

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 6-K

CURRENT REPORT

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of September 2023

Commission File Number: 001-39829

COGNYTE SOFTWARE LTD.

(Translation of registrant's name into English)

**33 Maskit
Herzliya Pituach
4673333, Israel**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F ☐

EXPLANATORY NOTE

On September 12, 2023, Cognyte Software Ltd. (the “Company”) issued a press release titled “Cognyte Announces Second Quarter Fiscal 2024 Results.” A copy of this press release is attached to this Form 6-K as Exhibit 99.1.

Other than as indicated below, the information in this Form 6-K (including in Exhibit 99.1) shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act.

The financial information prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) contained in the (i) condensed consolidated statements of operations, (ii) condensed consolidated balance sheets and (iii) condensed consolidated statements of cash flows and included in the press release attached as Exhibit 99.1 hereto is hereby incorporated by reference into the Company’s Registration Statement on Form S-8 (File No. 333-252565).

EXHIBIT INDEX

Exhibit Number

Description

99.1

Press Release of Cognyte Software Ltd., dated September 12, 2023 (furnished herewith).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COGNYTE SOFTWARE LTD.

Date: September 12, 2023

By: /s/ David Abadi

Name: David Abadi

Title: Chief Financial Officer



Press Release

Investor Relations Contact

Dean Ridlon
Cognyte Software Ltd.
IR@cognyte.com

Cognyte Announces Second Quarter Fiscal 2024 Results

Increases Full-Year Outlook

Herzliya, Israel, September 12, 2023 - Cognyte Software Ltd. (NASDAQ: CGNT) (the "Company," "Cognyte," "we," "us" and "our"), a global leader in investigative analytics software, today announced results for the three and six months ended July 31, 2023 ("Q2 FYE24" and "H1 FYE24").

Q2 FYE24 Highlights

(in thousands, except per share data)	Three Months Ended July 31, 2023	
	GAAP	Non-GAAP
Revenue	\$77,053	\$77,053
Gross Margin	68.7%	69.2%
Diluted EPS	\$(0.13)	\$(0.09)

H1 FYE24 Highlights

(in thousands, except per share data)	Six Months Ended July 31, 2023	
	GAAP	Non-GAAP
Revenue	\$150,319	\$150,431
Gross Margin	68.3%	68.8%
Diluted EPS	\$(0.26)	\$(0.32)

"I'm pleased to report solid Q2 results and that our positive momentum continues. We won deals with existing and new strategic customers who recognize the strength of our innovative technology and the value it delivers. Given the Q2 results, we are raising our outlook for the year for non-GAAP revenue, gross margin and EPS. Looking beyond FYE 24, we believe that our innovative technology, combined with recent AI developments and our large customer base, position us well for continued growth," said Elad Sharon, Cognyte's chief executive officer.

"For the full year, we expect gross profit to grow faster than revenue, at more than 15 percent year over year on an SIS Adjusted non-GAAP basis. We also expect to have annual positive Adjusted EBITDA of about \$2M at the mid-point of the revenue range, as a result of Q2 positive Adjusted EBITDA and our expectations for the second half of the year," said David Abadi, Cognyte's chief financial officer.

Updated FYE24 Outlook

Our non-GAAP outlook for the year ending January 31, 2024 ("FYE24" and "Fiscal 2024") is as follows:

- **Revenue:** \$307 million at the midpoint with a range of +/- 2%, approximately 8.5% growth from previous year SIS Adjusted non-GAAP revenue.
- **Diluted EPS:** Loss of \$0.33 at the midpoint of our revenue outlook.

Our non-GAAP outlook for FYE24, excludes the following GAAP measures which we are able to quantify with reasonable certainty, as described further below under "Supplemental Information About non-GAAP Financial Measures and Operating Metrics":

- Amortization of intangible assets of approximately \$0.4 million.

Our non-GAAP outlook for FYE24 excludes the following GAAP measures for which we are able to provide a range of probable significance:

- Stock-based compensation is expected to be between approximately \$11.0 million and \$13.0 million, assuming market prices for our ordinary shares are generally consistent with current levels.

For additional information about our expectations for FYE24, please refer to the Q2 FYE24 conference call we will conduct on September 12, 2023.

