150)
Operating lease right-of-use assets	—	(59)
Other, net	(417)	(790)
<b>Total deferred tax liabilities</b>	<b>(7,224)</b>	<b>(8,667)</b>
Valuation allowance	(28,293)	(26,026)
<b>Net deferred tax liabilities</b>	<b>\$ 964</b>	<b>\$ (2,208)</b>
<b>Recorded as:</b>		
Deferred tax assets	\$ 2,928	\$ 823
Deferred tax liabilities	(1,964)	(3,031)
<b>Net deferred tax liabilities</b>	<b>\$ 964</b>	<b>\$ (2,208)</b>

We had net operating loss carryforwards of approximately \$142.3 million as at January 31, 2024, of which \$0.4 million related to U.S. carryforwards and \$141.9 million related to non-U.S. carryforwards.

We currently intend to continue to indefinitely reinvest the earnings of our non-U.S. subsidiaries to finance non-U.S. activities to the extent distributions would result in an incremental tax cost. We have not provided tax on the outside basis difference of non-U.S. subsidiaries nor have we provided for any additional withholding or other tax that may be applicable should a future distribution be made from any unremitted earnings of non-U.S. subsidiaries. Due to complexities in the laws of the non-U.S. jurisdictions and the assumptions that would have to be made, it is not practicable to estimate the total amount of income and withholding taxes that would have to be provided on such earnings.

As required by the authoritative guidance on accounting for income taxes, we evaluate the realizability of deferred tax assets on a jurisdictional basis at each reporting date. Accounting for income taxes guidance requires that a valuation allowance be established when it is more likely than not that all or a portion of the deferred tax assets will not be realized. Management assesses positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit the use of the existing deferred tax assets. In circumstances where there is sufficient negative evidence indicating that the deferred tax assets are not more likely than not realizable, we establish a valuation allowance.

A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended January 31, 2024 for our major operations in Israel. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. On the basis of this evaluation, as of January 31, 2024, a valuation allowance of \$2.3 million has been recorded against the deferred tax assets that we do not believe are more likely than not to be realized in the foreseeable future. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income are increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth. We have recorded valuation allowances in the amount of \$28.3 million and \$26.0 million at January 31, 2024 and 2023, respectively.

Activity in the recorded valuation allowance consisted of the following for the years ended January 31, 2024 and 2023:

(in thousands)	Year Ended January 31,	
	2024	2023
Valuation allowance, beginning of year	\$ (26,026)	\$ (18,576)
Income tax provision	(2,267)	(7,450)
<b>Valuation allowance, end of year</b>	<b>\$ (28,293)</b>	<b>\$ (26,026)</b>

In accordance with the authoritative guidance on accounting for uncertainty in income taxes, differences between the amount of tax benefits taken or expected to be taken in our income tax returns and the amount of tax benefits recognized in our financial statements, determined by applying the prescribed methodologies of accounting for uncertainty in income taxes, represent our unrecognized income tax benefits, which we either record as a liability or as a reduction of deferred tax assets.

For the years ended January 31, 2024, 2023, and 2022 the aggregate changes in the balance of gross unrecognized tax benefits were as follows:

(in thousands)	Year Ended January 31,		
	2024	2023	2022
Gross unrecognized tax benefits, beginning of year	\$ 10,893	\$ 10,517	\$ 9,872
Increases related to tax positions taken during the current year	104	1,717	1,828
(Decreases) increases related to foreign currency exchange rates	(467)	(828)	256
Reductions for spin-off from Verint	—	—	(1,439)
Reductions for tax positions of prior years	(3,167)	—	—
Lapses of statutes of limitations	(80)	(513)	—
<b>Gross unrecognized tax benefits, end of year</b>	<b>\$ 7,283</b>	<b>\$ 10,893</b>	<b>\$ 10,517</b>

As of January 31, 2024, we had \$7.3 million of unrecognized tax benefits, \$4.6 million of which, if recognized, would impact the effective income tax rate in future periods. If the remaining \$2.7 million is recognized, it would be in the form of a net operating loss carryforward, which is expected to require a full valuation allowance based on present circumstances. We recorded \$0.1 million, \$0.6 million and \$0.4 million of net tax expense for interest and penalties related to uncertain tax positions in our provision for income taxes for the years ended January 31, 2024, 2023, and 2022, respectively. The reduction of \$3.2 million of uncertain tax positions of prior periods relates primarily to liabilities associated with tax assets that are not expected to be utilized prior to their expiration. Accrued liabilities for interest and penalties were \$1.2 million and \$1.4 million at January 31, 2024 and 2023, respectively. Interest and penalties (expense and/or benefit) are recorded as a component of the provision for income taxes in the consolidated financial statements.

Our income tax returns are subject to ongoing tax examinations in several jurisdictions in which we operate. In Israel, we are no longer subject to income tax examination for years prior to January 31, 2019. In the U.S., our federal returns are no longer subject to income tax examination for years prior to January 31, 2021.

We regularly assess the adequacy of our provisions for income tax contingencies. As a result, we may adjust the reserves for unrecognized tax benefits for the impact of new facts and developments, such as changes to interpretations of relevant tax law, assessments from taxing authorities, settlements with taxing authorities, and lapses of statutes of expiration. We believe that it is reasonably possible that the total amount of unrecognized tax benefits at January 31, 2024 could decrease by approximately \$2.1 million in the next twelve months as a result of settlement of certain tax audits or lapses of statutes of limitation. Such decreases may involve the payment of additional taxes, the adjustment of certain deferred taxes including the need for additional valuation allowances and the recognition of tax benefits.

### 13. FAIR VALUE MEASUREMENTS

#### Assets and Liabilities Measured at Fair Value on a Recurring Basis

Our assets and liabilities measured at fair value on a recurring basis consisted of the following as of January 31, 2024 and 2023:

(in thousands)	January 31, 2024		
	Fair Value Hierarchy Category		
	Level 1	Level 2	Level 3
<b>Assets:</b>			
Foreign currency forward contracts	\$ —	\$ 1,792	\$ —
Consideration Asset or Liability in Business Divestitures	\$ —	\$ —	\$ 4,954
<b>Total assets</b>	<b>\$ —</b>	<b>\$ 1,792</b>	<b>\$ 4,954</b>
<b>Liabilities:</b>			
Foreign currency forward contracts	\$ —	\$ 223	\$ —
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 223</b>	<b>\$ —</b>

  

(in thousands)	January 31, 2023		
	Fair Value Hierarchy Category		
	Level 1	Level 2	Level 3
<b>Assets:</b>			
Foreign currency forward contracts	\$ —	\$ 288	\$ —
<b>Total assets</b>	<b>\$ —</b>	<b>\$ 288</b>	<b>\$ —</b>
<b>Liabilities:</b>			
Foreign currency forward contracts	\$ —	\$ 1,592	\$ —
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 1,592</b>	<b>\$ —</b>

#### Fair Value Measurements

*Foreign Currency Forward Contracts* - The estimated fair value of foreign currency forward contracts is based on quotes received from the counterparties thereto. These quotes are reviewed for reasonableness by discounting the future estimated cash flows under the contracts, considering the terms and maturities of the contracts and market foreign currency exchange rates using readily observable market prices for similar contracts.

*Contingent Consideration Asset or Liability—Business Combinations and Divestitures* - The fair value of the contingent consideration related to business combinations and divestitures is estimated using a probability-adjusted discounted cash flow model. These fair value measurements are based on significant inputs not observable in the market. The key internally developed assumptions used in these models are discount rates and the probabilities assigned to the milestones to be achieved. We remeasure the fair value of the contingent consideration at each reporting period, and any changes in fair value resulting from either the passage of time or events occurring after the acquisition date, such as changes in discount rates, or in the expectations of achieving the performance targets, are recorded within selling, general, and administrative expenses. Increases or decreases in discount rates would have inverse impacts on the related fair value measurements, while favorable or unfavorable changes in expectations of achieving performance targets would result in corresponding increases or decreases in the related fair value measurements. All of our outstanding contingent consideration liabilities were fully settled during the year ended January 31, 2022. During the year ended January 31, 2024 we recorded \$5 million of contingent working capital adjustments receivable on the consolidated balance sheet under “Prepaid expenses and other current assets” resulted from SIS business divestiture, see Note 7, “Divestiture.”

