



2021 SECOND QUARTER RESULTS

Ended June 30, 2021

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 fourth-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, uncertainty related to COVID-19 and various other factors and uncertainties discussed in our filings with the U.S. Securities and Exchange Commission (the “SEC”).

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 press release. 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 debt and loss from extinguishment of 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.

agenda

Q2 2021 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

Q2 2021 Highlights (Non-GAAP)

Total revenue increased 16% to \$459M; compared to Q2 2020

Cloud revenue increased 32% compared to Q2 2020; Representing 54% of total revenue

Q2 Cloud gross margin increased 200 bps to 67.7%; compared to 65.7% in Q2 last year

Recurring revenue increased to 82% of total revenue; compared to 80% in Q2 last year

Gross margin increased to 72.2%; compared to 71.0% in Q2 2020, an increase of 120 bps

Operating income increased 16% to \$129.6M; compared to Q2 last year

Operating cash flow increased by 37% to \$81.4M; compared to Q2 last year

EPS increased 15% to \$1.57; compared to \$1.37 in Q2 2020

* All numbers presented are Non-GAAP

agenda

Q2 2021 Highlights

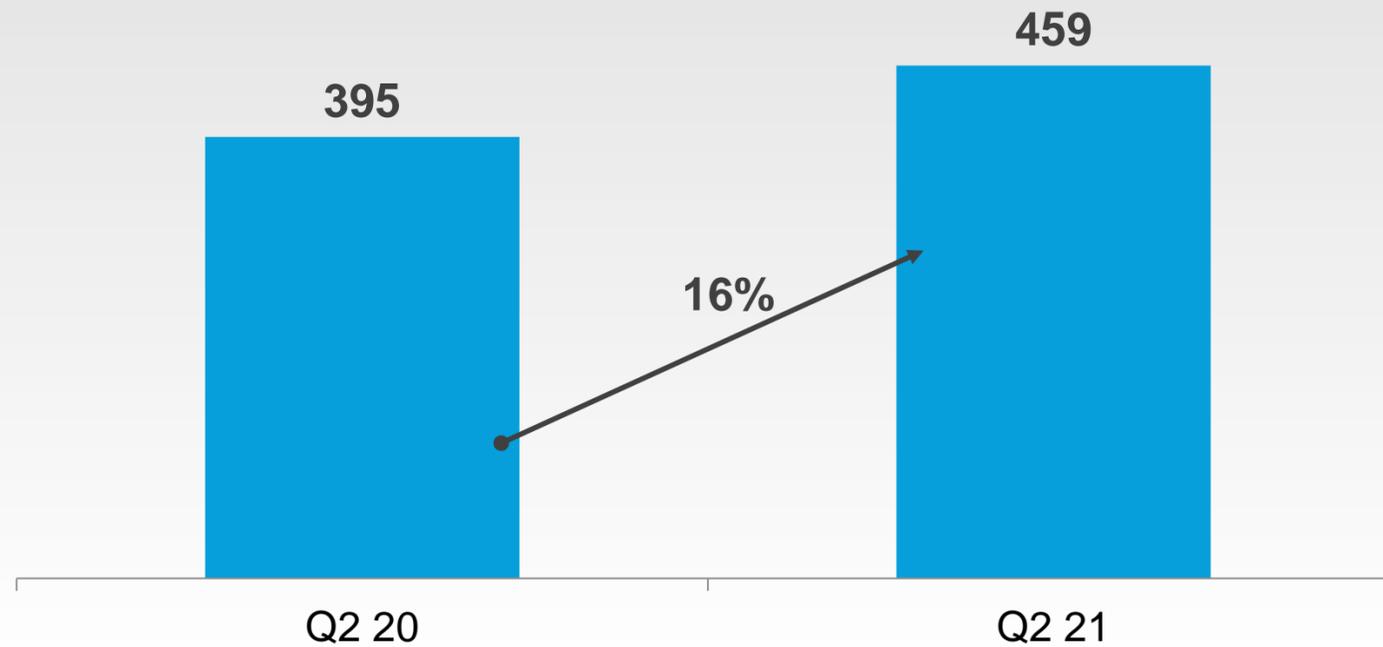
Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