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

We are unable, without unreasonable effort, to provide a reconciliation for other GAAP measures which are excluded from our non-GAAP outlook, including the impact of future business acquisitions or acquisition expenses, future restructuring expenses, and non-GAAP income tax adjustments due to the level of unpredictability and uncertainty associated with these items. For these same reasons, we are unable to assess the probable significance of these excluded items. While historical results may not be indicative of future results, actual amounts for the three and six months ended July 31, 2023, and 2022, respectively, for the GAAP measures excluded from our non-GAAP outlook appear in Table 4 of this press release.

Conference Call Information

We will conduct a conference call today at 8:30 a.m. ET to discuss our results for the three months ended July 31, 2023. A real-time webcast of the conference call with presentation slides will be available in the Investor Relations section of Cognyte's website. Those interested in participating in the question-and-answer session need to register at:

<https://register.vevent.com/register/BI9c020cc431124a5f96f75ef260777cd2> to receive the dial-in numbers and unique PIN to access the call seamlessly. It is recommended that you join 10 minutes prior to the event start (although you may register and dial in at any time during the call). An archived webcast of the conference call will also be available in the "Investors" section of the company's website.

About Non-GAAP Financial Measures

This press release and the accompanying tables include non-GAAP financial measures. For a description of these non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of non-GAAP financial measures presented for completed periods to the most directly comparable financial measures prepared in accordance with GAAP, please see the tables below as well as "Supplemental Information About Non-GAAP Financial Measures" at the end of this press release.

About Cognyte Software Ltd.

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

Caution About Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the United States Securities Exchange Act of 1934. Forward-looking statements include statements regarding expectations, predictions, views, opportunities, plans, strategies, beliefs, and statements of similar effect relating to Cognyte. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements. These forward-looking statements do not guarantee future performance and are based on management's expectations that involve a number of known and unknown risks, uncertainties, assumptions and other important factors, any of which could cause our actual results or conditions to differ materially from those expressed in or implied by the forward-looking statements. Some of the factors that could cause our actual results or conditions to differ materially from current expectations include, among others: uncertainties regarding the impact of changes in macroeconomic and/or global conditions; risks related to the impact of inflation and related volatility on our financial performance; risks related to the impact of disruptions to the global supply chain; risks relating to the global regulatory constraints to which we are subject; risks associated with political and reputational factors related to our business or operations; risks related to claims by third parties that our solutions infringe their terms of use or other propriety rights; 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 associated with larger orders and customer concentration; risks associated with our ability to keep pace with technological advances and challenges and evolving industry standards; risks related to our relationships with and reliance on third parties for certain components, products, or services; risks due to aggressive competition in all of our markets; challenges associated with selling sophisticated solutions, risks associated with customer concentration, including risks related to significant amounts of our business coming from government customers around the world; risks associated with our ability or costs to retain, recruit, and train qualified personnel in regions in which we operate; risks relating to our ability to properly manage investments in our business and operations; risks associated with acquisitions, strategic investments, partnerships or alliances; risk of security vulnerabilities or lapses, including cyber-attacks, information technology system breaches, failures or disruptions; risks associated with the mishandling or perceived mishandling of sensitive, confidential or classified information; risks associated with our failure to comply with anti-corruption, trade compliance, anti-money-laundering and economic sanctions laws and regulations; risks associated with our credit facilities, or that we may experience liquidity or working capital issues and related risks that financing sources may be unavailable to us on reasonable terms; risks associated with changing tax laws and regulations; risks associated with our significant international operations; risks associated with market volatility in the price of our shares; risks associated with complex and changing regulatory environments relating to our operations and the markets we operate in; risks relating to the adequacy of our existing infrastructure, systems, processes, policies, procedures, internal controls, and personnel for our current and future operations and reporting needs; risks related to our limited operating history as an independent public company; risk that the spin-off does not achieve the benefits anticipated, does not qualify as a tax-free transaction, or exposes us to unexpected claims or liabilities or that it negatively impacts our operations or stock price; risks associated with different corporate governance requirements applicable to Israeli companies; and other risks set forth and in Section 3.D - "Risk Factors" in our

latest annual report on Form 20-F for the fiscal year ended January 31, 2023, which has been filed with the Securities and Exchange Commission (the “SEC”), along with other documents submitted to the SEC, on April 11, 2023. In addition, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time. It is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements that we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this release are inherently uncertain and may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Accordingly, you should not rely upon forward-looking statements as predictions of future events. Any forward-looking statement made in this press release speaks only as of the date hereof. Except as otherwise required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances, or any other reason.