#### Other Financial Instruments

The carrying amounts of accounts receivable, short-term investments, contract assets, accounts payable, and accrued liabilities and other current liabilities approximate fair value due to their short maturities.

### Assets and Liabilities Not Measured at Fair Value on a Recurring Basis

In addition to assets and liabilities that are measured at fair value on a recurring basis, we also measure certain assets and liabilities at fair value on a nonrecurring basis. Our non-financial assets, including goodwill, intangible assets, operating lease ROU assets, and property, plant and equipment, are measured at fair value when there is an indication of impairment and the carrying amount exceeds the asset's fair value. These assets are recorded at fair value only when an impairment charge is recognized. Further details regarding our regular impairment reviews appear in Note 2, "Summary of Significant Accounting Policies".

The carrying amount of our noncontrolling investments in privately-held companies without readily determinable fair values was \$7.2 million and \$7.0 million, on January 31, 2024 and 2023, of which \$2.4 million was remeasured to fair value based on an observable transaction during the year ended January 31, 2023. These investments are included within other assets on the consolidated balance sheets. An unrealized gain of \$1.7 million, which adjusted the carrying value of a noncontrolling investment, was recorded in other income (expense), net on the consolidated statements of operations for the year ended January 31, 2023. We did not recognize any impairments or other adjustments during the years ended January 31, 2024 and 2023.

## 14. DERIVATIVE FINANCIAL INSTRUMENTS

Our primary objective for holding derivative financial instruments is to manage foreign currency exchange rate risk when deemed appropriate. We enter into these contracts in the normal course of business to mitigate risks and not for speculative purposes.

### Foreign Currency Forward Contracts

Under our risk management strategy, we periodically use foreign currency forward contracts to manage our short-term exposures to fluctuations in operational cash flows resulting from changes in foreign currency exchange rates. These cash flow exposures result from portions of our forecasted operating expenses, primarily compensation and related expenses, which are transacted in currencies other than the U.S. dollar, most notably the New Israeli Shekel. We also periodically utilize foreign currency forward contracts to manage exposures resulting from forecasted customer collections to be remitted in currencies other than the applicable functional currency, and exposures from cash, cash equivalents short-term investments and account payable denominated in currencies other than the applicable functional currency. These foreign currency forward contracts generally have maturities of no longer than twelve months.

We held outstanding foreign currency forward contracts with notional amounts of \$74.4 million and \$91.3 million as of January 31, 2024 and 2023, respectively.

### Fair Values of Derivative Financial Instruments

The fair values of our derivative financial instruments and their classifications in our consolidated balance sheets as of January 31, 2024 and 2023 were as follows:

(in thousands)	Balance Sheet Classification	January 31,	
		2024	2023
<b>Derivative assets:</b>			
Foreign currency forward contracts:			
Designated as cash flow hedges	Prepaid expenses and other current assets	\$ 1,778	\$ 288
Not designated as hedging instruments	Prepaid expenses and other current assets	14	—
<b>Total derivative assets</b>		<b>\$ 1,792</b>	<b>\$ 288</b>
<b>Derivative liabilities:</b>			
Foreign currency forward contracts:			
Designated as cash flow hedges	Accrued expenses and other current liabilities	\$ 177	\$ 914
Not designated as hedging instruments	Accrued expenses and other current liabilities	46	678
<b>Total derivative liabilities</b>		<b>\$ 223</b>	<b>\$ 1,592</b>

## Derivative Financial Instruments in Cash Flow Hedging Relationships

The effects of derivative financial instruments designated as cash flow hedges on accumulated other comprehensive loss (“AOCL”) and on the consolidated statement of operations for the years ended January 31, 2024, 2023, and 2022, were as follows:

(in thousands)	Year Ended January 31,		
	2024	2023	2022
<b>Net (losses) gains recognized in AOCL:</b>			
Foreign currency forward contracts	\$ (2,228)	\$ 16	\$ 1,169
<b>Net (losses) gains reclassified from AOCL to the consolidated statement of operations:</b>			
Foreign currency forward contracts	\$ (6,484)	\$ (6,131)	\$ 2,314

For information regarding the line item locations of the net (losses) gains on derivative financial instruments reclassified out of AOCL into the consolidated statements of operations, see Note 10, “Accumulated Other Comprehensive Loss.”

All of the foreign currency forward contracts underlying the \$1.6 million of net unrealized gains recorded in our accumulated other comprehensive loss at January 31, 2024 mature within twelve months, and therefore we expect all such gains to be reclassified into earnings within the next twelve months.

## Derivative Financial Instruments Not Designated as Hedging Instruments

(Losses) gains recognized on derivative financial instruments not designated as hedging instruments in our consolidated statements of operations for the years ended January 31, 2024, 2023, and 2022, were as follows:

(in thousands)	Classification in Consolidated Statements of Operations	Year Ended January 31,		
		2024	2023	2022
Foreign currency forward contracts	Other (expense) income, net	\$ (330)	\$ (426)	\$ 133

## 15. STOCK-BASED COMPENSATION AND OTHER BENEFIT PLANS

### Stock-Based Compensation Expense

We recognized stock-based compensation expense in the following line items on the consolidated statements of operations for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,		
	2024	2023	2022
<b>Component of (loss) income before provision for income taxes:</b>			
<b>Cost of revenue:</b>			
Software	\$ (9)	\$ 229	\$ 229
Software service	1,071	1,078	1,160
Professional service and other	355	2,038	2,535
Research and development, net	2,232	8,048	7,792
Selling, general and administrative	8,539	13,955	21,320
<b>Total stock-based compensation expense</b>	<b>12,188</b>	<b>25,348</b>	<b>33,036</b>
<b>Income tax benefits related to stock-based compensation (before consideration of valuation allowances)</b>	<b>1,615</b>	<b>3,358</b>	<b>4,196</b>
<b>Total stock-based compensation, net of taxes</b>	<b>\$ 10,573</b>	<b>\$ 21,990</b>	<b>\$ 28,840</b>

As of January 31, 2024, there was approximately \$15.7 million of total unrecognized compensation expense, net of estimated forfeitures, related to unvested restricted stock units, which is expected to be recognized over a weighted-average period of 1.52 years.

The following table summarizes stock-based compensation expense by type of award for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,		
	2024	2023	2022
Restricted stock units and restricted stock awards	\$ 12,777	\$ 21,759	\$ 31,825
Stock bonus program and bonus share program	(610)	3,487	1,040
<b>Total equity-settled awards</b>	<b>12,167</b>	<b>25,246</b>	<b>32,865</b>
Phantom stock units (cash-settled awards)	21	102	171
<b>Total stock-based compensation expense</b>	<b>\$ 12,188</b>	<b>\$ 25,348</b>	<b>\$ 33,036</b>

Awards under Cognyte’s stock bonus and bonus share programs are accounted for as liability-classified awards, because the obligations are based predominantly on fixed monetary amounts that are generally known at inception of the obligation, to be settled with a variable number of shares of Cognyte common stock.

#### *Stock-Based Awards Granted by Cognyte and Verint*

Cognyte periodically awards restricted stock units (“RSU”) to directors, officers, and other employees. The fair value of these awards is equivalent to the market value of Cognyte’s common stock on the grant date. RSUs are not shares of Cognyte common stock and do not have any of the rights or privileges thereof, including voting or dividend rights. On the applicable vesting date, the holder of an RSU becomes entitled to a share of Cognyte common stock. RSUs are subject to certain restrictions and forfeiture provisions prior to vesting.