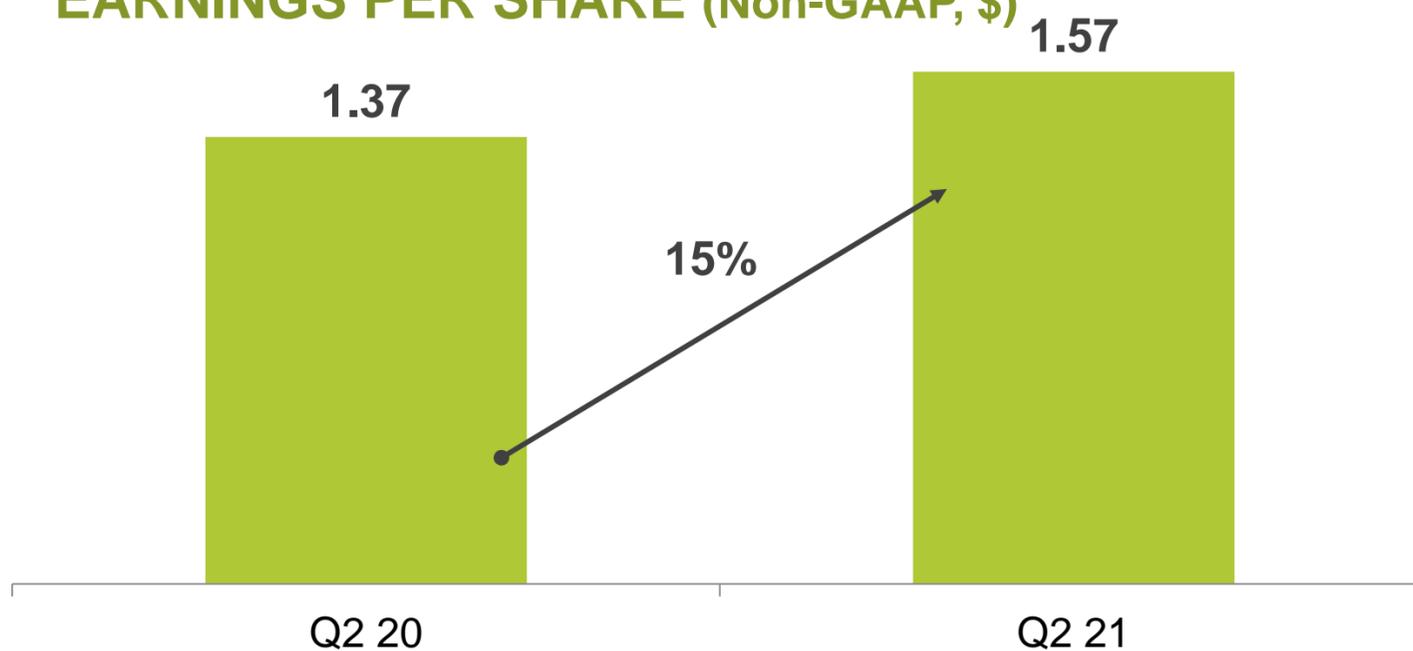
Solid Growth and Execution

REVENUES (Non-GAAP, \$M)



- Solid growth in total revenue driven by 32% increase in cloud revenue in Q2
- Cloud revenue of \$246M represented 54% of total revenue in Q2
- Recurring revenue accounted for 82% of total revenue for Q2

EARNINGS PER SHARE (Non-GAAP, \$)



- Strong growth in Q2 EPS due to strong total revenue growth and expanded gross margin

GAAP and Non-GAAP Income Statement (USD in thousands except EPS)

NICE LTD. AND SUBSIDIARIES

RECONCILIATION OF GAAP TO NON-GAAP RESULTS

U.S. dollars in thousands (except per share amounts)

	Quarter ended June 30,		Year to date June 30,	
	2021	2020	2021	2020
GAAP revenues	\$ 456,031	\$ 393,180	\$ 911,052	\$ 803,608
Valuation adjustment on acquired deferred cloud revenue	2,773	1,950	4,596	2,729
Valuation adjustment on acquired deferred services revenue	60	-	166	-
Valuation adjustment on acquired deferred product revenue	-	-	-	-
Non-GAAP revenues	<u>\$ 458,864</u>	<u>\$ 395,130</u>	<u>\$ 915,814</u>	<u>\$ 806,337</u>
GAAP cost of revenue	\$ 150,507	\$ 135,733	\$ 298,369	\$ 275,818
Amortization of acquired intangible assets on cost of cloud	(18,211)	(16,064)	(35,727)	(31,622)
Amortization of acquired intangible assets on cost of services	(1,226)	(1,497)	(2,451)	(3,019)
Amortization of acquired intangible assets on cost of product	(287)	(1,125)	(570)	(2,259)
Valuation adjustment on acquired deferred cost of cloud	26	244	51	537
Cost of cloud revenue adjustment (1)	(1,676)	(948)	(3,170)	(1,792)
Cost of services revenue adjustment (1)	(1,646)	(1,680)	(4,081)	(3,280)
Cost of product revenue adjustment (1)	(126)	(68)	(251)	(136)
Non-GAAP cost of revenue	<u>\$ 127,361</u>	<u>\$ 114,595</u>	<u>\$ 252,170</u>	<u>\$ 234,247</u>
GAAP gross profit	\$ 305,524	\$ 257,447	\$ 612,683	\$ 527,790
Gross profit adjustments	25,979	23,088	50,961	44,300
Non-GAAP gross profit	<u>\$ 331,503</u>	<u>\$ 280,535</u>	<u>\$ 663,644</u>	<u>\$ 572,090</u>
GAAP operating expenses	\$ 241,546	\$ 201,309	\$ 482,232	\$ 412,824
Research and development (1,2)	(4,111)	(2,373)	(8,168)	(4,988)
Sales and marketing (1,2)	(6,911)	(8,797)	(17,819)	(14,062)
General and administrative (1,2)	(18,688)	(11,340)	(31,375)	(24,174)
Amortization of acquired intangible assets	(9,952)	(9,650)	(19,660)	(19,455)
Valuation adjustment on acquired deferred commission	55	36	108	71
Non-GAAP operating expenses	<u>\$ 201,939</u>	<u>\$ 169,185</u>	<u>\$ 405,318</u>	<u>\$ 350,216</u>