Table 1
COGNYTE SOFTWARE LTD.
Condensed Consolidated Statements of Operations
(Unaudited)

(in thousands except share and per share data)	Six Months Ended July 31,		Three Months Ended July 31,	
	2023	2022	2023	2022
Revenue:				
Software	\$ 51,892	\$ 51,903	\$ 26,520	\$ 27,019
Software service	81,313	91,269	40,220	45,437
Professional service and other	17,114	24,375	10,313	8,649
Total revenue	150,319	167,547	77,053	81,105
Cost of revenue:				
Software	7,217	9,017	3,880	4,099
Software service	22,641	25,397	11,569	13,254
Professional service and other	17,745	29,720	8,657	12,151
Amortization of acquired technology	—	341	—	170
Total cost of revenue	47,603	64,475	24,106	29,674
Gross profit	102,716	103,072	52,947	51,431
Operating expenses:				
Research and development, net	54,850	76,526	27,103	38,547
Selling, general and administrative	60,110	82,445	31,310	39,043
Amortization of other acquired intangible assets	181	502	91	251
Total operating expenses	115,141	159,473	58,504	77,841
Operating loss	(12,425)	(56,401)	(5,557)	(26,410)
Other income (expense), net:				
Interest income	763	340	394	193
Interest expense	(10)	(789)	(7)	(340)
Other income (expense), net	836	202	(108)	(827)
Total other income (expense), net	1,589	(247)	279	(974)
Loss before provision for income taxes	(10,836)	(56,648)	(5,278)	(27,384)
Provision for income taxes	5,105	447	3,236	312
Net loss	(15,941)	(57,095)	(8,514)	(27,696)
Net income attributable to noncontrolling interest	2,238	2,147	912	1,178
Net loss attributable to Cognyte Software Ltd.	\$ (18,179)	\$ (59,242)	\$ (9,426)	\$ (28,874)
Net loss per share attributable to Cognyte Software Ltd.:				
Basic and diluted	<u>(0.26)</u>	<u>(0.88)</u>	<u>(0.13)</u>	<u>(0.43)</u>
Weighted-average shares outstanding:				
Basic and diluted	<u>69,528</u>	<u>67,494</u>	<u>70,134</u>	<u>67,677</u>

Table 2
COGNYTE SOFTWARE LTD.
Condensed Consolidated Balance Sheets

(in thousands)	July 31, 2023 (Unaudited)	January 31, 2023 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 48,472	\$ 34,579
Restricted cash and cash equivalents and restricted bank time deposits	4,362	4,359
Short-term investments	23,996	17,507
Accounts receivable, net of allowance for credit losses of \$2.3 million and \$1.6 million, respectively	97,809	113,201
Contract assets, net	11,728	17,476
Inventories	26,683	25,263
Prepaid expenses and other current assets	32,463	39,339
Total current assets	245,513	251,724
Property and equipment, net	25,633	25,874
Operating lease right-of-use assets	14,648	17,559
Goodwill	126,658	126,487
Intangible assets, net	469	650
Deferred income taxes	702	823
Other assets	19,937	19,961
Total assets	\$ 433,560	\$ 443,078
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 21,042	\$ 20,677
Accrued expenses and other current liabilities	76,467	78,297
Contract liabilities	98,207	94,882
Total current liabilities	195,716	193,856
Long-term contract liabilities	13,902	14,382
Deferred income taxes	3,123	3,031
Operating lease liabilities	7,176	10,368
Other liabilities	11,023	11,667
Total liabilities	230,940	233,304
Commitments and Contingencies		
Stockholders' equity:		
Common stock - \$0 par value; Authorized 300,000,000 shares. Issued and outstanding 70,317,792 and 68,842,601 at July 31, 2023 and January 31, 2023, respectively	—	—
Additional paid-in capital	347,558	338,465
Accumulated deficit	(147,201)	(129,022)
Accumulated other comprehensive loss	(15,364)	(15,314)
Total Cognyte Software Ltd. stockholders' equity	184,993	194,129
Noncontrolling interest	17,627	15,645
Total stockholders' equity	202,620	209,774
Total liabilities and stockholders' equity	\$ 433,560	\$ 443,078