Cognyte periodically awards performance stock units (“PSU”) to executive officers that vest upon the achievement of specified performance goals. The Company recognizes compensation expenses for the value of its awards, which have graded vesting based on service conditions, using the straight-line method, over the requisite service period of each of the awards, net of estimated forfeitures.

Verint also used to award RSUs to directors, officers, and other employees, and PSUs to executive officers before the spin-off. Some of the expenses recognized in the years ended January 31, 2023, and 2022 relate to awards that were initially granted by Verint to Cognyte employees before the spin-off.

Once a performance vesting condition has been defined and communicated, and the requisite service period has begun, the Company recognizes compensation expenses for the value of such awards, if and when the Company concludes that it is probable that a performance condition will be achieved based on the straight-line attribution method over the requisite service period. The Company reassesses the probability of vesting at each reporting period for awards with performance conditions and adjusts its compensation expenses based on its probability assessment.

RSUs that are expected to be settled with cash payments upon vesting, if any, are reflected as liabilities on our consolidated balance sheets. Such RSUs were insignificant at January 31, 2024, 2023, and 2022.

The following table (“Award Activity Table”) summarizes activity for RSUs and PSUs to Company personnel that reduce available plan capacity under the plans for the years ended January 31, 2024 and 2023:

(in thousands, except grant date fair values)	Year Ended January 31,		Year Ended January 31,	
	2024		2023	
	Shares or Units	Weighted-Average Grant-Date Fair Value	Shares or Units	Weighted-Average Grant-Date Fair Value
<b>Opening balance</b>	1,923	\$ 11.02	1,901	\$ 24.42
Granted	4,041	\$ 4.55	2,208	\$ 6.87
Released	(2,164)	\$ 7.51	(1,627)	\$ 19.53
Forfeited	(203)	\$ 18.43	(559)	\$ 15.43
<b>Closing balance</b>	<b>3,597</b>	<b>\$ 5.44</b>	<b>1,923</b>	<b>\$ 11.02</b>

## Other Benefit Plans

### Severance Pay

We are obligated to make severance payments for the benefit of certain employees of Israel and our foreign subsidiaries. Severance payments made to Israeli employees are considered significant compared to all other subsidiaries with severance payment arrangements. Under Israeli law, we are obligated to make severance payments to certain employees of our Israeli subsidiaries, subject to certain conditions. In most cases, our liability for these severance payments is fully provided for by regular deposits to funds administered by insurance providers and by an accrual for the amount of our liability which has not yet been deposited.

Severance expenses for our Israeli employees for the years ended January 31, 2024, 2023, and 2022 were \$6.3 million, \$8.8 million, and \$9.0 million respectively.

## 16. LEASES

We have entered into operating leases primarily for corporate offices, research and development facilities, and automobiles. Our leases have remaining lease terms of 1 year to 10 years. We do not have any finance leases as of January 31, 2024 and 2023.

The components of lease expenses for the years ended January 31, 2024, 2023 and 2022 were as follows:

(in thousands)	Year Ended January 31,		
	2024	2023	2022
<b>Operating lease expenses</b>	<b>\$ 6,401</b>	<b>\$ 7,695</b>	<b>\$ 7,725</b>
Variable lease expenses	1,480	2,536	2,146
Short-term lease expenses	78	243	292
Other lease related expenses	4,207	4,422	5,168
Sublease income	(875)	—	—
<b>Total lease expenses</b>	<b>\$ 11,290</b>	<b>\$ 14,896</b>	<b>\$ 15,331</b>

The amounts in the table above of the component of lease expenses for the years ended January 31, 2023 and 2022 have been revised. This reclassification did not affect total lease expenses on our consolidated statements of operation for the years ended January 31, 2023 and 2022.

During the years ended January 31, 2024 and 2023, we decided to exit certain leased offices primarily due to our workforce operating under remote work environments and a decrease in the employees number, resulting in accelerated operating lease expenses of \$0.3 million and \$1.5 million, respectively.



Other information related to leases was as follows:

(dollars in thousands)	Year Ended January 31,		
	2024	2023	2022
<b>Supplemental cash flow information</b>			
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>			
Operating cash flows from operating leases	\$ 7,201	\$ 8,272	\$ 8,733
<b>Right-of-use assets obtained in exchange for lease obligations:</b>			
Operating leases	\$ 23,293	\$ 2,240	\$ 3,756
<b>Weighted average remaining lease terms</b>			
Operating leases	8 years	3 years	4 years
<b>Weighted average discount rates</b>			
Operating leases	6.5 %	4.8 %	4.8 %

Maturities of lease liabilities as of January 31, 2024 were as follows:

(in thousands)	January 31, 2024
	Operating Leases
<b>Year Ending January 31,</b>	
2025	\$ 7,450
2026	6,213
2027	4,201
2028	4,063
Thereafter	23,733
<b>Total future minimum lease payments</b>	<b>45,660</b>
Less imputed interest	(12,298)
<b>Total</b>	<b>\$ 33,363</b>
<b>Reported as of January 31, 2024:</b>	
Accrued expenses and other current liabilities	\$ 5,413
Operating lease liabilities	27,950
<b>Total</b>	<b>\$ 33,363</b>

## 17. COMMITMENTS AND CONTINGENCIES

### Unconditional Purchase Obligations

In the ordinary course of business, we enter into certain unconditional purchase obligations, which are agreements to purchase goods or services that are enforceable, legally binding, and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based on current needs and are typically fulfilled by our vendors within a relatively short time horizon. As of January 31, 2024, our unconditional purchase obligations totaled approximately \$28 million.

### Licenses and Royalties

We license certain technology and pay royalties under such licenses and other agreements entered into in connection with research and development activities.

As discussed in Note 2, “Summary of Significant Accounting Policies”, we have received non-refundable grants from the IIA that have funded a portion of our research and development expenditures. The Israeli law under which the IIA grants are made limits our ability to manufacture products, or transfer technologies, developed using these grants outside of Israel. If we were to seek approval to manufacture products, or transfer technologies, developed using these grants outside of Israel, we could be subject to royalty requirements or be required to pay certain redemption fees. If we were to violate these restrictions, we could

be required to refund any grants previously received, together with interest and penalties, and may be subject to criminal penalties.

### ***Off-Balance Sheet Risk***

In the normal course of business, we provide certain customers with financial performance guarantees, which are generally backed by bank guarantees and, in certain cases, by standby letters of credit. In general, we would only be liable for the amounts of these guarantees in the event that our nonperformance permits termination of the related contract by our customer, which we believe is remote. At January 31, 2024, we had approximately \$50 million of outstanding bank guarantees and letters of credit relating primarily to these performance guarantees. As of January 31, 2024, we believe we were in compliance with our performance obligations under all contracts for which there is a financial performance guarantee, and the ultimate liability, if any, incurred in connection with these guarantees will not have a material adverse effect on our consolidated results of operations, financial position, or cash flows. Our historical non-compliance with our performance obligations has been insignificant. In addition the Company provided bank guarantees in the amount \$3.6 million related to its offices in Israel and exports transaction towards the Israeli Chamber of Commerce.

### ***Indemnifications***

In the normal course of business, we provide indemnifications of varying scopes to customers against claims of intellectual property infringement made by third parties arising from the use of our products. Historically, costs related to these indemnification provisions have not been significant and we are unable to estimate the maximum potential impact of these indemnification provisions on our future results of operations.

To the extent permitted under Israeli law or other applicable law, we indemnify our directors, officers, employees, and agents against claims they may become subject to by virtue of serving in such capacities for us. We also have contractual indemnification agreements with our directors, officers, and certain senior executives. The maximum amount of future payments we could be required to make under these indemnification arrangements and agreements is potentially unlimited; however, we have insurance coverage that limits our exposure and enables us to recover a portion of any future amounts paid. We are not able to estimate the fair value of these indemnification arrangements and agreements in excess of applicable insurance coverage, if any.