GAAP and Non-GAAP Income Statement (cont.)

NICE LTD. AND SUBSIDIARIES RECONCILIATION OF GAAP TO NON-GAAP RESULTS (continued)

U.S. dollars in thousands (except per share amounts)

	Quarter ended June 30,		Year to date June 30,	
	2021	2020	2021	2020
GAAP financial and other expense, net	\$ 9,062	\$ (423)	\$ 12,456	\$ 1,227
Amortization of discount on debt and loss from extinguishment of debt	(10,811)	(2,532)	(14,937)	(4,874)
Non-GAAP financial and other income, net	<u>\$ (1,749)</u>	<u>\$ (2,955)</u>	<u>\$ (2,481)</u>	<u>\$ (3,647)</u>
GAAP taxes on income	\$ 10,515	\$ 11,956	\$ 21,383	\$ 23,020
Tax adjustments re non-GAAP adjustments	16,529	12,499	32,343	24,790
Non-GAAP taxes on income	<u>\$ 27,044</u>	<u>\$ 24,455</u>	<u>\$ 53,726</u>	<u>\$ 47,810</u>
GAAP net income	\$ 44,401	\$ 44,605	\$ 96,612	\$ 90,719
Valuation adjustment on acquired deferred revenue	2,833	1,950	4,762	2,729
Valuation adjustment on acquired deferred cost of cloud revenue	(26)	(244)	(51)	(537)
Amortization of acquired intangible assets	29,676	28,336	58,408	56,355
Valuation adjustment on acquired deferred commission	(55)	(36)	(108)	(71)
Share-based compensation (1)	31,251	25,206	62,957	46,851
Acquisition related expenses (2)	1,907	-	1,907	1,581
Amortization of discount on debt and loss from extinguishment of debt	10,812	2,532	14,937	4,874
Tax adjustments re non-GAAP adjustments	(16,529)	(12,499)	(32,343)	(24,790)
Non-GAAP net income	<u>\$ 104,270</u>	<u>\$ 89,850</u>	<u>\$ 207,081</u>	<u>\$ 177,711</u>
GAAP diluted earnings per share	<u>\$ 0.67</u>	<u>\$ 0.68</u>	<u>\$ 1.45</u>	<u>\$ 1.39</u>
Non-GAAP diluted earnings per share	<u>\$ 1.57</u>	<u>\$ 1.37</u>	<u>\$ 3.11</u>	<u>\$ 2.71</u>
Shares used in computing GAAP diluted earnings per share	66,512	65,633	66,618	65,484
Shares used in computing non-GAAP diluted earnings per share	66,512	65,633	66,618	65,484

GAAP and Non-GAAP Income Statement (cont.)

NICE LTD. AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP RESULTS
(continued)

