NEWS RELEASE

Varonis Announces Third Quarter 2025 Financial Results

2025-10-28

Annual recurring revenues increased 18% year-over-year

SaaS ARR as a percentage of total ARR was approximately 76%

Year-to-date cash from operations generated $122.7 million vs. $90.9 million last year

Year-to-date free cash flow generated $111.6 million vs. $88.6 million last year

Company announces $150.0 million share repurchase authorization

MIAMI, Oct. 28, 2025 (GLOBE NEWSWIRE) -- **Varonis Systems, Inc.** (Nasdaq: VRNS), the leader in data security, today announced financial results for the third quarter ended September 30, 2025.

Yaki Faitelson, Varonis CEO, said, “We continued to see healthy demand for our SaaS platform, which now represents 76% of total company ARR. This adoption is driven by the automated outcomes that it provides as well as customer interest in deploying AI initiatives and securing data in the cloud. At the same time, in the final weeks of the quarter, we experienced lower renewals in the Federal vertical and in our non-Federal on-prem subscription business, which led to a shortfall relative to our expectations.”

Financial Summary for the Third Quarter Ended September 30, 2025

- Total revenues were $161.6 million, compared with $148.1 million in the third quarter of 2024.
- SaaS revenues were $125.8 million, compared with $57.8 million in the third quarter of 2024.
- Term license subscription revenues were $24.8 million, compared with $68.8 million in the third quarter of 2024, with the vast majority of the decline driven by customers converting to our SaaS platform.
- Maintenance and services revenues were $10.9 million, compared with $21.5 million in the third quarter of 2024, with the vast majority of the decline driven by customers converting to our SaaS platform.

- GAAP operating loss was ($35.9) million, compared to GAAP operating loss of ($23.6) million in the third quarter of 2024.
- Non-GAAP operating income was $0.2 million, compared to non-GAAP operating income of $9.1 million in the third quarter of 2024.

The tables at the end of this press release include a reconciliation of GAAP operating income (loss) to non-GAAP operating income (loss) and GAAP net income (loss) to non-GAAP net income (loss) for the three and nine months ended September 30, 2025 and 2024. An explanation of these measures is included below under the heading "Non-GAAP Financial Measures and Key Performance Indicators."

Key Performance Indicators and Recent Business Highlights

- Annual recurring revenues, or ARR, was $718.6 million as of the end of the third quarter, up 18% year-over-year.
- As of September 30, 2025, the Company had $1.1 billion in cash and cash equivalents, short-term deposits and short-term and long-term marketable securities.
- During the nine months ended September 30, 2025, the Company generated $122.7 million of cash from operations, compared to $90.9 million generated in the prior year period.
- During the nine months ended September 30, 2025, the Company generated $111.6 million of free cash flow, compared to $88.6 million generated in the prior year period.
- Announces share repurchase program authorization allowing repurchases of up to $150.0 million expected to be completed over the next 12 months.
- Acquired SlashNext, an AI-native email security provider with the industry’s best detection rate for advanced phishing and social engineering attacks, connecting the dots between email, identity and data to help customers stop threats in their inbox, where many data breaches begin.
- Launched Varonis Interceptor, powered by the acquisition of SlashNext, which provides customers a new approach to email security using multi-layered AI to detect and block attacks.
- Introduced Varonis Next-Gen Database Activity Monitoring (DAM), powered by the acquisition of Cyral, a new approach to database security that offers a simple, agentless solution to database security and compliance built for the AI era.
- Announced AI identity protection for Salesforce Agentforce, providing IT and security teams with visibility and control over the data that AI agents create and access with Agentforce.

An explanation of ARR is included below under the heading "Non-GAAP Financial Measures and Key Performance Indicators." In addition, the tables at the end of this press release include a reconciliation of net cash provided by operating activities to non-GAAP free cash flow. An explanation of this measure is also included below under the heading "Non-GAAP Financial Measures and Key Performance Indicators."

Financial Outlook

We are reducing our full-year ARR guidance to account for the underperformance of our on-prem subscription business in the final weeks of the third quarter. To account for this recent change as well as our decision to end of life our self-hosted solution, we have assumed an even lower renewal rate in our on-prem subscription business for the fourth quarter.

For the fourth quarter of 2025, the Company expects:

- Revenues of $165.0 million to $171.0 million, or year-over-year growth of 4% to 8%.
- Non-GAAP operating income of $0.0 million to $3.0 million.
- Non-GAAP net income per diluted share in the range of $0.02 to $0.04, based on 133.4 million diluted shares outstanding.

