



# 2020 THIRD QUARTER RESULTS

Ended September 30, 2020

# Forward Looking Statements Disclaimer

This presentation contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements may be identified by words such as “believe,” “expect,” “seek,” “may,” “will,” “intend,” “should,” “project,” “anticipate,” “plan,” and similar expressions. Forward-looking statements are based on the current beliefs, expectations and assumptions of the Company’s management regarding the future of the Company’s business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Examples of forward-looking statements include guidance regarding the Company’s revenue and earnings and the growth of our cloud business.

Forward looking statements are inherently subject to significant economic, competitive and other uncertainties and contingencies, many of which are beyond the control of management. The Company cautions that these statements are not guarantees of future performance, and investors should not place undue reliance on them. There are or will be important known and unknown factors and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. These factors, include, but are not limited to, risks associated with changes in economic and business conditions, competition, successful execution of the Company’s growth strategy, success and growth of the Company’s cloud Software-as-a-Service business, difficulties in making additional acquisitions or effectively integrating acquired operations, products, technologies and personnel, the Company’s dependency on third-party cloud computing platform providers, hosting facilities and service partners, rapidly changing technology, cyber security attacks or other security breaches against the Company, privacy concerns and legislation impacting the Company’s business, changes in currency exchange rates and interest rates, the effects of additional tax liabilities resulting from our global operations and various other factors and uncertainties discussed in our filings with the U.S. Securities and Exchange Commission (the “SEC”). In addition, COVID-19 is contributing to a general slowdown in the global economy and may affect the Company’s business, results of operations, financial condition and our future strategic plans. At this time, the extent to which the COVID-19 may impact the Company’s financial condition or results of operations is uncertain. Furthermore, due to our subscription based business model, the effect of COVID-19 may not be fully reflected in our results of operations until future periods, if at all. You are encouraged to carefully review the section entitled “Risk Factors” in our latest Annual Report on Form 20-F and our other filings with the SEC for additional information regarding these and other factors and uncertainties that could affect our future performance. The forward-looking statements contained in this presentation speak only as of the date hereof, and the Company undertakes no obligation to update or revise them, whether as a result of new information, future developments or otherwise, except as required by law.

# Explanation of Non-GAAP measures

Non-GAAP financial measures are included in this presentation. Non-GAAP financial measures consist of GAAP financial measures adjusted to exclude share-based compensation, amortization of acquired intangible assets, acquisition related expenses, amortization of discount on long term debt and the tax effect of the Non-GAAP adjustments. Business combination accounting rules require the recognition of a legal performance obligation related to a revenue arrangement of an acquired entity as a liability. The amount assigned to such liability should be based on its fair value at the date of acquisition. The Non-GAAP adjustment for a revenue arrangement is intended to reflect the full amount of such revenue. The Company believes that 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. We believe Non-GAAP financial measures are useful to investors as a measure of the ongoing performance of our business. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and to make financial, strategic and operating decisions. These Non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Our Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. These Non-GAAP financial measures may differ materially from the Non-GAAP financial measures used by other companies. Reconciliation between results on a GAAP and Non-GAAP basis is provided in a table immediately following the Consolidated Statements of Income. The Company provides guidance only on a Non-GAAP basis. A reconciliation of guidance from a GAAP to Non-GAAP basis is not available due to the unpredictability and uncertainty associated with future events that would be reported in GAAP results and would require adjustments between GAAP and Non-GAAP financial measures, including the impact of future possible business acquisitions. Accordingly, a reconciliation of the guidance based on Non-GAAP financial measures to corresponding GAAP financial measures for future periods is not available without unreasonable effort.

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# agenda

## Q3 2020 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

# Q3 2020 Highlights\*

Total revenue increased 7%; to \$412M compared to Q3 2019

Cloud revenue increased 35% and to 50% of total revenue; compared to 39% of total revenue in Q3 last year

Q3 cloud gross margin increased to 65.6%; compared to 61.9% in Q3 last year

Recurring revenue increased to 81% of total revenue; compared to 74% in Q3 last year