U.S. dollars in thousands

(1) Share-based Compensation

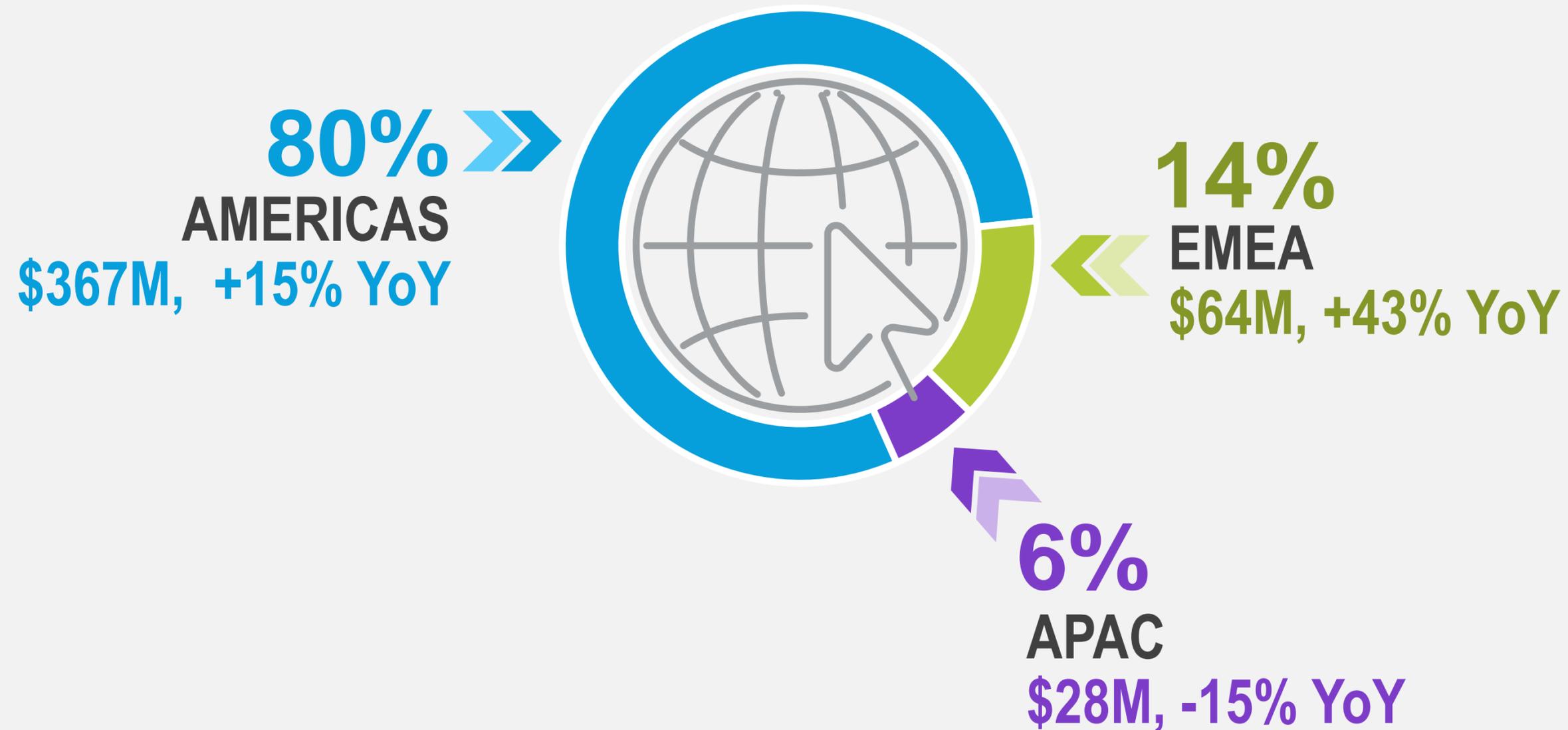
	Quarter ended June 30,		Year to date June 30,	
	2021	2020	2021	2020
Cost of cloud revenue	\$ 1,676	\$ 948	\$ 3,170	\$ 1,792
Cost of services revenue	1,646	1,680	4,081	3,280
Cost of product revenue	126	68	251	136
Research and development	4,111	2,373	8,168	4,988
Sales and marketing	6,911	8,797	17,819	13,974
General and administrative	16,781	11,340	29,468	22,681
	<u>\$ 31,251</u>	<u>\$ 25,206</u>	<u>\$ 62,957</u>	<u>\$ 46,851</u>

(2) Acquisition related expenses

	Quarter ended June 30,		Year to date June 30,	
	2021	2020	2021	2020
Research and development	\$ -	\$ -	\$ -	\$ -
Sales and marketing	-	-	-	88
General and administrative	1,907	-	1,907	1,493
	<u>\$ 1,907</u>	<u>\$ -</u>	<u>\$ 1,907</u>	<u>\$ 1,581</u>

Q2 2021

Revenue Breakdown by Region (Non-GAAP)



