

VERINT SYSTEMS INC
Form DEF 14A
May 09, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:
 Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

VERINT
SYSTEMS
INC.
(Name of
Registrant
as
Specified
In Its
Charter)

(Name of
Person(s)
Filing
Proxy
Statement,
if other
than the
Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

Edgar Filing: VERINT SYSTEMS INC - Form DEF 14A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

175 Broadhollow Road
Melville, New York 11747

Letter from our Chairman
May 9, 2018

Dear Verint Stockholder:

Verint was founded on a vision of Actionable Intelligence - helping organizations to capture data, analyze it, and turn it into actionable insights. Powered by this vision, we have enjoyed many years of strong growth and today more than 10,000 customers, including over 85% of the Fortune 100, as well as leading government agencies around the world, rely on Verint as a trusted partner.

From a business perspective, over the last two years, we have undertaken a significant transition of the company to increase our operational agility and to address growth trends in our industry. We initiated this transition during 2016 (the fiscal year ended January 31, 2017, or “FYE 2017”) and completed it during 2017 (the fiscal year ended January 31, 2018, or “FYE 18”), including the following:

Completion of our multi-year operational agility initiative, including transitioning from three business segments to two, strengthening our segment management teams, aligning compensation plans to segment objectives, and laser focused execution on the unique needs of our customers in each segment.

Strong innovation across our Actionable Intelligence portfolio, including many new solutions and new capabilities designed to leverage new technologies in advanced data mining, artificial intelligence, automation, cloud, and mobile. These accomplishments, together with strong execution and financial discipline, drove an approximately 7% year-over-year increase in our revenues as well as margin expansion, with a substantial improvement in our GAAP and non-GAAP earnings per share. The completion of this transition is also evident in our guidance for another year of growth in the fiscal year ending January 31, 2019 (“FYE 19”).

From a corporate governance perspective, we made significant enhancements to our shareholder engagement program this year, further expanding and deepening the level of engagement we have traditionally had with our shareholders. We have also made a number of key modifications to our executive compensation program in response to the feedback we received from shareholders, and have refreshed the composition of our Board of Directors with the addition of two new directors since the fall of 2016.

I would like to take this opportunity to invite you to attend our 2018 Annual Meeting of Stockholders, which will be held on Thursday, June 21, 2018, at 11:00 A.M. Eastern Time at the Hilton Garden Inn, 1575 Round Swamp Road, Plainview, New York 11803. Whether or not you plan to attend the meeting, we encourage you to read the proxy materials and to vote. You can find additional information about our business performance for the year in our Annual Report on Form 10-K, which accompanies this proxy statement.

On behalf of the Board of Directors, I would like to express our appreciation for your continued support of Verint.

Sincerely,

Dan Bodner
Chairman and Chief Executive Officer

Verint Systems Inc.
175 Broadhollow Road
Melville, New York 11747

NOTICE OF 2018 ANNUAL MEETING OF STOCKHOLDERS

Date and Time	Location
June 21, 2018 11:00 a.m. Eastern Time	Hilton Garden Inn 1575 Round Swamp Road Plainview, New York 11803

PROPOSALS TO BE VOTED ON AT THE MEETING

Proposal	Board Recommendation
Elect seven directors to serve until the 2019 Annual Meeting of Stockholders	FOR
Advisory vote to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the current fiscal year	FOR
Advisory vote to approve the compensation of our named executive officers (say-on-pay)	FOR

Other matters that are properly brought before the meeting may also be considered.

Stockholders at the close of business on April 30, 2018 are entitled to vote.

Please vote your shares before the meeting, even if you plan to attend the meeting.

Your broker will not be able to vote your shares on the election of directors or the say-on-pay proposals unless you have given your broker instructions to do so.

By Order of the Board of Directors,

Jonathan Kohl
Senior Vice President, General Counsel - Corporate & Securities, and Corporate Secretary
May 9, 2018

Instructions on How to Vote

If you are a registered holder
(you hold shares directly with our
transfer agent)

If you are a beneficial holder
(you hold shares through a bank, broker, or other nominee)

You can vote online, by phone, or
by completing and mailing the
attached proxy card.

