As filed with the Securities and Exchange Commission on December 22, 2020

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**

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 Number:

Cognyte Software Ltd.
(Exact name of registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

Israel
(Jurisdiction of incorporation or organization)

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

Title of each class	Name of each exchange on which registered
Ordinary Shares, no par value	**The Nasdaq Stock Market LLC**

Securities for which there is a reporting obligation pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

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.

Not applicable

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).

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 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 ☐

, 2021

Dear Verint Shareholders:

In December 2019, Verint announced its intention to separate its customer engagement and security businesses to create two independent public companies. I am pleased to report that we expect to distribute shares in the new security company, Cognyte Software Ltd., shortly after our fiscal year end, and that the shares will trade on the NASDAQ Global Select Market under the ticker symbol “CGNT.”

As a result of the separation, Verint will become a pure-play customer engagement business and Cognyte will focus on the security analytics software market. Both companies are leaders in their respective markets and represent exciting investment opportunities in the public market.

We believe that the separation will enhance strategic, management, and board focus, and will improve investors’ ability to value the two businesses based on their distinct characteristics.

Leading security organizations around the world select Cognyte to help them find the needles in the haystacks because of its differentiated analytics software, focus on addressing complex security challenges, and successful track record in real world deployments.

Cognyte has an excellent starting point as an independent public company. Cognyte is a market leader in security analytics software serving over 1,000 organizations in more than 100 countries. Demand for security analytics software is being fueled by evolving security challenges and the need to quickly identify and mitigate security threats. Cognyte has assembled a strong management team with a proven track record and a clear strategy to accelerate growth.

Following the separation, Verint will be 100% focused on its customer engagement business, helping leading organizations around the world deliver significant value and elevate their customer experience.

We invite you to learn more about Cognyte by reviewing the enclosed registration statement.

Sincerely,

Dan Bodner
Chief Executive Officer and Chairman of the Board Verint Systems Inc.

, 2021

Dear Cognyte Shareholders:

I am excited to welcome you as a future shareholder of Cognyte Software Ltd. Cognyte is a global leader in security analytics software that empowers governments and enterprises with Actionable Intelligence for a safer world. Our entire team is excited to begin our journey as an independent public company and we look forward to delivering long-term value for our shareholders.

Our customers face a broad range of security challenges, including from well-organized and well-funded entities. Security threats are becoming increasingly sophisticated and more difficult to detect as perpetrators take advantage of the latest technologies to avoid detection and mitigation.

The stakes are high. An inability to conduct successful and timely security investigations can result in attacks that cost lives and cause significant damage and disruption to the public.

We provide our customers with a powerful analytics platform with a rich set of analytics engines, artificial intelligence and machine learning models, workflows, data governance, and visualization tools, to accelerate the investigative process and to identify, neutralize, and prevent terror, crime and cyber threats.

Behind our market leading security analytics platform is our track record of technology innovation and over two decades of relentless focus on responding to our customers' evolving needs. Our company is filled with immensely talented people who care deeply about our mission to make our world a safer place.

Looking forward, we believe we are incredibly well-positioned to continue helping our customers to keep pace with evolving security challenges and be one step ahead of the curve. As an independent public company, we look forward to accelerating our agility and deepening our commitment to our security analytics market leadership.

We appreciate your support and look forward to having you as our shareholder.

Sincerely,

Elad Sharon
Chief Executive Officer
Cognyte Software Ltd.

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INTRODUCTION AND USE OF CERTAIN TERMS

We have prepared this registration statement on Form 20-F (this "Form 20-F") 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., or Cognyte Software Ltd. and the Cognyte Business collectively, as the context may require.

We publish combined financial statements expressed in U.S. dollars. Our combined financial statements responsive to Item 17 of this Form 20-F are prepared in accordance with generally accepted accounting principles in the United States ("GAAP").

We have prepared this Form 20-F to register our ordinary shares, no par value (our "shares"), under the Securities Exchange Act of 1934 (the "Exchange Act") in connection with the trading of our shares on the NASDAQ Global Select Market ("NASDAQ"). Cognyte Software Ltd. was formed in Israel in the second quarter of 2020 to serve as the holding company of businesses to be contributed to Cognyte by our parent, Verint Systems Inc. ("Verint"), in connection with a spin-off of Verint's Cyber Intelligence Solutions™ business (referred to herein as the "Cognyte Business"):

Additionally, this Form 20-F uses the following conventions:

- "Internal Transactions" refers to the series of internal transactions Verint will complete prior to the distribution, following which we will hold, directly or through our subsidiaries, the Cognyte Business. The Internal Transactions are described in more detail under "Item 7. Major Shareholders and Related Party Transactions—7.B. Related Party Transactions—Agreements Between Verint and Us" or "Internal Transactions";
- "separation" refers to the transaction in which Verint will transfer certain non-U.S. operations and assets of its Cognyte Business unit to us, including its interests in each of Syborg Informationsysteme b.h. OHG, Cognyte Software Inc. (formerly Verint Security Intelligence Inc.), and Cognyte Technologies Israel Ltd. (formerly Verint Systems Limited), as well as other intermediate holding companies and subsidiaries related to these entities;
- "distribution" refers to the transaction in which Verint will distribute to Verint shareholders, on a pro rata basis, 100% of our shares; and
- "spin-off" refers collectively to the separation and the distribution.

Cognyte Software Ltd. will have no significant assets or operations prior to the completion of the Internal Transactions to occur in connection with the spin-off.

Unless otherwise indicated or required by the context, in this Form 20-F, our disclosure assumes that the consummation of the spin-off has occurred. Although we will not acquire our businesses until such time as the distribution occurs, the operating and other statistical information with respect to each of our businesses is presented as of July 31, 2020, unless otherwise indicated, as if we owned such businesses as of such date.

MARKET INFORMATION

This Form 20-F contains industry and market data, including market sizing estimates, growth and other projections and information regarding our competitive position, prepared by our management on the basis of such industry sources and our management's knowledge of and experience in the industry and markets in which we operate (including management's estimates and assumptions relating to such industry and markets based on that knowledge). Our management has developed its knowledge of such industry and markets through its experience and participation in these markets.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Form 20-F contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, the provisions of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Exchange Act. Forward-looking statements include financial projections, statements of plans and objectives for future operations, statements of future economic performance, and statements of assumptions relating thereto. Forward-looking statements may appear throughout this report, including without limitation, in "Item 5. Operating and Financial Review and Prospects—5.A. Operating Results," and are often identified by future or conditional words such as "will," "plans," "expects," "intends," "believes," "seeks," "estimates," or "anticipates," or by variations of such words or by similar expressions. There can be no assurance that forward-looking statements will be achieved. By their very nature, forward-looking statements involve known and unknown risks, uncertainties, assumptions, and other important factors that could cause our actual results or conditions to differ materially from those expressed or implied by such forward-looking statements. Important risks, uncertainties, assumptions, and other factors that could cause our actual results or conditions to differ materially from our forward-looking statements include, among others:

- uncertainties regarding the impact of changes in macroeconomic and/or global conditions, including as a result of slowdowns, recessions, economic instability, political unrest, armed conflicts, natural disasters or outbreaks of disease, such as the COVID-19 pandemic, as well as the resulting impact on information technology spending and government budgets in both developed countries and developing countries, on our business;
- risks that our customers delay, cancel, or refrain from placing orders, refrain from renewing subscriptions or service contracts, or are unable to honor contractual commitments or payment obligations due to liquidity issues or other challenges in their budgets and business, due to the COVID-19 pandemic or otherwise;
- risks that continuing restrictions resulting from the COVID-19 pandemic or actions taken in response to the pandemic adversely impact our operations or our ability to fulfill orders, complete implementations, or recognize revenue;
- risks associated with our ability to keep pace with technological advances and challenges and evolving industry standards, to adapt to changing market potential from area to area within our markets; and to successfully develop, launch, and drive demand for new, innovative, high-quality products that meet or exceed customer needs, while simultaneously preserving our legacy businesses;
- risks due to aggressive competition in all of our markets, including with respect to maintaining revenue, margins, and sufficient levels of investment in our business and operations;
- risks relating to our ability to properly manage investments in our business and operations, execute on growth initiatives and strategic priorities, such as our software model transition, and enhance our existing operations and infrastructure;
- risks associated with our ability to successfully compete for, consummate, and implement mergers and acquisitions;
- challenges associated with sales processes for sophisticated solutions and a broad solution portfolio;
- risks associated with larger orders and customer concentration, including risk of volatility of our operating results from period to period, and challenges associated with our ability to accurately forecast revenue and expenses;
- risks associated with a significant amount of our business coming from government customers around the world and limitations on investor visibility due to classification or contractual restrictions;
- risks associated with political and reputational factors related to our business or operations, including with respect to the nature of our solutions or our Israeli identity, and our ability to maintain security clearances where required;

- risks that we may be unable to establish and maintain relationships with key resellers, partners, and systems integrators and risks associated with our reliance on third-party suppliers for certain components, products, or services, including companies that may compete with us or work with our competitors;
- risks associated with our ability to retain, recruit, and train qualified personnel in regions in which we operate, including in new markets and growth areas we may enter;
- risks associated with our significant international operations, including due to our Israeli operations, and exposure to regions subject to political or economic instability and fluctuations in foreign exchange rates;
- risks associated with complex and changing regulatory environments relating to our operations, the products and services we offer, and/or the use of our solutions by our customers, including, with respect to dependence on export and marketing licenses from the governments of Israel and other countries where we operate, applicable classification and confidentiality restrictions, and data privacy and protection;
- risks associated with the mishandling or perceived mishandling of sensitive, confidential or classified information, including information that may belong to our customers or other third parties, and with security vulnerabilities or lapses, including cyber-attacks, information technology system breaches, failures, or disruptions;
- risks that our products or services, or those of third-party suppliers, partners, or original equipment manufacturers ("OEMs") which we use in or with our offerings or otherwise rely on, including third-party hosting platforms, may contain defects, develop operational problems, or be vulnerable to cyber-attacks;
- risks that our intellectual property rights may not be adequate to protect our business or assets or that others may make claims on our intellectual property, claim infringement on their intellectual property rights, or claim a violation of their license rights, including relative to free or open source components we may use;
- risks associated with the credit facilities we expect to enter into or that we may experience liquidity or working capital issues and related risks that financing sources may be unavailable to us on reasonable terms or at all;
- risks associated with changing tax laws and regulations, tax rates, and the continuing availability of expected tax benefits;
- 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, including related risks of financial statement omissions, misstatements, restatements, or filing delays;
- risk that the spin-off does not achieve the benefits anticipated or that it negatively impacts our operations or stock price, including as a result of management distraction from our business or costs associated with transitioning to a standalone public company;
- risks associated with the agreements with Verint to be entered into in connection with the spin-off, including our reliance on the planned transition services agreement and our indemnification obligations to Verint;
- risks associated with market volatility in the price of our shares based on our performance, third-party publications or speculation, future sales or dispositions of our shares by significant shareholders or officers and directors, or factors and risks associated with actions of activist shareholders; and
- risks associated with different corporate governance requirements applicable to Israeli companies and risks associated with being a foreign private issuer and an emerging growth company.

Some of these factors are discussed in more detail in this Form 20-F, 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.” Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Form 20-F as anticipated, believed, estimated or expected. We provide the information in this Form 20-F as of the date of its filing. We do not intend, and do not assume any obligation, to update any information or forward-looking statements set out in this Form 20-F as a result of new information, future events or otherwise.

SUMMARY

This summary highlights selected information from this Form 20-F and provides an overview of our company, our separation from Verint and the distribution by Verint of our shares to its shareholders. For a more complete understanding of our business and the spin-off, you should read this entire Form 20-F carefully, particularly the discussion under “Item 3. Key Information—3.D. Risk Factors” in this Form 20-F and our combined financial statements and the notes to those financial statements appearing elsewhere in this Form 20-F.

Overview

Cognyte is a global leader in security analytics software that empowers governments and enterprises with Actionable Intelligence for a safer world. Our open software fuses, analyzes and visualizes disparate data sets at scale to help security organizations find the needles in the haystacks. Over 1,000 government and enterprise customers in more than 100 countries rely on Cognyte’s solutions to accelerate security investigations and connect the dots to successfully identify, neutralize, and prevent national security, personal safety, business continuity and cyber threats. Our government customers consist of governments around the world, including national, regional, and local government agencies. Our enterprise customers consist of commercial customers and physical security customers.

Market Trends

We believe that the following trends are driving demand for our security analytics software:

- security threats are becoming more difficult to detect and mitigate;
- data is growing rapidly and is highly fragmented across organizations making it harder to connect the dots; and
- security organizations increasingly adopt open software.

Our Strategy

We believe our technology and domain expertise position us to capitalize on the demand for security analytics software and our strategy is to:

- empower organizations with an analytics platform and solutions to address ever-growing security challenges;
- increase adoption by customers and partners through an open software platform;
- expand our footprint across government organizations; and
- leverage our success in the government market to expand our presence over time in the enterprise market.

Our Solutions

Our solutions address three security use cases: Investigative Analytics, Operational Intelligence Analytics, and Threat Intelligence Analytics.

- ***Investigative Analytics.*** Security investigations can vary in length from several days to several years. Some investigations end without resolution due to lack of sufficient insight. More complex security investigations can also be very expensive and labor intensive as they involve data collection from many different sources and a challenging process of connecting the dots to reach quick conclusions and prevent security threats.

- ***Operational Intelligence Analytics.*** Field security units are responsible for carrying out operational security missions and it is vital for them to receive real-time or 'near real-time' insights to ensure successful completion of missions. Events on the ground can change rapidly during operation and the field team's ability to quickly adapt and respond is mission critical.
- ***Threat Intelligence Analytics.*** Security Operating Centers ("SOCs") are used by government and enterprise organizations to detect security threats and effectively manage responses. SOC personnel are responsible for a variety of security tasks including cyber-attack mitigation, employee safety and operations continuity.

Our Technology

The Cognyte analytics platform is designed around an open, modular and scalable architecture to enable customers to address a broad range of security threats with fast detection and quick mitigation.

- Our platform powers our entire solution portfolio: Investigative Analytics, Operational Intelligence Analytics, and Threat Intelligence Analytics.
- Our platform easily integrates with customer data sources to enable holistic fusion of data and insights.
- Our platform easily integrates with third-party solutions to expand a customer's ecosystem.
- Our platform enables system integrators who are developing customized software and applying data science.

The Cognyte analytics platform is comprised of five key components:

- ***Data Analytics Engines.*** A diverse toolbox of engines 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 models to execute automated machine learning algorithms and to find new patterns in massive amounts of data. Also offers the flexibility to develop customer specific machine learning ("ML") models using the platform's AI/ML framework, which can then be tuned based on the aggregated data.
- ***Workflows.*** Workflows using an integrated set of graphical tools using 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. Leverages advanced technology to control privacy, audit, monitoring, and access control.
- ***Visualization.*** An advanced visualization toolbox to enable users to effectively filter and display either mass data or a single thread of information.

Reasons for the Spin-Off

We and Verint believe that the spin-off will provide a number of benefits to our business and customers, to the business of Verint and to Verint shareholders. As two distinct publicly traded companies, Verint and Cognyte will be better-positioned to capitalize on significant growth opportunities and focus resources on their respective businesses and strategic priorities. Verint and the Board of Directors of Verint (the "Verint Board") considered a wide variety of factors in their initial evaluation of the proposed spin-off, including the following potential benefits:

- allow investors to separately invest in the Customer Engagement Solutions business retained by Verint (the "Customer Engagement Business") or separately invest in the Cognyte Business, which should promote investments from investors seeking to invest in one business and not the other, and allow Cognyte direct access to capital markets as a separate publicly traded company;

- improve investors' ability to value the Customer Engagement Business and the Cognyte Business based on their distinct characteristics and make more targeted investment decisions in a pure-play structure;
- create enhanced appeal to a broader set of investors suited to the strategic and financial characteristics of each company by validating inherent value and attractiveness of underlying businesses, strategies, and prospects;
- provide more specific alignment of incentives and performance indicators to more closely align employee incentive compensation opportunities with stand-alone business performance;
- allow more efficient allocation of capital to the highest and best use, tailored to the unique characteristics of each business;
- maintain a capital structure optimized to the needs and unique requirements of each business;
- create separate boards with further differentiated skillsets and experience to provide focused oversight and to support tailored strategic and financial objectives to enhance value creation; and
- allow enhanced strategic and management focus with dedicated management teams focused on their core business's distinct operational and regulatory requirements.

Neither we nor Verint can assure you that, following the spin-off, any of the benefits described above or otherwise in this Form 20-F will be realized to the extent or at the time anticipated or at all. See also "Item 3. Key Information—3.D. Risk Factors."

Verint and the Verint Board also considered a number of potentially negative factors in their initial evaluation of the potential spin-off, including the following:

- potential disruption to our business and operations;
- management distraction due to the significant amount of time and effort required;
- the significant one-time costs of separating the two companies;
- incremental costs on the resulting companies, including, among others, as a result of establishing separate corporate management and duplicative support functions, the costs of being a stand-alone public company and potential tax inefficiencies;
- greater susceptibility to market fluctuations and other adverse events as a stand-alone company, including as a result of reduced business diversification; and
- risk that the spin-off is not consummated or does not achieve its intended benefits.

Verint and the Verint Board believe that the potential benefits of the spin-off outweigh these potentially negative factors. The completion of the spin-off remains subject to the satisfaction, or waiver by the Verint Board, of a number of conditions. We describe these benefits and certain other factors considered by Verint and the Verint Board, as well as conditions to the closing, in greater detail under "Item 4. Information on the Company—4.A. History and Development of the Company—The Spin-Off."

Summary of Risks Associated with Our Business and the Spin-Off

Our business is subject to numerous risks, including:

- uncertainties regarding the impact of changes in macroeconomic and/or global conditions, including as a result of slowdowns, recessions, economic instability, political unrest, armed conflicts, natural disasters or outbreaks of disease, such as the COVID-19 pandemic, as well as the resulting impact on information technology spending and government budgets in both developed countries and developing countries, on our business;

- risks that our customers delay, cancel, or refrain from placing orders, refrain from renewing subscriptions or service contracts, or are unable to honor contractual commitments or payment obligations due to liquidity issues or other challenges in their budgets and business, due to the COVID-19 pandemic or otherwise;
- risks that continuing restrictions resulting from the COVID-19 pandemic or actions taken in response to the pandemic adversely impact our operations or our ability to fulfill orders, complete implementations, or recognize revenue;
- risks associated with our ability to keep pace with technological advances and challenges and evolving industry standards, to adapt to changing market potential from area to area within our markets; and to successfully develop, launch, and drive demand for new, innovative, high-quality products that meet or exceed customer needs, while simultaneously preserving our legacy businesses;
- risks due to aggressive competition in all of our markets, including with respect to maintaining revenue, margins, and sufficient levels of investment in our business and operations;
- risks relating to our ability to properly manage investments in our business and operations, execute on growth initiatives and strategic priorities, such as our software model transition, and enhance our existing operations and infrastructure;
- risks associated with our ability to successfully compete for, consummate, and implement mergers and acquisitions;
- challenges associated with sales processes for sophisticated solutions and a broad solution portfolio;
- risks associated with larger orders and customer concentration, including risk of volatility of our operating results from period to period, and challenges associated with our ability to accurately forecast revenue and expenses;
- risks associated with a significant amount of our business coming from government customers around the world and limitations on investor visibility due to classification or contractual restrictions;
- risks associated with political and reputational factors related to our business or operations, including with respect to the nature of our solutions or our Israeli identity, and our ability to maintain security clearances where required;
- risks that we may be unable to establish and maintain relationships with key resellers, partners, and systems integrators and risks associated with our reliance on third-party suppliers for certain components, products, or services, including companies that may compete with us or work with our competitors;
- risks associated with our ability to retain, recruit, and train qualified personnel in regions in which we operate, including in new markets and growth areas we may enter;
- risks associated with our significant international operations, including due to our Israeli operations, and exposure to regions subject to political or economic instability and fluctuations in foreign exchange rates;
- risks associated with complex and changing regulatory environments relating to our operations, the products and services we offer, and/or the use of our solutions by our customers, including, with respect to dependence on export and marketing licenses from the governments of Israel and other countries where we operate, applicable classification and confidentiality restrictions, and data privacy and protection;
- risks associated with the mishandling or perceived mishandling of sensitive, confidential or classified information, including information that may belong to our customers or other third parties, and with

security vulnerabilities or lapses, including cyber-attacks, information technology system breaches, failures, or disruptions;

- risks that our products or services, or those of third-party suppliers, partners, or OEMs which we use in or with our offerings or otherwise rely on, including third-party hosting platforms, may contain defects, develop operational problems, or be vulnerable to cyber-attacks;
- risks that our intellectual property rights may not be adequate to protect our business or assets or that others may make claims on our intellectual property, claim infringement on their intellectual property rights, or claim a violation of their license rights, including relative to free or open source components we may use;
- risks associated with the credit facilities we expect to enter into or that we may experience liquidity or working capital issues and related risks that financing sources may be unavailable to us on reasonable terms or at all;
- risks associated with changing tax laws and regulations, tax rates, and the continuing availability of expected tax benefits;
- 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, including related risks of financial statement omissions, misstatements, restatements, or filing delays;
- risk that the spin-off does not achieve the benefits anticipated or that it negatively impacts our operations or stock price, including as a result of management distraction from our business or costs associated with transitioning to a standalone public company;
- risks associated with the agreements with Verint to be entered into in connection with the spin-off, including our reliance on the planned transition services agreement and our indemnification obligations to Verint;
- risks associated with market volatility in the price of our shares based on our performance, third-party publications or speculation, future sales or dispositions of our shares by significant shareholders or officers and directors, or factors and risks associated with actions of activist shareholders; and
- risks associated with different corporate governance requirements applicable to Israeli companies and risks associated with being a foreign private issuer and an emerging growth company.

Neither we nor Verint can assure you that, following the separation and spin-off, any of the benefits described in this Form 20-F will be realized to the extent or at the time anticipated or at all. For additional information, please see the risks described under “Item 3. Key Information—3.D. Risk Factors.”

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, 5759-1999 (the “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 located at 33 Maskit, Herzliya Pituach, 4673333, Israel, which also currently serves as our principal executive offices, and our telephone number is +972-9-962-2300.

Implications of Being a Foreign Private Issuer and an Emerging Growth Company

Foreign Private Issuer

Upon consummation of the spin-off, we will report under the Exchange Act as a non-U.S. company with foreign private issuer ("FPI") status. As long as we qualify as an FPI under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the rules under the Exchange Act requiring the filing with the Securities and Exchange Commission ("SEC") of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events.

Notwithstanding these exemptions, we will file with the SEC, within four months after the end of each 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.

We may take advantage of these exemptions until such time as we are no longer an FPI. We would cease to be an FPI at such time as more than 50% of our outstanding voting securities are held by U.S. residents and any of the following three circumstances applies: (i) the majority of our executive officers or directors are U.S. citizens or residents, (ii) more than 50% of our assets are located in the United States or (iii) our business is administered principally in the United States.

Emerging Growth Company

As a company with less than $1.07 billion in revenue during our last fiscal year, we are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). As such, we may take advantage of certain exemptions from various reporting requirements that are applicable to publicly traded entities that are not emerging growth companies. These exemptions include:

- the ability to include only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations disclosure;
- an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002 ("SOX");
- reduced disclosure obligations regarding executive compensation in any required periodic reports and proxy statements; and
- exemptions from the requirement to hold a non-binding advisory vote on executive compensation, including golden parachute compensation.

As a result, the information contained in this Form 20-F may be different from the information you receive from other public companies in which you hold shares.

Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards applicable to public companies. This provision allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. Pursuant to Section 107 of the JOBS Act, as an emerging

growth company, we have elected to take advantage of the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. As a result, our operating results and financial statements may not be comparable to the operating results and financial statements of other companies who have adopted the new or revised accounting standards. It is possible that some investors will find the Cognyte shares less attractive as a result, which may result in a less active trading market for the Cognyte shares and higher volatility in our share price.

We may take advantage of these provisions for up to five years or until such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company upon the earliest to occur of: (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.07 billion, (ii) the date on which we have issued more than $1 billion in non-convertible debt securities during the previous three years and (iii) the last day of the fiscal year in which we are deemed to be a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act (which would occur if the market value of our common equity that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter).

Both FPIs and emerging growth companies are also exempt from certain more stringent executive compensation disclosure rules. Thus, even if we no longer qualify as an emerging growth company, but remain an FPI, we will continue to be exempt from the more stringent compensation disclosures required of companies that are neither an emerging growth company nor an FPI.

Summary Historical and Pro Forma Combined Financial Information

The following table sets forth summary financial information for the periods and dates indicated below and should be read together with our combined financial statements, condensed combined financial statements, unaudited pro forma combined financial information and related notes “Item 3. Key Information—3.B. Capitalization and Indebtedness” and “Item 5. Operating and Financial Review and Prospects” appearing elsewhere in this Form 20-F. We derived the summary historical statement of operations data for the years ended January 31, 2020 and 2019 and the summary historical balance sheet data as of January 31, 2020 and 2019 from our combined financial statements and related notes appearing elsewhere in this Form 20-F. We derived the summary historical statement of operations data for the six months ended July 31, 2020 and 2019 and the summary historical balance sheet data as of July 31, 2020 from our condensed combined financial statements.

The summary financial data is not intended to replace our combined financial statements, condensed combined financial statements, or related notes. Our historical results could differ from those that would have resulted if we operated autonomously or as an entity independent of Verint in the periods for which historical financial data is presented below, and such results are not necessarily indicative of results that may be expected in the future.

The summary unaudited pro forma combined financial information was prepared to reflect adjustments to our historical financial results in connection with the spin-off. We derived the summary unaudited pro forma combined statement of operations data for the year ended January 31, 2020 from our unaudited pro forma combined financial information that appears elsewhere in this Form 20-F. We derived the summary unaudited pro forma combined statement of operations data for the six months ended July 31, 2020 and the summary unaudited pro forma combined balance sheet data as of July 31, 2020 from our unaudited pro forma combined financial information that appears elsewhere in this Form 20-F. The unaudited pro forma combined statement of operations data give effect to the spin-off as if it had occurred at February 1, 2019. The unaudited pro forma combined balance sheet data give effect to the spin-off as if it had occurred as of July 31, 2020. The assumptions used, and pro forma adjustments derived from such assumptions, were based on currently available information and we believe such assumptions were reasonable under the circumstances.

The summary unaudited pro forma combined financial information is not necessarily indicative of our results of operations or financial condition had the spin-off and our anticipated post-separation capital structure been completed and implemented on the dates assumed. In addition, the summary financial data is not intended to

replace our combined financial statements and related notes. Our historical results could differ from those that would have resulted if we operated autonomously or as an entity independent of Verint in the periods for which historical financial data is presented below, and such results are not necessarily indicative of results that may be expected in the future.

For additional details regarding the preparation of our combined financial statements, please see “Item 5. Operating and Financial Review and Prospects—5.A. Operating Results—Basis of Presentation” and “Note 1. Organization, Operations and Basis of Presentation” to our combined financial statements and condensed combined financial statements. For additional details regarding the preparation of our unaudited pro forma combined financial information, please see the notes to our unaudited pro forma combined financial information appearing elsewhere in this Form 20-F.

We prepare our combined financial statements and condensed combined financial statements in accordance with GAAP.

	Pro Forma		Historical			
	Six Months Ended July 31,	Year Ended January 31,	Six Months Ended July 31,		Year Ended January 31,	
(in thousands, except per share data)	2020	2020	2020	2019	2020	2019
Condensed Combined and Combined Statements of Operations Data:						
Revenue	$ 206,459	$ 457,109	$ 206,459	$ 221,033	$ 457,109	$ 433,460
Gross profit	141,914	293,104	141,914	140,736	293,104	256,688
Operating income	13,492	29,526	7,996	10,066	27,313	18,689
Provision (benefit) for income taxes	3,380	2,527	3,406	(1,767)	2,567	7,620
Net income	10,916	29,223	5,594	14,141	27,370	12,321
Net income attributable to Cognyte Business of Verint Systems Inc.	7,351	22,044	2,029	10,430	20,191	8,728
Pro forma Earnings Per Share						
Basic	$ 0.11	$ 0.34				
Diluted	$ 0.11	$ 0.34				
Pro forma shares outstanding						
Basic	65,400	65,400				
Diluted	65,400	65,400				

	Pro Forma	Historical		
	July 31,	July 31,	January 31,	
(in thousands)	2020	2020	2020	2019
Condensed Combined and Combined Balance Sheets Data:				
Cash and cash equivalents	$41,323	$188,065	$ 201,090	$ 240,192
Restricted cash and cash equivalents, and restricted bank time deposits	31,616	31,616	43,813	42,262
Total assets	628,589	765,899	805,111	805,347
Total liabilities	314,153	313,321	349,940	330,029
Total equity	314,436	452,578	455,171	475,318

For additional information, see the unaudited pro forma combined financial information and related notes appearing elsewhere in this Form 20-F.

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The Spin-Off

Overview

On December 4, 2019, Verint announced plans to separate into two independent companies: Cognyte Software Ltd., which will consist of Verint's Cyber Intelligence Solutions business, and Verint Systems Inc., which will consist of its Customer Engagement Business. To implement the separation, as part of the Internal Transactions, Verint will first transfer the Canadian portion of its Cyber Intelligence Solutions business to us and will enter into a binding agreement to transfer the remainder of its Cyber Intelligence Solutions business to us, will subsequently distribute all of our shares held by Verint to Verint shareholders, pro rata to their respective holdings, and immediately thereafter Verint will transfer the remainder of its Cyber Intelligence Solutions business to us pursuant to the binding commitment. Each Verint shareholder will receive one Cognyte share for each Verint share they hold or have acquired and do not sell or otherwise dispose of prior to the close of business on , 2021. The distribution is intended to be tax-free to Verint shareholders, Verint and Cognyte for U.S. federal and Israeli income tax purposes. The distribution and certain internal transactions, which are part of the spin-off and the separation, are intended to be tax-free to Verint shareholders, Verint and Cognyte for Israeli income tax purposes under a final tax ruling (the "Israeli Tax Ruling") from the Israeli Tax Authority ("ITA"). Certain other internal transactions not covered by the Israeli Tax Ruling should also not result in any tax liabilities in Israel. An application will be made to list our shares on NASDAQ under the symbol "CGNT" and trading in our shares is expected to begin on the NASDAQ on , 2021.

To enable the separation, prior to the spin-off, Verint will complete the Internal Transactions as described under "Item 7. Major Shareholders and Related Party Transactions—7.B. Related Party Transactions—Agreements Between Verint and Us" or "Internal Transactions."

Prior to completion of the spin-off, we intend to enter into a Separation and Distribution Agreement and several other agreements with Verint related to the separation and distribution. These agreements will govern the relationship between us and Verint up to and after completion of the spin-off and allocate between us and Verint various assets, liabilities and obligations, including supply arrangements, employee benefits, intellectual property and tax-related assets and liabilities. See "Item 7. Major Shareholders and Related Party Transactions—7.B. Related Party Transactions" for more detail.

Completion of the spin-off is subject to the satisfaction, or waiver by the Verint Board, of a number of conditions. See "Item 4. Information on the Company—4.A. History and Development of the Company—The Spin-Off" for more detail.

Questions and Answers About the Spin-Off

The following provides only a summary of and certain questions relating to the terms of the spin-off. You should read the section entitled "Item 4. Information on the Company—4.A. History and Development of the Company—The Spin-Off" below in this Form 20-F for a more detailed description of the matters identified below.

Q: Why am I receiving this document?

A: Verint has made this document available to you because you are a holder of Verint shares. If you hold or have acquired and do not sell or otherwise dispose of your Verint shares prior to the close of business on , 2021, you will be entitled to receive one Cognyte share for each of your Verint shares in connection with the spin-off. An application will be made to list our shares on NASDAQ. This document will help you understand how the separation and distribution will affect your investment in Verint and your investment in us after the spin-off.

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Q: How will the spin-off of Cognyte from Verint work?

A: To accomplish the spin-off, Verint will distribute all of our shares held by Verint to holders of Verint shares on a pro rata basis. Following the spin-off, we will be an independent, publicly traded company, and Verint will not retain any ownership interest in us. See also “Item 7. Major Shareholders and Related Party Transactions—7.A. Major Shareholders.”

Q: Why is the separation of Cognyte structured as a spin-off?

A: Verint believes that the spin-off structure we are using is an efficient way to separate the Cognyte Business in a manner that will create long-term value for Verint, Cognyte, and their respective shareholders.

Q: When will Cognyte shares begin to trade on a stand-alone basis?

A: We will become a stand-alone public company, independent of Verint, on , 2021 (the “distribution date”), and our shares will commence “regular-way” trading on a stand-alone basis on NASDAQ at market open on , 2021 (9:30 a.m., New York City time, on NASDAQ). See also “Item 4. Information on the Company—4.A. History and Development of the Company—The Spin-Off—Listing and Trading of Cognyte Shares.”

Q: What will be the ticker symbol of the Cognyte shares that Verint shareholders will receive in the spin-off?

A: Our shares are expected to trade on NASDAQ under the ticker symbol “CGNT.”

Q: When will Verint shares cease to trade including the right to receive Cognyte shares?

A: The last day of trading of Verint shares including the right to receive our shares on NASDAQ will be , 2021. This means that any Verint shares that you hold or acquire and do not sell or otherwise dispose of prior to the close of business on , 2021 will include the right to receive our shares.

Q: What is “regular-way” and “ex-distribution” trading of Verint shares?

A: It is expected that, beginning on or shortly before , 2021 (the “record date”) and continuing up to and through the distribution date, there will be two markets in Verint shares on NASDAQ: a “regular-way” market and an “ex-distribution” market. Verint shares that trade in the “regular-way” market will trade with an entitlement to Cognyte shares to be distributed pursuant to the distribution. Verint shares that trade in the “ex-distribution” market will trade without an entitlement to Cognyte shares to be distributed pursuant to the distribution.

If you decide to sell any Verint shares before the distribution date, you should make sure your bank, broker or other nominee understands whether you want to sell your Verint shares with or without your entitlement to Cognyte shares pursuant to the distribution.

Q: When will Verint shares commence trading excluding the right to receive Cognyte shares?

A: Verint shares will commence trading on a stand-alone basis without the right to receive our shares on NASDAQ on , 2021. This means if you purchase a Verint share on or after , 2021, the Verint share will reflect an ownership interest solely in Verint and will not include the right to receive any of our shares in the spin-off.

Q: What do I have to do to participate in the spin-off?

A: *Holders of Verint shares held in book-entry form with a bank or broker.* Most Verint shareholders hold their Verint shares through a bank or brokerage firm. In such cases, the bank or brokerage firm would be said to hold the shares in "street name" and ownership would be recorded on the bank's or brokerage firm's books. If a Verint shareholder holds their Verint shares through a bank or brokerage firm, their bank or brokerage firm will credit their account for the Cognyte shares that they are entitled to receive in the distribution. If Verint shareholders have any questions concerning the mechanics of having shares held in "street name," they should contact their bank or brokerage firm.

Holders of Verint physical share certificates. In connection with the spin-off, all registered Verint shareholders holding physical share certificates will be issued Cognyte shares in book-entry form only, which means that no physical share certificates will be issued. For questions relating to the transfer or mechanics of the distribution, please contact Verint Share Registry by telephone at 1-866-232-0393 (in the United States) or 1-720-358-3597 (outside the United States) or by online inquiry at https://www.shareholder.broadridge.com. For more information, see "Item 4. Information on the Company—4.A. History and Development of the Company—The Spin-Off—When and How You Will Receive Cognyte Shares," as well as "—Where can I get more information?" below.

The spin-off will not affect the number of outstanding Verint shares or any rights of Verint shareholders, although it will affect the market value of each outstanding Verint share. See "—Will the spin-off affect the trading price of my Verint shares?" below.

Q: Will there be any "when-issued" trading of Cognyte shares before , 2021?

A: We anticipate that trading in our shares will begin on a "when-issued" basis approximately two trading days before the record date and will continue up to and through the distribution date and that "regular-way" trading in our shares will begin on the first trading day following the distribution date. If trading begins on a "when-issued" basis, you may purchase or sell our shares up to and through the distribution date, but your transaction will not settle until after the distribution date. We cannot predict the trading prices for our shares before, on or after the distribution date.

Q: How many Cognyte shares will I receive in the spin-off?

A: Verint will distribute to you one Cognyte share for each Verint share that you hold or have acquired and do not sell or otherwise dispose of prior to the close of business on , 2021. The total number of our shares that Verint will distribute will depend on the total number of issued Verint shares (excluding treasury shares held by Verint and its subsidiaries) as of , 2021. The Cognyte shares that Verint distributes will constitute all of our shares held by Verint immediately prior to the spin-off. For additional information on the spin-off, see "Item 4. Information and Development of the Company—4.A. History and Development of the Company—The Spin-Off—When and How You Will Receive Cognyte Shares," for additional information on our expected share capital following the spin-off, see "Item 10. Additional Information—10.A. Share Capital."

Q: What will happen to the listing of Verint shares?

A: After the spin-off, Verint shares will continue to trade on NASDAQ under the symbol "VRNT."

Q: Will the number of Verint shares I own change as a result of the spin-off?

A: No, the number of Verint shares you own will not change as a result of the spin-off.

Q: Will the spin-off affect the trading price of my Verint shares?

A: Yes. As a result of the spin-off, Verint expects the trading prices of Verint shares in the "regular-way" market at market open on , 2021 to be lower than the trading prices in the "regular-way" market at market close on , 2021, because the trading prices will no longer reflect the value of the Cognyte Business. There can be no assurance that the aggregate market value of the Verint shares and our shares following the spin-off will be higher than, equal to or lower than the market value of Verint shares if the spin-off did not occur. This means, for example, that the combined trading prices of one Verint share and one Cognyte share after market open on , 2021 may be equal to, greater than or less than the trading price of one Verint share before , 2021. In addition, your Verint shares sold in the "ex-distribution" market (as opposed the "regular-way market") will reflect an ownership interest solely in Verint and will not include the right to receive any of our shares in the spin-off, but may not yet accurately reflect the value of such Verint shares excluding the Cognyte Business.

Q: What is the expected date of completion of the spin-off?

A: It is expected that the Cognyte shares that eligible holders of Verint shares are entitled to receive in the spin-off will begin trading separately from Verint shares on , 2021. This is the date that we will become a stand-alone public company, independent of Verint. However, the completion and timing of the spin-off are dependent upon a number of conditions and no assurance can be provided as to the timing of the spin-off or that all conditions to the spin-off will be met.

Q: What are the conditions to the spin-off?

A: We expect that the spin-off will be effective on , 2021, provided that the following conditions have been satisfied or waived by Verint:

- the consummation in all material respects of the Internal Transactions;
- all corporate and other action necessary in order to execute, deliver and perform the Separation and Distribution Agreement and to consummate the transactions contemplated thereby by each of us and Verint having been obtained;
- the receipt by Verint of the Israeli Tax Ruling from 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 tax-free to Verint shareholders, Verint and Cognyte;
- the receipt by Verint of (1) a private letter ruling (the "U.S. Tax Ruling") from the United States Internal Revenue Service ("IRS") that certain of the requirements for tax-free treatment under Section 355 of the Internal Revenue Code of 1986, as amended (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 (the U.S. Tax Ruling has been received), and (2) a written opinion of Jones Day to the effect that the distribution will qualify as tax-free to Verint and the Verint shareholders for U.S. federal income tax purposes under Section 355 of the Code;
- the SEC declaring this Form 20-F effective under the Exchange Act, and no stop order suspending the effectiveness of this Form 20-F being in effect and no proceedings for that purpose being pending before or threatened by the SEC;
- copies of this Form 20-F having been mailed to record holders of Verint shares as of the record date for the spin-off;

- the actions necessary or appropriate under U.S. federal, U.S. state or other securities laws or blue sky laws (and comparable laws under foreign jurisdictions) having been taken or made;
- the receipt of all necessary government approvals required to consummate the spin-off;
- no order, injunction or decree issued by any governmental authority of competent jurisdiction or other legal restraint or prohibition preventing consummation of the spin-off being in effect; and
- our shares having been accepted for listing on NASDAQ (subject to official notice of issuance).

Verint may waive one or more of these conditions, at the direction of the Verint Board in its sole and absolute discretion, and the determination by the Verint Board regarding the satisfaction of these conditions will be conclusive. The fulfillment of these conditions will not create any obligation on Verint's part to effect the distribution and complete the spin-off, and Verint has reserved the right to amend, modify or abandon any and all terms of the spin-off and the related transactions at any time prior to the distribution date, at the direction of the Verint Board. Verint does not intend to notify its shareholders of any modifications to the terms or the conditions to the spin-off that, in the judgment of the Verint Board, are not material. To the extent that the Verint Board determines that any such modifications materially change the terms and conditions of the spin-off, Verint will notify its shareholders in a manner reasonably calculated to inform them of such modifications with a press release, current report on Form 8-K or other similar means.

Q: What if I want to sell my Verint shares or my Cognyte shares?

A: You should consult with your custodian bank or broker or other financial advisors and/or your tax advisors.

Q: What are the U.S. federal and Israeli income tax consequences to me of the spin-off?

A: The distribution is intended to be tax-free to Verint shareholders, Verint and Cognyte for U.S. federal and Israeli income tax purposes. Verint has received a U.S. Tax Ruling from the IRS addressing certain requirements under section 355 of the Code and expects to receive a tax opinion of counsel that the distribution of our shares will be tax-free to the Verint shareholders for U.S. federal tax purposes. Verint expects to receive the Israeli Tax Ruling from 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 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.

See "Item 4. Information on the Company—4.A. History and Development of the Company—The Spin-off—Material U.S. Federal Income Tax Consequences of the Spin-off" and "—Material Israeli Tax Consequences of the Spin-off."

Q: Who will manage Cognyte after the spin-off?

A: Our current Chief Executive Officer, Elad Sharon, and current Chief Financial Officer, David Abadi, will continue to lead the company after the spin-off. For more information regarding our management team, see "Item 6. Directors, Senior Management and Employees—6.A. Directors and Senior Management—Senior Management."

Q: Does Cognyte intend to pay cash dividends?

A: The payment of a dividend in respect of each fiscal year, including the declaration, timing, and amount of any dividend to be paid by us following the spin-off, will be at the discretion of our Board of Directors (the "Cognyte Board"). Such determination will depend upon many factors, including our financial condition, earnings, corporate strategy, capital requirements of our operating subsidiaries, covenants, legal requirements and other factors deemed relevant by the Cognyte Board.

Under the Companies Law, dividends may only be paid out of our profits and other surplus funds (as defined in the Companies Law) as of the end of the most recent year or as accrued over a period of the most recent two years, whichever amount is greater, provided that there is no reasonable concern that payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due. See "Item 10. Additional Information—10.B. Memorandum and Articles of Association—Rights Attached to Shares—Dividend Rights." In general, the payment of dividends may also be subject to Israeli withholding taxes. In addition, because we receive certain benefits under the Israeli law relating to "Beneficial Enterprises," our payment of dividends (out of income that is attributed to the "Beneficial Enterprises") may subject us to certain additional Israeli taxes to which we would not otherwise be subject.

See "Item 3. Key Information—3.D. Risk Factors—Risks Related to the Separation from Verint and Ownership of Cognyte Shares."

Q: Will Cognyte incur any debt prior to or at the time of the spin-off?

A: Information regarding our indebtedness incurred prior to or at the time of the spin-off will be provided in subsequent amendments to this Form 20-F. See "Item 3. Key Information—3.B. Capitalization and Indebtedness" for more information.

Q: What will the Cognyte relationship with Verint be following the spin-off?

A: We will enter into the Separation and Distribution Agreement with Verint to effect the separation and provide a framework for our relationship with Verint after the separation and distribution. We will also enter into certain other agreements with Verint, including but not limited to a Tax Matters Agreement, an Employee Matters Agreement, a limited duration Transition Services Agreement, an Intellectual Property Cross License Agreement and a Trademark Cross License Agreement and certain other agreements. These agreements will govern the separation between us and Verint of the assets, employees, liabilities and obligations (including investments, property and employee benefits and tax liabilities) of Verint and its subsidiaries that constitute the Cognyte Business and are attributable to periods prior to, at and after the separation of us from Verint, and will govern certain relationships between us and Verint after the separation and distribution. We describe these arrangements in greater detail under "Item 7. Major Shareholders and Related Party Transactions—7.B. Related Party Transactions—Agreements Between Verint and Us," and describe some of the risks of these arrangements under "Item 3. Key Information—3.D. Risk Factors—Risks Related to the Separation from Verint and Ownership of Cognyte Shares."

Q: Are there risks associated with owning Cognyte shares?

A: Yes. Ownership of our shares is subject to both general and specific risks relating to the Cognyte Business, the industry in which we operate, our ongoing contractual relationships with Verint and our status as a separate, publicly traded company. Ownership of our shares is also subject to risks relating to the spin-off. Accordingly, you should carefully read the information set forth under "Item 3. Key Information—3.D. Risk Factors" in this Form 20-F.

Q: Who will be the registrar and transfer agent for the Cognyte shares?

A: Broadridge Corporate Issuer Solutions, Inc. ("Broadridge") will act as our share registrar and transfer agent.

Q: Where can I get more information?

A: Before the spin-off, if you have any questions relating to the business performance of Verint or us or the spin-off, you should contact Verint at:

Verint Systems Inc.
Investor Relations
175 Broadhollow Rd, Ste 100
Melville, NY 11747
Tel: (800) 483-7468
Website: www.verint.com

After the spin-off, if you have any questions relating to our business performance, you should contact us at:

Cognyte Software Ltd.
Investor Relations
33 Maskit
Herzliya Pituach
4673333, Israel
Tel: +972-9-962-2300
Website: www.cognyte.com

Our investor website will be operational at or prior to the spin-off.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

1.A. DIRECTORS AND SENIOR MANAGEMENT

For information regarding our directors and senior management, see “Item 6. Directors, Senior Management and Employees—6.A. Directors and Senior Management.”

1.B. ADVISERS

Our Israeli legal counsel is Meitar Law Offices, 16 Abba Hillel Rd., Ramat Gan 5250608, Israel. Our U.S. legal counsel is Jones Day, 250 Vesey Street, New York, New York 10281.

1.C. AUDITORS

Deloitte & Touche LLP is acting as our independent registered public accounting firm. The address for Deloitte & Touche LLP is 30 Rockefeller Plaza, New York, New York 10112. Deloitte & Touche LLP is registered with the Public Company Accounting Oversight Board.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

3.A. SELECTED FINANCIAL DATA

The following selected financial data should be read together with our combined financial statements and related notes and "Item 5. Operating and Financial Review and Prospects" appearing elsewhere in this Form 20-F. We derived the selected statement of operations data for the years ended January 31, 2020 and 2019 and the selected balance sheet data as of January 31, 2020 and 2019 from our combined financial statements and related notes appearing elsewhere in this Form 20-F. We derived the selected statement of operations data for the six months ended July 31, 2020 and 2019 and the selected balance sheet data as of July 31, 2020 from our condensed combined financial statements and related notes appearing elsewhere in this Form 20-F.

The selected financial data in this section is not intended to replace our combined financial statements, condensed combined financial statements and the related notes. Our historical results could differ from those that would have resulted if we operated autonomously or as an entity independent of Verint in the periods for which historical financial data is presented below, and such results are not necessarily indicative of the results that may be expected in the future.

For additional details regarding the preparation of our combined financial statements, please see "Item 5. Operating and Financial Review and Prospects—5.A. Operating Results—Basis of Presentation" and "Note 1. Organization, Operations, and Basis of Presentation" to our combined financial statements and to our condensed combined financial statements appearing elsewhere in this Form 20-F.

We prepare our combined financial statements and condensed combined financial statements in accordance with GAAP.

(in thousands)	Six Months Ended July 31, 2020	Six Months Ended July 31, 2019	Year Ended January 31, 2020	Year Ended January 31, 2019
Condensed Combined and Combined Statements of Operations Data:				
Revenue	$206,459	$221,033	$ 457,109	$ 433,460
Gross profit	141,914	140,736	293,104	256,688
Operating income	7,996	10,066	27,313	18,689
Provision (benefit) for income taxes	3,406	(1,767)	2,567	7,620
Net income	5,594	14,141	27,370	12,321
Net income attributable to Cognyte Business of Verint Systems Inc.	2,029	10,430	20,191	8,728

(in thousands)	July 31, 2020	January 31, 2020	January 31, 2019
Condensed Combined and Combined Balance Sheets Data:			
Cash and cash equivalents	$ 188,065	$ 201,090	$ 240,192
Restricted cash and cash equivalents, and restricted bank time deposits	31,616	43,813	42,262
Total assets	765,899	805,111	805,347
Total liabilities	313,321	349,940	330,029
Total equity	452,578	455,171	475,318

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The unaudited pro forma combined financial statements consist of unaudited pro forma combined statements of operations for the six months ended July 31, 2020 and the year ended January 31, 2020, and an unaudited pro forma combined balance sheet as of July 31, 2020, which have been derived from our historical combined and condensed combined financial statements included elsewhere in this Form 20-F. See "Index to Financial Statements." To implement the separation, Verint will first transfer the Canadian portion of its Cyber Intelligence Solutions business to us and will enter into a binding agreement to transfer the remainder of its Cyber Intelligence Solutions business to us, will subsequently distribute all of our shares held by Verint to Verint shareholders, pro rata to their respective holdings, and immediately thereafter Verint will transfer the remainder of its Cyber Intelligence Solutions business to us pursuant to the binding commitment.

The unaudited pro forma combined financial statements reflect adjustments to our historical financial results in connection with the spin-off. The unaudited pro forma combined statements of operations give effect to the spin-off as if it had occurred on February 1, 2019, the beginning of our most recently completed fiscal year. The unaudited pro forma combined balance sheet gives effect to these events as if they occurred as of July 31, 2020, our latest balance sheet date. The unaudited pro forma combined financial statements have been adjusted to give effect to the following (collectively, the "Pro Forma Adjustments"):

- the distribution of our shares to Verint shareholders, based on the distribution of one Cognyte share for each Verint share outstanding as of the record date for the distribution, and the resulting redesignation of Verint's historical net investment as common stock and additional paid-in capital;
- the post-distribution capital structure, including (i) a cash transfer to Verint and (ii) the undrawn revolving credit facilities Cognyte expects to enter;
- the removal of non-recurring separation costs, which were incurred during the six months ended July 31, 2020 and the year ended January 31, 2020; and
- the impact of transactions contemplated by the Tax Matters Agreement.

Our historical combined and condensed combined financial statements included elsewhere in this Form 20-F include an allocation of general corporate expenses from Verint. These expenses include costs for corporate functions including, but not limited to, senior management, legal, human resources, finance and accounting, treasury, information technology, internal audit and other shared services. The financial information in our historical combined and condensed combined financial statements does not necessarily include all the expenses that would have been incurred by the Cognyte Business had it been a separate, standalone company. To operate as an independent, publicly traded company, we expect to incur costs to replace certain services previously provided by Verint, and these costs may be higher than those reflected in our historical combined and condensed combined financial statements, in addition to increased administrative and other costs. Due to the scope and complexity of these activities, the amount and timing of these incremental costs could vary. The unaudited pro forma combined financial statements do not reflect these incremental costs associated with being an independent, publicly traded company because they are projected amounts based on subjective estimates and are not factually supportable. The unaudited pro forma combined financial statements do not reflect the expected charges or the expected realization of any cost savings or other synergies.

The historical financial information has been adjusted to give pro forma effect to events that are (i) related and/or directly attributable to the spin-off, (ii) factually supportable, and (iii) with respect to the pro forma statements of operations, are expected to have a continuing impact on the combined results. The unaudited pro forma combined financial information is prepared in accordance with Article 11 of Regulation S-X for illustrative purposes only and is based upon currently available information and preliminary estimates and assumptions that we believe to be reasonable under the circumstances. The unaudited pro forma combined financial information does not purport to represent what our results of operations or financial position would have been had the spin-off occurred on the dates indicated nor do they purport to project the results of operations or financial position for

any future period or as of any future date. The unaudited pro forma combined financial information does not give effect to the potential impact of current financial conditions or any anticipated operating efficiencies or cost savings that may result from the spin-off described above.

The unaudited pro forma combined financial information is subject to change based on the finalization of the terms of the spin-off and the following agreements: a Tax Matters Agreement, an Employee Matters Agreement, a Transition Services Agreement, an Intellectual Property Cross License Agreement and a Trademark Cross License Agreement (collectively, the "Ancillary Agreements"). If the actual facts are different than these assumptions, then the unaudited pro forma combined financial information will be different, and those changes could be material.

The unaudited pro forma combined financial statements should be read together with our historical combined and condensed combined financial statements and the notes thereto, "Item 3. Key Information—3.D. Risk Factors," and "Item 5. Operating and Financial Review and Prospects" included elsewhere in this Form 20-F. For more detail on the exchange of all of the outstanding shares of Verint and shares of Cognyte, see "4.A. History and Development of the Company—The Spin-Off—When and How You Will Receive Cognyte Shares."

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COGNYTE BUSINESS OF VERINT SYSTEMS INC.
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
AS OF JULY 31, 2020

(in thousands)	Historical As Reported	Pro Forma Adjustments	Notes	As Adjusted
Assets				
Current Assets:				
Cash and cash equivalents:	$ 188,065	$ (146,742)	(a)	$ 41,323
Restricted cash and cash equivalents, and restricted bank time deposits	31,616	—		31,616
Short-term investments	18,238	—		18,238
Accounts receivable, net of allowance for doubtful accounts of $4.4 million	165,506	—		165,506
Contract assets, net	30,427	—		30,427
Inventories	13,352	—		13,352
Prepaid expenses and other current assets	34,233	5,915	(b)	40,148
Total current assets	**481,437**	**(140,827)**		**340,610**
Property and equipment, net	42,061	—		42,061
Operating lease right-of-use assets	31,420	—		31,420
Goodwill	157,515	—		157,515
Intangible assets, net	6,724	—		6,724
Other assets	46,742	3,517	(b)	50,259
Total assets	**$ 765,899**	**$ (137,310)**		**$ 628,589**
Liabilities and Equity				
Current Liabilities:				
Accounts payable	$ 33,294	—		$ 33,294
Accrued expenses and other current liabilities	88,011	—		88,011
Contract liabilities	122,151	—		122,151
Current maturities of note to parent	7,025	—		7,025
Total current liabilities	**250,481**	—		**250,481**
Long-term contract liabilities	20,928	—		20,928
Operating lease liabilities	22,629	—		22,629
Other liabilities	19,283	832	(b)	20,115
Total liabilities	**313,321**	**832**		**314,153**
Commitments and Contingencies				
Equity				
Common stock ($0.001 par value)	—	65	(c)	65
Additional paid-in capital	—	315,172	(c)	315,172
Net parent investment	453,379	(453,379)	(a,b,c)	—
Accumulated other comprehensive loss	(14,954)	—		(14,954)
Total Cognyte Business of Verint Systems, Inc. equity	**438,425**	**(138,142)**		**300,283**
Noncontrolling interest	14,153	—		14,153
Total equity	**452,578**	**(138,142)**		**314,436**
Total liabilities and equity	**$ 765,899**	**$ (137,310)**		**$ 628,589**

See accompanying Notes to the unaudited pro forma combined financial statements.

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COGNYTE BUSINESS OF VERINT SYSTEMS INC.
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JULY 31, 2020

(in thousands, except per share data)	Historical As Reported	Pro Forma Adjustments	Notes	As Adjusted
Revenue:				
Software	$ 86,545	$ —		$ 86,545
Software service	91,843	—		91,843
Professional service and other	28,071	—		28,071
Total revenue	**206,459**	—		**206,459**
Cost of revenue:				
Software	15,851	—		15,851
Software service	22,128	—		22,128
Professional service and other	26,074	—		26,074
Amortization of acquired technology	492	—		492
Total cost of revenue	**64,545**	—		**64,545**
Gross profit	**141,914**	—		**141,914**
Operating expenses:				
Research and development, net	60,256	—		60,256
Selling, general and administrative	73,022	(5,496)	(d)	67,526
Amortization of other acquired intangible assets	640	—		640
Total operating expenses	**133,918**	**(5,496)**		**128,422**
Operating income	**7,996**	**5,496**		**13,492**
Other income (expense), net:				
Interest income	953	—		953
Interest expense	(84)	(200)	(e)	(284)
Other income, net	135	—		135
Total other income, net	**1,004**	**(200)**		**804**
Income before provision for income taxes	**9,000**	**5,296**		**14,296**
Provision for income taxes	3,406	(26)	(f)	3,380
Net income	**5,594**	**5,322**		**10,916**
Net income attributable to noncontrolling interest	3,565	—		3,565
Net income attributable to Cognyte Business of Verint Systems Inc.	**$ 2,029**	**$ 5,322**		**$ 7,351**
Pro forma Earnings Per Share				
Basic			(g)	**$ 0.11**
Diluted			(h)	**$ 0.11**
Pro forma shares outstanding				
Basic			(g)	**65,400**
Diluted			(h)	**65,400**

See accompanying Notes to the unaudited pro forma combined financial statements.

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COGNYTE BUSINESS OF VERINT SYSTEMS INC.
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JANUARY 31, 2020

(in thousands, except per share data)	Historical As Reported	Pro Forma Adjustments	Notes	As Adjusted
Revenue:				
Software	$ 201,487	$ —		$201,487
Software service	171,866	—		171,866
Professional service and other	83,756	—		83,756
Total revenue	**457,109**	**—**		**457,109**
Cost of revenue:				
Software	36,071	—		36,071
Software service	45,012	—		45,012
Professional service and other	80,517	—		80,517
Amortization of acquired technology	2,405	—		2,405
Total cost of revenue	**164,005**	**—**		**164,005**
Gross profit	**293,104**	**—**		**293,104**
Operating expenses:				
Research and development, net	111,297	—		111,297
Selling, general and administrative	153,901	(2,213)	(d)	151,688
Amortization of other acquired intangible assets	593	—		593
Total operating expenses	**265,791**	**(2,213)**		**263,578**
Operating income	**27,313**	**2,213**		**29,526**
Other income (expense), net:				
Interest income	3,509	—		3,509
Interest expense	(481)	(400)	(e)	(881)
Other income, net	(404)	—		(404)
Total other expense, net	**2,624**	**(400)**		**2,224**
Income before provision for income taxes	**29,937**	**1,813**		**31,750**
Provision for income taxes	2,567	(40)	(f)	2,527
Net income	**27,370**	**1,853**		**29,223**
Net income attributable to noncontrolling interest	7,179	—		7,179
Net income attributable to Cognyte Business of Verint Systems Inc.	**$ 20,191**	**$ 1,853**		**$ 22,044**
Pro forma Earnings Per Share				
Basic			(g)	**$ 0.34**
Diluted			(h)	**$ 0.34**
Pro forma shares outstanding				
Basic			(g)	**65,400**
Diluted			(h)	**65,400**

See accompanying Notes to the unaudited pro forma combined financial statements.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

(a) Reflects cash and cash equivalents attributed to the Cognyte Business in the historical combined balance sheet as of July 31, 2020 that is expected to be transferred to Verint in connection with the separation.

The expected cash and cash equivalents, restricted cash and cash equivalents, restricted bank time deposits, and short-term investments balances at the time of the distribution were determined by management based on several factors, including forecast liquidity and capital requirements, expected operating results and general economic conditions. The actual cash, cash equivalents, restricted cash, restricted cash equivalents, and short-term investments balances of Cognyte immediately following the distribution may be higher or lower than currently anticipated.

(b) Pursuant to the Tax Matters Agreement, Verint and Cognyte are responsible for any and all income taxes due with respect to their separate returns, except for the portion of taxes attributable to the other's business. Cognyte has agreed to make payments to Verint or the taxing authority for these taxes, and in case of any adjustment pursuant to a Determination with respect to any tax return filed by Verint attributable to Cognyte or other tax costs incurred by Verint in connection with transactions undertaken in anticipation of the spin as determined by Verint. For purposes of the pro forma financial statements, Cognyte has estimated that the payments will be $3.1 million; the associated liability is reflected in "Other Liabilities" in the unaudited pro form combined balance sheet as of July 31, 2020.

Additional adjustments to tax balances in the historical combined balance sheet as of July 31, 2020 reflect balances that will remain with Verint or will be transferred to Cognyte upon the separation including an increase of $5.9 million in income tax receivables, a $3.5 million increase to deferred tax assets, and a $2.3 million reduction in the liability for uncertain tax positions.

(c) Reflects the pro forma recapitalization of our equity. As of the distribution date, Verint's investment in our business will be redesignated as our stockholders' equity and will be allocated between common stock and additional paid-in capital based on the number of shares of our common stock outstanding at the distribution date. Verint stockholders will receive shares assuming a distribution ratio of one share of our common stock for every one Verint common share outstanding as of the record date for the distribution (65.4 million Verint common shares outstanding at July 31, 2020).

The pro forma adjustment related to recapitalization of our equity is reflected in the unaudited pro forma combined balance sheet as of July 31, 2020 as follows:

(in thousands)	July 31, 2020
Common stock ($0.001 par value)	$ 65
Additional paid-in capital	$ 315,172
Net parent investment*	$ (315,237)

* Represents the net parent investment remaining after previous adjustments to this line—i.e. adjustments (a) and (b).

(d) Reflects the removal of non-recurring separation costs directly related to the separation that were incurred during the historical period, but which are not expected to have a continuing impact on the Cognyte Business' results of operations following the completion of the separation. These non-recurring separation costs were primarily for legal, tax, accounting and other third-party professional fees associated with the separation.

(e) The Company expects to enter into two revolving credit facilities that will provide, subject to the completion of the Distribution, for up to $100.0 million in total borrowings. The Company does not expect any amounts to be drawn on the facilities at or immediately following the distribution date.

The revolving credit facilities are expected to each have a term of three years and have a variable interest rate of 1.55%-1.65% plus LIBOR. The facilities are expected to require the Company to pay an annual commitment fee of 0.4% based on the average daily unused commitments.

Adjustments to interest expense of $0.2 million and $0.4 million to reflect the commitment fee are included in the unaudited pro forma combined statement of operations for the six months ended July 31, 2020 and year ended January 31, 2020, respectively.

(f) Reflects a decrease to income tax expense as a result of the income tax effects on adjustments included in pro forma note (e).

(g) Pro forma basic earnings per share (“EPS”) and pro forma basic number of shares outstanding are based on the number of Verint common shares outstanding at July 31, 2020, adjusted for a distribution ratio of one share of the Company’s common stock for every one share of Verint common stock outstanding.

(h) Pro forma diluted EPS and pro forma diluted shares outstanding are based on the number of shares of our common stock as described in pro forma note (g) above. The actual dilutive effect following the completion of the spin-off will depend on various factors, including employees who may change employment between the Company and Verint. However, we do not currently believe that the future dilutive impact will be material.

3.B. CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our combined cash and cash equivalents, capitalization and indebtedness as of July 31, 2020.

We are providing the capitalization table below for informational purposes only. It should not be construed to be indicative of our capitalization or financial condition had the separation been completed on the date assumed. The capitalization table below may not reflect the capitalization or financial condition that would have resulted had we operated as a stand-alone public company at that date and is not necessarily indicative of our future capitalization or financial position. For additional details regarding the actual balances, please see the notes to our condensed combined financial information appearing elsewhere in this Form 20-F. For additional details regarding the adjusted balances, please see the notes to our unaudited pro forma combined financial information appearing elsewhere in this Form 20-F.

	July 31, 2020	
(in thousands)	Actual (unaudited)	As adjusted
Cash and cash equivalents	$ 188,065	$ 41,323
Debt:		
Net financial liabilities to Verint	7,025	7,025
Equity:		
Net parent investment	$ 453,379	$ —
Common stock ($0.001 par value)	—	65
Additional paid-in capital	—	315,172
Accumulated other comprehensive loss	(14,954)	(14,954)
Noncontrolling interests	14,153	14,153
Total capitalization	**$ 459,603**	**$ 321,461**

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 Form 20-F, in evaluating us and our shares. The following risk factors could adversely affect our business, financial condition, results of operations and the price of our shares.

Risks Related to Our Business and Operations

Macroeconomic Risks

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

Our business is subject to risks arising from adverse changes in domestic and global macroeconomic and other conditions. Slowdowns, recessions, economic instability, political unrest, armed conflicts, natural disasters, or outbreaks of disease, such as the COVID-19 pandemic, around the world may cause companies and governments to delay, reduce, or even cancel planned spending or projects and may impact our business and operations. Limited or reduced government budgets and declines in information technology spending have affected the markets for our solutions in the past and may affect them again based on current and future macroeconomic and/or global conditions.

During the fourth quarter ended January 31, 2020, concerns related to the spread of COVID-19 began to create global business disruptions as well as disruptions in our operations and to create potential negative impacts on our revenues and other financial results. COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. The full extent to which COVID-19 will impact our financial condition or results of operations is currently uncertain and depends on various factors, including the duration and severity of the pandemic and its impact on our customers, partners, and vendors and on the operation of the global markets in general.

We generate a 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. Macroeconomic changes, such as the COVID-19 threat, rising interest rates, tightening credit markets, significant changes in commodity prices such as oil, or actual or threatened trade wars, may also impact demand for our solutions.

Customers or partners who are facing business challenges, reduced budgets, liquidity issues, or other impacts from such macroeconomic or other global changes are also more likely to defer purchase decisions or projects or cancel or reduce orders, as well as to delay or default on payments. If customers or partners significantly 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 would be materially adversely affected.

The full extent to which the COVID-19 pandemic will adversely affect our business and results of operations cannot be predicted at this time.

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The outbreak has reached all of the regions in which we do business, and governmental authorities around the world have implemented numerous measures attempting to contain and mitigate the effects of the virus, including travel bans and restrictions, border closings, quarantines, shelter-in-place orders, shutdowns, limitations or closures of non-essential businesses, and social distancing requirements. Companies around the world, including us, our customers, partners, and vendors, have implemented actions in response, including among others, office closings, site restrictions, and employee travel restrictions. Notwithstanding the loosening of these restrictions in certain countries in certain periods since the onset of the pandemic, the global spread of COVID-19 and actions taken in response have negatively affected us, our customers, partners, and vendors and caused significant economic and

business disruption the extent and duration of which is not currently known. We are continuously monitoring and assessing the impact of the COVID-19 pandemic, including recommendations and orders issued by government and public health authorities in countries where we operate.

During the six months ended July 31, 2020, 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 they have implemented. Due to the pandemic, we have seen a reduction or delay in large customer contracts, particularly on-premises arrangements, and in many cases, we have been unable to conduct face-to-face meetings with existing or prospective customers and partners, present in-person demonstrations of our solutions, or host or attend in-person trade shows and conferences. Limitations on access to the facilities of our customers have also impacted our ability to deliver some of our products, complete certain implementations, and provide in-person consulting and training services, negatively impacting our ability to recognize revenue. Our ability to predict how the pandemic will impact our results in future periods is limited, including the extent to which customers may delay or miss payments, customers may defer, reduce, or refrain from placing orders or renewing subscriptions or support arrangements, or to which travel restrictions and site access restrictions may remain necessary.

In light of the adverse impact of COVID-19 on global economic conditions and our revenue, along with the uncertainty associated with the extent and timing of a potential recovery, we have implemented several cost-reduction actions of varying durations, some of which remain in place and some of which have concluded. Such actions have included, but are not limited to, reducing our discretionary spending, substantially decreasing capital expenditures, considering the optimal uses of our cash and other capital resources, and reducing workforce-related costs. These actions may have an adverse impact on us, particularly if they remain in place for an extended period. Where we have resumed investments or other spending, these actions may need to be reassessed depending on how the facts and circumstances surrounding the pandemic evolve. We continue to evaluate and may decide to implement further cost control strategies to help us mitigate the impact of the pandemic.

The ultimate impact of the COVID-19 pandemic and the effects of the operational alterations we have made in response on our business, financial condition, liquidity and financial results cannot be predicted at this time.

Market and Strategy Risks

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 technology and evolving industry standards and challenges. The introduction of products embodying new technology, 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. For example, 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. 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 or exceed 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. 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. 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.

Our future success depends on our ability to properly manage investments in our business and operations, 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 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 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 on other growth or strategic initiatives we are pursuing, including our software model transition. 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 continue to progress towards 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.

We may not be able to identify suitable targets for acquisition or investment, or complete acquisitions or investments on terms acceptable to us, which could negatively impact our ability to implement our growth strategy.

As part of our long-term growth strategy, we have made a number of acquisitions and investments and expect to continue to make acquisitions and investments in the future. In some of the areas we operate in, we have seen the market for acquisitions become more competitive and valuations increase. Our competitors also continue to make acquisitions in or adjacent to our markets and may have greater resources than we do, enabling them to pay higher prices. As a result, it may be more difficult for us to identify suitable acquisition or investment targets or to consummate acquisitions or investments once identified on acceptable terms or at all. If we are not able to execute on our acquisition strategy, we may not be able to achieve our long-term growth strategy, may lose market share, or may lose our leadership position in one or more of our markets.

Our acquisition and investment activity presents certain risks to our business, operations, and financial position.

Acquisitions and investments are an important part of our growth strategy. Acquisitions and investments present significant challenges and risks to a buyer, including with respect to the transaction process, the integration of the acquired company or assets, and the post-closing operation of the acquired company or assets. If we are unable to successfully address these challenges and risks, we may experience both a loss on the investment and damage to our existing business, operations, financial results, and valuation.

The potential challenges and risks associated with acquisitions and investments include, among others:

- the effect of the acquisition on our strategic position and our reputation, including the impact of the market’s reception of the transaction;
- the impact of the acquisition on our financial position and results, including our ability to maintain and/or grow our revenue and profitability;
- risk that we fail to successfully implement our business plan for the combined business, including plans to accelerate growth or achieve the anticipated benefits of the acquisition, such as synergies or economies of scale;
- risk of unforeseen or underestimated challenges or liabilities associated with an acquired company’s business or operations;
- management distraction from our existing operations and priorities;
- risk that the market does not accept the integrated product portfolio;
- challenges in reconciling business practices or in integrating product development activities, logistics, or information technology and other systems and processes;
- retention risk with respect to key customers, suppliers, and employees and challenges in integrating and training new employees;
- challenges in complying with newly applicable laws and regulations, including obtaining or retaining required approvals, licenses, and permits; and
- potential impact on our systems, processes, and internal controls over financial reporting.

Acquisitions and/or investments may also result in potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, the expenditure of available cash, and amortization expenses or write-downs related to intangible assets such as goodwill, any of which could have a material adverse effect on our operating results or financial condition. Investments in immature businesses with unproven track records and technologies have an especially high degree of risk, with the possibility that we may lose our entire investment or incur unexpected liabilities. Transactions that are not immediately accretive to earnings may make it more difficult for us to maintain satisfactory profitability levels. Large or costly acquisitions or investments may also diminish our capital resources and liquidity or limit our ability to engage in additional transactions for a period of time.