For full year 2025, the Company now expects:

- ARR of $730.0 million to $738.0 million, or year-over-year growth of 14% to 15%.
- Free cash flow of $120.0 million to $125.0 million.
- Revenues of $615.2 million to $621.2 million, or year-over-year growth of 12% to 13%.
- Non-GAAP operating loss of ($8.2) million to ($5.2) million.
- Non-GAAP net income per diluted share in the range of $0.12 to $0.13, based on 134.8 million diluted shares outstanding.

Actual results may differ materially from the Company's Financial Outlook as a result of, among other things, the factors described below under "Forward-Looking Statements".

Conference Call and Webcast

Varonis will host a conference call today, Tuesday, October 28, 2025, at 4:30 p.m. Eastern Time, to discuss the Company's third quarter 2025 financial results. To access this call, dial 877-425-9470 (domestic) or 201-389-0878 (international). The passcode is 13756447. A replay of this conference call will be available through November 4, 2025 at 844-512-2921 (domestic) or 412-317-6671 (international). The replay passcode is 13756447. A live webcast of this conference call will be available on the "Investors" page of the Company's website (**www.varonis.com**), and a replay will be archived on the website as well.

Non-GAAP Financial Measures and Key Performance Indicators

Varonis believes that the use of non-GAAP operating income (loss) and non-GAAP net income (loss) is helpful to our investors. These measures, which the Company refers to as our non-GAAP financial measures, are not prepared in accordance with GAAP.

Non-GAAP operating income (loss) is calculated as operating income (loss) excluding (i) stock-based compensation expense, (ii) payroll tax expense related to stock-based compensation, and (iii) amortization of acquired intangible assets and acquisition-related expenses.

Non-GAAP net income (loss) is calculated as net income (loss) excluding (i) stock-based compensation expense, (ii) payroll tax expense related to stock-based compensation, (iii) amortization of acquired intangible assets and acquisition-related expenses, (iv) foreign exchange gains (losses) which include exchange rate differences on lease contracts as a result of the implementation of ASC 842, (v) amortization of debt issuance costs and (vi) acquisition-related taxes.

The Company believes that the exclusion of these expenses provides a more meaningful comparison of our operational performance from period to period and offers investors and management greater visibility to the underlying performance of our business. Specifically:

- Stock-based compensation expenses utilize varying available valuation methodologies, subjective assumptions and a variety of equity instruments that can impact a company's non-cash expenses;
- Payroll taxes are tied to the exercise or vesting of underlying equity awards and the price of our common stock at the time of vesting or exercise, factors which may vary from period to period;
- Acquired intangible assets are valued at the time of acquisition and are amortized over an estimated useful life after the acquisition, and acquisition-related expenses are unrelated to current operations and neither are comparable to the prior period nor predictive of future results;
- The Company incurs foreign exchange gains or losses from the revaluation of its significant operating lease liabilities in foreign currencies as well as other assets and liabilities denominated in non-U.S. dollars, which may vary from period to period;
- Amortization of debt issuance costs, which relate to the Company’s convertible senior notes issued in 2020 and 2024, are a non-cash item; and
- Acquisition-related taxes are unrelated to current operations and neither are comparable to the prior period nor predictive of future results.

Free cash flow is calculated as net cash provided by or used in operating activities less purchases of property and equipment and capitalized internal-use software. We believe that free cash flow is a useful indicator of liquidity that provides information to management and investors about the amount of cash provided by or used in our operations that, after the investments in property and equipment and capitalized internal-use software, can be used for strategic initiatives.

Each of our non-GAAP financial measures is an important tool for financial and operational decision making and for evaluating our own operating results over different periods of time. The non-GAAP financial measures do not represent our financial performance under U.S. GAAP and should not be considered as alternatives to operating income (loss) or net income (loss) or any other performance measures derived in accordance with GAAP. Non-GAAP financial measures may not provide information that is directly comparable to that provided by other companies in our industry, as other companies in our industry may calculate non-GAAP financial results differently, particularly related to non-recurring, unusual items. In addition, there are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP, and exclude expenses that may have a material impact on our reported financial results. Further, stock-based compensation expense and payroll tax expense related to stock-based compensation have been, and will continue to be for the foreseeable future, significant recurring expenses in our business and an important part of the compensation provided to our employees. Also, the amortization of intangible assets are expected recurring expenses over the estimated useful life of the underlying intangible asset and acquisition-related expenses will be incurred to the extent acquisitions are made in the future and acquisition-related taxes may be incurred to the extent acquisitions are made in the future. Additionally, foreign exchange rates may fluctuate from one period to another, and the Company does not estimate movements in foreign currencies. Finally, the amortization of debt issuance costs are expected recurring expenses until the maturity of the convertible senior notes in 2029.