You should use the voting instructions and materials provided to you by your
bank, broker, or other nominee (which may also include instructions for voting
online, by phone, or by completing and mailing a voting instruction card)

Important Notice of the Internet Availability of Proxy Materials

The Proxy Statement and our Annual Report for the year ended January 31, 2018 are available to stockholders at
www.proxyvote.com.

TABLE OF CONTENTS

	Page
<u>PROXY STATEMENT</u>	1
<u>PROPOSAL NO. 1</u>	2
<u>PROPOSAL NO. 2</u>	5
<u>PROPOSAL NO. 3</u>	6
<u>OTHER MATTERS</u>	8
<u>CORPORATE GOVERNANCE</u>	9
<u>EXECUTIVE OFFICERS</u>	14
<u>EXECUTIVE COMPENSATION</u>	15
<u>DIRECTOR COMPENSATION</u>	49
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	51
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	52
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	53
<u>CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS</u>	53
<u>AUDIT MATTERS</u>	55
<u>REPORT OF THE AUDIT COMMITTEE</u>	56
<u>QUESTIONS AND ANSWERS ABOUT THE 2018 ANNUAL MEETING</u>	57
<u>STOCKHOLDER PROPOSALS FOR THE 2019 ANNUAL MEETING</u>	61
<u>SOLICITATION OF PROXIES</u>	62
<u>ANNUAL REPORT</u>	62
<u>APPENDIX A - SUPPLEMENTAL INFORMATION REGARDING NON-GAAP FINANCIAL MEASURES</u>	63
<u>DIRECTIONS TO MEETING</u>	65
<u>FORM OF PROXY CARD</u>	66

PROXY STATEMENT

The enclosed proxy is solicited on behalf of the board of directors (the “Board”) of Verint Systems Inc. (“Verint” or the “company”) in connection with our Annual Meeting of Stockholders (the “2018 Annual Meeting”) to be held on Thursday, June 21, 2018, at 11:00 a.m. Eastern Time or any adjournment or postponement of this meeting.

The 2018 Annual Meeting will be held at the Hilton Garden Inn, 1575 Round Swamp Road, Plainview, New York 11803. Directions to the 2018 Annual Meeting can be found at the back of this proxy statement.

Pursuant to rules adopted by the Securities and Exchange Commission (“SEC”), we have elected to provide electronic access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the “Notice”) to our record and beneficial stockholders. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or to request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice. In addition, stockholders may request to receive proxy materials electronically by email on an ongoing basis. We encourage you to take advantage of the availability of the proxy materials on the Internet in order to help reduce the costs and environmental impact of printing proxy materials. We intend to mail the Notice and make available via the Internet this proxy statement, the accompanying proxy card and our previously filed Annual Report on Form 10-K for the year ended January 31, 2018 to each stockholder entitled to vote at our 2018 Annual Meeting on or about May 9, 2018.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

All of our directors are elected at each annual meeting to serve until their successors are duly elected and qualified or their earlier death, resignation, or removal. The Board has nominated the persons named below, each of whom is presently serving on our Board, for election as directors. As of the date of this proxy statement, the Board consists of seven directors and one vacancy. Proxies cannot be voted for a greater number of persons than the number of nominees (seven nominees) named below.

Each of the nominees was recommended for reelection by the corporate governance & nominating committee and has been approved by the Board. Each of the nominees has consented to serve for the new term if elected. If any nominee becomes unavailable to serve for any reason before the election, which is not anticipated, your proxy authorizes us to vote for another person nominated by the Board. The election of directors will be made by a plurality of votes cast at the 2018 Annual Meeting. That means the seven nominees receiving the highest number of votes will be elected. This is not considered a routine matter and banks, brokers, or other nominees may not vote without instructions from the stockholder. Because directors need only be elected by a plurality of the vote, abstentions, broker non-votes, and withhold votes will not affect whether a particular nominee has received sufficient votes to be elected. However, under our director resignation policy, any nominee for director who, in an uncontested election, fails to receive more votes “for” his or her election than “withheld” must promptly tender his or her resignation for consideration by the corporate governance & nominating committee and subsequently by the Board. Our director resignation policy is available on our website at

<https://www.verint.com/investor-relations/corporate-governance/corporate-governance-policies/index.html>.