The foregoing risks may be magnified as the cost, size, or complexity of an acquisition or acquired company increases, where the acquired company's products, market, or business are materially different from ours, or where more than one transaction or integration is occurring simultaneously or within a concentrated period of time. There can be no assurance that we will be successful in making additional acquisitions in the future or in integrating or executing on our business plan for existing or future acquisitions.

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

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. 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. 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 means 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 making full use of 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.

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 that have historically accounted for a significant amount of our annual revenue. A single customer may represent a substantial portion of our revenue in a given period, either in the form of a single order or in the form of multiple separate orders. A significant order during one period may not be followed by further orders from the same customer in subsequent

periods, nor 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.

For the years ended January 31, 2020 and 2019, we had two government customers that collectively represented approximately 29%, and 27%, respectively, of our total revenue. These customers are governmental organizations that act on behalf of multiple agencies or departments, each of which generally makes its own independent purchasing decisions, and the customers typically enter into separate contracts with us for each order. These contracts are entered into in the ordinary course of our business and 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 financial results, 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.

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 twelve 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, 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 has also complicated the process of accurately predicting revenue and other operating results, particularly on a quarterly basis. Finally, our business is subject to seasonal factors that may also cause our results to fluctuate from quarter to quarter.

A significant portion of our business comes from government contracts, which exposes us to additional risks inherent in the government procurement process 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 geo-political events and macro-economic conditions that are beyond our control. We are also 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 and investigations 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 are directly affected by their budgetary constraints and the priority given 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.

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, preclude us from disclosing certain information about these transactions, customarily including the identity of the customer or the solutions we are providing to the customer. As a result, our investors will have less visibility into this portion of our business than into the businesses of companies not subject to such restrictions.

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

We may experience negative publicity, reputational harm, or other adverse impacts on our business as a result of offering certain types of solutions or if we sell our solutions to countries or customers that are considered disfavored by the media or by certain political or privacy organizations, even where such activities or transactions are permissible under applicable laws. The risk of these adverse impacts may also result in lost business opportunities that impact our results of operations. These risks may grow as we grow our business and our brand following the spin-off.

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. 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 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.

Approximately half of our sales are made through partners, including distributors, resellers, sales representatives and systems 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.

For certain products, components, or services, we rely on third-party suppliers, manufacturers, and partners, which may create significant exposure for us.

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, 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. 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 or 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 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. Retention is an industry issue given the competitive technology labor market and as the millennial workforce continues to value multiple company experience over long tenure. As we grow, we must also enhance and expand our management team to execute on new and larger agendas and challenges. 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. 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.

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, Brazil, Romania, Bulgaria and the United States. We also generate significant revenue from more than a dozen other countries, and smaller amounts of revenue from many more, 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:

- foreign currency fluctuations;
- political, security, and economic instability or corruption;
- geopolitical risks from war, natural disasters, pandemics or other events;
- changes in and compliance with both international and local laws and regulations, including those related to trade compliance, anti-corruption, information security, data privacy and protection, 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.

Conditions in and our relationship to Israel may materially adversely affect our operations and personnel and may limit our ability to produce and sell our products or engage in certain transactions.

We are headquartered in and have significant operations in Israel, including research and development, manufacturing, sales and support. Conflicts and political, economic and/or military conditions in Israel and the Middle East region have affected and may in the future affect our operations in Israel. Violence within Israel or the outbreak of violent conflicts between Israel and its neighbors, including the Palestinians and Iran, may impede our ability to manufacture, sell and support our products or engage in research and development, or otherwise adversely affect our business or operations. Some of our employees in Israel are required to perform annual compulsory military service and are subject to being called to active duty at any time. Hostilities involving Israel may also result in the interruption or curtailment of trade between Israel and its trading partners or a significant downturn in the economic or financial condition of Israel and could materially adversely affect our results of operations.

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. 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 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 would likely negatively affect business conditions generally and could harm our results of operations.

Restrictive laws, policies, or practices in certain countries directed toward Israel, Israeli goods, or companies having operations in Israel may also limit our ability to sell some of our products in certain countries.

Regulatory, Privacy and Information Security 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.

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. 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. 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 designed to achieve compliance with these regulatory requirements, we cannot assure you that these policies, procedures, or systems will be adequate or that we or our personnel will not violate these policies and procedures or applicable laws and regulations. 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.

We develop technologies that are regulated, and we also depend on governmental approval of our exports and marketing.

Some of the technologies that we develop, and that we rely upon in our products, are regulated. That places greater limitations on our freedom to market certain aspects of what we develop. 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. Furthermore, due to the regulations to which we are subject, our international sales, as well as our international procurement of skilled human resources, technology and components, depend largely on export and marketing license approvals from the governments of Israel and other countries. If we fail to obtain material approvals in the future, or if material approvals previously obtained are revoked or expire and are not renewed due to factors such as changes in political conditions, government policies or imposition of sanctions, or if existing or future approvals are conditioned on requirements or conditions that we are unable to meet or fulfill, then our ability to 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.

Regulatory requirements, such as laws requiring telecommunications providers to facilitate the monitoring of communications by law enforcement or governing the purchase and use of security solutions like ours, may also influence market demand for some of our products and/or customer requirements for specific functionality and performance or technical standards. The domestic and international regulatory environment is subject to constant change, often based on factors beyond our control or anticipation, including political climate, budgets, and current events, which could reduce demand for our products or require us to change or redesign products to maintain compliance or competitiveness.

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 global privacy and data security laws, and regulations. These laws and regulations may be inconsistent across jurisdictions and are subject to evolving and differing (sometimes conflicting) interpretations. Government regulators, privacy advocates 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 or new interpretations of existing laws and regulations. Globally, laws such as the General Data Protection Regulation in Europe, state laws in the United States on privacy, data and related technologies, such as the California Consumer Privacy Act, 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. 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.

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 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 not permit data to leave the country of origin), such developments could harm our business, financial condition and results of operations.

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 personally identifiable information. While our customers' use of our products does not 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 personally identifiable information, 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 misused 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.

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 after 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.

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 results or financial condition.

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. We have experienced cyber-attacks in the past and expect to continue to experience them in the future, potentially with greater frequency. 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 personally identifiable information, 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.

Intellectual Property Risks

Our intellectual property may not be adequately protected.

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. Our intellectual property rights may not be successfully asserted in the future or may be invalidated, designed around, or challenged.

In order to safeguard our unpatented proprietary know-how, source code, trade secrets, and technology, we rely primarily upon trade secret protection and non-disclosure provisions in agreements with employees and other third parties having access to our confidential information. There can be no assurance that these measures will adequately protect us from improper disclosure or misappropriation of our proprietary information.

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 adversely affected.

Our products or other IP 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 IP 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.

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. The original developers of the open source software generally provide no warranties on such software or protections in the event the open source software 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

We expect to incur indebtedness in connection with the spin-off, which will expose us to leverage risks and subject us to covenants which may adversely affect our operations. In addition, financing sources may not be available to us.

In connection with the spin-off, we expect to enter into revolving credit facilities under which we will have the ability to borrow up to $100.0 million. To the extent we draw down all or a significant portion of these facilities, this 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.

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 the United States and Israel, may from time to time review the pricing arrangements between us and our foreign subsidiaries or among our foreign subsidiaries. An adverse determination by one or more tax authorities in this regard may have a material adverse effect on our financial results.

We have significant deferred tax assets which can provide us with significant future cash tax savings if we are able to use them, including significant non-U.S. NOLs. However, the extent to which we will be able to use these 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 NOL previously utilized by the Verint group to offset the Cognyte Business income in a particular tax jurisdiction could result in a tax payment obligation.

In addition, on December 22, 2017, the 2017 Tax Act was enacted in the United States. The 2017 Tax Act significantly revised the Code and it includes fundamental changes to taxation of U.S. multinational corporations. Compliance with the 2017 Tax Act requires significant complex computations not previously required by U.S. tax law.

The key provisions of the 2017 Tax Act, 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 foreign 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.

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. Income taxes for interim quarters are based on a forecast of our effective tax rate for the year, which includes forward-looking financial projections. Such financial projections are based on numerous assumptions, including the expectations of profit and loss by jurisdiction. It is difficult to accurately forecast various items that make up the projections, and such items may be treated as discrete accounting. 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 rate.

One important assumption that goes into 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 for 2018 and onwards is set at 23%. In addition to being subject to the standard corporate tax rate, we would be required to refund any tax benefits that we have already received as adjusted by the Israeli consumer price index, plus interest or other monetary penalties. Even if we continue to meet the relevant requirements, the tax benefits that our current Beneficial Enterprise receive may not be continued in the future at their current levels or at all. If these tax benefits were reduced or eliminated, the amount of taxes that we pay would likely increase, as all of our operations would consequently be subject to corporate tax at the standard rate, which may cause our effective tax rate to be materially different than our estimates and could adversely affect our results of operations. Additionally, if we increase our activities outside of Israel, for example, via acquisitions, our increased activities may not be eligible for inclusion in Israeli tax benefit programs, and that could also adversely affect our effective tax rate and our results of operations.

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 "Technology 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 will qualify as a "Preferred Technology Enterprise" and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as "Preferred Technology Income," as defined in the Investment Law. In addition, a Preferred Technology Enterprise 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, and the sale receives prior approval from the National Authority for Technological Innovation, or NATI.

Dividends distributed by a Preferred Technology Enterprise, paid out of Preferred Technology 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 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 divided are distributed to a foreign company and other conditions are met, the withholding tax rate will be 4%.

We have examined the impact of the 2017 Amendment and the degree to which we will qualify as a Preferred Technology Enterprise and have elected to adopt it as of fiscal year end 2021 onwards in which case we will enjoy reduced corporate tax rate of 12% on income that qualifies as "Preferred Technology 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.

In addition, there is growing pressure in many jurisdictions and from multinational organizations such as the Organization for Economic Cooperation and Development (the "OECD") and the European Union 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 (the "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. 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 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 the wake of the BEPS project, it is generally expected that tax authorities in various jurisdictions in which we operate might increase their audit activity and might 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 impact our effective tax rate.

Our internal controls over financial reporting may not prevent misstatements and material weaknesses or deficiencies could arise in the future which could lead to restatements or filing delays.

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. 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, that this or future financial reports will not contain material misstatements or omissions, that future restatements will not be required, or that we will be able to timely comply with our reporting obligations in the future.

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 $166.0 million, or approximately 20.6% of our total assets, as of January 31, 2020. 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.

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 (deflation) amounted to 0.6%, 0.8% and 0.3% for the calendar years 2019, 2018 and 2017, respectively. The annual appreciation (devaluation) of the New Israeli Shekel in relation to the U.S. dollar amounted to 7.8%, (8.1%), and 9.8% for the calendar years 2019, 2018 and 2017, respectively.

We also have substantial revenues and expenses that are denominated in non-US currencies other than the New Israeli Shekel, particularly the Euro and the Singapore Dollar. Therefore, our operating results and cash flows are also subject to fluctuations due to changes in the relative values of the U.S. dollar and those foreign currencies. These fluctuations could negatively affect our operating results and could 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 dollar against other currencies could make 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.

Risks Related to the Separation from Verint and Ownership of Cognyte Shares

Risks Associated with the Spin-Off

The spin-off may not be successful and as an independent, publicly traded company, we will not enjoy the same benefits that we did as a subsidiary of Verint.

Upon completion of the spin-off, we will be a stand-alone public company. The process of becoming a stand-alone public company may distract our management from focusing on our business and strategic priorities. Further, we may not be able to issue debt or equity on terms acceptable to us or at all and we may not be able to attract and retain employees as desired. We also may not fully realize the anticipated benefits of the separation and of being a stand-alone public company, or the realization of such benefits may be delayed, if any of the risks identified in this "Risk Factors" section, or other events, were to occur.

As a separate public company, we will be a smaller and less diversified company than Verint, and we may not have access to financial and other resources comparable to those available to Verint prior to the spin-off or enjoy certain other benefits that we did as a subsidiary of Verint. We cannot predict the effect that the spin-off will have on our relationship with partners or employees or our relationship with government regulators. We may also be unable to obtain goods, technology and services at prices and on terms as favorable as those available to us prior to the spin-off. Furthermore, as a less diversified company, we may be more likely to be negatively impacted by changes in global market conditions, regulatory reforms and other industry factors, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

We may not achieve some or all of the expected benefits of the spin-off, and the spin-off may adversely affect our business.

We may not be able to achieve some or all of the strategic, financial, operational, marketing or other benefits expected to result from the spin-off, or such benefits may be delayed or not occur at all. The spin-off is expected to provide the following benefits, among others:

- allow investors to separately invest in the Customer Engagement Business or separately invest in the Cognyte Business, which should promote investments from investors seeking to invest in one business and not the other, and allow Cognyte direct access to capital markets as a separate publicly traded company;
- improve investors' ability to value the Customer Engagement Business and the Cognyte Business based on their distinct characteristics and make more targeted investment decisions in a pure-play structure;
- create enhanced appeal to a broader set of investors suited to the strategic and financial characteristics of each company by validating inherent value and attractiveness of underlying businesses, strategies, and prospects;
- provide more specific alignment of incentives and performance indicators to more closely align employee incentive compensation opportunities with stand-alone business performance;
- allow more efficient allocation of capital to the highest and best use, tailored to the unique characteristics of each business;
- maintain a capital structure optimized to the needs and unique requirements of each business;
- create separate boards with further differentiated skillsets and experience to provide focused oversight and to support tailored strategic and financial objectives to enhance value creation; and
- allow enhanced strategic and management focus with dedicated management teams focused on their core business's distinct operational and regulatory requirements.

We may not achieve these and other anticipated benefits for a variety of reasons, including, among others:

- potential disruption to our business and operations;

- management distraction due to the significant amount of time and effort required;
- the significant one-time costs of separating the two companies;
- incremental costs on the resulting companies, including, among others, as a result of establishing separate corporate management and duplicative support functions, the costs of being a stand-alone public company, and tax inefficiencies;
- greater susceptibility to market fluctuations and other adverse events as a stand-alone company, including as a result of reduced business diversification; and
- risk that the spin-off is not consummated.

We cannot predict with certainty when the benefits expected from the spin-off will occur or the extent to which they will be achieved. If we fail to achieve some or all of the benefits expected to result from the spin-off, or if such benefits are delayed, our business, financial condition and results of operations could be adversely affected.

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 have been derived (carved out) from the Verint consolidated financial statements and accounting records. This 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 period presented, or those that we will achieve in the future.

This is primarily because of the following factors:

- For the period covered by our combined 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 combined 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 combined 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 combined 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, Verint expects to incur one-time costs of approximately $45.0 million during fiscal year ending January 31, 2021, of which approximately $17.0 million is attributable to the Cognyte Business.
- In connection with the completion of the spin-off, we expect to enter into revolving credit facilities for borrowings up to $100.0 million. Such indebtedness and the related commitment fees associated with such debt is expected to be between $0.2 million and $0.4 million per year, and are not reflected in our combined financial statements. As of the close of the transaction, we are not expected to have any borrowings outstanding under the credit facilities but this may change depending on our operating and capital expenditure requirements in the future.

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.

Our ability to operate our business effectively may suffer if we do not, quickly and cost effectively, establish our own administrative and support functions necessary to operate as a stand-alone public company.

Although Verint will provide us with certain continuing services during the transitional period under the Transition Services Agreement, in connection with our separation from Verint, we are creating our own financial, administrative, corporate governance, and listed company compliance and other support systems, including for the services Verint had historically provided to us, or expect to contract with third parties to replace the Verint systems that we are not establishing internally. In addition, we are also establishing or expanding our own tax, treasury, internal audit, investor relations, corporate governance, and listed company compliance and other corporate functions. We expect this process to be complex, time consuming and costly. Any failure or significant downtime in our own financial, administrative or other support systems or in the Verint financial, administrative or other support systems during the transitional period in which Verint provides us with support 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 will incur significant legal, accounting and other expenses that we did not incur as part of Verint. The provisions of SOX, as well as rules subsequently adopted by the SEC and NASDAQ, have imposed various requirements on public companies, including changes in corporate governance practices. For example, SOX requires, among other things, that we maintain and periodically evaluate our internal control over financial reporting and disclosure controls and procedures. In particular, we will, after a transitional period, have 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, as required by Section 404 of SOX.

Although we currently test our internal controls over financial reporting on a regular basis, we have done so in accordance with the financial reporting practices and policies of Verint, not as a stand-alone entity. Doing so for ourselves will require our management and other personnel to devote a substantial amount of time to comply with these requirements and will also increase our legal and financial compliance costs. 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 when they become applicable to us.

Furthermore, the listing of our shares on NASDAQ will require us to comply with the listing, reporting and other regulations.

We cannot assure you that the transitional services Verint has agreed to provide us will be sufficient for our needs. In addition, we or Verint may fail to perform under various transaction agreements that will be executed as part of the spin-off, we may fail to have necessary systems and services in place when certain of the transaction agreements expire, or we may be obligated to satisfy certain indemnification obligations under such agreements.

In connection with the spin-off, we and Verint intend to enter into a Separation and Distribution Agreement and will enter into various other agreements, including the Tax Matters Agreement, Employee Matters Agreement, Transition Services Agreement, Intellectual Property Cross License Agreement and Trademark Cross License Agreement and other separation-related agreements. See “Item 7. Major Shareholders and Related Party Transactions—7.B. Related Party Transactions—Agreements Between Verint and Us.” Certain of these agreements will provide for the performance of key business services by Verint for our benefit for a period of time after the spin-off. These services may not be sufficient to meet our needs and the terms of such services may not be equal to or better than the terms we may have received from unaffiliated third parties.

We will rely on Verint to satisfy its performance and payment obligations under these agreements. If Verint is unable to satisfy its obligations under these agreements, including its indemnification obligations, we could incur operational difficulties or losses. If we do not have in place our own systems and services, or if we do not have agreements with other providers of these services once certain transitional agreements expire, we may not be able to operate our business effectively and this may have an adverse effect on our business, financial condition and results of operations. In addition, after our agreements with Verint expire, we may not be able to obtain these services at as favorable prices or on as favorable terms.

The parties will have certain indemnification obligations to one another under the Separation and Distribution Agreement, including an obligation on us to share in certain contingent liabilities Verint may become subject to as a result of its February 2013 acquisition of its former parent company, Comverse Technology, Inc. ("CTI").

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 will agree to certain restrictions designed to preserve the tax treatment of the spin-off that may reduce our strategic and operating flexibility. Finally, in certain circumstances, Verint could determine not to proceed with the spin-off.

Verint has obtained a U.S. Tax Ruling from 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 expects to obtain 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 business 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 will be 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 will not be 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, Israeli Tax Ruling or Tax Opinion, or if any conditions in the U.S. Tax Ruling, Israeli Tax Ruling or 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 we intend to enter 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 will agree 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.

Verint expects to receive the Israeli Tax Ruling from 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 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 will agree 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 share price may be volatile, including as a result of sales of our shares in connection with the spin-off.

Verint shareholders receiving our shares in the spin-off generally may sell those shares immediately in the public market. It is possible that some Verint shareholders, including some of its larger shareholders, will sell their Cognyte shares received in the spin-off if, for reasons such as our business profile or market capitalization as a stand-alone company, we do not fit their investment objectives, or they consider holding our shares to be impractical or difficult due to listing, tax or other considerations. The sales of significant amounts of our shares, or the perception in the market that this will occur, may decrease the market price of our shares.

Our share price may also be volatile for other reasons, including:

- announcements by us or our competitors regarding, among other things, strategic changes, new products, product enhancements or technological advances, acquisitions, major transactions (including our planned separation into two publicly traded companies), 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 M&A, or market trends unrelated to our performance;
- stock sales by our directors, officers, or other significant holders, or stock repurchases by us; and
- hedging or arbitrage trading activity by third parties.

A significant drop in the price of our shares could also expose us to the risk of securities class action lawsuits, which could result in substantial costs and divert management's attention and resources, which could adversely affect our business.

The combined post-spin-off value of our shares and the Verint shares may not equal or exceed the aggregate pre-spin-off value of the Verint shares and our shares.

After the spin-off, the Verint shares will continue to be listed and traded on NASDAQ. Our shares will be traded under the symbol "CGNT" on NASDAQ. We have no current plans to apply for listing on any additional stock exchanges. As a result of the spin-off, Verint expects the trading prices of Verint shares in the "regular-way" market at market open on   , 2021 to be lower than the trading prices in the "regular-way" at market close on   , 2021, because the trading prices will no longer reflect the value of the Cognyte Business. There can be no assurance that the aggregate market value of the Verint shares and our shares following the spin-off will be higher than or equal to the market value of the Verint shares if the spin-off did not occur. This means, for example, that the combined trading prices of one Verint share and one Cognyte share after market open on   , 2021 may be equal to, greater than or less than the trading price of one Verint share before   , 2021. In addition, your Verint shares sold in the "ex-distribution" market (as opposed to the "regular-way" market) will reflect an ownership interest solely in Verint and will not include the right to receive any of our shares in the spin-off, but may not yet accurately reflect the value of such Verint shares excluding the Cognyte Business.

Risks Associated with Your Ownership of Cognyte Shares

Your percentage ownership in Cognyte may be diluted in the future.

In the future, your percentage ownership in us 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 employees will have rights to purchase or receive our shares after the distribution as a result of the conversion of their Verint equity awards into Cognyte equity awards and the grant of Cognyte equity awards, including restricted share units and performance share units, in each case, in order to preserve the aggregate value of the equity awards held by our employees immediately prior to the spin-off. See "Item 6. Directors, Senior Management and Employees—6.B. Compensation" for further detail on the awards that are expected to be granted in connection with the spin-off. As of the date of this Form 20-F, the exact number of our shares that will be subject to the converted and granted Cognyte awards is not determinable, and, therefore, it is not possible to determine the extent to which your percentage ownership in us could be diluted as a result. It is anticipated that the Compensation Committee of the Cognyte Board will grant additional equity awards to our employees and directors after the spin-off, 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.

As of the date of the spin-off, we will be an FPI and, as a result, we will be 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.

Upon consummation of the spin-off, we will report under the Exchange Act as a non-U.S. company with FPI status. Because we qualify as an FPI under the Exchange Act and although we intend to furnish quarterly financial information to the SEC and are required to report material developments in reports furnished on Form 6-K with the SEC, we are nevertheless exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, 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, (ii) the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, FPIs are not required to file their annual report on Form 20-F until four months after the end of each financial year, while U.S. domestic issuers that are large accelerated filers are required to file their annual report on Form 10-K within 60 days after the end of each fiscal year. FPIs are also exempt from Regulation FD, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, you may not have the same protections afforded to shareholders of companies that are not FPIs.

As an FPI whose shares will be listed on NASDAQ, we are also permitted to follow certain home country corporate governance practices instead of certain requirements of the NASDAQ rules. For example, as permitted under the 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 have informed NASDAQ that we 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, which apply to a domestic U.S. issuer.

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.

If at any time we cease to qualify as an FPI, we may incur significant additional legal, accounting, and other expenses in order to comply with U.S. domestic issuer requirements.

We are an emerging growth company, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make the Cognyte shares less attractive to investors.

We are an emerging growth company and have the option to utilize certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including,

but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of SOX, reduced disclosure obligations regarding executive compensation in any required periodic reports and proxy statements, and election to defer the adoption of recently issued accounting standards. We may take advantage of these reporting exemptions until we are no longer an emerging growth company.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with certain new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements may or may not be comparable to companies that comply with new or revised accounting pronouncements as of public companies' effective dates. Further, we may take advantage of some of the other reduced regulatory and reporting requirements that will be available to us so long as we qualify as an emerging growth company.

Among other things, this means that our independent registered public accounting firm will generally not be required to provide an attestation report on the effectiveness of our internal control over financial reporting so long as we qualify as an emerging growth company, which may increase the risk that weaknesses or deficiencies in our internal control over financial reporting go undetected. Likewise, so long as we qualify as an emerging growth company, we may elect not to provide you with certain information, including certain financial information and certain information regarding compensation of our executive officers, that we might otherwise have been required to provide in filings we make with the SEC, which may make it more difficult for investors and securities analysts to evaluate our company. As a result, investor confidence in our company and the trading price of the Cognyte shares may be adversely affected. Further, we cannot predict if investors will find Cognyte shares less attractive because we may rely on these exemptions. If some investors find Cognyte shares less attractive as a result, there may be a less active trading market for the Cognyte shares and their trading price may be more volatile.

Your rights and responsibilities as a shareholder 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 the Cognyte Board. These provisions include the following:

- the election of our directors on a staggered basis, such that a potential acquirer cannot readily replace the entire Cognyte Board 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 the Cognyte Board to elect a director to fill a vacancy created by the expansion of the Cognyte Board, and the right of the Cognyte Board to fill a vacancy upon the resignation, death or removal of a director, which limits shareholders' ability to fill vacancies on the Cognyte Board.

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 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 the Cognyte Board, 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 the Cognyte Board, 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 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 +972-9-962-2300.

General Development of Business

Our business has grown significantly over more than two decades through a combination of organic growth and small acquisitions, primarily technology tuck-ins. As we have grown, we have expanded our solution portfolio from an initial focus on products for lawful communications interception to a provider of security analytics software that empowers government agencies and enterprises with Actionable Intelligence to accelerate investigations and identify, neutralize, and prevent terror, crime and cyber threats. We have also expanded our geographical footprint, which is now global. In 2016, Verint also reorganized from three operating segments into two, allocating the situational intelligence and incident response portions of its previous Video Intelligence operating segment to us.

Principal Capital Expenditures

Our capital expenditures amounted to $21.3 million and $12.6 million during the fiscal years ended January 31, 2020 and 2019, respectively, primarily consisting of expenditures related to capitalized software development costs, internal-use software and development costs and lab equipment. Verint also expects separation-related capital expenditures of approximately $10.0 million during the fiscal year ending January 31, 2021, of which approximately $5.0 million is attributable to the Cognyte Business.

Our capital expenditures amounted to $10.3 million and $8.0 million during the six months ended July 31, 2020 and 2019, respectively, primarily consisting of expenditures related to capitalized software development costs, internal-use software and development costs and lab equipment.

Acquisitions, Dispositions and other Events

On March 31, 2014, Verint completed the acquisition of all of the outstanding shares of UTX Technologies Limited (“UTX”), a provider of certain mobile device tracking solutions for security applications, from UTX Limited. UTX Limited was the supplier of these products to the Cognyte Business prior to the acquisition. The purchase price consisted of $82.9 million of cash paid at closing, and up to $1.5 million of potential future contingent consideration payments to UTX Limited, the acquisition date fair value of which was estimated to be $1.3 million. UTX is based in the Europe, the Middle East and Africa (“EMEA”) region. For year ended January 31, 2015, Verint recorded a charge of $0.2 million within selling, general and administrative expenses to increase the fair value of the UTX contingent consideration obligation to $1.5 million, in consideration of UTX achieving certain performance targets. This amount was paid to UTX Limited prior to January 31, 2015.

On December 18, 2019, Verint completed the acquisition of two software companies under common control, WebintPro Ltd. and Deep Analytics Ltd. (collectively “WebintPro”), focused on multi source intelligence and fusion analytics that constitute a part of the Cognyte Business. The purchase price of $23.4 million consisted of $18.8 million of cash paid at closing, and up to $7.3 million of potential future contingent consideration payments to WebintPro, the acquisition date fair value of which was estimated to be $7.0 million, offset by $2.4 million of other purchase price adjustments. Refer to Note 6, “Business Combinations” to our combined financial statements included elsewhere in this Form 20-F for more detail on the acquisition of WebintPro.

The Spin-Off

Background

On December 4, 2019, Verint announced plans to separate into two independent companies: Cognyte Software Ltd., which will consist of its Cyber Intelligence Solutions business, and Verint Systems Inc., which will consist of its Customer Engagement Business. To implement the separation, pursuant to the Separation and Distribution Agreement that Verint will enter into with us prior to the spin-off and as part of the Internal Transactions, Verint will first transfer the Canadian portion of its Cyber Intelligence Solutions business to us and will enter into a binding agreement to transfer the remainder of its Cyber Intelligence Solutions business to us, will subsequently distribute all of our shares held by Verint to Verint shareholders, pro rata to their respective holdings, and immediately thereafter Verint will transfer the remainder of its Cyber Intelligence Solutions business to us pursuant to the binding commitment. The distribution is intended to be tax-free to Verint shareholders, Verint and Cognyte for U.S. federal and Israeli income tax purposes. The distribution and certain internal transactions, which are part of the spin-off and the separation, are intended to be tax-free to Verint shareholders, Verint and Cognyte for Israeli income tax purposes under the Israeli Tax Ruling. Certain other internal transactions not covered by the Israeli Tax Ruling should also not result in any tax liabilities in Israel.

In connection with the spin-off and concurrently with the distribution, we and Verint will also enter into Ancillary Agreements that will govern relationships between us and Verint following the distribution.

Reasons for the Spin-Off

We and Verint believe that the two independent, publicly traded companies will both benefit from the spin-off and be well-positioned to pursue their own strategies, drive opportunities to accelerate growth and extend their market leadership. The separation will make it easier for investors to evaluate and make independent investment decisions in each business. We believe that both our businesses are leaders in their respective markets and the separation will enable them to achieve better performance over the long term as a result of several factors, including having:

- allow investors to separately invest in the Customer Engagement Business or separately invest in the Cognyte Business, which should promote investments from investors seeking to invest in one business and not the other, and allow Cognyte direct access to capital markets as a separate publicly traded company;
- improve investors’ ability to value the Customer Engagement Business and Cognyte Business based on their distinct characteristics and make more targeted investment decisions in a pure-play structure;
- create enhanced appeal to a broader set of investors suited to the strategic and financial characteristics of each company by validating inherent value and attractiveness of underlying businesses, strategies, and prospects;
- provide more specific alignment of incentives and performance indicators to more closely align employee incentive compensation opportunities with stand-alone business performance;
- allow more efficient allocation of capital to the highest and best use, tailored to the unique characteristics of each business;
- maintain a capital structure optimized to the needs and unique requirements of each business;
- create separate boards with further differentiated skillsets and experience to provide focused oversight and to support tailored strategic and financial objectives to enhance value creation; and
- allow enhanced strategic and management focus with dedicated management teams focused on their core business’s distinct operational and regulatory requirements.

Neither we nor Verint can assure you that, following the spin-off, any of the benefits described above or otherwise in this Form 20-F will be realized to the extent or at the time anticipated or at all. See also “Item 3. Key Information—3.D. Risk Factors.”

Verint and the Verint Board also considered a number of potentially negative factors in their evaluation of the potential spin-off, including the following:

- potential disruption to our business and operations;
- management distraction due to the significant amount of time and effort required;
- the significant one-time costs of separating the two companies;
- incremental costs on the resulting companies, including, among others, as a result of establishing separate corporate management and duplicative support functions, the costs of being a stand-alone public company, and tax inefficiencies;
- greater susceptibility to market fluctuations and other adverse events as a stand-alone company, including as a result of reduced business diversification; and
- risk that the spin-off is not consummated or does not achieve its intended benefits.

Verint and the Verint Board believe that the potential benefits of the spin-off outweigh these potentially negative factors. The completion of the spin-off remains subject to the satisfaction, or waiver by the Verint Board, of a number of conditions. See "—Conditions to the Spin-Off" below for additional detail.

When and How You Will Receive Cognyte Shares

Verint will distribute to holders of Verint shares, as a pro rata dividend, one Cognyte share for each Verint share such shareholders hold or have acquired and do not sell or otherwise dispose of prior to the close of business on   , 2021, the record date for the spin-off. The actual number of our shares that will be distributed will depend on the total number of issued Verint shares (excluding treasury shares held by Verint and its subsidiaries) as of the record date.

An application will be made to list our shares on NASDAQ under the ticker symbol "CGNT." Subject to official notice of issuance, our shares will trade and settle under ISIN code IL0011691438 and CUSIP code M25133 105.

Broadridge, as the Verint share registrar and transfer agent, will arrange for the distribution of our shares to holders of Verint shares. For purposes of and following the spin-off, Broadridge will act as our share registrar and transfer agent.

If Verint shareholders own Verint shares as of 5:00 p.m., New York City time, on the record date, the Cognyte shares that Verint shareholders are entitled to receive in the distribution will be issued electronically on the distribution date to Verint shareholders in direct registration form or to Verint shareholders' bank or brokerage firm on Verint shareholders' behalf. If a Verint shareholder is a registered holder of Verint shares, Broadridge will mail the Verint shareholder a direct registration account statement that reflects the Verint shareholder's Cognyte shares. If Verint shareholders hold their Verint shares through a bank or brokerage firm, their bank or brokerage firm will credit their account for their Cognyte shares. Direct registration form refers to a method of recording securities ownership when no physical certificates are issued, as is the case in the distribution. If Verint shareholders sell Verint shares in the "regular-way" market (as opposed to the "ex-distribution" market) up to and including the distribution date, Verint shareholders will be selling their right to receive Cognyte shares in the distribution. Investors acquiring or selling Verint shares on or around the record date in over-the-counter or other transactions not effected on NASDAQ should ensure such transactions take into account the treatment of our shares to be distributed in respect of such Verint shares in the spin-off. Please contact your bank or broker for further information if you intend to engage in any such transaction.

We will become a stand-alone public company, independent of Verint, on   , 2021, the "distribution date" for the spin-off, and our shares will commence trading on a stand-alone basis on NASDAQ at market open on   , 2021 (9:30 a.m., New York City time, on NASDAQ).

Depending on your bank or broker and whether you hold Verint shares, it is expected that your Cognyte shares will be credited to your applicable securities account either on or shortly after the distribution date and that you will be able to commence trading your Cognyte shares on NASDAQ on , 2021, the distribution date. See also “—Listing and Trading of Cognyte Shares” below.

In the event there are any changes to the record date or the distribution date, or new material information relating to the distribution of our shares becomes available, Verint will publish any such changes or updates in a press release that will also be furnished with the SEC by Verint on a Form 8-K and by us on a Form 6-K. In addition, Verint will give at least 10 calendar days’ notice of any changes to the record date to NASDAQ in accordance with NASDAQ’s requirements.

We are not asking Verint shareholders to take any further action in connection with the spin-off. We are not asking you for a proxy and we request that you not send us a proxy. We are also not asking you to make any payment or surrender or exchange any of your Verint shares for Cognyte shares. Please see “—If You Hold Verint Shares—Holders of Verint Physical Share Certificates” below. The number of outstanding Verint shares will not change as a result of the spin-off.

If you hold or have acquired and do not sell or otherwise dispose of your Verint shares prior to the close of business on , 2021, the record date, the Cognyte shares that you are entitled to receive in the spin-off are expected to be distributed to you as described below.

Holders of Verint shares held in book-entry form with a bank or broker. Most Verint shareholders hold their Verint shares through a bank or brokerage firm. In such cases, the bank or brokerage firm would be said to hold the shares in “street name” and ownership would be recorded on the bank’s or brokerage firm’s books. If a Verint shareholder holds their Verint shares through a bank or brokerage firm, their bank or brokerage firm will credit their account for the Cognyte shares that they are entitled to receive in the distribution. If Verint shareholders have any questions concerning the mechanics of having shares held in “street name,” they should contact their bank or brokerage firm.

Holders of Verint physical share certificates. In connection with the spin-off, all registered Verint shareholders holding physical share certificates will be issued Cognyte shares in book-entry form only, which means that no physical share certificates will be issued. For questions relating to the transfer or mechanics of the distribution, please contact Verint Share Registry by telephone at 1-866-232-0393 (in the United States) or 1-720-358-3597 (outside the United States) or by online inquiry at https://www.shareholder.broadridge.com. See also “Summary—The Spin-Off—Questions and Answers about the Spin-Off—Where can I get more information?”

Trading Between the Record Date and the Distribution Date

We expect that, beginning on or shortly before the record date and continuing up to and including the distribution date, there will be two markets in Verint shares on NASDAQ: a “regular-way” market and an “ex-distribution” market. Verint shares that trade in the “regular-way” market will trade with an entitlement to Cognyte shares distributed pursuant to the distribution. Verint shares that trade in the “ex-distribution” market will trade without an entitlement to Cognyte shares distributed pursuant to the distribution. Therefore, if Verint shareholders sell Verint shares in the “regular-way” market up to and including the distribution date, they will be selling their right to receive shares of our shares in the distribution.

If Verint shareholders own Verint shares at 5:00 p.m., New York City time, on the record date and sell those shares on the “ex-distribution” market up to and including the distribution date, they will receive Cognyte shares that they are entitled to receive pursuant to their ownership as of the record date of the Verint shares.

Furthermore, we expect that, beginning approximately two trading days before the record date and continuing up to the distribution date, there will be a “when-issued” market in our shares. “When-issued” trading refers to a sale

or purchase made conditionally because the security has been authorized but not yet issued. The “when-issued” trading market will be a market for our shares that will be distributed to Verint shareholders on the distribution date. If Verint shareholders owned Verint shares at 5:00 p.m., New York City time, on the record date, they would be entitled to Cognyte shares distributed pursuant to the distribution. Verint shareholders may trade this entitlement to our shares, without Verint shares they own, on the “when-issued” market. On the first trading day following the distribution date, “when-issued” trading with respect to Cognyte shares is expected to end, and “regular-way” trading is expected to begin. If “when-issued” trading occurs, the listing for Cognyte shares is expected to be under the trading symbol “CGNTV.” If the distribution does not occur, all “when-issued” trading will be null and void.

Number of Cognyte Shares You Will Receive

You will receive one Cognyte share for each Verint share you hold or have acquired and do not sell or otherwise dispose of prior to the close of business on the record date.

Results of the Spin-Off

After the spin-off, we will be a stand-alone publicly traded company. Immediately following the spin-off, we expect to have approximately Cognyte shares outstanding based on the number of issued Verint shares (excluding treasury shares held by Verint and its subsidiaries) as of , 2021. The actual number of our shares that Verint will distribute in the spin-off will depend on the actual number of issued Verint shares, excluding treasury shares held by Verint and its subsidiaries, on the record date. The spin-off will not affect the number of outstanding Verint shares or any rights of holders of any outstanding Verint shares, although we expect the trading price of Verint shares immediately following the spin-off to be lower than immediately prior to the spin-off because the trading price of Verint shares will no longer reflect the value of the Cognyte Business. In addition, your Verint shares sold in the “ex-distribution” market (as opposed to the “regular-way” market) will trade without the entitlement to receive the distribution of our shares in the spin-off and will reflect an ownership interest solely in Verint, but may not yet accurately reflect the value of such Verint shares excluding the Cognyte Business.

Before our separation from Verint, we intend to enter into a Separation and Distribution Agreement and several other agreements with Verint related to the spin-off. These agreements will govern the relationship between us and Verint up to and after completion of the spin-off and allocate between us and Verint various assets, liabilities, rights and obligations, including employee benefits, intellectual property, supply of designated products and tax-related assets and liabilities. We describe these arrangements in greater detail under “Item 7. Major Shareholders and Related Party Transactions—7.B. Related Party Transactions—Agreements Between Verint and Us.”

Listing and Trading of Cognyte Shares

As of the date of this Form 20-F, we are a wholly owned subsidiary of Verint. Accordingly, no public market for our shares currently exists. We intend to list our shares on NASDAQ under the symbol “CGNT.” We will use a specialist firm to make a market in our shares on NASDAQ to facilitate sufficient liquidity and maintain an orderly market in our shares throughout normal NASDAQ trading hours. We anticipate that trading in our shares will begin on a “when-issued” basis approximately two trading days before the record date and will continue up to and through the distribution date and that “regular-way” trading in our shares will begin on the first trading day following the distribution date. If trading begins on a “when-issued” basis, you may purchase or sell our shares up to and through the distribution date, but your transaction will not settle until after the distribution date. We cannot predict the trading prices for our shares before, on or after the distribution date.

Broadridge will act as our share registrar and transfer agent.

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We currently expect that our issued shares will be held in the following forms:

- *Shares held via DTC*. Holders may hold their entitlements to our shares in book-entry form via the DTC system through custody accounts with custodian banks or brokers that are direct participants in the DTC system. Such shares will be held in the name of DTC's nominee, Cede & Co., through Broadridge. Such holders' entitlements to our shares will be recorded in their custodian banks' or brokers' records. Such holders may effect the transfer of their entitlements to our shares through their custodian banks or brokers and will receive written confirmations of any purchase or sales of our shares and any periodic account statements from such custodian banks or brokers.
- *Directly registered shares held through Broadridge.* Holders may directly hold their ownership interests in us in the form of uncertificated shares that will be registered in the names of such holders directly on the books of Broadridge. Holders will receive periodic account statements from Broadridge evidencing their holding of our shares. Through Broadridge, holders may effect transfers of our shares to others, including to banks or brokers that are participants in the DTC Direct Registration System.

Neither we nor Verint can assure you as to the trading price of Verint shares or of Cognyte shares after the spin-off, or as to whether the combined trading prices of our shares and the Verint shares after the spin-off will be less than, equal to or greater than the trading prices of Verint shares prior to the spin-off. As a result of the spin-off, Verint expects the trading prices of Verint shares at market open on   , 2021 to be lower than the trading prices at market close on   , 2021, because the trading prices will no longer reflect the value of the Cognyte Business. See "Item 3. Key Information—3.D. Risk Factors—Risks Related to the Separation from Verint and Ownership of Cognyte Shares" for more detail.

Subject to any restrictions on the registration of shareholdings in our share register that may be included in our Articles of Association, the Cognyte shares distributed to Verint shareholders will be freely transferable, except for shares received by individuals who are our affiliates. Individuals who may be considered our affiliates after the spin-off include individuals who control, are controlled by or are under common control with us, as those terms generally are interpreted for federal securities law purposes. These individuals may include some or all of our directors and executive officers. Individuals who are our affiliates will be permitted to sell their Cognyte shares only pursuant to an effective registration statement under the Securities Act, or an exemption from the registration requirements of the Securities Act, such as those afforded by Section 4(a)(1) of the Securities Act or Rule 144 thereunder.

Conditions to the Spin-Off

We expect that the spin-off will be effective on the distribution date, provided that the following conditions shall have been satisfied or waived by Verint:

- the consummation in all material respects of the Internal Transactions;
- all corporate and other action necessary in order to execute, deliver and perform the Separation and Distribution Agreement and to consummate the transactions contemplated thereby by each of Verint and Cognyte having been obtained;
- the receipt by Verint of the Israeli Tax Ruling from 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 tax-free to Verint shareholders, Verint and Cognyte;
- the receipt by Verint of (1) the U.S. Tax Ruling from 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 (the U.S. Tax Ruling has been received), and (2) a written opinion of Jones Day regarding to the effect that the distribution will qualify as tax-free to Verint and to Verint shareholders under Section 355 of the Code;

- the SEC declaring this Form 20-F effective under the Exchange Act, and no stop order suspending the effectiveness of this Form 20-F being in effect and no proceedings for that purpose being pending before or threatened by the SEC;
- copies of this Form 20-F having been mailed to record holders of Verint shares as of the record date for the spin-off;
- the actions necessary or appropriate under U.S. federal, U.S. state or other securities laws or blue sky laws (and comparable laws under foreign jurisdictions) having been taken or made;
- the receipt of all necessary government approvals required to consummate the spin-off having been obtained;
- no order, injunction or decree issued by any governmental authority of competent jurisdiction or other legal restraint or prohibition preventing consummation of the spin-off being in effect; and
- our shares having been accepted for listing on NASDAQ (subject to official notice of issuance).

We are not aware of any material federal, foreign or state regulatory requirements with which we must comply, other than SEC rules and regulations, or any material approvals that we must obtain, other than the approval for listing of our shares and the SEC's declaration of the effectiveness of this Form 20-F, in connection with the spin-off.

Verint may waive one or more of these conditions, at the direction of the Verint Board in its sole and absolute discretion, and the determination by the Verint Board regarding the satisfaction of these conditions will be conclusive. The fulfillment of these conditions will not create any obligation on Verint's part to effect the distribution and complete the spin-off, and Verint has reserved the right to amend, modify or abandon any and all terms of the spin-off and the related transactions at any time prior to the distribution date, at the direction of the Verint Board. Verint does not intend to notify its shareholders of any modifications to the terms or the conditions to the spin-off that, in the judgment of the Verint Board, are not material. To the extent that the Verint Board determines that any such modifications materially change the terms and conditions of the spin-off, Verint will notify its shareholders in a manner reasonably calculated to inform them of such modifications with a press release, current report on Form 8-K or other similar means.

Apax Investment

On December 4, 2019, Verint announced that Valor Parent LP (the "Apax Investor"), an affiliate of Apax Partners L.P., would make an investment in Verint in an amount of up to $400.0 million. Under the terms of the Investment Agreement, dated as of December 4, 2019, the Apax Investor initially purchased $200.0 million of Verint's Series A Convertible Perpetual Preferred Stock, par value $0.001 per share (the "Series A Preferred Stock"), which purchase closed on May 7, 2020, with an initial conversion price of $53.50. The initial conversion price represented a conversion premium of 17.1% over the volume-weighted average price per share of Verint's common stock over the 45 consecutive trading days immediately prior to the signing date of the Investment Agreement. The Series A Preferred Stock will not participate in the spin-off. Instead, the conversion price will be adjusted based on the ratio of the trading prices of Verint and Cognyte over a short period following the spin-off, subject to a collar. Shortly following the spin-off, the Apax Investor will purchase, subject to certain conditions, up to $200.0 million of Verint's Series B Convertible Perpetual Preferred Stock, par value $0.001 per share (the "Series B Preferred Stock"). The Series B Preferred Stock will be convertible at a conversion price that is 100% of the average of the volume-weighted average price per share of Verint's common stock for the 20 consecutive trading days immediately following the consummation of the spin-off, subject to a collar on the minimum and maximum enterprise value of Verint following consummation of the spin-off. While the consummation of the spin-off is a condition to the Apax Investor's obligation to purchase the Series B Preferred Stock, the completion of the Apax Investor's investment in the Series B Preferred Stock is not a condition to consummation of the spin-off. Because the Series A Preferred Stock will not participate in the spin-off and because the Series B Preferred Stock would be issued by Verint to the Apax Investor only following the spin-off, in no event will the Apax Investor have an investment in Cognyte as a result of its preferred stock investment in Verint.

Material U.S. Federal Income Tax Consequences of the Spin-Off

The following is a general summary of the United States federal income tax consequences of receipt of our shares and 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. 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 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.

Verint has obtained an IRS private letter ruling that certain of the requirements for tax-free treatment under Section 355 of the Code will be satisfied. However, the U.S. Tax Ruling may not be relied on if the facts or representations made by Verint about Verint's and our business 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.

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 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 we intend to enter 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."

For a more detailed description of the U.S. federal income tax consequences, please see "Item 10. Additional Information—10.E. Taxation—Material U.S. Federal Income Tax Considerations."

Material Israeli Tax Consequences of the Spin-Off

The following is a general discussion of certain Israeli tax consequences of the spin-off, and, specifically, the distribution, to our shareholders. This discussion is included for general informational purposes only, does not purport to be complete, and does not constitute and is not a tax opinion or tax advice to any particular shareholder. The following discussion is based on the Israeli Tax Ordinance, regulations promulgated under the Israeli Tax Ordinance, and interpretations of such authorities by the Israeli courts and the ITA, all as they exist as of the date of this Form 20-F and all of which are subject to change, possibly with retroactive effect. Any such change could affect the accuracy of the statements and conclusions set forth in this discussion. Further, this discussion does not purport to consider all aspects of Israeli income taxation that may be relevant to our shareholders in light of their particular circumstances, nor does it apply to shareholders subject to special treatment under the Israeli income tax laws or specific rulings obtained from the ITA. Verint applied for the Israeli Tax Ruling from the ITA as to the Israeli income tax consequences of the spin-off and portions of the Internal Transactions.

There is no assurance that the Israeli Tax Ruling will be obtained. If obtained, the Israeli Tax Ruling may contain such provisions, terms and conditions as the ITA may prescribe, which may be different from those detailed below. Accordingly, no assurance can be given that the ITA will not challenge the conclusions described in this discussion or that a court would not sustain such a challenge, and no assurance can be given that the tax treatment described herein will actually be applied.

Treatment of the Spin-Off for Israeli Tax Purposes

As a consequence of the spin-off, under the Israeli Tax Ordinance and the Israeli Tax Ruling, certain registered shareholders may be subject to restriction on their ability to sell their Verint and Cognyte shares for a period of

two years following the separation. This limitation is not applicable to shareholders whose shares are held through financial institutions, nor to holders of less than 5% of Verint and Cognyte issued capital. If this restriction is breached, certain transactions consummated in connection with the spin-off and as part of the separation may become taxable under Israeli law and could result in detrimental tax consequences for Verint and companies involved in the separation.

Under the Israeli Tax Ordinance and the Israeli Tax Ruling, the spin-off will not be taxable to Verint shareholders under the exemption on capital gains specified in section 97(b3) of the Israeli Tax Ordinance.

Shareholders of Verint will be treated under Israeli tax laws as having received a distribution, which, depending on Verint's distributable profits as determined under Israeli law, will be classified as a dividend or return of capital, and will receive capital gains treatment to the extent the value of our shares at distribution exceeds the original price at which the shareholder purchased a Verint share. Dividends distributed by a non-Israeli company are taxable under Israeli law only if received by an Israeli resident. Capital gain is subject to tax in Israel (i) for an Israeli resident regardless of the residency of the distributing company; and (ii) for a non-Israeli shareholder if the shares are of an Israeli company or a non-Israeli company which is mostly, directly or indirectly, the holder of the rights to assets situated in Israel. However, such a non-Israeli shareholder may be exempt from tax if the shares in the distributing company were purchased after January 1, 2009, the gain is not attributed to a permanent establishment in Israel, the shares were not purchased from a "relative" or were purchased as part of a tax-free reorganization and if some other conditions stipulated under law are fulfilled. A non-Israeli corporation will not be entitled to the foregoing exemption from capital gains tax if Israeli residents (i) have a controlling interest of more than 25% in such non-Israeli corporation, or (ii) are the beneficiaries of or are entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. In addition, non-Israeli shareholders may be exempt from tax in Israel based on the double tax treaty between Israel and their country of residence, subject to the provisions of that treaty.

For the treatment of capital gains under Israeli tax law, please see "Item 10. Additional Information—10.E Taxation—Material Israeli Tax Considerations."

Reasons for Furnishing this Form 20-F

We are furnishing this Form 20-F solely to provide information to Verint shareholders who will receive our shares in the spin-off. You should not construe this Form 20-F as an inducement or encouragement to buy, hold or sell any of our securities or any securities of Verint. We believe that the information contained in this Form 20-F is accurate as of the date set forth on the cover. Changes to the information contained in this Form 20-F may occur after that date, and neither we nor Verint undertakes any obligation to update the information except in the normal course of our respective public disclosure obligations and practices.

4.B. BUSINESS OVERVIEW

Overview

Cognyte is a global leader in security analytics software that empowers governments and enterprises with Actionable Intelligence for a safer world. Our open software fuses, analyzes and visualizes disparate data sets at scale to help security organizations find the needles in the haystacks. Over 1,000 government and enterprise customers in more than 100 countries rely on Cognyte's solutions to accelerate security investigations and connect the dots to successfully identify, neutralize, and prevent national security, personal safety, business continuity and cyber threats. Our government customers consist of governments around the world, including national, regional, and local government agencies. Our enterprise customers consist of commercial customers and physical security customers.

Market Trends

We believe that the following trends are driving demand for our security analytics software:

- ***Security Threats are Becoming More Difficult to Detect and Mitigate.*** Governments and enterprise security organizations face a variety of security challenges, including threats from well-organized and well-funded entities. These threats are becoming increasingly more difficult to detect as bad actors take advantage of the latest technologies to avoid detection and mitigation. Rapid threat detection and quick mitigation are critical to security organizations. Advanced security analytics software can help security organizations find the needles in the haystacks to quickly and effectively address highly sophisticated security attacks. As a result, market demand for such advanced software is on the rise.
- ***Data is Growing Rapidly and is Highly Fragmented Across Organizations Making it Harder to Connect the Dots.*** The growing volume, types and complexity of structured and unstructured data requires new methods and more skilled resources to generate actionable insights quickly. In addition, in many organizations, data is fragmented and spread across organizational silos. Organizations are increasingly seeking holistic analytics solutions that can fuse data from many sources and connect the dots to extract valuable insights.
- ***Security Organizations Increasingly Adopt Open Software.*** Many security organizations have built proprietary solutions with the help of integrators and internal resources. Such solutions present significant limitations in terms of keeping pace with the rapid evolution of technology. More and more, security organizations are looking to deploy open software that can be easily integrated into their environments and frequently updated with the latest analytics and artificial intelligence technologies.

Our Strategy

We believe our technology and domain expertise position us to capitalize on the demand for security analytics software and our strategy is to:

- ***Empower Organizations with an Analytics Platform and Solutions to Address Ever-Growing Security Challenges.*** Our two decades of security software market leadership and experienced serving over 1,000 organizations in more than 100 countries, enable us to bring unique know-how and expertise to the development of our security analytics platform and solutions. Today, our analytics platform addresses numerous security challenges for government and enterprise security organizations. Our strategy is to enhance our Artificial Intelligence and analytics engines and empower our customers with Actionable Intelligence to address existing and evolving security challenges.
- ***Increase Adoption by Customers and Partners Through an Open Software Platform.*** Our open software strategy enables our customers to benefit from rapid technology updates and faster responses to changing needs and evolving technologies. We will continue to encourage our customers and partners to leverage our open software platform and provide them frequent updates with the latest innovative analytical technologies to drive broader adoption of our platform and solutions.
- ***Expand Our Footprint Across Government Organizations.*** Our leadership position in security analytics and our ability to address a wide range of security challenges provides us the opportunity to

grow the footprint of our solutions with both our existing and new government customers. Many government customers have built proprietary systems. Our strategy is to augment or replace such systems with our analytics platform providing customers more agile response to evolving security challenges.

- ***Leverage our Success in the Government Market to Expand our Presence Over Time in the Enterprise Market.*** We see the opportunity to further leverage our technology for enterprise security customers by expanding our sales and marketing efforts over time to drive broader enterprise adoption of our security analytics software.

Our Solutions

Governments and enterprise customers are responsible for addressing a broad range of security challenges such as crime, terror, cyber-attacks, financial crime and other threats. They seek security analytics software to transform their security operations and drive more strategic outcomes.

Our broad security analytics software portfolio is designed to help customers find the needles in the haystacks, accelerate the investigative process, and successfully identify, neutralize, and prevent terror, crime and cyber threats.

End-users for our solutions include data analysts, investigation managers, SOC operators and field unit teams. Our solutions provide them with a rich set of analytics engines, AI models, workflows, and visualization tools to address specific security challenges.

Our solutions span across three categories. Each category addresses specific security challenges with common characteristics, as follows:

Investigative Analytics

Security investigations can vary in length from several days to several years. Some investigations end without resolution due to lack of sufficient insight. More complex security investigations can also be very expensive and labor intensive as they involve data collection from many different sources and a challenging process of connecting the dots to reach quick conclusions and prevent security threats.

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

The Cognyte investigative analytics solutions are designed to empower investigative teams with Actionable Intelligence by providing:

- the ability to effectively fuse massive amounts of data from many different sources;
- tools to analyze data through predictive and behavioral analytics and rapidly transform data into critical insights; and
- workflows to uncover vital leads and drive collaboration across investigative teams to accelerate investigations and reach faster conclusions and resolutions.

Operational Intelligence Analytics

Field security units are responsible for carrying out operational security missions and it is vital for them to receive real-time or ‘near real-time’ insights to ensure successful completion of missions. Events on the ground can change rapidly during operation and the field team’s ability to quickly adapt and respond is mission critical.

The Cognyte operational intelligence analytics solutions are designed to empower field security teams with Actionable Intelligence by providing:

- real-time or near real-time insights delivered to users through mobile devices;
- visualization tools that bring intuitive insights to the field teams; and
- the ability to adjust analytics parameters based on changing circumstances to support events on the ground.

Threat Intelligence Analytics

SOCs are used by government and enterprise organizations to detect security threats and effectively manage responses. SOC personnel are responsible for a variety of security tasks including cyber-attack mitigation, employee safety and operations continuity.

The Cognyte threat intelligence analytics solutions are designed to empower SOC teams with Actionable Intelligence by providing:

- the ability to fuse data from a variety of data sources systems and devices and provide real time situational intelligence;
- tools to analyze events, recognize anomalies, visualize insights, and drive a real time response; and
- visualization and workflows that can drive action and support collaboration across security teams responding to cyber incidents.

Our Technology

The Cognyte analytics platform is designed around an open, modular and scalable architecture to enable customers to address a broad range of security threats with fast detection and quick mitigation.

- Our platform powers our entire solution portfolio: Investigative Analytics, Operational Intelligence Analytics, and Threat Intelligence Analytics.
- Our platform easily integrates with customer data sources to enable holistic fusion of data and insights.
- Our platform easily integrates with third-party solutions to expand a customer's ecosystem.
- Our platform enables system integrators who are developing customized software and applying data science.

The platform is designed to support security users, including data analysts, investigation managers, SOC operators, as well as operational field teams. Visualization and workflows enable non-technical users to easily operate within our platform. It also enables skilled security analysts and data scientists to perform advanced data investigation by developing and implementing their own algorithms and data models for specific analytical tasks.

The Cognyte analytics platform is comprised of five key components:

- ***Data Analytics Engines.*** A diverse toolbox of engines 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 models to execute automated machine learning algorithms and to find new patterns in massive amounts of data. Also offers the flexibility to develop customer specific machine learning ("ML") models using the platform's AI/ML framework, which can then be tuned based on the aggregated data.
- ***Workflows.*** Workflows using an integrated set of graphical tools using 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. Leverages advanced technology to control privacy, audit, monitoring, and access control.
- ***Visualization.*** An advanced visualization toolbox to enable users to effectively filter and display either mass data or a single thread of information.

Our Customers

We sell our security analytics software to both government and enterprise customers around the world across more than 100 countries.

Our government customers are addressing a broad range of security challenges in their country and utilize the full breadth of our portfolio to accelerate investigations and identify, neutralize and prevent national security threats.

We typically serve multiple organizations within a country and currently serve more than 400 government customers around the world. In many cases, we serve multiple agencies or departments underlying a single governmental organization, each of which may be purchasing and using the same solutions or different solutions from our portfolio.

Our enterprise customers primarily utilize our Threat Intelligence Analytics to improve the efficiency and effectiveness of their security operations. We have more than 600 enterprise customers around the world.

For the year ended January 31, 2020, approximately 83% of our business was generated from contracts with government customers and 17% with various enterprises customers. Our customers typically do not allow us and other vendors to disclose our relationship with them and to discuss publicly the nature of the solutions they purchased. In the security market, confidentiality is critical and as a trusted partner we make it a priority to comply with our customers' confidentiality requirements.

Market Opportunity

We estimated the total addressable market ("TAM") for our analytical security software to be approximately $30 billion and its growth to be 10% per year. Approximately half of the TAM is derived from the government sector and the other half is derived from the enterprise sector.

We estimated our TAM in the government sector using spending figures published by the International Monetary Fund for the U.S. and international governments for functions relevant to security analytics software. We applied percentages to the spending figures ranging from 2% to 5% to represent the portion spent on information technology, and then applied another factor for what we estimate is addressable by our use cases. Similarly, we estimated our TAM in the enterprise sector using certain categories from IDC's Big Data Analytics Spending Guide Forecast (August 2020) and Worldwide Security Spending Guide Forecast (July 2020) and applied percentages to each category to reflect what we estimate is addressable by our use cases.

Sales

We sell globally and organize our sales force in regional teams across territories. 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, 2020 and January 31, 2019, respectively, we derived approximately 21%, 45%, and 34% and 25%, 37%, and 38% of our revenue from sales to end users located in the Americas, EMEA and in the Asia-Pacific ("APAC") regions, respectively.

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 security operations. Revenue recognized from existing customers was approximately 90% for each of the years ended January 31, 2020 and 2019 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 challenges. In many cases, a new order from an existing customer will include both an expansion as well as the addition of new solutions.

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

Due to the unique nature of the terms and conditions associated with government contracts generally, our government contracts may be subject to renegotiation or termination at the discretion of a government customer under certain conditions. 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 Related to Our Business and Operations” 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 on-going, successful use of our mission-critical solutions in their environment. We offer a broad range of 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, by our certified partners, or by 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 to maximize their value. Customer and partner training are provided at the customer site, at our training centers around the world, and/or remotely online.

Integration Services

In some cases, we deliver system integration services to integrate our solution 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. In most years, our revenue and operating income are typically highest in the fourth quarter. Moreover, revenue and operating income in the first quarter of a new year may be lower than in the fourth quarter of the preceding year, in some years, 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 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 customers relationships provide us with valuable insights into our customers' need and allow us to focus our R&D efforts accordingly.

Our development team includes highly qualified software engineers, product managers, data scientists, and architects. In the year ended January 31, 2020 we employed approximately 1,100 people in product and R&D roles globally, primarily in Israel, Cyprus, Brazil, Bulgaria, and Romania.

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 these grants outside of Israel without permission from the Innovation Authority.

Key Corporate Functions

In connection with the spin-off, we will create stand-alone corporate and support functions for our business and operations. Key corporate functions are expected to include tax, treasury, accounting, internal audit, investor relations, human resources, communications, legal and corporate governance, information technology, facilities, and administrative support services.

For a period of twelve months beginning on the date of the distribution (with an option to extend for up to an additional twelve months by mutual written agreement of the parties), Verint will continue to provide and/or make available various administrative services and assets to us pursuant to the Transition Services Agreement. Services to be provided by Verint to us will include services related to finance, accounting, business technology, human resources information systems, human resources, legal, corporate governance, facilities, document management and record retention, relationship management and technical and quality support. We will also provide certain services in these areas to Verint under the Transition Services Agreement. Fees payable by the parties under the agreement are intended to reimburse the service provider for its direct and indirect costs incurred in providing the services, plus a customary markup.

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 the distribution date, we will have over 400 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.

Licenses

Our customer and partner license agreements prohibit the unauthorized use, copying, and disclosure of our software technology and contain customer restrictions and confidentiality terms. These agreements generally warrant that the software and proprietary hardware will materially comply with written documentation and assert that we own or have sufficient rights in the software we 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—Risks Related to Our Business and Operations” 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—Risks Related to Our Business and Operations” 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 data analytics software vendors that offer horizontal solutions and tools across many industries, including in the security analytics market. We also face competition from many point solutions vendors addressing only one or few specific security challenges. In addition, our competition includes system integrators that assemble technology components from multiple vendors, as well as the internal IT departments of our customer organizations developing special purpose solutions.

We believe that our deep security domain expertise and our ability to effectively address a broad range of complex security challenges differentiates us from horizontal analytics vendors, such as Palantir and IBM Watson, and from point solution vendors such as FireEye.

When facing competition from our customers’ own IT departments, we differentiate our solutions based on deep domain expertise, successful track record in operational deployments and our significant R&D investment over many years. 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 security 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 Kingdom and Brazil, in which our foreign subsidiaries operate, impose similar export controls on our systems and products. The controls relate to the defense-related and “dual use” nature of our systems and products, and require that we obtain specific permits and/or licenses in order to import or export our 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, Defense Minister and Economy Minister. 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.

On October 30, 2019, the Israeli cabinet decided to establish a committee that will oversee foreign investments in Israel. At this stage there is no indication whether this committee will impose any restrictions or conditions and/or the nature of any such restrictions or conditions on Cognyte.

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.

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 corporate tax on their taxable income at the rate of 23%. However, the effective tax rate payable by a company that derives income from a Preferred Enterprise, Beneficial Enterprise or a Preferred Technology Enterprise (as discussed below) may be considerably lower. Capital gains derived by an Israeli resident company are subject to tax at the ordinary corporate tax rate.

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, Verint obtained a ruling from the ITA providing that the Cognyte Business, subject to certain conditions, shall continue benefiting from the tax benefits applicable to the Beneficial Enterprise.

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, of which 90% or more of its income in any 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 the 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 industrial production.

Some of tax benefits available to Industrial Companies include:

- amortization over an eight-year period of the cost of patents and rights to use a patent and 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 Enterprise 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 related to a public offering are deductible in equal amounts over three years commencing in the year of a company's initial public offering.

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, 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 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 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 years from the end of the year in which the company requested to have the tax benefits apply to its Beneficial Enterprise. Where the company requests to apply the tax benefits to an expansion of existing facilities, 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 before the expansion.

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, 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 of 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% 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 ITA allowing for a reduced tax rate).

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 "Year of Election."

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 a company incorporated in Israel that is not fully owned by a governmental entity, and that has, among other things, Preferred Enterprise status 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:

Tax Year	Development Region "A"	Other Areas within Israel
2011-2012	10%	15%
2013	7%	12.5%
2014-2016	9%	16%
2017 onwards(1)	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, as Preferred Enterprise income is 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%, (although, if such dividends are subsequently distributed to individuals or a non-Israeli company, withholding tax at a rate of 20% or such lower rate as may be provided in an applicable tax treaty will apply (subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate)); (ii) Israeli resident individuals will be subject to a rate of 20%; and (iii) non-Israeli residents (individuals and corporations) will be subject to a rate of 20%, 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 "Technology Enterprises," as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The 2017 Amendment provides that a technology company satisfying certain conditions will qualify as a "Preferred Technology Enterprise" and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as "Preferred Technology Income," 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, and the sale receives prior approval from the Innovation Authority.

Dividends distributed by a Preferred Technology Enterprise, paid out of Preferred Technology Income, are subject to withholding tax at source at the rate of 20%, and if non-Israeli ownership is at least 90% then the withholding tax rate on dividends distributed to a foreign company will be 4%. These rates also apply under certain circumstances in case Cognyte distributes dividends sourced to the Preferred Technological Income of a subsidiary of its which is a Preferred Technological Enterprise.

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4.C. ORGANIZATIONAL STRUCTURE

Organizational Structure

We are currently a wholly owned subsidiary of Verint. Following the spin-off, we will be a separate, stand-alone company independent of Verint. Verint will not retain any ownership interest in us. See "—4.B. Business Overview" for additional information.

Significant Subsidiaries

Below is a list of subsidiaries that will have total assets exceeding 10% of our combined assets, or sales and operating revenues in excess of 10% of our combined sales, immediately following the spin-off:

Name	Country of Incorporation	% of Equity Interest
Syborg Informationsysteme b.h. OHG	Germany	100
Cognyte Software Inc. (formerly Verint Security Intelligence Inc.)	Delaware, USA	100
Cognyte Technologies Israel Ltd. (formerly Verint Systems Limited)	Israel	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 current manufacturing and production facilities have adequate capacity for our medium-term needs. To ensure that we have sufficient manufacturing capacity to meet future production needs, we regularly review the capacity and utilization of our manufacturing facilities.

Major Facilities

The following table sets forth our most significant facilities:

Location	Size of Site (in square feet)	Held	Lease Term	Major Activity
Herzliya, Israel	166,717	Leased	2025	Administrative, research and development, sales, marketing and support services
Florianopolis, Brazil	21,640	Leased	2024	Research and development, sales and support services
Borovo, Bulgaria	21,943	Leased	2024	Research and development
Limassol, Cyprus	41,582	Leased	2021	Research and development and support services
Bucharest, Romania	11,808	Leased	2024	Research and development

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 July 31, 2020, the combined net book value of our property, plant and equipment was $42.1 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 captioned “Selected Financial Data,” “Item 4, Information on the Company—4.B. Business Overview” and the combined financial statements of the Cognyte Business and the related notes to those statements included elsewhere in this Form 20-F. Among other things, those financial statements include more detailed information regarding the basis of preparation for the following information. The combined financial statements of the Cognyte Business 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” in this Form 20-F.

Proposed Separation from Verint

On December 4, 2019, Verint announced plans to separate into two independent companies: Cognyte Software Ltd., which will consist of its Cyber Intelligence Solutions business, and Verint Systems Inc., which will consist of its Customer Engagement Business. To implement the separation, pursuant to the Separation and Distribution Agreement that Verint will enter into with us prior to the spin-off and as part of the Internal Transactions, Verint will first transfer the Canadian portion of its Cyber Intelligence Solutions business to us and will enter into a binding agreement to transfer the remainder of its Cyber Intelligence Solutions business to us, will subsequently distribute all of our shares held by Verint to Verint shareholders, pro rata to their respective holdings, and immediately thereafter Verint will transfer the remainder of its Cyber Intelligence Solutions business to us pursuant to the binding commitment. The distribution is intended to be tax-free to Verint shareholders, Verint and Cognyte for U.S. federal and Israeli income tax purposes. The distribution and certain internal transactions, which are part of the spin-off and the separation, are intended to be tax-free to Verint shareholders, Verint and Cognyte for Israeli income tax purposes under the Israeli Tax Ruling. Certain other internal transactions not covered by the Israeli Tax Ruling should also not result in any tax liabilities in Israel.

In connection with the spin-off and concurrently with the distribution, we and Verint will also enter into the Ancillary Agreements that will govern relationships between us and Verint following the distribution.

We believe the two independent, publicly traded companies will both benefit from the separation and be well-positioned to pursue their own strategies, drive opportunities to accelerate growth and extend their market leadership. The separation will make it easier for investors to evaluate and make independent investment decisions in each business. We believe that both our businesses are leaders in their respective markets and the separation will enable them to achieve better performance over the long term as a result of several factors, including having:

- separate boards with further differentiated skillsets to support tailored strategic plans;
- enhanced strategic and management focus;
- more efficient allocation of capital tailored to the unique characteristics of each business;
- direct access to capital markets as a separate publicly traded company;
- enhanced appeal to a broader set of investors suited to the strategic and financial characteristics of each company; and
- more specific alignment of incentives with performance objectives.

The process of completing the proposed separation has been and is expected to continue to be time-consuming and involves significant costs and expenses. Due to the scale of our respective businesses and our respective global footprints (among other factors), the separation process is extremely complex and requires effort and attention from employees throughout our and Verint’s organizations. For example, shared service functions and related systems, such as finance, human resources, operations, legal, and IT, must be separated or established, and in many places, employees must be assigned to new legal entities and new payrolls and benefit plans put in

place. Outside the organization, Verint must notify and establish separation readiness among customers, business partners and suppliers so that business relationships all over the world may continue seamlessly following the completion of the separation. For more information on the risks involved in the separation process, see “Item 3.D. Risk Factors—Risks Related to the Separation from Verint and Ownership of Cognyte Shares.”

Verint expects to incur future separation costs of approximately $45.0 million during fiscal year ending January 31, 2021, of which approximately $17.0 million is attributable to the Cognyte Business. These costs include developing stand-alone information systems and related IT costs, third-party advisory, consulting, legal and professional services, as well as other items that are incremental and one-time in nature that are related to the spin-off. Verint also expects separation-related capital expenditures of approximately $10.0 million during the fiscal year ending January 31, 2021, of which approximately $5.0 million is attributable to the Cognyte Business. The majority of these costs are expected to be paid during the fiscal year ending January 31, 2021 and are expected to be financed through ongoing operations and existing cash, cash equivalents and short-term investments. We currently expect to complete the spin-off shortly after the end of this fiscal year ending January 31, 2021, though this timeline may be impacted by the current business environment brought on by the COVID-19 pandemic.