In connection with the spin-off, we entered into a tax matters agreement (the “Tax Matters Agreement”) with Verint under which we and Verint each agreed to share the obligation to pay any taxes as shown on tax returns filed by Verint (or any member of its group), on one hand, and us (or any member of our group), on the other hand, such that we will be primarily responsible for any taxes related to, or arising in connection with Cognyte, and Verint will be responsible for any taxes related to, or arising in connection with, the remaining business of Verint, regardless of which party prepares and files any such tax return and whether such taxes arise prior to or after the spin-off.

We and Verint agreed to indemnify each other under the Tax Matters Agreement for certain actions or inactions that cause the distribution of our stock to fail to qualify as tax-free for U.S. federal income and Israeli tax purposes. If the distribution fails to qualify as tax-free due to no fault of either Verint or us, Verint and we will jointly be responsible for any resulting tax.

Under the terms of the Tax Matters Agreement, we and Verint agree generally to cooperate in preparing and filing tax returns and will retain and make available tax records to the other party. Contests with taxing authorities are generally controlled by whichever of us or Verint bears the potential liability for the contested tax. However, with respect to certain income tax returns of Verint group, Verint has an exclusive right to control any contest with taxing authorities regarding tax liabilities in connection with such income tax returns, even if we are allocated all or a portion of such taxes under the terms of the Tax Matters Agreement. If any tax contest relates to a failure of the spin-off to qualify as tax-free due to the fault of Verint or us, then the party at fault will control such tax contest. The change in gross unrecognized tax benefits during fiscal year 2023 includes an uncertain tax position that should have been recognized beginning in fiscal year 2019. The net unrecognized tax benefit associated with this uncertain tax position amounted to \$4.7 million as of January 31, 2023, which has been recognized as an out-period-correction in the fourth quarter of fiscal year January 31, 2023. In addition, since the uncertain tax position originated prior to the Spin-Off Date, we have indemnified Verint for this amount under the Tax Matters Agreement between Verint and Cognyte that became effective on the Spin-Off Date. The rollover impact of this out-of-period correction was not material, individually or in the aggregate, to any of the Company’s previously reported net income (loss), comprehensive income (loss), or basic and fully diluted earnings (loss) per common share. During the fourth quarter of fiscal year ending January 31, 2024, the uncertain tax positions associated with Verint, as well as the corresponding indemnification asset, were reversed due to the expiration of the statute of limitations.

## Legal Proceedings

In March 2009, one of our former employees, Ms. Orit Deutsch, commenced legal actions in Israel against our primary Israeli subsidiary, Cognyte Technologies Israel Ltd. (“Cognyte IL”) (Case Number 4186/09) and against our former affiliate Comverse Technology, Inc. (“CTI”) (Case Number 1335/09). Also, in March 2009, a former employee of Comverse Limited (CTI’s primary Israeli subsidiary at the time), Ms. Roni Katriel, commenced similar legal actions in Israel against Comverse Limited (Case Number 3444/09). In these actions, the plaintiffs generally sought to certify class action suits against the defendants on behalf of current and former employees of Cognyte IL and Comverse Limited who had been granted stock options in Verint and/or CTI and who were allegedly damaged as a result of a suspension on option exercises during an extended filing delay period that is discussed in Verint’s and CTI’s historical public filings. On June 7, 2012, the Tel Aviv District Court, where the cases had been filed or transferred, allowed the plaintiffs to consolidate and amend their complaints against the three defendants: Cognyte IL, CTI, and Comverse Limited.

On October 31, 2012, CTI distributed all of the outstanding shares of common stock of Comverse, Inc., its principal operating subsidiary and parent company of Comverse Limited, to CTI’s shareholders (the “Comverse Share Distribution”). In the period leading up to the Comverse Share Distribution, CTI either sold or transferred substantially all of its business operations and assets (other than its equity ownership interests in Verint and in its then-subsubsidiary, Comverse, Inc.) to Comverse, Inc. or to unaffiliated third parties. As the result of these transactions, Comverse, Inc. became an independent company and ceased to be affiliated with CTI, and CTI ceased to have any material assets other than its equity interests in Verint. Prior to the completion of the Comverse Share Distribution, the plaintiffs sought to compel CTI to set aside up to \$150 million in assets to secure any future judgment, but the District Court did not rule on this motion. In February 2017, Mavenir Inc. became successor-in-interest to Comverse, Inc.

On February 4, 2013, Verint acquired the remaining CTI shell company in a merger transaction (the “CTI Merger”). As a result of the CTI Merger, Verint assumed certain rights and liabilities of CTI, including any liability of CTI arising out of the foregoing legal actions. However, under the terms of a Distribution Agreement entered into in connection with the Comverse Share Distribution, Verint, as successor to CTI, is entitled to indemnification from Comverse, Inc. (now Mavenir) for any losses Verint may suffer in its capacity as successor to CTI related to the foregoing legal actions. Under the Separation and Distribution Agreement entered into with Verint in connection with the spin-off, we agreed to indemnify Verint for our share of any losses Verint may suffer related to the foregoing legal actions either in its capacity as successor to CTI, to the extent not indemnified by Mavenir, or due to its former ownership of us and Cognyte IL.

Following an unsuccessful mediation process, on August 28, 2016, the District Court (i) denied the plaintiffs’ motion to certify the suit as a class action with respect to all claims relating to Verint stock options and (ii) approved the plaintiffs’ motion to certify the suit as a class action with respect to claims of current or former employees of Comverse Limited (now part of Mavenir) or of Cognyte IL who held unexercised CTI stock options at the time CTI suspended option exercises. The court also ruled that the merits of the case would be evaluated under New York law.

As a result of this ruling (which excluded claims related to Verint stock options from the case), one of the original plaintiffs in the case, Ms. Deutsch, was replaced by a new representative plaintiff, Mr. David Vaaknin. CTI appealed portions of the District Court’s ruling to the Israeli Supreme Court. On August 8, 2017, the Israeli Supreme Court partially allowed CTI’s appeal and ordered the case to be returned to the District Court to determine whether a cause of action exists under New York law based on the parties’ expert opinions.

Following two unsuccessful rounds of mediation in mid to late 2018 and in mid-2019, the proceedings resumed. On April 16, 2020, the District Court accepted plaintiffs’ application to amend the motion to certify a class action and set deadlines for filing amended pleadings by the parties. CTI submitted a motion to appeal the District Court’s decision to the Supreme Court, as well as a motion to stay the proceedings in the District Court pending the resolution of the appeal. On July 6, 2020, the Supreme Court granted the motion for a stay. On July 27, 2020, the plaintiffs filed their response on the merits of the motion for leave to appeal. On December 15, 2021, the Supreme Court rejected CTI’s motion to appeal and the procedure in the District Court resumed. On February 27, 2022, CTI filed its response to the amendment motion for class certification. On April 4, 2022, a pre-trial hearing was held at the District Court, and the court has scheduled dates for the continuation of the proceedings. On July 10, 2022, following another round of mediation, the parties submitted a motion to approve a settlement agreement (the “Deutch Settlement Agreement”). According to the Deutch Settlement Agreement, subject to full and final waiver by the plaintiffs, Mavenir Inc. and/or Comverse Inc. and/or Mavenir Ltd., will pay compensation in the total amount of \$16 million. On February 7, 2023 the court approved the Deutch Settlement Agreement and the first payment thereunder was made on March 2, 2023, in the amount of \$6.5 million, leaving two installments of approximately \$4.7 million each, one was paid in September 2023 and was paid in March 2024. It is noted that the compensation amount is comprehensive, final and absolute and includes all the

amounts and expenses to be paid in connection with the Deutch Settlement Agreement. Verint serves as a guarantor for the payment of the compensation amount.