Q2 2021

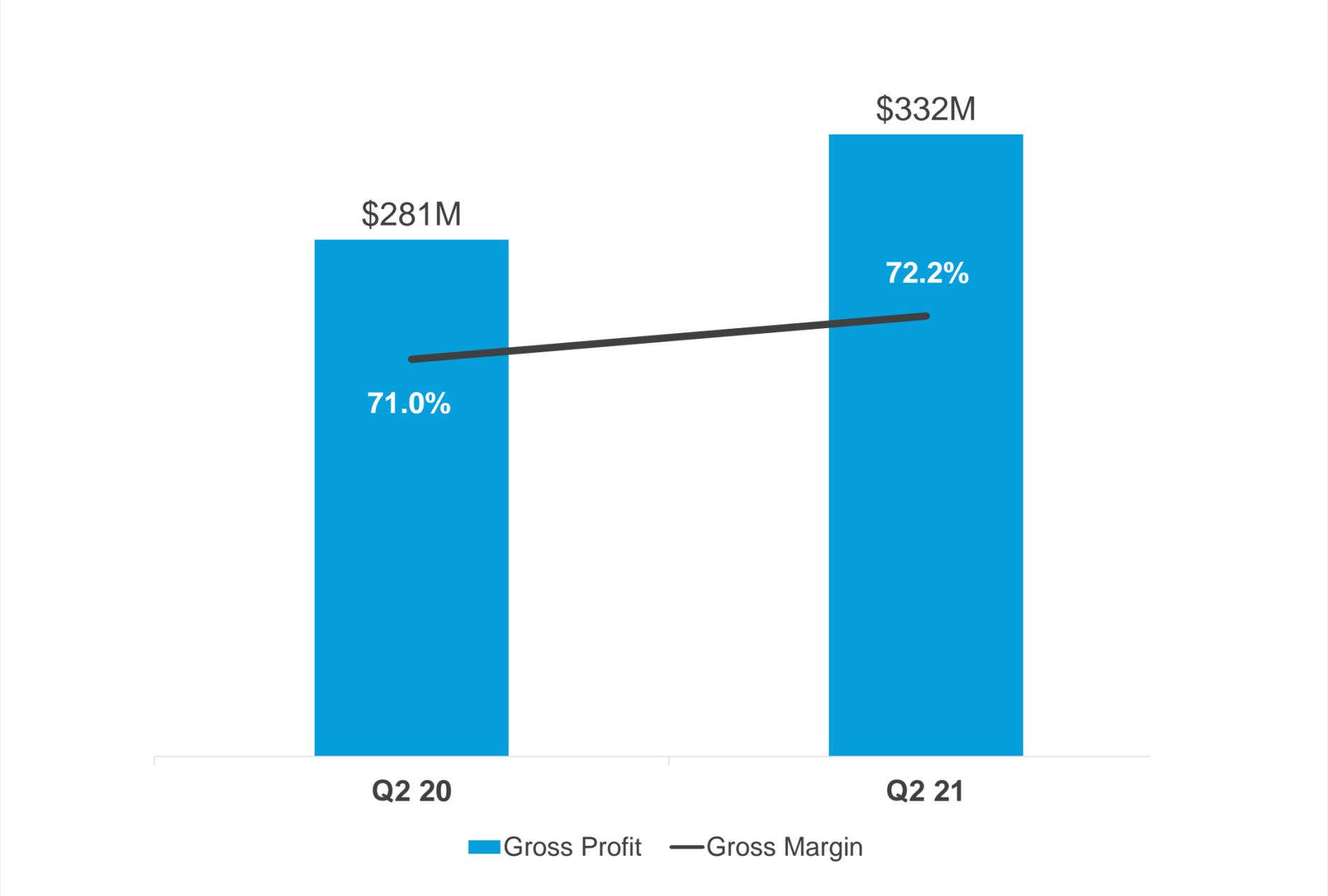
Revenue Breakdown by Business Unit (Non-GAAP)