The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP. Varonis urges investors to review the reconciliation of our historical non-GAAP financial measures to the comparable GAAP financial measures included below, and not to rely on any single financial measures to evaluate our business.

A reconciliation for non-GAAP operating income (loss), non-GAAP net income (loss) and free cash flow referred to in our "Financial Outlook" is not provided because we do not guide on their most directly comparable GAAP financial measures. As these are forward-looking statements, such reconciliation is not available without unreasonable effort due to the high variability, complexity, uncertainty and difficulty of estimating certain items such as stock-based compensation and currency fluctuations, which have an impact on our consolidated results. The actual amounts of such reconciling items will have a significant impact on the Company's most directly comparable GAAP financial measures. The Company believes the information provided is useful to investors because it can be considered in the context of the Company's historical disclosures of this measure.

ARR is a key performance indicator defined as the annualized value of active SaaS contracts, term-based subscription license contracts, and maintenance contracts in effect at the end of that period. SaaS contracts, term-based subscription license contracts, and maintenance contracts are annualized by dividing the total contract value by the number of days in the term and multiplying the result by 365. The annualized value of contracts is a legal and contractual determination made by assessing the contractual terms with our customers. The annualized value of these contracts is not determined by reference to historical revenues, deferred revenues or any other GAAP financial measure over any period. ARR is not a forecast of future revenues, which can be impacted by contract start and end dates and renewal rates.

Forward-Looking Statements

This press release contains, and statements made during the above referenced conference call will contain, "forward-looking" statements, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including regarding the Company's growth rate and its expectations regarding future revenues, operating income or loss or earnings or loss per share. These statements are not guarantees of future performance but are based on management's expectations as of the date of this press release and assumptions that are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements. Important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements include the following: the impact of potential information technology, cybersecurity or data security breaches; risks associated with anticipated growth in Varonis' addressable market; general economic and industry conditions, such as foreign currency exchange rate fluctuations and expenditure trends for data and cybersecurity solutions; Varonis' ability to predict the timing and rate of subscription renewals and their impact on the Company's future revenues and operating results; risks associated with international operations; the impact of global conflicts on the budgets of our clients and on economic conditions generally; competitive factors, including increased sales cycle time, changes in the competitive environment, pricing changes and increased competition; the risk that Varonis may not be able to attract or retain employees, including sales personnel and engineers; Varonis' ability to build and expand its direct sales efforts and reseller distribution channels; risks associated with the closing of large transactions, including Varonis' ability to close large transactions consistently on a quarterly basis; new product introductions and Varonis' ability to develop and deliver innovative products; Varonis' ability to provide high-quality service and support offerings; the expansion of cloud-delivered services; and risks associated with our convertible notes and capped-call transactions. These and other important risk factors are described more fully in Varonis' reports and other documents filed with the Securities and Exchange Commission and could cause actual results to vary from expectations. All information provided in this press release and in the conference call is as of the date hereof, and Varonis undertakes no duty to update or revise this information, whether as a result of new information, new developments or otherwise, except as required by law.

About Varonis

Varonis (Nasdaq: VRNS) is the leader in data security, fighting a different battle than conventional cybersecurity companies. Our cloud-native Data Security Platform continuously discovers and classifies critical data, removes exposures, and detects advanced threats with AI-powered automation.

Thousands of organizations worldwide trust Varonis to defend their data wherever it lives — across SaaS, IaaS, and hybrid cloud environments. Customers use Varonis to automate a wide range of security outcomes, including data security posture management (DSPM), data classification, data access governance (DAG), data detection and response (DDR), data loss prevention (DLP), database activity monitoring (DAM), identity protection, email security, and AI security.

Varonis protects data first, not last. Learn more at **www.varonis.com**.