On March 1, 2023, a putative securities class action complaint was filed in the United States District Court for the Southern District of New York against Cognyte Software Ltd. (“Cognyte” or the “Company”), its Chief Executive Officer and its Chief Financial Officer (collectively, “Defendants”) on behalf of all purchasers of the Company’s common stock during the period between February 2, 2021, and June 28, 2022, and seeking unspecified damages. On November 10, 2023, Plaintiff filed an amended complaint (the “Amended Complaint”). The Amended Complaint alleges that Cognyte and its Chief Executive Officer purportedly issued false and misleading statements and made omissions in violation of U.S. federal securities laws between February 2, 2021, and January 19, 2023.

Plaintiff alleges that statements such as those in Cognyte’s code of conduct asserting that the Company operates in an ethical manner and complies with the law in the jurisdictions in which it operates, as well as its descriptions of services provided and its customer base, were purportedly false and misleading because Cognyte allegedly violated social media companies’ community standards and terms of service and the export control laws of Israel and other jurisdictions.

The Company has not accrued any losses in connection with this proceeding. The Company’s position is that this lawsuit has no merit, and it has filed a motion to dismiss the Amended Complaint.

We are a party to various litigation matters and claims that arise from time to time in the ordinary course of our business. While we believe that the ultimate outcome of any such current matters will not have a material adverse effect on us, their outcomes are not determinable and negative outcomes may adversely affect our financial position, liquidity, or results of operations.

In addition, under the Separation and Distribution Agreement we entered into with Verint in connection with the spin-off, the parties have agreed to certain other indemnification arrangements with respect to litigation claims and liabilities allocated in the spin-off.

## 18. GEOGRAPHIC AND SIGNIFICANT CUSTOMER INFORMATION

### Geographic Information

Revenue by major geographic region is based on the location of our contracting subsidiary, which often differ from the geographic location of the customer.

The information below summarizes revenue by major geographic region for the years ended January 31, 2024, 2023, and 2022:

(in thousands)	Year Ended January 31,		
	2024	2023	2022
EMEA:			
Israel	\$ 215,312	\$ 201,610	\$ 328,371
Germany	53,480	44,486	63,258
Other	14,950	13,208	14,127
Total EMEA	283,743	259,304	405,756
Americas:			
United States	10,029	35,139	37,726
Other	7,147	9,987	17,869
Total Americas	17,176	45,126	55,595
APAC	12,486	7,633	12,691
<b>Total revenue</b>	<b>\$ 313,404</b>	<b>\$ 312,062</b>	<b>\$ 474,042</b>

Our long-lived assets primarily consist of net property and equipment, operating lease ROU assets, goodwill and other intangible assets. We believe that our tangible long-lived assets, which consist of our net property and equipment, are exposed to greater geographic area risks and uncertainties than intangible assets and long-term cost deferrals, because these tangible assets are difficult to move and are relatively illiquid.

Property and equipment, net by geographic area consisted of the following as of January 31, 2024 and 2023:

(in thousands)	January 31,	
	2024	2023
Israel	\$ 18,814	\$ 20,090
United States	290	173
Other countries	5,280	5,611
<b>Total property and equipment, net</b>	<b>\$ 24,384</b>	<b>\$ 25,874</b>

### Significant Customers

The Company's largest customers accounted for the following percentage of total revenue:

	Year Ended January 31,		
	2024	2023	2022
Customer A	16.5 %	17.7 %	14.8 %
Customer B	11.0 %	10.0 %	8.4 %

In making this determination of significant customers, we define a customer as an organization from which we have recognized revenue in a reporting period. In situations where a governmental organization acts on behalf of multiple agencies or departments, we treat that organization as the customer for reporting purposes notwithstanding that each of the underlying agencies or departments is generally making its own independent purchasing decisions.

## 19. EARNINGS PER SHARE

Basic net earnings per share are computed based on the weighted average number of ordinary shares outstanding during each year. Diluted net earnings per share are computed based on the weighted average number of ordinary shares outstanding during each year plus dilutive potential equivalent ordinary shares considered outstanding during the year, in accordance with ASC 260, "Earnings per Share".

The following table summarizes the calculation of basic and diluted net income per ordinary share attributable to Cognyte for the years ended January 31, 2024, 2023, and 2022:

(in thousands except share and per share data)	Year Ended January 31,		
	2024	2023	2022
Net loss	\$ (11,645)	\$ (109,951)	\$ (10,256)
Net income attributable to noncontrolling interest	3,925	4,181	4,634
<b>Net loss attributable to Cognyte Software Ltd.</b>	<b>\$ (15,570)</b>	<b>\$ (114,132)</b>	<b>\$ (14,890)</b>
<b>Ordinary shares outstanding:</b>			
Basic shares	70,081	67,924	66,570
Effective of dilutive shares	—	—	—
Diluted shares	70,081	67,924	66,570
<b>Net loss per share attributable to Cognyte Software Ltd.:</b>			
<b>Basic and diluted</b>	<b>\$ (0.22)</b>	<b>\$ (1.68)</b>	<b>\$ (0.22)</b>

For the years ended January 31, 2024, 2023, and 2022 we had 733 thousand, 480 thousand and 603 thousand potentially dilutive shares, respectively.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

Cognyte Software Ltd. had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our ordinary shares. References herein to “we,” “us,” “our” and the “Company” refer to Cognyte Software Ltd. and not to any of its subsidiaries. The following description may not contain all of the information that is important to you, and we therefore refer you to our amended and restated articles of association, a copy of which is filed with the Securities and Exchange Commission (“SEC”) as an exhibit to this annual report on Form 20-F.

**Share capital**

Our authorized share capital consists of 300,000,000 ordinary shares, no par value.

All of our outstanding ordinary shares are validly issued, fully paid and non-assessable. Our ordinary shares are not redeemable and do not have any preemptive rights.

Our board of directors may determine the issue prices and terms for such shares or other securities, and may further determine any other provision relating to such issue of shares or securities. We may also issue and redeem redeemable securities on such terms and in such manner as our board of directors shall determine.

**Transfer of shares**

Our fully paid ordinary shares are issued in registered form and may be freely transferred under our amended and restated articles of association, unless the transfer is restricted or prohibited by another instrument, applicable law or the rules of a stock exchange on which the ordinary shares are listed for trade. The ownership or voting of our ordinary shares by non-residents of Israel is not restricted in any way by our amended and restated articles of association or the laws of the State of Israel, except for ownership by nationals of some countries that are, or have been, in a state of war with Israel.

**Election of directors**

Under our amended and restated articles of association, our board of directors must consist of not less than three but no more than eleven directors. Pursuant to our amended and restated articles of association, each of our directors shall be appointed by a simple majority vote of holders of our ordinary shares, participating and voting at an annual general meeting of our shareholders. In addition, our directors are divided into three classes, one class being elected each year at the annual general meeting of our shareholders, and serve on our board of directors until the third annual general meeting following such election or re-election or until they are removed by a vote of 65% of the total voting power of our shareholders or upon the occurrence of certain events, in accordance with the Companies Law, 5759-1999 (the “Companies Law”) and our amended and restated articles of association. In addition, our amended and restated articles of association allow our board of directors to fill vacancies on the board of directors or to appoint new directors up to the maximum number of directors permitted under our amended and restated articles of association. Any director so appointed serves for a term of office equal to the remaining period of the term of office of the director whose office has been vacated (or in the case of any new director, for a term of office according to the class to which such director was assigned upon appointment).

## **Dividend and liquidation rights**

We may declare a dividend to be paid to the holders of our ordinary shares in proportion to their respective shareholdings. Under the Companies Law, dividend distributions are determined by the board of directors and do not require the approval of the shareholders of a company unless the company's articles of association provide otherwise. Our amended and restated articles of association do not require shareholder approval of a dividend distribution and provide that dividend distributions may be determined by our board of directors.