Additionally, following the spin-off, we must maintain independent corporate overhead. Due to the loss of economies of scale and the necessity of establishing independent functions for each company, the separation from Verint into two independent companies is expected to result in total dis-synergies of approximately $11.0 million to Cognyte annually, which costs are primarily associated with corporate functions such as finance, legal, information technology and human resources.

Basis of Presentation

Stand-alone financial statements have not been historically prepared for our business. Our combined financial statements have been derived from the consolidated financial statements and accounting records of Verint as if it operated on its own during the periods presented and were prepared in accordance with GAAP. The primary basis for presenting consolidated financial statements is when one entity has a controlling financial interest in another entity. As there is no controlling financial interest present between or among the entities that comprise our business, we are preparing our financial statements on a combined basis. Verint’s investment in our business is shown in lieu of equity attributable to Cognyte as there is no consolidated entity in which Verint holds an equity interest. Verint’s investment represents its interest in the recorded net assets of Cognyte.

Our combined statements of operations include all revenue and costs directly attributable to Cognyte, including costs for facilities, functions and services used by Cognyte. The combined statements of operations also reflect allocations of general corporate expenses from Verint including, but not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement, and other shared services. These allocations were made on a direct usage basis when identifiable, with the remainder allocated on the basis of revenue as a relevant measure. Management of Cognyte and Verint consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, Cognyte. The allocations may not, however, reflect the expense we would have incurred as a stand-alone company for the period presented. Actual costs that may have been incurred if we had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

For further information on the basis of presentation of the combined financial statements see “Note 1. Organization, Operations and Basis of Presentation” to our combined financial statements included elsewhere in this Form 20-F.

Items You Should Consider When Evaluating Our Combined Financial Statements and Assessing Our Future Prospects

Our results of operations, financial position, and cash flows could differ from those that would have resulted if we operated autonomously or as an entity independent of Verint in the periods for which combined financial

statements are included in this Form 20-F, and such information may not be indicative of our future operating results or financial performance. As a result, you should consider the following facts when evaluating our historical results of operations and assessing our future prospects:

Recent Developments

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The outbreak has reached all of the regions in which we do business, and governmental authorities around the world have implemented numerous measures attempting to contain and mitigate the effects of the virus, including travel bans and restrictions, border closings, quarantines, shelter-in-place orders, shutdowns, limitations or closures of non-essential businesses, and social distancing requirements. Companies around the world, including us, our customers, partners, and vendors, have implemented actions in response, including among others, office closings, site restrictions, and employee travel restrictions. Notwithstanding the loosening of these restrictions in certain countries in certain periods since the onset of the pandemic, the global spread of COVID-19 and actions taken in response have negatively affected us, our customers, partners, and vendors and caused significant economic and business disruption the extent and duration of which is not currently known. In response to these challenges, we quickly adjusted our operations to work from home and we believe our business continuity plan is working well. We are monitoring and assessing the impact of the COVID-19 pandemic daily, including recommendations and orders issued by government and public health authorities. We continue to work to help our customers meet their business continuity needs and help keep the world safe during this difficult time and are managing our operations with a view to resuming normal business activity as soon as possible.

During the six months ended July 31, 2020, 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 they have implemented. Due to the pandemic, we have seen a reduction or delay in large customer contracts, and we have been unable to conduct face-to-face meetings with existing or prospective customers and partners, present in-person demonstrations of our solutions, or host or attend in-person trade shows and conferences. Limitations on access to the facilities of our customers have also impacted our ability to deliver some of our products, complete certain implementations, and provide in-person consulting and training services, negatively impacting our ability to recognize revenue. While our visibility for the near term has improved compared to earlier in the year, our ability to predict how the pandemic will impact our results in future periods is limited, including the extent to which customers may delay or miss payments, customers may defer, reduce, or refrain from placing orders or renewing subscriptions or support arrangements, or to which travel restrictions and site access restrictions may remain necessary.

In light of the adverse impact of COVID-19 on global economic conditions and our revenue, along with the uncertainty associated with the extent and timing of a potential recovery, we have implemented several cost-reduction actions of varying durations, some of which remain in place and some of which have concluded. Such actions have included but are not limited to, reducing our discretionary spending, substantially decreasing capital expenditures, extending days payable outstanding, considering the optimal uses of our cash and other capital resources, and reducing workforce-related costs. These actions may have an adverse impact on us, particularly if they remain in place for an extended period. Where we have resumed investments or other spending, these actions may need to be reassessed depending on how the facts and circumstances surrounding the pandemic evolve. We continue to evaluate and may decide to implement further cost control strategies to help us mitigate the impact of the pandemic.

The ultimate impact of the COVID-19 pandemic and the effects of the operational alterations we have made in response on our business, financial condition, liquidity and financial results cannot be predicted at this time.

Market Trends

In addition to the impact of the COVID-19 pandemic discussed above, we see the following business trends and factors which may impact our performance:

- *Security Threats are Becoming More Difficult to Detect and Mitigate*. Governments and enterprise security organizations face a variety of security challenges, including threats from well-organized and well-funded entities. These threats are becoming increasingly more difficult to detect as bad actors take advantage of the latest technologies to avoid detection and mitigation. Rapid threat detection and quick mitigation are critical to security organizations. Advanced security analytics software can help security organizations find the needles in the haystacks to quickly and effectively address highly sophisticated security attacks. As a result, market demand for such advanced software is on the rise.
- *Data is Growing Rapidly and is Highly Fragmented Across Organizations Making it Harder to Connect the Dots.* The growing volume, types and complexity of structured and unstructured data requires new methods and more skilled resources to generate actionable insights quickly. In addition, in many organizations, data is fragmented and spread across organizational silos. Organizations are increasingly seeking holistic analytics solutions that can fuse data from many sources and connect the dots to extract valuable insights.
- *Security Organizations Increasingly Adopt Open Software*. Many security organizations have built proprietary solutions with the help of integrators and internal resources. Such solutions present significant limitations in terms of keeping pace with the rapid evolution of technology. More and more, security organizations are looking to deploy open software that can be easily integrated into their environments and frequently updated with the latest analytics and artificial intelligence technologies.

Critical Accounting Policies and Significant 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, the 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 must 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 promises 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 combined. 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 either an adjusted market assessment approach or a cost-plus margin 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 transfers 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 transfers 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 bundled in the total sell 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.

Accounting for Business Combinations

We allocate the purchase price of acquired companies to the tangible and intangible assets acquired, including in-process research and development assets, and liabilities assumed, based upon their estimated fair values at the acquisition date. These fair values are typically estimated with assistance from independent valuation specialists.

The purchase price allocation process requires us to make significant estimates and assumptions, especially at the acquisition date with respect to intangible assets, contractual support obligations assumed, contingent consideration arrangements, and pre-acquisition contingencies.

Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain.

Examples of critical estimates in valuing certain of the intangible assets we have acquired or may acquire in the future include but are not limited to:

- future expected cash flows from software license sales, support agreements, consulting contracts, other customer contracts, and acquired developed technologies;
- expected costs to develop in-process research and development into commercially viable products and estimated cash flows from the projects when completed;
- the acquired company's brand and competitive position, as well as assumptions about the period of time the acquired brand will continue to be used in the combined company's product portfolio;
- cost of capital and discount rates; and
- estimating the useful lives of acquired assets as well as the pattern or manner in which the assets will amortize.

In connection with the purchase price allocations for applicable acquisitions, we estimate the fair value of the contractual support obligations we are assuming from the acquired business. The estimated fair value of the support obligations is determined utilizing a cost build-up approach, which determines fair value by estimating the costs related to fulfilling the obligations plus a reasonable profit margin. The estimated costs to fulfill the support obligations are based on the historical direct costs related to providing the support services. The sum of these costs and operating profit represents an approximation of the amount that we would be required to pay a third party to assume the support obligations.

Goodwill and Other Acquired Intangible Assets

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 November 1 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, 2020 and 2019.

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 or other intangible asset impairment charges.

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 ten 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.

Income Taxes

The tax provision is presented on a separate company basis as if we were a separate filer. A portion of our operations have historically been included in the tax returns filed by certain Verint entities for which our business is a part of. The effects of tax adjustments and settlements from taxing authorities are presented in our combined financial statements in the period to which they relate as if we were a separate filer. Our current obligations for taxes are settled with our parent on an estimated basis and adjusted in later periods as appropriate. All income taxes due to or due from our parent that have not been settled or recovered by the end of the period are reflected in net parent investment within the combined financial statements. The tax provision has been calculated as if the business was operating on a stand-alone basis and filed separate tax returns in the jurisdictions in which it operates. Therefore, cash tax payments and items of current and deferred taxes may not be reflective of the actual tax balances had the business been a stand-alone company during the periods presented.

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 combined 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 the United States, Israel 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.

Accounting for Stock-Based Compensation

Certain employees participate in stock-based compensation plans sponsored by Verint. Awards granted under the plans are based on Verint's common shares and, as such, are included in net parent investment. We recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of the award. We recognize the fair value of the award as compensation expense over the period during which an employee is required to provide service in exchange for the award.

Restricted stock units, including performance-based restricted stock units, are the predominant stock-based payment award. The fair value of these awards is equivalent to the market value of Verint's common stock on the grant date.

Changes in assumptions can materially affect the estimate of fair value of stock-based compensation and, consequently, the related expense recognized. The assumptions used in calculating the fair value of stock-based payment awards represent best estimates, which involve inherent uncertainties and the application of judgment. As a result, if factors change and different assumptions are used, stock-based compensation expense could be materially different in the future.

Loss Contingencies

We are subject to the possibility of various loss contingencies arising in the ordinary course of business. We consider the likelihood of loss or impairment of an asset, or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss, in determining loss contingencies. An estimated loss contingency is accrued when it is probable that an asset has been impaired, or a liability has been incurred and the amount of loss can be reasonably estimated. If we determine that a loss is possible, and the range of the loss can be reasonably determined, then we disclose the range of the possible loss. We regularly evaluate current information available to us to determine whether an accrual is required, an accrual should be adjusted, or a range of possible loss should be disclosed.

Concentration of Credit Risk and Significant Customers

We grant credit terms to our customers in the ordinary course of business. Concentrations of credit risk with respect to trade 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 $51.7 million and $84.3 million of our aggregated accounts receivable and contract assets at January 31, 2020 and 2019, respectively. We believe our contracts with these governments present insignificant credit risk.

For the years ended January 31, 2020 and 2019, we had two government customers that collectively represented approximately 29%, and 27%, respectively, of our total revenue. These customers are governmental organizations that act on behalf of multiple agencies or departments, each of which generally makes its own independent purchasing decisions, and the customers typically enter into separate contracts with us for each order. We believe these government customers present insignificant credit risk. These contracts are entered into in the ordinary course of our business and 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 financial results, especially over the long-term, and that we would be able to reallocate our internal resources to other opportunities, including within our remaining performance obligations, within a reasonably short time frame.

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.

Functional Currency and Financial Statements in U.S. Dollars

Our reporting currency is the U.S. dollar, which is also the functional currency for most of our combined operations. A majority of our revenue occurs outside of Israel in non-Israeli currencies, mainly U.S. dollars, euros, and Singapore dollars. A majority of our purchases of materials and components are denominated in U.S. dollars. A significant portion of our expenses, mainly labor costs, are in New Israeli Shekels. Some of our subsidiaries have functional currencies in Brazilian reals, Singapore dollars and other currencies. Transactions and balances originally denominated in U.S. dollars are presented in their original amounts. Transactions and balances in currencies other than U.S. dollars are remeasured in U.S. dollars according to the principles set forth in Financial Accounting Standards Board Accounting Standards Codification ("ASC") 830, "Foreign Currency Matters." Exchange gains and losses arising from remeasurement are reflected in other income (expense), net, in the combined statements of operations.

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. dollar, are affected by changes in foreign currency. Most of our revenue and expenses, primarily labor expenses, are denominated in U.S. dollars, euros, New Israeli Shekels, and Singapore dollars. 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 such currencies.

Conditions in Israel

We are incorporated under the laws of, and our principal executive offices and manufacturing and research and development facilities are located in, the State of Israel. See "Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Business and Operations" 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 for the Six Months Ended July 31, 2020 and 2019

Overview of Operating Results

The following table sets forth a summary of certain key financial information for the six months ended July 31, 2020 and 2019:

	Six Months Ended July 31,	
(in thousands)	**2020**	**2019**
Revenue	$ 206,459	$ 221,033
Operating income	$ 7,996	$ 10,066
Net income attributable to Cognyte Business of Verint Systems Inc.	$ 2,029	$ 10,430

Our revenue decreased approximately $14.5 million, or 7%, from $221.0 million in the six months ended July 31, 2019 to $206.5 million in the six months ended July 31, 2020. The decrease consisted of a $16.9 million decrease in professional service and other revenue and a $4.7 million decrease in software revenue, partially offset by a $7.1 million increase in software service 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 20%, 38% and 42% of our total revenue, respectively, in the six months ended July 31, 2020, compared to approximately 20%, 46% and 34%, respectively, in the six months ended July 31, 2019.

Operating income was $8.0 million in the six months ended July 31, 2020 compared to $10.1 million in the six months ended July 31, 2019. This decrease in operating income was primarily due to a $3.3 million increase in operating expenses, partially offset by a $1.2 million increase in gross profit. The $3.3 million increase in operating expenses primarily consisted of a $5.6 million increase in net research and development expenses and a $0.4 million increase in amortization of acquired technology intangible assets, partially offset by a $2.7 million decrease in selling, general and administrative expenses.

Net income attributable to the Cognyte Business was $2.0 million in the six months ended July 31, 2020, compared to net income attributable to the Cognyte Business of $10.4 million in the six months ended July 31, 2019. The decrease in net income attributable to the Cognyte Business in the six months ended July 31, 2020 was primarily due to a $5.1 million increase in our provision for income taxes, a $2.0 million decrease in operating income, as described above, and a $1.3 million decrease in total other income, net.

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 six months ended July 31, 2020 to average exchange rates for the six months ended July 31, 2019, the U.S. dollar strengthened relative to the euro, Brazilian real, and Singapore dollar resulting in an overall decrease in our revenue, cost of revenue, and operating expenses on a U.S. dollar-denominated basis. For the six months ended July 31, 2020, had foreign exchange rates remained unchanged from rates in effect for the six months ended July 31, 2019, our revenue would have been approximately $2.8 million higher and our cost of revenue and operating expenses on a combined basis would have been approximately $0.2 million higher, which would have resulted in a $2.6 million increase in operating income.

As of July 31, 2020, we employed approximately 2,000 professionals, including part-time employees and certain contractors, compared to approximately 2,100 at July 31, 2019.

Revenue

Volume and Price

We sell products in multiple configurations, and the price of any particular product varies depending on the configuration of the product sold. Due to the variety of customized configurations for each product we sell, we are unable to quantify the amount of any revenue changes attributable to a change in the price of any particular product and/or a change in the number of products sold.

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, the resale of third-party hardware, and consulting and training services.

The following table sets forth revenue for the six months ended July 31, 2020 and 2019:

(in thousands)	Six Months Ended July 31, 2020	2019	% Change 2020 - 2019
Software revenue	$ 86,545	$ 91,248	(5)%
Software service revenue	91,843	84,728	8%
Professional service and other revenue	28,071	45,057	(38)%
Total revenue	**$ 206,459**	**$ 221,033**	**(7)%**

Software Revenue

Software revenue decreased approximately $4.7 million, or 5%, from $91.2 million for the six months ended July 31, 2019 to $86.5 million for the six months ended July 31, 2020. The decrease in software revenue was primarily due to a decrease in software and appliance deliveries due to delays attributed to the impact of COVID-19, as our customers shifted their attention to addressing operational challenges associated with the pandemic, partially offset by an increase in revenue from subscription licenses.

Software Service Revenue

Software service revenue increased approximately $7.1 million, or 8%, from $84.7 million for the six months ended July 31, 2019 to $91.8 million for the six months ended July 31, 2020 resulting primarily from an increase in our SaaS subscription revenue and an increase in support revenue due to an increase in our customer installed base.

Professional Service and Other Revenue

Professional service and other revenue decreased approximately $17.0 million, or 38%, from $45.1 million for the six months ended July 31, 2019 to $28.1 million for the six months ended July 31, 2020. The decrease was primarily due to an $8.4 million decrease in customer specific development work as we continue our productization process, a $6.5 million reduction in deployment activities due to COVID-19 restrictions, and a $2.1 million decrease in third-party hardware reselling activity as a result of our ongoing software model transition.

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 six months ended July 31, 2020 and 2019:

(in thousands)	Six Months Ended July 31, 2020	2019	% Change 2020 - 2019
Cost of software revenue	$ 15,851	$ 16,042	(1)%
Cost of software service revenue	22,128	22,431	(1)%
Cost of professional service and other revenue	26,074	40,142	(35)%
Amortization of acquired technology	492	1,682	(71)%
Total cost of revenue	**$ 64,545**	**$ 80,297**	**(20)%**

Cost of Software Revenue

Cost of software revenue primarily consists of costs related to the essential appliance and royalties due to third parties for software components that are embedded in our solutions. Cost of software revenue also includes

amortization of capitalized software development costs and personnel related expenses for resources dedicated to product delivery. In addition, our cost of software revenue includes stock-based compensation expenses and overhead allocations such as facility costs, IT cost, and other overhead expenses. In accordance with GAAP and our accounting policy, the cost of software revenue related to materials and royalties is generally expensed upon shipment and cost of software revenue related to personnel and related expenses is generally expensed as incurred in the period in which the personnel related services are performed.

Some of our software products require essential appliances, which tend to have lower gross margins than our pure software offerings, and therefore the mix of products we sell in a particular period can have a significant impact on our gross margins in that period.

Cost of software revenue decreased approximately $0.1 million, or 1%, from $16.0 million for the six months ended July 31, 2019 to $15.9 million for the six months ended July 31, 2020, primarily due to a corresponding decrease in software revenue due to delays attributed to the impact of COVID-19. Software revenue gross margins remained the same at 82% in the six months ended July 31, 2019 and 2020.

Cost of Software Service Revenue

Cost of software service revenue primarily consists of personnel costs and related expenses and travel expenses relating to provision of support and maintenance services. Cost of software service revenue also includes costs and royalties paid to third-party SaaS providers. In addition, our cost of software service revenue includes stock-based compensation expenses and overhead allocations, such as facility costs, IT cost, and other overhead expenses. In accordance with GAAP and our accounting policy, the cost of software service revenue is generally expensed as incurred in the period in which the services are performed.

Cost of software service revenue decreased approximately $0.3 million, or 1%, from $22.4 million in the six months ended July 31, 2019 to $22.1 million in the six months ended July 31, 2020. The decrease was primarily due to a decrease in personnel costs and related expenses due to cost reduction initiatives we implemented related to COVID-19. Our software service gross margins increased from 74% in the six months ended July 31, 2019 to 76% in the six months ended July 31, 2020 primarily due to a more efficient support cost structure, including savings in personnel costs and travel expenses, and an improved product mix for SaaS subscriptions.

Cost of Professional Service and Other Revenue

Cost of professional service and other revenue consists of personnel costs and related expenses, travel expenses associated with provision of installation, training, consulting and development services resources dedicated to project management and hardware material costs of third-party resale hardware revenue. Cost of professional service and other revenue also includes stock-based compensation expenses and allocation of overhead costs, such as facility, IT, operations costs, and other overhead expenses. In accordance with GAAP and our accounting policy, the cost of professional service revenue is generally expensed as incurred in the period in which the services are performed. Costs related to third-party hardware are expensed at the point in time that control is transferred to the customer.

Cost of professional service and other revenue decreased approximately $14.0 million, or 35%, from $40.1 million in the six months ended July 31, 2019 to $26.1 million in the six months ended July 31, 2020. The decrease was primarily due to a decrease in personnel costs and travel related expenses as a result of a decrease in deployment services due to COVID-19 restrictions, as well as a reduction in third-party hardware reselling as a result of our ongoing software model transition. Our professional service and other gross margins decreased from 11% in the six months ended July 31, 2019 to 7% in the six months ended July 31, 2020, primarily due to lower professional services revenue due to COVID-19, which resulted in revenue decreasing at a faster rate than professional service costs.

Amortization of Acquired Technology

Amortization of acquired technology decreased approximately $1.2 million, or 71%, from $1.7 million in the six months ended July 31, 2019 to $0.5 million in the six months ended July 31, 2020. The decrease was attributable to acquired technology intangible assets from historical business combinations becoming fully amortized during the six months ended July 31, 2020, partially offset by amortization expense of acquired technology-based intangible assets associated with recent business combinations.

Further discussion regarding our business combinations appears in Note 6, "Business Combinations" to our condensed combined financial statements included in this Form 20-F.

Research and Development, Net

Research and development expenses consist primarily of personnel costs and related expenses, facility costs, and other allocated overhead, net of certain software development costs that are capitalized, as well as reimbursements under government programs. Software development costs are capitalized upon the establishment of technological feasibility and continue to be capitalized through the general release of the related software product.

The following table sets forth research and development, net for the six months ended July 31, 2020 and 2019:

	Six Months Ended July 31,		% Change
(in thousands)	**2020**	**2019**	**2020 - 2019**
Research and development, net	$ 60,256	$ 54,672	10%

Research and development, net increased approximately $5.6 million, or 10%, from $54.7 million in the six months ended July 31, 2019 to $60.3 million in the six months ended July 31, 2020. The increase primarily reflects the investment we are making to further productize our portfolio as a result of our ongoing software model transition. The investment includes adding personnel with new skills as well as reallocating existing engineering resources from custom development work.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of personnel costs and related expenses, professional fees, changes in the fair values of our obligations under contingent consideration arrangements, sales and marketing expenses, including travel costs, sales commissions and sales referral fees, facility costs, communication expenses, and other administrative expenses.

The following table sets forth selling, general and administrative expenses for the six months ended July 31, 2020 and 2019:

	Six Months Ended July 31,		% Change
(in thousands)	**2020**	**2019**	**2020 - 2019**
Selling, general and administrative	$ 73,022	$ 75,743	(4)%

Selling, general and administrative expenses decreased approximately $2.7 million, or 4%, from $75.7 million in the six months ended July 31, 2019 to $73.0 million in the six months ended July 31, 2020. This decrease was primarily attributable to cost reduction initiatives we implemented in response to the COVID-19 pandemic, which resulted in a $3.5 million decrease in travel and entertainment expenses and a $0.8 million decrease in marketing related expenses due to the cancellation of certain sales and marketing events. Certain selling, general and administrative costs that were temporarily reduced due to COVID-19 cost-saving initiatives were restored in the latter part of our fiscal second quarter. Additionally, there was a $1.9 million decrease in agent commission expenses and a $1.1 million decrease in legal expenses. These decreases were partially offset by a $3.6 million increase in expenses related to the planned

separation of our business from Verint and a $1.0 million increase due to the change in the fair value of our obligations under contingent consideration arrangements from a net benefit of $2.3 million in the six months ended July 31, 2019 to a net benefit of $1.3 million in the six months ended July 31, 2020.

The impact of contingent consideration arrangements on our operating results can vary over time as we revise our outlook for achieving the performance targets underlying the arrangements. This impact on our operating results may be more significant in some periods than in others, depending on a number of factors, including the magnitude of the change in the outlook for each arrangement separately as well as the number of contingent consideration arrangements in place, the liabilities requiring adjustment in that period, and the net effect of those adjustments.

Amortization of Other Acquired Intangible Assets

Amortization of other acquired intangible assets consists of amortization of certain intangible assets acquired in connection with business combinations, including customer relationships, distribution networks, trade names and non-compete agreements.

The following table sets forth amortization of other acquired intangible assets for the six months ended July 31, 2020 and 2019:

	Six Months Ended July 31,		% Change
(in thousands)	2020	2019	2020 - 2019
Amortization of other acquired intangible assets	$ 640	$ 255	100%

Amortization of other acquired intangible assets increased approximately $0.3 million, or 100%, from $0.3 million in the six months ended July 31, 2019 to $0.6 million in the six months ended July 31, 2020. The increase was attributable to amortization expense from acquired intangible assets from recent business combinations, partially offset by acquired customer-related intangible assets from historical business combinations becoming fully amortized during the six months ended July 31, 2020.

Further discussion regarding our business combinations appears in Note 6, “Business Combinations” to our condensed combined financial statements included elsewhere in this Form 20-F.

Other Income, Net

The following table sets forth total other income, net for the six months ended July 31, 2020 and 2019:

	Six Months Ended July 31,		% Change
(in thousands)	2020	2019	2020 - 2019
Interest income	$ 953	$ 2,022	(53)%
Interest expense	(84)	(246)	(66)%
Other income (expense):			
Foreign currency losses	(375)	(91)	*
Gains on derivatives	413	645	(36)%
Other, net	97	(22)	*
Other income, net	135	532	(75)%
Total other income, net	**$ 1,004**	**$ 2,308**	**(56)%**

* Percentage is not meaningful.

Total other income, net, decreased by $1.3 million from $2.3 million in the six months ended July 31, 2019 to $1.0 million in the six months ended July 31, 2020.

Interest income decreased from $2.0 million in the six months ended July 31, 2019 to $1.0 million in the six months ended July 31, 2020 primarily due to declining interest rates during the period.

We recorded $0.4 million of net foreign currency losses in the six months ended July 31, 2020 compared to $0.1 million of net foreign currency losses in the six months ended July 31, 2019. Our foreign currency losses are primarily the result of the fluctuation of the U.S. dollar relative to other foreign currencies, mainly the New Israeli Shekel, euro, and Singapore dollar.

Net gains on derivative financial instruments (not designated as hedging instruments) were $0.4 million and $0.6 million for the six months ended July 31, 2020 and 2019, respectively. The net gains primarily reflected gains on contracts executed to hedge movements in the exchange rate between the U.S. dollar and the Singapore dollar.

Provision for Income Taxes

The following table sets forth our provision for income taxes for the six months ended July 31, 2020 and 2019:

	Six Months Ended July 31,		% Change
(in thousands)	2020	2019	2020 - 2019
Provision for income taxes	$ 3,406	$ (1,767)	(293)%

Our effective income tax rate was 37.8% for the six months ended July 31, 2020, compared to a negative effective income tax rate of 14.3% for the six months ended July 31, 2019. The effective tax rate differs from the U.S. federal statutory rate of 21% primarily due to the impact of U.S. taxation of certain Non-US activities, offset by lower statutory rates in several Non-US jurisdictions. The result was an income tax provision of $3.4 million on pre-tax income of $9.0 million, which represented an effective income tax rate of 37.8%.

For the six months ended July 31, 2019, the effective tax rate differs from the U.S. federal statutory rate of 21% primarily due to a net tax benefit of $5.9 million recorded in relation to changes in unrecognized income tax benefits and other items as a result of an audit settlement in a Non-US jurisdiction and the impact of U.S. taxation of certain Non-US activities, offset by lower statutory rates in several Non-US jurisdictions. The result was an income tax benefit of $1.8 million on pre-tax income of $12.4 million, which represented a negative effective income tax rate of 14.3%. Excluding the income tax benefit attributable to the audit settlement, the result was an income tax provision of $4.1 million and an effective tax rate of 33.1%.

Results of Operations for the Years Ended January 31, 2020 and 2019

Overview of Operating Results

The following table sets forth a summary of certain key financial information for the years ended January 31, 2020 and 2019:

	Year Ended January 31,	
(in thousands)	2020	2019
Revenue	$ 457,109	$ 433,460
Operating income	$ 27,313	$ 18,689
Net income attributable to Cognyte Business of Verint Systems Inc.	$ 20,191	$ 8,728

Our revenue increased approximately $23.6 million, or 5%, from $433.5 million in the year ended January 31, 2019 to $457.1 million in the year ended January 31, 2020. The increase consisted of a $13.7 million increase in software service revenue, and a $10.4 million increase in software revenue, partially offset by a $0.5 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 21%, 45% and 34% of our total revenue, respectively, in the year ended January 31, 2020, compared to approximately 25%, 37% and 38%, respectively, in the year ended January 31, 2019.

Operating income was $27.3 million in the year ended January 31, 2020 compared to $18.7 million in the year ended January 31, 2019. This increase in operating income was primarily due to a $36.4 million increase in gross profit, offset by a $27.8 million increase in operating expenses, which primarily consisted of a $16.6 million increase in selling, general and administrative expenses and an $11.3 million increase in net research and development expenses, offset by a $0.1 million decrease in amortization of acquired technology intangible assets.

Net income attributable to the Cognyte Business was $20.2 million in the year ended January 31, 2020, compared to net income attributable to the Cognyte Business of $8.7 million in the year ended January 31, 2019. The increase in net income attributable to the Cognyte Business in the year ended January 31, 2020 was primarily due to an $8.6 million increase in operating income, as described above, a $5.1 million decrease in our provision for income taxes, and a $1.3 million increase in total other income, net, partially offset by a $3.6 million increase 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, 2020 to average exchange rates for the year ended January 31, 2019, the U.S. dollar strengthened relative to the euro, Brazilian real, and Singapore dollar resulting in an overall decrease in our revenue, cost of revenue, and operating expenses on a U.S. dollar-denominated basis. For the year ended January 31, 2020, had foreign exchange rates remained unchanged from rates in effect for the year ended January 31, 2019, our revenue would have been approximately $4.4 million higher and our cost of revenue and operating expenses on a combined basis would have been approximately $2.1 million higher, which would have resulted in a $2.3 million increase in operating income.

As of January 31, 2020, we employed approximately 2,100 professionals, including part-time employees and certain contractors, compared to approximately 2,000 at January 31, 2019.

Revenue

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

The following table sets forth revenue for the years ended January 31, 2020 and 2019:

	Year Ended January 31,		% Change
(in thousands)	2020	2019	2020 - 2019
Software revenue	$201,487	$191,062	5%
Software service revenue	171,866	158,146	9%
Professional service and other revenue	83,756	84,252	(1)%
Total revenue	**$457,109**	**$433,460**	**5%**

Software Revenue

Software revenue increased approximately $10.4 million, or 5%, from $191.1 million for the year ended January 31, 2019 to $201.5 million for the year ended January 31, 2020 resulting from an increase in demand for our products, including subscription licenses.

Software Service Revenue

Software service revenue increased approximately $13.8 million, or 9%, from $158.1 million for the year ended January 31, 2019 to $171.9 million for the year ended January 31, 2020 resulting primarily from an increase in support revenue due to an increase in our customer installed base.

Professional Service and Other Revenue

Professional service and other revenue decreased approximately $0.5 million, or 1%, from $84.3 million for the year ended January 31, 2019 to $83.8 million for the year ended January 31, 2020 resulting from a decrease in third-party hardware reselling activity as we continue our software model transition, partially offset by an increase in professional services revenue.

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, 2020 and 2019:

	Year Ended January 31,		% Change
(in thousands)	**2020**	**2019**	**2020-2019**
Cost of software revenue	$ 36,071	$ 34,144	6%
Cost of software service revenue	45,012	51,237	(12)%
Cost of professional service and other revenue	80,517	83,975	(4)%
Amortization of acquired technology	2,405	7,416	(68)%
Total cost of revenue	**$164,005**	**$176,772**	**(7)%**

Cost of Software Revenue

Cost of software revenue increased approximately $2.0 million, or 6%, from $34.1 million for the year ended January 31, 2019 to $36.1 million for the year ended January 31, 2020, primarily due to a corresponding increase in our software revenue. Software revenue gross margins remained unchanged at 82% in the years ended January 31, 2019 and January 31, 2020.

Cost of Software Service Revenue

Cost of software service revenue decreased approximately $6.2 million, or 12%, from $51.2 million in the year ended January 31, 2019 to $45.0 million in the year ended January 31, 2020. The decrease was primarily due to a decrease in personnel costs and related expenses. Our software service gross margins increased from 68% in the year ended January 31, 2019 to 74% in the year ended January 31, 2020 primarily due to an increase in support revenue and a more effective cost structure.

Cost of Professional Service and Other Revenue

Cost of professional service and other revenue decreased approximately $3.5 million, or 4%, from $84.0 million in the year ended January 31, 2019 to $80.5 million in the year ended January 31, 2020. The decrease was

primarily due to a reduction in third-party hardware reselling, partially offset by a slight increase in professional service implementation expenses. Our professional service and other gross margins increased from 0% in the year ended January 31, 2019 to 4% in the year ended January 31, 2020, primarily due to a decrease in hardware and personnel costs.

Amortization of Acquired Technology

Amortization of acquired technology decreased approximately $5.0 million, or 68%, from $7.4 million in the year ended January 31, 2019 to $2.4 million in the year ended January 31, 2020. The decrease was attributable to acquired technology intangible assets from historical business combinations becoming fully amortized during the year ended January 31, 2020, partially offset by amortization expense of acquired technology-based intangible assets associated with recent business combinations.

Further discussion regarding our business combinations appears in Note 6, “Business Combinations” to our combined financial statements included elsewhere in this Form 20-F.

Research and Development, Net

The following table sets forth research and development, net for the year ended January 31, 2020 and 2019:

	Year Ended January 31,		% Change
(in thousands)	2020	2019	2020 - 2019
Research and development, net	$111,297	$100,006	11%

Research and development, net increased approximately $11.3 million, or 11%, from $100.0 million in the year ended January 31, 2019 to $111.3 million in the year ended January 31, 2020. The increase was primarily due to a $6.5 million increase in personnel costs and related expenses and a $6.0 million increase in R&D subcontractor costs, which were to support our investments to further productize our portfolio, a $1.4 million increase in stock-based compensation expenses under Verint’s stock plans, as a result of a change in R&D employee bonus payment structure, and a $0.8 million increase in software subscription costs related to internal-use software, partially offset by a $4.4 million increase in capitalized software development costs in the year ended January 31, 2020 compared to the year ended January 31, 2019.

Selling, General and Administrative Expenses

The following table sets forth selling, general and administrative expenses for the years ended January 31, 2020 and 2019:

	Year Ended January 31,		% Change
(in thousands)	2020	2019	2020 - 2019
Selling, general and administrative	$153,901	$137,342	12%

Selling, general and administrative expenses increased approximately $16.6 million, or 12%, from $137.3 million in the year ended January 31, 2019 to $153.9 million in the year ended January 31, 2020. This increase was primarily attributable to a $7.4 million increase in employee compensation expenses due to increased headcount and sales commissions, a $3.4 million increase in stock-based compensation expenses under Verint’s stock plans, primarily due to an increase in year-over-year Verint stock price, a $2.3 million increase in the use of contractors for corporate support activities, a $1.2 million increase in depreciation expenses on fixed assets used for general administration purposes, a $1.2 million increase in agent commission expenses and an increase in various other costs to a lower extent. These increases were partially offset by a $1.2 million decrease due to the change in the

fair value of our obligations under contingent consideration arrangements from a net benefit of $4.2 million in the year ended January 31, 2019 to a net benefit of $5.4 million during the year ended January 31, 2020, as a result of revised outlooks for achieving the performance targets under several unrelated contingent consideration arrangements.

The impact of contingent consideration arrangements on our operating results can vary over time as we revise our outlook for achieving the performance targets underlying the arrangements. This impact on our operating results may be more significant in some periods than in others, depending on a number of factors, including the magnitude of the change in the outlook for each arrangement separately as well as the number of contingent consideration arrangements in place, the liabilities requiring adjustment in that period, and the net effect of those adjustments.

Amortization of Other Acquired Intangible Assets

The following table sets forth amortization of other acquired intangible assets for the years ended January 31, 2020 and 2019:

	Year Ended January 31,		% Change
(in thousands)	2020	2019	2020 - 2019
Amortization of other acquired intangible assets	$ 593	$ 651	(9)%

Amortization of other acquired intangible assets decreased approximately $0.1 million, or 9%, from $0.7 million in the year ended January 31, 2019 to $0.6 million in the year ended January 31, 2020 as a result of acquired customer-related intangible assets from historical business combinations becoming fully amortized during the year ended January 31, 2020, partially offset by an increase in amortization expense from acquired intangible assets from recent business combinations.

Further discussion regarding our business combinations appears in Note 6, “Business Combinations” to our combined financial statements included elsewhere in this Form 20-F.

Other Income, Net

The following table sets forth total other income, net for the years ended January 31, 2020 and 2019:

	Year Ended January 31,		% Change
(in thousands)	2020	2019	2020 - 2019
Interest income	$ 3,509	$ 3,165	11%
Interest expense	(481)	(499)	(4)%
Other income (expense):			
Foreign currency losses	(728)	(2,094)	(65)%
Gains on derivatives	395	726	(46)%
Other, net	(71)	(46)	54%
Other expense, net	(404)	(1,414)	(71)%
Total other income, net	**$ 2,624**	**$ 1,252**	**110%**

Total other income, net, increased by $1.3 million from $1.3 million in the year ended January 31, 2019 to $2.6 million in the year ended January 31, 2020.

We recorded $0.7 million of net foreign currency losses in the year ended January 31, 2020, compared to $2.1 million of net foreign currency losses in the year ended January 31, 2019. Our foreign currency gains and losses are primarily the result of the fluctuation of the U.S. dollar relative to other foreign currencies, mainly the New Israeli Shekel, euro, and Singapore dollar.

Net gains on derivative financial instruments (not designated as hedging instruments) were $0.4 million and $0.7 million for the years ended January 31, 2020 and 2019, respectively. The net gains primarily reflected gains on contracts executed to hedge movements in the exchange rate between the U.S. dollar and the Singapore dollar.

Provision for Income Taxes

The following table sets forth our provision for income taxes for the years ended January 31, 2020 and 2019:

	Year Ended January 31,		% Change
(in thousands)	2020	2019	2020 - 2019
Provision for income taxes	$ 2,567	$ 7,620	(66)%

Our effective income tax rate was 8.6% for the year ended January 31, 2020, compared to an effective income tax rate of 38.2% for the year ended January 31, 2019. For the year ended January 31, 2020, our effective income tax rate was lower than the U.S. federal statutory income tax rate of 21.0% primarily due to a net tax benefit of $13.3 million recorded in relation to changes in unrecognized income tax benefits and other items as a result of an audit settlement in a non-U.S. jurisdiction, partially offset by the mix and levels of income and losses among taxing jurisdictions and the impact of U.S. taxation of certain non-U.S. activities.

For the year ended January 31, 2019, our effective income tax rate was higher than the U.S. federal statutory income tax rate of 21.0% due to the impacts of U.S. taxation of certain non-U.S. operations and the mix and levels of income and losses among taxing jurisdictions, which was partially offset by changes in unrecognized income tax benefits and other items as a result of an audit settlement in a non-U.S. jurisdiction and deductions in non-U.S. jurisdictions for income tax purposes not recorded under GAAP.

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 travel, marketing, facilities and overhead costs, and capital expenditures. Cash generated from operations, along with our existing cash, cash equivalents, and short-term investments, are our primary sources of operating liquidity, and we believe that our operating liquidity is sufficient to support our current business operations, and capital expenditure requirements.

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, including approximately $18.7 million and $3.8 million of net cash expended for business acquisitions during the years ended January 31, 2020 and 2019, respectively. We did not complete any business acquisitions during the six months ended July 31, 2020 and 2019, 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. We have not historically raised capital through the issuance of equity or the incurrence of debt, however may do so in the future.

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 combined 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 July 31, 2020 and January 31, 2020 we held $53.3 million and $69.4 million, respectively, of restricted cash, cash equivalents, and restricted bank time deposits (including long-term portions).

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.

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 entry into or expansion of a credit facility.

Cash Flow Activity for the Six Months Ended July 31, 2020 and 2019

The following table summarizes our total cash, cash equivalents, restricted cash, cash equivalents, and bank time deposits, and short-term investments, as of July 31, 2020 and 2019:

	July 31,	
(in thousands)	**2020**	**2019**
Cash and cash equivalents	$ 188,065	$ 218,665
Restricted cash and cash equivalents, and restricted bank time deposits (excluding long term portions)	31,616	24,239
Short-term investments	18,238	20,944
Total cash, cash equivalents, restricted cash and cash equivalents, restricted bank time deposits, and short-term investments	**$ 237,919**	**$ 263,848**

A summary of the sources and uses of cash, cash equivalents, restricted cash and restricted cash equivalents is as follows:

	Six Months Ended July 31,	
(in thousands)	**2020**	**2019**
Net cash provided by operating activities	$ 15,343	$ 24,361
Net cash (used in) provided by investing activities	(5,697)	1,021
Net cash used in financing activities	(21,844)	(61,774)
Effect of foreign currency exchange rate changes on cash, cash equivalents, restricted cash, and restricted cash equivalents	(1,433)	(472)
Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents	**$ (13,631)**	**$ (36,864)**

Our operating activities generated $15.3 million of cash during the six months ended July 31, 2020, which was offset by $27.5 million of net cash used in combined investing and financing activities during this period. Further discussion of these items appears below.

Capital Allocation Framework

As noted above, after cash utilization required for working capital, capital expenditures and required debt services for the credit facilities we expect to enter, we expect that our primary usage of cash for the foreseeable future will be for business combinations.

Operating Activities

Net cash provided by operating activities is driven primarily by our net income or loss, as adjusted for non-cash items, and working capital changes. Operating activities generated $15.3 million of net cash during the six months ended July 31, 2020, compared to $24.4 million generated during the six months ended July 31, 2019. Our decreased operating cash flow in the current year was primarily due to lower net income and the net effect of non-cash items, partially offset by the net effect of changes in operating assets and liabilities, as compared to the prior year.

Our cash flow from operating activities can fluctuate from period to period due to several factors, including the timing of our billings and collections, the timing and amounts of interest, income tax and other payments, and our operating results.

Investing Activities

During the six months ended July 31, 2020, our investing activities used $5.7 million of net cash, including $11.3 million of net purchases of short-term investments and $10.3 million of payments for property, equipment, and capitalized software development costs. The cash used by these investing activities was partially offset by a $15.5 million decrease in restricted bank time deposits during the period and $0.4 million of proceeds from settlements of our derivative financial instruments not designated as hedges. Restricted bank time deposits are typically deposits, which do not qualify as cash equivalents, used to secure bank guarantees in connection with sales contracts, the amounts of which will fluctuate from period to period.

During the six months ended July 31, 2019, our investing activities generated $1.0 million of net cash, including $7.1 million of net maturities and sales of short-term investments and $1.7 million decrease in restricted bank time deposits during the period, partially offset by $8.0 million of payments for property, equipment, and capitalized software development costs.

We had no significant commitments for capital expenditures at July 31, 2020.

Financing Activities

For the six months ended July 31, 2020, our financing activities used $21.8 million of net cash, the most significant portions of which were $18.1 million for net parent transfers and $3.4 million for the financing portion of payments under contingent consideration arrangements related to prior business combinations.

For the six months ended July 31, 2019, our financing activities used $61.8 million of net cash, the most significant portions of which were $58.8 million for net parent transfers and $2.9 million for the financing portion of payments under contingent consideration arrangements related to prior business combinations.

Cash Flow Activity for the Years Ended January 31, 2020 and 2019

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, 2020 and 2019:

(in thousands)	January 31, 2020	January 31, 2019
Cash and cash equivalents	$ 201,090	$ 240,192
Restricted cash and cash equivalents, and restricted bank time deposits (excluding long term portions)	43,813	42,262
Short-term investments	6,603	31,061
Total cash, cash equivalents, restricted cash and cash equivalents, restricted bank time deposits, and short-term investments	**$ 251,506**	**$ 313,515**

A summary of the sources and uses of cash, cash equivalents, restricted cash and restricted cash equivalents is as follows:

(in thousands)	Year Ended January 31, 2020	Year Ended January 31, 2019
Net cash provided by operating activities	$ 67,186	$ 53,735
Net cash used in investing activities	(29,541)	(68,339)
Net cash (used in) provided by financing activities	(85,973)	6,057
Effect of foreign currency exchange rate changes on cash, cash equivalents, restricted cash, and restricted cash equivalents	(985)	(544)
Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents	**$(49,313)**	**$ (9,091)**

Our operating activities generated $67.2 million of cash during the year ended January 31, 2020, which was offset by $115.5 million of net cash used in combined investing and financing activities during this period. Further discussion of these items appears below.

Capital Allocation Framework

As noted above, after cash utilization required for working capital, capital expenditures and required debt services for the credit facilities we expect to enter, we expect that our primary usage of cash for the foreseeable future will be for business combinations.

Operating Activities

Net cash provided by operating activities is driven primarily by our net income or loss, as adjusted for non-cash items, and working capital changes. Operating activities generated $67.2 million of net cash during the year ended January 31, 2020, compared to $53.7 million generated during the year ended January 31, 2019. Our improved operating cash flow in the current year was primarily due to the net effect of changes in operating assets and liabilities and higher net income, partially offset by the net effect of non-cash items and higher net income tax payments, as compared to the prior year.

Our cash flow from operating activities can fluctuate from period to period due to several factors, including the timing of our billings and collections, the timing and amounts of interest, income tax and other payments, and our operating results.

Investing Activities

During the year ended January 31, 2020, our investing activities used $29.5 million of net cash, including $21.3 million of payments for property, equipment, and capitalized software development costs, $18.7 million for business acquisitions, and a $14.2 million increase in restricted bank time deposits during the period. Restricted bank time deposits are typically deposits, which do not qualify as cash equivalents, used to secure bank guarantees in connection with sales contracts, the amounts of which will fluctuate from period to period. The cash used by these investing activities was partially offset by $24.6 million of net maturities and sales of short-term investments and proceeds from settlements of our derivative financial instruments not designated as hedges.

During the year ended January 31, 2019, our investing activities used $68.3 million of net cash, including $29.5 million of net purchases of short-term investments, $21.8 million increase in restricted bank time deposits during the period, $12.6 million of payments for property, equipment, and capitalized software development costs, and $3.8 million for business acquisitions.

We had no significant commitments for capital expenditures at January 31, 2020.

Financing Activities

For the year ended January 31, 2020, our financing activities used $86.0 million of net cash, the most significant portions of which were $72.1 million for net parent transfers, $6.0 million for repayments of borrowings from parent, $4.3 million of dividends to the noncontrolling interest holders in our joint venture, and $3.4 million for the financing portion of payments under contingent consideration arrangements related to prior business combinations.

For the year ended January 31, 2019, our financing activities provided $6.1 million of net cash, the most significant portions of which were $7.0 million of proceeds from borrowings from parent and $6.5 million from net parent transfers. The cash provided by these financing activities was partially offset by dividend payments of $4.4 million to the noncontrolling interest holders in our joint venture, $2.0 million for the financing portion of payments under contingent consideration arrangements related to prior business combinations, and $1.0 million for repayments of borrowings from parent.

Debt

We had related party notes payable of $7.0 million and $13.0 million, which are presented in current maturities of note to parent within the combined balances sheets as of January 31, 2020 and 2019, respectively. Additionally, we incurred interest expense for related party notes payable of $0.4 million, and $0.5 million for the years ended January 31, 2020 and 2019, respectively.

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, and short-term investments and accounts payable denominated in currencies other than the applicable functional currency.

During the years ended January 31, 2020 and 2019, we recorded $0.4 million and $0.7 million of net gains on foreign currency forward contracts not designated as hedges for accounting purposes. We had $0.7 million of net

unrealized gains on outstanding foreign currency forward contracts as of January 31, 2020, with notional amounts totaling $89.0 million. We had $1.3 million of net unrealized losses on outstanding foreign currency forward contracts as of January 31, 2019, with notional amounts totaling $113.0 million.

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 research and development spending totaled $112.7 million and $101.7 million for the years ended January 31, 2020 and 2019, 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 Regulation." 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

Recent Operating Results (Preliminary and Unaudited)

Set forth below are preliminary estimates of selected unaudited financial results for the nine months ended October 31, 2020 and 2019. The following information reflects our preliminary estimates based on currently available information and is subject to change. See "Item 3. Key Information—3.D. Risk Factors," "Item 5. Operating and Financial Review and Prospects," and "Special Note About Forward-Looking Statements" for additional information regarding factors that could result in differences of certain of our financial results and operating data presented below and the actual financial results we will report for the nine months ended October 31, 2020 and 2019.

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The preliminary recent estimates presented below have been prepared by, and are the responsibility of, management. Deloitte & Touche LLP has not audited, reviewed, compiled or performed any procedures with respect to such preliminary information. Accordingly, Deloitte & Touche LLP does not express an opinion or any other form of assurance with respect thereto.

(in thousands)	Nine Months Ended October 31 (unaudited) 2020	2019
Revenue:		
Software	$ 131,429	$ 141,481
Software service	139,604	126,688
Professional service and other	48,405	59,795
Total revenue	**319,438**	**327,964**
Cost of revenue:		
Software	22,527	24,462
Software service	33,569	33,342
Professional service and other	38,442	58,036
Amortization of acquired technology	718	2,043
Total cost of revenue	**95,256**	**117,883**
Gross profit	**224,182**	**210,081**
Operating expenses:		
Research and development, net	92,177	83,045
Selling, general and administrative	113,230	109,105
Amortization of other acquired intangible assets	913	380
Total operating expenses	**206,320**	**192,530**
Operating income	**$ 17,862**	**$ 17,551**

5.E. OFF-BALANCE SHEET ARRANGEMENTS

As of July 31, 2020, 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.

5.F. AGGREGATE CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations and other commercial commitments as of January 31, 2020 as well as the effect these obligations and commitments are expected to have on our liquidity and cash flow in future periods:

(in thousands)	Payments Due by Period Total	< 1 year	1-3 years	3-5 years	> 5 years
Purchase obligations	$ 65,571	$ 60,088	$ 4,911	$ 572	$ —
Operating lease obligations	34,791	7,779	13,439	11,073	2,500
Finance lease obligations	3,480	749	1,515	1,216	—
Total contractual obligations	**$ 103,842**	**$ 68,616**	**$ 19,865**	**$ 12,861**	**$ 2,500**

We entered into leases for infrastructure equipment that qualify as finance leases during the year ended January 31, 2020.

Our purchase 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.

Our combined balance sheet at January 31, 2020 included $6.9 million of non-current tax reserves, net of related benefits (including interest and penalties of $0.9 million) for uncertain tax positions. However, these amounts are not included in the table above because we are unable to reasonably estimate the timing of payments for these obligations. We do not expect to make any significant payments for these uncertain tax positions within the next twelve months.

Contingent Payments Associated with Business Combinations

In connection with certain of our business combinations, we have agreed to make contingent cash payments to the former owners of the acquired companies based upon achievement of performance targets following the acquisition dates.

For the year ended January 31, 2020, we made $3.4 million of payments under contingent consideration arrangements. As of January 31, 2020, potential future cash payments under contingent consideration arrangements, including consideration earned in completed performance periods which is still to be paid, total $44.2 million, the estimated fair value of which was $11.5 million, including $5.9 million reported in accrued expenses and other current liabilities, and $5.6 million reported in other liabilities. The performance periods associated with these potential payments extend through January 31, 2022.

For other contingencies, see “Item 8. Financial Information—8.A. Combined Statements and Other Financial Information” and “Note 16. Commitments and Contingencies” to our combined financial statements included elsewhere in this Form 20-F.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A. DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

We are currently a wholly owned subsidiary of Verint, and our directors consist of employees of Verint who are not expected to be members of the Cognyte Board following the spin-off. We are in the process of determining who will comprise the Cognyte Board once we are an independent, publicly traded company. We expect the Cognyte Board to be comprised of seven seats, two of which will be filled by Elad Sharon, our Chief Executive Officer, and Dan Bodner, Verint's Chairman and Chief Executive Officer, who will also serve as our non-executive chairman. At the time of the spin-off, a majority of the members of the Cognyte Board will be independent and non-U.S. persons.

The future directors will be included in future filings of this Form 20-F, when the determination with respect to such individuals has been finalized.

Senior Management

Prior to the date of the spin-off, Verint will propose, and the Cognyte Board will formally appoint, the members of our senior management team. Determination with respect to members of our senior management team has not been finalized, with the exception of Elad Sharon, our Chief Executive Officer, and David Abadi, our Chief Financial Officer, whose biographies are included below. At the time of the spin-off, all of the members of our senior management team are expected to be non-U.S. persons.

Biographies

Elad Sharon, Chief Executive Officer

Mr. Sharon serves as our Chief Executive Officer. Previously, he served as the President of Verint's Cyber Intelligence Solutions business line 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 Product, R&D and Delivery, Senior Vice President of Strategic Programs, and Chief Operating Officer.

Under Mr. Sharon's leadership, we achieved significant growth and continued expansion of our portfolio of Actionable Intelligence solutions and today have over 1,000 customers across more than 100 countries.

David Abadi, Chief Financial Officer

Mr. Abadi serves as our Chief Financial Officer. Previously, he served as the Chief Financial Officer of Verint's Cyber Intelligence Solutions division since May 2012.

Mr. Abadi has more than 21 years 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 NYC and Israel offices.

6.B. COMPENSATION

Because we are a newly incorporated entity, we have not previously provided any compensation to our directors or senior management. Upon the consummation of the spin-off, we expect that a portion of the compensation paid to our directors and senior management will be equity-based.

For further information on the share ownership of our senior management, see "—6.E. Share Ownership."

Certain of the directors expected to serve on the Cognyte Board previously served as directors of Verint. All of the currently anticipated members of our senior management team previously served as officers of the Cyber Intelligence Solutions business unit of Verint. The following table presents, in the aggregate, all compensation

that Verint paid to those of our directors who served as directors of Verint (in their capacities as directors), and our senior management team members who served in the Cyber Intelligence Solutions business unit at Verint, for the year ended January 31, 2020. The table does not include any amounts that Verint paid to reimburse any of such persons for costs incurred in providing it with services during that period.

(in thousands)	Salary and Related Benefits	Pension, Retirement and Other Similar Benefits	Share Based Compensation
All directors and senior management as a group, consisting of persons	$	$	$

Following the spin-off, as an independent public company, Cognyte will compensate our directors and senior management team in accordance with the recommendation of our Compensation Committee and, generally, subject to the approval of the Cognyte Board and our shareholders. That compensation will generally need to be consistent with the terms of our compensation policy, which will require periodic approval, in accordance with the requirements of the Companies Law (as described below under "—6.C. Board Practices—Compensation Committee—Compensation Policy under the Companies Law"). Therefore, the future compensation practices of Cognyte may differ from the historical practices of Verint.

In accordance with the Companies Law, beginning with our first annual general meeting of shareholders that takes place following the spin-off, when we are considered a public company under the Companies Law, we will be required to disclose the compensation paid to our five most highly compensated officers on an individual basis for the previous fiscal year. Consequently, we will be required to include that information in all annual reports on Form 20-F that we file with the SEC commencing at that time.

6.C. BOARD PRACTICES

General

The Cognyte Board is expected to consist of seven members, including, if subsequently applicable to Cognyte, two external directors who may be required to be appointed under the Companies Law. Our Articles of Association provide that the number of board members (including external directors, if applicable) shall be set by the Cognyte Board 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 the Cognyte Board. The Cognyte Board 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 the Cognyte Board. Our chief executive officer is appointed by, and serves at the discretion of, the Cognyte Board, 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 the Cognyte Board and of the Cognyte Board, and are subject to the terms of any applicable employment agreements that we may enter into with them.

The Cognyte Board may, subject to the provisions of the Companies Law, delegate any or all of its powers to committees of the Board, 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 the Cognyte Board, 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.

The Cognyte Board 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. The Cognyte Board 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 to be effective upon the consummation of the spin-off, our directors will be divided into three classes with staggered three-year terms. Each class of directors will consist, as nearly as possible, of one-third of the total number of directors constituting the entire Cognyte Board. 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, such that from the annual general meeting of 2021 and after, each year the term of office of only one class of directors will expire.

Our directors will be divided among the three classes as follows:

- the Class I directors will be and , and their terms will expire at our annual general meeting of shareholders to be held in 2021;
- the Class II directors will be and , and their terms will expire at our annual meeting of shareholders to be held in 2022; and
- the Class III directors will be , and , and their terms will expire at our annual meeting of shareholders to be held in 2023.

Any amendment to the foregoing structure of the Cognyte Board, 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 the Cognyte Board 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 to be effective upon the consummation of the spin-off, 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 the Cognyte Board 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 the Cognyte Board 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 one 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 the Cognyte Board. 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

The Cognyte Board may elect one director to serve as the chairman of the Cognyte Board to preside at the meetings of the Cognyte Board, 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 the Cognyte Board, 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 Cognyte Board; 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

We have elected, upon the effectiveness of the spin-off, to be governed by an exemption under the Companies Law regulations that exempts us from appointing external directors and from complying with the Companies Law requirements related to the composition of the Audit Committee and Compensation Committee of the Cognyte Board. Our eligibility for that exemption is conditioned upon: (i) the continued listing of our shares on NASDAQ (or one of a few select other non-Israeli stock exchanges); (ii) there not being a controlling shareholder (generally understood to be a 25% or greater shareholder) of our company under the Companies Law; and (iii) our compliance with the NASDAQ listing rules requirements as to the composition of (a) the Cognyte Board—which requires that we maintain a majority of independent directors (as defined under the NASDAQ listing rules) on the Cognyte Board and (b) the Audit Committee and Compensation Committees of the Cognyte Board (which require that such committees consist solely of independent directors (at least three and two members, respectively), as described under the NASDAQ listing rules). At the time that it determined to exempt Cognyte from the external director requirement, the Cognyte Board affirmatively determined that we met the conditions for exemption from the external director requirement, including that a majority of the members of the Cognyte Board, along with each of the members of the Audit Committee and Compensation Committee of the Cognyte Board, are independent under the NASDAQ listing rules.

Our election to exempt our company from compliance with the external director requirement can be reversed at any time by the Cognyte Board, in which case we would need to hold a shareholder meeting to once again appoint external directors, whose election would be for a three-year term. The election of each external director would require a majority vote of the shares present and voting at a shareholders meeting, provided that either:

- the majority voted in favor of election includes a majority of the shares held by non-controlling shareholders who do not have a personal interest in the election of the external director (other than a personal interest not deriving from a relationship with a controlling shareholder) that are voted at the meeting, excluding abstentions, which we refer to as a disinterested majority; or

- the total number of shares held by non-controlling, disinterested shareholders (as described in the previous bullet point) voted against the election of the director does not exceed two percent (2%) of the aggregate voting rights in Cognyte.

The term "controlling shareholder" is defined in the Companies Law (for purposes of the voting requirements for the election of external directors) as a shareholder with the ability to direct the activities of the company, other than by virtue of being an office holder.

An "office holder" is defined in the Companies Law as a chief executive officer (referred to as a general manager), chief business manager, deputy general manager, vice general manager, any other person assuming the responsibilities of any of these positions regardless of such person's title, a director and any other manager directly subordinate to the general manager. Each person listed in the tables in "—6.A. Directors and Senior Management" is an office holder under the Companies Law.

Committees of the Cognyte Board

The Cognyte Board will establish three standing committees, the Audit Committee, the Compensation Committee, and the Nominating and Governance 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.

Following the listing of our shares on NASDAQ, our Audit Committee will consist of , and . will serve as the chairman 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. The Cognyte Board has determined that 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.

The Cognyte Board 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

The Cognyte Board 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 the Cognyte Board, 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 the Cognyte Board 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 general counsel 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 the Cognyte Board;
- 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.

Following the listing of our shares on NASDAQ, our Compensation Committee will consist of , and . will serve as chairman of the Compensation Committee. The Cognyte Board 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 the Cognyte Board 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 the Cognyte Board 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.

The Cognyte Board has adopted a compensation committee charter setting forth the responsibilities of the committee consistent with the NASDAQ rules, which include among others:

- recommending to the Cognyte Board 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 the Cognyte Board any amendments or modifications the committee deems appropriate, including as required under the Companies Law;
- reviewing and approving 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
- administering our equity-based compensation plans, including without limitation, approving the adoption of such plans, amending and interpreting such plans and the awards and agreements issued pursuant thereto, and making awards to eligible persons under the plans and determining 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 non-controlling 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 initially offers or distributes its securities to the public adopts a compensation policy in advance of its initial public offering/distribution, and describes it in its prospectus (or similar document, such as this registration statement) 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; and
  - 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 will become effective immediately 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 the Cognyte Board. 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 the Cognyte Board, based on quantitative and qualitative criteria.

The equity-based compensation under our compensation policy for our executive officers (including members of the Cognyte Board) 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 the Cognyte Board 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).

Our compensation policy will be approved by the Cognyte Board and shareholders, and will become effective upon the consummation of the spin-off.

Nominating and Governance Committee

Companies Law Requirements

The Companies Law does not require that the Cognyte Board appoint 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.

Following the listing of our shares on NASDAQ, our Nominating and Governance Committee will consist of , , and . will serve as chairman of the Nominating and Governance Committee. The Cognyte Board has determined that each member of our Nominating and Governance Committee is independent under the NASDAQ rules.

Nominating and Governance Committee Role

The Cognyte Board has 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 the Cognyte Board concerning the structure, composition and functioning of the Cognyte Board and all board committees;
- recommending to the board for its approval criteria for Cognyte 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 the Cognyte Board, 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 the Cognyte Board at each annual general meeting of shareholders;
- establishing procedures for annual performance evaluations of the members of the Cognyte Board on an individual basis, and the Cognyte Board and committees of the Cognyte Board on a collective basis;
- reviewing Cognyte Board meeting procedures, including the appropriateness and adequacy of the information supplied to directors prior to and during Cognyte Board meetings; and
- 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.

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. Our Internal Auditor is Protiviti Inc.

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 the Cognyte Board.

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

Prior to the spin-off, the Cognyte Board will adopt 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.

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 the Cognyte Board believes are foreseeable in light of our actual operations at the time of providing the undertaking and to a sum or standard that the Cognyte Board 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 the Cognyte Board and, in specified circumstances, such as if the office holder is a director, is generally required to be approved by our shareholders.

We expect to enter 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 shareholder of ours, securities in that offering.

We also expect to obtain a directors' and officers' liability insurance policy with an aggregate coverage limit that will not exceed the greater of $ 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.D. EMPLOYEES

As of January 31, 2020, we employed approximately 2,100 professionals, including certain contractors, with approximately, 66%, 19%, 10% 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 works 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,		
	2020	2019	2018
	(full-time equivalents)		
Management and G&A	256	237	196
Product Delivery	190	171	144
Research & Development	1,010	988	700
Sales & Marketing	334	283	231
Service & Support	329	318	257
Total	**2,119**	**1,997**	**1,528**

6.E. SHARE OWNERSHIP

The following sets forth the total amount of Verint shares directly or indirectly owned by Cognyte's current directors and executive officers based on 65,400,173 Verint shares outstanding as of July 31, 2020.

Holder	Verint Shares	Percentage Ownership
Elad Sharon	40,441	*
David Abadi	21,469	*

* Less than 1%

All of the Cognyte shares are currently held by Verint. In the spin-off, each Verint shareholder will receive one Cognyte share for each Verint share they held as of the record date for the distribution. Accordingly, following the spin-off, each director and executive officer would own one Cognyte share for every Verint share held prior to the spin-off.

Share Incentive Plan

The following sets forth certain information with respect to the Cognyte share incentive plan that will be effective upon the consummation of the spin-off. 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 registration statement.

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

We expect to adopt a new 2021 share incentive plan (the "2021 Plan"), prior to the consummation of the spin-off, under which we will be able to grant equity-based incentive awards to attract, motivate and retain the talent for which we compete.

Subject to the terms and conditions of the 2021 Plan, the maximum number of shares available for issuance under the 2021 Plan will be equal to the sum of (i) 9,500,000 shares, plus (ii) such number of shares equal to the number of Verint shares that were issued upon the exercise or vesting of awards granted pursuant to the Verint Systems Inc. Amended and Restated 2015 Long-Term Stock Incentive Plan or Verint Systems Inc. 2019 Long-Term Stock Incentive Plan (collectively, the "Verint Plans") under Section 102 of the Israeli Tax Ordinance, and which Verint shares, as of the effectiveness of the consummation of the spin-off, are held by a trustee appointed in accordance with Section 102 of the Israeli Tax Ordinance, plus (iii) such number of shares that are underlying the awards originally granted to our employees under the Verint Plans that will be adjusted in accordance with the exchange ratio set forth in the Employee Matters Agreement and issued under the 2021 Plan upon the effectiveness of the spin-off (excluding any awards included in sub-clause (ii) above); provided, however, that no more than 5,000,000 shares may be issued upon the exercise of incentive stock options.

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 the Cognyte Board. 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 the Cognyte Board may provide for cancellation or forfeiture of all outstanding awards (whether vested or unvested).

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ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. MAJOR SHAREHOLDERS

The information below describes the beneficial ownership of our shares prior to and immediately after completion of the spin-off by each person or entity that we know beneficially owns or immediately following the spin-off will (based on the assumptions described below), beneficially own 5% or more of our shares.

We based the share amounts on such person's beneficial ownership of Verint shares on July 31, 2020 according to the Verint share register and certain ownership disclosure notifications received by Verint, giving effect to a distribution ratio of one Cognyte share for each Verint share held by such person as of the close of business on , 2021, the record date for the spin-off. Immediately following the spin-off, we estimate that approximately Cognyte shares will be issued and outstanding.

The following sets forth the beneficial ownership of Verint shares by each person or entity that we know beneficially owns 5% or more of our shares based on 65,400,173 Verint shares outstanding as of July 31, 2020.

Holder	Verint Shares	Cognyte Shares	Percentage Cognyte Ownership
The Vanguard Group, Inc.(1)	6,873,326	6,873,326	10.5%
BlackRock, Inc.(2)	4,904,623	4,904,623	7.5%
Apax Partners, L.P.(3)	3,738,317	—	—
Clal Insurance Enterprises Holdings Ltd.(4)	3,271,013	3,271,013	5.0%

(1) As reported in the Schedule 13G filed with the SEC on February 12, 2020 by The Vanguard Group, Inc. ("Vanguard"), Vanguard has sole voting power over 136,208 shares of Verint common stock, shared voting power over 12,734 shares of Verint common stock, sole dispositive power over 6,733,164 shares of Verint common stock, and shared dispositive power over 140,162 shares of Verint common stock.

(2) As reported in the Schedule 13G filed with the SEC on February 6, 2020 by BlackRock, Inc. ("BlackRock"), BlackRock has sole voting power over 4,765,539 shares of Verint common stock, and sole dispositive power over 4,904,623 shares of Verint common stock.

(3) Represents the number of Verint shares underlying 200,000 shares of Series A Convertible Perpetual Preferred Stock issued by Verint as of June 12, 2020, assuming a conversion price of $53.50. Under the terms of the Investment Agreement between Verint and the Apax Partners, L.P. affiliate that acted as the investor in such transaction (the "Apax Investor"), the convertible preferred stock held by the Apax Investor will not participate in the distribution of our shares in the spin-off transaction.

(4) As reported in the Schedule 13G filed with the SEC on April 6, 2020 by Clal Insurance Enterprises Holdings Ltd. ("Clal"), Clal has shared voting and dispositive power over 3,271,013 shares of Verint common stock, 64,550 shares of which are beneficially held for its own account, and 3,206,463 shares of which are held for members of the public through, among others, provident funds and/or pension funds and/or insurance policies, which are managed by subsidiaries of Clal, which subsidiaries operate under independent management and make independent voting and investment decisions.

To the extent our directors, officers and employees own Verint shares as of the close of business on the record date, they will participate in the spin-off on the same terms as other holders of Verint shares.

Except as otherwise noted, each person or entity identified above (including nominees) has sole voting and investment or dispositive power with respect to the securities they hold. Other than with respect to the rights of Verint's Series A Convertible Perpetual Preferred shareholders, Verint major shareholders do not have different voting rights from other shareholders.

Prior to the spin-off, 100% of our issued share capital is owned by Verint.

As of July 31, 2020, based on the Verint share register and excluding treasury shares, approximately 98.4% of our outstanding shares are expected to be held of record by residents of the United States immediately following the spin-off.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that such person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

We are not aware of any arrangement that may, at a subsequent date, result in a change of our control.

7.B. RELATED PARTY TRANSACTIONS

Agreements Between Verint and Us

Following the spin-off, we and Verint will operate separately, each as an independent public company. We will enter into a Separation and Distribution Agreement with Verint related to the separation and distribution, and we intend to enter 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 will govern the relationship between Verint and us subsequent to the completion of the spin-off and will provide for the separation of the assets, employees, liabilities and obligations (including investments, property and employee benefits and tax liabilities) of Verint and its subsidiaries that constitute the Cognyte Business and are attributable to periods prior to, at and after the separation. 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;
- a limited duration Transition Services Agreement;
- an Intellectual Property Cross License Agreement; and
- a Trademark Cross License Agreement.

The material agreements described below will be filed as exhibits to this Form 20-F by amendment and the summaries below set forth the terms of the agreements that we believe are material. These summaries are qualified in their entireties by reference to the full text of the applicable agreements, which are incorporated by reference into this Form 20-F.

The terms of the agreements described below that will be in effect following the spin-off have not yet been finalized. Changes to these agreements, some of which may be material, may be made prior to the spin-off.

Separation and Distribution Agreement

We will enter into the Separation and Distribution Agreement with Verint. The Separation and Distribution Agreement sets forth our agreements with Verint regarding the principal actions 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 to be effected prior to the distribution, the purpose of which is to ensure that, as at the time of the distribution, 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, 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).

The Separation and Distribution Agreement provides for when and how such transfers, assumptions and assignments will occur (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 continue to be held by the relevant transferor for the use, benefit or burden of, and at the cost of, the relevant transferee.

Conditions. The Separation and Distribution Agreement also provides that several conditions must be satisfied, or waived by Verint, before the spin-off can occur. For further information about these conditions, see "Item 4. Information on the Company—4.A. History and Development of the Company—The Spin-Off—Conditions to the Spin-Off."

The Distribution. The Separation and Distribution Agreement governs the rights and obligations of the parties with respect to the distribution and certain actions that must occur prior to the distribution. Verint will have sole and absolute discretion, to determine whether, when and on what basis to proceed with all or part of the distribution. On the distribution date, Verint will distribute to its shareholders that hold 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 provide 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 will make 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 will be transferred on an "as is," "where is" basis.

Release of Claims. We and Verint each agree 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 agree 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. Prior to the distribution, Verint will have the unilateral right to terminate the Separation and Distribution Agreement and all Ancillary Agreements at any time without our approval or consent. 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 will effect the Internal Transactions steps set forth in the schedules to the Separation and Distribution Agreement. We have not yet finalized the description of the Internal Transactions. Additional information regarding the Internal Transactions will be provided in subsequent amendments to this Form 20-F.

Tax Matters Agreement

On the date of the spin-off, we will enter into a tax matters agreement (the "Tax Matters Agreement") with Verint under which Verint and we each will 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, the Cognyte Business, 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. We and Verint will also 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 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

On the date of the spin-off, we will enter into an employee matters agreement (the "Employee Matters Agreement") with Verint which will set 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 will be that (i) we will 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 the Cognyte Business as of the date immediately prior to the termination of their employment ("former Cognyte employees") and (ii) Verint will assume (or retain) all such liabilities relating to all other current and former employees of the CES Group, in each case, regardless of when such liabilities arise.