83% **»»**
**CUSTOMER
ENGAGEMENT**
\$381M, +18% YoY

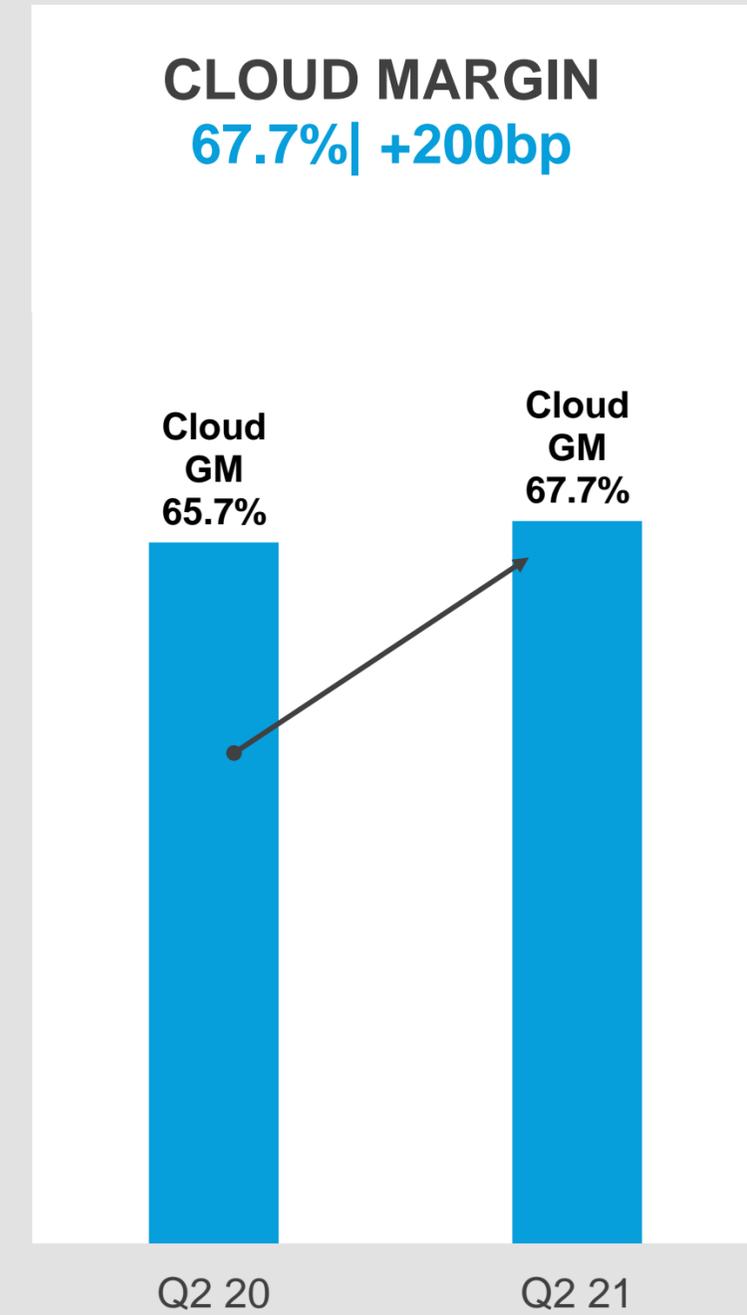