Cash flow from operations increased 20% to \$99M; compared to Q3 last year

Operating income increased 10%; to \$117M compared to Q3 last year

Operating margin increased to 28.3%; compared to 27.4% in Q3 last year

EPS increased 8% to \$1.41; compared to \$1.30 in Q3 2019

\* All numbers presented are Non-GAAP

# agenda

Q3 2020 Highlights

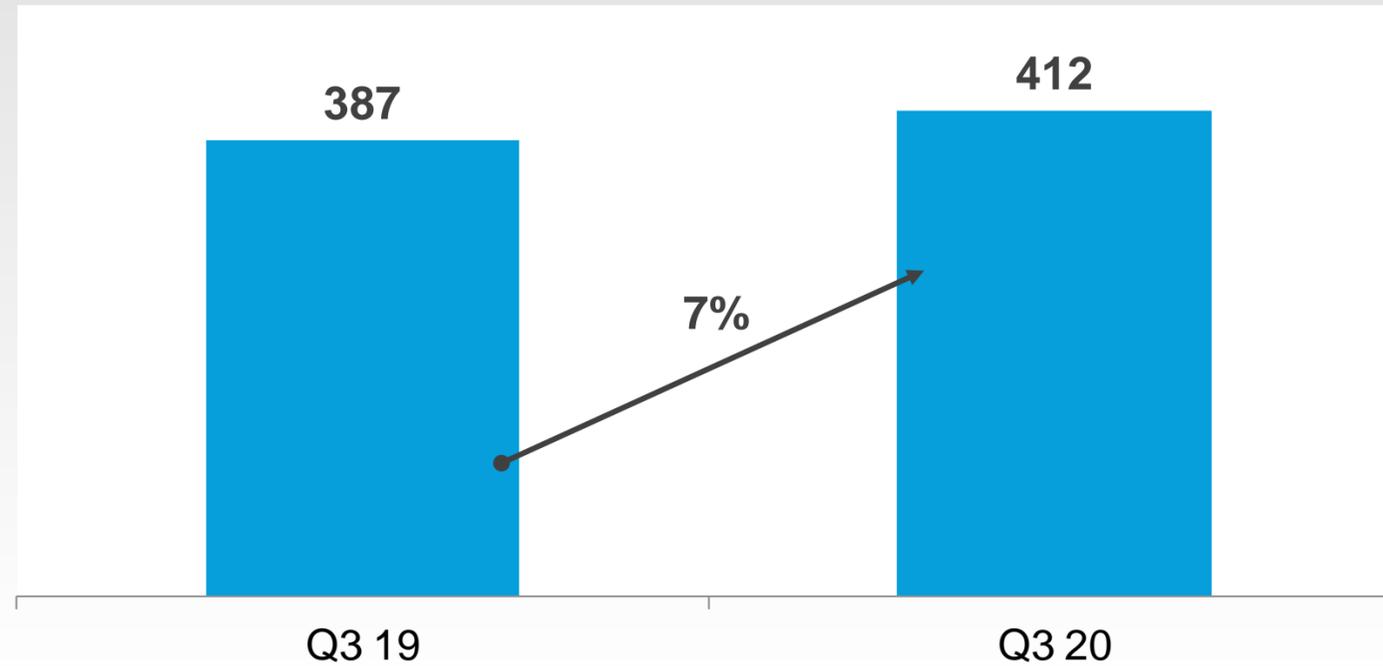
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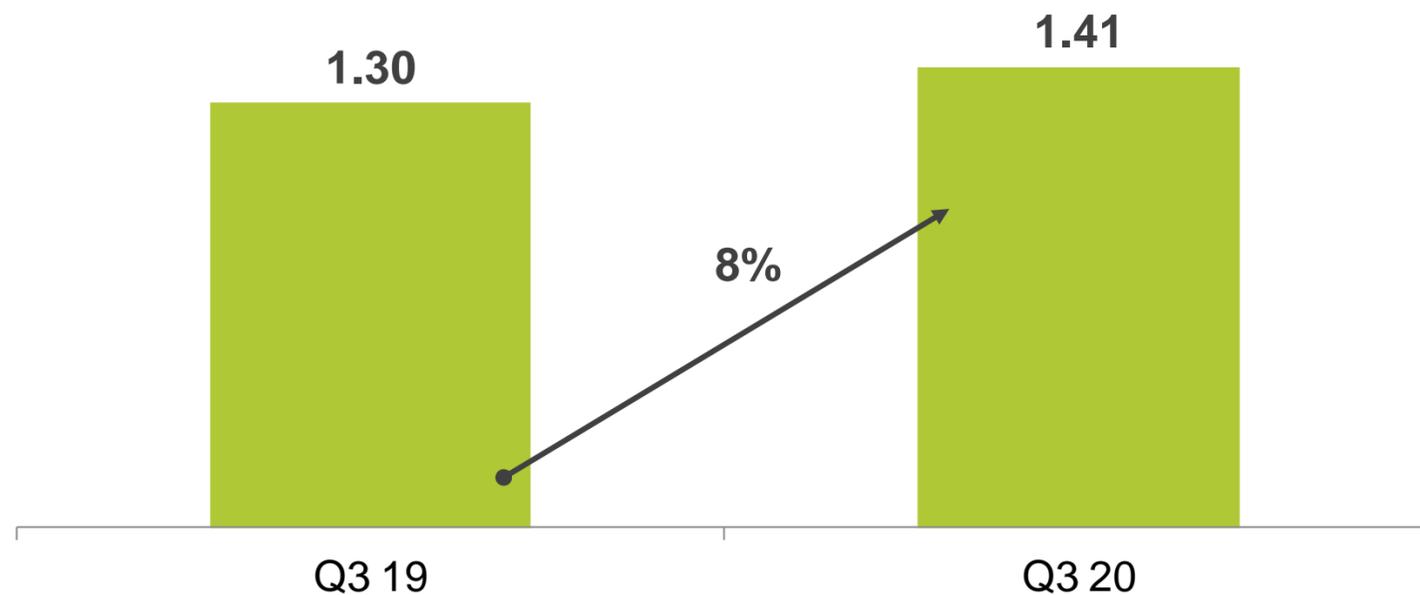
# Solid Growth and Execution

## REVENUES (Non-GAAP, \$M)



- Growth in total revenue driven by record 35% increase in cloud revenue
- Cloud revenue reached 50% of total revenue
- Recurring revenue continue to increase and accounted for 81% of total revenue for Q3 compared to 74% last year

## EARNINGS PER SHARE (Non-GAAP, \$)



- Solid growth in Q3 EPS due to expanded operating margins combined with strong expense management

# GAAP and Non-GAAP Income Statement

(USD in thousands except EPS)

	Quarter ended September 30,		Year to date September 30,	
	2020	2019	2020	2019
GAAP revenues	\$ 409,827	\$ 386,263	\$ 1,213,435	\$ 1,143,704
Valuation adjustment on acquired deferred product revenue	-	-	-	15
Valuation adjustment on acquired deferred services revenue	81	3	81	5
Valuation adjustment on acquired deferred cloud revenue	2,458	867	5,187	2,692
Non-GAAP revenues	<u>\$ 412,366</u>	<u>\$ 387,133</u>	<u>\$ 1,218,703</u>	<u>\$ 1,146,416</u>
GAAP cost of revenue	\$ 140,079	\$ 132,671	\$ 415,897	\$ 394,486
Amortization of acquired intangible assets on cost of product	(1,135)	(1,123)	(3,394)	(2,972)
Amortization of acquired intangible assets on cost of services	(322)	(1,535)	(3,341)	(4,604)
Amortization of acquired intangible assets on cost of cloud	(16,800)	(15,270)	(48,422)	(45,118)
Valuation adjustment on acquired deferred cost of cloud	200	575	737	1,893
Cost of product revenue adjustment (1)	(69)	(97)	(205)	(304)
Cost of services revenue adjustment (1)	(1,677)	(2,106)	(4,957)	(6,251)
Cost of cloud revenue adjustment (1)	(809)	(358)	(2,601)	(2,142)
Non-GAAP cost of revenue	<u>\$ 119,467</u>	<u>\$ 112,757</u>	<u>\$ 353,714</u>	<u>\$ 334,988</u>
GAAP gross profit	\$ 269,748	\$ 253,592	\$ 797,538	\$ 749,218
Gross profit adjustments	23,151	20,784	67,451	62,210
Non-GAAP gross profit	<u>\$ 292,899</u>	<u>\$ 274,376</u>	<u>\$ 864,989</u>	<u>\$ 811,428</u>
GAAP operating expenses	\$ 207,790	\$ 197,887	\$ 620,614	\$ 588,093
Research and development (1,2)	(2,565)	(2,033)	(7,553)	(5,182)
Sales and marketing (1,2)	(5,561)	(7,737)	(19,623)	(19,211)
General and administrative (1,2)	(14,065)	(8,962)	(38,239)	(24,378)
Amortization of acquired intangible assets	(9,496)	(10,780)	(28,951)	(32,276)
Valuation adjustment on acquired deferred commission	35	76	106	245
Non-GAAP operating expenses	<u>\$ 176,138</u>	<u>\$ 168,451</u>	<u>\$ 526,354</u>	<u>\$ 507,291</u>