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. As of the date of the spin-off, we will adopt or continue in effect our benefit plans that were in effect prior to the distribution date, including a new equity incentive plan, which will be adopted prior to the date of 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. As of the date of the spin-off, we will 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. As of the date of the spin-off, we will 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, will be separated into either (1) adjusted awards over Verint common stock for those employees who will remain with Verint, or (2) converted and adjusted awards over our common stock for those employees who will remain with us following the separation and distribution. Outstanding phantom awards tied to the value of Verint equity will receive the same treatment as the incentive equity awards described in the previous sentence but will be settled in cash.

Transition Services Agreement

On the date of the spin-off, we will enter into a transition services agreement (the "Transition Services Agreement") with Verint under which we and Verint will provide and/or make available various administrative services and assets to each other for a given period based on each individual service, with an option to extend certain services after the first year. In no case will services be provided for more than 24 months after the spin-off. Services to be provided by Verint to us will include certain services related to finance, accounting, business technology, human resources information systems, human resources, facilities, document management and record retention and technical support. Services to be provided by us to Verint will include certain services related to finance, accounting, legal, information technology, human resources and document management and record retention. In consideration for such services, we and Verint will each pay fees to the other for the services provided, and those fees will generally be in amounts intended to allow the party providing services to recover all of its direct and indirect costs incurred in providing those services, plus a standard markup, and subject to a mutually agreed upon increase following an extension of the initial service term. The fees charged for the first year of services will be fixed. Fees for services provided by third-party suppliers will be on a straight pass-through basis. The personnel performing services under the Transition Services Agreement will be employees and/or independent contractors of the party providing the service and will not be under the direction or control of the party to whom the service is being provided. Subject to certain exceptions, the liability of each party under the Transition Services Agreement for the services it provides will generally be limited to the aggregate fees paid or payable to such party in connection with the provision of such services. The Transition Services Agreement also provides that the provider of a service will not be liable to the recipient of such service for any special, indirect, punitive, incidental, or consequential damage, including loss of profits, diminution in value, business interruptions, and claims of customers. The Transition Services Agreement will also contain customary mutual indemnification provisions.

Intellectual Property Cross License Agreement

On the date of the spin-off, we will enter into an Intellectual Property Cross License Agreement with Verint under which each party and its affiliates will grant reciprocal licenses to the other party for certain patents and other non-trademark intellectual property ("patents and other IP"). The reciprocal licenses will 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

On the date of the spin-off, we will enter into a trademark cross license agreement (the "Trademark Cross License Agreement") with Verint under which Verint and its affiliates will grant to us, and we may sublicense to our affiliates, and we and our affiliates grant 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 will terminate at the end of the 12-month transition period that begins on the date of the spin-off. The Trademark Cross License Agreement may be terminated earlier than the 12-month transition period if the parties mutually agree to terminate it or a party terminates it for uncured breach by, or bankruptcy or insolvency of, the other party.

7.C. INTERESTS OF EXPERTS AND COUNSEL

Not Applicable.

ITEM 8. FINANCIAL INFORMATION

8.A. COMBINED STATEMENTS AND OTHER FINANCIAL INFORMATION

Please refer to pages F-1 through F-77 of this Form 20-F.

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. (formerly known as Verint Systems Limited or “VSL”) (Case Number 4186/09) and against our former affiliate Comverse Technology, Inc. (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 VSL 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: VSL, 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-subsidiary, 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 $150.0 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 we will enter into with Verint in connection with the spin-off, we will agree 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 VSL.

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 VSL 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, and the parties are waiting for further instructions or decisions from the Supreme Court.

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 will enter 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. Our liabilities in this regard are reflected on our historical Combined Balance Sheets as of January 31, 2020 and 2019. For more information, see "Item 7. Major Shareholders and Related Party Transactions—7.B. Related Party Transactions."

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

We are distributing our ordinary shares, no par value. Our shares do not have any price history.

9.B. PLAN OF DISTRIBUTION

Not Applicable.

9.C. MARKETS

It is expected that our shares will be listed for trading on NASDAQ under the symbol "CGNT" and the ISIN code IL0011691438 and CUSIP code M25133 105.

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

Upon consummation of the spin-off, our authorized share capital will consist of 300,000,000 ordinary shares, no par value, of which ordinary shares will be issued and outstanding. No additional shares will be issued in connection with this Form 20-F.

All of our outstanding shares have been validly issued, fully paid and non-assessable.

We currently have only one class of issued and outstanding shares, which have identical rights in all respects and rank equally with one another.

For further information on our shares, see "—Item 10.B. Memorandum and Articles of Association."

10.B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Set out below is a description of certain provisions of our Articles of Association that are relevant to your ownership of our shares, as well as related provisions of the Companies Law (as currently in effect). This description is only a summary and does not purport to be complete and is qualified by reference to the full text of the articles, which is incorporated by reference as an exhibit to this Form 20-F.

Purposes and Objects of Cognyte

We are a public company registered under the Companies Law as Cognyte Software Ltd. Our registration number with the Israeli Registrar of Companies is 516196425. Pursuant to our Articles of Association, our objective is to engage in any lawful activity as determined from time to time by the Cognyte Board.

Powers of the Directors

Under the provisions of the Companies Law and our Articles of Association, a director generally cannot participate in a meeting nor vote on a proposal, arrangement or contract in which he or she is personally interested. In addition, our directors generally cannot approve compensation for themselves or for any other directors without the prior approval of our Compensation Committee and subsequent approval of our shareholders at a general meeting. See "Item 6. Directors, Senior Management and Employees—6.C. Board Practices—Approval of Related Party Transactions Under Israeli Law."

The authority of our directors to enter into borrowing arrangements on our behalf is not limited, except in the same manner as any other transaction by us.

Under our Articles of Association, the retirement of directors from office is not triggered by any age threshold and our directors are not required to own shares in Cognyte in order to qualify to serve as directors.

Rights Attached to Shares

Our authorized share capital consists of 300,000,000 ordinary shares, no par value. The shares do not entitle their holders to preemptive rights.

Dividend Rights

Subject to any preferential, deferred or other rights or restrictions attached to any special class of shares with regard to dividends, the profits of Cognyte available for dividend and resolved to be distributed shall be applied in payment of dividends upon the shares of Cognyte in the same manner with respect to all of the shares granting

a right to receive dividends on the date that resolution is adopted (or on later date, as determined by the Cognyte Board). The Cognyte Board may declare dividends only out of profits legally available for distribution, in accordance with the provisions of the Companies Law.

The Cognyte Board is entitled to invest or utilize any unclaimed amount of dividend in any manner to our benefit until it is claimed. We are not obligated to pay interest or linkage on an unclaimed dividend.

Voting Rights

Holders of our shares have one vote for each Cognyte share held on all matters submitted to a vote of shareholders. Such voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future.

The Companies Law and our Articles of Association require that resolutions regarding the following matters must be passed at a general meeting of our shareholders:

- amendments to our Articles of Association;
- appointment or termination of our auditors;
- appointment of directors and appointment and dismissal of external directors;
- approval of acts and transactions involving related parties, as defined by the Companies Law or pursuant to our amended articles;
- director compensation;
- increases or reductions of our authorized share capital;
- a merger; and
- the exercise of the Cognyte Board's powers by a general meeting, if the Cognyte Board is unable to exercise its powers and the exercise of any of its powers is required for our proper management.

Rights to Share in Profits

Our shareholders have the right to share in our profits distributed as a dividend and any other permitted distribution.

Rights to Share in Surplus in the Event of Liquidation

In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of Cognyte shares in proportion to the nominal value of their holdings. This right 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.

Liability for Capital Calls by Us

Under our Articles of Association as well as the Companies Law, the liability of our shareholders is limited to the unpaid amount of the purchase price that such shareholder (or its predecessor) initially undertook to pay for the shares issued thereto.

Changing Rights Attached to Shares

The rights attached to any class of shares (unless otherwise provided by the terms of issuance of the shares of that class) may be modified via an approval at a separate meeting of the holders of the shares of just that class by a majority of the voting rights of such class represented at the meeting in person or by proxy and voting thereon.

Under our Articles of Association, unless otherwise provided by the conditions of issuance, the enlargement of an existing class of shares, or the issuance of additional shares thereof, shall not be deemed to modify or abrogate the rights attached to the previously issued shares of such class or of any other class.

Shareholders Meetings

The Companies Law and our Articles of Association provide that the Cognyte Board must convene an annual meeting of shareholders at least once every calendar year, within fifteen months of the last annual meeting. An extraordinary meeting of shareholders may be convened by the Cognyte Board, as it decides, and must be convened upon the written request of (i) any two of our directors or one-quarter of the Cognyte Board or (ii) due to a request by a 5% shareholder, as described under "—Shareholder Proposals" below. Under the Companies Law and our Articles of Association, our shareholders are not permitted to take action via written consent in lieu of a meeting.

Shareholder Proposals

The Companies Law generally allows shareholders who hold at least 1% of the outstanding shares of a public company to submit (a) a proposal for inclusion on the agenda of a general meeting of the company's shareholders, or (b) the nomination of a candidate for director for an upcoming annual general meeting of shareholders. Such a submission must be made (together with certain documentation required under the Companies Law and our Articles of Association) to our registered executive offices in Israel 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).

Under the Companies Law, shareholders who hold at least 5% of the outstanding shares of our company may furthermore request the convening of an extraordinary meeting of shareholders.

Notice of Meeting; Record Date

In accordance with our Articles of Association, shareholders meetings require notice in the manner prescribed by the Companies Law. Under the Companies Law, shareholders meetings generally require prior notice of not less than 21 days or, with respect to appointment or removal of directors, the approval of transactions with office holders or interested or related parties, or an approval of a merger, not less than 35 days. Subject to the provisions of the Companies Law and the regulations promulgated thereunder, shareholders that will be entitled to participate and vote at general meetings are the shareholders of record on a date decided by the Cognyte Board, which may be between four and 40 days prior to the date of the meeting.

Quorum Requirements

The quorum required at any meeting of shareholders consists of at least two shareholders present in person or represented by proxy, within half an hour from the time appointed for holding the meeting, who hold or represent, in the aggregate, at least 25% of the total voting rights in Cognyte. A meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place or any time and place as the directors designate in a notice to the shareholders. At such adjourned meeting, any two shareholders present in person or by proxy shall constitute a quorum.

Vote Requirements

Under our Articles of Association, all shareholder resolutions require approval by a majority of the voting rights represented at the meeting in person or by proxy and voting thereon, except for (i) the election of director nominees in a contested election (for which the method of calculation of the votes and the manner in which the resolutions will be presented to the meeting will be determined by the Cognyte Board in its discretion), (ii) the

removal of a director (which requires approval by at least 65% of the voting power of our issued and outstanding shares) (other than an external director, if we are then required to elect external directors) and (iii) an amendment to our Articles of Association that modifies any of (a) our staggered board structure, (b) the authorized range of number of directors on the Cognyte Board, (c) the Cognyte Board's exclusive right to fill vacancies on the board or to delegate that right to our shareholders, (d) the special majority of 65% of our outstanding shares required for the removal of a director or (e) the Cognyte Board's discretion to determine the method of calculation of the votes and the manner in which the election of directors is handled in the event of a contested election, which in each case requires a special majority of at least 65% of the voting power of our issued and outstanding shares.

Further exceptions to the simple majority vote requirement under the Companies Law are the approval of the compensation terms of the chief executive officer and the approval of the simultaneous service of one individual as both the chief executive officer and chairman of the board (for up to three years at a time), which require a special majority of disinterested, non-controlling shareholders, and 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 holders of 75% of the voting rights represented at the meeting, in person or by proxy and voting on the resolution.

Election of Directors

Pursuant to our Articles of Association, our directors are divided into three classes that are elected on a staggered basis, over the course of three years, at our annual general meetings of shareholders, by a vote of the holders of a majority of the voting power represented and voting at such meeting. In the case of a contested election of directors at our annual meeting, 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 the Cognyte Board in its discretion. For additional details regarding the election of our directors, see "Item 6. Directors, Senior Management and Employees—6.C. Board Practices—Board Structure."

Provisions Restricting Change in Control of Our Company

Articles of Association Antitakeover Provisions

Certain provisions of our Articles of Association would have an effect of delaying, deferring or preventing a change in control of Cognyte. Those provisions include: the classified manner in which our directors are elected; the required approval by the holders of at least 65% of the total voting power of our shareholders to remove any of our directors from office; the provision that a vacancy on the Cognyte Board may only be filled by a vote of a simple majority of the directors then in office, or, if determined by the board, by our shareholders; and the special majority of at least 65% of the voting power of our issued and outstanding shares required for certain amendments to the Articles of Association (as described under "—Vote Requirements" above. Beyond those provisions of our Articles of Association, certain provisions of the Companies Law may also have the effect of preventing a takeover of Cognyte.

Merger Approval

The Companies Law includes provisions that allow a merger transaction and requires that each company that is a party to the merger have the transaction approved by its board of directors and a vote of the majority of its shares. For purposes of the shareholder vote of each party, unless a court rules otherwise, the merger requires approval by shares representing a majority of the voting power present at the shareholders meeting and which are not held by the other party to the merger (or by any person who holds 25% or more of the voting power or the right to appoint 25% or more of the directors of the other party). 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. In addition, a merger may not be completed unless at least (1) 50 days have passed from the time

that the requisite proposals for approval of the merger were filed with the Israeli Registrar of Companies by each merging company and (2) 30 days have passed since the merger was approved by the shareholders of each merging company.

Special Tender Offer

The Companies Law also provides that an acquisition of shares in a public company must be made by means of a "special" tender offer if as a result of the acquisition (1) the purchaser would become a 25% or greater shareholder of the company, unless there is already another 25% or greater shareholder of the company or (2) the purchaser would become a holder of more than 45% of the outstanding shares of the company, unless there is already a shareholder holding more than 45% of the outstanding shares of the company. These requirements do not apply if, in general, the acquisition (1) was made in a private placement that received shareholder approval, (2) was from a 25% or greater shareholder of the company which resulted in the acquirer becoming a 25% or greater shareholder of the company, or (3) was from a holder of more than 45% of the outstanding shares of the company which resulted in the acquirer becoming a holder of more than 45% of the outstanding shares of the company. A "special" tender offer must be extended to all shareholders, but the offeror is not required to purchase more than 5% of the company's outstanding shares, regardless of how many shares are tendered by shareholders. In general, the tender offer may be consummated only if (1) at least 5% of the company's outstanding shares will be acquired by the offeror and (2) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

Full Tender Offer

If, as a result of an acquisition of shares, the acquirer will hold more than 90% of a company's outstanding shares, the acquisition must be made by means of a tender offer for all of the outstanding shares. In general, if less than 5% of the outstanding shares are not tendered in the tender offer and more than half of the offerees who have no personal interest in the offer tendered their shares, all the shares that the acquirer offered to purchase will be transferred to it. Shareholders may request appraisal rights in connection with a full tender offer for a period of six months following the consummation of the tender offer, but the acquirer is entitled to stipulate that tendering shareholders will forfeit such appraisal rights.

Israeli Tax Provisions Related to Mergers

Israeli tax law treats some acquisitions, such as stock-for-stock exchanges between an Israeli company and a foreign company, less favorably than U.S. tax laws. For example, Israeli tax law may, under certain circumstances, subject a shareholder who exchanges his or her shares for shares in another corporation to taxation prior to the sale of the shares received in such stock-for-stock swap.

Changes in Our Capital

Changes in our capital, such as an increase of authorized share capital or creation of another class of shares, are subject to the approval of the shareholders by a simple majority. See "—Shareholders Meetings" above.

Private Placements

The Companies Law requires that certain types of significant private placements require the approval of the board of directors and the shareholders of the company. Under regulations that apply to a company such as Cognyte whose shares will be traded on NASDAQ, we will not be required to obtain those approvals. We have also elected, as an FPI, not to be governed by the NASDAQ listing rules that require shareholder approval for certain types of significant private placements, including private placements of shares which (together with shares sold by our officers, directors or 5% shareholders) exceed 20% or more of the number of our outstanding shares, at a price that is lower than the lower of (i) the previous day's closing price or (ii) the average closing price for the five trading days immediately preceding the private placement.

We will, however, be required under the Companies Law to seek shareholder approval for private placements with an existing controlling shareholder or that transform an existing shareholder into a 25% or greater-than-45% shareholder (when there are no existing 25% or greater-than-45% shareholders).

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 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. 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 certain U.S. federal income tax considerations relating to the distribution of our shares in connection with the spin-off to U.S. Holders (as defined below). This summary applies only to U.S. Holders that hold our shares as capital assets (generally, property held for investment) and that have the U.S. dollar as their functional currency.

This summary is based on the Code, 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. This summary does not purport to be a complete description of the consequences of the transactions described in this registration statement, 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-exempt entities;
- banks and other financial institutions;
- real estate investment companies and regulated investment companies;
- U.S. expatriates;
- broker-dealers;
- partnerships (or other entities classified as partnerships for U.S. federal income tax purposes) and other pass-through entities and persons that hold our shares through partnerships (or other entities classified as pass-through entities for U.S. federal income tax purposes);
- a U.S. Holder that owns shares through a non-U.S. broker or other non-U.S. intermediary;
- holders whose functional currency is not the U.S. dollar;
- persons that actually or constructively own 10% or more of the total combined voting power of all classes of our voting stock;
- 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,” “conversion,” or other risk reduction transaction for U.S. federal income tax purposes; 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 taxable as a partnership for U.S. federal income tax purposes) holds our shares, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership 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 DISTRIBUTION 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.

Tax Ruling and Tax Opinion

Verint has obtained a U.S. Tax Ruling 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 expects to obtain a 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. However, the U.S. Tax Ruling may not be relied on if any of the facts or representations upon which such ruling is based are incorrect, incomplete or inaccurate in any material respect and the Tax Opinion may not be relied on if any of the facts, assumptions, representations or covenants upon which such ruling and opinion are based are incorrect, incomplete or inaccurate or are violated in any material respect.

The U.S. Tax Ruling is based on the facts and representations made by Verint regarding the past and future conduct of Verint's and our businesses and other matters. As such, the U.S. Tax Ruling will be generally binding on the IRS unless (1) the transaction is not effectuated consistent with the description in the U.S. Tax Ruling, or (2) the facts, and representations made by Verint about Verint's and our businesses and other matters are incorrect or not otherwise satisfied. In such case, Verint may not be able to rely on the U.S. Tax Ruling. Further, the U.S. Tax Ruling will only cover certain aspects of the transaction's qualification under Section 355 of the Code, and cannot be relied upon as with respect to the tax consequences of any aspect of any transaction or item discussed or referenced except as expressly provided in the U.S. Tax Ruling. 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 we intend to enter 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."

Similarly, the Tax Opinion will be based on the facts, assumptions, representations, and covenants made by Verint. As such, if any of those facts, assumptions, representations, and covenants change, are incorrect or are not otherwise satisfied, the analysis in the Tax Opinion may not be relied upon. The Tax Opinion will not be binding on the IRS or on any court, and there can be no assurance that the IRS will not take, or a court will not affirm, a contrary position.

Section 7874 Rules Regarding Residency of a Corporation

Entities organized outside of the United States would generally be classified as non-U.S. corporations or partnerships, and therefore as non-U.S. tax residents, under the general rules of U.S. federal income taxation. However, Section 7874 of the Code may cause a corporation organized outside the United States to be treated as a U.S. corporation for U.S. federal income tax purposes (and, therefore, taxable in the United States) unless one or more exceptions apply. Pursuant to Section 7874 of the Code, even though we are organized as an Israeli limited company, Cognyte is expected to be treated as a U.S. domestic corporation (that is, as a U.S. tax resident) for all purposes of the Code and thus subject to tax as if it were a U.S. domestic corporation for U.S. federal income tax purposes. As a result, Cognyte is subject to U.S. federal income tax on substantially all its income.

Under section 7874 of the Code, a corporation and certain partnerships created or organized outside the U.S. (each such, a "Non-U.S. Entity") will nevertheless be treated as a U.S. corporation for U.S. federal income tax purposes (and, therefore, a U.S. tax resident and subject to U.S. federal income tax on its worldwide income) if each of the following three conditions are met:

- The Non-U.S. Entity acquires, directly or indirectly, substantially all of the assets held, directly or indirectly, or is treated as acquiring under the applicable Treasury Regulations, by a U.S. corporation;

- After the acquisition, the former stockholders of the acquired U.S. corporation hold at least 80% (by vote or value) of the shares of the Non-U.S. Entity by reason of holding shares of the U.S. acquired corporation (the "80% Ownership Test"); and
- After the acquisition, the Non-U.S. Entity's expanded affiliated group does not have substantial business activities in the Non-U.S. Entity's country of organization or incorporation when compared to the expanded affiliated group's total business activities (the "Substantial Business Activities Test").

For this purpose, "expanded affiliated group" means a group of corporations where (i) the Non-U.S. Entity owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an "expanded affiliated group" includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership.

For the Substantial Business Activities Test, Treasury Regulations section 1.7874-3 provides that an expanded affiliated group will be treated as having substantial business activities in the relevant foreign country when compared to its total business activities if, in general, at least 25% of the expanded affiliated group's employees (by number and compensation), asset value and gross income are based, located and derived, respectively, in the relevant foreign country. Specifically, (i) the number of "group employees" (generally, individuals employed by members of the group) based in the relevant foreign country must be at least 25% of the total number of group employees on the "applicable date," which is either the date of the closing of the transaction or the last day of the month immediately preceding the closing of the transaction (to be applied consistently for purposes of the Substantial Business Activities Test), (ii) the "employee compensation" (generally, amounts incurred directly relating to services performed by employees) incurred with respect to group employees based in the relevant foreign country must be at least 25% of the total employee compensation incurred with respect to all group employees during the "testing period," which is the one-year period ending on the applicable date (as described in clause (i) above), (iii) the value of the "group assets" (generally, tangible and real property, including certain leases thereof, used in trade or business) located in the relevant foreign country must be at least 25% of the total value of all group assets on the applicable date, and (iv) the "group income" (generally, gross income from unrelated customers) derived in the relevant foreign country must be at least 25% of the total group income during the testing period.

We believe that, as a result of the separation and distribution, Cognyte should satisfy all three Section 7874's conditions (i.e., (1) acquisition by a non-U.S. Entity of substantially all of the assets of a U.S. corporation or an entity treated as a U.S. corporation for U.S. federal tax purposes, (2) satisfaction of the 80% Ownership Test, and (3) failure of the Substantial Business Activities Test). The U.S. Tax Ruling received by Verint provides that Cognyte will be treated as a domestic corporation for U.S. federal income tax purposes under Section 7874 of the Code. Therefore, Section 7874 of the Code will apply to us. Because we will be treated as a U.S. corporation for U.S. federal income tax purposes, we will be subject to U.S. corporate income tax on our worldwide income and the income of our non-U.S. subsidiaries would be subject to U.S. tax when deemed recognized under the U.S. federal income tax rules for controlled foreign subsidiaries.

U.S. Holders

In General

Assuming that the distribution will qualify as tax-free to Verint and to Verint shareholders under Section 355 of the Code, in general:

- No gain or loss will be recognized by, and no amount will be included in the income of, U.S. Holders of Verint common stock upon the receipt of our common stock in the transaction;
- The aggregate tax basis of the shares of our common stock distributed to a U.S. Holder in the transaction will be determined by allocating the aggregate tax basis such U.S. Holder has in the shares

of Verint common stock immediately before such distribution between such Verint common stock and our common stock in proportion to the relative fair market value of each immediately following the distribution;

- The holding period of any shares of our common stock received by a U.S. Holder of Verint common stock in the distribution will include the holding period of the Verint common stock held by such U.S. Holder prior to the distribution; and

U.S. Holders that have acquired different blocks of Verint common stock at different times or at different prices should consult their tax advisors regarding the allocation of their aggregate tax basis in, and the holding period of, our common stock distributed with respect to such blocks of Verint common stock.

In general, even if the distribution were to otherwise qualify as tax-free under Section 355 of the Code, the distribution will be taxable to Verint under Section 355(e) of the Code if 50% or more of either the total voting power or the total fair market value of the stock of Verint or our common stock is acquired as part of a plan or series of related transactions that includes this distribution. For this purpose, any acquisitions of Verint's or our common stock within the period beginning two years before the distribution and ending two years after the distribution are presumed to be part of such a plan, although Verint may be able to rebut that presumption. If Section 355(e) of the Code applies as a result of such acquisition, Verint will recognize taxable gain as described above, but the distribution will still qualify as tax-free to Verint's and our shareholders.

Information Reporting

U.S. Treasury regulations generally require U.S. Holders who own at least 5% of the total outstanding stock of Verint (by vote or value) and who receive our common stock pursuant to the distribution to attach to their U.S. federal income tax return for the year in which the distribution occurs a detailed statement setting forth certain information relating to the generally tax-free nature of the distribution. Verint and/or we will provide the appropriate information to each U.S. Holder upon request, and each such U.S. Holder is required to retain permanent records of this information.

Material Israeli Tax Considerations

We describe below some Israeli tax consequences to persons owning our shares. This summary does not discuss all aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or certain types of investors subject to special treatment under Israeli law. 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, all of whom are subject to special tax regimes not covered in this discussion. Some parts of this discussion are based on tax legislation which has not been subject to judicial or administrative interpretation. The discussion should not be construed as legal or professional tax advice and does not cover all possible tax considerations.

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 disposal of assets by an Israeli resident, and on the disposal of such assets by a non-Israel resident if 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 to assets located in Israel, unless a tax treaty between Israel and the seller's country of

residence provides otherwise. 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 between the date of purchase and the date of disposal.

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 of 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, 10% or more of one of the Israeli resident company’s means of control) at the time of sale or at any time during the preceding twelve (12) months period and/or claims a deduction for interest and linkage differences expenses in connection with the purchase and holding of such shares, such gain will be taxed at the rate of 30%.

The Real Capital Gain derived by corporations will be generally subject to the ordinary corporate tax (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 2020).

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: (i) the shares were purchased upon or after Verint was listed for trading on NASDAQ (this condition will not apply to shares purchased on or after January 1, 2009), provided, among other things (ii) such gains were not derived from a permanent business or business activity that the non-Israeli resident maintains in Israel, and (iii) neither such shareholders nor the particular gain are not subject to the Israeli Income Tax Law (Inflationary Adjustments) 5745-1985 (this condition will not apply to shares purchased on or after January 1, 2009). 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. However, non-Israeli corporations will not be entitled to the foregoing exemptions if an Israeli resident (i) has a controlling interest of more than 25% in such non-Israeli corporation or (ii) is the beneficiary of or is entitled to 25% or more of the revenue or profits of such non-Israeli corporation, whether directly or indirectly.

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, 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 the twelve-month period preceding such sale, 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 in the taxable year; (iii) the capital gain from the sale, exchange or disposition was not derived through a permanent establishment that the U.S. resident maintains in Israel; (iv) the capital gains arising from such sale, exchange or disposition is not attributed to real estate located in Israel or (v) the capital gains arising from such sale, exchange or 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 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 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 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% in respect of an individual, or at a rate of corporate tax, in respect of a corporation (23% currently).

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. 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 Preferred 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 distribution or at any time during the preceding twelve-month period.

Distribution of dividends from income attributed to a Beneficial Enterprise is generally subject to a tax rate of 15% and a distribution of dividend from income attributed to a Preferred Enterprise is generally subject to a tax rate of 20%. We cannot assure you that we will designate the profits that we may distribute in a way that will reduce shareholders’ tax liability. If the recipient of the dividend is an Israeli resident corporation, such dividend will be exempt from income tax, provided the income from which such dividend is distributed was derived or accrued within Israel and is not attributed to exempt profits of a Beneficial Enterprise.

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” 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 Treaty U.S. Resident: (i) if the Treaty U.S. Resident is a corporation which holds during that portion of the 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 voting shares 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 tax rate of withholding is 12.5% and could be 15% if the dividend is distributed by 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 Treaty 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 withheld, subject to detailed rules contained in 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).

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 651,600 for 2020 which amount is linked to the annual change in the Israeli consumer price index), 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

We have never declared or paid cash dividends to our shareholders. Currently, we do not intend to pay cash dividends. We intend to reinvest any earnings in developing and expanding our business. Any future determination relating to our dividend policy will be at the discretion of the Cognyte Board and will depend on a number of factors, including future earnings, our financial condition, operating results, contractual restrictions, capital requirements, business prospects, applicable Israeli law and other factors that the Cognyte Board may deem relevant. Accordingly, we have not appointed any paying agent.

10.G. STATEMENT BY EXPERTS

The combined financial statements of the Cognyte Business of Verint Systems Inc. as of January 31, 2020 and 2019 and for the years then ended have been audited by Deloitte & Touche LLP, independent registered public accounting firm, as stated in their report appearing herein.

10.H. DOCUMENTS ON DISPLAY

Any statement in this Form 20-F about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to the Form 20-F, the contract or document is deemed to modify the description contained in this Form 20-F. You must review the exhibits themselves for a complete description of the contract or document.

Upon completion of the spin-off, we will become subject to the informational requirements of the Exchange Act. Accordingly, we will be required to file reports and other information with the SEC, including annual reports on Form 20-F and periodic reports on Form 6-K. 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*. In addition, as of the first day of listing of our shares on NASDAQ, 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, which will be operational at or prior to the spin-off. The information that will be contained on our website is not a part of this Form 20-F.

As an FPI, we will be exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are

exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we intend to furnish or make available to our shareholders annual reports containing our combined financial statements prepared in accordance with GAAP. Our annual report will contain an "Operating and Financial Review and Prospects" section for the relevant periods.

10.I. SUBSIDIARY INFORMATION

Not Applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 13. Derivative Financial Instruments" on pages F-40 to F-41 of our combined financial statements and "Note 12. Derivative Financial Instruments" on pages F-72 to F-74 of our condensed combined 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

Not Applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not Applicable.

ITEM 15. CONTROLS AND PROCEDURES

Not Applicable.

ITEM 16. [RESERVED]

Not Applicable.

16.A. AUDIT COMMITTEE AND FINANCIAL EXPERT

Not Applicable.

16.B. CODE OF ETHICS

Not Applicable.

16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Not Applicable.

16.D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not Applicable.

16.E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not Applicable.

16.F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

None.

16.G. CORPORATE GOVERNANCE

Not Applicable.

16.H. MINE SAFETY DISCLOSURE

Not Applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Historical Combined Financial Statements

Please refer to pages F-1 through F-77 of this Form 20-F.

Unaudited Pro Forma Combined Financial Information

Please refer to pages 18 through 24 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
1.1	Articles of Association of Cognyte Software Ltd.
2.1	Specimen of Share Certificate for Cognyte's Ordinary Shares
2.2	Form of Separation and Distribution Agreement*
4.1	Form of Tax Matters Agreement*
4.2	Form of Employee Matters Agreement*
4.3	Form of Transition Services Agreement*
4.4	Form of Intellectual Property Cross License Agreement*
4.5	Form of Trademark Cross License Agreement*
4.6	Form of Cognyte Software Ltd. 2021 Share Incentive Plan
4.7	Form of Indemnification Agreement
4.8	Form of Compensation Policy for Executive Officers and Directors*
8.1	List of Subsidiaries
15.1	Consent of Deloitte & Touche LLP

* To be provided by amendment.

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 registration statement on its behalf.

COGNYTE SOFTWARE LTD.

By: /s/ Ziv Levi
Name: Ziv Levi
Title: Authorized Representative

By: /s/ David Abadi
Name: David Abadi
Title: Authorized Representative

Date: December 22, 2020

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Verint Systems Inc.
Melville, New York

Opinion on the Financial Statements

We have audited the accompanying combined balance sheets of the Cognyte Business of Verint Systems Inc. and subsidiaries (the "Company") as of January 31, 2020 and 2019, and the related combined statements of operations, comprehensive income, equity, and cash flows for each of the two years in the period ended January 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2020 and 2019, and the results of their operations and their cash flows for each of the two years in the period ended January 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

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 Public Company Accounting Oversight Board (United States) (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 combined financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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.

Emphasis of a Matter

As described in Note 1 to the combined financial statements, the accompanying combined financial statements have been derived from the separate records maintained by Verint Systems Inc. The combined financial statements also include expense allocations for certain corporate functions historically provided by Verint Systems Inc. These allocations may not be reflective of the actual expenses that would have been incurred had the Company operated as a separate entity apart from Verint Systems Inc. A summary of transactions with related parties is included in Note 3 to the combined financial statements.

/s/ DELOITTE & TOUCHE LLP

New York, New York
September 24, 2020

We have served as the Company's auditor since 2020.

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Cognyte Business of Verint Systems Inc.
Combined Balance Sheets

(in thousands)	January 31, 2020	2019
Assets		
Current Assets:		
Cash and cash equivalents	$ 201,090	$ 240,192
Restricted cash and cash equivalents, and restricted bank time deposits	43,813	42,262
Short-term investments	6,603	31,061
Accounts receivable, net of allowance for doubtful accounts of $4.1 million and $2.9 million, respectively	180,441	156,262
Contract assets	28,873	46,559
Inventories	14,893	16,750
Prepaid expenses and other current assets	36,486	36,458
Total current assets	**512,199**	**569,544**
Property and equipment, net	41,579	34,761
Operating lease right-of-use assets	34,152	—
Goodwill	158,143	147,154
Intangible assets, net	7,868	6,445
Deferred income taxes	2,015	7,503
Other assets	49,155	39,940
Total assets	**$ 805,111**	**$ 805,347**
Liabilities and Equity		
Current Liabilities:		
Accounts payable	$ 43,389	$ 45,719
Accrued expenses and other current liabilities	85,947	69,917
Contract liabilities	143,695	139,753
Current maturities of note to parent	7,025	13,025
Total current liabilities	**280,056**	**268,414**
Long-term contract liabilities	23,305	17,767
Operating lease liabilities	24,446	—
Deferred income taxes	4,732	3,207
Other liabilities	17,401	40,641
Total liabilities	**349,940**	**330,029**
Commitments and Contingencies		
Equity:		
Net parent investment	458,467	481,069
Accumulated other comprehensive loss	(13,923)	(13,462)
Total Cognyte Business of Verint Systems Inc. equity	**444,544**	**467,607**
Noncontrolling interest	10,627	7,711
Total equity	**455,171**	**475,318**
Total liabilities and equity	**$ 805,111**	**$ 805,347**

See notes to combined financial statements.

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Cognyte Business of Verint Systems Inc.
Combined Statements of Operations

(in thousands)	Year Ended January 31, 2020	2019
Revenue:		
Software	$ 201,487	$ 191,062
Software service	171,866	158,146
Professional service and other	83,756	84,252
Total revenue	**457,109**	**433,460**
Cost of revenue:		
Software	36,071	34,144
Software service	45,012	51,237
Professional service and other	80,517	83,975
Amortization of acquired technology	2,405	7,416
Total cost of revenue	**164,005**	**176,772**
Gross profit	**293,104**	**256,688**
Operating expenses:		
Research and development, net	111,297	100,006
Selling, general and administrative	153,901	137,342
Amortization of other acquired intangible assets	593	651
Total operating expenses	**265,791**	**237,999**
Operating income	**27,313**	**18,689**
Other income (expense), net:		
Interest income	3,509	3,165
Interest expense	(481)	(499)
Other expense, net	(404)	(1,414)
Total other income, net	**2,624**	**1,252**
Income before provision for income taxes	**29,937**	**19,941**
Provision for income taxes	2,567	7,620
Net income	**27,370**	**12,321**
Net income attributable to noncontrolling interest	7,179	3,593
Net income attributable to Cognyte Business of Verint Systems Inc.	**$ 20,191**	**$ 8,728**

See notes to combined financial statements.

Cognyte Business of Verint Systems Inc.
Combined Statements of Comprehensive Income

	Year Ended January 31,	
(in thousands)	**2020**	**2019**
Net income	**$ 27,370**	**$ 12,321**
Other comprehensive loss, net of reclassification adjustments:		
Foreign currency translation adjustments	(1,876)	(1,549)
Net increase (decrease) from foreign exchange contracts designated as hedges	1,561	(3,935)
(Provision) benefit for income taxes on net (decrease) increase from foreign exchange contracts designated as hedges	(156)	393
Other comprehensive loss	**(471)**	**(5,091)**
Comprehensive income	**26,899**	**7,230**
Comprehensive income attributable to noncontrolling interest	7,169	3,537
Comprehensive income attributable to Cognyte Business of Verint Systems Inc.	**$ 19,730**	**$ 3,693**

See notes to combined financial statements.

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Cognyte Business of Verint Systems Inc.
Combined Statements of Equity

(in thousands)	Net Parent Investment	Accumulated Other Comprehensive Loss	Total Cognyte Business of Verint Systems Inc. Equity	Noncontrolling Interest	Total Equity
Balances as of February 1, 2018	**$430,788**	**$ (8,427)**	**$ 422,361**	**$ 8,583**	**$ 430,944**
Cumulative effect of adoption of ASU No. 2014-09	9,147	—	9,147	—	**9,147**
Adjusted balances, beginning of period	**439,935**	**(8,427)**	**431,508**	**8,583**	**440,091**
Net income	8,728	—	8,728	3,593	**12,321**
Other comprehensive loss	—	(5,035)	(5,035)	(56)	**(5,091)**
Dividends to noncontrolling interest	—	—	—	(4,409)	**(4,409)**
Net transfers from parent	32,406	—	32,406	—	**32,406**
Balances as of January 31, 2019	**481,069**	**(13,462)**	**467,607**	**7,711**	**475,318**
Net income	20,191	—	20,191	7,179	**27,370**
Other comprehensive loss	—	(461)	(461)	(10)	**(471)**
Dividends to noncontrolling interest	—	—	—	(4,253)	**(4,253)**
Net transfers to parent	(42,793)	—	(42,793)	—	**(42,793)**
Balances as of January 31, 2020	**$458,467**	**$ (13,923)**	**$ 444,544**	**$ 10,627**	**$ 455,171**

See notes to combined financial statements.

Cognyte Business of Verint Systems Inc.
Combined Statements of Cash Flows

(in thousands)	Year Ended January 31, 2020	2019
Cash flows from operating activities:		
Net income	$ 27,370	$ 12,321
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,325	21,021
Provision for doubtful accounts	1,355	1,937
Stock-based compensation, excluding cash-settled awards	31,028	25,536
Provision for deferred income taxes	5,603	9,003
Non-cash gains on derivative financial instruments, net	(395)	(726)
Other non-cash items, net	(3,645)	(3,792)
Changes in operating assets and liabilities, net of effects of business combinations:		
Accounts receivable	(24,140)	(44,137)
Contract assets	17,658	21,621
Inventories	(392)	(3,616)
Prepaid expenses and other assets	7,032	1,556
Accounts payable and accrued expenses	1,307	(7,750)
Contract liabilities	9,321	29,998
Other liabilities	(20,847)	(10,202)
Other, net	(1,394)	965
Net cash provided by operating activities	**67,186**	**53,735**
Cash flows from investing activities:		
Cash paid for business combinations, including adjustments, net of cash acquired	(18,693)	(3,811)
Purchases of property and equipment	(13,691)	(9,923)
Purchases of investments	(29,099)	(57,735)
Maturities and sales of investments	53,527	28,243
Settlements of derivative financial instruments not designated as hedges	212	126
Cash paid for capitalized software development costs	(7,638)	(2,687)
Change in restricted bank time deposits, including long-term portion	(14,159)	(21,773)
Other investing activities	—	(779)
Net cash used in investing activities	**(29,541)**	**(68,339)**
Cash flows from financing activities:		
Net transfers (to) from parent	(72,057)	6,538
Proceeds from parent borrowings	—	7,025
Repayments of parent borrowings	(6,000)	(1,000)
Dividends paid to noncontrolling interest	(4,253)	(4,409)
Payments of contingent consideration for business combinations (financing portion)	(3,419)	(2,016)
Other financing activities	(244)	(81)
Net cash (used in) provided by financing activities	**(85,973)**	**6,057**
Foreign currency effects on cash, cash equivalents, restricted cash, and restricted cash equivalents	(985)	(544)
Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents	**(49,313)**	**(9,091)**
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of year	**282,722**	**291,813**
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of year	**$233,409**	**$ 282,722**
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period to the combined balance sheets:		
Cash and cash equivalents	$201,090	$ 240,192
Restricted cash and cash equivalents included in restricted cash and cash equivalents, and restricted bank time deposits	24,513	40,152
Restricted cash and cash equivalents included in other assets	7,806	2,378
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	**$233,409**	**$ 282,722**

See notes to combined financial statements.

Cognyte Business of Verint Systems Inc.
Notes to Combined Financial Statements

1. ORGANIZATION, OPERATIONS AND BASIS OF PRESENTATION

Background

On December 4, 2019, Verint announced plans to separate into two independent companies: Cognyte Software Ltd. (the "Company," "Cognyte," "we," "us" and "our"), which will consist of its Cyber Intelligence Solutions™ business (referred to herein as the "Cognyte Business of Verint Systems Inc.") and Verint Systems Inc. ("Verint"), which will consist of its Customer Engagement Business. To implement the separation, pursuant to the Separation and Distribution Agreement that Verint will enter into with us prior to the spin-off transaction ("the Spin-off"), Verint will first transfer the Canadian portion of its Cyber Intelligence Solutions business to us and will enter into a binding agreement to transfer the remainder of its Cyber Intelligence Solutions business to us, will subsequently distribute all of our shares held by Verint to Verint shareholders, pro rata to their respective holdings, and immediately thereafter Verint will transfer the remainder of its Cyber Intelligence Solutions business to us pursuant to the binding commitment. The distribution is intended to be tax-free to Verint shareholders. Verint and Cognyte for U.S. federal and Israeli income tax purposes. The distribution and certain internal transactions, which are part of the spin-off and the separation, are intended to be tax-free to Verint shareholders, Verint and Cognyte for Israeli income tax purposes under the Israeli Tax Ruling. Certain other internal transactions not covered by the Israeli Tax Ruling should also not result in any tax liabilities in Israel. In connection with the Spin-off, Verint is being treated as the accounting spinnor, consistent with the legal form of the transaction.

We expect the transaction to be completed during the Company's first quarter of fiscal year 2022. The completion of the Spin-off is subject to certain conditions, including effectiveness of the appropriate filings with the Securities and Exchange Commission ("SEC") and final approval by Verint's Board of Directors. There are no assurances as to when the planned Spin-off will be completed, if at all.

Description of Business

Cognyte is a global provider in security analytics software that empowers governments and enterprises with Actionable Intelligence for a safer world. Our open software fuses, analyzes and visualizes disparate data sets at scale to help security organizations find the needles in the haystacks. Over 1,000 government and enterprise customers in more than 100 countries rely on Cognyte's solutions to accelerate security investigations and connect the dots to identify, neutralize, and prevent national security, personal safety, business continuity and cyber threats.

Basis of Presentation

The Company has not published stand-alone financial statements in the past. As a result, these combined financial statements reflect the historical financial position, results of operations and cash flows of the Company for the periods presented as historically managed within Verint. The combined financial statements have been derived (carved-out) from the consolidated financial statements and accounting records of Verint and have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP").

The primary basis for presenting consolidated financial statements is when one entity has a controlling financial interest in another entity. As there is no controlling financial interest present between or among the entities that comprise our business, we are preparing our financial statements on a combined basis. Verint's investment in our business is shown in lieu of equity attributable to Cognyte as there is no consolidated entity for which Verint holds an equity interest in. Verint's investment represents its interest in the recorded net assets of Cognyte. The accompanying combined financial statements also include a joint venture in which we hold a 50% equity interest. The joint venture is a variable interest entity 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 combined 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.

All internal transactions have been eliminated. As described in Note 3, “Related Party Transactions with Verint,” all significant transactions between the Company and Verint have been included in these combined financial statements.

Verint generally uses a decentralized approach to cash management and financing of its operations. The majority of the cash generated by a legal entity remains with that entity and is used to fund that entity’s operations and/or investing activities. For those entities legally owned by the Cyber Intelligence Solutions business, the associated cash has been attributed to the combined balance sheets for each period presented. For certain entities, the entity’s cash is transferred to a cash pooling entity and the cash pooling entity funds the business’s operating and investing activities as needed. These cash pooling arrangements are not reflective of the manner in which the business would have been able to finance its operations had it been a stand-alone business separate from Verint during the periods presented. Transfers of cash relating to these cash pooling arrangements are included as components of net parent investment on the combined statements of equity.

The preparation of the combined financial statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the year that affects the reported amounts of assets and liabilities as well as expenses. Actual outcomes and results could differ from those estimates and assumptions. The following paragraphs describe the significant estimates and assumptions applied by management in the preparation of these combined financial statements.

These combined financial statements include the assets and liabilities of the Verint subsidiaries that are attributable to the Company’s business and exclude the assets and liabilities of the Verint subsidiaries that are not attributable to the Company’s business. Third-party debt obligations of Verint and the corresponding financing costs related to those debt obligations, specifically those that relate to senior notes, term loans, and revolving credit facilities, have not been attributed to the Company, as the Company was not the legal obligor on the debt.

During the periods presented, the Company functioned as part of the larger group of companies controlled by Verint. Accordingly, Verint performed certain corporate overhead functions for the Company. Therefore, certain corporate costs, including compensation costs for corporate employees supporting the Company, have been allocated from Verint. These allocated costs are for corporate functions including, but not limited to, senior management, legal, human resources, finance and accounting, treasury, information technology, internal audit and other shared services, which were not historically provided at the Company level. Where possible, these costs were specifically identified to the Company, with the remainder primarily allocated on the basis of revenue as a relevant measure. The combined financial statements do not necessarily include all the expenses that would have been incurred or held by the Company had it been a separate, stand-alone company and we expect to incur additional expenses as a separate, stand-alone publicly-traded company. It is not practicable to estimate actual costs that would have been incurred had the Company been a separate stand-alone company during the periods presented. Allocations for management costs and corporate support services provided to the Company totaled $81.8 million and $72.6 million for the years ended January 31, 2020 and 2019, respectively. The Company and Verint consider the allocations to be a reasonable reflection of the benefits received by the Company. Going forward, the Company may perform these functions using its own resources or outsourced services. For a period following the Spin-off, however, some of these functions will continue to be provided by Verint under a transition services agreement.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The outbreak has reached all of the regions in which we do business, and governmental authorities around the world have implemented numerous measures attempting to contain and mitigate the effects of the virus, including travel bans and restrictions, border closings, quarantines, shelter-in-place orders, shutdowns, limitations or closures of non-essential businesses, and social distancing requirements. Companies around the world, including us, our customers, partners, and vendors, have implemented actions in response, including among others, office closings, site restrictions, and employee travel restrictions. Notwithstanding the loosening of these restrictions in certain countries in certain periods since the onset of the pandemic, the global spread of COVID-19 and actions taken in response have negatively affected us, our customers, partners, and vendors and caused significant economic and business disruption the extent and duration of which is not currently known. In response to these challenges, we quickly adjusted our operations to work from home and we believe our business continuity plan is working well. We are monitoring and assessing the impact of the COVID-19 pandemic daily, including recommendations and orders issued by government and public health authorities. We continue to work to help our customers meet their business continuity needs and help keep the world safe during this difficult time and are managing our operations with a view to resuming normal business activity as soon as possible.

See Note 18, “Subsequent Events”, for additional information regarding the impact of the COVID-19 pandemic.

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, which may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined 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, 2020 and 2019. Investments with maturities in excess of one year are included in other assets.

Accounts Receivable, net

Trade 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.

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, trade 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 trade 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 $51.7 million and $84.3 million of our aggregated accounts receivable and contract assets, at January 31, 2020 and 2019, respectively. We believe our contracts with these governments present insignificant credit risk.

Allowance for Doubtful Accounts

We estimate the collectability of our accounts receivable balances each accounting period and adjust our allowance for doubtful accounts accordingly. Considerable judgment is required in assessing the collectability of accounts receivable, including consideration of the creditworthiness of each customer, their collection history, and the related aging of past due accounts receivable balances. We evaluate specific accounts when we learn that a customer may be experiencing a deteriorating financial condition due to lower credit ratings, bankruptcy, or other factors that may affect its ability to render payment. We write-off an account receivable and charge it against its recorded allowance at the point when it is considered uncollectible.

The following table summarizes the activity in our allowance for doubtful accounts for the years ended January 31, 2020 and 2019:

	Year Ended January 31,	
(in thousands)	**2020**	**2019**
Allowance for doubtful accounts, beginning of year	$ 2,911	$ 1,763
Provisions charged to expense	1,355	1,937
Amounts written off	(152)	(744)
Other, including fluctuations in foreign exchange rates	(29)	(45)
Allowance for doubtful accounts, end of year	**$ 4,085**	**$ 2,911**

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 five years. Software is typically depreciated over periods ranging from three to four years. Buildings are depreciated over twenty-five years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease term. Finance leased assets are amortized over 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 combined balance sheet and any resulting gain or loss is recognized in the combined 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 combined 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 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.

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 ten 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. We did not identify any transfers between levels of the fair value measurement hierarchy during the years ended January 31, 2020 and 2019.

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, 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

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.

We record all derivatives as assets or liabilities on our combined balance sheets at their fair values. Gains and losses from the changes in values of these derivatives are accounted for based on the use of the derivative and whether it qualifies for hedge accounting.

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 Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which was adopted on February 1, 2018, using the modified retrospective transition method. For further discussion of our accounting policies related to revenue, see 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 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, IT, operations costs, and other overhead expenses. Costs that relate to materials and royalties 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 receive non-refundable grants from the Israeli Innovation Authority (“IIA”) that fund a portion of our research and development expenditures. We currently only enter 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 four 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.

Income Taxes

The tax provision is presented on a separate company basis as if we were a separate filer. A portion of our operations have historically been included in the tax returns filed by certain Verint entities for which our business is a part of. The effects of tax adjustments and settlements from taxing authorities are presented in our combined financial statements in the period to which they relate as if we were a separate filer. Our current obligations for taxes are settled with our parent on an estimated basis and adjusted in later periods as appropriate. All income taxes due to or due from our parent that have not been settled or recovered by the end of the period are reflected

in net parent investment within the combined financial statements. The tax provision has been calculated as if the business was operating on a stand-alone basis and filed separate tax returns in the jurisdictions in which it operates. Therefore, cash tax payments and items of current and deferred taxes may not be reflective of the actual tax balances had the business been a stand-alone company during the periods presented.

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 combined 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 the United States, Israel 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 translated at each reporting date and at settlement. Gains and losses recognized upon such translations are included within other income (expense), net in the combined statements of operations. We recorded net foreign currency losses of $0.7 million and $2.1 million for the years ended January 31, 2020 and 2019, respectively.

For combined 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 loss in the accompanying combined balance sheets.

Stock-Based Compensation

Certain Company employees participate in stock-based compensation plans sponsored by Verint. Awards granted under the plans are based on Verint's common shares and, as such, are included in net parent investment. We recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of the award. We recognize the fair value of the award as compensation expense over the period during which an employee is required to provide service in exchange for the award.

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 combined balance sheets. Finance lease assets are included in property and equipment, and corresponding finance lease liabilities are included within accrued expenses and other current liabilities (current portions), and other liabilities (long-term portions), on our combined 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 and our sublease transactions are de minimis.

Recent Accounting Pronouncements

New Accounting Pronouncements Recently Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 supersedes the requirements in Topic 840, *Leases*, and requires lessees to recognize ROU assets and liabilities for leases with lease terms of more than twelve months. We adopted ASU No. 2016-02 as of February 1, 2019 using the modified retrospective transition method of applying the new standard at the adoption date. Results for reporting periods beginning on or after February 1, 2019 are presented under the new guidance, while prior periods amounts are not adjusted and continue to be reported in accordance with previous guidance. Disclosures required under the new standard will not be provided for dates and periods before February 1, 2019.

The new standard provided a number of optional practical expedients in transition. We elected the transition package of practical expedients available in the standard, which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification, and initial direct costs and the practical

expedient to not account for lease and non-lease components separately. We did not elect the use-of-hindsight or the practical expedient pertaining to land easements; the latter not being applicable to us.

The adoption of ASU No. 2016-02 resulted in the recognition of ROU assets of approximately $34.1 million and lease liabilities for operating leases of approximately $31.6 million on our combined balance sheet as of February 1, 2019 with no material impact to our combined statements of operations. The ROU assets are higher than the operating lease liabilities primarily because of previously recorded prepayment rent balances reclassified into the ROU assets. There was no impact to our net parent investment upon adoption of the standard. The adoption of the new standard also resulted in significant additional disclosures regarding our leasing activities. Refer to Note 15, "Leases" for further details.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which provides companies the option to reclassify from accumulated other comprehensive income to retained earnings the stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. The stranded tax effect represents the difference between the amount previously recorded in other comprehensive income at the historical U.S. federal tax rate that remains in accumulated other comprehensive loss at the time the 2017 Tax Act was effective and the amount that would have been recorded using the newly enacted rate. We adopted this guidance on February 1, 2019, and the adoption did not have an impact on our combined financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation—Stock Compensation (Topic 718)—Improvements to Nonemployee Share-Based Payment Accounting*, to simplify the accounting for nonemployee share-based payment transactions by expanding the scope of ASC Topic 718, *Compensation—Stock Compensation*, to include share-based payment transactions for acquiring goods and services from nonemployees. Under the new standard, most of the guidance on stock compensation payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. Adoption of this standard had an immaterial impact on our combined financial statements.

New Accounting Pronouncements Not Yet Effective

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for convertible instruments by eliminating the requirement to separate embedded conversion features from the host contract when the conversion features are not required to be accounted for as derivatives under Topic 815, *Derivatives and Hedging*, or that do not result in substantial premiums accounted for as paid-in capital. By removing the separation model, a convertible debt instrument will be reported as a single liability instrument with no separate accounting for embedded conversion features. This new standard also removes certain settlement conditions that are required for contracts to qualify for equity classification and simplifies the diluted earnings per share calculations by requiring that an entity use the if-converted method and that the effect of potential share settlement be included in diluted earnings per share calculations. This new standard will be effective for us in fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. We are currently assessing the impact of adopting this standard on the combined financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which affects general principles within Topic 740, Income Taxes and is meant to simplify and reduce the cost of accounting for income taxes. This standard is effective for annual reporting periods beginning after December 15, 2021, and interim reporting periods within annual reporting periods beginning after December 15, 2022. We are currently reviewing this standard but do not expect that it will have a material impact on our combined financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which requires customers in a hosting arrangement that is a service contract to follow existing internal-use software guidance to determine which implementation costs to capitalize and which costs to expense. This standard is effective for annual reporting periods beginning after December 15, 2020, and interim reporting periods within annual reporting periods beginning after December 15, 2021 with early adoption permitted. We adopted this guidance prospectively to eligible costs incurred on or after February 1, 2020 and the implementation did not have a material impact on our combined financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to The Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements. This standard is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those annual reporting periods, with early adoption permitted. Since the standard affects only disclosure requirements, we do not expect the adoption of the standard to have an impact on our combined financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments.* This new standard changes the impairment model for most financial assets and certain other instruments. Entities will be required to use a model that will result in the earlier recognition of allowances for losses for trade and other receivables, held-to-maturity debt securities, loans, and other instruments. For available-for-sale debt securities with unrealized losses, the losses will be recognized as allowances rather than as reductions in the amortized cost of the securities. The new standard is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2020, with early adoption permitted. A modified retrospective adoption method is required, with a cumulative-effect adjustment to the opening retained earnings balance in the period of adoption. We adopted this guidance on February 1, 2020, and the adoption did not have a material impact on our combined financial statements.

3. RELATED PARTY TRANSACTIONS WITH VERINT

The combined financial statements have been prepared on a stand-alone basis and are derived from the consolidated financial statements and accounting records of Verint.

Verint provided certain services, such as but not limited to, senior management, legal, human resources, finance and accounting, treasury, information technology, internal audit and other shared services, on behalf of the Company. Where possible, these costs were specifically identified to the Company, with the remainder primarily allocated on the basis of revenue as a relevant measure. The Company and Verint both consider the allocations to be a reasonable reflection of the benefits received by the Company. During the years ended January 31, 2020 and 2019, the Company was allocated $81.8 million, and $72.6 million, respectively, of corporate expenses incurred by Verint and such amounts are included in the combined statements of operations. As certain expenses reflected in the combined financial statements include allocations of corporate expenses from Verint, these statements could differ from those that would have been prepared had the Company operated on a stand-alone basis.

The components of the costs of services allocated to the Company for the years ended January 31, 2020 and 2019 are as follows:

(in thousands)	Year Ended January 31, 2020	2019
Software—cost of revenue	$ 1,871	$ 688
Software service—cost of revenue	1,639	2,460
Professional service and other—cost of revenue	4,654	2,919
Research and development, net	19,139	17,805
Selling, general and administrative	54,452	48,774
Total allocated corporate expenses	**$ 81,755**	**$ 72,646**

All significant internal transactions between the Company and Verint have been included in these combined financial statements and are considered to have been effectively settled or are expected to be settled for cash. The total net effect of the settlement of these internal transactions is reflected in the combined statements of cash flows as a financing activity and in the combined balance sheets as net parent investment.

Certain legal entities of the Company have interest-bearing notes under contractual agreements to Verint. The purpose of these notes is to provide funds for certain working capital or other capital and operating requirements of the business. Net interest expense on these notes with Verint is recorded in interest expense in the combined statements of operations and was $0.4 million, and $0.5 million for the years ended January 31, 2020 and 2019, respectively. These notes have fixed and variable interest rates of 2.1% fixed rate and 2.5% plus three-month average LIBOR variable rate, with maturities of the earliest of five years, or on demand, and four years, respectively. The Company had related party notes payable, current of $7.0 million and $13.0 million which is presented in current maturities of note to parent within the combined balance sheets as of January 31, 2020 and 2019, respectively.

Net transfers to and from Verint are included within net parent investment on the combined statements of equity. The components of the net transfers to and from Verint as of January 31, 2020 and 2019 are as follows:

(in thousands)	Year Ended January 31, 2020	2019
Cash pooling and general financing activities	$(133,666)	$ (45,192)
Corporate allocations	81,755	72,646
Income taxes	9,118	4,952
Total net transfers (to) from parent per combined statements of equity	**(42,793)**	**32,406**
Stock-based compensation—equity classified awards and issuances	(29,264)	(25,868)
Total net transfers (to) from parent per combined statements of cash flows	**$ (72,057)**	**$ 6,538**

4. *REVENUE RECOGNITION*

We account for revenue in accordance with ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which we adopted on February 1, 2018, using the modified retrospective method applied to those contracts that were not completed as of February 1, 2018. We recognize revenue at a point in time or over time depicting the transfer of promised goods and services to our customers in an amount that reflects the consideration to

which we expect to be entitled in exchange for those good or services. We follow the five-step model for revenue recognition as summarized below:

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 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 ASU No. 2014-09. 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.

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, the resale of third-party hardware, and consulting and training services.

Our software 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 a 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 90 days 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 the expected cost plus a margin approach or 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 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, 2020	2019
Revenue by recurrence:		
Recurring revenue	$ 192,578	$ 165,265
Nonrecurring revenue	264,531	268,195
Total revenue	**$ 457,109**	**$ 433,460**

Contract Balances

The following table provides information about accounts receivable, contract assets, and contract liabilities from contracts with customers:

(in thousands)	January 31, 2020	2019
Accounts receivable, net	$ 180,441	$ 156,262
Contract assets	$ 28,873	$ 46,559
Long-term contract assets (included in other assets)	$ 937	$ —
Contract liabilities	$ 143,695	$ 139,753
Long-term contract liabilities	$ 23,305	$ 17,767

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 a majority of our contract assets to occur within the next twelve months and had no asset impairment related to contract assets in the period. During the years ended January 31, 2020 and 2019, we transferred $36.1 million and $59.3 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 $17.6 million and $45.5 million of contract assets during the years ended January 31, 2020 and 2019, respectively. There are two customers that accounted for a combined $51.7 million and $84.3 million of our aggregated accounts receivable and contract assets at January 31, 2020 and 2019, 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, 2020 and 2019 from amounts included in contract liabilities at the beginning of each period was $106.8 million and $96.6 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.

The following table provides information about our RPO:

(in thousands)	January 31, 2020	January 31, 2019
RPO:		
Expected to be recognized within 1 year	$ 356,677	$ 302,703
Expected to be recognized in more than 1 year	225,056	267,436
Total RPO	**$ 581,733**	**$ 570,139**

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 on a straight-line basis over the period the goods or services are transferred to the customer to which the assets relate.

Total capitalized costs to obtain contracts were $8.3 million as of January 31, 2020, of which $4.9 million is included in prepaid expenses and other current assets and $3.4 million is included in other assets on our combined balance sheet. Total capitalized costs to obtain contracts were $9.3 million as of January 31, 2019, of which $5.3 million is included in prepaid expenses and other current assets and $4.0 million is included in other assets on our combined balance sheet. During the years ended January 31, 2020 and 2019, we expensed $28.2 million and $25.0 million, respectively, of sales and agent commissions, which are included in selling, general and administrative expenses and there was no impairment loss recognized for these capitalized costs.

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 $7.6 million as of January 31, 2020, of which $7.1 million is included in prepaid expenses and other current assets and $0.5 million is included in other assets on our combined balance sheet. Total capitalized costs to fulfill contracts were $11.3 million as of January 31, 2019, of which $10.1 million is included in prepaid expenses and other current assets and $1.2 million is included in other assets on our combined 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, 2020 and 2019, we amortized $11.8 million and $16.7 million, respectively, of contract fulfillment costs.

5. *CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS*

The following tables summarize our cash, cash equivalents, and short-term investments as of January 31, 2020 and 2019:

	January 31, 2020			
(in thousands)	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash and cash equivalents:				
Cash and bank time deposits	$ 201,090	$ —	$ —	$ 201,090
Total cash and cash equivalents	**$ 201,090**	**$ —**	**$ —**	**$ 201,090**
Short-term investments:				
Bank time deposits	$ 6,603	$ —	$ —	$ 6,603
Total short-term investments	**$ 6,603**	**$ —**	**$ —**	**$ 6,603**

	January 31, 2019			
(in thousands)	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash and cash equivalents:				
Cash and bank time deposits	$ 240,192	$ —	$ —	$ 240,192
Total cash and cash equivalents	**$ 240,192**	**$ —**	**$ —**	**$ 240,192**
Short-term investments:				
Bank time deposits	$ 31,061	$ —	$ —	$ 31,061
Total short-term investments	**$ 31,061**	**$ —**	**$ —**	**$ 31,061**

Bank time deposits which are reported within short-term investments consist of deposits held outside of the U.S. with maturities of greater than 90 days. All other bank deposits are included within cash and cash equivalents.

During the years ended January 31, 2020 and 2019, proceeds from maturities and sales of short-term bank time deposits were $53.5 million, and $28.2 million, respectively.

6. *BUSINESS COMBINATIONS*

Year Ended January 31, 2020

On December 18, 2019, we completed the acquisition of two software companies under common control, WebintPro Ltd. and Deep Analytics Ltd. (collectively “WebintPro”), focused on multi source intelligence and fusion analytics.

The purchase price of $23.4 million consisted of (i) $18.8 million of combined cash paid at closing, funded by cash on hand, partially offset by $0.1 million of cash acquired, resulting in net cash consideration at closing of $18.7 million; and (ii) the $7.0 million fair value of the $7.3 million contingent consideration arrangement described below; offset by (iii) $2.4 million of other purchase price adjustments. We agreed to make potential

additional cash payments to the respective former shareholders aggregating up to approximately $7.3 million, contingent upon the achievement of certain performance targets over periods extending through June 2021, the fair value of which was estimated to be $7.0 million at the acquisition date.

The purchase price for WebintPro was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date, with the remaining unallocated purchase prices recorded as goodwill. The fair value assigned to identifiable intangible assets acquired were determined primarily by using the income approach, which discounts expected future cash flows to present value using estimates and assumptions determined by management.

Among the factors contributing to the recognition of goodwill as a component of the WebintPro purchase price allocation were synergies in products and technologies, and the addition of a skilled, assembled workforce. The $11.6 million of goodwill is not deductible for income tax purposes.

Transaction and related costs directly related to the acquisition of WebintPro, consisting primarily of professional fees and integration expenses, totaled $0.3 million for the year ended January 31, 2020 and were expensed as incurred and are included in selling, general and administrative expenses.

Revenue and net income attributable to WebintPro included in our combined statement of operations for the year ended January 31, 2020 was not material. Pro-forma information is not provided due to immateriality.

The purchase price allocation for WebintPro has been prepared on a preliminary basis and changes to allocations may occur as additional information becomes available during the measurement period (up to one year from the acquisition date). Fair values still under review include values assigned to identifiable intangible assets, goodwill, deferred income taxes, and reserves for uncertain income tax positions.

The following table sets forth the components and the allocation of the purchase price for our acquisition of WebintPro:

(in thousands)	Amount
Components of Purchase Price:	
Cash	$18,843
Fair value of contingent consideration	7,023
Other purchase price adjustments	(2,418)
Total purchase price	**$23,448**
Allocation of Purchase Price:	
Net tangible assets (liabilities):	
Accounts receivable	$ 1,944
Other current assets, including cash acquired	7,496
Other assets	2,757
Current and other liabilities	(2,936)
Contract liabilities—current and long-term	(554)
Deferred income taxes	(1,342)
Net tangible assets	**7,365**

(in thousands)	Amount
Identifiable intangible assets:	
Customer relationships	1,452
Developed technology	1,360
Trademarks and trade names	367
Non-compete agreements	1,307
Total identifiable intangible assets	**4,486**
Goodwill	**11,597**
Total purchase price allocation	**$23,448**

The acquired customer relationships, developed technology, trademarks and trade names, and non-compete agreements were assigned estimated useful lives of five years, five years, three years, and three years, respectively, the weighted average of which is approximately 4.4 years. The acquired identifiable intangible assets are being amortized on a straight-line basis, which we believe approximates the pattern in which the assets are utilized, over their estimated useful lives.

Year Ended January 31, 2019

On November 8, 2018, we completed the acquisition of a business for a purchase price of approximately $13.1 million, which included $2.2 million related to the acquisition date fair value of our approximately 19% previously held equity interest. We paid $3.9 million of cash at closing, funded by cash on hand, and we agreed to make potential additional cash payments to the former shareholders aggregating up to approximately $18.5 million, contingent upon the achievement of certain performance targets over periods extending through January 2021. The fair value of this contingent consideration obligation was estimated to be $7.0 million at the acquisition date.

The purchase price was attributed mainly to goodwill (approximately $10.8 million) and the acquired customer relationships and developed technology were assigned estimated useful lives of seven years and three years, respectively, the weighted average of which is approximately 4.1 years. Included among the factors contributing to the recognition of goodwill in this transaction were synergies in products and technologies, and the addition of skilled, assembled workforces. The $10.8 million of goodwill is not deductible for income tax purposes.

Revenue and net income attributable to this business combination for the year ended January 31, 2019 were not material. Pro-forma information is not provided due to immateriality.

Transaction and related costs, consisting primarily of professional fees and integration expenses, directly related to this business combination, totaled $0.3 million and $0.2 million for the years ended January 31, 2020 and 2019, respectively. All transaction and related costs were expensed as incurred and are included in selling, general and administrative expenses.

Other Business Combination Information

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 combined 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 years ended January 31, 2020 and 2019, we recorded benefits of $5.4 million and $4.2 million, respectively, within selling, general and administrative expenses for changes in the fair values of contingent consideration obligations associated with business combinations. The aggregate fair value of the remaining contingent consideration obligations associated with business combinations was $11.5 million at January 31, 2020, of which $5.9 million was recorded within accrued expenses and other current liabilities, and $5.6 million was recorded within other liabilities.

Payments of contingent consideration earned under these agreements were $3.4 million and $2.0 million for the years ended January 31, 2020 and 2019, respectively.

7. INTANGIBLE ASSETS AND GOODWILL

Acquisition-related intangible assets consisted of the following as of January 31, 2020 and 2019:

	January 31, 2020		
(in thousands)	Cost	Accumulated Amortization	Net
Intangible assets with finite lives:			
Customer relationships	$ 6,586	$ (3,882)	$2,704
Acquired technology	75,765	(72,542)	3,223
Trade names	1,231	(563)	668
Distribution network	2,000	(2,000)	—
Non-competition agreements	1,307	(34)	1,273
Total intangible assets	**$86,889**	**$ (79,021)**	**$7,868**

	January 31, 2019		
(in thousands)	Cost	Accumulated Amortization	Net
Intangible assets with finite lives:			
Customer relationships	$ 5,418	$ (3,628)	$1,790
Acquired technology	78,207	(73,939)	4,268
Trade names	926	(539)	387
Distribution network	2,000	(2,000)	—
Total intangible assets	**$86,551**	**$ (80,106)**	**$6,445**

Total amortization expense recorded for acquisition-related intangible assets was $3.0 million and $8.1 million for the years ended January 31, 2020 and 2019, respectively. The reported amount of net acquisition-related intangible assets can fluctuate from the impact of changes in foreign currency exchange rates on intangible assets not denominated in U.S. dollars.

Estimated future amortization expense on finite-lived acquisition-related intangible assets is as follows:

(in thousands) Years Ending January 31,	Amount
2021	$2,219
2022	2,090
2023	1,876
2024	807
2025	683
Thereafter	193
Total	**$7,868**

No impairments of acquired intangible assets were recorded during the years ended January 31, 2020 and 2019.

Goodwill activity for the years ended January 31, 2020 and 2019 was as follows:

(in thousands)	Amount
Year Ended January 31, 2019:	
Goodwill, gross, at February 1, 2018	$ 148,028
Accumulated impairment losses through February 1, 2018	(10,822)
Goodwill, net, at February 1, 2018	137,206
Business combination	10,810
Foreign currency translation and other	(862)
Goodwill, net, at January 31, 2019	**$ 147,154**
Year Ended January 31, 2020:	
Goodwill, gross, at January 31, 2019	$ 157,976
Accumulated impairment losses through January 31, 2019	(10,822)
Goodwill, net, at January 31, 2019	147,154
Business combination	11,597
Foreign currency translation and other	(608)
Goodwill, net, at January 31, 2020	**$ 158,143**
Balance at January 31, 2020	
Goodwill, gross, at January 31, 2020	$ 168,965
Accumulated impairment losses through January 31, 2020	(10,822)
Goodwill, net, at January 31, 2020	**$ 158,143**

We operate as one reporting unit. Therefore, goodwill is tested for impairment by comparing the fair value of the reporting unit with its carrying value. Based on our November 1, 2019 quantitative goodwill impairment review, we concluded that the estimated fair value of our reporting unit exceeded its carrying value. Based on our November 1, 2018 goodwill impairment qualitative review of our reporting unit, we determined that it is more likely than not that the fair value of our reporting unit substantially exceeded its carrying value. Accordingly, there was no indication of impairment and a quantitative goodwill impairment test was not performed.