Table 3
COGNYTE SOFTWARE LTD.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	Six months ended July 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (15,941)	\$ (57,095)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,855	9,092
Allowance for credit losses	769	415
Loss from business divestiture	23	—
Stock-based compensation, excluding cash-settled awards	4,628	11,463
Provision from deferred income taxes	124	(60)
Non-cash losses on derivative financial instruments, net	(291)	(222)
Other non-cash items, net	646	(326)
Changes in operating assets and liabilities:		
Accounts receivable	23,300	44,733
Contract assets	(3,826)	(4,409)
Inventories	(2,463)	(7,715)
Prepaid expenses and other assets	6,545	(2,535)
Accounts payable and accrued expenses	1,683	(23,809)
Contract liabilities	2,666	1,911
Other liabilities	785	1,395
Other, net	(258)	(330)
Net cash provided by (used in) operating activities	25,245	(27,492)
Cash flows from investing activities:		
Purchases of property and equipment	(3,618)	(4,795)
Purchases of short-term investments	(38,904)	(28,438)
Maturities and sales of short-term investments	32,156	21,210
Settlements of derivative financial instruments not designated as hedges	(359)	153
Cash paid for capitalized software development costs	(1,108)	(1,695)
Proceeds from Business divestiture, net of cost	386	—
Change in restricted bank time deposits, including long-term portion	(105)	150
Other investing activities	—	2
Net cash used in investing activities	(11,552)	(13,413)
Cash flows from financing activities:		
Repayment from credit facility - presented as short term loan	—	(80,000)
Net cash used in financing activities	—	(80,000)
Foreign currency effects on cash, cash equivalents, restricted cash, and restricted cash equivalents	35	(101)
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	13,728	(121,006)
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period	39,044	158,220
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period	\$ 52,772	\$ 37,214
Reconciliation of cash, cash equivalents, restricted cash and restricted cash equivalents at end of period:		
Cash and cash equivalents	\$ 48,472	\$ 32,884
Restricted cash and cash equivalents included in restricted cash and cash equivalents and restricted bank time deposits	4,200	4,146
Restricted cash and cash equivalents included in other assets	100	184
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	\$ 52,772	\$ 37,214

Table 4
COGNYTE SOFTWARE LTD.
Reconciliation of GAAP to Non-GAAP Measures
(Unaudited)

(in thousands, except per share data)	Six Months Ended July 31,		Three Months Ended July 31,	
	2023	2022	2023	2022
Revenue				
Total GAAP revenue	\$ 150,319	\$ 167,547	\$ 77,053	\$ 81,105
Revenue adjustments	112	488	—	244
Total non-GAAP revenue	\$ 150,431	\$ 168,035	\$ 77,053	\$ 81,349
Gross profit and gross margin				
GAAP gross profit	102,716	103,072	52,947	51,431
GAAP gross margin	68.3 %	61.5 %	68.7 %	63.4 %
Non-GAAP adjustments	803	2,616	378	1,511
Non-GAAP gross profit	\$ 103,519	\$ 105,688	\$ 53,325	\$ 52,942
Non-GAAP gross margin	68.8 %	62.9 %	69.2 %	65.1 %
Research and development, net				
GAAP research and development, net	54,850	76,526	27,103	38,547
As a percentage of GAAP revenue	36.5 %	45.7 %	35.2 %	47.5 %
Stock-based compensation expenses	(1,098)	(3,702)	(626)	(1,877)
Other adjustments	(143)	(931)	(64)	(933)
Non-GAAP research and development, net	\$ 53,609	\$ 71,893	\$ 26,413	\$ 35,737
As a percentage of non-GAAP revenue	35.6 %	42.8 %	34.3 %	43.9 %
Selling, general and administrative expenses				
GAAP selling, general and administrative expenses	60,110	82,445	31,310	39,043
As a percentage of GAAP revenue	40.0 %	49.2 %	40.6 %	48.1 %
Stock-based compensation expenses	(2,945)	(6,290)	(1,815)	(3,667)
Restructuring expenses, net	(1,483)	(2,666)	(1,364)	(692)
Other adjustments	680	(180)	(291)	(32)
Non-GAAP selling, general and administrative expenses	\$ 56,362	\$ 73,309	\$ 27,840	\$ 34,652
As a percentage of non-GAAP revenue	37.5 %	43.6 %	36.1 %	42.6 %
Operating loss, operating margin and adjusted EBITDA				
GAAP Operating loss	(12,425)	(56,401)	(5,557)	(26,410)
GAAP operating margin	(8.3) %	(33.7) %	(7.2) %	(32.6) %
Amortization of other acquired intangible assets	181	502	91	251
Stock-based compensation expenses	4,628	11,463	2,713	6,358
Restructuring expenses, net	1,732	3,915	1,534	1,908
Separation (income) expenses, net	(921)	42	103	10
Business divestiture	186	—	186	—
Other adjustments	167	965	2	436
Non-GAAP operating loss	\$ (6,452)	\$ (39,514)	\$ (928)	\$ (17,447)
Depreciation and amortization	6,502	8,211	3,255	4,305
Adjusted EBITDA	\$ 50	\$ (31,303)	\$ 2,327	\$ (13,142)