# GAAP and Non-GAAP Income Statement (cont.)

(USD in thousands except EPS)

	Quarter ended September 30,		Year to date September 30,	
	2020	2019	2020	2019
GAAP financial and other expense/(income), net	\$ 1,032	\$ (252)	\$ 2,259	\$ 3,890
Amortization of discount on debt	(3,070)	(2,377)	(7,944)	(6,847)
Non-GAAP financial and other income, net	<u>\$ (2,038)</u>	<u>\$ (2,629)</u>	<u>\$ (5,685)</u>	<u>\$ (2,957)</u>
GAAP taxes on income	\$ 10,273	\$ 10,918	\$ 33,293	\$ 33,074
Tax adjustments re non-GAAP adjustments	14,911	13,324	39,701	33,258
Non-GAAP taxes on income	<u>\$ 25,184</u>	<u>\$ 24,242</u>	<u>\$ 72,994</u>	<u>\$ 66,332</u>
GAAP net income	\$ 50,653	\$ 45,039	\$ 141,372	\$ 124,161
Valuation adjustment on acquired deferred revenue	2,539	870	5,268	2,712
Valuation adjustment on acquired deferred cost of cloud revenue	(200)	(575)	(737)	(1,893)
Amortization of acquired intangible assets	27,753	28,708	84,108	84,970
Valuation adjustment on acquired deferred commission	(35)	(76)	(106)	(245)
Share-based compensation (1)	22,404	21,293	69,255	56,625
Acquisition related expenses (2)	2,342	-	3,923	843
Amortization of discount on long term debt	3,070	2,377	7,944	6,847
Tax adjustments re non-GAAP adjustments	(14,911)	(13,324)	(39,701)	(33,258)
Non-GAAP net income	<u>\$ 93,615</u>	<u>\$ 84,312</u>	<u>\$ 271,326</u>	<u>\$ 240,762</u>
GAAP diluted earnings per share	<u>\$ 0.76</u>	<u>\$ 0.69</u>	<u>\$ 2.15</u>	<u>\$ 1.93</u>
Non-GAAP diluted earnings per share	<u>\$ 1.41</u>	<u>\$ 1.30</u>	<u>\$ 4.13</u>	<u>\$ 3.73</u>
Shares used in computing GAAP diluted earnings per share	66,253	65,066	65,741	64,493
Shares used in computing non-GAAP diluted earnings per share	66,253	65,066	65,741	64,493

# GAAP and Non-GAAP Income Statement (cont.)

(USD in thousands)

## (1) Share-based Compensation

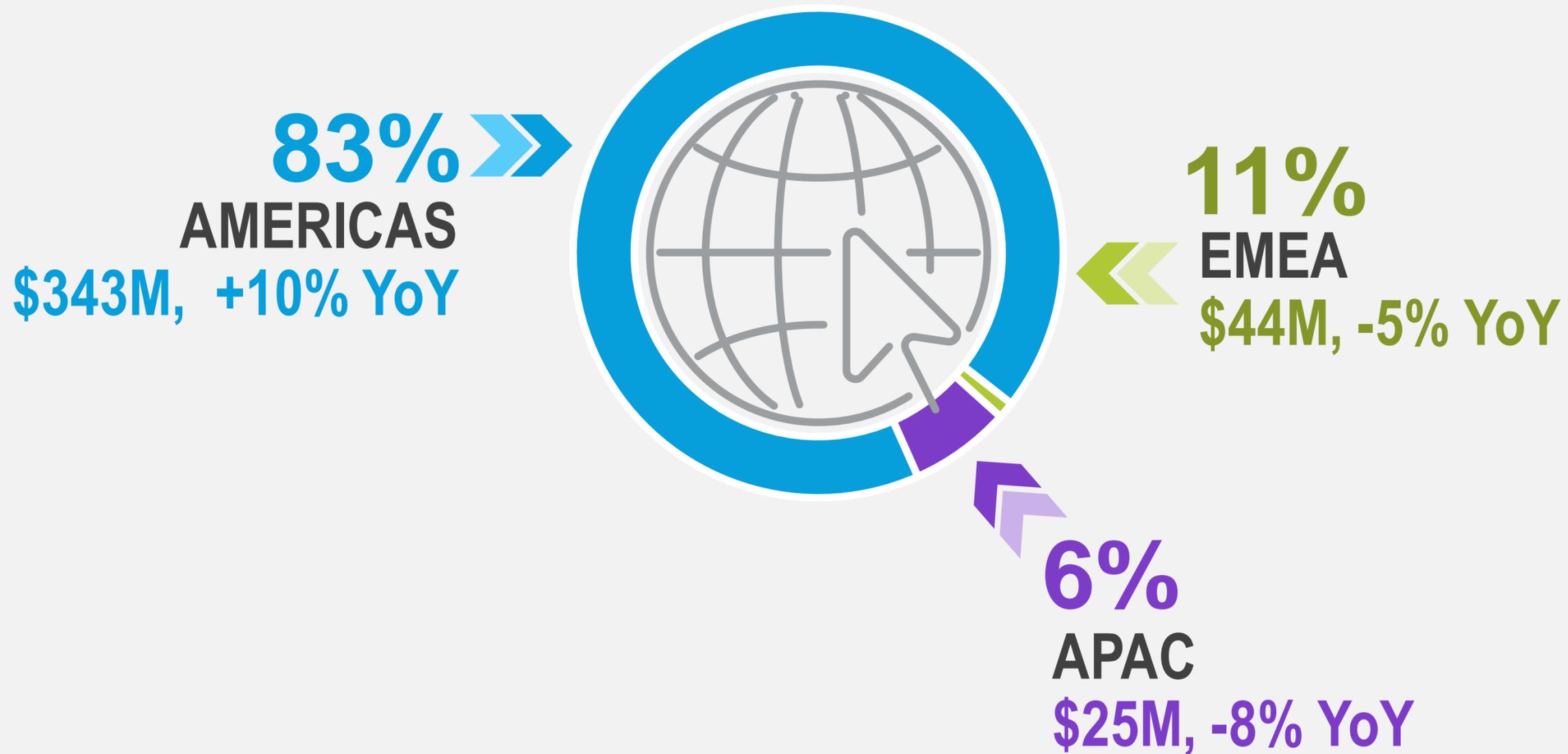
	Quarter ended September 30,		Year to date September 30,	
	2020	2019	2020	2019
Cost of product revenue	\$ 69	\$ 97	\$ 205	\$ 304
Cost of services revenue	1,677	2,106	4,957	6,251
Cost of cloud revenue	809	358	2,601	2,142
Research and development	2,565	2,033	7,553	5,177
Sales and marketing	5,519	7,737	19,493	19,181
General and administrative	11,765	8,962	34,446	23,570
	<u>\$ 22,404</u>	<u>\$ 21,293</u>	<u>\$ 69,255</u>	<u>\$ 56,625</u>