Pursuant to the Companies Law, the distribution amount is limited to the greater of retained earnings or earnings generated over the previous two years, according to our then last reviewed or audited financial statements (less the amount of previously distributed dividends, if not reduced from the earnings), provided that the end of the period to which the financial statements relate is not more than six months prior to the date of the distribution. If we do not meet such criteria, then we may distribute dividends only with court approval; as a company listed on an exchange outside of Israel, however, court approval is not required if the proposed distribution is in the form of an equity repurchase, provided that we notify our creditors of the proposed equity repurchase and allow such creditors an opportunity to initiate a court proceeding to review the repurchase. If within 30 days such creditors do not file an objection, then we may proceed with the repurchase without obtaining court approval. In each case, we are only permitted to distribute a dividend if our board of directors and, if applicable, the court determines that there is no reasonable concern that payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due. In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of our ordinary shares in proportion to their shareholdings. This right, as well as the right to receive dividends, may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

## **Shareholder meetings**

Under Israeli law, we are required to hold an annual general meeting of our shareholders once every calendar year and no later than 15 months after the date of the previous annual general meeting. All meetings other than the annual general meeting of shareholders are referred to in our amended and restated articles of association as special general meetings. Our board of directors may call special general meetings of our shareholders whenever it sees fit, at such time and place, within or outside of Israel, as it may determine. In addition, the Companies Law provides that our board of directors is required to convene a special general meeting of our shareholders upon the written request of (1) any two or more of our directors, (2) one-quarter or more of the serving members of our board of directors or (3) as a company listed on an exchange in the U.S., one or more shareholders holding, in the aggregate, either (a) 10% or more of our outstanding issued shares and 1% or more of our outstanding voting power or (b) 10% or more of our outstanding voting power.

Under Israeli law, one or more shareholders holding at least 1% of the voting rights at the general meeting of the shareholders may request that the board of directors include a matter in the agenda of a general meeting of the shareholders to be convened in the future, provided that it is appropriate to discuss such a matter at the general meeting. Notwithstanding the foregoing, as a company listed on an exchange outside of Israel, a matter relating to the appointment or removal of a director may only be requested by one or more shareholders holding at least 5% of the voting rights at the general meeting of the shareholders. Our amended and restated articles of association contain procedural guidelines and disclosure items with respect to the submission of shareholder proposals for general meetings.

Subject to the provisions of the Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings of shareholders are the shareholders of record on a date to be decided by the board of directors, which, as a company listed on an exchange outside Israel, may be

between four and 60 days prior to the date of the meeting. Furthermore, the Companies Law requires that resolutions regarding the following matters must be passed at a general meeting of shareholders:

- amendments to our articles of association;
- appointment, terms of service or and termination of service of our auditors;
- appointment of directors, including external directors (if applicable);
- approval of certain related party transactions;
- increases or reductions of our authorized share capital;
- a merger; and
- the exercise of our board of directors' powers by a general meeting, if our board of directors is unable to exercise its powers and the exercise of any of its powers is required for our proper management.

The Companies Law requires that a notice of any annual general meeting or special general meeting be provided to shareholders at least 21 days prior to the meeting and if the agenda of the meeting includes, among other things, the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, or an approval of a merger, notice must be provided at least 35 days prior to the meeting. Under the Companies Law and our amended and restated articles of association, shareholders are not permitted to take action by way of written consent in lieu of a meeting.

### **Voting rights**

All ordinary shares have identical voting and other rights in all respects.

### ***Quorum***

Pursuant to our amended and restated articles of association, holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote before the shareholders at a general meeting. The quorum required for our general meetings of shareholders consists of at least two shareholders present in person, by proxy or written ballot who hold or represent between them at least 25% of the total outstanding voting rights, within half an hour of the time fixed for the commencement of the meeting. A meeting adjourned for lack of a quorum shall be adjourned to the same day in the next week, at the same time and place, to such day and at such time and place as indicated in the notice to such meeting, or to such day and at such time and place as the chairperson of the meeting shall determine. At the reconvened meeting, any number of shareholders present in person or by proxy shall constitute a quorum, unless a meeting was called pursuant to a request by our shareholders, in which case the quorum required is one or more shareholders present in person or by proxy and holding the number of shares required to call the meeting.”

### ***Vote requirements***

Our amended and restated articles of association provide that all resolutions of our shareholders require a simple majority vote, unless otherwise required by the Companies Law or by our amended and restated



articles of association. Under the Companies Law, certain actions require a special majority, including: (i) the approval of an extraordinary transaction with a controlling shareholder or in which the controlling shareholder has a personal interest, (ii) the terms of employment or other engagement of a controlling shareholder of the company or a controlling shareholder's relative (even if such terms are not extraordinary) and (iii) approval of certain compensation-related matters require specified approval. Under our amended and restated articles of association, the alteration of the rights, privileges, preferences or obligations of any class of our shares (to the extent there are classes other than ordinary shares) may require a simple majority of the class so affected (or such other percentage of the relevant class that may be set forth in the governing documents relevant to such class), in addition to the ordinary majority vote of all classes of shares voting together as a single class at a shareholder meeting. Our amended and restated articles of association also provide that the removal of any director from office or the amendment of such provision, or certain other provisions regarding our staggered board, shareholder proposals and the size of our board require the vote of at least 65% of the total voting power of our shareholders. Another exception to the simple majority vote requirement is a resolution for the voluntary winding up, or an approval of a scheme of arrangement or reorganization, of the company pursuant to Section 350 of the Companies Law, which requires the approval of a majority of the holders holding at least 75% of the voting rights represented at the meeting and voting on the resolution.

### ***Access to corporate records***

Under the Companies Law, all shareholders generally have the right to review minutes of our general meetings, our shareholder register, including with respect to material shareholders, our articles of association, our financial statements, other documents as provided in the Companies Law, and any document we are required by law to file publicly with the Israeli Companies Registrar or the Israeli Securities Authority. Any shareholder who specifies the purpose of its request may request to review any document in our possession that relates to any action or transaction with a related party which requires shareholder approval under the Companies Law. We may deny a request to review a document if we determine that the request was not made in good faith, that the document contains a commercial secret or a patent or that the document's disclosure may otherwise impair our interests.

### **Acquisitions under Israeli law**

*Full tender offer.* A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90% of the target company's voting rights or the target company's issued and outstanding share capital (or of a class thereof), is required by the Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company (or the applicable class). If (a) the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company (or the applicable class) and the shareholders who accept the offer constitute a majority of the offerees that do not have a personal interest in the acceptance of the tender offer or (b) the shareholders who did not accept the tender offer hold less than two percent (2%) of the issued and outstanding share capital of the company (or of the applicable class), all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. A shareholder who had its shares so transferred may petition the court within six months from the date of acceptance of the full tender offer, regardless of whether such shareholder agreed to the offer, to determine whether the tender offer was for less than fair value and whether the fair value should be paid as determined by the court. However, an offeror may provide in the offer that a shareholder who accepted the offer will not be entitled to appraisal rights as described in the preceding sentence, as long as the offeror and the company disclosed the information required by law in connection with the full tender offer. If the full tender offer was not accepted in accordance with any of the above alternatives, the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of the voting rights or the issued and outstanding share capital of the company (or the applicable class) from shareholders who accepted the tender offer.