No changes in circumstances or indicators of potential impairment were identified between November 1 and January 31 in each of the years ended January 31, 2020 and 2019. Additionally, we evaluated whether there has been a change in circumstances as of the date of this filing in response to the economic impacts seen globally from COVID-19. The valuation methodology to determine the fair value of our reporting unit is sensitive to management's forecasts of future revenue, profitability and market conditions. At this time, the impact of COVID-19 on our forecasts is uncertain and increases the subjectivity that will be involved in evaluating goodwill for potential impairment. We do expect declines in our reporting unit fair value as a result of delayed or reduced demand for our products and services, driving lower revenue and operating income across our businesses. However, given the significant difference between our reporting unit fair value and its carrying value in the most recent quantitative analyses completed as of November 1, 2019, as well as expected long-term recovery within our reporting unit, management does not believe that these events were severe enough to result in an impairment trigger. We will continue to monitor the environment to determine whether the impacts to our reporting unit represents an event or change in circumstances that may trigger a need to assess for impairment.

No goodwill impairment was identified for the years ended January 31, 2020 and 2019.

8. SUPPLEMENTAL COMBINED FINANCIAL STATEMENT INFORMATION

Combined Balance Sheets

Inventories consisted of the following as of January 31, 2020 and 2019:

	January 31,	
(in thousands)	**2020**	**2019**
Raw materials	$ 7,461	$ 8,920
Work-in-process	4,674	5,524
Finished goods	2,758	2,306
Total inventories	**$ 14,893**	**$ 16,750**

Property and equipment, net consisted of the following as of January 31, 2020 and 2019:

	January 31,	
(in thousands)	**2020**	**2019**
Land and buildings	$ 2,854	$ 2,838
Leasehold improvements	13,592	12,931
Software	29,870	30,428
Equipment, furniture, and other	92,236	76,463
Total cost	138,552	122,660
Less: accumulated depreciation and amortization	(96,973)	(87,899)
Total property and equipment, net	**$ 41,579**	**$ 34,761**

Depreciation expense on property and equipment was $11.8 million, and $10.6 million, in the years ended January 31, 2020 and 2019, respectively.

Prepaid expenses and other current assets consisted of the following as of January 31, 2020 and 2019:

(in thousands)	January 31, 2020	January 31, 2019
Prepaid expenses	$23,906	$23,562
Deferred cost of revenue	7,067	10,058
Income tax receivables	2,030	992
Other	3,483	1,846
Total prepaid expenses and other current assets	**$36,486**	**$36,458**

Other assets consisted of the following as of January 31, 2020 and 2019:

(in thousands)	January 31, 2020	January 31, 2019
Long-term restricted cash and time deposits	$25,606	$22,443
Capitalized software development costs, net	11,679	6,076
Deferred commissions	3,394	3,984
Long-term security deposits	1,373	2,727
Long-term deferred cost of revenue	527	1,216
Other	6,576	3,494
Total other assets	**$49,155**	**$39,940**

Accrued expenses and other current liabilities consisted of the following as of January 31, 2020 and 2019:

(in thousands)	January 31, 2020	January 31, 2019
Compensation and benefits	$37,963	$32,649
Distributor and agent commissions	10,097	11,445
Income taxes	6,403	4,717
Operating lease obligations—current portion	6,061	10
Contingent consideration—current portion	5,941	2,752
Taxes other than income taxes	717	1,050
Fair value of derivatives—current portion	132	2,086
Other	18,633	15,208
Total accrued expenses and other current liabilities	**$85,947**	**$69,917**

Other liabilities consisted of the following as of January 31, 2020 and 2019:

(in thousands)	January 31, 2020	January 31, 2019
Contingent consideration—long-term portion	$ 5,568	$ 10,559
Unrecognized tax benefits, including interest and penalties	6,930	25,289
Finance lease obligations—long-term portion	2,510	192
Obligations for severance compensation	2,389	2,370
Other	4	2,231
Total other liabilities	**$ 17,401**	**$ 40,641**

Combined Statements of Operations

Other income (expense), net consisted of the following for the years ended January 31, 2020 and 2019:

(in thousands)	Year Ended January 31, 2020	Year Ended January 31, 2019
Gains on derivative financial instruments, net	$ 395	$ 726
Foreign currency losses, net	(728)	(2,094)
Other, net	(71)	(46)
Total other expense, net	**$(404)**	**$(1,414)**

Combined Statements of Cash Flows

The following table provides supplemental information regarding our combined cash flows for the years ended January 31, 2020 and 2019:

(in thousands)	Year Ended January 31, 2020	Year Ended January 31, 2019
Cash paid for interest	$ 23	$ 24
Cash payments of income taxes, net	$9,622	$7,602
Non-cash investing and financing transactions:		
Liabilities for contingent consideration in business combinations	$7,023	$6,975
Finance leases of property and equipment	$3,117	$ —
Accrued but unpaid purchases of property and equipment	$3,399	$2,352
Leasehold improvements funded by lease incentives	$ 250	$ —
Inventory transfers to property and equipment	$ 825	$1,699

9. 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 combined balance sheets. Accumulated other comprehensive loss items have no impact on our net income as presented in our combined statements of operations.

The following table summarizes changes in the components of our accumulated other comprehensive loss for the years ended January 31, 2020 and 2019:

(in thousands)	Unrealized Gains (Losses) on Derivative Financial Instruments Designated as Hedges	Foreign Currency Translation Adjustments	Total
Accumulated other comprehensive income (loss) at February 1, 2018	**$ 2,733**	**$ (11,160)**	**$ (8,427)**
Other comprehensive loss before reclassifications	(6,669)	(1,493)	(8,162)
Amounts reclassified out of accumulated other comprehensive loss	(3,127)	—	(3,127)
Net other comprehensive loss	(3,542)	(1,493)	(5,035)
Accumulated other comprehensive loss at January 31, 2019	**(809)**	**(12,653)**	**(13,462)**
Other comprehensive income (loss) before reclassifications	1,755	(1,866)	(111)
Amounts reclassified out of accumulated other comprehensive loss	350	—	350
Net other comprehensive income (loss)	1,405	(1,866)	(461)
Accumulated other comprehensive income (loss) at January 31, 2020	**$ 596**	**$ (14,519)**	**$(13,923)**

All amounts presented in the table above are net of income taxes, if applicable. The accumulated net losses in foreign currency translation adjustments primarily reflect the strengthening of the U.S. dollar against the Brazilian real, which has resulted in lower U.S. dollar-translated balances of Brazilian real.

The amounts reclassified out of accumulated other comprehensive loss into the combined statements of operations, with presentation location, for the years ended January 31, 2020 and 2019, were as follows:

(in thousands)	Year Ended January 31, 2020	Year Ended January 31, 2019	Financial Statement Location
Unrealized gains (losses) on derivative financial instruments:			
Foreign currency forward contracts	$ 54	$ (28)	Cost of software revenue
	(42)	(203)	Cost of software service revenue
	61	(387)	Cost of professional service and other revenue
	208	(1,735)	Research and development, net
	108	(1,128)	Selling, general and administrative
	389	**(3,481)**	**Total, before income taxes**
	(39)	354	(Provision) benefit for income taxes
	$ 350	**$(3,127)**	**Total, net of income taxes**

10. RESEARCH AND DEVELOPMENT, NET

Our gross research and development expenses for the years ended January 31, 2020 and 2019, were $112.7 million, and $101.7 million, respectively. Reimbursements from the IIA and other government grant programs amounted to $1.4 million, and $1.7 million, for the years ended January 31, 2020 and 2019, respectively, 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, 2020 and 2019, was as follows:

(in thousands)	Year Ended January 31, 2020	2019
Capitalized software development costs, net, beginning of year	$ 6,076	$ 5,117
Software development costs capitalized during the year	7,638	2,687
Amortization of capitalized software development costs	(2,023)	(1,730)
Foreign currency translation and other	(12)	2
Capitalized software development costs, net, end of year	**$11,679**	**$ 6,076**

There were no material impairments of such costs during the years ended January 31, 2020 and 2019.

11. INCOME TAXES

The components of income (loss) before provision for income taxes for the years ended January 31, 2020 and 2019 were as follows:

(in thousands)	Year Ended January 31, 2020	2019
U.S.	$ (10,116)	$ (3,769)
Non-U.S.	40,053	23,710
Total income before provision for income taxes	**$ 29,937**	**$ 19,941**

The provision for income taxes for the years ended January 31, 2020 and 2019 consisted of the following:

(in thousands)	Year Ended January 31, 2020	2019
Current (benefit) provision for income taxes:		
U.S. Federal	$ (884)	$ 1,702
U.S. State	(164)	69
Non-U.S.	(1,988)	(3,154)
Total current benefit for income taxes	**(3,036)**	**(1,383)**
Deferred provision for income taxes:		
U.S. Federal	372	1,848
U.S. State	89	420
Non-U.S.	5,142	6,735
Total deferred provision for income taxes	**5,603**	**9,003**
Total provision for income taxes	**$ 2,567**	**$ 7,620**

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, 2020 and 2019 was as follows:

	Year Ended January 31,	
(dollars in thousands)	**2020**	**2019**
U.S. federal statutory income tax rate	21.0%	21.0%
Income tax provision at the U.S. federal statutory rate	$ 6,287	$ 4,189
U.S. State income tax (benefit) provision	(45)	436
Non-U.S. tax rate differential	6,734	2,477
Tax incentives	(1,292)	(305)
Valuation allowances	(898)	1,761
Non-deductible expenses	1,677	(1,787)
Tax contingencies	(13,254)	(3,584)
U.S. tax effects of non-U.S. operations	3,268	4,273
Other, net	90	160
Total provision for income taxes	**$ 2,567**	**$ 7,620**
Effective income tax rate	**8.6%**	**38.2%**

Our operations in Israel have been granted “Approved Enterprise” (“AE”) status by the Investment Center of the Israeli Ministry of Industry, Trade and Labor, which makes us eligible for tax benefits under the Israeli Law for Encouragement of Capital Investments, 1959. Under the terms of the program, income attributable to an approved enterprise 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 (generally 10%—23%, depending on the percentage of non-Israeli investment in the company). Our AE status expires between January 31, 2020 and January 31, 2021. Based on the current law, the company qualifies for an alternative tax incentive program as a Preferred Technological Enterprise (“PTE”). Pursuant to Amendment 73 to the Investment Law adopted in 2017, a company located in the Center of Israel that meets the conditions for PTE is subject to a 12% tax rate on eligible income. Income not eligible for PTE benefits is taxed at the regular corporate rate of 23%, excluding income derived from manufacturing activity which is entitled to tax benefits according to the “Preferred Enterprise” regime. Income eligible for tax benefits under the Preferred Enterprise regime is taxed at 16%. 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 4.3% and 1.5% for the years ended January 31, 2020 and 2019, respectively.

Deferred tax assets and liabilities consisted of the following at January 31, 2020 and 2019:

(in thousands)	January 31, 2020	January 31, 2019
Deferred tax assets:		
Accrued expenses	$ —	$ 567
Loss carryforwards	8,416	8,161
Accrued compensation	1,158	1,060
Operating lease liabilities	457	—
Capitalized research and development expenses	—	5,624
Total deferred tax assets	**10,031**	**15,412**
Deferred tax liabilities:		
Deferred cost of revenue	(2,733)	(2,060)
Goodwill and other intangible assets	(1,147)	(942)
Exchange differences	(719)	(520)
Accrued expenses	(448)	—
Depreciation of property and equipment	(1,017)	(534)
Operating lease right-of-use assets	(363)	—
Other, net	(620)	(245)
Total deferred tax liabilities	**(7,047)**	**(4,301)**
Valuation allowance	(5,701)	(6,815)
Net deferred tax (liabilities) assets	**$ (2,717)**	**$ 4,296**
Recorded as:		
Deferred tax assets	$ 2,015	$ 7,503
Deferred tax liabilities	(4,732)	(3,207)
Net deferred tax (liabilities) assets	**$ (2,717)**	**$ 4,296**

We had non-U.S. NOL carryforwards of approximately $78.6 million. At January 31, 2020, all but $5.7 million of these non-U.S. loss carryforwards had indefinite carryforward periods. The $5.7 million expires in various years ending from January 31, 2021 to January 31, 2030.

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. 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. We have recorded valuation allowances in the amounts of $5.7 million and $6.8 million at January 31, 2020 and 2019, respectively.

Activity in the recorded valuation allowance consisted of the following for the years ended January 31, 2020 and 2019:

(in thousands)	Year Ended January 31, 2020	2019
Valuation allowance, beginning of year	$(6,815)	$(4,039)
Income tax benefit (provision)	898	(1,761)
Adoption of ASU No. 2014-09	—	28
Business combinations	—	(1,043)
Currency translation adjustment and other	216	—
Valuation allowance, end of year	**$(5,701)**	**$(6,815)**

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, 2020 and 2019 the aggregate changes in the balance of gross unrecognized tax benefits were as follows:

(in thousands)	Year Ended January 31, 2020	2019
Gross unrecognized tax benefits, beginning of year	$ 24,755	$ 32,147
Increases related to tax positions taken during the current year	1,889	6,018
Increases as a result of business combinations	286	61
Increases related to tax positions taken during prior years	—	6,141
Increases (decreases) related to foreign currency exchange rates	1,073	(1,782)
Reductions for tax positions of prior years	(13,623)	(15,284)
Reductions for settlements with tax authorities	(4,133)	(1,111)
Lapses of statutes of limitations	(1,505)	(1,435)
Gross unrecognized tax benefits, end of year	**$ 8,742**	**$ 24,755**

As of January 31, 2020, we had $8.7 million of unrecognized tax benefits, all of which, if recognized, would impact the effective income tax rate in future periods. We recorded $1.8 million and $0.5 million of net tax benefit for interest and penalties related to uncertain tax positions in our provision for income taxes for the years ended January 31, 2020 and 2019, respectively. Accrued liabilities for interest and penalties were $0.9 million and $2.6 million at January 31, 2020 and 2019, respectively. Interest and penalties (expense and/or benefit) are recorded as a component of the provision for income taxes in the combined 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, 2018. In the U.S., our federal returns are no longer subject to income tax examination for years prior to January 31, 2017.

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, 2020 could decrease by approximately $1.5 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.

12. *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, 2020 and 2019:

	January 31, 2020		
	Fair Value Hierarchy Category		
(in thousands)	Level 1	Level 2	Level 3
Assets:			
Foreign currency forward contracts	$ —	$ 812	$ —
Total assets	**$ —**	**$ 812**	**$ —**
Liabilities:			
Foreign currency forward contracts	$ —	$ 132	$ —
Contingent consideration—business combinations	—	—	11,509
Total liabilities	**$ —**	**$ 132**	**$ 11,509**

	January 31, 2019		
	Fair Value Hierarchy Category		
(in thousands)	Level 1	Level 2	Level 3
Assets:			
Foreign currency forward contracts	$ —	$ 753	$ —
Total assets	**$ —**	**$ 753**	**$ —**
Liabilities:			
Foreign currency forward contracts	$ —	$ 2,086	$ —
Contingent consideration—business combinations	—	—	13,311
Total liabilities	**$ —**	**$ 2,086**	**$ 13,311**

The following table presents the changes in the estimated fair values of our liabilities for contingent consideration measured using significant unobservable inputs (Level 3) for the years ended January 31, 2020 and 2019:

(in thousands)	Year Ended January 31, 2020	2019
Fair value measurement, beginning of year	$ 13,311	$ 12,553
Contingent consideration liabilities recorded for business combinations	7,023	6,975
Changes in fair values, recorded in operating expenses	(5,392)	(4,201)
Payments of contingent consideration	(3,433)	(2,016)
Fair value measurement, end of year	**$ 11,509**	**$ 13,311**

Our estimated liability for contingent consideration represents potential payments of additional consideration for business combinations, payable if certain defined performance goals are achieved. Changes in fair value of contingent consideration are recorded in the combined statements of operations within selling, general and administrative expenses.

There were no transfers between levels of the fair value measurement hierarchy during the years ended January 31, 2020 and 2019.

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 Combination*s—The fair value of the contingent consideration related to business combinations 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. We utilized discount rates ranging from 2.1% to 4.5% in our calculations of the estimated fair values of our contingent consideration liabilities as of January 31, 2020. We utilized discount rates ranging from 3.5% to 5.5% in our calculations of the estimated fair values of our contingent consideration liabilities as of January 31, 2019.

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 projected undiscounted cash flows. 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".

As of January 31, 2020 and 2019, the carrying amount of our noncontrolling equity investments in privately-held companies without readily determinable fair values was $1.8 million. There were no observable price changes in our investments in privately-held companies and we did not recognize any impairments or other adjustments during the years ended January 31, 2020 and 2019.

13. 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 and short-term investments denominated in currencies other than the applicable functional currency. These foreign currency forward contracts generally have maturities of no longer than twelve months, although occasionally we will execute a contract that extends beyond twelve months, depending upon the nature of the underlying risk.

We held outstanding foreign currency forward contracts with notional amounts of $89.0 million and $113.0 million as of January 31, 2020 and 2019, respectively.

Fair Values of Derivative Financial Instruments

The fair values of our derivative financial instruments and their classifications in our combined balance sheets as of January 31, 2020 and 2019 were as follows:

(in thousands)	Balance Sheet Classification	January 31, 2020	January 31, 2019
Derivative assets:			
Foreign currency forward contracts:			
Designated as cash flow hedges	Prepaid expenses and other current assets	$ 710	$ 738
Not designated as hedging instruments	Prepaid expenses and other current assets	102	15
Total derivative assets		**$ 812**	**$ 753**
Derivative liabilities:			
Foreign currency forward contracts:			
Designated as cash flow hedges	Accrued expenses and other current liabilities	$ 16	$ 1,830
Not designated as hedging instruments	Accrued expenses and other current liabilities	116	256
Total derivative liabilities		**$ 132**	**$ 2,086**

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 combined statement of operations for the years ended January 31, 2020 and 2019, were as follows:

(in thousands)	Year Ended January 31, 2020	2019
Net gains (losses) recognized in AOCL:		
Foreign currency forward contracts	$1,950	$(7,410)
Net gains (losses) reclassified from AOCL to the combined statements of operations:		
Foreign currency forward contracts	$ 389	$(3,481)

For information regarding the line item locations of the net gains (losses) on derivative financial instruments reclassified out of AOCL into the combined statements of operations, see Note 9, "Accumulated Other Comprehensive Loss".

Effective with our February 1, 2018 adoption of ASU No. 2017-12, ineffectiveness of cash flow hedges is no longer recognized. All of the foreign currency forward contracts underlying the $0.6 million of net unrealized gains recorded in our accumulated other comprehensive loss at January 31, 2020 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

Gains recognized on derivative financial instruments not designated as hedging instruments in our combined statements of operations for the years ended January 31, 2020 and 2019, were as follows:

(in thousands)	Classification in Combined Statements of Operations	Year Ended January 31, 2020	2019
Foreign currency forward contracts	Other expense, net	$ 395	$ 726

14. STOCK-BASED COMPENSATION AND OTHER BENEFIT PLANS

Verint maintains stock-based compensation plans for the benefit of its officers, directors and employees. The following disclosures represent stock-based compensation expenses attributable to Cognyte based on the awards and terms previously granted under Verint's stock-based compensation plans to Cognyte employees and an allocation of Verint's corporate and shared functional employee stock-based compensation expenses. Accordingly, the amounts presented are not necessarily indicative of future awards and do not necessarily reflect the results that Cognyte would have experienced as an independent company for the periods presented. The Cognyte employees' stock-based compensation expenses were specifically identified whereas Verint's corporate and shared functional employees' stock-based compensation expenses were specifically identified to the extent possible with the remainder allocated on the basis of revenue.

Stock-Based Compensation Expense

We recognized stock-based compensation expense in the following line items on the combined statements of operations for the years ended January 31, 2020 and 2019:

(in thousands)	Year Ended January 31, 2020		
	Cognyte employees	Other allocations	Total
Component of income before provision for income taxes:			
Cost of revenue—software	$ 90	$ 552	$ 642
Cost of revenue—software service	259	377	636
Cost of revenue—professional service and other	330	1,311	1,641
Research and development, net	1,272	5,026	6,298
Selling, general and administrative	1,508	20,308	21,816
Total stock-based compensation expense	**3,459**	**27,574**	**31,033**
Income tax benefits related to stock-based compensation (before consideration of valuation allowances)	454	3,946	4,400
Total stock-based compensation, net of taxes	**$ 3,005**	**$ 23,628**	**$26,633**

(in thousands)	Year Ended January 31, 2019		
	Cognyte employees	Other allocations	Total
Component of income before provision for income taxes:			
Cost of revenue—software	$ 25	$ 308	$ 333
Cost of revenue—software service	356	346	702
Cost of revenue—professional service and other	218	992	1,210
Research and development, net	858	3,997	4,855
Selling, general and administrative	1,841	16,607	18,448
Total stock-based compensation expense	**3,298**	**22,250**	**25,548**
Income tax benefits related to stock-based compensation (before consideration of valuation allowances)	503	3,199	3,702
Total stock-based compensation, net of taxes	**$ 2,795**	**$ 19,051**	**$21,846**

The following table summarizes stock-based compensation expense by type of award for the years ended January 31, 2020 and 2019:

(in thousands)	Year Ended January 31, 2020		
	Cognyte employees	Other allocations	Total
Restricted stock units and restricted stock awards	$ 3,014	$ 20,399	$23,413
Stock bonus program and bonus share program	445	7,170	7,615
Total equity-settled awards	**3,459**	**27,569**	**31,028**
Phantom stock units (cash-settled awards)	—	5	5
Total stock-based compensation expense	**$ 3,459**	**$ 27,574**	**$31,033**

(in thousands)	Year Ended January 31, 2019 Cognyte employees	Other allocations	Total
Restricted stock units and restricted stock awards	$ 2,907	$ 17,892	$20,799
Stock bonus program and bonus share program	391	4,346	4,737
Total equity-settled awards	**3,298**	**22,238**	**25,536**
Phantom stock units (cash-settled awards)	—	12	12
Total stock-based compensation expense	**$ 3,298**	**$ 22,250**	**$25,548**

Awards under Verint'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 Verint common stock.

Stock-Based Awards Granted by Verint

Verint periodically awards RSUs to directors, officers, and other employees. The fair value of these awards is equivalent to the market value of Verint common stock on the grant date. RSUs are not shares of Verint 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 Verint common stock. RSUs are subject to certain restrictions and forfeiture provisions prior to vesting.

Verint periodically awards PSUs to executive officers and certain employees that vest upon the achievement of specified performance goals or market conditions. We separately recognize compensation expense for each tranche of a PSU award as if it were a separate award with its own vesting date. For certain PSUs, an accounting grant date may be established prior to the requisite service period.

Once a performance vesting condition has been defined and communicated, and the requisite service period has begun, our estimate of the fair value of PSUs requires an assessment of the probability that the specified performance criteria will be achieved, which we update at each reporting date and adjust our estimate of the fair value of the PSUs, if necessary. All compensation expense for PSUs with market conditions is recognized if the requisite service period is fulfilled, even if the market condition is not satisfied.

RSUs and PSUs that are expected to settle with cash payments upon vesting, if any, are reflected as liabilities on our combined balance sheets. Such RSUs and PSUs were insignificant at January 31, 2020, and 2019.

The following table ("Award Activity Table") summarizes activity for RSUs, PSUs, and other stock awards to Company personnel that reduce available plan capacity under the plans for the years ended January 31, 2020 and 2019:

	Year Ended January 31,			
	2020		2019	
(in thousands, except grant date fair values)	Shares or Units	Weighted-Average Grant-Date Fair Value	Shares or Units	Weighted-Average Grant-Date Fair Value
Beginning balance	705	$ 41.45	691	$ 41.40
Granted	361	$ 59.76	475	$ 43.68
Released	(333)	$ 40.70	(361)	$ 44.44
Forfeited	(64)	$ 46.69	(100)	$ 40.92
Ending balance	**669**	**$ 51.35**	**705**	**$ 41.45**

Other Benefit Plans

401(k) Plan and Other Retirement Plans

We maintain a 401(k) Plan for our full-time employees in the United States. The plan allows eligible employees who attain the age of 21 beginning with the first of the month following their date of hire to elect to contribute up to 60% of their annual compensation, subject to the prescribed maximum amount. We match employee contributions at a rate of 50%, up to a maximum annual matched contribution of $2,000 per employee. Employee contributions are always fully vested, while our matching contributions for each year vest on the last day of the calendar year provided the employee remains employed with us on that day.

Our matching contribution expenses for our 401(k) Plan were $0.2 million, and $0.2 million for the years ended January 31, 2020 and 2019, respectively.

We provide retirement benefits for non-U.S. employees as required by local laws or to a greater extent as we deem appropriate through plans that function similar to 401(k) plans. Funding requirements for programs required by local laws are determined on an individual country and plan basis and are subject to local country practices and market circumstances.

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, 2020 and 2019 were $7.3 million, and $6.4 million, respectively.

15. LEASES

We have entered into operating leases primarily for corporate offices, research and development facilities, and automobiles. Our finance leases primarily relate to infrastructure equipment. Our leases have remaining lease terms of 1 year to 6 years. As of January 31, 2020, assets recorded under finance leases were $3.5 million. However, these assets have not been placed in service as of January 31, 2020, and therefore there is no accumulated depreciation associated with finance leases.

The components of lease expenses for the year ended January 31, 2020 were as follows:

(in thousands)	Year Ended January 31, 2020
Operating lease expenses	**$ 10,016**
Finance lease expenses:	
Amortization of right-of-use assets (1)	—
Interest on lease liabilities	22
Total finance lease expenses	**22**
Variable lease expenses	2,996
Short-term lease expenses	205
Sublease income	—
Total lease expenses	**$ 13,239**

(1) The assets subject to finance leases have not been placed in service as of January 31, 2020, and therefore there is no amortization of right-of-use assets.

Other information related to leases was as follows:

(dollars in thousands)	Year Ended January 31, 2020
Supplemental cash flow information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 7,861
Operating cash flows from finance leases	$ 22
Financing cash flows from finance leases	$ 244
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 4,629
Finance leases	$ 3,117
Weighted average remaining lease terms	
Operating leases	4 years
Finance leases	5 years
Weighted average discount rates	
Operating leases	5.2 %
Finance leases	4.6 %

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Maturities of lease liabilities as of January 31, 2020 were as follows:

(in thousands)	January 31, 2020 Operating Leases	January 31, 2020 Finance Leases
Year Ending January 31,		
2021	$ 7,779	$ 749
2022	6,985	767
2023	6,454	748
2024	6,014	694
2025	5,059	522
Thereafter	2,500	—
Total future minimum lease payments	**34,791**	**3,480**
Less imputed interest	(4,284)	(348)
Total	**$ 30,507**	**$ 3,132**
Reported as of January 31, 2020:		
Accrued expenses and other current liabilities	$ 6,061	$ 622
Operating lease liabilities	24,446	—
Other liabilities	—	2,510
Total	**$ 30,507**	**$ 3,132**

As of January 31, 2020, we have additional operating leases for office facilities that have not yet commenced with future lease obligations of $5.0 million. These operating leases will commence during the year ending January 31, 2021 with lease terms of between 2 years and 6 years.

Future minimum lease payments for non-cancelable operating leases under the previous lease accounting standard, as of January 31, 2019 were as follows:

(in thousands)	Operating Leases	Capital Leases
Years Ending January 31,		
2020	$ 6,917	$ 74
2021	6,408	74
2022	5,449	74
2023	5,127	55
2024	4,880	—
Thereafter	7,709	—
Total	**$ 36,490**	**277**
Less: amount representing interest and other charges		(20)
Present value of minimum lease payments		**$ 257**

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16. 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, 2020, our unconditional purchase obligations totaled approximately $65.6 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 receive non-refundable grants from the IIA that fund 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, 2020, we had approximately $94.2 million of outstanding bank guarantees and letters of credit relating primarily to these performance guarantees. As of January 31, 2020, 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 combined results of operations, financial position, or cash flows. Our historical non-compliance with our performance obligations has been insignificant.

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.

Legal Proceedings

In March 2009, one of our former employees, Ms. Orit Deutsch, commenced legal actions in Israel against our primary Israeli subsidiary, Verint Systems Limited ("VSL") (Case Number 4186/09) and against our former affiliate 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 VSL 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: VSL, CTI, and Comverse Limited.

On October 31, 2012, CTI distributed of 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-subsidiary, 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 $150.0 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 we will enter into with Verint in connection with the spin-off, we will agree 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 VSL.

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 VSL 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, and the parties are waiting for further instructions or decisions from the Supreme Court.

From time to time we or our subsidiaries may be involved in legal proceedings and/or litigation arising in the ordinary course of our business. While the outcome of these matters cannot be predicted with certainty, we do not believe that the outcome of any current claims will have a material adverse effect on our combined financial position, results of operations, or cash flows.

17. GEOGRAPHIC AND SIGNIFICANT CUSTOMER INFORMATION

Geographic Information

Revenue by major geographic region is based on the location of our contracting subsidiary, which may differ from the geographic location of the customer.

The information below summarizes revenue from unaffiliated customers by geographic area for the years ended January 31, 2020 and 2019:

(in thousands)	Year Ended January 31, 2020	2019
EMEA:		
Israel	$ 277,605	$ 263,540
Germany	77,540	73,065
Other	22,775	17,170
Total EMEA	377,920	353,775
Americas:		
United States	53,354	56,839
Other	10,359	10,514
Total Americas	63,713	67,353
APAC	15,476	12,332
Total revenue	**$ 457,109**	**$ 433,460**

Our long-lived assets primarily consist of net property and equipment, operating lease right-of-use assets, goodwill and other intangible assets, and deferred income taxes. 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, 2020 and 2019:

(in thousands)	January 31, 2020	2019
Israel	$ 30,586	$ 27,539
United States	4,293	1,125
Other countries	6,700	6,097
Total property and equipment, net	**$ 41,579**	**$ 34,761**

Significant Customers

The Company's largest customers accounted for the following percentage of total revenue:

	Year Ended January 31,	
	2020	2019
Customer A	15.6%	14.7%
Customer B	12.9%	12.6%

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.

18. SUBSEQUENT EVENTS

The combined financial statements of the Company are derived from the consolidated financial statements of Verint, which issued its financial statements for the year ended January 31, 2020 on March 31, 2020. Accordingly, the Company has evaluated transactions or other events for consideration as recognized subsequent events in the annual financial statements through March 31, 2020. Additionally, the Company has evaluated transactions and other events through the issuance of these combined financial statements, September 24, 2020, for purposes of disclosure of unrecognized subsequent events.

During the six months ended July 31, 2020, 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 they have implemented. Due to the pandemic, we have seen a reduction or delay in large customer contracts and we have been unable to conduct face-to-face meetings with existing or prospective customers and partners, present in-person demonstrations of our solutions, or host or attend in-person trade shows and conferences. Limitations on access to the facilities of our customers have also impacted our ability to deliver some of our products, complete certain implementations, and provide in-person consulting and training services, negatively impacting our ability to recognize revenue. We cannot predict how the pandemic will impact our results in future periods, including to the extent that customers delay or miss payments, customers defer, reduce, or refrain from placing orders or renewing subscriptions or support arrangements, or travel restrictions and site access restrictions remain necessary.

In light of the adverse impact of COVID-19 on global economic conditions and our revenue, along with the uncertainty associated with the extent and timing of a potential recovery, we have implemented several cost-reduction actions of varying durations, some of which did not take effect until the beginning of our second quarter. Such actions have included, but are not limited to, reducing our discretionary spending, substantially decreasing capital expenditures, extending days payable outstanding, considering the optimal uses of our cash and other capital resources, and reducing workforce-related costs. These actions may have an adverse impact on us, particularly if they remain in place for an extended period. We continue to evaluate and may decide to implement further cost control strategies to help us mitigate the impact of the pandemic.

The ultimate impact of the COVID-19 pandemic and the effects of the operational alterations we have made in response on our business, financial condition, liquidity and financial results cannot be predicted at this time.

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Cognyte Business of Verint Systems Inc.
Condensed Combined Balance Sheets
(Unaudited)

(in thousands)	July 31, 2020	January 31, 2020
Assets		
Current Assets:		
Cash and cash equivalents	$ 188,065	$ 201,090
Restricted cash and cash equivalents, and restricted bank time deposits	31,616	43,813
Short-term investments	18,238	6,603
Accounts receivable, net of allowance for doubtful accounts of $4.4 million and $4.1 million, respectively	165,506	180,441
Contract assets, net	30,427	28,873
Inventories	13,352	14,893
Prepaid expenses and other current assets	34,233	36,486
Total current assets	**481,437**	**512,199**
Property and equipment, net	42,061	41,579
Operating lease right-of-use assets	31,420	34,152
Goodwill	157,515	158,143
Intangible assets, net	6,724	7,868
Other assets	46,742	51,170
Total assets	**$ 765,899**	**$ 805,111**
Liabilities and Equity		
Current Liabilities:		
Accounts payable	$ 33,294	$ 43,389
Accrued expenses and other current liabilities	88,011	85,947
Contract liabilities	122,151	143,695
Current maturities of note to parent	7,025	7,025
Total current liabilities	**250,481**	**280,056**
Long-term contract liabilities	20,928	23,305
Operating lease liabilities	22,629	24,446
Other liabilities	19,283	22,133
Total liabilities	**313,321**	**349,940**
Commitments and Contingencies		
Equity:		
Net parent investment	453,379	458,467
Accumulated other comprehensive loss	(14,954)	(13,923)
Total Cognyte Business of Verint Systems Inc. equity	**438,425**	**444,544**
Noncontrolling interest	14,153	10,627
Total equity	**452,578**	**455,171**
Total liabilities and equity	**$ 765,899**	**$ 805,111**

See notes to condensed combined financial statements.

Cognyte Business of Verint Systems Inc.
Condensed Combined Statements of Operations
(Unaudited)

(in thousands)	Six Months Ended July 31, 2020	2019
Revenue:		
Software	$ 86,545	$ 91,248
Software service	91,843	84,728
Professional service and other	28,071	45,057
Total revenue	**206,459**	**221,033**
Cost of revenue:		
Software	15,851	16,042
Software service	22,128	22,431
Professional service and other	26,074	40,142
Amortization of acquired technology	492	1,682
Total cost of revenue	**64,545**	**80,297**
Gross profit	**141,914**	**140,736**
Operating expenses:		
Research and development, net	60,256	54,672
Selling, general and administrative	73,022	75,743
Amortization of other acquired intangible assets	640	255
Total operating expenses	**133,918**	**130,670**
Operating income	**7,996**	**10,066**
Other income (expense), net:		
Interest income	953	2,022
Interest expense	(84)	(246)
Other income, net	135	532
Total other income, net	**1,004**	**2,308**
Income before provision (benefit) for income taxes	**9,000**	**12,374**
Provision (benefit) for income taxes	3,406	(1,767)
Net income	**5,594**	**14,141**
Net income attributable to noncontrolling interest	3,565	3,711
Net income attributable to Cognyte Business of Verint Systems Inc.	**$ 2,029**	**$ 10,430**

See notes to condensed combined financial statements.

Cognyte Business of Verint Systems Inc.
Condensed Combined Statements of Comprehensive Income
(Unaudited)

(in thousands)	Six Months Ended July 31, 2020	2019
Net income	**$ 5,594**	**$14,141**
Other comprehensive (loss) income, net of reclassification adjustments:		
Foreign currency translation adjustments	(1,571)	(852)
Net increase from foreign exchange contracts designated as hedges	574	2,498
Provision for income taxes on net increase from foreign exchange contracts designated as hedges	(73)	(250)
Other comprehensive (loss) income	**(1,070)**	**1,396**
Comprehensive income	**4,524**	**15,537**
Comprehensive income attributable to noncontrolling interest	3,526	3,554
Comprehensive income attributable to Cognyte Business of Verint Systems Inc.	**$ 998**	**$11,983**

See notes to condensed combined financial statements.

Cognyte Business of Verint Systems Inc.
Condensed Combined Statements of Equity
(Unaudited)

(in thousands)	Net Parent Investment	Accumulated Other Comprehensive Loss	Total Cognyte Business of Verint Systems Inc. Equity	Noncontrolling Interest	Total Equity
Balances as of January 31, 2019	**$481,069**	**$ (13,462)**	**$ 467,607**	**$ 7,711**	**$ 475,318**
Net income	10,430	—	10,430	3,711	**14,141**
Other comprehensive income (loss)	—	1,553	1,553	(157)	**1,396**
Net transfers to parent	(43,725)	—	(43,725)	—	**(43,725)**
Balances as of July 31, 2019	**447,774**	**(11,909)**	**435,865**	**11,265**	**447,130**
Balances as of January 31, 2020	**458,467**	**(13,923)**	**444,544**	**10,627**	**455,171**
Cumulative effect of adoption of ASU No. 2016-13	(446)	—	(446)	—	**(446)**
Adjusted balances, beginning of period	**458,021**	**(13,923)**	**444,098**	**10,627**	**454,725**
Net income	2,029	—	2,029	3,565	**5,594**
Other comprehensive loss	—	(1,031)	(1,031)	(39)	**(1,070)**
Net transfers to parent	(6,671)	—	(6,671)	—	**(6,671)**
Balances as of July 31, 2020	**$453,379**	**$ (14,954)**	**$ 438,425**	**$ 14,153**	**$ 452,578**

See notes to condensed combined financial statements.

Cognyte Business of Verint Systems Inc.
Condensed Combined Statements of Cash Flows
(Unaudited)

(in thousands)	Six Months Ended July 31, 2020	Six Months Ended July 31, 2019
Cash flows from operating activities:		
Net income	$ 5,594	$ 14,141
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,735	8,840
Provision for doubtful accounts	795	1,132
Stock-based compensation, excluding cash-settled awards	13,092	13,706
Non-cash gains on derivative financial instruments, net	(413)	(645)
Other non-cash items, net	424	1,316
Changes in operating assets and liabilities, net of effects of business combinations:		
Accounts receivable	12,332	1,642
Contract assets	(1,649)	10,616
Inventories	589	(4,093)
Prepaid expenses and other assets	2,719	3,752
Accounts payable and accrued expenses	(5,900)	(697)
Contract liabilities	(23,362)	(8,590)
Other liabilities	1,738	(17,475)
Other, net	(351)	716
Net cash provided by operating activities	**15,343**	**24,361**
Cash flows from investing activities:		
Purchases of property and equipment	(8,651)	(5,780)
Purchases of investments	(33,064)	(15,441)
Maturities and sales of investments	21,791	22,536
Settlements of derivative financial instruments not designated as hedges	374	187
Cash paid for capitalized software development costs	(1,650)	(2,188)
Change in restricted bank time deposits, including long-term portion	15,503	1,707
Net cash (used in) provided by investing activities	**(5,697)**	**1,021**
Cash flows from financing activities:		
Net transfers to parent	(18,146)	(58,780)
Payments of contingent consideration for business combinations (financing portion)	(3,382)	(2,946)
Other financing activities	(316)	(48)
Net cash used in financing activities	**(21,844)**	**(61,774)**
Foreign currency effects on cash, cash equivalents, restricted cash, and restricted cash equivalents	(1,433)	(472)
Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents	**(13,631)**	**(36,864)**
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period	**233,409**	**282,722**
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period	**$ 219,778**	**$ 245,858**
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period:		
Cash and cash equivalents	$ 188,065	$ 218,665
Restricted cash and cash equivalents included in restricted cash and cash equivalents, and restricted bank time deposits	22,890	23,702
Restricted cash and cash equivalents included in other assets	8,823	3,491
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	**$ 219,778**	**$ 245,858**

See notes to condensed combined financial statements.

Cognyte Business of Verint Systems Inc.
Notes to Condensed Combined Financial Statements
(Unaudited)

1. ORGANIZATION, OPERATIONS AND BASIS OF PRESENTATION

Background

On December 4, 2019, Verint announced plans to separate into two independent companies: Cognyte Software Ltd. (the "Company," "Cognyte," "we," "us" and "our"), which will consist of its Cyber Intelligence Solutions™ business (referred to herein as the "Cognyte Business of Verint Systems Inc.") and Verint Systems Inc. ("Verint"), which will consist of its Customer Engagement Business. To implement the separation, pursuant to the Separation and Distribution Agreement that Verint will enter into with us prior to the spin-off transaction ("the Spin-off"), Verint will first transfer the Canadian portion of its Cyber Intelligence Solutions business to us and will enter into a binding agreement to transfer the remainder of its Cyber Intelligence Solutions business to us, will subsequently distribute all of our shares held by Verint to Verint shareholders, pro rata to their respective holdings, and immediately thereafter Verint will transfer the remainder of its Cyber Intelligence Solutions business to us pursuant to the binding commitment. The distribution is intended to be tax-free to Verint shareholders, Verint and Cognyte for U.S. federal and Israeli income tax purposes. The distribution and certain internal transactions, which are part of the spin-off and the separation, are intended to be tax-free to Verint shareholders, Verint and Cognyte for Israeli income tax purposes under the Israeli Tax Ruling. Certain other internal transactions not covered by the Israeli Tax Ruling should also not result in any tax liabilities in Israel. In connection with the Spin-off, Verint is being treated as the accounting spinnor, consistent with the legal form of the transaction.

We expect the transaction to be completed during the Company's first quarter of fiscal year 2022. The completion of the Spin-off is subject to certain conditions, including effectiveness of the appropriate filings with the Securities and Exchange Commission ("SEC") and final approval by Verint's Board of Directors. There are no assurances as to when the planned Spin-off will be completed, if at all.

Description of Business

Cognyte is a global provider in security analytics software that empowers governments and enterprises with Actionable Intelligence for a safer world. Our open software fuses, analyzes and visualizes disparate data sets at scale to help security organizations find the needles in the haystacks. Over 1,000 government and enterprise customers in more than 100 countries rely on Cognyte's solutions to accelerate security investigations and connect the dots to identify, neutralize, and prevent national security, personal safety, business continuity and cyber threats.

Basis of Presentation

The Company has not published stand-alone financial statements in the past. As a result, these condensed combined financial statements reflect the historical financial position, results of operations and cash flows of the Company for the periods presented as historically managed within Verint. The condensed combined financial statements have been derived (carved-out) from the condensed consolidated financial statements and accounting records of Verint and have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP").

The condensed combined financial statements included herein have been prepared in accordance with GAAP and on the same basis as the audited combined financial statements included in this Form 20-F for the year ended January 31, 2020, except for the recently adopted accounting pronouncements described below. The condensed combined statements of operations, comprehensive income, equity, and cash flows for the periods ended July 31, 2020 and 2019, and the condensed combined balance sheet as of July 31, 2020, are not audited but reflect all adjustments that are of a normal recurring nature and that are considered necessary for a fair presentation of the

results for the periods shown. The condensed combined balance sheet as of January 31, 2020 is derived from the audited combined financial statements presented in this Form 20-F for the year ended January 31, 2020. Certain information and disclosures normally included in annual combined financial statements have been omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Because the condensed combined interim financial statements do not include all of the information and disclosures required by GAAP for a complete set of financial statements, they should be read in conjunction with the audited combined financial statements and notes included in this Form 20-F for the year ended January 31, 2020. The results for interim periods are not necessarily indicative of a full year's results.

The primary basis for presenting condensed consolidated financial statements is when one entity has a controlling financial interest in another entity. As there is no controlling financial interest present between or among the entities that comprise our business, we are preparing our financial statements on a condensed combined basis. Verint's investment in our business is shown in lieu of equity attributable to Cognyte as there is no consolidated entity for which Verint holds an equity interest in. Verint's investment represents its interest in the recorded net assets of Cognyte. The accompanying condensed combined financial statements also include a joint venture in which we hold a 50% equity interest. The joint venture is a variable interest entity 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 condensed combined 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.

All internal transactions have been eliminated. As described in Note 3, "Related Party Transactions with Verint," all significant transactions between the Company and Verint have been included in these condensed combined financial statements.

Verint generally uses a decentralized approach to cash management and financing of its operations. The majority of the cash generated by a legal entity remains with that entity and is used to fund that entity's operations and/or investing activities. For those entities legally owned by the Cyber Intelligence Solutions business, the associated cash has been attributed to the condensed combined balance sheets for each period presented. For certain entities, the entity's cash is transferred to a cash pooling entity and the cash pooling entity funds the business's operating and investing activities as needed. These cash pooling arrangements are not reflective of the manner in which the business would have been able to finance its operations had it been a stand-alone business separate from Verint during the periods presented. Transfers of cash relating to these cash pooling arrangements are included as components of net parent investment on the condensed combined statements of equity.

The preparation of the condensed combined financial statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the year that affects the reported amounts of assets and liabilities as well as expenses. Actual outcomes and results could differ from those estimates and assumptions. The following paragraphs describe the significant estimates and assumptions applied by management in the preparation of these condensed combined financial statements.

In light of the currently unknown extent and duration of the COVID-19 pandemic, we face a greater degree of uncertainty than normal in making the judgments and estimates needed to apply to certain of our significant accounting policies. We assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to us and the unknown future impacts of COVID-19 as of July 31, 2020 and through the date of this report. These estimates may change, as new events

occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

These condensed combined financial statements include the assets and liabilities of the Verint subsidiaries that are attributable to the Company's business and exclude the assets and liabilities of the Verint subsidiaries that are not attributable to the Company's business. Third-party debt obligations of Verint and the corresponding financing costs related to those debt obligations, specifically those that relate to senior notes, term loans, and revolving credit facilities, have not been attributed to the Company, as the Company was not the legal obligor on the debt.

During the periods presented, the Company functioned as part of the larger group of companies controlled by Verint. Accordingly, Verint performed certain corporate overhead functions for the Company. Therefore, certain corporate costs, including compensation costs for corporate employees supporting the Company, have been allocated from Verint. These allocated costs are for corporate functions including, but not limited to, senior management, legal, human resources, finance and accounting, treasury, information technology, internal audit and other shared services, which were not historically provided at the Company level. Where possible, these costs were specifically identified to the Company, with the remainder primarily allocated on the basis of revenue as a relevant measure. The condensed combined financial statements do not necessarily include all the expenses that would have been incurred or held by the Company had it been a separate, stand-alone company, and we expect to incur additional expenses as a separate, stand-alone publicly-traded company. It is not practicable to estimate actual costs that would have been incurred had the Company been a separate stand-alone company during the periods presented. Allocations for management costs and corporate support services provided to the Company totaled $42.6 million and $39.9 million for the six months ended July 31, 2020 and 2019, respectively. The Company and Verint consider the allocations to be a reasonable reflection of the benefits received by the Company. Going forward, the Company may perform these functions using its own resources or outsourced services. For a period following the Spin-off, however, some of these functions will continue to be provided by Verint under a transition services agreement.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The outbreak has reached all of the regions in which we do business, and governmental authorities around the world have implemented numerous measures attempting to contain and mitigate the effects of the virus, including travel bans and restrictions, border closings, quarantines, shelter-in-place orders, shutdowns, limitations or closures of non-essential businesses, and social distancing requirements. Companies around the world, including us, our customers, partners, and vendors, have implemented actions in response, including among others, office closings, site restrictions, and employee travel restrictions. Notwithstanding the loosening of these restrictions in certain countries in certain periods since the onset of the pandemic, the global spread of COVID-19 and actions taken in response have negatively affected us, our customers, partners, and vendors and caused significant economic and business disruption the extent and duration of which is not currently known. In response to these challenges, we quickly adjusted our operations to work from home and we believe our business continuity plan is working well. We are monitoring and assessing the impact of the COVID-19 pandemic daily, including recommendations and orders issued by government and public health authorities. We continue to work to help our customers meet their business continuity needs and help keep the world safe during this difficult time and are managing our operations with a view to resuming normal business activity as soon as possible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes in our significant accounting policies during the six months ended July 31, 2020, as compared to the significant accounting policies described in Note 2, "Summary of Significant Accounting Policies" to the combined financial statements included in this Form 20-F for the year ended January 31, 2020.

Recent Accounting Pronouncements

New Accounting Pronouncements Recently Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments*. This new standard requires entities to measure expected credit losses for certain financial assets held at the reporting date using a current expected credit loss model, which is based on historical experience, adjusted for current conditions and reasonable and supportable forecasts. The Company's financial instruments within the scope of this guidance primarily includes accounts receivable and contract assets. On February 1, 2020, we adopted the new standard under the modified retrospective approach, such that comparative information has not been restated and continues to be reported under accounting standards in effect for those periods. The adoption of ASU No. 2016-13 resulted in a $0.5 million increase in our allowance for expected credit losses related to accounts receivable and contract assets, a $0.1 million increase to deferred tax assets, and an impact of $0.4 million to our net parent investment. The new accounting standard did not have a material impact on our condensed combined financial statements, including accounting policies, given our limited historical write-off activity.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which requires customers in a hosting arrangement that is a service contract to follow existing internal-use software guidance to determine which implementation costs to capitalize and which costs to expense. Under the new standard, implementation costs are deferred and presented in the same financial statement caption on the condensed combined balance sheet as a prepayment of related arrangement fees. The deferred costs are recognized over the term of the arrangement in the same financial statement caption in the condensed combined statement of operations as the related fees of the arrangement. We adopted ASU No. 2018-15 prospectively to eligible costs incurred on or after February 1, 2020 and the implementation did not have a material impact on our condensed combined financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to The Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements. Since the standard affects only disclosure requirements, the adoption of the standard did not have an impact on our condensed combined financial statements.

New Accounting Pronouncements Not Yet Effective

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for convertible instruments by eliminating the requirement to separate embedded conversion features from the host contract when the conversion features are not required to be accounted for as derivatives under Topic 815, *Derivatives and Hedging*, or that do not result in substantial premiums accounted for as paid-in capital. By removing the separation model, a convertible debt instrument will be reported as a single liability instrument with no separate accounting for embedded conversion features. This new standard also removes certain settlement conditions that are required for contracts to qualify for equity classification and simplifies the diluted earnings per share calculations by requiring that an entity use the if-converted method and that the effect of potential share settlement be included in diluted earnings per share calculations. This new standard will be effective for us in fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. We are currently assessing the impact of adopting this standard on our combined financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which affects general principles within Topic 740, Income Taxes and is meant to simplify and

reduce the cost of accounting for income taxes. This standard is effective for annual reporting periods beginning after December 15, 2021, and interim reporting periods within annual reporting periods beginning after December 15, 2022. We are currently reviewing this standard but do not expect that it will have a material impact on our combined financial statements.

3. RELATED PARTY TRANSACTIONS WITH VERINT

The condensed combined financial statements have been prepared on a stand-alone basis and are derived from the condensed consolidated financial statements and accounting records of Verint.

Verint provided certain services, such as but not limited to, senior management, legal, human resources, finance and accounting, treasury, information technology, internal audit and other shared services, on behalf of the Company. Where possible, these costs were specifically identified to the Company, with the remainder primarily allocated on the basis of revenue as a relevant measure. The Company and Verint both consider the allocations to be a reasonable reflection of the benefits received by the Company. During the six months ended July 31, 2020 and 2019, the Company was allocated $42.6 million, and $39.9 million, respectively, of corporate expenses incurred by Verint and such amounts are included in the condensed combined statements of operations. As certain expenses reflected in the condensed combined financial statements include allocations of corporate expenses from Verint, these statements could differ from those that would have been prepared had the Company operated on a stand-alone basis.

The components of the costs of services allocated to the Company for the six months ended July 31, 2020 and 2019 are as follows:

	Six Months Ended July 31,	
(in thousands)	**2020**	**2019**
Software—cost of revenue	$ 601	$ 946
Software service—cost of revenue	830	809
Professional service and other—cost of revenue	1,253	2,341
Research and development, net	10,805	9,724
Selling, general and administrative	29,086	26,086
Total allocated corporate expenses	**$ 42,575**	**$ 39,906**

All significant internal transactions between the Company and Verint have been included in these condensed combined financial statements and are considered to have been effectively settled or are expected to be settled for cash. The total net effect of the settlement of these internal transactions is reflected in the condensed combined statements of cash flows as a financing activity and in the condensed combined balance sheets as net parent investment.

Certain legal entities of the Company have interest-bearing notes under contractual agreements to Verint. The purpose of these notes is to provide funds for certain working capital or other capital and operating requirements of the business. Net interest expense on these notes with Verint is recorded in interest expense in the condensed combined statements of operations and was $0.1 million, and $0.2 million for the six months ended July 31, 2020 and 2019, respectively. These notes have fixed and variable interest rates of 2.1% fixed rate and 2.5% plus three-month average LIBOR variable rate, with maturities of the earliest of five years, or on demand, and four years, respectively. The Company had related party notes payable, current of $7.0 million which is presented in current maturities of note to parent within the condensed combined balance sheets as of July 31, 2020 and January 31, 2020.

Net transfers to and from Verint are included within net parent investment on the condensed combined statements of equity. The components of the net transfers to and from Verint for the six months ended July 31, 2020 and 2019 are as follows:

	Six Months Ended July 31,	
(in thousands)	**2020**	**2019**
Cash pooling and general financing activities	$ (49,166)	$ (84,213)
Corporate allocations	42,575	39,906
Income taxes	(80)	582
Total net transfers to parent per condensed combined statements of equity	**(6,671)**	**(43,725)**
Stock-based compensation—equity classified awards and issuances	(12,523)	(15,055)
Other, net	1,048	—
Total net transfers to parent per condensed combined statements of cash flows	**$ (18,146)**	**$ (58,780)**

4. REVENUE RECOGNITION

We derive our revenue primarily from the licensing of our software products and related services and support based on when control of the software passes to our customers or the services are provided, in an amount that reflects the consideration we expect to be entitled to in exchange for such goods or services. Revenue is reported net of applicable sales and use tax, value-added tax and other transaction taxes imposed on the related transaction, including mandatory government charges that are passed through to our customers.

We determine revenue recognition through the following five steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, performance obligations are satisfied.

We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable.

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 software-as-a-service subscriptions ("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)	Six Months Ended July 31, 2020	2019
Revenue by recurrence:		
Recurring revenue	$ 107,689	$ 92,988
Nonrecurring revenue	98,770	128,045
Total revenue	**$ 206,459**	**$ 221,033**

Contract Balances

The following table provides information about accounts receivable, contract assets, and contract liabilities from contracts with customers:

(in thousands)	July 31, 2020	January 31, 2020
Accounts receivable, net	$165,506	$ 180,441
Contract assets, net	$ 30,427	$ 28,873
Long-term contract assets (included in other assets)	$ 681	$ 937
Contract liabilities	$122,151	$ 143,695
Long-term contract liabilities	$ 20,928	$ 23,305

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 a majority of our contract assets to occur within the next twelve months and had no asset impairment related to contract assets in the period. There are two customers that accounted for a combined $65.3 million and $51.7 million of our aggregated accounts receivable and contract assets at July 31, 2020 and January 31, 2020, 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 six months ended July 31, 2020 and 2019 from amounts included in contract liabilities at the beginning of each period was $78.6 million and $76.4 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.

The following table provides information about our RPO:

(in thousands)	July 31, 2020	January 31, 2020
RPO:		
Expected to be recognized within 1 year	$383,983	$ 356,677
Expected to be recognized in more than 1 year	170,626	225,056
Total RPO	**$554,609**	**$ 581,733**

5. *CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS*

The following tables summarize our cash, cash equivalents, and short-term investments as of July 31, 2020 and January 31, 2020:

	July 31, 2020			
(in thousands)	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash and cash equivalents:				
Cash and bank time deposits	$ 188,065	$ —	$ —	$ 188,065
Total cash and cash equivalents	**$ 188,065**	**$ —**	**$ —**	**$ 188,065**
Short-term investments:				
Bank time deposits	$ 18,238	$ —	$ —	$ 18,238
Total short-term investments	**$ 18,238**	**$ —**	**$ —**	**$ 18,238**

	January 31 2020,			
(in thousands)	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash and cash equivalents:				
Cash and bank time deposits	$ 201,090	$ —	$ —	$ 201,090
Total cash and cash equivalents	**$ 201,090**	**$ —**	**$ —**	**$ 201,090**
Short-term investments:				
Bank time deposits	$ 6,603	$ —	$ —	$ 6,603
Total short-term investments	**$ 6,603**	**$ —**	**$ —**	**$ 6,603**

Bank time deposits which are reported within short-term investments consist of deposits held outside of the U.S. with maturities of greater than 90 days. All other bank deposits are included within cash and cash equivalents.

During the six months ended July 31, 2020 and 2019, proceeds from maturities and sales of short-term bank time deposits were $21.8 million, and $22.5 million, respectively.

6. *BUSINESS COMBINATIONS*

Six Months Ended July 31, 2020

We did not complete any business combinations during the six months ended July 31, 2020.

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Year Ended January 31, 2020

On December 18, 2019, we completed the acquisition of two software companies under common control, WebintPro Ltd. and Deep Analytics Ltd. (collectively "WebintPro"), focused on multi source intelligence and fusion analytics.

The purchase price of $23.4 million consisted of (i) $18.8 million of combined cash paid at closing, funded by cash on hand, partially offset by $0.1 million of cash acquired, resulting in net cash consideration at closing of $18.7 million; and (ii) the $7.0 million fair value of the $7.3 million contingent consideration arrangement described below; offset by (iii) $2.4 million of other purchase price adjustments. We agreed to make potential additional cash payments to the respective former shareholders aggregating up to approximately $7.3 million, contingent upon the achievement of certain performance targets over periods extending through June 2021, the fair value of which was estimated to be $7.0 million at the acquisition date.

The purchase price for WebintPro was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date, with the remaining unallocated purchase prices recorded as goodwill. The fair value assigned to identifiable intangible assets acquired were determined primarily by using the income approach, which discounts expected future cash flows to present value using estimates and assumptions determined by management.

Among the factors contributing to the recognition of goodwill as a component of the WebintPro purchase price allocation were synergies in products and technologies, and the addition of a skilled, assembled workforce. The $11.2 million of goodwill is not deductible for income tax purposes.

Transaction and related costs directly related to the acquisition of WebintPro, consisting primarily of professional fees and integration expenses, totaled $0.4 million for the six months ended July 31, 2020 and were expensed as incurred and are included in selling, general and administrative expenses.

Revenue and net income attributable to WebintPro included in our condensed combined statement of operations for the six months ended July 31, 2020 was not material. Pro-forma information is not provided due to immateriality.

The purchase price allocation for WebintPro has been prepared on a preliminary basis and changes to allocations may occur as additional information becomes available during the measurement period (up to one year from the acquisition date). Fair values still under review include values assigned to identifiable intangible assets, goodwill, deferred income taxes, and reserves for uncertain income tax positions.

The following table sets forth the components and the allocation of the purchase price for our acquisition of WebintPro:

(in thousands)	Amount
Components of Purchase Price:	
Cash	$18,843
Fair value of contingent consideration	7,023
Other purchase price adjustments	(2,418)
Total purchase price	**$23,448**
Allocation of Purchase Price:	
Net tangible assets (liabilities):	
Accounts receivable	$ 2,160
Other current assets, including cash acquired	7,804

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(in thousands)	Amount
Other assets	2,757
Current and other liabilities	(3,103)
Contract liabilities—current and long-term	(554)
Deferred income taxes	(1,342)
Net tangible assets	**7,722**
Identifiable intangible assets:	
Customer relationships	1,452
Developed technology	1,360
Trademarks and trade names	367
Non-compete agreements	1,307
Total identifiable intangible assets	**4,486**
Goodwill	**11,240**
Total purchase price allocation	**$23,448**

The acquired customer relationships, developed technology, trademarks and trade names, and non-compete agreements were assigned estimated useful lives of five years, five years, three years, and three years, respectively, the weighted average of which is approximately 4.4 years. The acquired identifiable intangible assets are being amortized on a straight-line basis, which we believe approximates the pattern in which the assets are utilized, over their estimated useful lives.

Other Business Combination Information

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 condensed combined 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 six months ended July 31, 2020 and 2019, we recorded benefits of $1.3 million and $2.3 million, respectively, within selling, general and administrative expenses for changes in the fair values of contingent consideration obligations associated with business combinations. The aggregate fair value of the remaining contingent consideration obligations associated with business combinations was $6.8 million at July 31, 2020, of which $4.3 million was recorded within accrued expenses and other current liabilities, and $2.5 million was recorded within other liabilities.

Payments of contingent consideration earned under these agreements were $3.4 million and $3.0 million for the six months ended July 31, 2020 and 2019, respectively.

7. *INTANGIBLE ASSETS AND GOODWILL*

Acquisition-related intangible assets consisted of the following as of July 31, 2020 and January 31, 2020:

	July 31, 2020		
(in thousands)	Cost	Accumulated Amortization	Net
Intangible assets with finite lives:			
Acquired technology	$75,445	$ (72,713)	$2,732
Customer relationships	6,286	(3,907)	2,379
Trade names	1,166	(594)	572
Distribution network	2,000	(2,000)	—
Non-competition agreements	1,307	(266)	1,041
Total intangible assets	**$86,204**	**$ (79,480)**	**$6,724**

	January 31, 2020		
(in thousands)	Cost	Accumulated Amortization	Net
Intangible assets with finite lives:			
Acquired technology	$75,765	$ (72,542)	$3,223
Customer relationships	6,586	(3,882)	2,704
Trade names	1,231	(563)	668
Distribution network	2,000	(2,000)	—
Non-competition agreements	1,307	(34)	1,273
Total intangible assets	**$86,889**	**$ (79,021)**	**$7,868**

We considered the current and expected future economic market conditions surrounding the COVID-19 pandemic to assess whether a triggering event had occurred that would result in a potential impairment of our indefinite-lived intangible assets. Based on this assessment, we concluded that a triggering event has not occurred which would require further impairment testing to be performed.

Total amortization expense recorded for acquisition-related intangible assets was $1.1 million and $1.9 million for the six months ended July 31, 2020 and 2019, respectively. The reported amount of net acquisition-related intangible assets can fluctuate from the impact of changes in foreign currency exchange rates on intangible assets not denominated in U.S. dollars.

Estimated future amortization expense on finite-lived acquisition-related intangible assets is as follows:

(in thousands) Years Ending January 31,	Amount
2021 (remainder of year)	$1,056
2022	2,041
2023	1,853
2024	783
2025	737
2026 and thereafter	254
Total	**$6,724**

Goodwill activity for the six months ended July 31, 2020 was as follows:

(in thousands)	Amount
Six Months Ended July 31, 2020:	
Goodwill, gross, at January 31, 2020	$ 168,965
Accumulated impairment losses through January 31, 2020	(10,822)
Goodwill, net, at January 31, 2020	158,143
Business combinations, including adjustments to prior period acquisitions	(357)
Foreign currency translation and other	(271)
Goodwill, net, at July 31, 2020	**$ 157,515**
Balance at July 31, 2020	
Goodwill, gross, at July 31, 2020	$ 168,337
Accumulated impairment losses through July 31, 2020	(10,822)
Goodwill, net, at July 31, 2020	**$ 157,515**

We evaluated whether there has been a change in circumstances as of July 31, 2020 and as of the date of this filing in response to the economic impacts seen globally from COVID-19. The valuation methodology to determine the fair value of our reporting unit is sensitive to management's forecasts of future revenue, profitability and market conditions. At this time, the full impact of COVID-19 on our forecasts is uncertain and increases the subjectivity that will be involved in evaluating goodwill for potential impairment. We do expect declines in our reporting unit fair value as a result of delayed or reduced demand for our products and services, driving lower revenue and operating income across our businesses. However, given the significant difference between our reporting unit fair value and its carrying value in the most recent quantitative analyses completed as of November 1, 2019, as well as expected long-term recovery within our reporting unit, management does not believe that these events were severe enough to result in an impairment trigger. We will continue to monitor the environment to determine whether the impacts to our reporting unit represents an event or change in circumstances that may trigger a need to assess for impairment.

8. SUPPLEMENTAL CONDENSED COMBINED FINANCIAL STATEMENT INFORMATION

Condensed Combined Balance Sheets

Inventories consisted of the following as of July 31, 2020 and January 31, 2020:

(in thousands)	July 31, 2020	January 31, 2020
Raw materials	$ 6,923	$ 7,461
Work-in-process	5,436	4,674
Finished goods	993	2,758
Total inventories	**$13,352**	**$ 14,893**

Condensed Combined Statements of Operations

Other income, net consisted of the following for the six months ended July 31, 2020 and 2019:

(in thousands)	Six Months Ended July 31, 2020	Six Months Ended July 31, 2019
Gains on derivative financial instruments, net	$ 413	$ 645
Foreign currency losses, net	(375)	(91)
Other, net	97	(22)
Total other income, net	**$ 135**	**$ 532**

Condensed Combined Statements of Cash Flows

The following table provides supplemental information regarding our condensed combined cash flows for the six months ended July 31, 2020 and 2019:

(in thousands)	Six Months Ended July 31, 2020	Six Months Ended July 31, 2019
Cash paid for interest	$ 16	$ 15
Cash (refunds) payments of income taxes, net	$ (3,365)	$ 1,354
Cash payments for operating leases	$ 3,781	$ 4,073
Non-cash investing and financing transactions:		
Accrued but unpaid purchases of property and equipment	$ 1,773	$ 2,835
Inventory transfers to property and equipment	$ 575	$ 463

9. 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 condensed combined balance sheets. Accumulated other comprehensive loss items have no impact on our net income as presented in our condensed combined statements of operations.

The following table summarizes changes in the components of our accumulated other comprehensive loss for the six months ended July 31, 2020 and 2019:

(in thousands)	Unrealized Gains (Losses) on Derivative Financial Instruments Designated as Hedges	Foreign Currency Translation Adjustments	Total
Accumulated other comprehensive loss at January 31, 2019	**$ (809)**	**$ (12,653)**	**$(13,462)**
Other comprehensive income (loss) before reclassifications	1,550	(695)	855
Amounts reclassified out of accumulated other comprehensive loss	(698)	—	(698)
Net other comprehensive income (loss)	2,248	(695)	1,553
Accumulated other comprehensive income (loss) at July 31, 2019	**$ 1,439**	**$ (13,348)**	**$(11,909)**
Accumulated other comprehensive income (loss) at January 31, 2020	**$ 596**	**$ (14,519)**	**$(13,923)**
Other comprehensive income (loss) before reclassifications	490	(1,532)	(1,042)
Amounts reclassified out of accumulated other comprehensive income (loss)	(11)	—	(11)
Net other comprehensive income (loss)	501	(1,532)	(1,031)
Accumulated other comprehensive income (loss) at July 31, 2020	**$ 1,097**	**$ (16,051)**	**$(14,954)**

All amounts presented in the table above are net of income taxes, if applicable. The accumulated net losses in foreign currency translation adjustments primarily reflect the strengthening of the U.S. dollar against the Brazilian real, which has resulted in lower U.S. dollar-translated balances of Brazilian real.

The amounts reclassified out of accumulated other comprehensive loss into the condensed combined statements of operations, with presentation location, for the six months ended July 31, 2020 and 2019, were as follows:

	Six Months Ended July 31,		
(in thousands)	2020	2019	Financial Statement Location
Unrealized losses on derivative financial instruments:			
Foreign currency forward contracts	$ (1)	$ (7)	Cost of software revenue
	(1)	(44)	Cost of software service revenue
	(1)	(86)	Cost of professional service and other revenue
	(6)	(388)	Research and development, net
	(4)	(255)	Selling, general and administrative
	(13)	**(780)**	**Total, before income taxes**
	2	82	Benefit from income taxes
	$ (11)	**$ (698)**	**Total, net of income taxes**

10. INCOME TAXES

Our interim provision (benefit) for income taxes is measured using an estimated annual effective income tax rate, adjusted for discrete items that occur within the periods presented.

For the six months ended July 31, 2020, we recorded an income tax provision of $3.4 million on pre-tax income of $9.0 million, which represented an effective income tax rate of 37.8%. The effective tax rate differs from the U.S. federal statutory rate of 21% primarily due to the impact of U.S. taxation of certain Non-US activities, offset by lower statutory rates in several Non-US jurisdictions.

For the six months ended July 31, 2019, we recorded an income tax benefit of $1.8 million on pre-tax income of $12.4 million, which represented a negative effective income tax rate of 14.3%. The effective tax rate differs from the U.S. federal statutory rate of 21% primarily due to a net tax benefit of $5.9 million recorded in relation to changes in unrecognized income tax benefits and other items as a result of an audit settlement in a Non-US jurisdiction and the impact of U.S. taxation of certain Non-US activities, offset by lower statutory rates in several Non-US jurisdictions. Excluding the income tax benefit attributable to the audit settlement, the result was an income tax provision of $4.1 million on pre-tax income of $12.4 million, resulting in an effective tax rate of 33.1%.

As required by the authoritative guidance on accounting for income taxes, we evaluate the realizability of deferred income tax assets on a jurisdictional basis at each reporting date. Accounting guidance for income taxes requires that a valuation allowance be established when it is more-likely-than-not that all or a portion of the deferred income tax assets will not be realized. In circumstances where there is sufficient negative evidence indicating that the deferred income tax assets are not more-likely-than- not realizable, we establish a valuation allowance. We determined that there is sufficient negative evidence to maintain the valuation allowances against certain Non-US deferred income tax assets as a result of historical losses in the most recent three-year period in certain Non-US jurisdictions. We intend to maintain valuation allowances until sufficient positive evidence exists to support a reversal.

We had unrecognized income tax benefits of $10.1 million and $8.7 million (excluding interest and penalties) as of July 31, 2020 and January 31, 2020, respectively. The accrued liability for interest and penalties was $1.1 million and $0.9 million at July 31, 2020 and January 31, 2020, respectively. Interest and penalties are recorded as a component of the provision for income taxes in our condensed combined statements of operations. As of July 31, 2020 and January 31, 2020, the total amount of unrecognized income tax benefits that, if recognized, would impact our effective income tax rate were approximately $10.1 million and $8.7 million, respectively. We regularly assess the adequacy of our provisions for income tax contingencies in accordance with the applicable authoritative guidance on accounting for income taxes. As a result, we may adjust the reserves for unrecognized income 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 limitation. Further, we believe that it is reasonably possible that the total amount of unrecognized income tax benefits at July 31, 2020 could decrease by approximately $1.5 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 income taxes, the adjustment of deferred income taxes including the need for additional valuation allowances, and the recognition of income tax benefits. Our income tax returns are subject to ongoing tax examinations in several jurisdictions in which we operate. We also believe that it is reasonably possible that new issues may be raised by tax authorities or developments in tax audits may occur, which would require increases or decreases to the balance of reserves for unrecognized income tax benefits; however, an estimate of such changes cannot reasonably be made.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted and signed into U.S. law to provide economic relief to individuals and businesses facing economic hardship as a result of the COVID-19 pandemic. The income tax provisions of the CARES Act do not have a significant impact on our current taxes, deferred taxes, or uncertain tax positions.