## (2) Acquisition related expenses

	Quarter ended September 30,		Year to date September 30,	
	2020	2019	2020	2019
Research and development	\$ -	\$ -	\$ -	\$ 5
Sales and marketing	42	-	130	30
General and administrative	2,300	-	3,793	808
	<u>\$ 2,342</u>	<u>\$ -</u>	<u>\$ 3,923</u>	<u>\$ 843</u>

# Q3 2020

## Revenue Breakdown by Region (Non-GAAP)



# Q3 2020

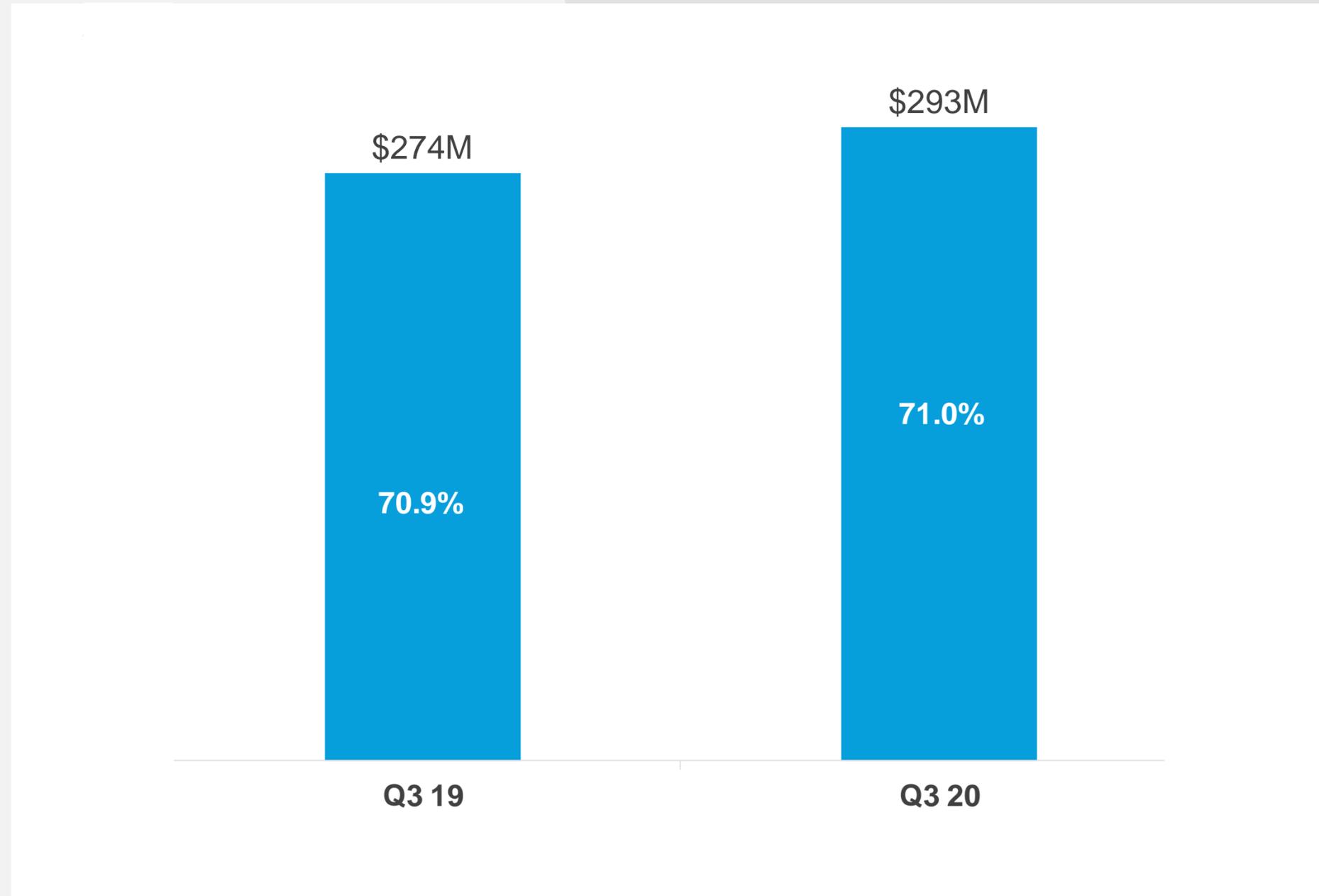
## Revenue Breakdown by Business Unit (Non-GAAP)