*Special tender offer.* The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This rule does not apply if there is already another holder of 25% or more of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company. These requirements do not apply if the acquisition (i) occurs in the context of a private placement by the company that received shareholder approval as a private placement whose purpose is to give the acquirer at least 25% of the voting rights in the company if there is no person who holds 25% or more of the voting rights in the company, or as a private placement whose purpose is to give the acquirer 45% of the voting rights in the company, if there is no person who holds 45% of the voting rights in the company, (ii) was from a shareholder holding 25% or more of the voting rights in the company and resulted in the acquirer becoming a holder of 25% or more of the voting rights in the company, or (iii) was from a holder of more than 45% of the voting rights in the company and resulted in the acquirer becoming a holder of more than 45% of the voting rights in the company. A special tender offer must be extended to all shareholders of a company. A special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer (excluding the purchaser, its controlling shareholders, holders of 25% or more of the voting rights in the company and any person having a personal interest in the acceptance of the tender offer, or anyone on their behalf, including any such person's relatives and entities under their control).

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer, or shall abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention. The board of directors shall also disclose any personal interest that any of the directors has with respect to the special tender offer or in connection therewith. An office holder in a target company who, in his or her capacity as an office holder, performs an action the purpose of which is to cause the failure of an existing or foreseeable special tender offer or is to impair the chances of its acceptance, is liable to the potential purchaser and shareholders for damages, unless such office holder acted in good faith and had reasonable grounds to believe he or she was acting for the benefit of the company. However, office holders of the target company may negotiate with the potential purchaser in order to improve the terms of the special tender offer, and may further negotiate with third parties in order to obtain a competing offer.

If a special tender offer is accepted, then shareholders who did not respond to or that had objected the offer may accept the offer within four days of the last day set for the acceptance of the offer and they will be considered to have accepted the offer from the first day it was made.

In the event that a special tender offer is accepted, then the purchaser or any person or entity controlling it, at the time of the offer, or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

*Merger.* The Companies Law permits merger transactions if approved by each party's board of directors and, unless certain conditions described under the Companies Law are met, a majority of each party's shareholders. The board of directors of a merging company is required pursuant to the Companies Law to discuss and determine whether in its opinion there exists a reasonable concern that as a result of a proposed merger, the surviving company will not be able to satisfy its obligations towards its creditors, such determination taking into account the financial status of the merging companies. If the board of directors determines that such a concern exists, it may not approve a proposed merger. Following the approval of the

board of directors of each of the merging companies, the boards of directors must jointly prepare a merger proposal for submission to the Israeli Registrar of Companies.

For purposes of the shareholder vote of a merging company whose shares are held by the other merging company or a person or entity holding 25% or more of the voting rights at the general meeting or the right to appoint 25% or more of the directors of the other merging company, unless a court rules otherwise, the merger will not be deemed approved if a majority of the shares voted on the matter at the shareholders meeting (excluding abstentions) that are held by shareholders other than the other party to the merger, or by any person or entity who holds 25% or more of the voting rights or the right to appoint 25% or more of the directors of the other party, or any one on their behalf including their relatives or corporations controlled by any of them, vote against the merger. In addition, if the non-surviving entity of the merger has more than one class of shares, the merger must be approved by each class of shareholders. If the transaction would have been approved but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the valuation of the merging companies and the consideration offered to the shareholders. If a merger is with a company's controlling shareholder or if the controlling shareholder has a personal interest in the merger, then the merger is instead subject to the same special majority approval that governs all extraordinary transactions with controlling shareholders.

Under the Companies Law, each merging company must deliver to its secured creditors the merger proposal and inform its unsecured creditors of the merger proposal and its content. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties to the merger, and may further give instructions to secure the rights of creditors.

In addition, a merger may not be completed unless at least 50 days have passed from the date that a proposal for approval of the merger is filed with the Israeli Registrar of Companies and 30 days from the date that shareholder approval of both merging companies is obtained.

### ***Anti-takeover measures***

The Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including shares providing certain preferred rights with respect to voting, distributions or other matters and shares having preemptive rights. As of February 1, 2021, no preferred shares are authorized under our amended and restated articles of association. In the future, if we do authorize, create and issue a specific class of preferred shares, such class of shares, depending on the specific rights that may be attached to it, may have the ability to frustrate or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization and designation of a class of preferred shares will require an amendment to our amended and restated articles of association, which requires the prior approval of the holders of a majority of the voting power attaching to our issued and outstanding shares at a general meeting. The convening of the meeting, the shareholders entitled to participate and the majority vote required to be obtained at such a meeting will be subject to the requirements set forth in the Companies Law and our amended articles of association as described above in “-Voting Rights.” In addition, we have a classified board structure, which will effectively limit the ability of any investor or potential investor or group of investors or potential investors to gain control of our board of directors.

### **Changes in capital**

Our amended and restated articles of association enable us to increase or reduce our share capital. Any such changes are subject to Israeli law and must be approved by a resolution duly passed by our shareholders at a general meeting by voting on such change in the capital. In addition, transactions that have the effect of reducing capital, such as the declaration and payment of dividends in the absence of sufficient retained earnings or profits, require the approval of both our board of directors and an Israeli court.

#### **Transfer agent and registrar**

The transfer agent and registrar for our ordinary shares is Broadridge Corporate Issuer Solutions, Inc., at its principal office in Lake Success, NY.

#### **Listing**

Our ordinary shares are listed on the Nasdaq Global Select Market under the symbol “CGNT”.

**Subsidiaries of Cognyte Software Ltd.**

<b><u>Name</u></b>	<b><u>Jurisdiction of Incorporation or Organization</u></b>
Cognyte Analytics India Private Limited	India
Cognyte Brasil S.A.	Brazil
Cognyte Bulgaria EOOD	Bulgaria
Cognyte Software LP	Delaware
Cognyte Software México, S.A. de C.V.	Mexico
Cognyte Solutions Ltd.	Israel
Cognyte Systems Ltd.	Israel
Cognyte Taiwan Ltd.	Taiwan (Republic of China)
Cognyte Technologies Israel Ltd.	Israel
Cognyte Technology Inc.	Delaware
Gita Technologies Ltd.	Israel
Syborg GmbH	Germany
Syborg Grundbesitz GmbH	Germany
Syborg Informationssysteme b.h. OHG	Germany
VSS Engineering PTE. Ltd.*	Singapore
UTX Technologies Limited	Cyprus
Cognyte Netherlands B.V.	The Netherlands
Cognyte Romania S.R.L.	Romania
Cognyte Software (Thailand) Limited	Thailand

\*We own a 50% equity interest in this entity.

**COGNYTE SOFTWARE LTD.**  
**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**  
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Elad Sharon, certify that:

1. I have reviewed this Annual Report on Form 20-F of Cognyte Software Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 9, 2024

By: /s/ Elad Sharon

Elad Sharon

Chief Executive Officer (Principal Executive Officer)

**COGNYTE SOFTWARE LTD.**  
**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**  
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Abadi, certify that:

1. I have reviewed this Annual Report on Form 20-F of Cognyte Software Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 9, 2024

By: /s/ David Abadi

David Abadi

Chief Financial Officer (Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350  
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Annual Report on Form 20-F of Cognyte Software Ltd. (the “Company”) for the year ended January 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Elad Sharon, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 9, 2024

By: /s/ Elad Sharon  
Elad Sharon  
Chief Executive Officer (Principal Executive Officer)



**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350  
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Annual Report on Form 20-F of Cognyte Software Ltd. (the “Company”) for the year ended January 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David Abadi, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David Abadi

Date: April 9, 2024

David Abadi  
Chief Financial Officer (Principal Financial Officer)

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-252565 on Form S-8 of our report dated April 9, 2024, relating to the consolidated financial statements of Cognyte Software Ltd. and the effectiveness of the Cognyte Software Ltd.'s internal control over financial reporting appearing in this Annual Report on Form 20-F for the year ended January 31, 2024.

/s/ Brightman Almagor Zohar & Co.