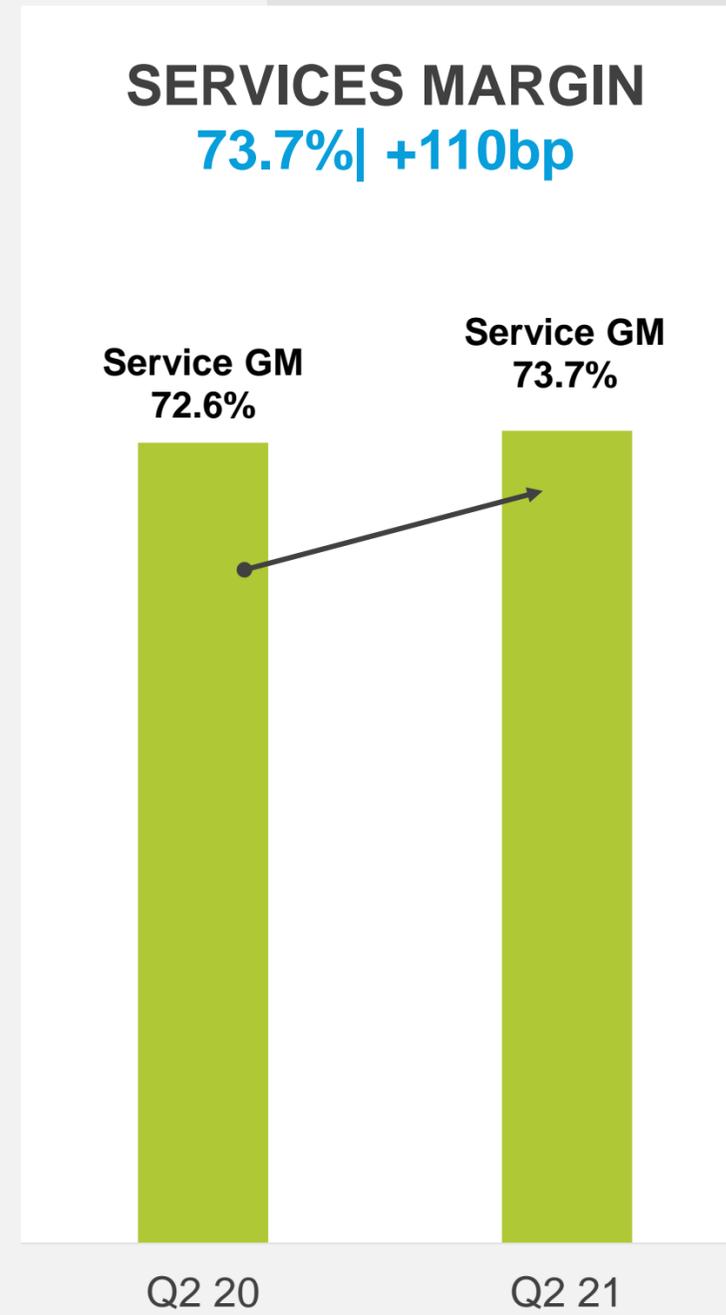
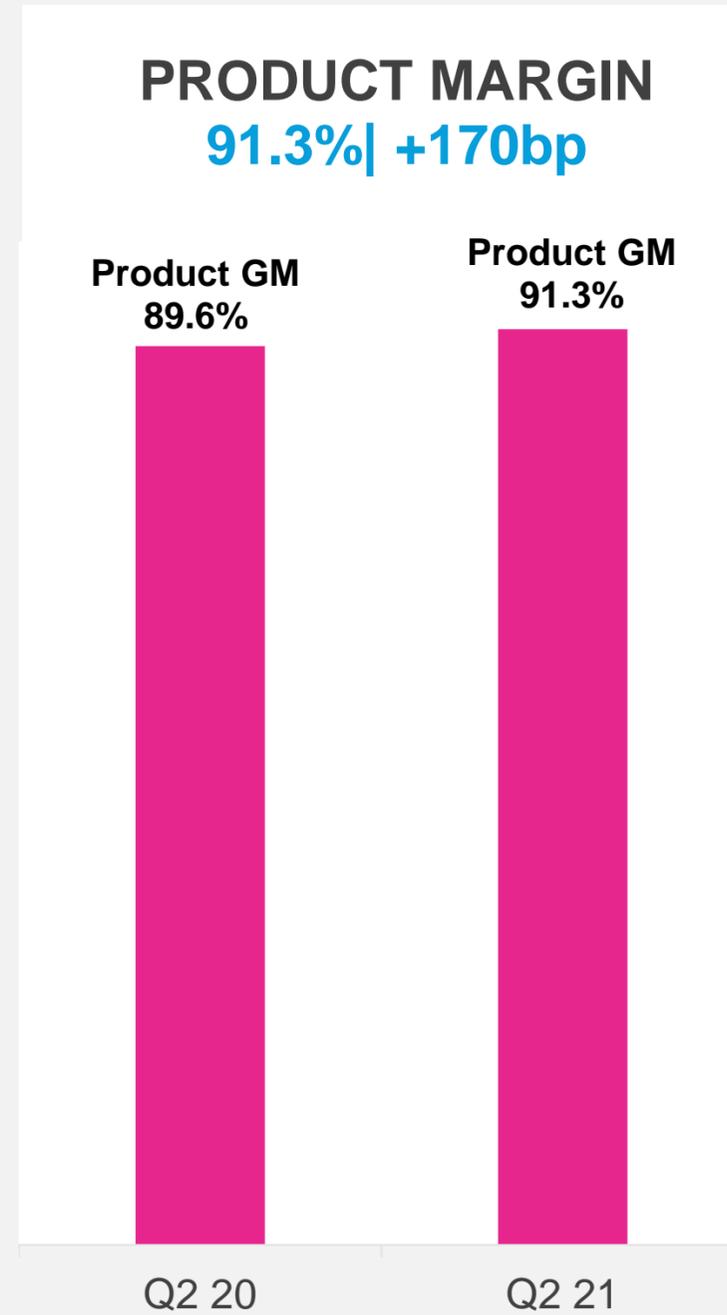


