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## Verint Systems Inc.

|                   |   |
|-------------------|---|
| Sector            | Security and Enterprise Intelligence Solutions                            |
| Reason for Report | VRNT Postpones Release of Full-Year Earnings, Reports Preliminary Results |

|                        |                |
|------------------------|----------------|
| Rating                 | HOLD           |
| Price Target           | \$38           |
| Bloomberg:<br>Reuters: | VRNT<br>VRNT.O |
|                        | March 14, 2006 |

**VRNT Postpones FY06 Earnings Release Due to Reassessment of Employee Options at Parent Company.** VRNT's parent company Converse Technology (Nasdaq-CMVT-\$24.94; Hold), which holds approximately 57% of VRNT, announced today the creation of a special committee to review matters relating to its stock option grants, thereby postponing the release of its FY05 earning results. VRNT's management announced that the matters reviewed by the committee are not related to VRNT's employee option grants or any other aspects of its operations. However, since VRNT was a fully owned subsidiary of CMVT prior to May 2002, some of its employees still hold options that have been granted by CMVT. As a result, the outcome of the committee review may result in a non-cash charge and restatement of historical GAAP earnings, which would be separated from VRNT's proforma results. Management did not provide a new date for the earnings release.

**Preliminary Top-Line Results On Track.** VRNT reported preliminary revenues and selected balance sheet items for the January quarter. Revenues grew 21.8% YoY to \$84.1 million, topping our estimate of \$82.5 million. Revenues during the quarter were somewhat influenced by the acquisition of MultiVision, which closed on January 9<sup>th</sup>, with estimated revenues contribution of \$4-5 million per quarter. Management indicated strong momentum in both divisions with backlog over one quarter of revenues. Cash reserves at the end of January totaled \$228.0 million, vs. \$266.6 million at the end of 3Q05, reflecting mainly the acquisition of MultiVision for \$51.2 million, and positive cash flow from operations.

**Reiterating Hold rating and \$38 Target Price.** Despite a potential non-cash charge, we believe that the Company's underlying positive momentum remains intact. Nevertheless, we continue to believe that most of the Company's potential is already factored into current price levels. Our target price reflects a P/E multiple of 28x our FY06 estimates and is supported by a DCF model.

### Trading Information

|                             |                   |
|-----------------------------|-------------------|
| Information as of:          | 1:10 PM 3/14/2006 |
| Price (\$)                  | 34.95             |
| Market Cap (\$MM)           | 1,164.99          |
| Shares Outstanding (MM, fd) | 33.3              |
| 52 Week Range (\$)          | 43.17 - 29.37     |
| Free Float (%)              | 41.251            |
| 3-Month Average Volume      | 169,683           |

### Oscar Gruss Estimates

| FY Jan                  | 4Q04 A   | 3Q05A   | 4Q05 E* |
|-------------------------|----------|---------|---------|
| Revenues (MM)           | \$69.03  | \$78.24 | \$84.08 |
| Previous                | --       | --      | --      |
| EPS (ex-one time items) | \$0.23   | \$0.26  | \$0.28  |
| Previous                | --       | --      | --      |
|                         | 2004 A   | 2005 E* | 2006 E  |
| Revenues (MM)           | \$249.82 | \$309.1 | \$373.5 |
| Previous                | --       | --      | --      |
| EPS (ex-one time items) | \$0.82   | \$1.03  | \$1.32  |
| Previous                | --       | --      | --      |

\* 4Q05 and 2005 revenues are preliminary results.

### Ratios Analysis

|                      |       |
|----------------------|-------|
| P/E (FY06)           | 26.56 |
| PEG (Est Avg growth) | na    |
| P/Book Value (MRQ)   | 3.70  |
| P/Sales (FY06)       | 3.12  |
| EV/Sales (FY06)      | 2.51  |
| EV/EBITDA (FY06)     | 15.09 |

### Balance Sheet Data

|                    |       |
|--------------------|-------|
| Net Cash/ Share    | 6.84  |
| TL Liab/ TL Assets | 30.1% |
| Book Value/ Share  | 9.45  |
| DSO                | 60    |