(in thousands, except per share data)	Six Months Ended July 31,		Three Months Ended July 31,	
	2023	2022	2023	2022
Non-GAAP operating margin	(4.3)%	(23.5)%	(1.2)%	(21.4)%
Adjusted EBITDA margin	0.0 %	(18.6)%	3.0 %	(16.2)%
Other income (expense) reconciliation				
GAAP other income (expense), net	1,589	(247)	279	(974)
Change in fair value of equity investment	—	(1,660)	—	—
Business divestiture	165	—	4	—
Non-GAAP other income (expense), net	\$ 1,754	\$ (1,907)	\$ 283	\$ (974)
Tax provision reconciliation				
GAAP provision for income taxes	5,105	447	3,236	312
Effective income tax rate	(47.1)%	(0.8)%	(61.3)%	(1.1)%
Non-GAAP tax adjustments	10,291	12,325	1,597	(17,060)
Non-GAAP provision for income taxes (1)	\$ 15,396	\$ 12,772	\$ 4,833	\$ (16,748)
Non-GAAP effective income tax rate	(327.7)%	(30.8)%	(749.3)%	90.9%
Net loss attributable to Cognyte Software Ltd. reconciliation				
GAAP Net loss attributable to Cognyte Software Ltd.	\$ (18,179)	\$ (59,242)	\$ (9,426)	\$ (28,874)
Revenue adjustments	112	488	—	244
Amortization of acquired technology	—	341	—	170
Amortization of other acquired intangible assets	181	502	91	251
Stock-based compensation expenses	4,628	11,463	2,713	6,358
Restructuring expenses, net	1,732	3,915	1,534	1,908
Non-GAAP tax adjustments	(10,291)	(12,325)	(1,597)	17,060
Other Non-GAAP adjustments	(515)	(1,482)	295	32
Total adjustments	(4,153)	2,902	3,036	26,023
Non-GAAP net loss attributable to Cognyte Software Ltd.	\$ (22,332)	\$ (56,340)	\$ (6,390)	\$ (2,851)

Table comparing GAAP diluted net loss per share attributable to Cognyte Software Ltd. and Non-GAAP diluted net loss per share attributable to Cognyte Software Ltd.

GAAP diluted net loss per share attributable to Cognyte Software Ltd.	\$ (0.26)	\$ (0.88)	\$ (0.13)	\$ (0.43)
Non-GAAP diluted net loss per share attributable to Cognyte Software Ltd.	\$ (0.32)	\$ (0.83)	\$ (0.09)	\$ (0.04)
GAAP weighted-average shares used in computing diluted net loss per share attributable to Cognyte Software Ltd.	69,528	67,494	70,134	67,677
Additional weighted-average shares applicable to non-GAAP diluted net income per share attributable to Cognyte Software Ltd.	—	—	—	—
Non-GAAP diluted weighted-average shares used in computing net loss per share attributable to Cognyte Software Ltd.	69,528	67,494	70,134	67,677

Table of reconciliation from GAAP net loss attributable to Cognyte Software Ltd. to adjusted EBITDA