Brightman Almagor Zohar & Co.  
Certified Public Accountants  
A firm in the Deloitte Global Network

Tel Aviv, Israel  
April 9, 2024

**CONSENT TO BE NAMED AS DIRECTOR**

In connection with the Annual Report on Form 20-F (including any and all amendments or supplements thereto, the “Annual Report”) of Cognyte Software Ltd. (the “Company”), the undersigned hereby consents to being named and described in the Annual Report filed with the U.S. Securities and Exchange Commission as a person to become a director of the Company, with such appointment to become effective as of May 1, 2024.

IN WITNESS WHEREOF, the undersigned has executed this Consent as of the 9<sup>th</sup> day of April, 2024.

/s/ Ron Shvili

Name: Ron Shvili

CONSENT TO BE NAMED AS DIRECTOR

In connection with the Annual Report on Form 20-F (including any and all amendments or supplements thereto, the “Annual Report”) of Cognyte Software Ltd. (the “Company”), the undersigned hereby consents to being named and described in the Annual Report filed with the U.S. Securities and Exchange Commission as a person to become a director of the Company, with such appointment to become effective as of May 1, 2024.

IN WITNESS WHEREOF, the undersigned has executed this Consent as of the 9<sup>th</sup> day of April, 2024.

/s/ Sarit Sagiv

Name: Sarit Sagiv

**COGNYTE SOFTWARE LTD.**  
**POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

Cognyte Software Ltd. (the “**Company**”) has adopted this Policy for Recovery of Erroneously Awarded Compensation (the “**Policy**”) on September 7, 2023. Capitalized terms used in this Policy but not otherwise defined herein are defined in Section 12.

**1. Persons Subject to Policy**

This Policy shall apply to and be binding and enforceable on current and former Officers. In addition, the Committee and the Board may apply this Policy, either generally or in specific circumstances, to persons who are not Officers, and such application shall apply in the manner determined by the Committee and the Board in their sole discretion.

**2. Compensation Subject to Policy**

This Policy shall apply to Incentive-Based Compensation received on or after October 2, 2023. For purposes of this Policy, the date on which Incentive-Based Compensation is “received” shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is “received” in the Company’s fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

**3. Recovery of Compensation**

In the event that the Company is required to prepare a Restatement, the Company shall recover, reasonably promptly and in accordance with Section 4 below, the portion of any Incentive-Based Compensation that is Erroneously Awarded Compensation, unless the Committee and the Board have determined that recovery from the relevant current or former Officer would be Impracticable. Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Company. For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not give rise to any Officer’s right to voluntarily terminate employment for “good reason” or due to a “constructive termination” (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

**4. Manner of Recovery; Limitation on Duplicative Recovery**

The Committee and the Board shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company, to the extent permitted by law, of Incentive-Based Compensation or Erroneously Awarded Compensation, reimbursement or repayment by any person subject to this Policy, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

For Incentive-Based Compensation based on the Company’s stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to

mathematical recalculation directly from the information in the applicable Restatement: (i) the amount to be repaid or returned shall be determined by the Committee and the Board based on a reasonable estimate of the effect of the Restatement on the Company's stock price or total shareholder return upon which the Incentive-Based Compensation was received; and (ii) the Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to the applicable national securities exchange or association.

**5. Administration**

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the "Committee" shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates, shareholders and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, as permitted under applicable law, including any Applicable Rules.

**6. Interpretation**

This Policy shall be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

**7. No Indemnification; No Liability**

Notwithstanding anything to the contrary herein or in any arrangement or agreement any person may have with the Company or any affiliate thereof, the Company shall not indemnify or insure any person against the loss of any Erroneously Awarded Compensation pursuant to this Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person's potential obligations under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy. For the avoidance of a doubt, in the event of a conflict between this Policy and any indemnification agreement or undertaking taken by the Company or any affiliate thereof for the benefit of such person, the former shall prevail.

**8. Application; Enforceability**

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to, any Other Recovery Arrangements. Without limiting the foregoing, in the event of a conflict between this Policy and the Compensation Policy, the latter shall prevail, except with respect to the recovery of any portion of Incentive-Based Compensation that is Erroneously Awarded Compensation that would not be recoverable under the Compensation Policy, in which case this Policy shall prevail. Subject to Section 4, the remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company or is otherwise required by applicable law and regulations.

**9. Severability**

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

**10. Amendment and Termination**

Without limitation of any additional requirements under the Companies Law 5759-1999, the Board or the Committee may amend, modify or terminate this Policy in whole or in part at any time and from time to time in its sole discretion. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association in the U.S.

**11. Disclosure**

The Company shall file all disclosures with respect to this Policy required by Applicable Rules.

**12. Definitions**

**“Applicable Rules”** means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Company’s securities are listed, and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Company’s securities are listed.

**“Board”** means the Board of Directors of the Company.

**“Compensation Policy”** means the Company’s compensation policy for officers and directors, as adopted in accordance with the Israeli Companies Law 5759-1999 and as in effect from time to time.

**“Committee”** means the Compensation Committee of the Board or, in the absence of such a committee, a majority of the independent directors serving on the Board.

**“Erroneously Awarded Compensation”** means the amount of Incentive-Based Compensation received by a current or former Officer that exceeds the amount of Incentive-Based Compensation that would have been received by such current or former Officer based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules.

**“Exchange Act”** means the Securities Exchange Act of 1934, as amended.

**“Financial Reporting Measure”** means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures derived wholly or in part from such measures, including GAAP, IFRS and non-GAAP/IFRS financial measures, as well as stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return).

**“GAAP”** means United States generally accepted accounting principles.

**“IFRS”** means international financial reporting standards as adopted by the International Accounting Standards Board.

**“Impracticable”** means (a) the direct expense paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company has (i) made reasonable attempt(s) to recover the Erroneously Awarded Compensation, (ii) documented such reasonable attempt(s) and (iii) provided such documentation to the relevant listing exchange or association, (b) the recovery would violate the Company’s home country (Israeli) laws adopted prior to November 28, 2022 pursuant to an opinion of home country counsel; provided that the Company has (i) obtained an opinion of home country counsel, acceptable to the relevant listing exchange or association, that recovery would result in such a violation and (ii) provided such opinion to the relevant listing exchange or association, or (c) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

**“Incentive-Based Compensation”** means, with respect to a Restatement, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) on or after October 2, 2023; (b) after such person began service as an Officer; (c) who served as an Officer at any time during the performance period for that compensation (whether or not such Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company); (d) while the Company has a class of securities listed on a national securities exchange or association; and (e) during the applicable Three-Year Period.

**“Officer”** means each person who the Company determines serves as a Company officer, as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended. For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 6.A of Form 20-F, as well as the principal financial officer and principal accounting officer (or, if there is no principal accounting officer, the controller).

**“Other Recovery Arrangements”** means any clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (including, without limitation, the Compensation Policy).

**“Restatement”** means an accounting restatement to correct the Company’s material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements (a “big R” restatement) or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little r” restatement).

**“Three-Year Period”** means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The “Three-Year Period” also includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.



**ACKNOWLEDGMENT AND CONSENT TO  
POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION<sup>1</sup>**

The undersigned has received a copy of the Policy for Recovery of Erroneously Awarded Compensation (the “**Policy**”) adopted by Cognyte Software Ltd. (the “**Company**”) and has read and understands the Policy. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Policy.

As a condition of receiving Incentive-Based Compensation from the Company, the undersigned agrees that any Incentive-Based Compensation received on or after the Effective Date is subject to recovery pursuant to the terms of the Policy. To the extent the Company’s recovery right conflicts with any other contractual or other rights the undersigned may have with the Company, including without limitation any agreement or undertaking relating to indemnification, insurance or advancement of expenses, the undersigned understands that the terms of the Policy shall supersede any such contractual or other rights. The terms of the Policy shall apply in addition to any right of recoupment against the undersigned under the Compensation Policy or applicable law and regulations.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
<sup>1</sup> NTD: Please make sure that any person subject to this policy executes this acknowledgment, whether such person became subject to this policy by being an Officer or by a resolution of the Board.