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Varonis Systems, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except for share and per share data)

	Three Months Ended September 30, 2025	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues:				
SaaS	$ 125,824	$ 57,805	$ 320,279	$ 136,575
Term license subscriptions	24,812	68,751	88,674	187,460
Maintenance and services	10,941	21,512	41,210	68,401
Total revenues	161,577	148,068	450,163	392,436
Cost of revenues	35,149	24,007	95,416	67,792
Gross profit	126,428	124,061	354,747	324,644
Operating expenses:				
Research and development	62,737	53,459	173,194	146,219
Sales and marketing	74,025	71,378	223,366	212,646
General and administrative	25,600	22,864	74,439	65,878
Total operating expenses	162,362	147,701	470,999	424,743

Operating loss	(35,934)	(23,640)	(116,252)	(100,099)
Financial income, net	7,806	10,245	24,724	27,039
Loss before income taxes	(28,128)	(13,395)	(91,528)	(73,060)
Income taxes	(1,814)	(4,938)	(10,021)	(9,711)
Net loss	$ (29,942)	$ (18,333)	$ (101,549)	$ (82,771)
Net loss per share of common stock, basic and diluted	$ (0.26)	$ (0.16)	$ (0.90)	$ (0.74)
Weighted average number of shares used in computing net loss per share of common stock, basic and diluted	114,974,455	112,268,210	113,254,510	111,382,582

Stock-based compensation expense for the three and nine months ended September 30, 2025 and 2024 is included in the Condensed Consolidated Statements of Operations as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	Unaudited		Unaudited	
Cost of revenues	$ 1,538	$ 1,357	$ 4,517	$ 4,017
Research and development	11,637	10,442	33,098	31,057
Sales and marketing	8,499	9,860	29,627	30,985
General and administrative	9,876	10,272	30,422	28,054
	$ 31,550	$ 31,931	$ 97,664	$ 94,113

Payroll tax expense related to stock-based compensation for the three and nine months ended September 30, 2025 and 2024 is included in the Condensed Consolidated Statements of Operations as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	Unaudited		Unaudited	
Cost of revenues	$ 22	$ 15	$ 530	$ 631
Research and development	200	187	548	566
Sales and marketing	199	150	2,178	3,050
General and administrative	57	49	548	1,165
	$ 478	$ 401	$ 3,804	$ 5,412

Amortization of acquired intangibles and acquisition-related expenses for the three and nine months ended September 30, 2025 and 2024 is included in the Condensed Consolidated Statements of Operations as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	Unaudited		Unaudited	
Cost of revenues	$ 280	$ 381	$ 476	$ 1,143
Research and development	2,358	—	4,053	—
Sales and marketing	31	—	31	—
General and administrative	1,398	—	2,025	—
	$ 4,067	$ 381	$ 6,585	$ 1,143

Varonis Systems, Inc.
Condensed Consolidated Balance Sheets
(in thousands)

	September 30, 2025	December 31, 2024
	Unaudited	
Assets		
Current assets:		
Cash and cash equivalents	$ 157,354	$ 185,585
Marketable securities	513,935	343,383
Short-term deposits	36,632	39,450
Trade receivables, net	142,628	192,832
Prepaid expenses and other short-term assets	110,837	116,824
Total current assets	961,386	878,074
Long-term assets:		
Long-term marketable securities	395,651	658,896
Operating lease right-of-use assets	59,159	45,593
Property and equipment, net	34,740	30,795
Intangible assets, net	17,332	—
Goodwill	135,176	23,135
Other assets	61,562	27,782
Total long-term assets	703,620	786,201
Total assets	$ 1,665,006	$ 1,664,275
Liabilities and stockholders’ equity		
Current liabilities:		
Trade payables	$ 5,261	$ 4,313
Accrued expenses and other short-term liabilities	193,074	164,930
Convertible senior notes, net	—	250,529
Deferred revenues	333,578	290,113
Total current liabilities	531,913	709,885
Long-term liabilities:		
Convertible senior notes, net	451,754	450,243
Operating lease liabilities	59,921	42,789
Deferred revenues	7,930	2,211
Other liabilities	8,653	3,491
Total long-term liabilities	528,258	498,734
Stockholders’ equity:		
Share capital		
Common stock	118	113
Accumulated other comprehensive income	18,382	2,676
Additional paid-in capital	1,428,039	1,193,022
Accumulated deficit	(841,704)	(740,155)
Total stockholders’ equity	604,835	455,656
Total liabilities and stockholders’ equity	$ 1,665,006	$ 1,664,275