GAAP Net loss attributable to Cognyte Software Ltd.	\$ (18,179)	\$ (59,242)	\$ (9,426)	\$ (28,874)
As a percentage of GAAP revenue	(12.1)%	(35.4)%	(12.2)%	(35.6)%
Net income attributable to noncontrolling interest	2,238	2,147	912	1,178
GAAP provision for income taxes	5,105	447	3,236	312

(in thousands, except per share data)	Six Months Ended July 31,		Three Months Ended July 31,	
	2023	2022	2023	2022
GAAP other (income) expense, net	(1,589)	247	(279)	974
Amortization of acquired technology	—	341	—	170
Amortization of other acquired intangible assets	181	502	91	251
Depreciation and amortization	6,502	8,211	3,255	4,305
Revenue adjustments	112	488	—	244
Stock-based compensation expenses	4,628	11,463	2,713	6,358
Acquisition expenses (benefit), net	(10)	97	—	12
Restructuring expenses, net	1,732	3,915	1,534	1,908
Separation (income) expenses, net	(921)	42	103	10
Provision for legal claim	—	37	—	7
Business divestiture	186	—	186	—
Other adjustments	65	2	2	3
Adjusted EBITDA	\$ 50	\$ (31,303)	\$ 2,327	\$ (13,142)
As a percentage of non-GAAP revenue	0.0 %	(18.6) %	3.0 %	(16.2) %

Table 5
COGNYTE SOFTWARE LTD.
Reconciliation of Non-GAAP to SIS Adjusted Non-GAAP Measures
(Unaudited)

(in thousands)	Six Months Ended July 31,		Three Months Ended July 31,	
	2023	2022	2023	2022
Revenue				
Total non-GAAP revenue	\$ 150,431	\$ 168,035	\$ 77,053	\$ 81,349
SIS revenue adjustments	—	(17,668)	—	(8,492)
Total SIS Adjusted non-GAAP revenue	\$ 150,431	\$ 150,367	\$ 77,053	\$ 72,857
Gross profit and gross margin				
Non-GAAP gross profit	103,519	105,688	53,325	52,942
Non-GAAP gross margin	68.8 %	62.9 %	69.2 %	65.1 %
SIS adjustments	—	(11,833)	—	(5,798)
SIS Adjusted non-GAAP gross profit	\$ 103,519	\$ 93,855	\$ 53,325	\$ 47,144
SIS Adjusted non-GAAP gross margin	68.8 %	62.4 %	69.2 %	64.7 %
Research and development, net				
Non-GAAP research and development, net	53,609	71,893	26,413	35,737
As a percentage of non-GAAP revenue	35.6 %	42.8 %	34.3 %	43.9 %
SIS adjustments	—	(5,837)	—	(2,813)
SIS Adjusted non-GAAP research and development, net	\$ 53,609	\$ 66,056	\$ 26,413	\$ 32,924
As a percentage of SIS Adjusted non-GAAP revenue	35.6 %	43.9 %	34.3 %	45.2 %
Selling, general and administrative expenses				
Non-GAAP selling, general and administrative expenses	56,362	73,309	27,840	34,652
As a percentage of non-GAAP revenue	37.5 %	43.6 %	36.1 %	42.6 %
SIS adjustments	—	(4,883)	—	(2,195)
SIS Adjusted non-GAAP selling, general and administrative expenses	\$ 56,362	\$ 68,426	\$ 27,840	\$ 32,457
As a percentage of SIS Adjusted non-GAAP revenue	37.5 %	45.5 %	36.1 %	44.5 %
Operating loss and operating margin				
Non-GAAP operating loss	(6,452)	(39,514)	(928)	(17,447)
Non-GAAP operating margin	(4.3) %	(23.5) %	(1.2) %	(21.4) %
SIS adjustments	—	(1,114)	—	(791)
SIS Adjusted non-GAAP operating loss	\$ (6,452)	\$ (40,628)	\$ (928)	\$ (18,238)
SIS Adjusted non-GAAP operating margin	(4.3) %	(27.0) %	(1.2) %	(25.0) %

Table 6
COGNYTE SOFTWARE LTD.
Calculation of Change in Revenue on a Constant Currency Basis
(Unaudited)