**82%**   
**CUSTOMER  
ENGAGEMENT**  
**\$337M, +7% YoY**

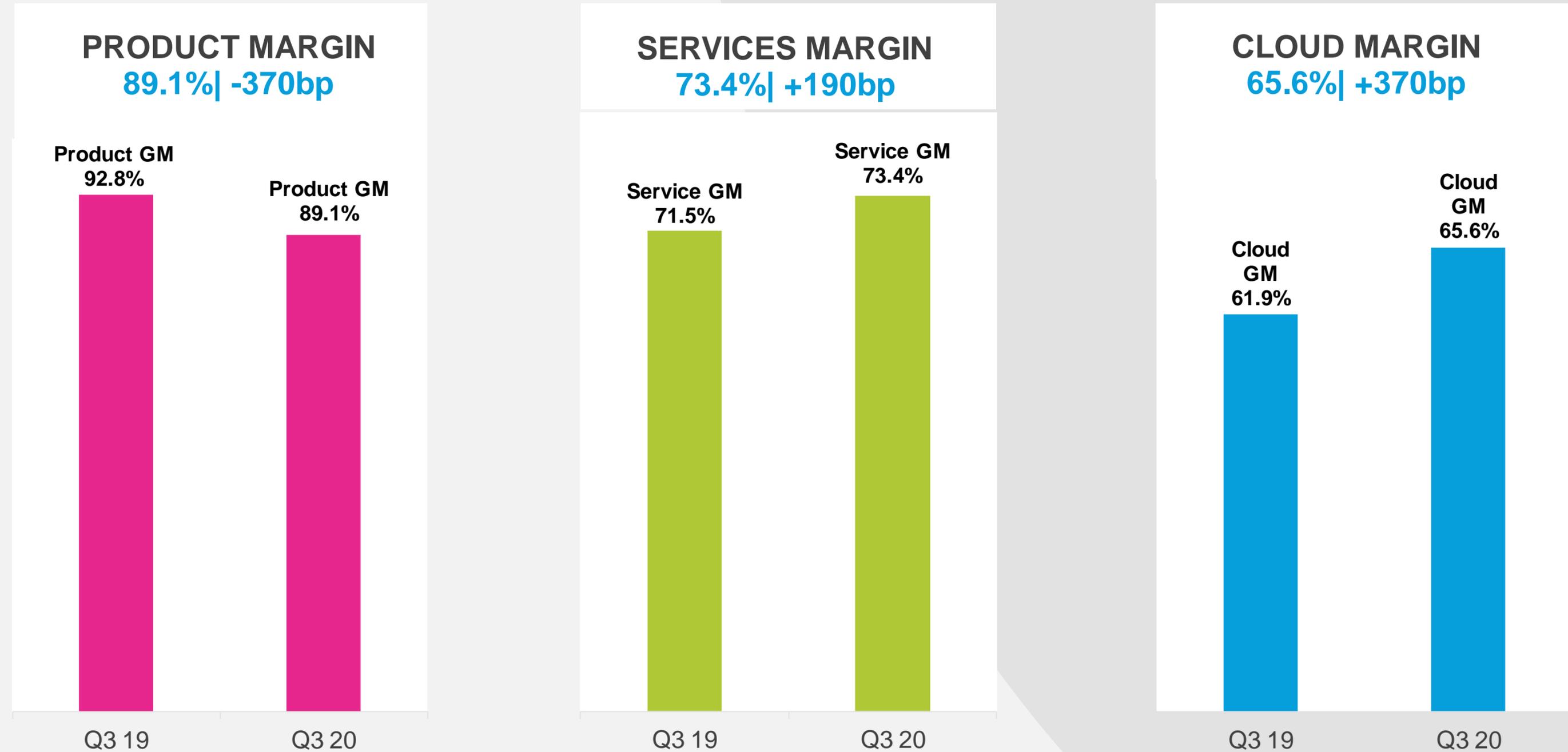


**18%**   
**FINANCIAL CRIME &  
COMPLIANCE**  
**\$75M, +4% YoY**

# Gross Profit and Gross Margin Q3 2020 (Non-GAAP)

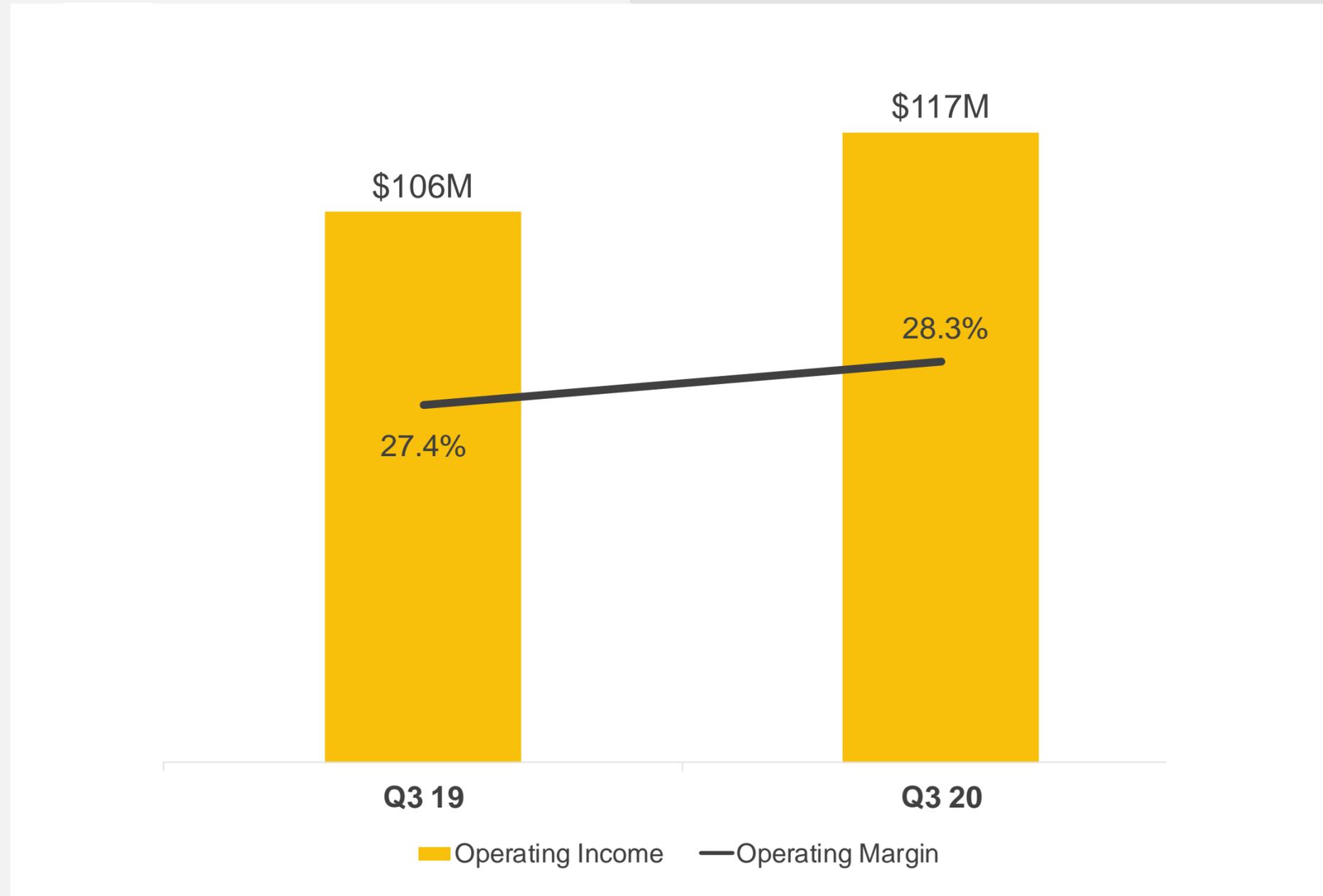


# Gross Margin Q3 2020 (Non-GAAP)



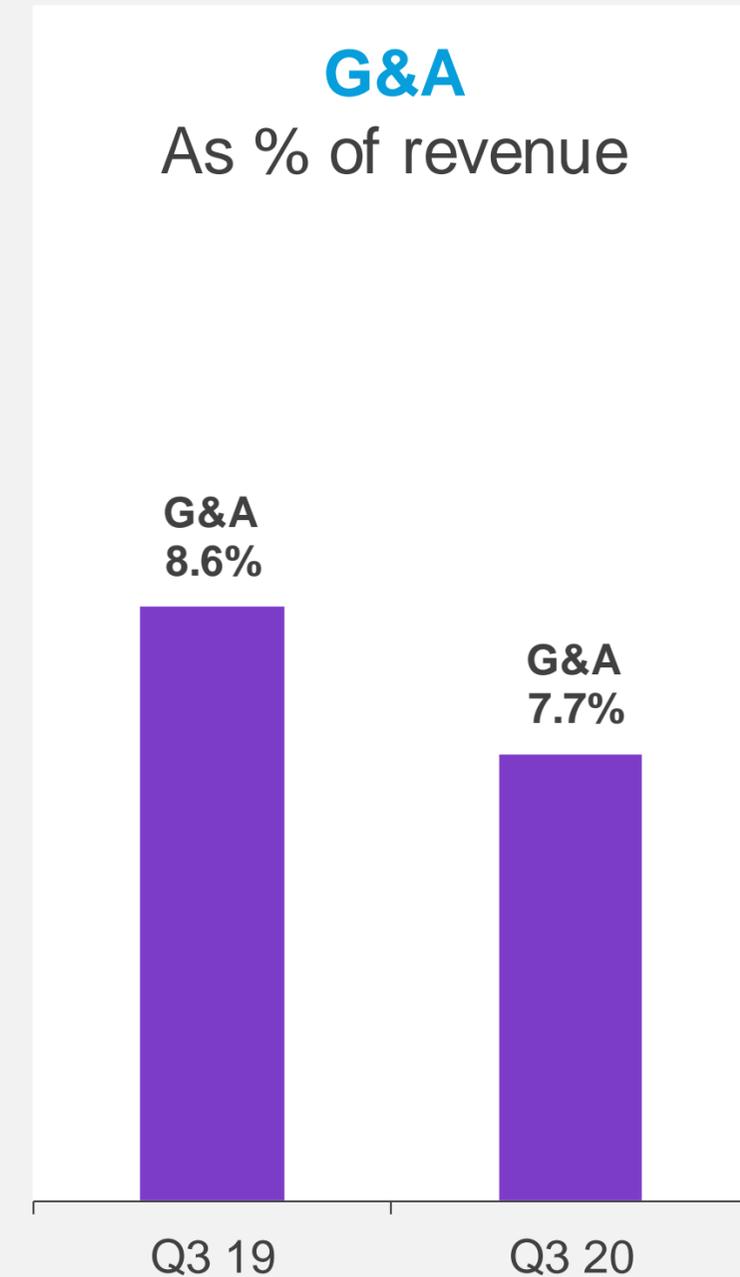