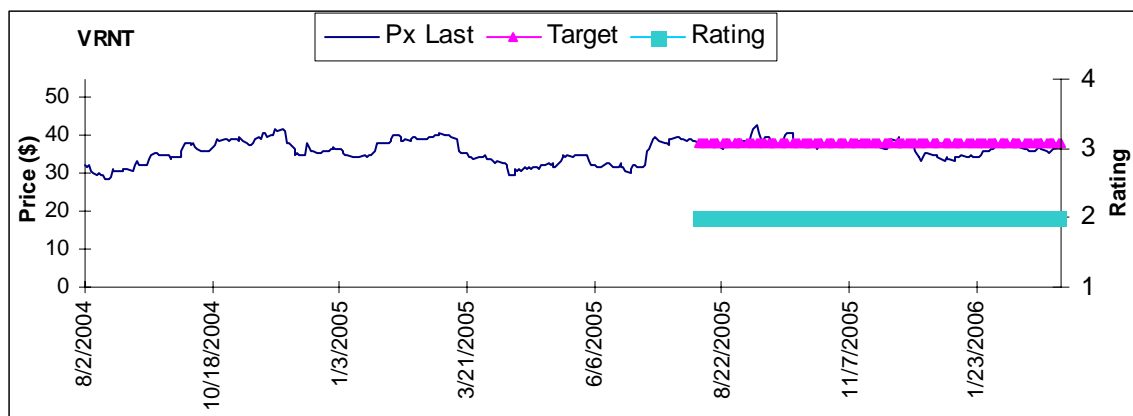
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Important disclosures and disclaimer are on page 5. Price chart is on page 4.

**Analyst Certification:** I, Roni Biron, certify that the views expressed in this research report accurately reflect my personal views about the subject security(s) and issuer(s) and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

### Investment Risks

There may be restatements of historical financials related to employee option expenses. The Company's performance may be undermined by continued softness in IT spending. The Company operates in highly competitive markets with large conglomerates and many specialized companies. The Company's gross margin improvement is dependant upon the migration of customers to other hardware manufacturers, a process that may be slower than expected. A substantial portion of the Company's operations is carried out in Israel and is therefore subject to political and terror-related risks. A substantial portion of the Company's revenues is influenced directly and indirectly by governments' legislation and budget allocation and as such is subject to political issues.



Ratings Scale: 1 - Reduce, 2 - Hold, 3 - Buy

Note: Price chart adjusted for dividends and splits. Past ratings have been recalibrated to reflect the current ratings scale.

| TECHNOLOGY                      |                  | RISK ARBITRAGE & SPECIAL SITUATIONS |                |
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**Investment Ratings:** **BUY:** appears undervalued or special circumstances lead us to believe it will outperform its peer group in the next 6 months. **HOLD:** appears fairly valued and may provide returns which approximate returns expected from its peer group in the equity markets. **SELL/REDUCE:** appears overvalued or is experiencing problems that we believe may cause it to underperform its peer group and possibly reduce in value. Other factors considered in the Investment Ratings may include, but are not limited to, the company's risk profile, including earnings predictability, financial position, industry position, technology and product risks, management strengths and other factors. The required annual return for a specific Investment Rating will be increased for stocks with greater financial, business and/or earnings risk.

| Rating<br>(As of 3/14/06) | No. of companies in OG<br>universe with this rating: | % of companies in OG<br>universe with this rating: | No. of companies for which Inv.<br>Banking services have been provided: | % of rating for which Inv. Banking<br>services have been provided: |
|---------------------------|--|--|---|--|
| Buy                       | 30   | 71.43%   | 0   | 0%   |
| Hold                      | 9  | 21.43%   | 0   | 0%   |
| Sell / Reduce             | 3  | 7.14%  | 0   | 0%   |

More information is available upon request.

#### IMPORTANT DISCLOSURES:

The analyst, Roni Biron, who prepared this report does not own shares in Verint Systems. Members of the analyst's household do not own shares in Verint Systems. Oscar Gruss & Son Inc. does not own shares in Verint Systems and does not have any investment banking relationship with Verint Systems. Oscar Gruss & Son Inc. makes a market in Verint Systems and Comverse Technology.

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