(in thousands)	GAAP Revenue		Non-GAAP Revenue	
	Six Months Ended	Three Months Ended	Six Months Ended	Three Months Ended
Revenue for the three and six months ended July 31, 2022	\$ 167,547	\$ 81,105	\$ 168,035	\$ 81,349
Revenue for the three and six months ended July 31, 2023	\$ 150,319	\$ 77,053	\$ 150,431	\$ 77,053
Revenue for the three and six months ended July 31, 2023 at constant currency (2)	\$ 149,500	\$ 76,000	\$ 149,500	\$ 76,000
Reported period-over-period revenue change	(10.3)%	(5.0)%	(10.5)%	(5.3)%
% impact from change in foreign currency exchange rates	(0.6)%	(1.3)%	(0.6)%	(1.3)%
Constant currency period-over-period revenue change	(10.9)%	(6.3)%	(11.1)%	(6.5)%

For more information see "Supplemental Information About Constant Currency" at the end of this press release.

Footnotes

(1) The actual cash tax paid, net of refunds, was \$3.1 million and \$2.1 million for the six and three months ended July 31, 2023, respectively and \$7.8 million and \$4.8 million for the six and three months ended July 31, 2022, respectively.

(2) Revenue for the three and six months ended July 31, 2023, at constant currency is calculated by translating current-period GAAP or non-GAAP foreign currency revenue (as applicable) into U.S. dollars using average foreign currency exchange rates for the three and six months ended July 31, 2022, rather than actual current-period foreign currency exchange rates.

Cognyte Software Ltd. and Subsidiaries

Supplemental Information About Non-GAAP Financial Measures

The press release includes reconciliations of certain financial measures not prepared in accordance with GAAP, consisting of non-GAAP revenue, non-GAAP gross profit and gross margins, non-GAAP research and development expenses, net, non-GAAP selling, general and administrative expenses, non-GAAP operating loss and operating margins, non-GAAP other income (expense), net, non-GAAP provision for income taxes and non-GAAP effective income tax rate, non-GAAP net loss attributable to Cognyte, adjusted EBITDA and adjusted EBITDA margin, non-GAAP diluted net loss per share attributable to Cognyte and non-GAAP diluted weighted-average shares used in computing such measure. The tables above include a reconciliation of each non-GAAP financial measure for completed periods presented in this press release to the most directly comparable GAAP financial measure.

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

- facilitating the comparison of our financial results and business trends between periods, by excluding certain items that either can vary significantly in amount and frequency, are based upon subjective assumptions, or in certain cases are unplanned for or difficult to forecast,
- facilitating the comparison of our financial results and business trends with other software companies who publish similar non-GAAP measures, and
- allowing investors to see and understand key supplementary metrics used by our management to run our business, including for budgeting and forecasting, resource allocation, and compensation matters.

We also make these non-GAAP financial measures available because our management believes they provide meaningful information about the financial performance of our business and are useful to investors for informational and comparative purposes.

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

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

Revenue adjustments. We exclude from our non-GAAP revenue the impact of fair value adjustments required under GAAP relating to software and software service revenue and professional service and other revenue acquired in a business acquisition, which would have otherwise been recognized on a stand-alone basis. We believe that it is useful for investors to understand the total amount of revenue that we and the acquired company would have recognized on a stand-alone basis under GAAP, absent the accounting adjustment associated with the business acquisition. We believe that our non-GAAP revenue measure helps management and investors understand our revenue trends and serves as a useful measure of ongoing business performance.

Amortization of acquired technology and other acquired intangible assets. When we acquire an entity, we are required under GAAP to record the fair values of the intangible assets of the acquired entity and amortize those

assets over their useful lives. We exclude the amortization of acquired intangible assets, including acquired technology, from our non-GAAP financial measures because they are inconsistent in amount and frequency and are significantly impacted by the timing and size of acquisitions. We also exclude these amounts to provide easier comparability of pre and post-acquisition operating results.