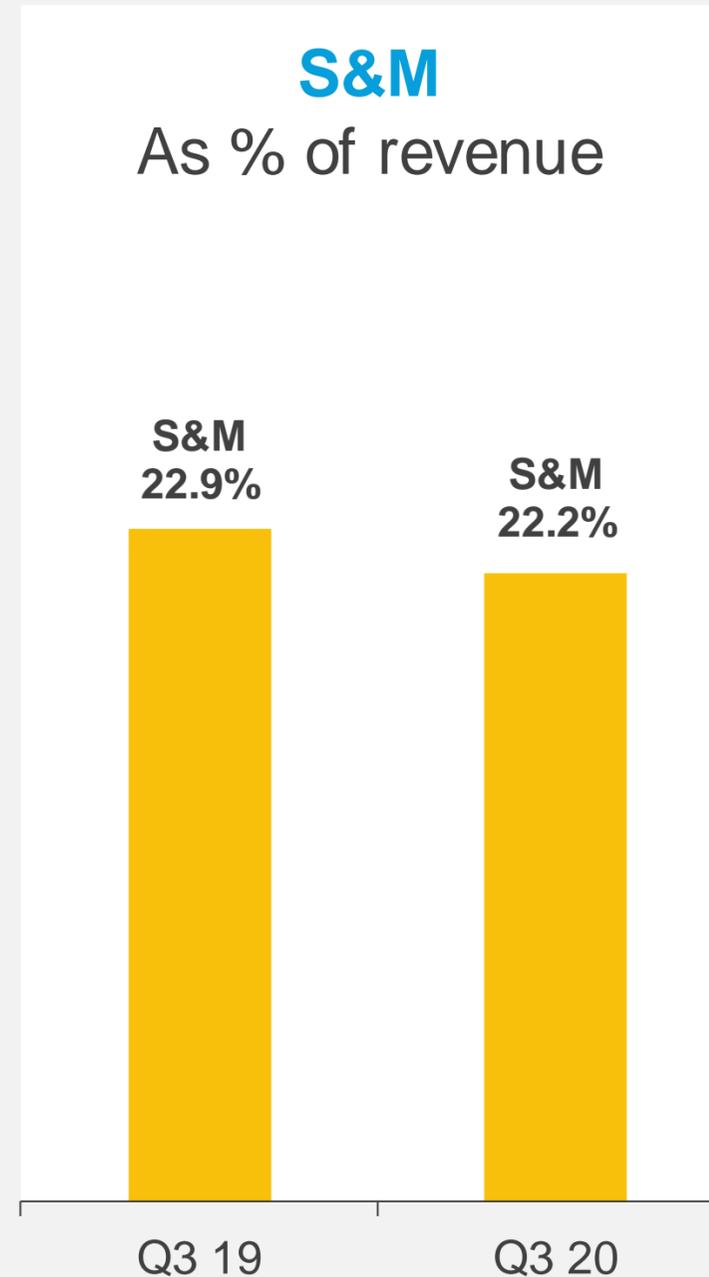
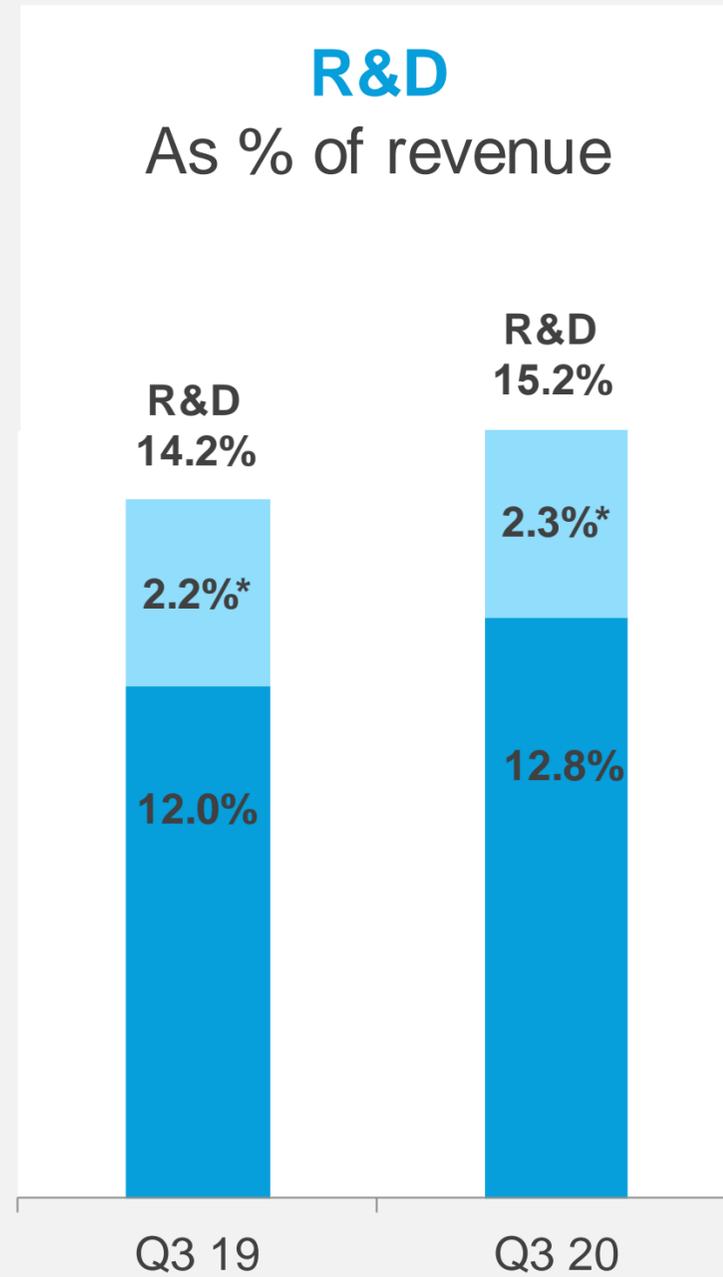
- Product gross margin declined due to different product mix
- Services gross margin increased as a result of continued efficiencies in the services organization
- Cloud gross margin increased as a result of increased scale in the cloud business

# Operating Income and Operating Margin Q3 2020 (Non-GAAP)



- Operating income increased as a result of strong operating leverage

# Cost Ratios Q3 2020 (Non-GAAP)



- G&A decreased primarily due to reduced travel

\* R&D capitalization

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# Balance Sheet

(USD in thousands)