As described in detail below, our nominees have considerable professional and business experience, including service on other public company boards and/or as public company executives in the software and/or security industries as well as experience in subject areas such as corporate governance, finance and accounting, and executive compensation, among others. The recommendation of our Board is based on its carefully considered judgment that the experience, record, and qualifications of our nominees make them well qualified to serve on our Board. The Board believes that each of the nominees listed brings strong skills and extensive experience to the Board, giving the Board as a group the appropriate skills to exercise its oversight responsibilities.

As discussed in further detail under the “Shareholder Engagement” section of the Compensation Discussion and Analysis below, under the supervision of our Board and our compensation committee, we made significant enhancements to our shareholder engagement program this year, further expanding and deepening the level of engagement we have traditionally had with our shareholders. We have also made a number of key modifications to our executive compensation program in response to the feedback we received from shareholders, and have refreshed the composition of our Board with the addition of two new directors since the fall of 2016. We believe that these actions demonstrate our Board’s desire to maintain an open line of communication with our shareholders and to be responsive to shareholder feedback.

Name	Age	Director Since	Position(s)
Dan Bodner	59	1994	Chairman of the Board and Chief Executive Officer
John Egan	60	2012	Lead Independent Director
Penelope Herscher	57	2017	Director
William Kurtz	60	2016	Director
Richard Nottenburg	64	2013	Director
Howard Safir	76	2002	Director
Earl Shanks	61	2012	Director

Dan Bodner serves as our Chief Executive Officer and Chairman of the Board. Mr. Bodner has served as our President and/or Chief Executive Officer and as a director since the founding of the company in 1994 and assumed the role of Chairman of the Board in August 2017. Under his leadership and his vision of Actionable Intelligence software, we experienced rapid growth and, in 2002, with over \$100 million of revenue, we completed a successful IPO. Following the IPO, we continued to expand our portfolio of Actionable Intelligence solutions for the enterprise and security markets, achieving significant scale and global presence with over \$1 billion of revenue. The Board has concluded that Mr. Bodner's position as our Chief Executive Officer, his intimate knowledge of our operations, assets, customers, growth strategies, and competitors, his knowledge of the technology, software, and security industries, and his extensive management experience give him the qualifications and skills to serve as a director and our chairman.

John Egan has served as a director since August 2012, and as Lead Independent Director since August 2017. Mr. Egan is a founding managing partner of Egan-Managed Capital and has served as a managing partner of Carruth Associates, a financial services firm, since 1998. From 1986 to 1997, Mr. Egan held various executive roles at EMC Corporation, including serving as executive vice president of operations, executive vice president of products and offerings, and executive vice president of sales and marketing. Mr. Egan has served as a director of NetScout since 2001, where he is currently lead director, a member of the audit committee, a member of the finance committee and chairman of the nominating and governance committee, and Progress Software Corporation since 2011, where he is currently the non-executive chairman of the board and a member of the audit committee. Previously, he was a director of EMC Corporation and VMWare, prior to EMC being acquired by Dell in 2016. The Board has concluded that Mr. Egan's financial and business expertise, including a diversified background of managing and serving as a director of several public technology companies and expertise in mergers and acquisitions, gives him the qualifications and skills to serve as a director.

Penelope Herscher has served as a director since April 2017. She has over 15 years of experience as a high-tech CEO and over 10 years serving on public company boards. She currently sits on the board of Lumentum Operations LLC, where she is chair of the compensation committee and a member of the governance committee, PROS Holdings, Inc., a cloud software provider, and Faurecia, an automotive supplier of cockpits and technology. Previously she served as a director of Rambus Inc., where she was the chair of the strategy committee and a member of the governance committee from July 2006 to February 2018. From 2015 until 2017, Ms. Herscher served as the executive chairman at FirstRain, Inc., a privately held company in the unstructured data analytics space, where she was President & CEO until 2015. Prior to FirstRain, Ms. Herscher held senior executive positions at a number of software and technology companies, including Cadence Design Systems, Inc. and Simplex Solutions, Inc. The Board has concluded that Ms. Herscher's financial and business expertise, including her diversified background of managing technology companies, serving as a chief executive officer, and serving as a director of public technology companies, give her the qualifications and skills to serve as a director.