11. *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 July 31, 2020 and January 31, 2020:

	July 31, 2020		
	Fair Value Hierarchy Category		
(in thousands)	Level 1	Level 2	Level 3
Assets:			
Foreign currency forward contracts	$ —	$1,426	$ —
Total assets	**$ —**	**$1,426**	**$ —**
Liabilities:			
Foreign currency forward contracts	$ —	$ 140	$ —
Contingent consideration—business combinations	—	—	6,849
Total liabilities	**$ —**	**$ 140**	**$ 6,849**

	January 31, 2020		
	Fair Value Hierarchy Category		
(in thousands)	Level 1	Level 2	Level 3
Assets:			
Foreign currency forward contracts	$ —	$ 812	$ —
Total assets	**$ —**	**$ 812**	**$ —**
Liabilities:			
Foreign currency forward contracts	$ —	$ 132	$ —
Contingent consideration—business combinations	—	—	11,509
Total liabilities	**$ —**	**$ 132**	**$ 11,509**

The following table presents the changes in the estimated fair values of our liabilities for contingent consideration measured using significant unobservable inputs (Level 3) for the six months ended July 31, 2020 and 2019:

	Six Months Ended July 31,	
(in thousands)	2020	2019
Fair value measurement, beginning of year	$ 11,509	$ 13,311
Changes in fair values, recorded in operating expenses	(1,265)	(2,250)
Payments of contingent consideration	(3,395)	(2,960)
Fair value measurement at end of period	**$ 6,849**	**$ 8,101**

Our estimated liability for contingent consideration represents potential payments of additional consideration for business combinations, payable if certain defined performance goals are achieved. Changes in fair value of contingent consideration are recorded in the condensed combined statements of operations within selling, general and administrative expenses.

There were no transfers between levels of the fair value measurement hierarchy during the six months ended July 31, 2020 and 2019.

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—The fair value of the contingent consideration related to business combinations 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. We utilized discount rates ranging from 1.9% to 2.1%, with a weighted average discount rate of 2.0% in our calculations of the estimated fair values of our contingent consideration liabilities as of July 31, 2020. We utilized discount rates ranging from 2.1% to 4.5% in our calculations of the estimated fair values of our contingent consideration liabilities as of January 31, 2020.

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 projected undiscounted cash flows. 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" to the combined financial statements included in this Form 20-F for the year ended January 31, 2020.

As of July 31, 2020, the carrying amount of our noncontrolling equity investments in privately-held companies without readily determinable fair values was $1.8 million. There were no observable price changes in our investments in privately-held companies and we did not recognize any impairments or other adjustments during the six months ended July 31, 2020.

12. 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 and short-term investments denominated in currencies other than the applicable functional currency. These foreign currency forward contracts generally have maturities of no longer than twelve months, although occasionally we will execute a contract that extends beyond twelve months, depending upon the nature of the underlying risk.

We held outstanding foreign currency forward contracts with notional amounts of $78.8 million and $89.0 million as of July 31, 2020 and January 31, 2020, respectively.

Fair Values of Derivative Financial Instruments

The fair values of our derivative financial instruments and their classifications in our condensed combined balance sheets as of July 31, 2020 and January 31, 2020 were as follows:

(in thousands)	Balance Sheet Classification	Fair Value at July 31, 2020	Fair Value at January 31, 2020
Derivative assets:			
Foreign currency forward contracts:			
Designated as cash flow hedges	Prepaid expenses and other current assets	$ 1,280	$ 710
Not designated as hedging instruments	Prepaid expenses and other current assets	146	102
Total derivative assets		**$ 1,426**	**$ 812**
Derivative liabilities:			
Foreign currency forward contracts:			
Designated as cash flow hedges	Accrued expenses and other current liabilities	$ 20	$ 16
Not designated as hedging instruments	Accrued expenses and other current liabilities	120	116
Total derivative liabilities		**$ 140**	**$ 132**

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 condensed combined statement of operations for the six months ended July 31, 2020 and 2019, were as follows:

(in thousands)	Six Months Ended July 31, 2020	Six Months Ended July 31, 2019
Net gains recognized in AOCL:		
Foreign currency forward contracts	$561	$1,722
Net losses reclassified from AOCL to the condensed combined statements of operations:		
Foreign currency forward contracts	$ (13)	$ (780)

For information regarding the line item locations of the net losses on derivative financial instruments reclassified out of AOCL into the condensed combined statements of operations, see Note 9, “Accumulated Other Comprehensive Loss”.

All of the foreign currency forward contracts underlying the $1.1 million of net unrealized gains recorded in our accumulated other comprehensive loss at July 31, 2020 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

Gains recognized on derivative financial instruments not designated as hedging instruments in our condensed combined statements of operations for the six months ended July 31, 2020 and 2019, were as follows:

(in thousands)	Classification in Condensed Combined Statements of Operations	Six Months Ended July 31, 2020	Six Months Ended July 31, 2019
Foreign currency forward contracts	Other income, net	$ 413	$ 645

13. STOCK-BASED COMPENSATION AND OTHER BENEFIT PLANS

Verint maintains stock-based compensation plans for the benefit of its officers, directors and employees. The following disclosures represent stock-based compensation expenses attributable to Cognyte based on the awards and terms previously granted under Verint’s stock-based compensation plans to Cognyte employees and an allocation of Verint’s corporate and shared functional employee stock-based compensation expenses. Accordingly, the amounts presented are not necessarily indicative of future awards and do not necessarily reflect the results that Cognyte would have experienced as an independent company for the periods presented. The Cognyte employees’ stock-based compensation expenses were specifically identified whereas Verint’s corporate and shared functional employees’ stock-based compensation expenses were specifically identified to the extent possible with the remainder allocated on the basis of revenue.

Stock-Based Compensation Expense

We recognized stock-based compensation expense in the following line items on the condensed combined statements of operations for the six months ended July 31, 2020 and 2019:

	Six Months Ended July 31, 2020		
(in thousands)	Cognyte employees	Other allocations	Total
Component of income before provision for income taxes:			
Cost of revenue—software	$ 59	$ 244	$ 303
Cost of revenue—software service	84	169	253
Cost of revenue—professional service and other	111	394	505
Research and development, net	584	2,053	2,637
Selling, general and administrative	772	8,631	9,403
Total stock-based compensation expense	**$ 1,610**	**$ 11,491**	**$13,101**

(in thousands)	Six Months Ended July 31, 2019 Cognyte employees	Other allocations	Total
Component of income before provision for income taxes:			
Cost of revenue—software	$ 40	$ 222	$ 262
Cost of revenue—software service	81	133	214
Cost of revenue—professional service and other	128	514	642
Research and development, net	554	2,195	2,749
Selling, general and administrative	701	9,142	9,843
Total stock-based compensation expense	**$ 1,504**	**$ 12,206**	**$13,710**

The following table summarizes stock-based compensation expense by type of award for the six months ended July 31, 2020 and 2019:

(in thousands)	Six Months Ended July 31, 2020 Cognyte employees	Other allocations	Total
Restricted stock units and restricted stock awards	$ 1,518	$ 9,359	$10,877
Stock bonus program and bonus share program	92	2,123	2,215
Total equity-settled awards	**1,610**	**11,482**	**13,092**
Phantom stock units (cash-settled awards)	—	9	9
Total stock-based compensation expense	**$ 1,610**	**$ 11,491**	**$13,101**

(in thousands)	Six Months Ended July 31, 2019 Cognyte employees	Other allocations	Total
Restricted stock units and restricted stock awards	$ 1,578	$ 10,034	$11,612
Stock bonus program and bonus share program	(74)	2,168	2,094
Total equity-settled awards	**1,504**	**12,202**	**13,706**
Phantom stock units (cash-settled awards)	—	4	4
Total stock-based compensation expense	**$ 1,504**	**$ 12,206**	**$13,710**

Awards under Verint’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 Verint common stock.

Stock-Based Awards Granted by Verint

Verint periodically awards RSUs to directors, officers, and other employees. The fair value of these awards is equivalent to the market value of Verint common stock on the grant date. RSUs are not shares of Verint 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 Verint common stock. RSUs are subject to certain restrictions and forfeiture provisions prior to vesting.

Verint periodically awards PSUs to executive officers and certain employees that vest upon the achievement of specified performance goals or market conditions. We separately recognize compensation expense for each

tranche of a PSU award as if it were a separate award with its own vesting date. For certain PSUs, an accounting grant date may be established prior to the requisite service period.

Once a performance vesting condition has been defined and communicated, and the requisite service period has begun, our estimate of the fair value of PSUs requires an assessment of the probability that the specified performance criteria will be achieved, which we update at each reporting date and adjust our estimate of the fair value of the PSUs, if necessary. All compensation expense for PSUs with market conditions is recognized if the requisite service period is fulfilled, even if the market condition is not satisfied.

Our RSU awards may include a provision which allows the awards to be settled with cash payments upon vesting, rather than with delivery of common stock, at the discretion of our board of directors. As of July 31, 2020, for such awards that are outstanding, settlement with cash payments was not considered probable, and therefore these awards have been accounted for as equity-classified awards and are included in the table below.

The following table ("Award Activity Table") summarizes activity for RSUs, PSUs, and other stock awards to Company personnel that reduce available plan capacity under the plans for the six months ended July 31, 2020 and 2019:

	Six Months Ended July 31,			
	2020		2019	
(in thousands, except grant date fair values)	Shares or Units	Weighted-Average Grant-Date Fair Value	Shares or Units	Weighted-Average Grant-Date Fair Value
Beginning balance	669	$ 51.35	705	$ 41.60
Granted	51	$ 48.11	331	$ 60.43
Released	(298)	$ 48.26	(290)	$ 40.31
Forfeited	(43)	$ 52.46	(29)	$ 43.91
Ending balance	**379**	**$ 53.22**	**717**	**$ 50.72**

14. *COMMITMENTS AND CONTINGENCIES*

Legal Proceedings

In March 2009, one of our former employees, Ms. Orit Deutsch, commenced legal actions in Israel against our primary Israeli subsidiary, Verint Systems Limited ("VSL") (Case Number 4186/09) and against our former affiliate 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 VSL 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: VSL, CTI, and Comverse Limited.

On October 31, 2012, CTI distributed of 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-subsidiary, 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 $150.0 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 we will enter into with Verint in connection with the spin-off, we will agree 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 VSL.

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 VSL 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, and the parties are waiting for further instructions or decisions from the Supreme Court.

From time to time we or our subsidiaries may be involved in legal proceedings and/or litigation arising in the ordinary course of our business. While the outcome of these matters cannot be predicted with certainty, we do not believe that the outcome of any current claims will have a material adverse effect on our combined financial position, results of operations, or cash flows.

15. SUBSEQUENT EVENTS

The condensed combined financial statements of the Company are derived from the condensed consolidated financial statements of Verint, which issued its financial statements for the six months ended July 31, 2020 on September 9, 2020. Accordingly, the Company has evaluated transactions or other events for consideration as recognized subsequent events in the financial statements through September 9, 2020. Additionally, the Company has evaluated transactions and other events through the issuance of these condensed combined financial statements, November 17, 2020, for purposes of disclosure of unrecognized subsequent events.

Exhibit 1.1

THE COMPANIES LAW, 1999
A LIMITED LIABILITY COMPANY

ARTICLES OF ASSOCIATION
OF
Cognyte Software LTD.

PRELIMINARY

1. **DEFINITIONS; INTERPRETATION**.

(a) In these Articles, the following terms (whether or not capitalized) shall bear the meanings set forth opposite them, respectively, unless the subject or context requires otherwise.

"Articles"	shall mean these Articles of Association, as amended from time to time.
"Board of Directors"	shall mean the Board of Directors of the Company.
"Chairperson"	shall mean the Chairperson of the Board of Directors, or the Chairperson of the General Meeting, as the context implies;
"Company"	shall mean **Cognyte Software LTD.**
"Companies Law"	shall mean the Israeli Companies Law, 5759-1999 and the regulations promulgated thereunder. The Companies Law shall include reference to the Companies Ordinance (New Version), 5743-1983, of the State of Israel, to the extent in effect according to the provisions thereof.
"Director(s)"	shall mean the member(s) of the Board of Directors holding office at any given time.
"External Director(s)"	shall have the meaning provided for such term in the Companies Law.
"General Meeting"	shall mean an Annual General Meeting or Special General Meeting of the Shareholders, as the case may be.
"NIS"	shall mean New Israeli Shekels.
"Office"	shall mean the registered office of the Company at any given time.
"Office Holder" or "Officer"	shall have the meaning provided for such term in the Companies Law.
"Economic Competition Law"	shall mean the Israeli Economic Competition Law, 5758-1988 and the regulations promulgated thereunder.
"Securities Law"	shall mean the Israeli Securities Law 5728-1968 and the regulations promulgated thereunder.
"Shareholder(s)"	shall mean the shareholder(s) of the Company, at any given time.

(b) Unless the context shall otherwise require: words in the singular shall also include the plural, and vice versa; any pronoun shall include the corresponding masculine, feminine and neuter forms; the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation"; the words "herein", "hereof" and "hereunder" and words of similar import refer to these Articles in its entirety and not to any part hereof; all references herein to Articles or clauses shall be deemed references to Articles or clauses of these Articles; any references to any agreement or other instrument or law, statute or regulation are to it as

amended, supplemented or restated, from time to time (and, in the case of any law, to any successor provisions or re-enactment or modification thereof being in force at the time); any reference to "law" shall include any law ('*din*') as defined in the Interpretation Law, 5741-1981 and any applicable supranational, national, federal, state, local, or foreign statute or law and shall be deemed also to refer to all rules and regulations promulgated thereunder; any reference to a "day" or a number of "days" (without any explicit reference otherwise, such as to Business Days) shall be interpreted as a reference to a calendar day or number of calendar days; reference to month or year means according to the Gregorian calendar; any reference to a "Person" shall mean any individual, partnership, corporation, limited liability company, association, estate, any political, governmental, regulatory or similar agency or body, or other legal entity; and reference to "written" or "in writing" shall include written, printed, photocopied, typed, any electronic communication (including email, facsimile, signed electronically (in Adobe PDF, DocuSign or any other format)) or produced by any visible substitute for writing, or partly one and partly another, and signed shall be construed accordingly.

(c) The captions in these Articles are for convenience only and shall not be deemed a part hereof or affect the construction or interpretation of any provision hereof.

(d) The specific provisions of these Articles shall supersede the provisions of the Companies Law to the extent permitted under the Companies Law.

LIMITED LIABILITY

2. The Company is a limited liability company and each Shareholder's obligations to the Company shall therefore be limited (in addition to any liabilities under any contract) to the payment of the nominal value (if any) of the shares held by such Shareholder, subject to the provisions of the Companies Law.

COMPANY'S OBJECTIVES

3. **OBJECTIVES.**

The Company's objectives are to carry on any business, and do any act, which is not prohibited by law.

4. **DONATIONS.**

The Company may donate a reasonable amount of money (in cash or in kind, including the Company's securities) to worthy purposes, as the Board of Directors may determine in its discretion, even if such donations are not made on the basis or within the scope of business considerations of the Company.

SHARE CAPITAL

5. **AUTHORIZED SHARE CAPITAL**.

(a) The authorized share capital of the Company shall consist of 300,000,000 Ordinary Shares without par value (the "**Shares**").

(b) The Shares shall rank *pari passu* in all respects. The Shares may be redeemable to the extent set forth in Article 18.

6. **INCREASE OF AUTHORIZED SHARE CAPITAL**.

(a) The Company may, from time to time, by a Shareholders' resolution, whether or not all of the shares then authorized have been issued, and whether or not all of the shares theretofore issued have been called up for payment, increase its authorized share capital by increasing the number of shares it is authorized to issue. Any such increase shall be in such amount and shall be divided into shares of such nominal amounts, and such shares shall confer such rights and preferences, and shall be subject to such restrictions, as such resolution shall provide.

(b) Except to the extent otherwise provided in such resolution, any new shares included in the authorized share capital increase as aforesaid shall be subject to all of the provisions of these Articles that are applicable to shares of such class that are included in the existing share capital.

7. **SPECIAL OR CLASS RIGHTS; MODIFICATION OF RIGHTS**.

(a) The Company may, from time to time, by a Shareholders' resolution, provide for shares with such preferred or deferred rights or other special rights and/or such restrictions, whether in regard to dividends, voting, repayment of share capital or otherwise, as may be stipulated in such resolution.

(b) If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class, unless otherwise provided by these Articles, may be modified or cancelled by the Company by a resolution of the General Meeting of the holders of all shares as one class, without any required separate resolution of any class of shares.

(c) The provisions of these Articles relating to General Meetings shall apply, *mutatis mutandis*, to any separate General Meeting of the holders of the shares of a particular class, it being clarified that the requisite quorum at any such separate General Meeting shall be two or more Shareholders present in person or by proxy and holding not less than twenty-five percent (25%) of the issued shares of such class.

(d) Unless otherwise provided by these Articles, an increase in the authorized share capital, the creation of a new class of shares, an increase in the authorized share capital of a class of shares, or the issuance of additional shares thereof out of the authorized and unissued share capital, shall not be deemed, for purposes of this Article 7, to modify or derogate or cancel the rights attached to previously issued shares of such class or of any other class.

8. **CONSOLIDATION, DIVISION, CANCELLATION AND REDUCTION OF SHARE CAPITAL**.

(a) The Company may, from time to time, by or pursuant to an authorization of a Shareholders' resolution, and subject to applicable law:

(i) consolidate all or any part of its issued or unissued authorized share capital into shares of a per share nominal value which is larger, equal to or smaller than the per share nominal value of its existing shares;

(ii) divide or sub-divide its shares (issued or unissued) or any of them, into shares of smaller or the same nominal value (subject, however, to the provisions of the Companies Law), and the resolution whereby any share is divided may determine that, as among the holders of the shares resulting from such subdivision, one or more of the shares may, in contrast to others, have any such preferred or deferred rights or rights of redemption or other special rights, or be subject to any such restrictions, as the Company may attach to unissued or new shares;

(iii) cancel any authorized shares which, at the date of the adoption of such resolution, have not been issued to any person nor has the Company made any commitment, including a conditional commitment, to issue such shares, and reduce the amount of its share capital by the amount of the shares so canceled; or

(iv) reduce its share capital in any manner.

(b) With respect to any consolidation of issued shares and with respect to any other action which may result in fractional shares, the Board of Directors may settle any difficulty which may arise with regard thereto, as it deems fit, and, in connection with any such consolidation or other action which could result in fractional shares, may, without limiting its aforesaid power:

(i) determine, as to the holder of shares so consolidated, which issued shares shall be consolidated into a share of a larger, equal or smaller nominal value per share;

(ii) issue, in contemplation of or subsequent to such consolidation or other action, shares sufficient to preclude or remove fractional share holdings;

(iii) redeem such shares or fractional shares sufficient to preclude or remove fractional share holdings;

(iv) round up, round down or round to the nearest whole number, any fractional shares resulting from the consolidation or from any other action which may result in fractional shares; or

(v) cause the transfer of fractional shares by certain Shareholders of the Company to other Shareholders thereof so as to most expediently preclude or remove any fractional shareholdings, and cause the transferees of such fractional shares to pay the transferors thereof the fair value thereof, and the Board of Directors is hereby authorized to act in connection with such transfer, as agent for the transferors and transferees of any such fractional shares, with full power of substitution, for the purposes of implementing the provisions of this sub-Article 8(b)(v).

9. **Issuance of Share Certificates, Replacement of Lost Certificates**.

(a) To the extent that the Board of Directors determines that all shares shall be certificated or, if the Board of Directors does not so determine, to the extent that any Shareholder requests a share certificate or the Company's transfer agent so requires, share certificates shall be issued under the corporate seal of the Company or its written, typed or stamped name and shall bear the signature of one Director, the Company's Chief Executive Officer, or any person or persons authorized therefor by the Board of Directors. Signatures may be affixed in any mechanical or electronic form, as the Board of Directors may prescribe.

(b) Subject to the provisions of Article 9(a), each Shareholder shall be entitled to one numbered certificate for all of the shares of any class registered in his or her name. Each certificate shall specify the serial numbers of the shares represented thereby and may also specify the amount paid up thereon. The Company (as determined by an officer of the Company to be designated by the Chief Executive Officer) shall not refuse a request by a Shareholder to obtain several certificates in place of one certificate, unless such request is, in the opinion of such officer, unreasonable. Where a Shareholder has sold or transferred a portion of such Shareholder's shares, such Shareholder shall be entitled to receive a certificate in respect of such Shareholder's remaining shares, provided that the previous certificate is delivered to the Company before the issuance of a new certificate.

(c) A share certificate registered in the names of two or more persons shall be delivered to the person first named in the Register of Shareholders in respect of such co-ownership.

(d) A share certificate which has been defaced, lost or destroyed, may be replaced, and the Company shall issue a new certificate to replace such defaced, lost or destroyed certificate upon payment of such fee, and upon the furnishing of such evidence of ownership and such indemnity, as the Board of Directors in its discretion deems fit.

10. **Registered Holder**.

Except as otherwise provided in these Articles or the Companies Law, the Company shall be entitled to treat the registered holder of each share as the absolute owner thereof, and accordingly, shall not, except as ordered by a court of competent jurisdiction, or as required by the Companies Law, be obligated to recognize any equitable or other claim to, or interest in, such share on the part of any other person.

11. **Issuance and Repurchase of Shares**.

(a) The unissued shares from time to time shall be under the control of the Board of Directors (and, to the extent permitted by law, any Committee thereof), which shall have the power to issue or otherwise dispose of shares and of securities convertible or exercisable into or other rights to acquire from the Company to such persons, on such terms and conditions (including, inter alia, price, with or without premium, discount or commission, and terms relating to calls set forth in Article 13(f) hereof), and at such times, as the Board of Directors (or the Committee, as the case may be) deems fit, and the power to give to any person the option

to acquire from the Company any shares or securities convertible or exercisable into or other rights to acquire from the Company on such terms and conditions (including, inter alia, price, with or without premium, discount or commission), during such time as the Board of Directors (or the Committee, as the case may be) deems fit.

(b) The Company may at any time and from time to time, subject to the Companies Law, repurchase or finance the purchase of any shares or other securities issued by the Company, in such manner and under such terms as the Board of Directors shall determine, whether from any one or more Shareholders. Such purchase shall not be deemed as payment of dividends and as such, no Shareholder will have the right to require the Company to purchase his or her shares or offer to purchase shares from any other Shareholders.

12. **PAYMENT IN INSTALLMENT**.

If pursuant to the terms of issuance of any share, all or any portion of the price thereof shall be payable in installments, every such installment shall be paid to the Company on the due date thereof by the then registered holder(s) of the share or the person(s) then entitled thereto.

13. **CALLS ON SHARES**.

(a) The Board of Directors may, from time to time, as it, in its discretion, deems fit, make calls for payment upon Shareholders in respect of any sum (including premium) which has not been paid up in respect of shares held by such Shareholders and which is not, pursuant to the terms of issuance of such shares or otherwise, payable at a fixed time, and each shareholder shall pay the amount of every call so made upon him or her (and of each installment thereof if the same is payable in installments), to the person(s) and at the time(s) and place(s) designated by the Board of Directors, as any such times may be thereafter extended and/or such person(s) or place(s) changed. Unless otherwise stipulated in the resolution of the Board of Directors (and in the notice hereafter referred to), each payment in response to a call shall be deemed to constitute a pro rata payment on account of all the shares in respect of which such call was made.

(b) Notice of any call for payment by a shareholder shall be given in writing to such shareholder not less than fourteen (14) days prior to the time of payment fixed in such notice, and shall specify the time and place of payment, and the person to whom such payment is to be made. Prior to the time for any such payment fixed in a notice of a call given to a shareholder, the Board of Directors may in its absolute discretion, by notice in writing to such shareholder, revoke such call in whole or in part, extend the time fixed for payment thereof, or designate a different place of payment or person to whom payment is to be made. In the event of a call payable in installments, only one notice thereof need be given.

(c) If pursuant to the terms of issuance of a share or otherwise, an amount is made payable at a fixed time (whether on account of such nominal value of such share or by way of premium), such amount shall be payable at such time as if it were payable by virtue of a call made by the Board of Directors and for which notice was given in accordance with paragraphs (a) and (b) of this Article 13, and the provision of these Articles with regard to calls (and the non-payment thereof) shall be applicable to such amount or such installment (and the non-payment thereof).

(d) Joint holders of a share shall be jointly and severally liable to pay all calls for payment in respect of such share and all interest payable thereon.

(e) Any amount called for payment which is not paid when due shall bear interest from the date fixed for payment until actual payment thereof, at such rate (not exceeding the then prevailing debitory rate charged by leading commercial banks in Israel), and payable at such time(s) as the Board of Directors may prescribe.

(f) Upon the issuance of shares, the Board of Directors may provide for differences among the holders of such shares as to the amounts and times for payment of calls for payment in respect of such shares.

14. **PREPAYMENT**.

With the approval of the Board of Directors, any shareholder may pay to the Company any amount not yet payable in respect of his or her shares, and the Board of Directors may approve the payment by the Company of interest on any such amount until the same would be payable if it had not been paid in advance, at such rate and time(s) as may be approved by the Board of Directors. The Board of Directors may at any time cause the Company to repay all or any part of the money so advanced, without premium or penalty. Nothing in this Article 14 shall derogate from the right of the Board of Directors to make any call for payment before or after receipt by the Company of any such advance.

15. **FORFEITURE AND SURRENDER**.

(a) If any shareholder fails to pay an amount payable by virtue of a call, installment or interest thereon as provided for in accordance herewith, on or before the day fixed for payment of the same, the Board of Directors may at any time after the day fixed for such payment, so long as such amount (or any portion thereof) or interest thereon (or any portion thereof) remains unpaid, forfeit all or any of the shares in respect of which such payment was called for. All expenses incurred by the Company in attempting to collect any such amount or interest thereon, including, without limitation, attorneys' fees and costs of legal proceedings, shall be added to, and shall, for all purposes (including the accrual of interest thereon) constitute a part of, the amount payable to the Company in respect of such call.

(b) Upon the adoption of a resolution as to the forfeiture of a Shareholder's share, the Board of Directors shall cause notice thereof to be given to such shareholder, which notice shall state that, in the event of the failure to pay the entire amount so payable by a date specified in the notice (which date shall be not less than fourteen (14) days after the date such notice is given and which may be extended by the Board of Directors), such shares shall be ipso facto forfeited, provided, however, that, prior to such date, the Board of Directors may cancel such resolution of forfeiture, but no such cancellation shall stop the Board of Directors from adopting a further resolution of forfeiture in respect of the non-payment of the same amount.

(c) Without derogating from Articles 51 and 55 hereof, whenever shares are forfeited as herein provided, all dividends, if any, theretofore declared in respect thereof and not actually paid shall be deemed to have been forfeited at the same time.

(d) The Company, by resolution of the Board of Directors, may accept the voluntary surrender of any share.

(e) Any share forfeited or surrendered as provided herein, shall become the property of the Company as a dormant share, and the same, subject to the provisions of these Articles, may be sold, re-issued or otherwise disposed of as the Board of Directors deems fit.

(f) Any person whose shares have been forfeited or surrendered shall cease to be a shareholder in respect of the forfeited or surrendered shares, but shall, notwithstanding, be liable to pay, and shall forthwith pay, to the Company, all calls, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until actual payment, at the rate prescribed in Article 13(e) above, and the Board of Directors, in its discretion, may, but shall not be obligated to, enforce or collect the payment of such amounts, or any part thereof, as it shall deem fit. In the event of such forfeiture or surrender, the Company, by resolution of the Board of Directors, may accelerate the date(s) of payment of any or all amounts then owing to the Company by the person in question (but not yet due) in respect of all shares owned by such shareholder, solely or jointly with another.

(g) The Board of Directors may at any time, before any share so forfeited or surrendered shall have been sold, re-issued or otherwise disposed of, nullify the forfeiture or surrender on such conditions as it deems fit, but no such nullification shall stop the Board of Directors from re-exercising its powers of forfeiture pursuant to this Article 15.

16. **<u>Lien</u>**.

(a) Except to the extent the same may be waived or subordinated in writing, the Company shall have a first and paramount lien upon all the shares registered in the name of each shareholder (without regard to any equitable or other claim or interest in such shares on the part of any other person), and upon the proceeds of the sale thereof, for his or her debts, liabilities and engagements to the Company arising from any amount payable by such shareholder in respect of any unpaid or partly paid share, whether or not such debt, liability or engagement has matured. Such lien shall extend to all dividends from time to time declared or paid in respect of such share. Unless otherwise provided, the registration by the Company of a transfer of shares shall be deemed to be a waiver on the part of the Company of the lien (if any) existing on such shares immediately prior to such transfer.

(b) The Board of Directors may cause the Company to sell a share subject to such a lien when the debt, liability or engagement giving rise to such lien has matured, in such manner as the Board of Directors deems fit, but no such sale shall be made unless such debt, liability or engagement has not been satisfied within fourteen (14) days after written notice of the intention to sell shall have been served on such shareholder, his or her executors or administrators.

(c) The net proceeds of any such sale, after payment of the costs and expenses thereof or ancillary thereto, shall be applied in or toward satisfaction of the debts, liabilities or engagements of such shareholder in respect of such share (whether or not the same have matured), and the remaining proceeds (if any) shall be paid to the shareholder, his or her executors, administrators or assigns.

17. **<u>Sale After Forfeiture of Surrender or in Enforcement of Lien</u>**.

Upon any sale of a share after forfeiture or surrender or for enforcing a lien, the Board of Directors may appoint any person to execute an instrument of transfer of the share so sold and cause the purchaser's name to be entered in the Register of Shareholders in respect of such share. The purchaser shall be registered as the shareholder and shall not be bound to see to the regularity of the sale proceedings, or to the application of the proceeds of such sale, and after his or her name has been entered in the Register of Shareholders in respect of such share, the validity of the sale shall not be impeached by any person, and person, and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

18. **<u>Redeemable Shares</u>**.

The Company may, subject to applicable law, issue redeemable shares or other securities and redeem the same upon terms and conditions to be set forth in a written agreement between the Company and the holder of such shares or in their terms of issuance.

Transfer of Shares

19. **<u>Registration of Transfer</u>**.

No transfer of shares shall be registered unless a proper writing or instrument of transfer (in any customary form or any other form satisfactory to the Board of Directors or an officer of the Company to be designated by the Chief Executive Officer) has been submitted to the Company (or its transfer agent), together with any share certificate(s) and such other evidence of title as the Board of Directors or an officer of the Company to be designated by the Chief Executive Officer may require. Notwithstanding anything to the contrary herein, shares registered in the name of The Depository Trust Company or its nominee shall be transferrable in accordance with the policies and procedures of The Depository Trust Company. Until the transferee has been registered in the Register of Shareholders in respect of the shares so transferred, the Company may continue to regard the transferor as the owner thereof. The Board of Directors, may, from time to time, prescribe a fee for the registration of a transfer, and may approve other methods of recognizing the transfer of shares in order to facilitate the trading of the Company's shares on the Nasdaq Stock Market or on any other stock exchange on which the Company's shares are then listed for trading.

20. **<u>SUSPENSION OF REGISTRATION</u>**.

The Board of Directors may, in its discretion to the extent it deems necessary, close the Register of Shareholders of registration of transfers of shares for a period determined by the Board of Directors, and no registrations of transfers of shares shall be made by the Company during any such period during which the Register of Shareholders is so closed.

TRANSMISSION OF SHARES

21. **<u>DECEDENTS' SHARES</u>**.

Upon the death of a Shareholder, the Company shall recognize the custodian or administrator of the estate or executor of the will, and in the absence of such, the lawful heirs of the Shareholder, as the only holders of the right for the shares of the deceased Shareholder, after receipt of evidence to the entitlement thereto, as determined by the Board of Directors or an officer of the Company to be designated by the Chief Executive Officer.

22. **<u>RECEIVERS AND LIQUIDATORS</u>**.

(a) The Company may recognize any receiver, liquidator or similar official appointed to wind-up, dissolve or otherwise liquidate a corporate Shareholder, and a trustee, manager, receiver, liquidator or similar official appointed in bankruptcy or in connection with the reorganization of, or similar proceeding with respect to a Shareholder or its properties, as being entitled to the shares registered in the name of such Shareholder.

(b) Such receiver, liquidator or similar official appointed to wind-up, dissolve or otherwise liquidate a corporate Shareholder and such trustee, manager, receiver, liquidator or similar official appointed in bankruptcy or in connection with the reorganization of, or similar proceedings with respect to a Shareholder or its properties, upon producing such evidence as the Board of Directors (or an officer of the Company to be designated by the Chief Executive Officer) may deem sufficient as to his or her authority to act in such capacity or under this Article, shall with the consent of the Board of Directors or an officer of the Company to be designated by the Chief Executive Officer (which the Board of Directors or such officer may grant or refuse in its absolute discretion), be registered as a Shareholder in respect of such shares, or may, subject to the regulations as to transfer herein contained, transfer such shares.

GENERAL MEETINGS

23. **<u>GENERAL MEETINGS</u>**.

(a) An annual General Meeting ("**Annual General Meeting**") shall be held at such time and at such place, either within or outside of the State of Israel, as may be determined by the Board of Directors.

(b) All General Meetings other than Annual General Meetings shall be called "**Special General Meetings**". The Board of Directors may, at its discretion, convene a Special General Meeting at such time and place, within or outside of the State of Israel, as may be determined by the Board of Directors.

(c) If so determined by the Board of Directors, an Annual General Meeting or a Special General Meeting may be held through the use of any means of communication approved by the Board of Directors, provided all of the participating Shareholders can hear each other simultaneously. A resolution approved by use of means of communications as aforesaid, shall be deemed to be a resolution lawfully adopted at such general meeting and a Shareholder shall be deemed present in person at such general meeting if attending such meeting through the means of communication used at such meeting.

24. **<u>RECORD DATE FOR GENERAL MEETING</u>**.

Notwithstanding any provision of these Articles to the contrary, and to allow the Company to determine the Shareholders entitled to notice of or to vote at any General Meeting or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or grant of any rights, or entitled to exercise any rights in respect of or to take or be the subject of any other action, the Board of Directors may fix a record date for the General Meeting, which shall not be more than the maximum period and not less than the minimum period permitted by law. A determination of Shareholders of record entitled to notice of or to vote at a General Meeting shall apply to any adjournment of the meeting; <u>provided</u>, <u>however</u>, that the Board of Directors may fix a new record date for the adjourned meeting.

25. **<u>SHAREHOLDER PROPOSAL REQUEST</u>**.

(a) Any Shareholder or Shareholders of the Company holding at least the required percentage under Companies Law of the voting rights of the Company which entitles such Shareholder(s) to require the Company to include a matter on the agenda of a General Meeting (the "**Proposing Shareholder(s)**") may request, subject to the Companies Law, that the Board of Directors include a matter on the agenda of a General Meeting to be held in the future, provided that the Board determines that the matter is appropriate to be considered at a General Meeting (a "**Proposal Request**"). In order for the Board of Directors to consider a Proposal Request and whether to include the matter stated therein in the agenda of a General Meeting, notice of the Proposal Request must be timely delivered in accordance with applicable law, and the Proposal Request must comply with the requirements of these Articles (including this Article 25) and any applicable law and stock exchange rules and regulations. The Proposal Request must be in writing, signed by all of the Proposing Shareholder(s) making such request, delivered, either in person or by registered mail, postage prepaid, and received by the Secretary (or, in the absence thereof, by the Chief Executive Officer of the Company). To be considered timely, a Proposal Request must be received within the time periods prescribed by applicable law. The announcement of an adjournment or postponement of a General Meeting shall not commence a new time period (or extend any time period) for the delivery of a Proposal Request as described above. In addition to any information required to be included in accordance with applicable law, a Proposal Request must include the following: (i) the name, address, telephone number, fax number and email address of the Proposing Shareholder (or each Proposing Shareholder, as the case may be) and, if an entity, the name(s) of the person(s) that controls or manages such entity; (ii) the number of Shares held by the Proposing Shareholder(s), directly or indirectly (and, if any of such Shares are held indirectly, an explanation of how they are held and by whom), which shall be in such number no less than as is required to qualify as a Proposing Shareholder, accompanied by evidence satisfactory to the Company of the record holding of such Shares by the Proposing Shareholder(s) as of the date of the Proposal Request; (iii) the matter requested to be included on the agenda of a General Meeting, all information related to such matter, the reason that such matter is proposed to be brought before the General Meeting, the complete text of the resolution that the Proposing Shareholder proposes to be voted upon at the General Meeting, (iv) a description of all arrangements or understandings between the Proposing Shareholders and any other Person(s) (naming such Person or Persons) in connection with the matter that is requested to be included on the agenda and a declaration signed by all Proposing Shareholder(s) of whether any of them has a personal interest in the matter and, if so, a description in reasonable detail of such personal interest; (v) a description of all Derivative Transactions (as defined below) by each Proposing Shareholder(s) during the previous twelve (12) month period, including the date of the transactions and the class, series and number of securities involved in, and the material economic terms of, such Derivative Transactions; and (vi) a declaration that all of the information that is required under the Companies Law and any other applicable law and stock exchange rules and regulations to be provided to the Company in connection with such matter, if any, has been provided to the Company. The Board of Directors, may, in its discretion, to the extent it deems necessary, request that the Proposing Shareholder(s) provide additional information necessary so as to include a matter in the agenda of a General Meeting, as the Board of Directors may reasonably require.

A “**Derivative Transaction**” means any agreement, arrangement, interest or understanding entered into by, or on behalf or for the benefit of, any Proposing Shareholder or any of its affiliates or associates, whether of record or beneficial: (1) the value of which is derived in whole or in part from the value of any class or series of shares or other securities of the Company, (2) which otherwise provides any direct or indirect opportunity to gain or share in any gain derived from a change in the value of securities of the Company, (3) the effect or intent of which is to mitigate loss, manage risk or benefit of security value or price changes, or (4) which provides the right to vote or increase or decrease the voting power of, such Proposing Shareholder, or any of its affiliates or associates, with respect to any shares or other securities of the Company, which agreement, arrangement, interest or understanding may include, without limitation, any option, warrant, debt position, note, bond, convertible security, swap, stock appreciation right, short position, profit interest, hedge, right to dividends, voting agreement, performance-related fee or arrangement to borrow or lend shares (whether or not subject to payment, settlement, exercise or conversion in any such class or series), and any proportionate interest of such Proposing Shareholder in the securities of the Company held by any general or limited partnership, or any limited liability company, of which such Proposing Shareholder is, directly or indirectly, a general partner or managing member.

(b) The information required pursuant to this Article shall be updated as of (i) the record date of the General Meeting, (ii) five business days before the General Meeting, and (iii) as of the General Meeting, and any adjournment or postponement thereof.

(c) The provisions of Articles 25(a) and 25(b) shall apply, *mutatis mutandis*, on any matter to be included on the agenda of a Special General Meeting which is convened pursuant to a request of a Shareholder duly delivered to the Company in accordance with the Companies Law.

(d) Notwithstanding anything to the contrary herein, this Article 25 may only be amended, replaced or suspended by a resolution adopted at a General Meeting by a majority of at least 65% of the total voting power of the Shareholders.

26. **Notice of General Meetings; Omission to Give Notice**.

(a) The Company is not required to give notice of a General Meeting, subject to any mandatory provision of the Companies Law.

(b) The accidental omission to give notice of a General Meeting to any Shareholder, or the non-receipt of notice sent to such Shareholder, shall not invalidate the proceedings at such meeting or any resolution adopted thereat.

(c) No Shareholder present, in person or by proxy, at any time during a General Meeting shall be entitled to seek the cancellation or invalidation of any proceedings or resolutions adopted at such General Meeting on account of any defect in the notice of such meeting relating to the time or the place thereof, or any item acted upon at such meeting.

(d) In addition to any places at which the Company may make available for review by Shareholders the full text of the proposed resolutions to be adopted at a General Meeting, as required by the Companies Law, the Company may add additional places for Shareholders to review such proposed resolutions, including an internet site.

Proceedings at General Meetings

27. **Quorum**.

(a) No business shall be transacted at a General Meeting, or at any adjournment thereof, unless the quorum required under these Articles for such General Meeting or such adjourned meeting, as the case may be, is present when the meeting proceeds to business.

(b) In the absence of contrary provisions in these Articles, two or more Shareholders, (not in default in payment of any sum referred to in Article 13 hereof), present in person or by proxy and holding shares conferring in the aggregate at least twenty-five percent (25%) of the voting power of the Company, shall constitute a quorum of General Meetings. A proxy may be deemed to be two (2) or more Shareholders pursuant to the number of Shareholders represented by the proxy holder.

(c) If within half an hour from the time appointed for the meeting a quorum is not present, then without any further notice the meeting shall be adjourned either (i) to the same day in the next week, at the same time and place, (ii) to such day and at such time and place as indicated in the notice of such meeting, or (iii) to such day and at such time and place as the Chairperson of the General Meeting shall determine (which may be earlier or later than the date pursuant to clause (i) above). No business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting as originally called. At such adjourned meeting, if the original meeting was convened upon request under Section 63 of the Companies Law, one or more shareholders, present in person or by proxy, and holding the number of shares required for making such request, shall constitute a quorum, but in any other case any shareholder (not in default as aforesaid) present in person or by proxy, shall constitute a quorum.

28. **CHAIRPERSON OF GENERAL MEETING**.

The Chairperson of the Board of Directors, shall preside as Chairperson of every General Meeting of the Company. If at any meeting the Chairperson is not present within fifteen (15) minutes after the time fixed for holding the meeting or is unwilling or unable to act as Chairperson, any of the following may preside as Chairperson of the meeting (and in the following order): a Director designated by the Board, the Chief Executive Officer, the Chief Financial Officer, the General Counsel, the Secretary or any person designated by any of the foregoing. If at any such meeting none of the foregoing persons is present or all are unwilling or unable to act as Chairperson, the Shareholders present (in person or by proxy) shall choose a Shareholder or its proxy present at the meeting to be Chairperson. The office of Chairperson shall not, by itself, entitle the holder thereof to vote at any General Meeting nor shall it entitle such holder to a second or casting vote (without derogating, however, from the rights of such Chairperson to vote as a Shareholder or proxy of a Shareholder if, in fact, he is also a Shareholder or such proxy).

29. **ADOPTION OF RESOLUTIONS AT GENERAL MEETINGS**.

(a) Except as required by the Companies Law or these Articles, including, without limitation, Article 39 below, a resolution of the Shareholders shall be adopted if approved by the holders of a simple majority of the voting power represented at the General Meeting in person or by proxy and voting thereon, as one class, and disregarding abstentions from the count of the voting power present and voting. Without limiting the generality of the foregoing, a resolution with respect to a matter or action for which the Companies Law prescribes a higher majority or pursuant to which a provision requiring a higher majority would have been deemed to have been incorporated into these Articles, but for which the Companies Law allows these Articles to provide otherwise (including, Sections 327 and 24 of the Companies Law), shall be adopted by a simple majority of the voting power represented at the General Meeting in person or by proxy and voting thereon, as one class, and disregarding abstentions from the count of the voting power present and voting.

(b) Every question submitted to a General Meeting shall be decided by a show of hands, but the Chairperson of the General Meeting may determine that a resolution shall be decided by a written ballot. A written ballot may be implemented before the proposed resolution is voted upon or immediately after the declaration by the Chairperson of the results of the vote by a show of hands. If a vote by written ballot is taken after such declaration, the results of the vote by a show of hands shall be of no effect, and the proposed resolution shall be decided by such written ballot.

(c) A defect in convening or conducting a General Meeting, including a defect resulting from the non-fulfillment of any provision or condition set forth in the Companies Law or these Articles, including with regard to the manner of convening or conducting the General Meeting, shall not disqualify any resolution passed at the General Meeting and shall not affect the discussions or decisions which took place thereat.

(d) A declaration by the Chairperson of the General Meeting that a resolution has been carried unanimously, or carried by a particular majority, or rejected, and an entry to that effect in the minute book of the Company, shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution.

30. **POWER TO ADJOURN**.

A General Meeting, the consideration of any matter on its agenda, or the resolution on any matter on its agenda, may be postponed or adjourned, from time to time and from place to place: (i) by the Chairperson of a General Meeting at which a quorum is present (and he shall do so if directed by the General Meeting, with the consent of the holders of a majority of the voting power represented in person or by proxy and voting on the question of adjournment), but no business shall be transacted at any such adjourned meeting except business which might lawfully have been transacted at the meeting as originally called, or a matter on its agenda with respect to which no resolution was adopted at the meeting originally called; or (ii) by the Board of Directors (whether prior to or at a General Meeting).

31. **VOTING POWER**.

Subject to the provisions of Article 32(a) and to any provision hereof conferring special rights as to voting, or restricting the right to vote, every Shareholder shall have one vote for each share held by the Shareholder of record, on every resolution, without regard to whether the vote thereon is conducted by a show of hands, by written ballot, or by any other means.

32. **VOTING RIGHTS.**

(a) No shareholder shall be entitled to vote at any General Meeting (or be counted as a part of the quorum thereat), unless all calls then payable by him or her in respect of his or her shares in the Company have been paid.

(b) A company or other corporate body being a Shareholder of the Company may duly authorize any person to be its representative at any meeting of the Company or to execute or deliver a proxy on its behalf. Any person so authorized shall be entitled to exercise on behalf of such Shareholder all the power, which the Shareholder could have exercised if it were an individual. Upon the request of the Chairperson of the General Meeting, written evidence of such authorization (in form acceptable to the Chairperson) shall be delivered to him or her.

(c) Any Shareholder entitled to vote may vote either in person or by proxy (who need not be Shareholder of the Company), or, if the Shareholder is a company or other corporate body, by representative authorized pursuant to Article (b) above.

(d) If two or more persons are registered as joint holders of any share, the vote of the senior who tenders a vote, in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s). For the purpose of this Article 32(d), seniority shall be determined by the order of registration of the joint holders in the Register of Shareholders.

(e) If a Shareholder is a minor, under protection, bankrupt or legally incompetent, or in the case of a corporation, is in receivership or liquidation, it may, subject to all other provisions of these Articles and any documents or records required to be provided under these Articles, vote through his, her or its trustees, receiver, liquidator, natural guardian or another legal guardian, as the case may be, and the persons listed above may vote in person or by proxy.

PROXIES

33. **INSTRUMENT OF APPOINTMENT**.

(a) An instrument appointing a proxy shall be in writing and shall be substantially in the following form:

"I ________________________________ of ________________________________

(Name of Shareholder) *(Address of Shareholder)*

Being a shareholder of Cognyte Software LTD. hereby appoints

____________________________ of ____________________________

(Name of Proxy) *(Address of Proxy)*

as my proxy to vote for me and on my behalf at the General Meeting of the Company to be held on the ___ day of _______, _______ and at any adjournment(s) thereof.

Signed this ____ day of ___________, ______.

(Signature of Appointor)"

or in any usual or common form or in such other form as may be approved by the Board of Directors. Such proxy shall be duly signed by the appointor of such person's duly authorized attorney, or, if such appointor is company or other corporate body, in the manner in which it signs documents which binds it together with a certificate of an attorney with regard to the authority of the signatories.

(b) Subject to the Companies Law, the original instrument appointing a proxy or a copy thereof certified by an attorney (and the power of attorney or other authority, if any, under which such instrument has been signed) shall be delivered to the Company (at its Office, at its principal place of business, or at the offices of its registrar or transfer agent, or at such place as notice of the meeting may specify) not less than forty eight (48) hours (or such shorter period as the notice shall specify) before the time fixed for such meeting. Notwithstanding the above, the Chairperson shall have the right to waive the time requirement provided above with respect to all instruments of proxies and to accept instruments of proxy until the beginning of a General Meeting. A document appointing a proxy shall be valid for every adjourned meeting of the General Meeting to which the document relates.

34. **EFFECT OF DEATH OF APPOINTOR OF TRANSFER OF SHARE AND OR REVOCATION OF APPOINTMENT**.

(a) A vote cast in accordance with an instrument appointing a proxy shall be valid notwithstanding the prior death or bankruptcy of the appointing Shareholder (or of his or her attorney-in-fact, if any, who signed such instrument), or the transfer of the share in respect of which the vote is cast, unless written notice of such matters shall have been received by the Company or by the Chairperson of such meeting prior to such vote being cast.

(b) Subject to the Companies Law, an instrument appointing a proxy shall be deemed revoked (i) upon receipt by the Company or the Chairperson, subsequent to receipt by the Company of such instrument, of written notice signed by the person signing such instrument or by the Shareholder appointing such proxy canceling the appointment thereunder (or the authority pursuant to which such instrument was signed) or of an instrument appointing a different proxy (and such other documents, if any, required under Article 33(b) for such new appointment), provided such notice of cancellation or instrument appointing a different proxy were so received at the place and within the time for delivery of the instrument revoked thereby as referred to in Article 33(b) hereof, or (ii) if the appointing Shareholder is present in person at the meeting for which such instrument of proxy was delivered, upon receipt by the Chairperson of such meeting of written notice from such Shareholder of the revocation of such appointment, or if and when such Shareholder votes at such meeting. A vote cast in accordance with an instrument appointing a proxy shall be valid notwithstanding the revocation or purported cancellation of the appointment, or the presence in person or vote of the appointing Shareholder at a meeting for which it was rendered, unless such instrument of appointment was deemed revoked in accordance with the foregoing provisions of this Article 34(b) at or prior to the time such vote was cast.

BOARD OF DIRECTORS

35. **POWERS OF BOARD OF DIRECTORS**.

(a) The Board of Directors may exercise all such powers and do all such acts and things as the Board of Directors is authorized by law or as the Company is authorized to exercise and do and are not hereby or by law required to be exercised or done by the General Meeting. The authority conferred on the Board of Directors by this Article 35 shall be subject to the provisions of the Companies Law, these Articles and any regulation or resolution consistent with these Articles adopted from time to time at a General Meeting, provided, however, that no such regulation or resolution shall invalidate any prior act done by or pursuant to a decision of the Board of Directors which would have been valid if such regulation or resolution had not been adopted.

(b) Without limiting the generality of the foregoing, the Board of Directors may, from time to time, set aside any amount(s) out of the profits of the Company as a reserve or reserves for any purpose(s) which the Board of Directors, in its absolute discretion, shall deem fit, including without limitation, capitalization and distribution of bonus shares, and may invest any sum so set aside in any manner and from time to time deal with and vary such investments and dispose of all or any part thereof, and employ any such reserve or any part thereof in the business of the Company without being bound to keep the same separate from other assets of the Company, and may subdivide or re-designate any reserve or cancel the same or apply the funds therein for another purpose, all as the Board of Directors may from time to time think fit.

36. **EXERCISE OF POWERS OF BOARD OF DIRECTORS**.

(a) A meeting of the Board of Directors at which a quorum is present shall be competent to exercise all the authorities, powers and discretion vested in or exercisable by the Board of Directors.

(b) A resolution proposed at any meeting of the Board of Directors shall be deemed adopted if approved by a majority of the Directors present, entitled to vote and voting thereon when such resolution is put to a vote.

(c) The Board of Directors may adopt resolutions, without convening a meeting of the Board of Directors, in writing or in any other manner permitted by the Companies Law.

37. **DELEGATION OF POWERS**.

(a) The Board of Directors may, subject to the provisions of the Companies Law, delegate any or all of its powers to committees (in these Articles referred to as a “**Committee of the Board of Directors**”, or “**Committee**”), each consisting of one or more persons (who may or may not be Directors), and it may from time to time revoke such delegation or alter the composition of any such Committee. Any Committee so formed shall, in the exercise of the powers so delegated, conform to any regulations imposed on it by the Board of Directors, subject to applicable law. No regulation imposed by the Board of Directors on any Committee and no resolution of the Board of Directors shall invalidate any prior act done or pursuant to a resolution by the Committee which would have been valid if such regulation or resolution of the Board had not been adopted. The meetings and proceedings of any such Committee of the Board of Directors shall, mutatis mutandis, be governed by the provisions herein contained for regulating the meetings of the Board of Directors, to the extent not superseded by any regulations adopted by the Board of Directors. Unless otherwise expressly prohibited by the Board of Directors, in delegating powers to a Committee of the Board of Directors, such Committee shall be empowered to further delegate such powers.

(b) The Board of Directors may from time to time appoint a Secretary to the Company, as well as Officers, agents, employees and independent contractors, as the Board of Directors deems fit, and may terminate the service of any such person. The Board of Directors may, subject to the provisions of the Companies Law, determine the powers and duties, as well as the salaries and compensation, of all such persons.

(c) The Board of Directors may from time to time, by power of attorney or otherwise, appoint any person, company, firm or body of persons to be the attorney or attorneys of the Company at law or in fact for such purposes(s) and with such powers, authorities and discretions, and for such period and subject to such conditions, as it deems fit, and any such power of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board of Directors deems fit, and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him or her.

38. **NUMBER OF DIRECTORS**.

(a) The Board of Directors shall consist of such number of Directors (not less than three (3) nor more than eleven (11), including the External Directors, if any were elected) as may be fixed from time to time by resolution of the Board of Directors.

(b) Notwithstanding anything to the contrary herein, this Article 38 may only be amended or replaced by a resolution adopted at a General Meeting by a majority of at least 65% of the total voting power of the Company's shareholders.

39. **ELECTION AND REMOVAL OF DIRECTORS**.

(a) The Directors, excluding the External Directors, if any were elected, shall be classified, with respect to the term for which they each severally hold office, into three classes, as nearly equal in number as practicable, hereby designated as Class I, Class II and Class III. The Board of Directors may assign members of the Board of Directors already in office to such classes at the time such classification becomes effective.

(i) The term of office of the initial Class I directors shall expire at the first Annual General Meeting to be held in 2022 and when their successors are elected and qualified,

(ii) The term of office of the initial Class II directors shall expire at the first Annual General Meeting following the Annual General Meeting referred to in clause (i) above and when their successors are elected and qualified, and

(iii) The term of office of the initial Class III directors shall expire at the first Annual General Meeting following the Annual General Meeting referred to in clause (ii) above and when their successors are elected and qualified,

(b) At each Annual General Meeting, commencing with the Annual General Meeting to be held in 2022, each of the successors elected to replace the Directors of a Class whose term shall have expired at such Annual General Meeting shall be elected to hold office until the third Annual General Meeting next succeeding his or her election and until his or her respective successor shall have been elected and qualified. Notwithstanding anything to the contrary, each Director shall serve until his or her successor is elected and qualified or until such earlier time as such Director's office is vacated.

(c) If the number of Directors (excluding External Directors, if any were elected) that comprises the Board of Directors is hereafter changed, any newly created directorships or decrease in directorships shall be so apportioned by the Board of Directors among the classes as to make all classes as nearly equal in number as is practicable, provided that no decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

(d) Prior to every General Meeting of the Company at which Directors are to be elected, and subject to clauses (a) and (h) of this Article, the Board of Directors (or a Committee thereof) shall select, by a resolution adopted by a majority of the Board of Directors (or such Committee), a number of Persons to be proposed to the Shareholders for election as Directors at such General Meeting (the "**Nominees**").

(e) Any Proposing Shareholder requesting to include on the agenda of a General Meeting a nomination of a Person to be proposed to the Shareholders for election as Director (such person, an "**Alternate Nominee**"), may so request provided that it complies with this Article 39(e), Article 25 and applicable law. Unless otherwise determined by the Board of Directors, a Proposal Request relating to Alternate Nominee is deemed to be a matter that is appropriate to be considered only at an Annual General Meeting. In addition to any information required to be included in accordance with applicable law, such a Proposal Request shall include information required pursuant to Article 25, and shall also set forth: (i) the name, address, telephone number, fax number and email address of the Alternate Nominee and all citizenships and residencies of the Alternate Nominee; (ii) a description of all arrangements, relations or understandings during the past three (3) years, and any other material relationships, between the Proposing Shareholder(s) or any of its affiliates and each Alternate Nominee; (iii) a declaration signed by the Alternate Nominee that he or she consents to be named in the Company's notices and proxy materials relating to the General Meeting, if provided or published, and, if elected, to serve on the Board of Directors and to be named in the Company's disclosures and filings; (iv) a declaration signed by each Alternate Nominee as required under the Companies Law and any other applicable law and stock exchange rules and regulations for the appointment of such an Alternate Nominee and an undertaking that all of the information that is required under law and stock exchange rules and regulations to be provided to the Company in connection with such an appointment has been provided (including, information in respect of the Alternate Nominee as would be provided in response to the applicable disclosure requirements under Form 20-F or any other applicable form prescribed by the U.S. Securities and Exchange Commission (the "**SEC**")); (v) a declaration made by the Alternate Nominee of whether he or she meets the criteria for an independent director and, if applicable, External Director of the Company under the Companies Law and/or under any applicable law, regulation or stock exchange rules, and if not, then an explanation of why not; and (vi) any other information required at the time of submission of the Proposal Request by applicable law, regulations or stock exchange rules. In addition, the Proposing Shareholder shall promptly provide any other information reasonably requested by the Company. The Board of Directors may refuse to acknowledge the nomination of any person not made in compliance with the foregoing. The Company shall be entitled to publish any information provided by a Proposing Shareholder pursuant to this Article 39(e) and Article 25, and the Proposing Shareholder shall be responsible for the accuracy and completeness thereof.

(f) The Nominees or Alternate Nominees shall be elected by a resolution adopted at the General Meeting at which they are subject to election. Notwithstanding Articles 25(a) and 25(c), in the event of a Contested Election, the method of calculation of the votes and the manner in which the resolutions will be presented to the General Meeting shall be determined by the Board of Directors in its discretion. In the event that the Board does not or is unable to make a determination on such matter, then the method described in clause (iii) below shall apply. The Board may consider, among other things, the following methods: (i) election of full slates of nominees by a majority of the voting power represented at the General Meeting in person or by proxy and voting on the election of Directors, (ii) election of individual Directors by a plurality of the voting power represented at the General Meeting in person or by proxy and voting on the election of Directors (which shall mean that the nominees receiving the largest number of "for" votes will be elected in such Contested Election), (iii) election of each nominee by a majority of the voting power represented at the General Meeting in person or by proxy and voting on the election of Directors, provided that if the number of nominees so elected exceeds the number of Directors that are required to be elected, then as between such elected nominees the election shall be by plurality of the voting power as described above, and (iv) such other method of voting as the Board of Directors deems appropriate. For the purposes of these Articles, election of Directors at a General Meeting shall be considered a "Contested Election" if the aggregate number of Nominees and Alternate Nominees at such meeting exceeds the total number of Directors to be elected at such meeting, with the determination thereof being made by the Secretary (or, in the absence thereof, by the Chief Executive Officer of the Company) as of the close of the applicable notice of nomination period under Article 25 or under applicable law, based on whether one or more notice(s) of nomination were timely filed in accordance with

Article 25, this Article 39 and applicable law; provided, however, that the determination that an election is a Contested Election shall not be determinative as to the validity of any such notice of nomination; and provided further that, if, prior to the time the Company mails its initial proxy statement in connection with such election of Directors, one or more notices of nomination of an Alternate Nominee are withdrawn such that the number of candidates for election as Director no longer exceeds the number of Directors to be elected, the election shall not be considered a Contested Election. At any General Meeting at which Directors are to be elected, each shareholder shall be entitled to cast a number of votes with respect to nominees for election to the Board of Directors up to the total number of Directors to be elected at such meeting.

(g) Notwithstanding anything to the contrary herein, this Article 39 and Article 42(e) may only be amended, replaced or suspended by a resolution adopted at a General Meeting by a majority of at least 65% of the total voting power of the Company's shareholders.

(h) Notwithstanding anything to the contrary in these Articles, the election, qualification, removal or dismissal of External Directors, if so elected, shall be only in accordance with the applicable provisions set forth in the Companies Law.

40. **COMMENCEMENT OF DIRECTORSHIP**.

Without derogating from Article 39, the term of office of a Director shall commence as of the date of his or her appointment or election, or on a later date if so specified in his or her appointment or election.

41. **CONTINUING DIRECTORS IN THE EVENT OF VACANCIES**.

The Board of Directors (and, if so determined by the Board of Directors, the General Meeting) may at any time and from time to time appoint any person as a Director to fill a vacancy (whether such vacancy is due to a Director no longer serving or due to the number of Directors serving being less than the maximum number stated in Article 38 hereof). In the event of one or more such vacancies in the Board of Directors, the continuing Directors may continue to act in every matter, provided, however, that if the number of Directors serving is less than the minimum number provided for pursuant to Article 38 hereof, they may only act in an emergency or to fill the office of a Director which has become vacant up to a number equal to the minimum number provided for pursuant to Article 38 hereof, or in order to call a General Meeting of the Company for the purpose of electing Directors to fill any or all vacancies. The office of a Director that was appointed by the Board of Directors to fill any vacancy shall only be for the remaining period of time during which the Director whose service has ended was filled would have held office, or in case of a vacancy due to the number of Directors serving being less than the maximum number stated in Article 38 hereof the Board of Directors shall determine at the time of appointment the class pursuant to Article 39 to which the additional Director shall be assigned. Notwithstanding anything to the contrary herein, this Article 41 may only be amended, replaced or suspended by a resolution adopted at a General Meeting by a majority of at least 65% of the total voting power of the Company's shareholders.

42. **VACATION OF OFFICE**.

The office of a Director shall be vacated and he shall be dismissed or removed:

(a) ipso facto, upon his or her death;

(b) if he or she is prevented by applicable law from serving as a Director;

(c) if the Board determines that due to his or her mental or physical state he or she is unable to serve as a director;

(d) if his or her directorship expires pursuant to these Articles and/or applicable law;

(e) by a resolution adopted at a General Meeting by a majority of at least 65% of the total voting power of the Company's shareholders (with such removal becoming effective on the date fixed in such resolution);

(f) by his or her written resignation, such resignation becoming effective on the date fixed therein, or upon the delivery thereof to the Company, whichever is later; or

(g) with respect to an External Director, if so elected, and notwithstanding anything to the contrary herein, only pursuant to applicable law.

43. **CONFLICT OF INTERESTS; APPROVAL OF RELATED PARTY TRANSACTIONS**.

(a) Subject to the provisions of applicable law and these Articles, no Director shall be disqualified by virtue of his or her office from holding any office or place of profit in the Company or in any company in which the Company shall be a shareholder or otherwise interested, or from contracting with the Company as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested, be avoided, nor, other than as required under the Companies Law, shall any Director be liable to account to the Company for any profit arising from any such office or place of profit or realized by any such contract or arrangement by reason only of such Director's holding that office or of the fiduciary relations thereby established, but the nature of his or her interest, as well as any material fact or document, must be disclosed by him or her at the meeting of the Board of Directors at which the contract or arrangement is first considered, if his or her interest then exists, or, in any other case, at no later than the first meeting of the Board of Directors after the acquisition of his or her interest.

(b) Subject to the Companies Law and these Articles, a transaction between the Company and an Office Holder, and a transaction between the Company and another entity in which an Office Holder of the Company has a personal interest, in each case, which is not an Extraordinary Transaction (as defined by the Companies Law), shall require only approval by the Board of Directors or a Committee of the Board of Directors. Such authorization, as well as the actual approval, may be for a particular transaction or more generally for specific type of transactions.

PROCEEDINGS OF THE BOARD OF DIRECTORS

44. **MEETINGS**.

(a) The Board of Directors may meet and adjourn its meetings and otherwise regulate such meetings and proceedings as the Board of Directors thinks fit.

(b) A meeting of the Board of Directors shall be convened by the Secretary upon instruction of the Chairperson or upon a request of at least two Directors which is submitted to the Chairperson or in any event that such meeting is required by the provisions of the Companies Law. In the event that the Chairperson does not instruct the Secretary to convene a meeting upon a request of at least two Directors within seven (7) days of such request, then such two Directors may convene a meeting of the Board of Directors. Any meeting of the Board of Directors shall be convened upon not less than two (2) days' notice, unless such notice is waived in writing by all of the Directors as to a particular meeting or by their attendance at such meeting or unless the matters to be discussed at such meeting are of such urgency and importance that notice is reasonably determined by the Chairperson as ought to be waived or shortened under the circumstances.

(c) Notice of any such meeting shall be given orally, by telephone, in writing or by mail, facsimile, email or such other means of delivery of notices as the Company may apply, from time to time.

(d) Notwithstanding anything to the contrary herein, failure to deliver notice to a Director of any such meeting in the manner required hereby may be waived by such Director, and a meeting shall be deemed to have been duly convened notwithstanding such defective notice if such failure or defect is waived prior to action being taken at such meeting, by all Directors entitled to participate at such meeting to whom notice was not duly given as aforesaid. Without derogating from the foregoing, no Director present at any time during a meeting of the Board of Directors shall be entitled to seek the cancellation or invalidation of any proceedings or resolutions adopted at such meeting on account of any defect in the notice of such meeting relating to the date, time or the place thereof or the convening of the meeting.

45. **QUORUM**.

Until otherwise unanimously decided by the Board of Directors, a quorum at a meeting of the Board of Directors shall be constituted by the presence in person or by any means of communication of a majority of the Directors then in office who are lawfully entitled to participate and vote in the meeting. No business shall be transacted at a meeting of the Board of Directors unless the requisite quorum is present (in person or by any means of communication) when the meeting proceeds to business. If within 30 minutes from the time appointed for a meeting of the Board of Directors a quorum is not present, the meeting shall stand adjourned at the same place and time 48 hours thereafter unless the Chairperson has determined that there is such urgency and importance that a shorter period is required under the circumstances. If an adjourned meeting is convened in accordance and a quorum is not present within 30 minutes of the announced time, the requisite quorum at such adjourned meeting shall be, any two (2) Directors, if the number of then serving directors is up to five, and any three (3) Directors, if the number of then serving directors is more than five, in each case who are lawfully entitled to participate in the meeting and who are present at such adjourned meeting. At an adjourned meeting of the Board the only matters to be considered shall be those matters which might have been lawfully considered at the meeting of the Board originally called if a requisite quorum had been present, and the only resolutions to be adopted are such types of resolutions which could have been adopted at the meeting of the Board originally called.

46. **CHAIRPERSON OF THE BOARD OF DIRECTORS**.

The Board of Directors shall, from time to time, elect one of its members to be the Chairperson of the Board of Directors, remove such Chairperson from office and appoint in his or her place. The Chairperson of the Board of Directors shall preside at every meeting of the Board of Directors, but if there is no such Chairperson, or if at any meeting he is not present within fifteen (15) minutes of the time fixed for the meeting or if he is unwilling to take the chair, the Directors present shall choose one of the Directors present at the meeting to be the Chairperson of such meeting. The office of Chairperson of the Board of Directors shall not, by itself, entitle the holder to a second or casting vote.

47. **VALIDITY OF ACTS DESPITE DEFECTS**.

All acts done or transacted at any meeting of the Board of Directors, or of a Committee of the Board of Directors, or by any person(s) acting as Director(s), shall, notwithstanding that it may afterwards be discovered that there was some defect in the appointment of the participants in such meeting or any of them or any person(s) acting as aforesaid, or that they or any of them were disqualified, be as valid as if there were no such defect or disqualification.

CHIEF EXECUTIVE OFFICER

48. **CHIEF EXECUTIVE OFFICER**.

The Board of Directors shall from time to time appoint one or more persons, whether or not Directors, as Chief Executive Officer of the Company who shall have the powers and authorities set forth in the Companies Law, and may confer upon such person(s), and from time to time modify or revoke, such titles and such duties and authorities of the Board of Directors as the Board of Directors may deem fit, subject to such limitations and restrictions as the Board of Directors may from time to time prescribe. Such appointment(s) may be either for a fixed term or without any limitation of time, and the Board of Directors may from time to time (subject to any additional approvals required under, and the provisions of, the Companies Law and of any contract between any such person and the Company) fix their salaries and compensation, remove or dismiss them from office and appoint another or others in his, her or their place or places.

MINUTES

49. **MINUTES.**

Any minutes of the General Meeting or the Board of Directors or any committee thereof, if purporting to be signed by the Chairperson of the General Meeting, the Board of Directors or a committee thereof, as the case may be, or by the Chairperson of the next succeeding General Meeting, meeting of the Board of Directors or meeting of a Committee, as the case may be, shall constitute prima facie evidence of the matters recorded therein.

DIVIDENDS

50. **DECLARATION OF DIVIDENDS.**

The Board of Directors may from time declare, and cause the Company to pay dividends as permitted by the Companies Law. The Board of Directors shall determine the time for payment of such dividends and the record date for determining the shareholders entitled thereto.

51. **AMOUNT PAYABLE BY WAY OF DIVIDENDS.**

Subject to the provisions of these Articles and subject to the rights or conditions attached at that time to any share in the capital of the Company granting preferential, special or deferred rights or not granting any rights with respect to dividends, any dividend paid by the Company shall be allocated among the Shareholders (not in default in payment of any sum referred to in Article 13 hereof) entitled thereto on a *pari passu* basis in proportion to their respective holdings of the issued and outstanding Shares in respect of which such dividends are being paid.

52. **INTEREST.**

No dividend shall carry interest as against the Company.

53. **PAYMENT IN SPECIE.**

If so declared by the Board of Directors, a dividend declared in accordance with Article 64 may be paid, in whole or in part, by the distribution of specific assets of the Company or by distribution of paid up shares, debentures or other securities of the Company or of any other companies, or in any combination thereof, in each case, the fair value of which shall be determined by the Board of Directors in good faith.

54. **IMPLEMENTATION OF POWERS.**

The Board of Directors may settle, as it deems fit, any difficulty arising with regard to the distribution of dividends, bonus shares or otherwise, and in particular, to issue certificates for fractions of shares and sell such fractions of shares in order to pay their consideration to those entitled thereto, or to set the value for the distribution of certain assets and to determine that cash payments shall be paid to the Shareholders on the basis of such value, or that fractions whose value is less than NIS 0.01 shall not be taken into account. The Board of Directors may instruct to pay cash or convey these certain assets to a trustee in favor of those people who are entitled to a dividend, as the Board of Directors shall deem appropriate.

55. **DEDUCTIONS FROM DIVIDENDS.**

The Board of Directors may deduct from any dividend or other moneys payable to any Shareholder in respect of a share any and all sums of money then payable by him or her to the Company on account of calls or otherwise in respect of shares of the Company and/or on account of any other matter of transaction whatsoever.

56. **RETENTION OF DIVIDENDS.**

(a) The Board of Directors may retain any dividend or other moneys payable or property distributable in respect of a share on which the Company has a lien, and may apply the same in or toward satisfaction of the debts, liabilities, or engagements in respect of which the lien exists.

(b) The Board of Directors may retain any dividend or other moneys payable or property distributable in respect of a share in respect of which any person is, under Articles 21 or 22, entitled to become a Shareholder, or which any person is, under said Articles, entitled to transfer, until such person shall become a Shareholder in respect of such share or shall transfer the same.

57. **UNCLAIMED DIVIDENDS**.