Varonis Systems, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024
	Unaudited	
Cash flows from operating activities:		
Net loss	$ (101,549)	$ (82,771)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,964	8,543
Stock-based compensation	97,664	94,113
Amortization of deferred commissions	38,958	39,342
Non-cash operating lease costs	7,442	7,050
Amortization of debt issuance costs	2,471	1,264
Amortization of premium and accretion of discount on marketable securities, net	1,211	(11,288)
Acquired in-process research and development	—	6,653
Changes in assets and liabilities:		
Trade receivables	46,534	49,913
Prepaid expenses and other short-term assets	4,208	(10,889)
Deferred commissions	(57,731)	(43,282)
Other long-term assets	(279)	(129)
Trade payables	755	817
Accrued expenses and other short-term liabilities	23,420	(5,882)
Deferred revenues	50,104	37,200
Other long-term liabilities	1,575	272
Net cash provided by operating activities	122,747	90,926
Cash flows from investing activities:		
Proceeds from maturities of marketable securities	324,080	157,100
Investment in marketable securities	(229,446)	(576,753)
Proceeds from short-term and long-term deposits	159,405	25,038
Investment in short-term and long-term deposits	(156,089)	(9,233)
Acquisitions, net of cash acquired	(123,514)	—
Purchases of property and equipment	(8,687)	(2,342)
Capitalized internal-use software	(2,509)	—
Purchase of in-process research and development	—	(6,653)
Net cash used in investing activities	(36,760)	(412,843)
Cash flows from financing activities:		
Repurchase of common stock	(100,000)	—
Repayment of convertible senior notes	(137)	—
Proceeds from employee stock plans	14,349	16,082
Taxes paid related to net share settlement of equity awards	(28,430)	(37,264)
Proceeds from issuance of convertible senior notes, net of issuance costs	—	450,099
Purchases of capped calls	—	(55,522)
Net cash provided by (used in) financing activities	(114,218)	373,395
Increase (decrease) in cash and cash equivalents	(28,231)	51,478
Cash and cash equivalents at beginning of period	185,585	230,740
Cash and cash equivalents at end of period	$ 157,354	$ 282,218

Varonis Systems, Inc.
Reconciliation of GAAP Measures to non-GAAP
(in thousands, except share and per share data)

	Three Months Ended September 30, 2025	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024
	Unaudited		Unaudited	
Reconciliation to non-GAAP operating income (loss):				
GAAP operating loss	$ (35,934)	$ (23,640)	$ (116,252)	$ (100,099)
Add back:				

Stock-based compensation expense	31,550	31,931	97,664	94,113
Payroll tax expenses related to stock-based compensation	478	401	3,804	5,412
Amortization of acquired intangible assets and acquisition-related expenses	4,067	381	6,585	1,143
Non-GAAP operating income (loss)	$ 161	$ 9,073	$ (8,199)	$ 569
Reconciliation to non-GAAP net income:				
GAAP net loss	$ (29,942)	$ (18,333)	$ (101,549)	$ (82,771)
Add back:				
Stock-based compensation expense	31,550	31,931	97,664	94,113
Payroll tax expenses related to stock-based compensation	478	401	3,804	5,412
Amortization of acquired intangible assets and acquisition-related expenses	4,067	381	6,585	1,143
Foreign exchange rate differences, net	1,569	(1,052)	3,550	(2,302)
Amortization of debt issuance costs	697	496	2,471	1,264
Acquisition-related taxes	—	—	391	—
Non-GAAP net income	$ 8,419	$ 13,824	$ 12,916	$ 16,859
GAAP weighted average number of shares used in computing net loss per share of common stock - basic and diluted	114,974,455	112,268,210	113,254,510	111,382,582
Non-GAAP weighted average number of shares used in computing net income per share of common stock - basic	114,974,455	112,268,210	113,254,510	111,382,582
Non-GAAP weighted average number of shares used in computing net income per share of common stock - diluted	134,106,706	134,713,048	135,301,506	134,821,002
GAAP net loss per share of common stock - basic and diluted	$ (0.26)	$ (0.16)	$ (0.90)	$ (0.74)
Non-GAAP net income per share of common stock - basic	$ 0.07	$ 0.12	$ 0.11	$ 0.15
Non-GAAP net income per share of common stock - diluted	$ 0.06	$ 0.10	$ 0.10	$ 0.13

Varonis Systems, Inc.
Reconciliation of GAAP Measures to non-GAAP
(in thousands)

	Nine Months Ended September 30,	
	2025	2024
	Unaudited	
Reconciliation to non-GAAP free cash flow:		
Net cash provided by operating activities	$ 122,747	$ 90,926
Purchases of property and equipment	(8,687)	(2,342)
Capitalized internal-use software	(2,509)	—
Free cash flow	$ 111,551	$ 88,584

Source: Varonis Systems, Inc.