Stock-based compensation expenses. We exclude stock-based compensation expenses related to restricted stock awards, stock bonus programs, bonus share programs, and other stock-based awards from our non-GAAP financial measures. We evaluate our performance both with and without these measures because stock-based compensation is typically a non-cash expense and can vary significantly over time based on the timing, size and nature of awards granted, and is influenced in part by certain factors which are generally beyond our control, such as the volatility of the price of our ordinary shares. In addition, measurement of stock-based compensation is subject to varying valuation methodologies and subjective assumptions, and therefore we believe that excluding stock-based compensation from our non-GAAP financial measures allows for meaningful comparisons of our current operating results to our historical operating results and to other companies in our industry.

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

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

Separation expenses. On December 4, 2019, Verint announced its intention to separate into two independent publicly traded companies: Cognyte Software Ltd., which consists of Verint's Cyber Intelligence Solutions business, and Verint Systems Inc., which consists of its Customer Engagement Business. We incurred significant expenses to separate the aforesaid businesses, including third-party advisory, accounting, legal, consulting, and other similar services related to the separation as well as costs associated with accelerated depreciation and amortization of assets which became obsolete following the separation from Verint, including those related to human resources, brand management, real estate, and information technology to the extent not capitalized. These costs are incremental to our normal operating expenses and incurred solely as a result of the separation transaction. Accordingly, we are excluding these separation expenses from our non-GAAP financial measures in order to evaluate our performance on a comparable basis.

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

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

Other adjustments. We exclude from our non-GAAP financial measures rent expense for redundant facilities, gains on change in fair value of equity investment, gains or losses on sales of property and certain professional fees unrelated to our ongoing operations.

Non-GAAP income tax adjustments. We exclude our GAAP provision (benefit) for income taxes from our non-GAAP measures of net income attributable to Cognyte Software Ltd., and instead include a non-GAAP provision for income taxes, determined by applying a non-GAAP effective income tax rate to our income before provision for

income taxes, as adjusted for the non-GAAP items described above. The non-GAAP effective income tax rate is generally based upon the income taxes we expect to pay in the reporting year. Our GAAP effective income tax rate can vary significantly from year to year as a result of tax law changes, settlements with tax authorities, changes in the geographic mix of earnings including acquisition activity, changes in the projected realizability of deferred tax assets, and other unusual or period-specific events, all of which can vary in size and frequency. We believe that our non-GAAP effective income tax rate removes much of this variability and facilitates meaningful comparisons of operating results across periods. We evaluate our non-GAAP effective income tax rate on an ongoing basis, and it can change from time to time. Our non-GAAP income tax rate can differ materially from our GAAP effective income tax rate.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure defined as net income (loss) attributable to non-controlling interest before interest expense, interest income, income taxes, depreciation expense, amortization expense, revenue adjustments, restructuring expenses, acquisition expenses, and other expenses excluded from our non-GAAP financial measures as described above. We believe that adjusted EBITDA is also commonly used by investors to evaluate operating performance between companies because it helps reduce variability caused by differences in capital structures, income taxes, stock-based compensation accounting policies, and depreciation and amortization policies. Adjusted EBITDA is also used by credit rating agencies, lenders, and other parties to evaluate our creditworthiness.

SIS Adjusted Non-GAAP

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

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

Supplemental Information About Constant Currency

Because we operate on a global basis and transact business in many currencies, fluctuations in foreign currency exchange rates can affect our consolidated U.S. dollar operating results. To facilitate the assessment of our performance excluding the effect of foreign currency exchange rate fluctuations, we calculate our GAAP and non-GAAP revenue, cost of revenue, and operating expenses on both an as-reported basis and a constant currency basis, allowing for comparison of results between periods as if foreign currency exchange rates had remained constant. We perform our constant currency calculations by translating current-period foreign currency results into U.S. dollars using prior-period average foreign currency exchange rates or hedge rates, as applicable, rather than current period exchange rates. We believe that constant currency measures, which exclude the impact of changes in foreign currency exchange rates, facilitate the assessment of underlying business trends.

Unless otherwise indicated, our financial outlook for each of revenue, operating margin, and diluted earnings per share, which is provided on a non-GAAP basis, reflects foreign currency exchange rates approximately consistent with rates in effect when the outlook is provided.

We also incur foreign exchange gains and losses resulting from the revaluation and settlement of monetary assets and liabilities that are denominated in currencies other than the entity's functional currency. Our financial outlook for diluted earnings per share includes net foreign exchange gains or losses incurred to date, if any, but does not include potential future gains or losses.