	September 30, 2020	December 31, 2019		September 30, 2020	December 31, 2019
	Unaudited	Audited		Unaudited	Audited
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 753,116	\$ 228,323			
Short-term investments	789,415	210,772			
Trade receivables	294,176	319,622			
Prepaid expenses and other current assets	128,926	116,972			
	<u>1,965,633</u>	<u>875,689</u>			
Total current assets					
<b>LONG-TERM ASSETS:</b>					
Long-term investments	-	542,389			
Property and equipment, net	140,262	141,647			
Deferred tax assets	25,808	30,513			
Other intangible assets, net	395,809	411,019			
Operating lease right-of-use assets	102,132	106,196			
Goodwill	1,496,429	1,378,418			
Other long-term assets	145,343	124,034			
	<u>2,305,783</u>	<u>2,734,216</u>			
Total long-term assets					
<b>TOTAL ASSETS</b>	<b>\$ 4,271,416</b>	<b>\$ 3,609,905</b>			
<b>CURRENT LIABILITIES:</b>					
Trade payables	\$ 33,685	\$ 30,376			
Deferred revenues and advances from customers	260,059	245,792			
Current maturities of operating leases	21,846	21,519			
Exchangeable senior notes	257,732	251,583			
Accrued expenses and other liabilities	366,658	391,685			
	<u>939,980</u>	<u>940,955</u>			
Total current liabilities					
<b>LONG-TERM LIABILITIES:</b>					
Deferred revenues and advances from customers	35,871	26,045			
Operating leases	97,764	103,490			
Deferred tax liabilities	44,088	52,509			
Long-term debt	633,584	213,313			
Other long-term liabilities	17,052	16,327			
	<u>828,359</u>	<u>411,684</u>			
Total long-term liabilities					
<b>SHAREHOLDERS' EQUITY</b>					
Nice Ltd's equity	2,478,555	2,257,266			
Non-controlling interests	24,522	-			
	<u>2,503,077</u>	<u>2,257,266</u>			
Total shareholders' equity					
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 4,271,416</b>	<b>\$ 3,609,905</b>			

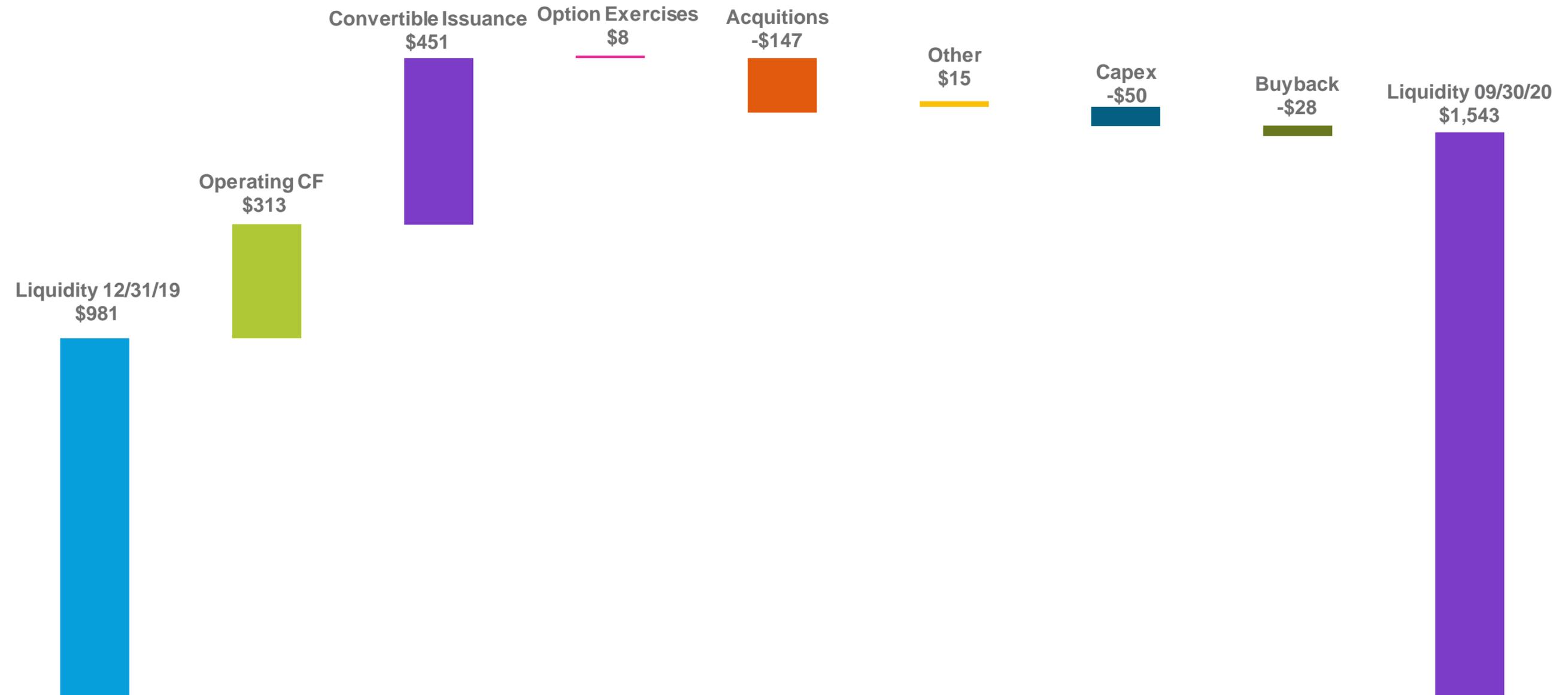
# Cash Flow From Operations

\$M	Q3 19	Q3 20	%Δ	9M 19	9M 20	%Δ
Cash flow from operations	82.3	99.0	20%	282.7	313.4	11%
- Capital expenditure	6.5	4.2	(35%)	21.5	21.7	0.9%
- Capitalization of software development	8.5	9.6	13%	25.9	28.8	11%
<b>Cash flow from operations after capex &amp; software capitalization</b>	<b>67.3</b>	<b>85.2</b>	<b>27%</b>	<b>235.3</b>	<b>262.9</b>	<b>12%</b>
Cash flow from operation after capex and software capitalization as % of non-GAAP revenue	17.4%	20.7%	3.3pp	20.5%	21.6%	1.1pp
Cash conversion rate *	0.8	0.9	13%	1.0	1.0	-
Days sales outstanding (DSO)	60	64	7%	60	64	7%

\* Cash Conversion Rate = (Cash Flow from Operations after CAPEX and software capitalization / Non-GAAP Net Income)

# Liquidity and Cash Movement

September 30, 2020



\* CAPEX movement includes R&D capitalization

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# Outlook\* (Non-GAAP)

	FY 2020
Revenue (\$M)	1,645-1,655
EPS (\$)	5.63-5.73

*The outlook is provided as of November 12, 2020. There is no guarantee that the Company will change or update these figures in this presentation should a need arise in the future to update the outlook. This is in addition to the forward-looking statements disclaimer at the beginning of the presentation.*

Thank You

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