William Kurtz has served as a director since September 2016. Mr. Kurtz has served as Executive Vice President and Chief Commercial Officer of Bloom Energy Corporation since 2015, and prior to that, as the company's CFO and CCO beginning in 2008. Prior to 2008, he held CFO or other senior finance roles for Novellus Systems (now Lam Research), Engenio Information Technologies, 3PARdata (now part of Hewlett Packard Enterprise), Scient Corporation, and AT&T Corporation. Mr. Kurtz previously served as the chairman of the audit committees of Violin Memory, of PMC-Sierra (now part of Microsemi Corporation), and of Redback Networks (now part of Ericsson). The Board has concluded that Mr. Kurtz's financial and business expertise, including his prior service as the chief financial officer of public companies and his service on the audit committees of several companies, give him the qualifications and skills to serve as a director.

Richard Nottenburg has served as a director since February 2013, having previously served as a director from July 2011 to November 2011. Dr. Nottenburg, an investor in early stage technology companies and a management consultant, served as President and Chief Executive Officer and a member of the board of directors of Sonus Networks, Inc. from 2008 through 2010. From 2004 until 2008, Dr. Nottenburg was an officer with Motorola, Inc., ultimately serving as its Executive Vice President, Chief Strategy Officer and Chief Technology Officer. Dr. Nottenburg is currently a member of the board of directors of Sequans Communications S.A., where he serves as a member of the compensation committee and the audit committee. He previously served on the boards of directors of PMC-Sierra and Comverse Technology, Inc. The Board has concluded that Dr. Nottenburg's financial and business expertise, including his diversified background of managing technology companies, serving as a chief executive officer, and serving as a director of public technology companies, give him the qualifications and skills to serve as a director.

Howard Safir has served as a director since 2002. Since 2010, Mr. Safir has served as Chairman and Chief Executive Officer of VRI Technologies LLC, a security consulting and law enforcement integrator. Previously, Mr. Safir served as the Chairman and Chief Executive Officer of SafirRosetti, a provider of security and investigation services and a wholly owned subsidiary of Global Options Group Inc., as well as the Vice Chairman of Global Options Group Inc. and the Chief Executive Officer of Bode Technology, another wholly owned subsidiary of Global Options Group Inc. Mr. Safir currently serves as a director of Citius, a developer of pharmaceutical products, and LexisNexis Special Services, Inc., a leading provider of information and technology solutions to governments, and previously served as a director of Implant Sciences Corporation. During his career, Mr. Safir served as the 39th Police Commissioner of the City of New York, as Associate Director for Operations, U.S. Marshals Service, and as Assistant Director of the Drug Enforcement Administration. Mr. Safir was awarded the Ellis Island Medal of Honor among other citations and awards. The Board has concluded that Mr. Safir's extensive law enforcement background and his financial and business expertise, including a diversified background of managing and serving as a director of public technology and security-based companies and serving as a chief executive officer, give him the qualifications and skills to serve as a director.

Earl Shanks has served as a director since July 2012. Since March 2017, Mr. Shanks has served as a director of Gaming & Leisure Properties, Inc. Mr. Shanks served as the Chief Financial Officer of Essendant Inc. a leading supplier of workplace essentials, from November 2015 until May 2017. Previously, Mr. Shanks served as the Chief Financial Officer at Convergys Corporation, a global leader in relationship management solutions and a major provider of outsourced business services, and held various financial leadership roles with NCR Corporation, ultimately serving as the Chief Financial Officer. The Board has concluded that Mr. Shanks' financial and business expertise, including his deep financial expertise serving as a chief financial officer of a public company, give him the qualifications and skills to serve as a director.