All unclaimed dividends or other moneys payable in respect of a share may be invested or otherwise made use of by the Board of Directors for the benefit of the Company until claimed. The payment of any unclaimed dividend or such other moneys into a separate account shall not constitute the Company a trustee in respect thereof, and any dividend unclaimed after a period of one (1) year (or such other period determined by the Board) from the date of declaration of such dividend, and any such other moneys unclaimed after a like period from the date the same were payable, shall be forfeited and shall revert to the Company, provided, however, that the Board of Directors may, at its discretion, cause the Company to pay any such dividend or such other moneys, or any part thereof, to a person who would have been entitled thereto had the same not reverted to the Company. The principal (and only the principal) of any unclaimed dividend of such other moneys shall be if claimed, paid to a person entitled thereto.

58. **MECHANICS OF PAYMENT**.

Any dividend or other moneys payable in cash in respect of a share, less the tax required to be withheld pursuant to applicable law, may, as determined by the Board of Directors in its sole discretion, be paid by check or warrant sent through the post to, or left at, the registered address of the person entitled thereto or by transfer to a bank account specified by such person (or, if two or more persons are registered as joint holders of such share or are entitled jointly thereto in consequence of the death or bankruptcy of the holder or otherwise, to any one of such Persons or his or her bank account or the person who the Company may then recognize as the owner thereof or entitled thereto under Article 21 or 22 hereof, as applicable, or such person's bank account), or to such person and at such other address as the person entitled thereto may by writing direct, or in any other manner the Board deems appropriate. Every such check or warrant or other method of payment shall be made payable to the order of the person to whom it is sent, or to such person as the person entitled thereto as aforesaid may direct, and payment of the check or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such check shall be sent at the risk of the Person entitled to the money represented thereby.

ACCOUNTS

59. **BOOKS OF ACCOUNT**.

The Company's books of account shall be kept at the Office of the Company, or at such other place or places as the Board of Directors may think fit, and they shall always be open to inspection by all Directors. No shareholder, not being a Director, shall have any right to inspect any account or book or other similar document of the Company, except as explicitly conferred by law or authorized by the Board of Directors. The Company shall make copies of its annual financial statements available for inspection by the shareholders at the principal offices of the Company. The Company shall not be required to send copies of its annual financial statements to the Shareholders.

60. **AUDITORS.**

The appointment, authorities, rights and duties of the auditor(s) of the Company, shall be regulated by applicable law, provided, however, that in exercising its authority to fix the remuneration of the auditor(s), the Shareholders in General Meeting may act (and in the absence of any action in connection therewith shall be deemed to have so acted) to authorize the Board of Directors (with right of delegation to management) to fix such remuneration subject to such criteria or standards, and if no such criteria or standards are so provided, such remuneration shall be fixed in an amount commensurate with the volume and nature of the services rendered by such auditor(s). The General Meeting may, if so recommended by the Board of Directors, appoint the auditors for a period that may extend until the third Annual General Meeting after the Annual General Meeting in which the auditors were appointed.

61. **<u>FISCAL YEAR</u>**.

The fiscal year of the Company shall be the 12 months period ending on January 31 of each calendar year.

SUPPLEMENTARY REGISTERS

62. **<u>SUPPLEMENTARY REGISTERS</u>**.

Subject to and in accordance with the provisions of Sections 138 and 139 of the Companies Law, the Company may cause supplementary registers to be kept in any place outside Israel as the Board of Directors may think fit, and, subject to all applicable requirements of law, the Board of Directors may from time to time adopt such rules and procedures as it may think fit in connection with the keeping of such branch registers.

EXEMPTION, INDEMNITY AND INSURANCE

63. **<u>INSURANCE</u>**.

Subject to the provisions of the Companies Law with regard to such matters, the Company may enter into a contract for the insurance of the liability, in whole or in part, of any of its Office Holders imposed on such Office Holder due to an act performed by or an omission of the Office Holder in the Office Holder's capacity as an Office Holder of the Company arising from any matter permitted by law, including the following:

(a) a breach of duty of care to the Company or to any other person;

(b) a breach of his or her duty of loyalty to the Company, provided that the Office Holder acted in good faith and had reasonable grounds to assume that act that resulted in such breach would not prejudice the interests of the Company;

(c) a financial liability imposed on such Office Holder in favor of any other person; and

(d) any other event, occurrence, matters or circumstances under any law with respect to which the Company may, or will be able to, insure an Office Holder, and to the extent such law requires the inclusion of a provision permitting such insurance in these Articles, then such provision is deemed to be included and incorporated herein by reference (including, without limitation, in accordance with Section 56h(b)(1) of the Securities Law, if and to the extent applicable, and Section 50P of the Economic Competition Law).

64. **<u>INDEMNITY</u>**.

(a) Subject to the provisions of the Companies Law, the Company may retroactively indemnify an Office Holder of the Company to the maximum extent permitted under applicable law, including with respect to the following liabilities and expenses, provided that such liabilities or expenses were imposed on such Office Holder or incurred by such Office Holder due to an act performed by or an omission of the Office Holder in such Office Holder's capacity as an Office Holder of the Company:

(i) a financial liability imposed on an Office Holder in favor of another person by any court judgment, including a judgment given as a result of a settlement or an arbitrator's award which has been confirmed by a court in respect of an act performed by the Office Holder;

(ii) reasonable litigation expenses, including legal fees, expended by the Office Holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, or in connection with a financial sanction, provided that (1) no indictment (as defined in the Companies Law) was filed against such Office Holder as a result of such investigation or proceeding; and

(2) no financial liability in lieu of a criminal proceeding (as defined in the Companies Law) was imposed upon him or her as a result of such investigation or proceeding or if such financial liability was imposed, it was imposed with respect to an offence that does not require proof of criminal intent;

(iii) reasonable litigation costs, including legal fees, expended by an Office Holder or which were imposed on an Office Holder by a court in proceedings filed against the Office Holder by the Company or in its name or by any other person or in a criminal charge in respect of which the Office Holder was acquitted or in a criminal charge in respect of which the Office Holder was convicted for an offence which did not require proof of criminal intent; and

(iv) any other event, occurrence, matter or circumstance under any law with respect to which the Company may, or will be able to, indemnify an Office Holder, and to the extent such law requires the inclusion of a provision permitting such indemnity in these Articles, then such provision is deemed to be included and incorporated herein by reference (including, without limitation, in accordance with Section 56h(b)(1) of the Israeli Securities Law, if and to the extent applicable, and Section 50P(b)(2) of the RTP Law).

(b) Subject to the provisions of the Companies Law, the Company may undertake to indemnify an Office Holder, in advance, with respect to those liabilities and expenses described in the following Articles:

(i) Sub-Article 64(a)(ii) to 64(a)(iv); and

(ii) Sub-Article 64(a)(i), provided that:

(1) the undertaking to indemnify is limited to such events which the Directors shall deem to be foreseeable in light of the operations of the Company at the time that the undertaking to indemnify is made and for such amounts or criterion which the Directors may, at the time of the giving of such undertaking to indemnify, deem to be reasonable under the circumstances; and

(2) the undertaking to indemnify shall set forth such events which the Directors shall deem to be foreseeable in light of the operations of the Company at the time that the undertaking to indemnify is made, and the amounts and/or criterion which the Directors may, at the time of the giving of such undertaking to indemnify, deem to be reasonable under the circumstances.

65. **EXEMPTION**.

Subject to the provisions of the Companies Law, the Company may, to the maximum extent permitted by law, exempt and release, in advance, any Office Holder from any liability for damages arising out of a breach of a duty of care towards the Company.

66. **GENERAL**.

(a) Any amendment to the Companies Law or any other applicable law adversely affecting the right of any Office Holder to be indemnified, insured or exempt pursuant to Articles 63 to 65 and any amendments to Articles 63 to 65 shall be prospective in effect, and shall not affect the Company’s obligation or ability to indemnify, insure or exempt an Office Holder for any act or omission occurring prior to such amendment, unless otherwise provided by applicable law.

(b) The provisions of Articles 63 to 65 (i) shall apply to the maximum extent permitted by law (including, the Companies Law, the Securities Law and the Economic Competition Law); and (ii) are not intended, and shall not be interpreted so as to restrict the Company, in any manner, in respect of the procurement of insurance and/or in respect of indemnification (whether in advance or retroactively) and/or exemption, in favor of any person who is not an Office Holder, including, without limitation, any employee, agent, consultant or contractor of the Company who is not an Office Holder; and/or any Office Holder to the extent that such insurance and/or indemnification is not specifically prohibited under law.

WINDING UP

67. **<u>WINDING UP</u>**.

If the Company is wound up, then, subject to applicable law and to the rights of the holders of shares with special rights upon winding up, the assets of the Company available for distribution among the Shareholders shall be distributed to them in proportion to the number of issued and outstanding shares held by each Shareholder.

NOTICES

68. **<u>NOTICES</u>**.

(a) Any written notice or other document may be served by the Company upon any Shareholder either personally, by facsimile, email or other electronic transmission, or by sending it by prepaid mail (airmail if sent internationally) addressed to such Shareholder at his or her address as described in the Register of Shareholders or such other address as the Shareholder may have designated in writing for the receipt of notices and other documents.

(b) Any written notice or other document may be served by any Shareholder upon the Company by tendering the same in person to the Secretary or the Chief Executive Officer of the Company at the principal office of the Company, by facsimile transmission, or by sending it by prepaid registered mail (airmail if posted outside Israel) to the Company at its Office.

(c) Any such notice or other document shall be deemed to have been served:

(i) in the case of mailing, forty-eight (48) hours after it has been posted, or when actually received by the addressee if sooner than forty-eight hours after it has been posted, or

(ii) in the case of overnight air courier, on the next business day following the day sent, with receipt confirmed by the courier, or when actually received by the addressee if sooner than three business days after it has been sent;

(iii) in the case of personal delivery, when actually tendered in person, to such addressee;

(iv) in the case of facsimile, email or other electronic transmission, on the first business day (during normal business hours in place of addressee) on which the sender receives automatic electronic confirmation by the addressee's facsimile machine that such notice was received by the addressee or delivery confirmation from the addressee's email or other communication server.

(d) If a notice is, in fact, received by the addressee, it shall be deemed to have been duly served, when received, notwithstanding that it was defectively addressed or failed, in some other respect, to comply with the provisions of this Article 68.

(e) All notices to be given to the Shareholders shall, with respect to any share to which persons are jointly entitled, be given to whichever of such persons is named first in the Register of Shareholders, and any notice so given shall be sufficient notice to the holders of such share.

(f) Any Shareholder whose address is not described in the Register of Shareholders, and who shall not have designated in writing an address for the receipt of notices, shall not be entitled to receive any notice from the Company.

(g) Notwithstanding anything to the contrary contained herein, notice by the Company of a General Meeting, containing the information required by applicable law and these Articles to be set forth therein, which is published, within the time otherwise required for giving notice of such meeting, in either or several of the following manners (as applicable) shall be deemed to

be notice of such meeting duly given, for the purposes of these Articles, to any Shareholder whose address as registered in the Register of Shareholders (or as designated in writing for the receipt of notices and other documents) is located either inside or outside the State of Israel:

(i) if the Company's shares are then listed for trading on a national securities exchange in the United States or quoted in an over-the-counter market in the United States, publication of notice of a General Meeting by a Report of Foreign Private Issuer on Form 6-K (or an equivalent form subsequently adopted by the SEC) furnished to the SEC; and/or

(ii) on the Company's internet site.

(h) The mailing or publication date and the record date and/or date of the meeting (as applicable) shall be counted among the days comprising any notice period under the Companies Law and the regulations thereunder.

AMENDMENT

69. **AMENDMENT**.

Any amendment of these Articles shall require, in addition to the approval of the General Meeting of shareholders in accordance with these Articles, also the approval of the Board of Directors with the affirmative vote of a majority of the then serving Directors.

FORUM FOR ADJUDICATION OF DISPUTES

70. **FORUM FOR ADJUDICATION OF DISPUTES**.

(a) Unless the Company consents in writing to the selection of an alternative forum, with respect to any causes of action arising under the Securities Act of 1933 as amended, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended; and (b) unless the Company consents in writing to the selection of an alternative forum, the Tel Aviv District Court shall be 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 a 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 Israeli Companies Law 5759-1999 or the Israeli Securities Law 5728-1968. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of the Company shall be deemed to have notice of and consented to these provisions.

* * *

NUMBER

INCORPORATED UNDER THE LAWS OF THE STATE OF ISRAEL

SHARES

COGNYTE SOFTWARE LTD.

Israeli Company Number: 51-619642-5

CUSIP: M25133 105
ISIN: IL0011691438

__________ ORDINARY SHARES
WITHOUT PAR VALUE EACH

THIS IS TO CERTIFY THAT IS THE REGISTERED HOLDER OF

*** ______________________________ ***

FULLY PAID AND NON-ASSESSABLE ORDINARY SHARES, WITHOUT PAR VALUE,
OF THE COMPANY, SUBJECT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

DATED: __________ _____, 2020

Countersigned by:
BROADRIDGE CORPORATE ISSUER SOLUTIONS, INC.
BRENTWOOD, NY 11717
TRANSFER AGENT

By:
Authorized Officer

WITNESS, THE SIGNATURES OF ITS DULY AUTHORIZED OFFICERS.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

Exhibit 4.6

FORM OF
COGNYTE SOFTWARE LTD.
2021 SHARE INCENTIVE PLAN

Unless otherwise defined, terms used herein shall have the meaning ascribed to them in Section 27 hereof.

1. **PURPOSE; TYPES OF AWARDS; CONSTRUCTION.**

1.1 Purpose. The purpose of this 2021 Share Incentive Plan (as amended, this "**Plan**") is to afford an incentive to Service Providers of Cognyte Software Ltd., an Israeli company (together with any successor corporation thereto, the "**Company**"), or any Affiliate of the Company, which now exists or hereafter is organized or acquired by the Company or its Affiliates, to continue as Service Providers, to increase their efforts on behalf of the Company or its Affiliates and to promote the success of the Company's business, by providing such Service Providers with opportunities to acquire a proprietary interest in the Company by the issuance of Shares or restricted Shares ("**Restricted Shares**") of the Company, and by the grant of options to purchase Shares ("**Options**"), Restricted Share Units ("**RSUs**") and other Share-based Awards pursuant to Sections 10 through 12 of this Plan.

1.2 Types of Awards.

1.2.1 This Plan is intended to enable the Company to issue Awards under various tax regimes, including: **(i)** pursuant and subject to the provisions of Section 102 of the Ordinance (or the corresponding provision of any subsequently enacted statute, as amended from time to time), and all regulations and interpretations adopted by any competent authority, including the Israel Tax Authority (the "**ITA**"), including the Income Tax Rules (Tax Benefits in Stock Issuance to Employees) 5763-2003 or such other rules so adopted from time to time (the "**Rules**") (such Awards that are intended to be (as set forth in the Award Agreement) and which qualify as such under Section 102 of the Ordinance and the Rules, "**102 Awards**"); **(ii)** pursuant to Section 3(i) of the Ordinance or the corresponding provision of any subsequently enacted statute, as amended from time to time (such Awards, "**3(i) Awards**"); **(iii)** Incentive Stock Options within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted United States federal tax statute, as amended from time to time, to be granted to Employees who are deemed to be residents of the United States, for purposes of taxation, or are otherwise subject to U.S. Federal income tax (such Awards that are intended to be (as set forth in the Award Agreement) and which qualify as an incentive stock option within the meaning of Section 422(b) of the Code, "**Incentive Stock Options**"); and **(iv)** Options not intended to be (as set forth in the Award Agreement) or which do not qualify as an Incentive Stock Option to be granted to Service Providers who are deemed to be residents of the United States for purposes of taxation, or are otherwise subject to U.S. Federal income tax ("**Nonqualified Stock Options**").

1.2.2 In addition to the issuance of Awards under the above tax regimes, and without derogating from the generality of Section 25, this Plan contemplates issuances to Grantees in other jurisdictions or under other tax regimes with respect to which the Committee is empowered, but is not required, to make the requisite adjustments in this Plan and set forth the relevant conditions in an appendix to this Plan or in the Company's agreement with the Grantee in order to comply with the requirements of such other tax regimes.

1.2.3 This Plan is also intended to enable the Company to issue Adjusted Awards in substitution for awards relating to common stock ("**VSI Common Shares**") of Verint Systems Inc. ("**VSI**") in connection with the spin-off of the Company by VSI (the "**Spin-Off**"). Notwithstanding anything in this Plan to the contrary, the Adjusted Awards will reflect substantially the original terms of the awards being so adjusted, including the vesting provisions.

1.3 Construction. To the extent any provision herein conflicts with the conditions of any relevant tax law, rule or regulation which are relied upon for tax relief in respect of a particular Award to a Grantee, the Committee is empowered, but is not required, hereunder to determine that the provisions of such law, rule or regulation shall prevail over those of this Plan and to interpret and enforce such prevailing provisions. With respect to 102 Awards, if and to the extent any action or the exercise or application of any provision hereof or authority

granted hereby is conditioned or subject to obtaining a ruling or tax determination from the ITA, to the extent required by applicable law, then the taking of any such action or the exercise or application of such section or authority with respect to 102 Awards shall be conditioned upon obtaining such ruling or tax determination, and, if obtained, shall be subject to any condition set forth therein; it being clarified that there is no obligation to apply for any such ruling or tax determination (which shall be in the sole discretion of the Committee) and no assurance is made that if applied any such ruling or tax determination will be obtained (or the conditions thereof).

2. **ADMINISTRATION.**

2.1 The Committee. To the extent permitted under Applicable Law, the Articles of Association and any other governing document of the Company, this Plan shall be administered by the Committee. In the event that the Board does not appoint or establish a committee to administer this Plan, this Plan shall be administered by the Board, and, accordingly, any and all references herein to the Committee shall be construed as references to the Board. In the event that an action necessary for the administration of this Plan is required under Applicable Law to be taken by the Board without the right of delegation, or if such action or power was explicitly reserved by the Board in appointing, establishing and empowering the Committee, then such action shall be so taken by the Board. Even if such a Committee was appointed or established, the Board may take any actions that are stated to be vested in the Committee, and shall not be restricted or limited from exercising all rights, powers and authorities under this Plan or Applicable Law.

2.2 Authorities and Powers. Subject to the terms and conditions of this Plan, any mandatory provisions of Applicable Law and any provisions of any Company policy required under mandatory provisions of Applicable Law, and in addition to the Committee’s powers contained elsewhere in this Plan, the Committee shall have full authority, in its discretion, from time to time and at any time, to determine any of the following, or to recommend to the Board any of the following if it is not authorized to take such action according to Applicable Law: **(i)** eligible Grantees, **(ii)** grants of Awards and setting the terms and provisions of Award Agreements (which need not be identical) and any other agreements or instruments under which Awards are made, including the number of Shares underlying each Award and the class of Shares underlying each Award (if more than one class was designated by the Board), **(iii)** the time or times at which Awards shall be granted, **(iv)** the terms, conditions and restrictions applicable to each Award and any Shares acquired upon the exercise or (if applicable) vesting thereof, including (1) designating Awards under Section 1.2; (2) the vesting schedule and terms and conditions upon which Awards may be exercised or become vested, (3) the Exercise Price, (4) the method of payment for Shares purchased upon the exercise or (if applicable) vesting of the Awards, (5) the method for satisfaction of any tax withholding obligation arising in connection with the Awards or such Shares, including by the withholding or delivery of Shares, (6) the time of the expiration of the Awards, (7) the effect of the Grantee’s termination of Continuous Service with the Company or any of its Affiliates, and (8) all other terms, conditions and restrictions applicable to the Award or the Shares not inconsistent with the terms of this Plan, **(v)** the interpretation of this Plan and any Award Agreement and the meaning, interpretation and applicability of terms referred to in Applicable Law, **(vi)** policies, guidelines, rules and regulations relating to and for carrying out this Plan, and any amendment, supplement or rescission thereof, as it may deem appropriate, **(vii)** to adopt supplements to, or alternative versions of, this Plan, including, without limitation, as it deems necessary or desirable to comply with the laws of, or to accommodate the tax regime or custom of, foreign jurisdictions whose citizens or residents may be granted Awards, **(viii)** the Fair Market Value of the Shares or other securities, property or rights, **(ix)** the tax track (capital gains, ordinary income track or any other track available under the Section 102 of the Ordinance) for the purpose of 102 Awards, **(x)** the authorization and approval of conversion, substitution, cancellation or suspension under and in accordance with this Plan of any or all Awards or Shares, **(xi)** unless otherwise provided under the terms of this Plan, the amendment, modification, waiver or supplement of the terms of any outstanding Award (including, without limitation, reducing the Exercise Price of an Award), *provided*, *however*, that if such amendments increases the Exercise Price of an Award or reduces the number of Shares underlying an Award, then such amendments shall require the consent of the applicable Grantee, unless such amendment is made pursuant to the exercise of rights or authorities in accordance with Section 13, **(xii)** without limiting the generality of the foregoing, and subject to the provisions of Applicable Law, to grant to a Grantee who is the holder of an outstanding Award, in exchange for the cancellation of such Award, the provision of a new Award having an Exercise Price lower than that provided in the Award so canceled and containing such other terms and conditions as the Committee may prescribe in accordance with the provisions of this Plan or to set a new Exercise Price for the same Award lower than that previously provided in the Award, **(xiii)** to correct any defect, supply any omission or reconcile any inconsistency in this Plan or any Award Agreement and

all other determinations and take such other actions with respect to this Plan or any Award as it may deem advisable to the extent not inconsistent with the provisions of this Plan or Applicable Law, and **(xiv)** any other matter which is necessary or desirable for, or incidental to, the administration of this Plan and any Award thereunder. The authority granted hereunder includes the authority to modify Awards to eligible individuals who are foreign nationals or are individuals who are employed outside Israel to recognize differences in local law, tax policy or custom, in order to effectuate the purposes of this Plan but without amending this Plan.

2.3 Determinations. The Board and the Committee shall be free at all times to make such determinations and take such actions as they deem fit. The Board and the Committee need not take the same action or determination with respect to all Awards, with respect to certain types of Awards, with respect to all Service Providers or any certain type of Service Providers and actions and determinations may differ as among the Grantees, and as between the Grantees and any other holders of securities of the Company. All decisions, determinations, and interpretations of the Committee, the Board and the Company under this Plan shall be final and binding on all Grantees (whether before or after the issuance of Shares pursuant to Awards), unless otherwise determined by the Committee, the Board or the Company, respectively. The Committee shall have the authority (but not the obligation) to determine the interpretation and applicability of Applicable Law to any Grantee or any Awards. No member of the Committee or the Board shall be liable to any Grantee for any action taken or determination made in good faith with respect to this Plan or any Award granted hereunder.

3. **ELIGIBILITY**. Awards may be granted to Service Providers of the Company or any Affiliate thereof, taking into account, at the Committee's discretion and without an obligation to do so, the qualification under each tax regime pursuant to which such Awards are granted, subject to the limitation on the granting of Incentive Stock Options set forth in Section 7.1. A person who has been granted an Award hereunder may be granted additional Awards, if the Committee shall so determine, subject to the limitations herein. However, eligibility in accordance with this Section 3 shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award. Awards may differ in number of Shares covered thereby, the terms and conditions applying to them or on the Grantees or in any other respect (including, that there should not be any expectation (and it is hereby disclaimed) that a certain treatment, interpretation or position granted to one shall be applied to the other, regardless of whether or not the facts or circumstances are the same or similar).

4. **SHARES.**

4.1 Shares Available.

4.1.1 Subject to adjustment as provided in Section 13, the number of Shares with respect to which Awards may be granted from time to time under the Plan shall, in the aggregate, not exceed, at any time, the sum of **(i)** 9,500,000 Shares, plus **(ii)** such number of Shares equal to the number of VSI Common Shares that were issued upon the exercise or vesting of awards granted pursuant to the VSI Equity Plans under Section 102 of the Ordinance, and which VSI Common Shares, as of the date of the effectiveness of the Spin-Off, are held by a trustee appointed in accordance with Section 102 of the Ordinance ("**Previously Vested Shares**"), plus **(iii)** such number of Shares that are underlying the Adjusted Awards (excluding any Awards included in sub-clause (ii) above); provided, however, that, subject to adjustment as provided for in Section 13, the aggregate number of Shares with respect to which Incentive Stock Options may be granted under the Plan shall be 5,000,000. Subject to adjustment as provided in Section 13, the maximum number of Shares with respect to which Awards (other than Incentive Stock Options) may be granted to any Grantee in any fiscal year shall be 2,000,000.

4.1.2 If any Shares subject to an Award are forfeited, cancelled, or exchanged or if an Award terminates or expires without issuance of Shares to the Grantee, the Shares with respect to such Award shall, to the extent of any such forfeiture, cancellation, exchange, termination or expiration, again be available for Awards under the Plan (excluding for this purpose any Previously Vested Shares). For the avoidance of doubt, if two Awards are granted together in tandem, the Shares underlying any portion of the tandem Award which is not exercised or not otherwise settled in Shares will again be available for Awards under the Plan. Upon payment in cash of the benefit provided by any Award granted under this Plan, any Shares that were covered by that Award will again be available for Awards under the Plan. If a Grantee has elected to give up the right to receive cash compensation in exchange for Shares, and such Shares are not issued as an Award under Section 102, then such Shares will not be deemed to be issued under this Plan,

will not count against the aggregate limit described in Section 4.1 and will not be subject to tax and withholding under Section 102 of the Ordinance. Notwithstanding the foregoing, any Shares which **(i)** are tendered to or withheld by the Company to satisfy payment or applicable tax withholding requirements in connection with the vesting or delivery of an Award, **(ii)** are withheld by the Company upon exercise of an Option pursuant to a "net exercise" arrangement, or **(iii)** underlie a Stock Appreciation Right that is settled in Shares, shall not again be available for Awards under the Plan. In addition, Shares that are purchased by the Company in the open market pursuant to any repurchase plan or program, whether using Option proceeds or otherwise, shall not be made available for grants of Awards under the Plan, nor shall such number of purchased Shares be added to the limit described in Section 4.1. Any Shares delivered pursuant to an Award may consist, in whole or in part, of treasury Shares (in case of 102 Awards, subject, if required, to obtaining a tax ruling) or of authorized and unissued Shares.

4.2 Substitute Awards. Awards may, in the discretion of the Committee, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines ("**Substitute Awards**"). The number of Shares underlying any Substitute Awards shall not be counted against the aggregate number of Shares available for Awards under the Plan.

4.3 Assumed Available Shares. In the event that an entity acquired by the Company or with which it combines has shares available under a pre-existing plan ("**Target Company Plan**") previously approved by shareholders and not adopted in contemplation of such acquisition, merger or other combination, the shares available for grant pursuant to the terms of such plan (as adjusted, to the extent appropriate, to reflect such acquisition or merger) ("**Assumed Available Shares**") may be used for Awards under this Plan made after such acquisition or merger; *provided*, *however*, that Awards using such Assumed Available Shares may not be made after the deadline for new awards or grants under the terms of the Target Company Plan, and may only be made to individuals who were not employees or directors of the Company or any subsidiary prior to such acquisition, merger or other combination. The Awards so granted may reflect the original terms of the awards being assumed or substituted or converted for and need not comply with other specific terms of this Plan if such Awards comply with the terms of the Target Company Plan, and may account for Shares substituted for the securities covered by the original awards and the number of shares subject to the original awards, as well as any exercise or purchase prices applicable to the original awards, adjusted to account for differences in stock prices in connection with the transaction. To the extent required, inclusion of the Assumed Available Shares, in the Shares available under the Plan, shall be subject to a ruling from the ITA.

5. **TERMS AND CONDITIONS OF AWARDS**. Each Award granted pursuant to this Plan shall be evidenced by a written or electronic agreement between the Company and the Grantee or a written or electronic notice delivered by the Company (the "**Award Agreement**"), in substantially such form or forms and containing such terms and conditions, as the Committee shall from time to time approve , except that Awards that are not intended to qualify under Section 102 may be evidenced by a notification (if any) that does not meet the requirements of Section 102. Award Agreements need not be in the same form and may differ in the terms and conditions included therein and, with respect to Adjusted Awards, an Award Agreement also refers to any notice, memorandum, or summary of terms applicable thereto, as well as any award agreement under any VSI Equity Plan that may be referred to therein or that is assumed in connection with the Adjusted Award.

5.1 Number of Shares. Each Award Agreement shall state the number of Shares covered by the Award.

5.2 Type of Award. Each Award Agreement may state the type of Award granted thereunder, *provided* that the tax treatment of any Award, whether or not stated in the Award Agreement, shall be as determined in accordance with Applicable Law.

5.3 Exercise Price. Each Award Agreement shall state the Exercise Price, if applicable, as may be adjusted under Section 13 hereof. Subject to Sections 3, 6.2 and 7.2 and to the foregoing, the Committee may reduce the Exercise Price of any outstanding Award, on terms and subject to such conditions as it deems advisable. The Exercise Price of any outstanding Award granted to a Grantee who is subject to U.S. federal income tax shall be determined in accordance with Section 409A of the Code.

5.4 Manner of Exercise. An Award may be exercised, as to any or all Shares as to which the Award has become exercisable, by written notice delivered in person or by mail (or such other methods of delivery prescribed by the Company) to the equity plan administrator of the Company or to such other person as determined by the Committee, or in any other manner as the Committee shall prescribe from time to time, specifying the number of Shares with respect to which the Award is being exercised (which may be equal to or lower than the aggregate number of Shares that have become exercisable at such time, subject to the last sentence of this Section 5.4), accompanied by payment of the aggregate Exercise Price for such Shares in the manner specified in the following sentence. The Committee may impose such conditions with respect to the exercise of Options, including without limitation, any relating to the application of federal or state securities laws, as it may deem necessary or advisable.

5.5 Payment. No Shares shall be delivered pursuant to any exercise or settlement of an Award until payment in full of the aggregate exercise price therefor (if any) is received by the Company. Such payment may be made **(i)** in cash, or its equivalent, or **(ii)** subject to the Company's consent, by exchanging Shares owned by the Grantee (which are not the subject of any pledge or other security interest and which have been owned by such Grantee for at least six months), **(iii)** subject to such rules as may be established by the Committee and applicable law, through delivery of irrevocable instructions to a broker to sell the Shares otherwise deliverable upon the exercise or settlement of the Award and to deliver promptly to the Company an amount equal to the aggregate exercise price, **(iv)** subject to any conditions or limitations established by the Committee, the Company's withholding of Shares otherwise issuable upon exercise or settlement of an Award pursuant to a "net exercise" arrangement (it being understood that, solely for purposes of determining the number of treasury shares held by the Company, the Shares so withheld will not be treated as issued and acquired by the Company upon such exercise or settlement), **(v)** by a combination of the foregoing, or **(vi)** by such other methods as may be approved by the Committee, *provided* that the combined value of all cash and cash equivalents and the Fair Market Value of any such Shares so tendered to the Company or withheld as of the date of such tender or withholding is at least equal to such aggregate exercise price; and *provided further* that the application of cashless or "net exercise" exercise with respect to any 102 Awards shall be subject to obtaining a tax ruling from the ITA, to the extent required by Applicable Law, and in such case reference to "Fair Market Value" shall be as defined in such tax ruling. Wherever in this Plan or any Award Agreement a Grantee is permitted to pay the exercise price of an Award or taxes relating to the exercise or settlement of an Award by delivering Shares, the Participant may, subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of beneficial ownership of such Shares, in which case the Company shall treat the Award as exercised or settled without further payment and shall withhold such number of Shares from the Shares acquired by the exercise or settlement of the Award.

5.6 Vesting of Awards.

5.6.1 Each Award Agreement shall provide the vesting schedule for the Award as determined by the Committee, including acceleration events, if any.

5.6.2 The Award Agreement may contain performance goals and measurements (which, in case of 102 Trustee Awards, may, if then required, be subject to obtaining a specific tax ruling or determination from the ITA), and the provisions with respect to any Award need not be the same as the provisions with respect to any other Award. Such performance goals may include, but are not limited to, sales, earnings before interest and taxes, gross or operating margin, return on investment, earnings per share, cash flow, any combination of the foregoing or rate of growth of any of the foregoing, as determined by the Committee. The Committee may adjust performance goals pursuant to Awards previously granted to take into account changes in law and accounting and tax rules and to make such adjustments as the Committee deems necessary or appropriate to reflect the inclusion or the exclusion of the impact of extraordinary or unusual items, events or circumstances.

5.7 Termination.

5.7.1 Unless otherwise determined by the Committee, and subject to Section 5.8 and 5.9 hereof, an Award may not be exercised unless the Grantee is then in Continuous Service or, in the case of an Incentive Stock Option, an employee in Continuous Service of a company or a parent or subsidiary company of such company issuing or assuming the Option in a transaction to which Section 424(a) of the Code applies, and unless the Grantee has remained in the Continuous Service since the date of grant of the Award and throughout the vesting dates.

5.7.2 In the event that the Grantee's Continuous Service terminates, including as a result of Retirement (but other than by reason of death or Disability), all Awards of such Grantee that are unvested at the time of such termination shall terminate on the date of such termination, and, except in the event of termination for Cause, all Awards of such Grantee that are vested and exercisable at the time of such termination may be exercised within up to three (3) months after the date of such termination (or such different period as the Committee shall prescribe), but in any event no later than the date of expiration of the Award's term as set forth in the Award Agreement or pursuant to this Plan.

5.7.3 In the event the Company determines or discovers during or after the course of Grantee's employment or service that Grantee committed an act during the course of employment or service that constitutes or would have constituted Cause for termination, the Committee shall have the right, to the maximum extent permissible under applicable law, to cancel or forfeit all or any portion of the Award (whether or not vested). In addition, any Award Agreement may provide, in such circumstances, for the cancellation or forfeiture of an Award or the forfeiture and repayment to the Company of any gain related to an Award, or other provisions intended to have a similar effect, under Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the SEC or any national securities exchange or national securities association on which the Shares may be traded.

5.7.4 Notwithstanding anything to the contrary, the Committee, in its absolute discretion, may, on such terms and conditions as it may determine appropriate, extend the periods for which Awards held by any Grantee may continue to vest and be exercisable; it being clarified that such Awards may lose their entitlement to certain tax benefits under Applicable Law (including, without limitation, qualification of an Award as an Incentive Stock Option) as a result of the modification of such Awards and/or in the event that the Award is exercised beyond the later of: **(i)** three (3) months after the date of termination of Grantee's Continuous Service; or **(ii)** the applicable period under this Section 5.7 and Section 5.8 below with respect to a termination of Grantee's Continuous Service because of the death, Disability or Retirement of Grantee.

5.7.5 For purposes of this Plan:

5.7.5.1 A termination of Grantee's Continuous Service shall not be deemed to occur (except to the extent required by the Code with respect to the Incentive Stock Option status of an Option) in case of **(i)** a transition or transfer of a Grantee among the Company and its Affiliates, **(ii)** a change in the status of the Grantee between an Employee or Service Provider, or a change in the identity of the employing or engagement entity among the Company and its Affiliates, *provided*, in case of the foregoing clauses (i) and (ii) above, that the Grantee has remained continuously employed by and/or in the service of the Company and its Affiliates since the date of grant of the Award and throughout the vesting period; or **(iii)** if the Grantee takes any unpaid leave as set forth in Section 5.10.

5.7.5.2 An entity or an Affiliate thereof assuming an Award or issuing in substitution thereof in a transaction to which Section 424(a) of the Code applies or in a Change in Control in accordance with Section 13 shall be deemed as an Affiliate of the Company for purposes of this Section 5.7, unless the Committee determines otherwise.

5.7.5.3 In the case of a Grantee whose principal employer or service recipient is a Subsidiary or Affiliate, the Grantee's Continuous Service shall also be deemed terminated for purposes of this Section 5.7 as of the date on which such principal employer or service recipient ceases to be a Subsidiary or Affiliate.

5.8 Death or Disability of Grantee. If a Grantee shall die while employed by, or performing service for, the Company or its Affiliates, or within the three (3) month period after the date of termination of such Grantee's Continuous Service (or within such different period as the Committee may determine), or if the Grantee's Continuous Service shall terminate by reason of Disability, all Awards theretofore granted to such Grantee which are then vested and exercisable (unless earlier terminated in accordance with their terms) may be exercised by the Grantee or by the Grantee's estate or by a person who acquired the legal right to exercise such Awards by bequest or inheritance, or by a person who acquired the legal right to exercise such Awards in accordance with applicable law in the case of Disability of the Grantee, as the case may be, at any time within one (1) year after the death or Disability of the Grantee (or such different period as the Committee shall prescribe), but in any event no later than

the date of expiration of the Award's term as set forth in the Award Agreement or pursuant to this Plan. In the event that an Award granted hereunder shall be exercised as set forth above by any person other than the Grantee, written notice of such exercise shall be accompanied by a certified copy of letters testamentary or proof satisfactory to the Committee of the right of such person to exercise such Award.

5.9 Exercise Period. The Exercise Period of an Award will be ten (10) years from the date of grant of the Award, unless otherwise determined by the Committee and stated in the Award Agreement, but subject to the vesting provisions described above and the early termination provisions set forth in Sections 5.7 and 5.8 hereof. At the expiration of the Exercise Period, any Award, or any part thereof, that has not been exercised within the term of the Award and the Shares covered thereby not paid for in accordance with this Plan and the Award Agreement shall terminate and become null and void, and all interests and rights of the Grantee in and to the same shall expire.

5.10 Suspension of Vesting. Unless the Committee provides otherwise, vesting of Awards granted hereunder shall be suspended during any unpaid leave of absence, other than in the case of any transfers between locations of the Company or any of its Affiliates, or between the Company and any of its Affiliates, or any respective successor thereof. For purposes of this Plan, **(i)** military leave, **(ii)** maternity or paternity leave (whether paid or unpaid), **(iii)** sick leave or **(iv)** any other leave of absence of not more than 90 days; are not deemed unpaid leave of absence, unless otherwise determined by the Committee or unless provided otherwise pursuant to Company policy, as adopted from time to time.

5.11 Securities Law Restrictions. Except as otherwise provided in the applicable Award Agreement or other agreement between the Service Provider and the Company, and unless otherwise determined by the Committee, if the exercise of an Award following the termination of Grantee's Continuous Service (other than for Cause) would be prohibited at any time solely because the issuance of Shares would violate the registration requirements under the Securities Act or equivalent requirements under equivalent laws of other applicable jurisdictions, then the Award shall remain exercisable and terminate on the earlier of **(i)** the expiration of a period of three (3) months after the termination of the Grantee's Continuous Service (or within such different period as the Committee may have provided pursuant to Section 5.7 or 5.8 hereof) during which the exercise of the Award would not be in such violation, or **(ii)** the expiration of the term of the Award as set forth in the Award Agreement or pursuant to this Plan. In addition, unless otherwise provided in a Grantee's Award Agreement, if the sale of any Shares received upon exercise or (if applicable) vesting of an Award following the termination of the Grantee's Continuous Service (other than for Cause) would violate the Company's insider trading policy, then the Award shall terminate on the earlier of **(i)** the expiration of a period equal to the applicable post-termination exercise period after the termination of the Grantee's Continuous Service during which the exercise of the Award would not be in violation of the Company's insider trading policy, or **(ii)** the expiration of the term of the Award as set forth in the applicable Award Agreement or pursuant to this Plan.

5.12 Other Provisions. The Award Agreement evidencing Awards under this Plan shall contain such other terms and conditions not inconsistent with this Plan as the Committee may determine, at or after the date of grant.

6. **NONQUALIFIED STOCK OPTIONS**. Awards granted pursuant to this Section 6 are intended to constitute Nonqualified Stock Options and shall be subject to the general terms and conditions specified in Section 5 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 6 and the other terms of this Plan, this Section 6 shall prevail. However, if for any reason the Awards granted pursuant to this Section 6 (or portion thereof) does not qualify as an Incentive Stock Option, then, to the extent of such non-qualification, such Option (or portion thereof) shall be regarded as a Nonqualified Stock Option granted under this Plan. In no event will the Board, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Grantee (or any other person) due to the failure of the Option to qualify for any reason as an Incentive Stock Option.

6.1 Certain Limitations on Eligibility for Nonqualified Stock Options. Nonqualified Stock Options may not be granted to a Service Provider who is deemed to be a resident of the United States for purposes of taxation or who is otherwise subject to United States federal income tax unless the Shares underlying such Options constitute "service recipient stock" under Section 409A of the Code or unless such Options comply with the payment requirements of Section 409A of the Code.

6.2 Exercise Price. The Exercise Price of a Nonqualified Stock Option (except with respect to Substitute Awards and, if applicable, Adjusted Awards) shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option unless the Committee specifically indicates that the Awards will have a lower Exercise Price and the Award complies with Section 409A of the Code. Notwithstanding the foregoing, a Nonqualified Stock Option may be granted with an exercise price lower than the minimum exercise price set forth above if such Award is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of that complies with Section 424(a) of the Code or 1.409A-1(b)(5)(v)(D) of the U.S. Treasury Regulations or any successor guidance.

7. **INCENTIVE STOCK OPTIONS**. Awards granted pursuant to this Section 7 are intended to constitute Incentive Stock Options and shall be granted subject to the following special terms and conditions, the general terms and conditions specified in Section 5 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 7 and the other terms of this Plan, this Section 7 shall prevail.

7.1 Eligibility for Incentive Stock Options. Incentive Stock Options may be granted only to Employees of the Company, or to Employees of a Parent or Subsidiary, determined as of the date of grant of such Options. An Incentive Stock Option granted to a prospective Employee upon the condition that such person become an Employee shall be deemed granted effective on the date such person commences employment, with an exercise price determined as of such date in accordance with Section 7.2.

7.2 Exercise Price. The Exercise Price of an Incentive Stock Option (except with respect to Substitute Awards and, if applicable, Adjusted Awards) shall not be less than one hundred percent (100%) of the Fair Market Value of the Shares covered by the Awards on the date of grant of such Option or such other price as may be determined pursuant to the Code. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an exercise price lower than the minimum exercise price set forth above if such Award is granted pursuant to an assumption or substitution for another option in a manner that complies with the provisions of Section 424(a) of the Code.

7.3 Date of Grant. Notwithstanding any other provision of this Plan to the contrary, no Incentive Stock Option may be granted under this Plan after 10 years from the date this Plan is adopted, or the date this Plan is approved by the shareholders, whichever is earlier.

7.4 Exercise Period. No Incentive Stock Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Award, subject to Section 7.6. No Incentive Stock Option granted to a prospective Employee may become exercisable prior to the date on which such person commences employment.

7.5 $100,000 Per Year Limitation. The aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the Shares with respect to which all Incentive Stock Options granted under this Plan and all other “incentive stock option” plans of the Company, or of any Parent or Subsidiary, become exercisable for the first time by each Grantee during any calendar year shall not exceed one hundred thousand United States dollars ($100,000) with respect to such Grantee. To the extent that the aggregate Fair Market Value of Shares with respect to which such Incentive Stock Options and any other such incentive stock options are exercisable for the first time by any Grantee during any calendar year exceeds one hundred thousand United States dollars ($100,000), such options shall be treated as Nonqualified Stock Options. The foregoing shall be applied by taking options into account in the order in which they were granted. If the Code is amended to provide for a different limitation from that set forth in this Section 7.5, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Awards as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonqualified Stock Option in part by reason of the limitation set forth in this Section 7.5, the Grantee may designate which portion of such Option the Grantee is exercising. In the absence of such designation, the Grantee shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Separate certificates representing each such portion may be issued upon the exercise of the Option.

7.6 Ten Percent Shareholder. In the case of an Incentive Stock Option granted to a Ten Percent Shareholder, notwithstanding the foregoing provisions of this Section 7.6, **(i)** the Exercise Price shall not be less than one hundred and ten percent (110%) of the Fair Market Value of a Share on the date of grant of such Incentive Stock Option, and **(ii)** the Exercise Period shall not exceed five (5) years from the effective date of grant of such Incentive Stock Option.

7.7 Payment of Exercise Price. Each Award Agreement evidencing an Incentive Stock Option shall state each alternative method by which the Exercise Price thereof may be paid.

7.8 Leave of Absence. Notwithstanding Section 5.10, a Grantee's Continuous Service shall not be deemed to have terminated if the Grantee takes any leave as set forth in Section 5.10; *provided*, *however*, that if any such leave exceeds three (3) months, on the day that is three (3) months following the commencement of such leave any Incentive Stock Option held by the Grantee shall cease to be treated as an Incentive Stock Option and instead shall be treated thereafter as a Nonqualified Stock Option, unless the Grantee's right to return to employment is guaranteed by statute or contract.

7.9 Exercise Following Termination for Disability. Notwithstanding anything else in this Plan to the contrary, Incentive Stock Options that are not exercised within three (3) months following termination of the Grantee's Continuous Service with the Company or its Parent or Subsidiary or a corporation or a Parent or Subsidiary of such corporation issuing or assuming an Option in a transaction to which Section 424(a) of the Code applies, or within one year in case of termination of the Grantee's Continuous Service with the Company or its Parent or Subsidiary due to a Disability (within the meaning of Section 22(e)(3) of the Code), shall be deemed to be Nonqualified Stock Options.

7.10 Adjustments to Incentive Stock Options. Any Awards Agreement providing for the grant of Incentive Stock Options shall indicate that adjustments made pursuant to this Plan with respect to Incentive Stock Options could constitute a "modification" of such Incentive Stock Options (as that term is defined in Section 424(h) of the Code) or could cause adverse tax consequences for the holder of such Incentive Stock Options and that the holder should consult with his or her tax advisor regarding the consequences of such "modification" on his or her income tax treatment with respect to the Incentive Stock Option.

7.11 Notice to Company of Disqualifying Disposition. Each Grantee who receives an Incentive Stock Option must agree to notify the Company in writing immediately after the Grantee makes a Disqualifying Disposition of any Shares received pursuant to the exercise of Incentive Stock Options. A "Disqualifying Disposition" is any disposition (including any sale) of such Shares before the later of **(i)** two years after the date the Grantee was granted the Incentive Stock Option, or **(ii)** one year after the date the Grantee acquired Shares by exercising the Incentive Stock Option. If the Grantee dies before such Shares are sold, these holding period requirements do not apply and no disposition of the Shares will be deemed a Disqualifying Disposition.

8. **102 AWARDS**. Awards granted pursuant to this Section 8 are intended to constitute 102 Awards and shall be granted subject to the following special terms and conditions, the general terms and conditions specified in Section 5 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 8 and the other terms of this Plan, this Section 8 shall prevail.

8.1 Tracks. Awards granted pursuant to this Section 8 are intended to be granted pursuant to Section 102 of the Ordinance pursuant to either **(i)** Section 102(b)(2) or (3) thereof (as applicable), under the capital gain track ("**102 Capital Gain Track Awards**"), or **(ii)** Section 102(b)(1) thereof under the ordinary income track ("**102 Ordinary Income Track Awards**", and together with 102 Capital Gain Track Awards, "**102 Trustee Awards**"). 102 Trustee Awards shall be granted subject to the special terms and conditions contained in this Section 8, the general terms and conditions specified in Section 5 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Options under different tax laws or regulations.

8.2 Election of Track. Subject to Applicable Law, the Company shall file an election with the ITA regarding the type of 102 Trustee Awards it elects to grant before the date of grant of any 102 Trustee Awards (the "**Election**"). Such Election shall also apply to any other securities, including bonus shares, received by any Grantee as a result of holding the 102 Trustee Awards. Any Election shall not prevent the Company from granting Awards, pursuant to Section 102(c) of the Ordinance without a Trustee ("**102 Non-Trustee Awards**").

8.3 Eligibility for Awards.

8.3.1 Subject to Applicable Law, 102 Awards may only be granted to an “employee” within the meaning of Section 102(a) of the Ordinance (which as of the date of the adoption of this Plan means **(i)** individuals employed by an Israeli company being an Employer, and **(ii)** individuals who are serving and are engaged personally (and not through an entity) as “office holders” by such an Israeli company), but may not be granted to a controlling shareholder as defined in Section 32(9) of the Ordinance (“**Eligible 102 Grantees**”). Eligible 102 Grantees may receive only 102 Awards, which may either be granted to a Trustee or granted under Section 102 of the Ordinance without a Trustee.

8.4 102 Award Grant Date.

8.4.1 Each 102 Award will be deemed granted on the date determined by the Committee, subject to Section 8.4.2, *provided* that **(i)** the Grantee has signed all documents required by the Company or pursuant to Applicable Law, and **(ii)** with respect to 102 Trustee Award, the Company has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA, and if all such applicable documents are not signed (where necessary) and delivered by the Grantee within 90 days from the date determined by the Committee (subject to Section 8.4.2), then such 102 Trustee Award shall be deemed to be a 102 Non Trustee Award.

8.4.2 Unless otherwise permitted by the Ordinance, any grants of 102 Trustee Awards that are made on or after the date of the adoption of this Plan or an amendment to this Plan, as the case may be, that may become effective only at the expiration of thirty (30) days after the filing of this Plan or any amendment thereof (as the case may be) with the ITA in accordance with the Ordinance shall be conditional upon the expiration of such 30-day period, such condition shall be read and is incorporated by reference into any corporate resolutions approving such grants and into any Award Agreement evidencing such grants (whether or not explicitly referring to such condition), and the date of grant shall be at the expiration of such 30-day period, whether or not the date of grant indicated therein corresponds with this Section 8.4. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in any corporate resolution or Award Agreement.

8.5 102 Trustee Awards.

8.5.1 Each 102 Trustee Award, each Share issued pursuant to the exercise of any 102 Trustee Award, and any rights granted thereunder, shall be issued to and registered in the name of the Trustee and shall be held in trust for the benefit of the Grantee for the requisite period prescribed by the Ordinance (the “**Required Holding Period**”). In the event that the requirements under Section 102 of the Ordinance to qualify an Award as a 102 Trustee Award are not met, then the Award may be treated as a 102 Non-Trustee Award or 3(i) Award, all in accordance with the provisions of the Ordinance. After expiration of the Required Holding Period, the Trustee may release such 102 Trustee Awards and any such Shares, *provided* that **(i)** the Trustee has received an acknowledgment from the ITA that the Grantee has paid any applicable taxes due pursuant to the Ordinance, or **(ii)** the Trustee and/or the Company and/or the Employer withholds all applicable taxes and compulsory payments due pursuant to the Ordinance arising from the 102 Trustee Awards and/or any Shares issued upon exercise or (if applicable) vesting of such 102 Trustee Awards. The Trustee shall not release any 102 Trustee Awards or Shares issued upon exercise or (if applicable) vesting thereof unless clauses (i) or (ii) are fulfilled.

8.5.2 Each 102 Trustee Award shall be subject to the relevant terms of the Ordinance, the Rules and any determinations, rulings or approvals issued by the ITA, which shall be deemed an integral part of the 102 Trustee Awards and shall prevail over any term contained in this Plan or Award Agreement that is not consistent therewith. Any provision of the Ordinance, the Rules and any determinations, rulings or approvals by the ITA not expressly specified in this Plan or Award Agreement that are necessary to receive or maintain any tax benefit pursuant to Section 102 of the Ordinance shall be binding on the Grantee. Any Grantee granted a 102 Trustee Awards shall comply with the Ordinance and the terms and conditions of the trust agreement entered into between the Company and the Trustee.

8.5.3 During the Required Holding Period, the Grantee shall not release from trust or sell, assign, transfer or give as collateral, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Trustee Awards and/or any securities issued or distributed with respect thereto, until the expiration of the Required Holding Period. Notwithstanding the above, if any such sale, release or other action occurs during the Required Holding Period it may result in adverse tax consequences to the Grantee under Section 102 of the Ordinance and the Rules, which shall apply to and shall be borne solely by such Grantee. Subject to the foregoing, the Trustee may, pursuant to a written request from the Grantee, but subject to the terms of this Plan, release and transfer such Shares to a designated third party, *provided* that both of the following conditions have been fulfilled prior to such release or transfer: **(i)** payment has been made to the ITA of all taxes and compulsory payments required to be paid upon the release and transfer of the Shares, and confirmation of such payment has been received by the Trustee and the Company, and **(ii)** the Trustee has received written confirmation from the Company that it is not aware of any restriction that would prevent such transfer under the Company's corporate documents, this Plan, the Award Agreement and any Applicable Law.

8.5.4 If a 102 Trustee Award is exercised or (if applicable) vested, the Shares issued upon such exercise or (if applicable) vesting shall be issued in the name of the Trustee for the benefit of the Grantee.

8.5.5 Upon or after receipt of a 102 Trustee Award, if required, the Grantee may be required to sign an undertaking to release the Trustee from any liability with respect to any action or decision duly taken and executed in good faith by the Trustee in relation to this Plan, or any 102 Trustee Awards or Share granted to such Grantee thereunder.

8.6 102 Non-Trustee Awards. The foregoing provisions of this Section 8 relating to 102 Trustee Awards shall not apply with respect to 102 Non-Trustee Awards, which shall, however, be subject to the relevant provisions of Section 102 of the Ordinance and the applicable Rules. The Committee may determine that 102 Non-Trustee Awards, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Awards and/or any securities issued or distributed with respect thereto, shall be allocated or issued to the Trustee, who shall hold such 102 Non-Trustee Awards and all accrued rights thereon (if any), in trust for the benefit of the Grantee and/or the Company, as the case may be, until the full payment of tax arising from the 102 Non-Trustee Awards, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Awards and/or any securities issued or distributed with respect thereto. The Company may choose, alternatively, to force the Grantee to provide it with a guarantee or other security, to the satisfaction of each of the Trustee and the Company, until the full payment of the applicable taxes.

8.7 Written Grantee Undertaking. To the extent and with respect to any 102 Trustee Award, and as required by Section 102 of the Ordinance and the Rules, by virtue of the receipt of such Award, the Grantee is deemed to have provided, undertaken and confirm the following written undertaking (and such undertaking is deemed incorporated into any documents signed by the Grantee in connection with the employment or service of the Grantee and/or the grant of such Award), and which undertaking shall be deemed to apply and relate to all 102 Trustee Awards granted to the Grantee, whether under this Plan or other plans maintained by the Company, and whether prior to or after the date hereof.

8.7.1 The Grantee shall comply with all terms and conditions set forth in Section 102 of the Ordinance with regard to the "Capital Gain Track" or the "Ordinary Income Track", as applicable, and the applicable rules and regulations promulgated thereunder, as amended from time to time;

8.7.2 The Grantee is familiar with, and understands the provisions of, Section 102 of the Ordinance in general, and the tax arrangement under the "Capital Gain Track" or the "Ordinary Income Track" in particular, and its tax consequences; the Grantee agrees that the 102 Trustee Awards and Shares that may be issued upon exercise or (if applicable) vesting of the 102 Trustee Awards (or otherwise in relation to the 102 Trustee Awards), will be held by the Trustee appointed pursuant to Section 102 of the Ordinance for at least the duration of the "Holding Period" (as such term is defined in Section 102) under the "Capital Gain Track" or the "Ordinary Income Track", as applicable. The Grantee understands that any release of such 102 Trustee Awards or Shares from trust, or any sale of the Share prior to the termination of the Holding Period, as defined above, will result in taxation at marginal tax rate, in addition to deductions of appropriate social security, health tax contributions or other compulsory payments; and

8.7.3 The Grantee agrees to the trust agreement signed between the Company, the Employer and the Trustee appointed pursuant to Section 102 of the Ordinance.

9. **3(i) AWARDS**. Awards granted pursuant to this Section 9 are intended to constitute 3(i) Awards and shall be granted subject to the general terms and conditions specified in Section 5 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 9 and the other terms of this Plan, this Section 9 shall prevail.

9.1 To the extent required by the Ordinance or the ITA or otherwise deemed by the Committee to be advisable, the 3(i) Awards and/or any Shares or other securities issued or distributed with respect thereto granted pursuant to this Plan shall be issued to a Trustee nominated by the Committee in accordance with the provisions of the Ordinance or the terms of a trust agreement, as applicable. In such event, the Trustee shall hold such Awards and/or other securities issued or distributed with respect thereto in trust, until exercised or (if applicable) vested by the Grantee and the full payment of tax arising therefrom, pursuant to the Company's instructions from time to time as set forth in a trust agreement, which will have been entered into between the Company and the Trustee. If determined by the Committee, and subject to such trust agreement, the Trustee will also hold the Shares issuable upon exercise or (if applicable) vesting of the 3(i) Awards, as long as they are held by the Grantee. If determined by the Committee, and subject to such trust agreement, the Trustee shall be responsible for withholding any taxes to which a Grantee may become liable upon issuance of Shares, whether due to the exercise or (if applicable) vesting of Awards.

9.2 Shares pursuant to a 3(i) Award shall not be issued, unless the Grantee delivers to the Company payment in cash or by bank check or such other form acceptable to the Committee of all withholding taxes due, if any, on account of the Grantee acquired Shares under the Award or gives other assurance satisfactory to the Committee of the payment of those withholding taxes.

10. **RESTRICTED SHARES**. The Committee may award Restricted Shares to any eligible Grantee, including under Section 102 of the Ordinance. Each Award of Restricted Shares under this Plan shall be evidenced by a written agreement between the Company and the Grantee (the "**Restricted Share Agreement**"), in such form as the Committee shall from time to time approve. The Restricted Shares shall be subject to all applicable terms of this Plan, which in the case of Restricted Shares granted under Section 102 of the Ordinance shall include Section 8 hereof, and may be subject to any other terms that are not inconsistent with this Plan. The Restricted Share Agreement shall comply with and be subject to Section 5 and the following terms and conditions, unless otherwise specifically provided in such Agreement and not inconsistent with this Plan, or Applicable Law:

10.1 Purchase Price. Section 5.4 shall not apply. Each Restricted Share Agreement shall state an amount of Exercise Price to be paid by the Grantee, if any, in consideration for the issuance of the Restricted Shares and the terms of payment thereof, which may include payment in cash or, subject to the Committee's approval, by issuance of promissory notes or other evidence of indebtedness on such terms and conditions as determined by the Committee.

10.2 Restrictions. Restricted Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution (in which case they shall be transferred subject to all restrictions then or thereafter applicable thereto), until such Restricted Shares shall have vested (the period from the date on which the Award is granted until the date of vesting of the Restricted Share thereunder being referred to herein as the "**Restricted Period**"). The Committee may also impose such additional or alternative restrictions and conditions on the Restricted Shares, as it deems appropriate, including the satisfaction of performance criteria (which, in case of 102 Trustee Awards, may be subject to obtaining a specific tax ruling or determination from the ITA). Certificates for Shares issued pursuant to Restricted Share Awards, if issued, shall bear an appropriate legend referring to such restrictions, and any attempt to dispose of any such Shares in contravention of such restrictions shall be null and void and without effect. Such certificates may, if so determined by the Committee, be held in escrow by an escrow agent appointed by the Committee, or, if a Restricted Share Award is made pursuant to Section 102 of the Ordinance, by the Trustee. To the extent required by the Ordinance or the ITA, the Restricted Shares issued pursuant to Section 102 of the Ordinance shall be issued to the Trustee in accordance with the provisions of the Ordinance.

10.3 Forfeiture; Repurchase. Subject to such exceptions as may be determined by the Committee, if the Grantee's Continuous Service shall terminate for any reason prior to the expiration of the Restricted Period of an Award or prior to the timely payment in full of the Exercise Price of any Restricted Shares, any Shares remaining subject to vesting or with respect to which the purchase price has not been paid in full, shall thereupon be forfeited, transferred to, and redeemed, repurchased or cancelled by, as the case may be, subject to Applicable Law and the Grantee shall have no further rights with respect to such Restricted Shares.

10.4 Ownership. During the Restricted Period the Grantee shall possess all incidents of ownership of such Restricted Shares, subject to Section 10.2, including the right to vote and receive dividends with respect to such Shares. All securities, if any, received by a Grantee with respect to Restricted Shares as a result of any stock split, stock dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original Award.

11. **RESTRICTED SHARE UNITS**. An RSU is an Award covering a number of Shares that is settled, if vested and (if applicable) exercised, by issuance of those Shares or, except for RSUs granted under the capital gains route of Section 102 of the Ordinance, a corresponding amount of cash. An RSU may be awarded to any eligible Grantee, including under Section 102 of the Ordinance. The Award Agreement relating to the grant of RSUs under this Plan (the "**Restricted Share Unit Agreement**"), shall be in such form as the Committee shall from time to time approve. The RSUs shall be subject to all applicable terms of this Plan, which in the case of RSUs granted under Section 102 of the Ordinance shall include Section 8 hereof, and may be subject to any other terms that are not inconsistent with this Plan.

11.1 Exercise Price. Each RSU shall state an amount of Exercise Price to be paid by the Grantee, if any, in consideration for the issuance of the Shares and the terms of payment thereof, which may include payment in cash or, subject to the Committee's approval, by issuance of promissory notes or other evidence of indebtedness on such terms and conditions as determined by the Committee. If an Exercise Price is to be paid then Section 5.4 shall apply, as applicable.

11.2 Shareholders' Rights. The Grantee shall not possess or own any ownership rights in the Shares underlying the RSUs and no rights as a shareholder shall exist prior to the actual issuance of Shares in the name of the Grantee.

11.3 Settlements of Awards. Settlement of vested RSUs shall be made in the form of Shares or, except with respect to 102 Trustee Awards, cash. Distribution to a Grantee of an amount (or amounts) from settlement of vested RSUs may be deferred to a date after settlement as determined by the Committee. The amount of a deferred distribution may, in the Committee's discretion, be increased by an interest factor or by dividend equivalents. Until the grant of RSUs is settled, the number of Shares underlying such RSUs shall be subject to adjustment pursuant hereto.

11.4 Section 409A Restrictions. Notwithstanding anything to the contrary set forth herein, any RSUs granted under this Plan that are not exempt from the requirements of Section 409A of the Code shall contain such restrictions or other provisions so that such RSUs will comply with the requirements of Section 409A of the Code, if applicable to the Company. Such restrictions, if any, shall be determined by the Committee and contained in the Restricted Share Unit Agreement evidencing such RSU. For example, such restrictions may include a requirement that any Shares that are to be issued in a year following the year in which the RSU vests must be issued in accordance with a fixed, pre-determined schedule.

12. **OTHER SHARE OR SHARE-BASED AWARDS**.

12.1 The Committee may grant other Awards which may be settled in Shares, cash or a combination thereof. Such Share-based Awards may be granted alone, in addition to, or in tandem with any Award of any type granted under this Plan (without any obligation or assurance that that such Share-based Awards will be entitled to tax benefits under Applicable Law or to the same tax treatment as other Awards under this Plan).

12.2 Stock Appreciation Rights. Without limiting the generality of Section 12.1, the Committee may also grant stock appreciation rights without the grant of an accompanying option ("**Stock Appreciation Right**").

The exercise price of any such stock appreciation right granted to a Grantee who is subject to U.S. federal income tax shall be determined in compliance with Section 6.2.

12.2.1 Grant. Subject to the provisions of the Plan, the Committee shall have sole authority to determine the number of Shares to be covered by each Stock Appreciation Right Award, the grant price thereof and the conditions and limitations applicable to the exercise thereof. No Stock Appreciation Right shall be exercisable more than ten years from the date of grant.

12.2.2 Exercise and Payment. A Stock Appreciation Right shall entitle the Grantee to receive an amount equal to the excess of the Fair Market Value of a Share on the date of exercise of the Stock Appreciation Right over the grant price thereof (which grant price (except with respect to Substitute Awards and, if applicable, Adjusted Awards) shall not be less than the Fair Market Value on the date of grant). The Committee shall determine in its sole discretion whether a Stock Appreciation Right shall be settled in cash, Shares or a combination of cash and Shares.

12.2.3 Other Terms and Conditions. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine, at the grant of a Stock Appreciation Right, the term, methods of exercise, methods and form of settlement, and any other terms and conditions of any Stock Appreciation Right. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it shall deem appropriate.

13. **EFFECT OF CERTAIN CHANGES**.

13.1 General.

13.1.1 In the event of a division or subdivision of the outstanding share capital of the Company, any distribution of shares (stock split or stock dividend), consolidation or combination of share capital of the Company (reverse stock split), reclassification with respect to the Shares or any similar recapitalization events (each, a “**Recapitalization**”), a merger (including, a reverse merger and a reverse triangular merger), consolidation or like transaction of the Company with or into another corporation, a reorganization (which may include a combination or exchange of shares, spin-off or other corporate divestiture or division), or other similar occurrences, the Committee shall have the authority to make, without the need for a consent of any holder of an Award, such adjustments as determined by the Committee to be appropriate, in its discretion, in order to adjust **(i)** the number and class of Shares reserved and available for grants of Awards, **(ii)** the number and class of Shares covered by outstanding Awards, **(iii)** the Exercise Price per share covered by any Award, **(iv)** the terms and conditions concerning vesting and exercisability and the term and duration of the outstanding Awards, **(v)** the type or class of security, asset or right underlying the Award (which need not be only that of the Company, and may be that of the surviving corporation or any affiliate thereof or such other entity party to any of the above transactions), and **(vi)** any other terms of the Award that in the opinion of the Committee should be adjusted. Any fractional Shares resulting from such adjustment shall be treated as determined by the Committee, and in the absence of such determination shall be rounded down to the nearest whole share, and the Company shall have no obligation to make any cash or other payment with respect to such fractional Shares. No adjustment shall be made by reason of the distribution of subscription rights or rights offering to outstanding Shares or other issuance of Shares by the Company, unless the Committee determines otherwise. The adjustments determined pursuant to this Section 13.1 (including a determination that no adjustment is to be made) shall be final, binding and conclusive.

13.1.2 Notwithstanding anything to the contrary included herein, in the event of a distribution of cash dividend by the Company to all holders of Shares, the Committee shall have the authority to determine, without the need for a consent of any holder of an Award, that the Exercise Price of any Award, which is outstanding and unexercised on the record date of such distribution, shall be reduced by an amount equal to the per Share gross dividend amount distributed by the Company, and the Committee may determine that the Exercise Price following such reduction shall be not less than zero. The application of this Section 13.1.2 with respect to any 102 Awards shall be subject to obtaining a ruling from the ITA, to the extent required by applicable law and subject to the terms and conditions of any such ruling.

13.2 Change in Control.

13.2.1 Except as otherwise provided in an Award Agreement or by the Committee, to the extent outstanding Awards granted under this Plan are not assumed, converted or replaced by the resulting or continuing entity in the event of a Change in Control, all outstanding Awards that may be exercised shall become fully exercisable, all restrictions with respect to outstanding Awards shall lapse and such Awards shall become vested and non-forfeitable, and any specified performance goals with respect to outstanding Awards shall be deemed to be satisfied at target immediately prior to the consummation of a Change in Control.

13.2.2 Except as otherwise provided in an Award Agreement or by the Committee at the date of grant, to the extent outstanding Awards granted under this Plan are assumed, converted or replaced by the resulting or continuing entity in the event of a Change in Control, **(i)** any outstanding Awards that are subject to Performance Goals shall be converted, assumed or replaced by the resulting or continuing entity as if target performance had been achieved as of the date of the Change in Control, and such Awards shall continue to remain subject to the time-based service requirements, if any, during the remaining period set forth in the Award Agreement, and **(ii)** all other Awards shall continue to vest (and/or the restrictions thereon shall continue to lapse) during the remaining period set forth in the Award Agreement.

13.2.3 Except as otherwise provided in an Award Agreement or by the Committee, to the extent outstanding Awards granted under this Plan are either assumed, converted or replaced by the resulting or continuing entity in the event of a Change in Control, if a Grantee's employment or service is terminated without Cause by the Company or a Subsidiary or Affiliate of the Company or a Grantee terminates his or her employment or service with the Company or a Subsidiary or Affiliate of the Company for Good Reason, in either case, during the two year period following a Change in Control, all outstanding Awards held by the Grantee that may be exercised shall become fully exercisable and all restrictions with respect to outstanding Awards shall lapse and become vested and non-forfeitable.

13.2.4 Notwithstanding anything in this Plan or any Award Agreement to the contrary, to the extent any provision of this Plan or an Award Agreement would cause a payment of deferred compensation that is subject to Section 409A of the Code to be made upon the occurrence of **(i)** a Change in Control, then such payment shall not be made unless such Change in Control also constitutes a "change in ownership", "change in effective control" or "change in ownership of a substantial portion of the Company's assets" within the meaning of Section 409A of the Code, or **(ii)** a termination of Continuous Service, then such payment shall not be made unless such termination of Continuous Service also constitutes a "separation from service" within the meaning of Section 409A of the Code. Any payment that would have been made except for the application of the preceding sentence shall be made in accordance with the payment schedule that would have applied in the absence of a Change in Control or termination of Continuous Service, but disregarding any future service or performance requirements.

13.2.5 Neither the authorities and powers of the Committee under this Section 13.2, nor the exercise or implementation thereof shall **(i)** be restricted or limited in any way by any adverse consequences (tax or otherwise) that may result to any holder of an Award, or **(ii)** be deemed to constitute a change or an amendment of the rights of such holder under this Plan, nor shall any such adverse consequences (or any adverse tax consequences that may result from any tax ruling or other approval or determination of any relevant tax authority) be deemed to constitute a change or an amendment of the rights of such holder under this Plan. This Section 13.2 may be effected without consent of any Grantee and without any liability to the Company or its Affiliates, or to their respective officers, directors, employees and representatives, and the respective successors and assigns of any of the foregoing.

13.3 Reservation of Rights. Except as expressly provided in this Section 13 (if any), the Grantee of an Award hereunder shall have no rights by reason of any Recapitalization of Shares of any class, any increase or decrease in the number of Shares of any class, or any dissolution, liquidation, reorganization (which may include a combination or exchange of shares, spin-off or other corporate divestiture or division, or other similar occurrences), or Change in Control. Any issue by the Company of Shares of any class, or securities convertible into Shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number, type or price of Shares subject to an Award. The grant of an Award pursuant to this Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structures or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or part of its business or assets or engage in any similar transactions.

14. **<u>NON-TRANSFERABILITY OF AWARDS</u>**.

14.1 <u>General</u>. All Awards granted under this Plan by their terms shall not be transferable, other than by will or by the laws of descent and distribution, unless otherwise determined by the Committee or under this Plan, *provided* that with respect to Shares issued upon exercise, Shares issued upon the vesting of Awards, or Awards that are Shares, the restrictions on transfer shall be the restrictions referred to in Sections 15 and 16 hereof. Subject to the above provisions, the terms of such Award, this Plan, and any applicable Award Agreement shall be binding upon the beneficiaries, executors, administrators, heirs and successors of such Grantee. Awards may be exercised or otherwise realized, during the lifetime of the Grantee, only by the Grantee or by his guardian or legal representative, to the extent provided for herein. Any transfer of an Award not permitted hereunder (including transfers pursuant to any decree of divorce, dissolution or separate maintenance, any property settlement, any separation agreement or any other agreement with a spouse) and any grant of any interest in any Award to, or creation in any way of any direct or indirect interest in any Award by, any party other than the Grantee shall be null and void and shall not confer upon any party or person, other than the Grantee, any rights.

14.2 <u>Beneficiary Designation</u>. A Grantee may, with the Committee's prior approval, file with the Committee a written designation of a beneficiary, who shall be permitted to exercise such Grantee's Award or to whom any benefit under this Plan is to be paid, in each case, in the event of the Grantee's death before he or she fully exercises his or her Award or receives any or all of such benefit, on such form as may be prescribed by the Committee. If no designated beneficiary survives the Grantee, the executor or administrator of the Grantee's estate shall be deemed to be the Grantee's beneficiary.

14.3 <u>Incentive Stock Option</u>. Notwithstanding any other provisions of the Plan to the contrary, no Incentive Stock Option may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or in accordance with a beneficiary designation pursuant to Section 14.2. Further, all Incentive Stock Options granted to a Grantee shall be exercisable during his or her lifetime only by such Grantee.

14.4 <u>Shares held in Trust</u>. As long as the Shares are held by the Trustee in favor of the Grantee, all rights possessed by the Grantee over the Shares are personal, and may not be transferred, assigned, pledged or mortgaged, other than by will or laws of descent and distribution.

14.5 <u>Permitted Transfer</u>. If and to the extent a Grantee is entitled to transfer an Award in accordance with the terms of the Plan and any other applicable agreements, such transfer shall be subject (in addition, to any other conditions or terms applying thereto) to receipt by the Company from such proposed transferee of a written instrument, on a form reasonably acceptable to the Company, pursuant to which such proposed transferee agrees to be bound by all provisions of the Plan and any other applicable agreements, including without limitation, any restrictions on transfer of the Award set forth herein (however, failure to so deliver such instrument to the Company as set forth above shall not derogate from all such provisions applying on any transferee).

15. **<u>CONDITIONS UPON ISSUANCE OF SHARES</u>**. The grant of Awards and the issuance of Shares upon exercise or settlement of Awards shall be subject to compliance with all Applicable Law as determined by the Company, including, applicable requirements of federal, state and foreign law with respect to such securities. The Company shall have no obligations to issue Shares pursuant to the exercise or settlement of an Award and Awards may not be exercised or settled, if the issuance of Shares upon exercise or settlement would constitute a violation of any Applicable Law as determined by the Company, including, applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed. In addition, no Award may be exercised unless **(i)** a registration statement under the Securities Act or equivalent law in another jurisdiction shall at the time of exercise or settlement of the Award be in effect with respect to the Shares issuable upon exercise of the Award, or **(ii)** in the opinion of legal counsel to the Company, the Shares issuable upon exercise of the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act or equivalent law in another jurisdiction. The inability of the Company to obtain authority from any regulatory body having jurisdiction, if any, deemed by the Company to be

necessary to the lawful issuance and sale of any Shares hereunder, and the inability to issue Shares hereunder due to non-compliance with any Company policies with respect to the sale of Shares, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority or compliance shall not have been obtained or achieved. As a condition to the exercise of an Award, the Company may require the person exercising such Award to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any Applicable Law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company, including to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares, all in form and content specified by the Company.

16. **PROVISIONS GOVERNING SHARES**. Shares issued pursuant to an Award shall be subject to this Plan and shall be subject to the Articles of Association of the Company, and any other governing documents of the Company and all policies, manuals and internal regulations of the Company, as in effect from time to time.

17. **DATA PRIVACY**. Information related to Grantees and Awards hereunder, as shall be received from Grantee or others, and/or held by, the Company or its Affiliates from time to time, and which information may include sensitive and personal information related to Grantees ("**Information**"), will be used by the Company or its Affiliates (or third parties appointed by any of them, including the Trustee) to comply with any applicable legal requirement, or for administration of the Plan as they deem necessary or advisable, or for the respective business purposes of the Company or its Affiliates (including in connection with transactions related to any of them). The Company and its Affiliates shall be entitled to transfer the Information among the Company or its Affiliates, and to third parties for the purposes set forth above, which may include persons located abroad (including, any person administering the Plan or providing services in respect of the Plan or in order to comply with legal requirements, or the Trustee, their respective officers, directors, employees and representatives, and the respective successors and assigns of any of the foregoing), and any person so receiving Information shall be entitled to transfer it for the purposes set forth above. The Company shall use commercially reasonable efforts to ensure that the transfer of such Information shall be limited to the reasonable and necessary scope. By receiving an Award hereunder, Grantee acknowledges and agrees that the Information is provided at Grantee's free will and Grantee consents to the storage and transfer of the Information as set forth above.

18. **AGREEMENT REGARDING TAXES; DISCLAIMER**.

18.1 Exercise Condition. If the Committee shall so require, as a condition of exercise or (if applicable) vesting of an Award, the release of Shares by the Trustee or the expiration of the Restricted Period, a Grantee shall agree that, no later than the date of such occurrence, the Grantee will pay to the Committee (or the Trustee, as applicable) or make arrangements satisfactory to the Company and the Trustee (if applicable) regarding payment of any applicable taxes and compulsory payments of any kind required by Applicable Law to be withheld or paid.

18.2 TAX LIABILITY. ALL TAX CONSEQUENCES UNDER ANY APPLICABLE LAW WHICH MAY ARISE FROM THE GRANT OF ANY AWARDS OR THE EXERCISE OR (IF APPLICABLE) VESTING THEREOF, THE SALE OR DISPOSITION OF ANY SHARES GRANTED HEREUNDER OR ISSUED UPON EXERCISE OR (IF APPLICABLE) THE VESTING OF ANY AWARD, THE ASSUMPTION, SUBSTITUTION, CANCELLATION OR PAYMENT IN LIEU OF AWARDS OR FROM ANY OTHER ACTION IN CONNECTION WITH THE FOREGOING (INCLUDING WITHOUT LIMITATION ANY TAXES AND COMPULSORY PAYMENTS, SUCH AS SOCIAL SECURITY OR HEALTH TAX PAYABLE BY THE GRANTEE OR THE COMPANY IN CONNECTION THEREWITH) SHALL BE BORNE AND PAID SOLELY BY THE GRANTEE, AND THE GRANTEE SHALL INDEMNIFY THE COMPANY, ITS SUBSIDIARIES AND AFFILIATES AND THE TRUSTEE, AND SHALL HOLD THEM HARMLESS AGAINST AND FROM ANY LIABILITY FOR ANY SUCH TAX OR PAYMENT OR ANY PENALTY, INTEREST OR INDEXATION THEREON. EACH GRANTEE AGREES TO, AND UNDERTAKES TO COMPLY WITH, ANY RULING, SETTLEMENT, CLOSING AGREEMENT OR OTHER SIMILAR AGREEMENT OR ARRANGEMENT WITH ANY TAX AUTHORITY IN CONNECTION WITH THE FOREGOING WHICH IS APPROVED BY THE COMPANY.

18.3 NO TAX ADVICE. THE GRANTEE IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING, EXERCISING OR DISPOSING OF AWARDS HEREUNDER. THE COMPANY DOES NOT ASSUME ANY RESPONSIBILITY TO ADVISE THE GRANTEE ON SUCH MATTERS, WHICH SHALL REMAIN SOLELY THE RESPONSIBILITY OF THE GRANTEE.

18.4 TAX TREATMENT. THE COMPANY AND ITS AFFILIATES DO NOT UNDERTAKE OR ASSUME ANY LIABILITY OR RESPONSIBILITY TO THE EFFECT THAT ANY AWARD SHALL QUALIFY WITH ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT, OR BENEFIT FROM ANY PARTICULAR TAX TREATMENT OR TAX ADVANTAGE OF ANY TYPE AND THE COMPANY AND ITS AFFILIATES SHALL BEAR NO LIABILITY IN CONNECTION WITH THE MANNER IN WHICH ANY AWARD IS TREATED FOR TAX PURPOSES, REGARDLESS OF WHETHER THE AWARD WAS GRANTED OR WAS INTENDED TO QUALIFY UNDER ANY PARTICULAR TAX REGIME OR TREATMENT. THIS PROVISION SHALL SUPERSEDE ANY TYPE OF AWARDS OR TAX QUALIFICATION INDICATED IN ANY CORPORATE RESOLUTION OR AWARD AGREEMENT, WHICH SHALL AT ALL TIMES BE SUBJECT TO THE REQUIREMENTS OF APPLICABLE LAW. THE COMPANY AND ITS AFFILIATES DO NOT UNDERTAKE AND SHALL NOT BE REQUIRED TO TAKE ANY ACTION IN ORDER TO QUALIFY ANY AWARD WITH THE REQUIREMENT OF ANY PARTICULAR TAX TREATMENT AND NO INDICATION IN ANY DOCUMENT TO THE EFFECT THAT ANY AWARD IS INTENDED TO QUALIFY FOR ANY TAX TREATMENT SHALL IMPLY SUCH AN UNDERTAKING. THE COMPANY AND ITS AFFILIATES DO NOT UNDERTAKE TO REPORT FOR TAX PURPOSES ANY AWARD IN ANY PARTICULAR MANNER, INCLUDING IN ANY MANNER CONSISTENT WITH ANY PARTICULAR TAX TREATMENT. NO ASSURANCE IS MADE BY THE COMPANY OR ANY OF ITS AFFILIATES THAT ANY PARTICULAR TAX TREATMENT ON THE DATE OF GRANT WILL CONTINUE TO EXIST OR THAT THE AWARD WOULD QUALIFY AT THE TIME OF EXERCISE, VESTING OR DISPOSITION THEREOF WITH ANY PARTICULAR TAX TREATMENT. THE COMPANY AND ITS AFFILIATES SHALL NOT HAVE ANY LIABILITY OR OBLIGATION OF ANY NATURE IN THE EVENT THAT AN AWARD DOES NOT QUALIFY FOR ANY PARTICULAR TAX TREATMENT, REGARDLESS WHETHER THE COMPANY COULD HAVE OR SHOULD HAVE TAKEN ANY ACTION TO CAUSE SUCH QUALIFICATION TO BE MET AND SUCH QUALIFICATION REMAINS AT ALL TIMES AND UNDER ALL CIRCUMSTANCES AT THE RISK OF THE GRANTEE. THE COMPANY DOES NOT UNDERTAKE OR ASSUME ANY LIABILITY TO CONTEST A DETERMINATION OR INTERPRETATION (WHETHER WRITTEN OR UNWRITTEN) OF ANY TAX AUTHORITIES, INCLUDING IN RESPECT OF THE QUALIFICATION UNDER ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT. IF THE AWARDS DO NOT QUALIFY UNDER ANY PARTICULAR TAX TREATMENT IT COULD RESULT IN ADVERSE TAX CONSEQUENCES TO THE GRANTEE.

18.5 Withholding Obligations. The Company or any Subsidiary or Affiliate may take such action as it may deem necessary or appropriate, in its discretion, for the purpose of or in connection with withholding of any taxes and compulsory payments which the Trustee, the Company or any Subsidiary or Affiliate (or any applicable agent thereof) is required by any Applicable Law to withhold in connection with any Awards, including, without limitations, any income tax, social benefits, social insurance, health tax, pension, payroll tax, fringe benefits, excise tax, payment on account or other tax-related items related to the Participant's participation in the Plan and applicable by law to the Participant (collectively, "**Withholding Obligations**"). Such actions may include **(i)** requiring a Grantee to remit to the Company or the Employer in cash an amount sufficient to satisfy such Withholding Obligations and any other taxes and compulsory payments, payable by the Company or the Employer in connection with the Award or the exercise or (if applicable) the vesting thereof; **(ii)** subject to Applicable Law, allowing the Grantees to surrender Shares to the Company, in an amount that at such time, reflects a value that the Committee determines to be sufficient to satisfy such Withholding Obligations; **(iii)** withholding Shares otherwise issuable upon the exercise of an Award at a value which is determined by the Company to be sufficient to satisfy such Withholding Obligations; or **(iv)** any combination of the foregoing. The Company shall not be obligated to allow the exercise or vesting of any Award by or on behalf of a Grantee until all tax consequences arising therefrom are resolved in a manner acceptable to the Company. With respect to 102 Non-Trustee Options, if the Grantee ceases to be employed by the Company, Parent, Subsidiary or any Affiliate (including the Employer), the Grantee shall extend to the Company and/or the Employer a security or guarantee for the payment of taxes due at the time of sale of Shares, all in accordance with the provisions of Section 102 of the Ordinance and the Rules.

19. **RIGHTS AS A SHAREHOLDER**. Subject to Section 10.4, a Grantee shall have no rights as a shareholder of the Company with respect to any Shares covered by an Award until the Grantee shall have exercised or (as applicable) vests in the Award, paid any Exercise Price therefor and becomes the record holder of the subject Shares. In the case of 102 Awards, the Trustee shall have no rights as a shareholder of the Company with respect to the Shares covered by such Award until the Trustee becomes the record holder for such Shares for the Grantee's benefit, and the Grantee shall not be deemed to be a shareholder and shall have no rights as a shareholder of the Company with respect to the Shares covered by the Award until the date of the release of such Shares from the Trustee to the Grantee and the transfer of record ownership of such Shares to the Grantee (*provided*, *however*, that the Grantee shall be entitled to receive from the Trustee any cash dividend or distribution made on account of the Shares held by the Trustee for such Grantee's benefit, subject to any tax withholding and compulsory payment). No adjustment shall be made for dividends (ordinary or extraordinary, whether in shares or other securities, cash or other property, or rights, or any combination thereof) or distribution of other rights for which the record date is prior to the date on which the Grantee or Trustee (as applicable) becomes the record holder of the Shares covered by an Award, except as provided in Section 13 hereof. The Company may, but shall not be obligated to, register or qualify the sale of Shares under any applicable securities law or any other Applicable Law.

20. **NO REPRESENTATION BY COMPANY**. By granting the Awards, the Company is not, and shall not be deemed as, making any representation or warranties to the Grantee regarding the Company, its business affairs, its prospects or the future value of its Shares and such representations and warranties are hereby disclaimed. Subject to Applicable Law, the Company shall not be required to provide or make available to any Grantee any information, documents or material in connection with the Grantee's considering an exercise of an Award. Any decision by a Grantee to exercise an Award shall solely be at the risk of the Grantee.

21. **NO RETENTION RIGHTS**. Nothing in this Plan, any Award Agreement or in any Award granted or agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the employ of, or be in the service of the Company or any Subsidiary or Affiliate thereof as a Service Provider or to be entitled to any remuneration or benefits not set forth in this Plan or such agreement, or to interfere with or limit in any way the right of the Company or any such Subsidiary or Affiliate to terminate such Grantee's Continuous Service (including, any right of the Company or any of its Affiliates to immediately cease the Grantee's Continuous Service or to shorten all or part of the notice period, regardless of whether notice of termination was given by the Company or its Affiliates or by the Grantee). Awards granted under this Plan shall not be affected by any change in duties or position of a Grantee, subject to Sections 5.7 through 5.10. No Grantee shall be entitled to claim and the Grantee hereby waives any claim against the Company or any Subsidiary or Affiliate that he or she was prevented from continuing to vest into Awards as of the date of termination of his or her Continuous Service. No Grantee shall be entitled to any compensation in respect of the Awards which would have vested had such Grantee's Continuous Service with the Company (or any Subsidiary or Affiliate) not been terminated.

22. **PERIOD DURING WHICH AWARDS MAY BE GRANTED**. Awards may be granted pursuant to this Plan from time to time within a period of ten (10) years from the Effective Date, which period may be extended from time to time by the Committee. From and after such date (as extended) no grants of Awards may be made and this Plan shall continue to be in full force and effect with respect to Awards or Shares issued thereunder that remain outstanding.

23. **AMENDMENT OF THIS PLAN AND AWARDS**.

23.1 Plan Amendment. The Committee at any time and from time to time may suspend, terminate, modify or amend this Plan. Any amendment effected in accordance with this Section shall be binding upon all Grantees and all Awards, whether granted prior to or after the date of such amendment, and without the need to obtain the consent of any Grantee. Subject to provisions of Applicable Law that would permit otherwise, without the approval of the Company's shareholders, there shall be **(i)** no increase in the maximum aggregate number of Shares that may be issued under this Plan as Incentive Stock Options (except by operation of the provisions of Section 13), **(ii)** no change in the class of persons eligible to receive Incentive Stock Options, and **(iii)** no other amendment of this Plan that would require approval of the Company's shareholders under any Applicable Law. Unless not permitted by Applicable Law, if the grant of an Award is subject to approval by shareholders, the date of grant of the Award shall be determined as if the Award had not been subject to such approval. Subject to Applicable Law, failure to obtain approval by the shareholders shall not in any way derogate from the valid and binding effect of any grant of an Award that is not an Incentive Stock Option.

23.2 Award Amendment. The Committee or the Board at any time and from time to time may modify or amend any Award theretofore granted, including any Award Agreement.

24. **APPROVAL**.

24.1 Effective Date. This Plan shall take effect upon its adoption by the Board (the "**Effective Date**").

24.2 Incentive Stock Options. Solely with respect to grants of Incentive Stock Options, this Plan shall also be subject to shareholders' approval, within one year of the Effective Date, by a majority of the votes cast on the proposal at a meeting or a written consent of shareholders (however, if the grant of an Award is subject to approval by shareholders, the date of grant of the Award shall be determined as if the Award had not been subject to such approval). Failure to obtain such approval by the shareholders within such period shall not in any way derogate from the valid and binding effect of any grant of an Award, except that any Options previously granted under this Plan may not qualify as Incentive Stock Options but, rather, shall constitute Nonqualified Stock Options. Upon approval of this Plan by the shareholders of the Company as set forth above, all Incentive Stock Options granted under this Plan on or after the Effective Date shall be fully effective as if the shareholders of the Company had approved this Plan on the Effective Date.

24.3 102 Awards. 102 Awards are conditional upon the filing with the ITA without its objection during the applicable statutory waiting period, or approval by the ITA of this Plan, as required by Applicable Law. Failure to so file or obtain such approval shall not in any way derogate from the valid and binding effect of any grant of an Award, which is not a 102 Award.

25. **RULES PARTICULAR TO SPECIFIC COUNTRIES**.

25.1 Plan Appendices. Notwithstanding anything herein to the contrary, the terms and conditions of this Plan may be supplemented or amended with respect to a particular country or tax regime by means of an appendix to this Plan, and to the extent that the terms and conditions set forth in any appendix conflict with any provisions of this Plan, the provisions of such appendix shall govern. Terms and conditions set forth in such appendix shall apply only to Awards granted to Grantees under the jurisdiction of the specific country or such other tax regime that is the subject of such appendix and shall not apply to Awards issued to a Grantee not under the jurisdiction of such country or such other tax regime. The adoption of any such appendix shall be subject to the approval of the Board or the Committee, and if determined by the Committee to be required in connection with the application of certain tax treatment, pursuant to applicable stock exchange rules or regulations or otherwise, then also the approval of the shareholders of the Company at the required majority.

25.2 Section 409A. This Section 25.2 shall only apply to Awards granted to Grantees who are subject to United States Federal income tax.

25.2.1 It is the intention of the Company that no Award shall be deferred compensation subject to Section 409A of the Code unless and to the extent that the Committee specifically determines otherwise as provided in Section 25.2.2, and the Plan and the terms and conditions of all Awards shall be interpreted and administered accordingly.

25.2.2 The terms and conditions governing any Awards that the Committee determines will be subject to Section 409A of the Code, including any rules for payment or elective or mandatory deferral of the payment or delivery of Shares or cash pursuant thereto, and any rules regarding treatment of such Awards in the event of a Change in Control, shall be set forth in the applicable Award Agreement and shall be intended to comply in all respects with Section 409A of the Code, and the Plan and the terms and conditions of such Awards shall be interpreted and administered accordingly.

25.2.3 The Company shall have complete discretion to interpret and construe the Plan and any Award Agreement in any manner that establishes an exemption from (or compliance with) the requirements of Section 409A of the Code. If for any reason, such as imprecision in drafting, any provision of the Plan and/or any Award Agreement does not accurately reflect its intended establishment of an exemption from (or compliance with) Code Section 409A, as demonstrated by consistent interpretations or other evidence of intent, such provision shall be considered ambiguous as to its exemption from (or compliance with)

Section 409A of the Code and shall be interpreted by the Company in a manner consistent with such intent, as determined in the discretion of the Company. If, notwithstanding the foregoing provisions of this Section 25.2.3, any provision of the Plan or any such agreement would cause a Grantee to incur any additional tax or interest under Section 409A of the Code, the Company may reform such provision in a manner intended to avoid the incurrence by such Grantee of any such additional tax or interest; *provided* that the Company shall maintain, to the extent reasonably practicable, the original intent and economic benefit to the Grantee of the applicable provision without violating the provisions of Section 409A of the Code. For the avoidance of doubt, no provision of this Plan shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from any Grantee or any other individual to the Company or any of its affiliates, employees or agents.

25.2.4 Notwithstanding any other provision in the Plan, any Award Agreement, or any other written document establishing the terms and conditions of an Award, if any Grantee is a "specified employee," within the meaning of Section 409A of the Code, as of the date of his or her "separation from service" (as defined under Section 409A of the Code), then, to the extent required by Treasury Regulation Section 1.409A-3(i)(2) (or any successor provision), any payment made to such Grantee on account of his or her separation from service shall not be made before a date that is six months after the date of his or her separation from service. The Committee may elect any of the methods of applying this rule that are permitted under Treasury Regulation Section 1.409A-3(i)(2)(ii) (or any successor provision).

25.2.5 Notwithstanding any other provision of this Section 25.2 to the contrary, although the Company intends to administer the Plan so that Awards will be exempt from, or will comply with, the requirements of Section 409A of the Code, the Company does not warrant that any Award under the Plan will qualify for favorable tax treatment under Section 409A of the Code or any other provision of federal, state, local, or non-United States law. The Company shall not be liable to any Grantee for any tax, interest, or penalties the Grantee might owe as a result of the grant, holding, vesting, exercise, or payment of any Award under the Plan.

26. **NON-EXCLUSIVITY OF THIS PLAN**. The adoption of this Plan shall not be construed as creating any limitations on the power or authority of the Company to adopt such other or additional incentive or other compensation arrangements of whatever nature as the Company may deem necessary or desirable or preclude or limit the continuation of any other plan, practice or arrangement for the payment of compensation or fringe benefits to employees generally, or to any class or group of employees, which the Company or any Affiliate has or will lawfully put into effect, including any retirement, pension, savings and stock purchase plan, insurance, death and disability benefits and executive short-term or long-term incentive plans.

27. **DEFINITIONS**.

27.1 Terms Generally. Except when otherwise indicated by the context, **(i)** the singular shall include the plural and the plural shall include the singular; **(ii)** any pronoun shall include the corresponding masculine, feminine and neuter forms; **(iii)** any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth therein or herein), **(iv)** references to any law, constitution, statute, treaty, regulation, rule or ordinance, including any section or other part thereof shall refer to it as amended from time to time and shall include any successor thereof, **(v)** the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Plan in its entirety, and not to any particular provision hereof, **(vi)** all references herein to Sections shall be construed to refer to Sections to this Plan; **(vii)** the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation"; and **(viii)** use of the term "or" is not intended to be exclusive.

27.2 Defined Terms. The following terms shall have the meanings ascribed to them in this Section 27.2:

27.2.1 "**Adjusted Award**" means an award issued under this Plan in accordance with the Employee Matters Agreement entered into in connection with the Spin-Off in adjustment of a restricted stock unit or performance stock unit or any other equity or equity-based award that was granted under a VSI Equity Plan, in each case, pursuant to the exchange ratio set forth in such Employee Matters Agreement.

27.2.2 "**Affiliate**" shall mean, with respect to any person, any other person (other than a natural Person) (i) an aggregate amount of the voting securities, other voting ownership or voting partnership interests, of which is sufficient to elect at least a majority of the Board or other governing body (or, if there are no such voting interests, 50% or more of the equity interests of which is owned directly or indirectly by such first Person); or (ii) in which the Company has a substantial direct or indirect equity interest, as determined by the Committee. For the purpose of 102 Awards, "**Affiliate**" shall mean an "Employer" as defined herein. For the purposes of this Plan only, and only in the context of the Spin-Off and for no other purposes, Verint Systems Inc. and any of its Affiliates shall be deemed Affiliates of the Company.

27.2.3 "**Applicable Law**" shall mean any applicable law, rule, regulation, statute, pronouncement, policy, interpretation, judgment, order or decree of any federal, provincial, state or local governmental, regulatory or adjudicative authority or agency, of any jurisdiction, and the rules and regulations of any stock exchange, over-the-counter market or trading system on which the Company's shares are then traded or listed.

27.2.4 "**Award**" shall mean any Option, Restricted Share, RSUs, Shares (including Shares issued as bonuses), or any other Share-based award granted under this Plan (including any such awards which are ultimately settled in cash pursuant to the terms hereof).

27.2.5 "**Board**" shall mean the Board of Directors of the Company.

27.2.6 "**Cause**" shall mean (irrespective of, and in addition to, any definition included in any other agreement or instrument applicable to the Grantee, and unless otherwise determined by the Committee) any of the following: **(i)** any theft, fraud, embezzlement, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, falsification of any documents or records of the Company or any of its Affiliates, felony or similar act by the Grantee (whether or not related to the Grantee's relationship with the Company); **(ii)** an act of moral turpitude by the Grantee, or any act that causes significant injury to, or is otherwise adversely affecting, the reputation, business, assets, operations or business relationship of the Company (or a Subsidiary or Affiliate, when applicable); **(iii)** any breach by the Grantee of any material agreement with or of any material duty of the Grantee to the Company or any Subsidiary or Affiliate thereof (including breach of confidentiality, non-disclosure, non-use, non-competition or non-solicitation covenants towards the Company or any of its Affiliates) or failure to abide by code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); **(iv)** any act which constitutes a breach of a Grantee's fiduciary duty towards the Company or an Affiliate or Subsidiary, including disclosure of confidential or proprietary information thereof or acceptance or solicitation to receive unauthorized or undisclosed benefits, irrespective of their nature, or funds, or promises to receive either, from individuals, consultants or corporate entities that the Company or a Subsidiary does business with; **(v)** the Grantee's unauthorized use, misappropriation, destruction, or diversion of any tangible or intangible asset or corporate opportunity of the Company or any of its Affiliates (including, without limitation, the improper use or disclosure of confidential or proprietary information); **(vi)** any circumstances that constitute grounds for termination for cause under the Grantee's Continuous Service with the Company or Affiliate, to the extent applicable, or **(vii)** any circumstances referred to under Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the SEC or any national securities exchange or national securities association on which the Shares may be traded. For the avoidance of doubt, the determination as to whether a termination is for Cause for purposes of this Plan, shall be made in good faith by the Committee and shall be final and binding on the Grantee.

27.2.7 "**Change in Control**" shall mean the occurrence of any one of the following events: **(i)** the acquisition by any Person, entity or affiliated group in one or a series of transactions, of more than 50% of the voting power of the Company; **(ii)** a merger, combination, amalgamation, consolidation, spin-off or any other transaction in which the holders of the Company's common stock immediately prior to such transaction do not hold in respect of their holdings of such stock 50% or more of the voting power of the merged, combined, amalgamated, consolidated, spun-off or other resulting entity; and **(iii)** a sale or other

disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company (including its Subsidiaries); or (iv) during any period of two consecutive years, Incumbent Directors cease to constitute at least a majority of the Board. "**Incumbent Directors**" shall mean: (1) the directors who were serving at the beginning of such two-year period, or (2) any directors whose election or nomination was approved by the directors referred to in clause (1) or by a director approved under this clause (2).

27.2.8 "**Code**" shall mean the United States Internal Revenue Code of 1986, and any applicable regulations promulgated thereunder, all as amended.

27.2.9 "**Committee**" shall mean a committee established or appointed by the Board to administer this Plan, subject to Section 2.1.

27.2.10 "**Companies Law**" shall mean the Israel Companies Law, 5759-1999, and the regulations promulgated thereunder, all as amended from time to time.

27.2.11 "**Continuous Service**" shall mean, subject to the other terms and conditions of this Plan (including Sections 5.7.5 and 7.8), the absence of any interruption or termination of service as a Service Provider.

27.2.12 "**Disability**" shall mean **(i)** the inability of a Grantee to engage in any substantial gainful activity or to perform the major duties of the Grantee's position with the Company or its Affiliates by reason of any medically determinable physical or mental impairment which has lasted or can be expected to last for a continuous period of not less than 12 months (or such other period as determined by the Committee), as determined by a qualified doctor acceptable to the Company, **(ii)** if applicable, a "permanent and total disability" as defined in Section 22(e)(3) of the Code or Section 409A(a)(2)(c)(i) of the Code, as amended from time to time, or **(iii)** as defined in a policy of the Company that the Committee deems applicable to this Plan, or that makes reference to this Plan, for purposes of this definition. Notwithstanding the foregoing, for Awards that are subject to Section 409A of the Code, Disability shall mean that a Participant is disabled under Section 409A(a)(2)(C)(i) or (ii) of the Code.

27.2.13 "**Employee**" shall mean any person treated as an employee (including an officer or a director who is also treated as an employee) in the records of the Company or any of its Affiliates (and in the case of 102 Awards, subject to Section 8.3 or in the case of Incentive Stock Options, who is an employee for purposes of Section 422 of the Code); *provided*, *however*, that neither service as a director nor payment of a director's fee shall be sufficient to constitute employment for purposes of this Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual's employment or termination of employment, as the case may be. For purposes of a person's rights, if any, under this Plan as of the time of the Company's determination, all such determinations by the Company shall be final, binding and conclusive, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination.

27.2.14 "**Employer**" means, for purpose of a 102 Trustee Award, the Company or an Affiliate, Subsidiary or Parent thereof, which is an "employing company" within the meaning and subject to the conditions of Section 102(a) of the Ordinance.

27.2.15 "**employment**", "**employed**" and words of similar import shall be deemed to refer to the employment of Employees or to the services of any other Service Provider, as the case may be.

27.2.16 "**exercise**" "**exercised**" and words of similar import, when referring to an Award that does not require exercise or that is settled upon vesting (such as may be the case with RSUs or Restricted Shares, if so determined in their terms), shall be deemed to refer to the vesting of such an Award (regardless of whether or not the wording included reference to vesting of such an Awards explicitly), and when referring to an Award that does require exercise (such as Options), shall have the customary meaning.

27.2.17 "**Exercise Period**" shall mean the period, commencing on the date of grant of an Award, during which an Award shall be exercisable, subject to any vesting provisions thereof (including any acceleration thereof, if any) and subject to the termination provisions hereof.

27.2.18 "**Exercise Price**" shall mean the exercise price for each Share covered by an Option or the purchase price for each Share covered by any other Award.

27.2.19 "**Fair Market Value**" shall mean, unless otherwise defined in the applicable Award Agreement or otherwise required in order to meet the requirements of any Applicable Law, as determined by the Committee in its discretion, **(i)** with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee and **(ii)** with respect to the Shares, as of any date, (1) the closing sale price (excluding any "after hours" trading) of the Shares as reported on the Nasdaq Stock Market for such date (or if not then trading on the Nasdaq Stock Market, the closing sale price of the Shares on the stock exchange or over-the-counter market on which the Shares are principally trading on such date), or, (x) if there were no sales on such date or (y) for the purpose of establishing Fair Market Value in connection with the vesting of an Award or the release of Shares, on the closest preceding date on which there were sales of Shares or (2) in the event there shall be no public market for the Shares on such date, the fair market value of the Shares as determined in good faith by the Committee, in its sole discretion, with full authority to determine the method for making such determination and which determination shall be conclusive and binding on all parties.

27.2.20 "**Good Reason**" as a reason for a Grantee's termination of employment or service shall, unless otherwise agreed to in writing between the Grantee and the Company or a Subsidiary or Affiliate of the Company, have the meaning assigned such term in the employment, severance or similar agreement, if any, between the Grantee and the Company or a Subsidiary or Affiliate of the Company. If the Grantee is not a party to an employment, severance agreement or similar agreement with the Company or a Subsidiary or Affiliate of the Company in which such term is defined, then unless otherwise defined in the applicable Award Agreement, for purposes of this Plan, "Good Reason" shall mean **(i)** a material reduction (i.e., at least a 10% reduction) by the Company or a Subsidiary or Affiliate of the Company in the Grantee's base salary; or **(ii)** the involuntary relocation of the Grantee's own office location by more than 50 kilometers; *provided* that all such events shall be Good Reason only if the Company (or the applicable Subsidiary or Affiliate of the Company) fails to cure such event within 30 days after receipt from the Grantee of written notice of the event which constitutes Good Reason; *provided, further*, that Good Reason shall cease to exist for an event on the 90th day following the later of its occurrence or the Grantee's knowledge thereof, unless the Grantee has given the Company written notice thereof prior to such date.

27.2.21 "**Grantee**" shall mean a person who has been granted an Award(s) under this Plan.

27.2.22 "**Ordinance**" shall mean the Israeli Income Tax Ordinance (New Version) 1961, and the regulations and rules (including the Rules) promulgated thereunder, all as amended from time to time.

27.2.23 "**Parent**" shall mean any company (other than the Company), which now exists or is hereafter organized, **(i)** in an unbroken chain of companies ending with the Company if, at the time of granting an Award, each of the companies (other than the Company) owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain, or **(ii)** if applicable and for purposes of Incentive Stock Options, that is a "parent corporation" of the Company, as defined in Section 424(e) of the Code.

27.2.24 "**person**" shall have the meaning given in Section 3(a)(9) of the US Exchange Act of 1934, as amended, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include **(i)** the Company and its Subsidiaries, **(ii)** a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its affiliates, **(iii)** an underwriter temporarily holding securities pursuant to an offering of such securities, or **(iv)** a corporation owned, directly or indirectly, by the shareowners of the Company in substantially the same proportions as their ownership of stock of the Company.

27.2.25 “**Retirement**” shall mean a Grantee’s retirement pursuant to Applicable Law or in accordance with the terms of any tax-qualified retirement plan maintained by the Company or any of its Affiliates in which the Grantee participates or is subject to.

27.2.26 “**Securities Act**” shall mean the U.S. Securities Act of 1933, and the rules and regulations promulgated thereunder, all as amended from time to time.

27.2.27 “**Service Provider**” shall mean an Employee, director, officer, consultant, advisor and any other person or entity who provides services to the Company or any Parent, Subsidiary or Affiliate thereof. Service Providers shall include prospective Service Providers to whom Awards are granted in connection with written offers of an employment or other service relationship with the Company or any Parent, Subsidiary or any Affiliates thereof, *provided*, *however*, that any such grant shall not become effective until such employment or service shall have actually commenced.

27.2.28 “**Shares**” shall mean Ordinary Shares, with no par value, of the Company (as adjusted for stock splits, reverse stock splits, distribution of bonus shares with respect thereto, combinations or other recapitalization events), or shares of such other class of the Company as shall be designated by the Committee in respect of the relevant Award(s). “**Shares**” include any securities, property or rights issued or distributed with respect thereto.

27.2.29 “**Subsidiary**” shall mean any company (other than the Company), which now exists or is hereafter organized or acquired by the Company, **(i)** in an unbroken chain of companies beginning with the Company if, at the time of granting an Award, each of the companies other than the last company in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain, or **(ii)** if applicable and for purposes of Incentive Stock Options, that is a “subsidiary corporation” of the Company, as defined in Section 424(f) of the Code.

27.2.30 “**tax(es)**” shall mean **(i)** all federal, state, local or foreign taxes, charges, fees, imposts, levies or other assessments, including all income, capital gains, alternative or add-on minimum, transfer, value added tax, real and personal property, withholding, payroll, employment, escheat, social security, disability, national security, health tax, wealth surtax, stamp, registration and estimated taxes, customs duties, fees, assessments and charges of any similar kind whatsoever (including under Section 280G of the Code) or other tax of any kind whatsoever, **(ii)** all interest, indexation differentials, penalties, fines, additions to tax or additional amounts imposed by any taxing authority in connection with any item described in clause (i), **(iii)** any transferee or successor liability in respect of any items described in clauses (i) or (ii) payable by reason of contract, assumption, transferee liability, successor liability, operation of Applicable Law, or as a result of any express or implied obligation to assume Taxes or to indemnify any other person, and **(iv)** any liability for the payment of any amounts of the type described in clause (i) or (ii) payable as a result of being a member of an affiliated, consolidated, combined, unitary or aggregate or other group for any taxable period, including under U.S. Treasury Regulations Section 1.1502-6(a) (or any predecessor or successor thereof of any analogous or similar provision under Law) or otherwise.

27.2.31 “**Ten Percent Shareholder**” shall mean a Grantee who, at the time an Award is granted to the Grantee, owns shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company or any Parent or Subsidiary, within the meaning of Section 422(b)(6) of the Code.

27.2.32 “**Trustee**” shall mean the trustee appointed by the Committee to hold the Awards (and, in relation with 102 Trustee Awards, approved by the ITA), if so appointed.

27.2.33 “**VSI Equity Plan**” means the Verint Systems Inc. 2019 Long-Term Stock Incentive Plan and/or the Verint Systems Inc. Amended and Restated 2015 Long-Term Stock Incentive Plan, as applicable.

28. **MISCELLANEOUS**.

28.1 Governing Law; Jurisdiction. This Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Israel, except with respect to matters that are subject to tax laws, regulations and rules of any specific jurisdiction, which shall be governed by the respective laws, regulations and rules of such jurisdiction. Certain definitions, which refer to laws other than the laws of such jurisdiction, shall be construed in accordance with such other laws. The competent courts located in Tel-Aviv-Jaffa, Israel shall have exclusive jurisdiction over any dispute arising out of or in connection with this Plan and any Award granted hereunder. By signing any Award Agreement or any other agreement relating to an Award, each Grantee irrevocably submits to such exclusive jurisdiction.

28.2 Survival. The Grantee shall be bound by and the Shares issued upon exercise or (if applicable) the vesting of any Awards granted hereunder shall remain subject to this Plan after the exercise or (if applicable) the vesting of Awards, in accordance with the terms of this Plan, whether or not the Grantee is then or at any time thereafter employed or engaged by the Company or any of its Affiliates.

28.3 Additional Agreements. Each Grantee shall execute (and authorizes any person designated by the Company to so execute, as well as (if applicable) the Trustee holding any Shares for the Grantee’s behalf) such separate agreement(s) as may be requested by the Company relating to matters set forth in or otherwise for the purpose of implementing of this Plan, including under Section 8.5. The execution of such separate agreement(s) may be a condition by the Company to the exercise of any Award and the Company (and, if applicable, the Trustee) may exercise its authorization above and sign such agreement on behalf of the Grantee or subject the Grantee to the provisions of such agreements.

28.4 Fractional Shares. No fractional Share shall be issuable upon exercise or vesting of any Award. Any fractional shares resulting from such issuance or exercise shall be treated as determined by the Committee, and in the absence of such determination shall be rounded down to the nearest whole share, and the Company shall have no obligation to make any cash or other payment with respect to such fractional shares.

28.5 Severability. If any provision of this Plan, any Award Agreement or any other agreement entered into in connection with an Award shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction. In addition, if any particular provision contained in this Plan, any Award Agreement or any other agreement entered into in connection with an Award shall, for any reason, be held to be excessively broad as to duration, geographic scope, activity or subject, it shall be construed by limiting and reducing such provision as to such characteristic so that the provision is enforceable to fullest extent compatible with Applicable Law as it shall then appear.

28.6 Captions and Titles. The use of captions and titles in this Plan or any Award Agreement or any other agreement entered into in connection with an Award is for the convenience of reference only and shall not affect the meaning or interpretation of any provision of this Plan or such agreement.

*   *   *

Exhibit 4.7

FORM OF INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the "**Agreement**"), dated as of January __, 2021, is entered into by and between Cognyte Software Ltd., an Israeli company whose address is 33 Maskit, Herzliya Pituach, 46733, Israel (the "**Company**"), and the undersigned Director or Officer of the Company whose name appears on the signature page hereto officer (the "**Indemnitee**").

WHEREAS, Indemnitee is an Office Holder (*"Nosse Misra"*), as such term is defined in the Companies Law, 5759–1999, as amended (the "Office Holder" and the "Companies Law" respectively), of the Company;

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against Office Holders of companies and that highly competent persons have become more reluctant to serve corporations as directors and officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to, and activities on behalf of, companies;

WHEREAS, the Articles of Association of the Company authorize the Company to indemnify and advance expenses to its Office Holders and provide for insurance and exculpation to its Office Holders, in each case, to the fullest extent permitted by applicable law;

WHEREAS, the Company has determined that (i) the increased difficulty in attracting and retaining competent persons is detrimental to the best interests of the Company's shareholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future, (ii) and it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law, so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified; and

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to assure Indemnitee's continued service to the Company in an effective manner and, in part, in order to provide Indemnitee with specific contractual assurance that the indemnification, insurance and exculpation afforded by the Articles of Association will be available to Indemnitee, the Company wishes to undertake in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent permitted by applicable law and as set forth in this Agreement and provide for insurance and exculpation of Indemnitee as set forth in this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. INDEMNIFICATION AND INSURANCE.

1.1. The Company hereby undertakes to indemnify Indemnitee to the fullest extent permitted by applicable law for any liability and expense specified in Sections 1.1.1 through 1.1.4 below, imposed on Indemnitee due to or in connection with an act performed by such Indemnitee, either prior to or after the date hereof, in Indemnitee's capacity as an Office Holder, including, without limitation, as a director, officer, employee, agent or fiduciary of the Company, any subsidiary thereof or any another corporation, collaboration, partnership, joint venture, trust or other enterprise, in which Indemnitee serves at any time at the request of the Company (the "**Corporate Capacity**"). The term "act performed in Indemnitee's capacity as an Office Holder" shall include, without limitation, any act, omission or failure to act and any other circumstances relating to or arising from Indemnitee's service in a Corporate Capacity. Notwithstanding the foregoing, in the event that the Office Holder is the beneficiary of an indemnification undertaking provided by a subsidiary of the Company or any other entity with respect to his Corporate Capacity with such subsidiary or entity, then the indemnification obligations of the Company hereunder

with respect to such Corporate Capacity shall only apply to the extent that the indemnification by such subsidiary or other entity does not actually fully cover the indemnifiable liabilities and expenses relating thereto. The following shall be hereinafter referred to as "**Indemnifiable Events**":

1.1.1. Financial liability imposed on Indemnitee in favor of any person pursuant to a judgment, including a judgment rendered in the context of a settlement or an arbitrator's award approved by a court. For purposes of Section 1 of this Agreement, the term "**person**" shall include, without limitation, a natural person, firm, partnership, joint venture, trust, company, corporation, limited liability entity, unincorporated organization, estate, government, municipality, or any political, governmental, regulatory or similar agency or body;

1.1.2. Reasonable Expenses (as defined below) expended or incurred by Indemnitee as a result of an investigation or any proceeding instituted against the Indemnitee by an authority that is authorized to conduct an investigation or proceeding, and that was concluded without filing an indictment against the Indemnitee and without imposing on the Indemnitee a financial obligation in lieu of a criminal proceeding, or that was concluded without filing an indictment against the Indemnitee but imposing a financial obligation in lieu of a criminal proceeding in an offence that does not require proof of *mens rea*, or in connection with a financial sanction. In this section "conclusion of a proceeding without filing an indictment in a matter in which a criminal investigation has been instigated" and "financial liability in lieu of a criminal proceeding" shall have the meaning assigned to such terms under the Companies Law, and the term "financial sanction" shall mean such term as referred to in Section 260(a)(1a) of the Companies Law;

1.1.3. Reasonable Expenses incurred by or charged to Indemnitee by a court, in a proceeding instituted against him by the Company or on its behalf or by another person, or in a criminal charge from which he was acquitted or in which he was convicted of an offence that does not require proof of *Mens Rea*; and

1.1.4. Any other event, occurrence, matter or circumstances under any law with respect to which the Company may, or will be able to, indemnify an Office Holder (including, without limitation, in accordance with Section 56h(b)(1) of the Israeli Securities Law 5728-1968 (the "**Israeli Securities Law**"), if applicable, and Section 50P(b)(2) of the Israeli Economic Competition Law, 5758-1988 (the "**Economic Competition Law**")).

For the purpose of this Agreement, "**Expenses**" shall include, without limitation, legal fees and all other costs, expenses and obligations paid or incurred by Indemnitee in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in any claim relating to any matter for which indemnification hereunder may be provided. Expenses shall be considered paid or incurred by Indemnitee at such time as Indemnitee is required to pay or incur such cost or expenses, including upon receipt of an invoice or payment demand. The Company shall pay the Expenses in accordance with the provisions of Section 1.3.

1.2. Notwithstanding anything herein to the contrary, the Company's undertaking to indemnify the Indemnitee under Section 1.1.1 shall only be with respect to events described in **Exhibit A** hereto. The Board of Directors of the Company (the "**Board**") has determined that the categories of events listed in Exhibit A are foreseeable in light of the operations of the Company. The maximum amount of indemnification payable by the Company under Section 1.1.1 of this Agreement with respect to the specific events described in Exhibit A during any period of five years, shall be as set forth in Exhibit A hereto (the "**Limit Amount**"). If the Company undertook to indemnify multiple persons under agreements

similar to this Agreement (the "**Indemnifiable Persons**") the Limit Amount for the five year period commencing on the date of incorporation of the Company, and for every subsequent five year period, shall apply to all Indemnifiable Persons, in the aggregate, and if the Limit Amount is insufficient to cover all the indemnity amounts payable with respect to all Indemnifiable Persons during the relevant five year period, then such amount shall be allocated to such Indemnifiable Persons pro rata according to the percentage of their culpability, as finally determined by a court in the relevant claim, or, absent such determination or in the event such persons are parties to different claims, based on an equal pro rata allocation among such Indemnifiable Persons. The Limit Amount payable by the Company as described in Exhibit A is deemed by the Company to be reasonable in light of the circumstances. The indemnification provided under Section 1.1.1 herein shall not be subject to the limitations imposed by this Section 1.2 and Exhibit A if and to the extent such limits do not or are no longer required by the Companies Law.

1.3. If so requested by Indemnitee, and subject to the Company's repayment and reimbursements rights set forth in Sections 3 and 5 below, the Company shall pay amounts to cover Indemnitee's Expenses with respect to which Indemnitee is entitled to be indemnified under Section 1.1 above, as and when incurred. The payments of such amounts shall be made by the Company directly to the Indemnitee's legal and other advisors, as soon as practicable, but in any event no later than fifteen (15) days after written demand by such Indemnitee therefor to the Company, and any such payment shall be deemed to constitute indemnification hereunder. As part of the aforementioned undertaking, the Company will make available to Indemnitee any security or guarantee that Indemnitee may be required to post in accordance with an interim decision given by a court, governmental or administrative body, or an arbitrator, including for the purpose of substituting liens imposed on Indemnitee's assets.

1.4. The Company's obligation to indemnify Indemnitee and advance Expenses in accordance with this Agreement shall be for such period (the "**Indemnification Period**") as Indemnitee shall be subject to any actual, possible or threatened claim, action, suit, demand or proceeding or any inquiry or investigation, whether civil, criminal or investigative, arising out of the Indemnitee's service in the Corporate Capacity as described in Section 1.1 above, whether or not Indemnitee is still serving in such position.

1.5. The Company undertakes that, subject to the mandatory limitations under applicable law, as long as it may be obligated to provide indemnification and advance Expenses under this Agreement, the Company will purchase and maintain in effect directors and officers liability insurance, which will include coverage for the benefit of the Indemnitee, providing coverage in amounts as reasonably determined by the Board; provided that, the Company shall have no obligation to obtain or maintain directors and officers insurance policy if the Company determines in good faith that such insurance is not reasonably available, the premium costs for such insurance are disproportionate to the amount of coverage provided, or the coverage provided by such insurance is so limited by exclusions that it provides an insufficient benefit. The Company hereby undertakes to notify the Indemnitee 30 days prior to the expiration or termination of the directors and officers' liability insurance.

1.6. The Company undertakes to give prompt written notice of the commencement of any claim hereunder to the insurers in accordance with the procedures set forth in each of the policies. The Company shall thereafter diligently take all actions reasonably necessary under the circumstances to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies. The above shall not derogate from Company's authority to freely negotiate or reach any compromise with the insurer which is reasonable at the Company's sole discretion provided that the Company shall act in good faith and in a diligent manner.

2. **SPECIFIC LIMITATIONS ON INDEMNIFICATION**.

Notwithstanding anything to the contrary in this Agreement, the Company shall not indemnify or advance Expenses to Indemnitee with respect to (i) any act, event or circumstance with respect to which it is prohibited to do so under applicable law, or (ii) a counter claim made by the Company or in its name in connection with a claim against the Company filed by the Indemnitee.

3. **REPAYMENT OF EXPENSES**.

3.1. In the event that the Company provides or is required to provide indemnification with respect to Expenses hereunder and at any time thereafter the Company determines, based on advice from its legal counsel, that the Indemnitee was not entitled to such payments, the amounts so indemnified by the Company will be promptly repaid by Indemnitee, unless the Indemnitee disputes the Company's determination, in which case the Indemnitee's obligation to repay to the Company shall be postponed until such dispute is resolved.

3.2. Indemnitee's obligation to repay to the Company for any Expenses or other sums paid hereunder shall be deemed as a loan given to Indemnitee by the Company subject to the minimum interest rate prescribed by Section 3(9) of the Income Tax Ordinance [New Version], 1961, or any other legislation replacing it, which is not considered a taxable benefit.

4. **SUBROGATION**.

In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

5. **REIMBURSEMENT**.

The Company shall not be liable under this Agreement to make any payment in connection with any Indemnifiable Event to the extent Indemnitee has otherwise actually received payment under any insurance policy or otherwise (without any obligation of Indemnitee to repay any such amount) of the amounts otherwise indemnifiable hereunder. Any amounts paid to Indemnitee under such insurance policy or otherwise after the Company has indemnified Indemnitee for such liability or Expense shall be repaid to the Company promptly upon receipt by Indemnitee, in accordance with the terms set forth in Section 3.2.

6. **EFFECTIVENESS**.

The Company represents and warrants that this Agreement is valid, binding and enforceable in accordance with its terms and was duly adopted and approved by the Company, and shall be in full force and effect immediately upon its execution.

7. **NOTIFICATION AND DEFENSE OF CLAIM**.

Indemnitee shall notify the Company of the commencement of any action, suit or proceeding, and of the receipt of any notice or threat that any such legal proceeding has been or shall or may be initiated against Indemnitee (including any proceedings by or against the Company and any subsidiary thereof), promptly upon Indemnitee first becoming so aware; but the omission so to notify the Company will not relieve the Company from any liability which it may have to Indemnitee under this Agreement unless and to the extent that such failure to provide notice prejudices the Company's ability to defend such action. Notice to the Company shall be directed to the Chief Executive Officer or Chief Financial Officer of the Company at the address shown in the preamble to this Agreement (or such other address as the Company shall designate in writing to Indemnitee). With respect to any such action, suit or proceeding as to which Indemnitee notifies the Company of the commencement thereof and without derogating from Sections 1.1 and 2:

7.1. The Company will be entitled to participate therein at its own expense.

7.2. Except as otherwise provided below, the Company, alone or jointly with any other indemnifying party similarly notified, will be entitled to assume the defense thereof, with counsel selected by the Company. Indemnitee shall have the right to employ his or her own counsel in such action, suit or proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof shall be at the expense of Indemnitee, unless: (i) the employment of counsel by Indemnitee has been authorized in writing by the Company; (ii) the Company and the Indemnitee shall have agreed based on the advice of legal counsel that there may be a conflict of interest between the Company and Indemnitee in the conduct of the defense of such action; or (iii) the Company has not in fact employed counsel to assume the defense of such action, in which cases the reasonable fees and expenses of counsel shall be at the expense of the Company. The Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which Indemnitee and the Company shall have reached the conclusion specified in (ii) above.

7.3. The Company shall not be liable to indemnify Indemnitee under this Agreement for any amounts or expenses paid in connection with a settlement of any action, claim or otherwise, effected without the Company’s prior written consent.

7.4. The Company shall have the right to conduct the defense as it sees fit in its sole discretion (provided that the Company shall conduct the defense in good faith and in a diligent manner), including the right to settle or compromise any claim or to consent to the entry of any judgment against Indemnitee without the consent of the Indemnitee, provided that, the amount of such settlement, compromise or judgment does not exceed the Limit Amount (if applicable) and is fully indemnifiable pursuant to this Agreement (subject to Section 1.2 of this Agreement) and/or applicable law, and any such settlement, compromise or judgment does not impose any penalty or limitation on Indemnitee without the Indemnitee’s prior written consent. The Indemnitee’s consent shall not be required if the settlement includes a complete release of Indemnitee, does not contain any admission of wrong-doing by Indemnitee, and includes monetary sanctions only as provided above. In the case of criminal proceedings the Company and/or its legal counsel will not have the right to plead guilty or agree to a plea-bargain in the Indemnitee’s name without the Indemnitee’s prior written consent. Neither the Company nor Indemnitee will unreasonably withhold or delay their consent to any proposed settlement.

7.5. Indemnitee shall fully cooperate with the Company and shall give the Company all information and access to documents, files and to his advisors and representatives as shall be within Indemnitee’s power, in every reasonable way as may be required by the Company with respect to any claim which is the subject matter of this Agreement and in the defense of other claims asserted against the Company (other than claims asserted by Indemnitee), provided that the Company shall cover all expenses, costs and fees incidental thereto such that the Indemnitee will not be required to pay or bear such expenses, costs and fees.

8. **EXCULPATION**.

Subject to the provisions of the Companies Law, the Company hereby releases, in advance, the Office Holder from liability to the Company for any damage that arises from the breach of the Office Holder’s duty of care to the Company (within the meaning of such terms under Sections 252 and 253 of the Companies Law), other than breach of the duty of care towards the Company in a distribution (as such term is defined in the Companies Law).

9. **NON-EXCLUSIVITY**.

The rights of the Indemnitee hereunder shall not be deemed exclusive of any other rights Indemnitee may have under the Company’s Articles of Association, applicable law or otherwise**,** and to the extent that during the Indemnification Period the indemnification rights of the then serving directors and officers are more favorable to such directors or officers than the indemnification rights provided under this Agreement to Indemnitee, Indemnitee shall be entitled to the full benefits of such more favorable indemnification rights to the extent permitted by law.

10. **PARTIAL INDEMNIFICATION**.

If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually or reasonably incurred by Indemnitee in connection with any proceedings, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, judgments, fines or penalties to which Indemnitee is entitled under any provision of this Agreement. Subject to the provisions of Section 5 above, any amount received by Indemnitee (under any insurance policy or otherwise) shall not reduce the Limit Amount hereunder and shall not derogate from the Company's obligation to indemnify the Indemnitee in accordance with the provisions of this Agreement up to the Limit Amount, as set forth in Section 1.2.

11. **BINDING EFFECT**.

This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns. In the event of a merger or consolidation of the Company or a transfer or disposition of all or substantially all of the business or assets of the Company, the Indemnitee shall be entitled to the same indemnification and insurance provisions as the most favorable indemnification and insurance provisions afforded to the then-serving Office Holders of the Company. In the event that in connection with such transaction the Company purchases a directors and officers' "tail" or "run-off" policy for the benefit of its then serving Office Holders, then such policy shall cover Indemnitee and such coverage shall be deemed to be in satisfaction of the insurance requirements under this Agreement. This Agreement shall continue in effect during the Indemnification Period regardless of whether Indemnitee continues to serve in a Corporate Capacity.

Any amendment to the Companies Law, the Israeli Securities Law, the Economic Competition Law or other applicable law adversely affecting the right of the Indemnitee to be indemnified, insured or released pursuant hereto shall be prospective in effect, and shall not affect the Company's obligation or ability to indemnify or insure the Indemnitee for any act or omission occurring prior to such amendment, unless otherwise provided by applicable law.

12. **SEVERABILITY**.

The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

13. **NOTICE**.

All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed provided if delivered personally, telecopied, sent by electronic facsimile, email, reputable overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the addresses shown in the preamble to this Agreement, or to such other address as the party to whom notice is to be given may have furnished to the other party hereto in writing in accordance herewith. Any such notice or communication shall be deemed to have been delivered and received (i) in the case of personal delivery, on the date of such delivery, (ii) in the case of telecopier or an electronic facsimile or email, one business day after the date of transmission if confirmation of receipt is received, (iii) in the case of a reputable overnight courier, three business days after deposit with such reputable overnight courier service, and (iv) in the case of mailing, on the seventh business day following that on which the mail containing such communication is posted.

14. **GOVERNING LAW; JURISDICTION**.

This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Israel, without giving effect to the conflicts of law provisions of those laws. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction and venue of the courts of Tel Aviv, Israel for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement.

15. **ENTIRE AGREEMENT**.

This Agreement represents the entire agreement between the parties and supersedes any other agreements, contracts or understandings between the parties, whether written or oral, with respect to the subject matter of this Agreement.

16. **NO MODIFICATION AND NO WAIVER**.

No supplement, modification or amendment, termination or cancellation of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver. Any waiver shall be in writing. The Company hereby undertakes not to amend its Articles of Association in a manner which will adversely affect the provisions of this Agreement.

17. ASSIGNMENTS; NO THIRD PARTY RIGHTS

Neither party hereto may assign any of its rights or obligations hereunder except with the express prior written consent of the other party. Nothing herein shall be deemed to create or imply an obligation for the benefit of a third party. Without limitation of the foregoing, nothing herein shall be deemed to create any right of any insurer that provides directors and officers' liability insurance, to claim, on behalf of Indemnitee, any rights hereunder.

18. **INTERPRETATION; DEFINITIONS**.

Unless the context shall otherwise require: words in the singular shall also include the plural, and vice versa; any pronoun shall include the corresponding masculine, feminine and neuter forms; the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation"; the words "herein", "hereof" and "hereunder" and words of similar import refer to this Agreement in its entirety and not to any part hereof; all references herein to Sections or clauses shall be deemed references to Sections or clauses of this Agreement; any references to any agreement or other instrument or law, statute or regulation are to it as amended, supplemented or restated, from time to time (and, in the case of any law, to any successor provisions or re-enactment or modification thereof being in force at the time); any reference to "law" shall include any supranational, national, federal, state, local, or foreign statute or law and all rules and regulations promulgated thereunder; any reference to a "day" or a number of "days" (without any explicit reference otherwise, such as to business days) shall be interpreted as a reference to a calendar day or number of calendar days; reference to month or year means according to the Gregorian calendar; reference to a "company", "corporate body" or "entity" shall include a, partnership, firm, company, corporation, limited liability company, association, joint venture, trust, unincorporated organization, estate, or a government municipality or any political, governmental, regulatory or similar agency or body, and reference to a "person" shall mean any of the foregoing or a natural person.

19. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and enforceable against the parties actually executing such counterpart, and all of which together shall constitute one and the same instrument; it being understood that parties need not sign the same counterpart. The exchange of an executed Agreement (in counterparts or otherwise) by facsimile or by electronic delivery in pdf format shall be sufficient to bind the parties to the terms and conditions of this Agreement, as an original.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties, each acting under due and proper authority, have executed this Indemnification Agreement as of the date first mentioned above, in one or more counterparts.

Cognyte Software Ltd.

By: ____________________________
Name and title: ____________________________

Indemnitee:

Name: ____________________________
Signature: ____________________________
Address: ____________________________

EXHIBIT A*

CATEGORY OF INDEMNIFIABLE EVENT

1. Matters, events, occurrences or circumstances in connection or associated with employment relationships with employees or consultants or any employee union or similar or comparable organization.

2. Matters, events, occurrences or circumstances in connection or associated with business relations of any kind between the Company and its employees, independent contractors, customers, suppliers, partners, distributors, agents, resellers, representatives, licensors, licensees, service providers and other business associates.

3. Negotiations, execution, delivery and performance of agreements of any kind or nature and any decisions or deliberations relating to actions or omissions relating to the foregoing; any acts, omissions or circumstances that do or may constitute or are alleged to constitute anti-competitive acts, acts of commercial wrongdoing, or failure to meet any standard of conduct which is or may be applicable to such acts, omissions or circumstances.

4. Approval of and recommendation or information provided to shareholders with respect to any and all corporate actions, including the approval of the acts of the Company's management, their guidance and their supervision, matters relating to the approval of transactions with Office Holders (including, without limitation, all compensation related matters) or shareholders, including controlling persons and claims and allegations of failure to exercise business judgment, reasonable level of proficiency, expertise, care or any other applicable standard, with respect to the foregoing or otherwise with respect to the Company's business, strategy, operations and prospective outlook, and any discussions, deliberations, reviews or other preparatory or preliminary phases relating to any of the foregoing.

5. Violation, infringement, misappropriation, dilution and other misuse of copyrights, patents, designs, trade secrets, confidential information, proprietary information and any intellectual property rights, acts in connection with the registration, assertion or protection of rights to intellectual property and the defense of claims related to intellectual property, breach of confidentiality obligations, acts in regard of invasion of privacy or any violation of privacy or privacy related right or regulation, including with respect to databases or handling, collection or use of private information, acts in connection with slander and defamation, and claims in connection with publishing or providing any information, including any filings with any governmental authorities, whether or not required under any applicable laws.

6. Violations of or failure to comply with securities laws, and any regulations or other rules promulgated thereunder, of any jurisdiction, including without limitation, claims under the U.S. Securities Act of 1933 or the U.S. Exchange Act of 1934 or under the Israeli Securities Law, fraudulent disclosure claims, failure to comply with any securities authority or any stock exchange disclosure or other rules and any other claims relating to relationships with investors, debt holders, shareholders, optionholders, holders of any other equity or debt instrument of the Company, and otherwise with the investment community (including without limitation any such claims relating to a merger, acquisition, change in control transaction, issuance of securities, restructuring, spin out, spin off, divestiture, recapitalization or any other transaction relating to the corporate structure or organization of the Company) ; claims relating to or arising out of financing arrangements, any breach of financial covenants or other obligations towards investors, lenders or debt holders, class actions, violations of laws requiring the Company to obtain regulatory and governmental licenses, permits and authorizations in any jurisdiction, including in connection with disclosure, offering or other transaction related documents; actions taken in connection with the issuance, purchase, holding or disposition of any type of securities of Company, including, without limitation, the grant of options, warrants or other rights to

purchase any of the same or any offering of the Company's securities (whether on behalf of the Company or on behalf of any holders of securities of the Company) to private investors, underwriters, resellers or to the public, and listing of such securities, or the offer by the Company to purchase securities from the public or from private investors or other holders, and any undertakings, representations, warranties and other obligations related to any of the foregoing or to the Company's status as a public company or as an issuer of securities.

7. Liabilities arising in connection with any products or services developed, distributed, rendered, sold, provided, licensed or marketed by the Company or any Affiliate thereof, and any actions or omissions in connection with the distribution, provision, sale, marketing, license or use of such products or services, including without limitation in connection with professional liability and product liability claims or regulatory or reputational matters.

8. The offering of securities by the Company (whether on behalf of itself or on behalf of any holder of securities and any other person) to the public and/or to offerees or the offer by the Company to purchase securities from the public and/or from private investors or other holders pursuant to a prospectus, offering documents, agreements, notices, reports, tenders and/or other processes.

9. Events, facts or circumstances in connection with change in ownership or in the structure of the Company, its reorganization, dissolution, winding up, any other arrangements concerning creditors rights, merger, change in control, issuances of securities, restructuring, spin out, spin off, divestiture, recapitalization or any other transaction relating to the corporate structure or organization of the Company, and the approval of failure to approve of any corporate actions and any matters relating to corporate governance, capital structure, articles of association or other charter or governance documents, appointment or dismissal of office holders or compensation thereof and appointment or dismissal of auditors, internal auditor or any other person performing any services for the Company.

10. Any claim or demand made in connection with any transaction not in the ordinary course of business of the Company, as well as the sale, lease, purchase or acquisition of, or the receipt or grant of any rights with respect to, any assets or business.

11. Any claim or demand made by any third party suffering any personal injury and/or bodily injury or damage to business or personal property or any other type of damage through any act or omission attributed to the Company, or its employees, agents or other persons acting or allegedly acting on its behalf, including, without limitation, failure to make proper safety arrangements for the Company or its employees and liabilities arising from any accidental or continuous damage or harm to the Company's employees, its contractors, its guests and visitors as a result of an accidental or continuous event, or employment conditions, permanent or temporary, in the Company's offices.

12. Any claim or demand made directly or indirectly in connection with complete or partial failure, by the Company or its directors, officers and employees, to pay, report, keep applicable records or otherwise, of any local or foreign federal, state, county, municipal or city taxes or other taxes or compulsory payments of any nature whatsoever, including, without limitation, income, sales, use, transfer, excise, value added, registration, severance, stamp, occupation, customs, duties, real property, personal property, capital stock, social security, unemployment, disability, payroll or employee withholding or other withholding, including any interest, penalty or addition thereto, whether disputed or not.

13. Any administrative, regulatory, judicial or civil actions orders, decrees, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation by any governmental entity or other person alleging potential responsibility or liability (including potential responsibility or liability for costs of enforcement investigation, cleanup, governmental response, removal or remediation, for natural resources damages, property

damage, personal injuries or penalties or for contribution, indemnification, cost recovery, compensation or injunctive relief) arising out of, based on or related to (a) the presence of, release, spill, emission, leaning, dumping, pouring, deposit, disposal, discharge, leaching or migration into the environment (each a "**Release**") or threatened Release of, or exposure to, any hazardous, toxic, explosive or radioactive substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing material, polychlorinated biphenyls ("**PCBs**") or PCB-containing materials or equipment, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any environmental law, at any location, whether or not owned, operated, leased or managed by the Company or any of its subsidiaries, or (b) circumstances forming the basis of any violation of any environmental law or environmental permit, license, registration or other authorization required under applicable environmental law.

14. Any administrative, regulatory or judicial actions, orders, decrees, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation by any governmental or regulatory entity or authority or any other person alleging the failure to comply with any statute, law, ordinance, rule, regulation, order or decree of any governmental entity applicable to the Company or any of its businesses, assets or operations, or the terms and conditions of any operating certificate or licensing agreement.

15. Participation and/or non-participation at Company Board meetings, expression of opinion or view and/or voting and/or abstention from voting at Company Board meetings, including, in each case, any committee thereof, as well as expression of opinion publicly in connection with the service as an Office Holder.

16. Review and approval of the Company's financial statements and any specific items or matters within, including any action, consent or approval related to or arising from the foregoing, including, without limitations, engagement of or execution of certificates for the benefit of third parties related to the financial statements.

17. Violation of laws, rules or regulations requiring the Company to obtain regulatory and governmental licenses, permits and authorizations (including without limitation relating to export, import, encryption, antitrust or competition authorities) or laws related to any governmental grants in any jurisdiction.

18. Resolutions and/or actions relating to investments in the Company and/or its subsidiaries and/or affiliated companies and/or investment in corporate or other entities and/or investments in other traded or non-traded securities and/or any other form of investment.

19. Liabilities arising out of advertising, including misrepresentations regarding the Company's products or services and unlawful distribution of emails.

20. Management of the Company's bank accounts, including money management, foreign currency deposits, securities, loans and credit facilities, credit cards, bank guarantees, letters of credit, consultation agreements concerning investments including with portfolio managers, hedging transactions, options, futures, and the like.

21. All actions, consents and approvals, including any prior discussions, reviews and deliberations, relating to a distribution of dividends, in cash or otherwise, or to any other "distribution" as such term is defined under the Companies Law.

22. Any administrative, regulatory, judicial, civil or criminal, actions orders, decrees, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance, violation or breaches alleging potential responsibility, liability, loss or damage (including potential responsibility or liability for costs of enforcement, investigation, cleanup,

governmental response, removal or remediation, property damage or penalties, or for contribution, indemnification, cost recovery, compensation or injunctive relief), whether alleged or claimed by customers, consumers, regulators, shareholders or others, arising out of, based on or related to: (a) cyber security, cyber attacks, data loss or breaches, unauthorized access to information, data, or databases (including but not limited to any personally identifiable information or private health information) and use or disclosure of information contained therein, not preventing or detecting the breach or failing to otherwise disclose or respond to the breach; (b) circumstances forming the basis of any violation of any law, permit, license, registration or other authorization required under applicable law governing data security, data protection, network security, information systems, privacy or any cyber environment (including, users, networks, devices, software, processes, information systems, databases, information in storage or transit, applications, services, and systems that can be connected directly or indirectly to networks); (c) failure to implement a reporting system or control, or failure to monitor or oversee the operation of such a system; (d) data destruction, extortion, theft, hacking, and denial of service attacks; losses or liabilities to others caused by errors and omissions, failure to safeguard data or defamation; or (e) security-audit, post-incident public relations and investigative expenses, criminal reward funds, data breach/privacy crisis management (including, management of an incident, investigation, remediation, data subject notification, call management, credit checking for data subjects, legal costs, court attendance and regulatory fines), extortion liability (including, losses due to a threat of extortion, professional fees related to dealing with the extortion), or network security liability (including, losses as a result of denial of access, costs related to data on third-parties and costs related to the theft of data on third-party systems).

The Limit Amount for all Indemnifiable Persons during each relevant period referred to in Section 1.2 of the Indemnification Agreement for all events described in this Exhibit A (in Sections 1-22 (inclusive) above), shall be the greater of:

(a) twenty-five percent (25%) of the Company’s total shareholders’ equity according to the Company’s most recent financial statements as of the time of the actual payment of indemnification;

(b) US$200 million;

(c) ten percent (10%) of the Company Total Market Cap (which shall mean the average closing price of the Company’s ordinary shares over the 30 trading days prior to the actual payment of indemnification multiplied by the total number of issued and outstanding shares of the Company as of the date of actual payment); and

(d) in connection with or arising out of a public offering of the Company’s securities, the aggregate amount of proceeds from the sale by the Company and/or any shareholder of Company’s securities in such offering.

* Any reference in this Exhibit A to the Company shall include the Company and any entity in which the Indemnitee serves in a Corporate Capacity.

Exhibit 8.1

Subsidiaries of Cognyte Software Ltd.

(as of December 15, 2020)

Name	Jurisdiction of Incorporation or Organization
Cognyte Analytics India Private Limited	India
Cognyte Brasil S.A.	Brazil
Cognyte Bulgaria EOOD	Bulgaria
Cognyte Canada Inc.	Canada
Cognyte Software Inc.	Delaware
Cognyte Software México S.A. de C.V.	Mexico
Cognyte Software UK Limited	United Kingdom
Cognyte Solutions Ltd.	Israel
Cognyte Systems Ltd.	Israel
Cognyte Taiwan Ltd.	Taiwan (Republic of China)
Cognyte Technologies Israel Ltd.	Israel
Cognyte Technology Inc.	Delaware
Focal Info Israel Ltd. (In dissolution)	Israel
Gita Technologies Ltd.	Israel
Syborg GmbH	Germany
Syborg Grundbesitz GmbH	Germany
Syborg Informationsysteme b.h. OHG	Germany
UTX Technologies Limited	Cyprus
Verint Systems B.V.	The Netherlands
Verint Systems Romania S.R.L.	Romania

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form 20-F of our report dated September 24, 2020, relating to the combined financial statements of the Cognyte Business of Verint Systems, Inc.. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ Deloitte & Touche LLP

New York, New York
December 22, 2020