For stockholders of record, if no voting specification is made on a properly returned or voted proxy card, the person or persons voting your shares pursuant to instructions by proxy card will vote FOR this proposal.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE NOMINEES NAMED ABOVE.

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The audit committee has appointed Deloitte & Touche LLP to act as Verint's independent registered public accountants for the year ending January 31, 2019. The audit committee has directed that such appointment be submitted to our stockholders for ratification at the 2018 Annual Meeting. Deloitte & Touche LLP was Verint's independent registered public accountants for the year ended January 31, 2018.

Stockholder ratification of the appointment of Deloitte & Touche LLP as Verint's independent registered public accountants is not required. The audit committee, however, is submitting the appointment to the stockholders for ratification as a matter of good corporate governance. If the stockholders do not ratify the appointment, the audit committee will reconsider whether or not to retain Deloitte & Touche LLP or to appoint another firm. Even if the appointment is ratified, the audit committee, in its discretion, may direct the appointment of a different accounting firm at any time during the year ending January 31, 2019, if the audit committee determines that such a change would be in our best interests and in the best interests of our stockholders.

Representatives of Deloitte & Touche LLP are expected to be present at the 2018 Annual Meeting and will have an opportunity to make a statement, if they so desire. They will also be available to respond to appropriate questions.

The proposal for the ratification of the appointment of Deloitte & Touche LLP as Verint's independent registered public accountants for the year ending January 31, 2019 requires approval by the vote of the holders of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote. This is considered a routine matter on which banks, brokers, or other nominees may vote if no instructions are provided by the stockholder, however, abstentions will count as votes against the proposal.

For stockholders of record, if no voting specification is made on a properly returned or voted proxy card, the person or persons voting your shares pursuant to instructions by proxy card will vote FOR this proposal.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" PROPOSAL NO. 2.

PROPOSAL NO. 3

ADVISORY VOTE TO APPROVE THE COMPENSATION OF
THE NAMED EXECUTIVE OFFICERS

Our stockholders are being asked to approve, on a non-binding, advisory basis, the compensation of our named executive officers, as described in this proxy statement. The Board has adopted a policy of providing for annual advisory votes from stockholders on executive compensation. The next such vote will occur at the 2019 annual meeting.

This vote is not intended to address any specific item of compensation, but rather our overall compensation policies and practices relating to the named executive officers. Accordingly, your vote will not directly affect or otherwise limit any existing compensation or award arrangement of any of our named executive officers.

Although this say-on-pay vote is an advisory vote only and is not binding on Verint or the Board, the compensation committee and the Board value the opinions of our stockholders and will consider the outcome of the vote when making future compensation decisions.

In addition to conducting annual say-on-pay votes, we regularly engage with our stockholders to solicit their feedback on executive compensation and corporate governance matters.

At our last annual meeting, our stockholders approved our say-on-pay proposal at 65.5%. While the proposal passed, we were disappointed with the level of support (following a disappointing level of support in the prior year as well). As a result, following the 2017 annual meeting, we enhanced our shareholder engagement program to reach out to a significantly larger number of shareholders, with the direct participation of our compensation committee chairman.

In response to the feedback we received from our stockholders, we have also made a number of key modifications to our executive compensation program, and have refreshed the composition of our Board with the addition of two new directors since the fall of 2016. Key changes made to our executive compensation program include:

Increasing the proportion of our CEO's future annual equity awards that are performance-based from 50% to 60%.

Capping the maximum payout for the relative total shareholder return (TSR) component of our future officer performance equity awards at 100% if absolute TSR over the performance period is negative (even if relative TSR is strong).

Eliminating the management by objective (MBO) component of our officer annual bonus plans going forward to remove the more subjective elements of the program and make them 100% based on objective financial goals.

We believe that these actions demonstrate our Board's desire to maintain an open line of communication with our shareholders and to be responsive to shareholder feedback. Please see "Shareholder Engagement" in the Compensation Discussion and Analysis below for more information on our shareholder engagement efforts and the changes we have made in response.

Over the last two years, we have undertaken a significant transition of the company to