«« 17%
**FINANCIAL CRIME &
COMPLIANCE**
\$78M, +9% YoY

Gross Profit and Gross Margin Q2 2021 (Non-GAAP)

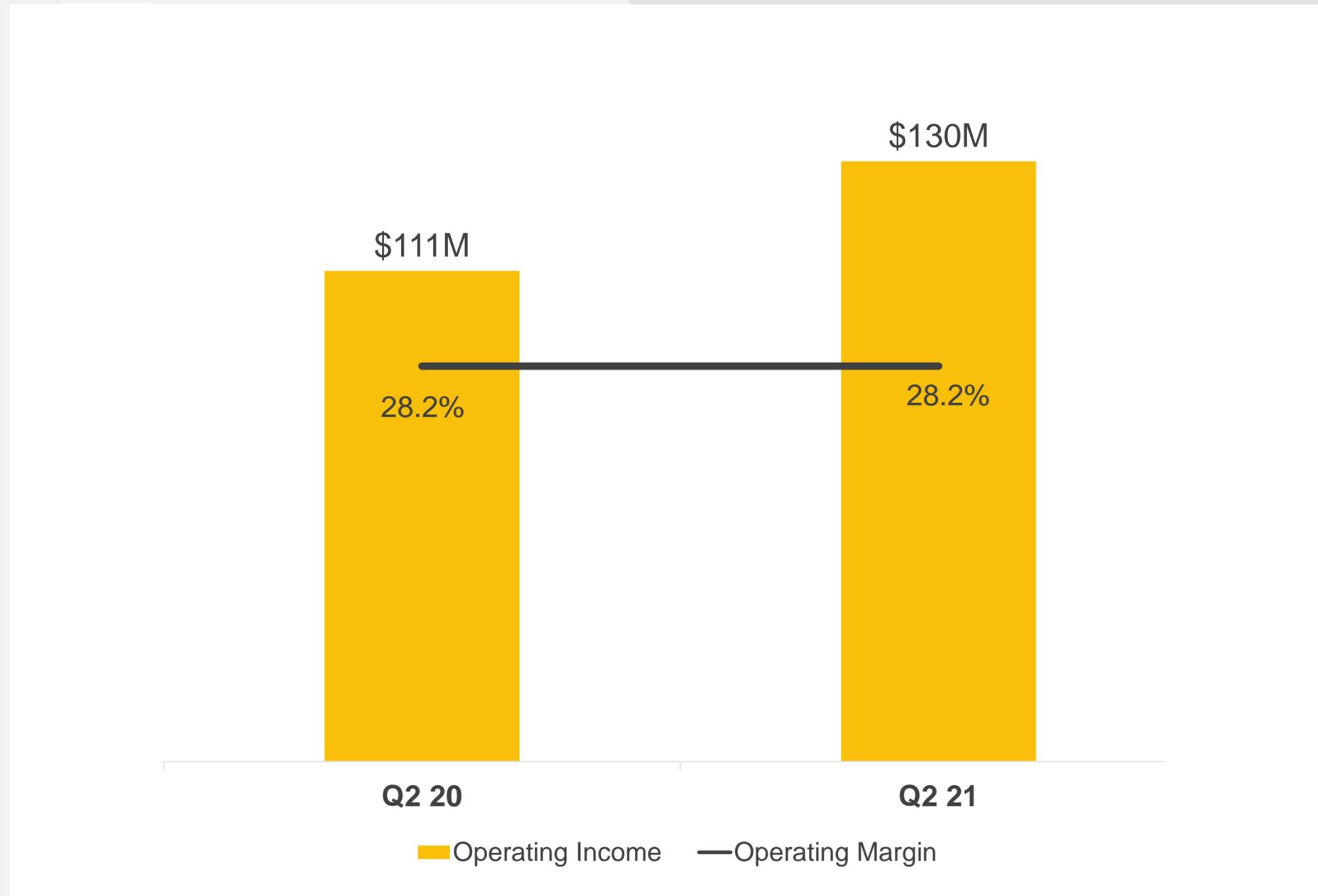


Gross Margin Q2 2021 (Non-GAAP)

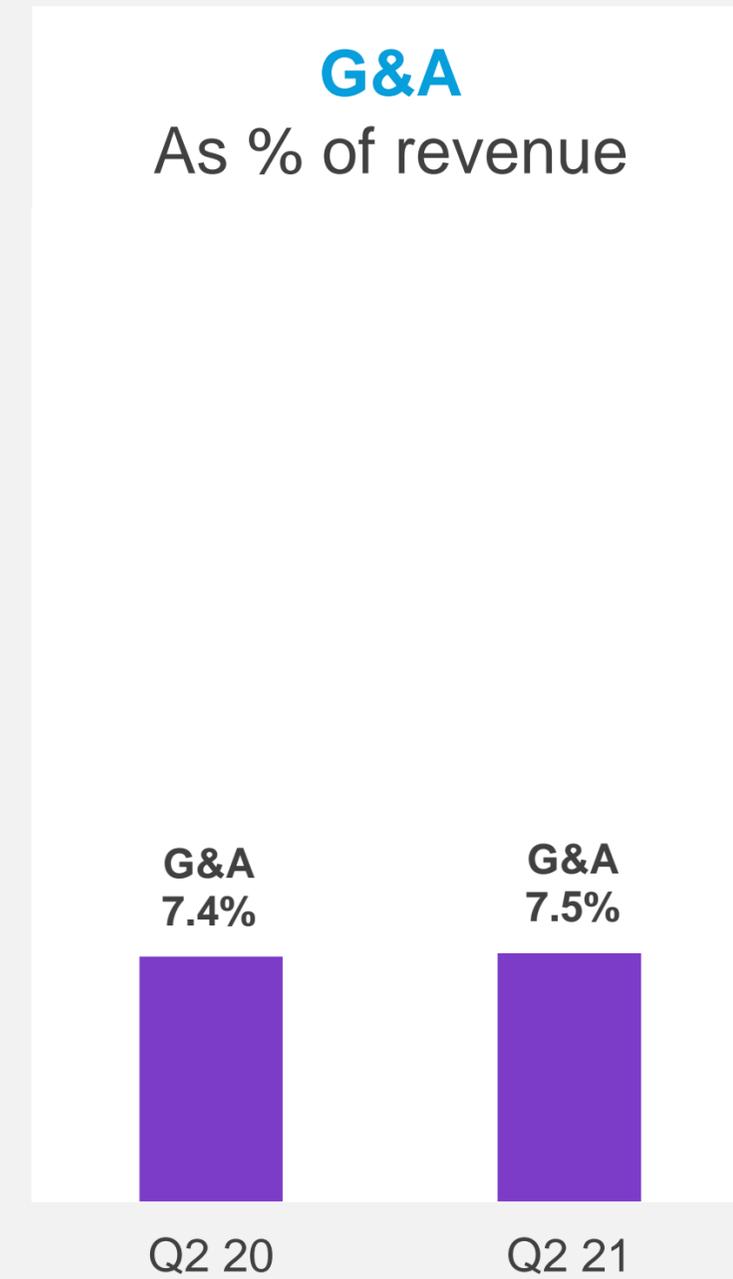
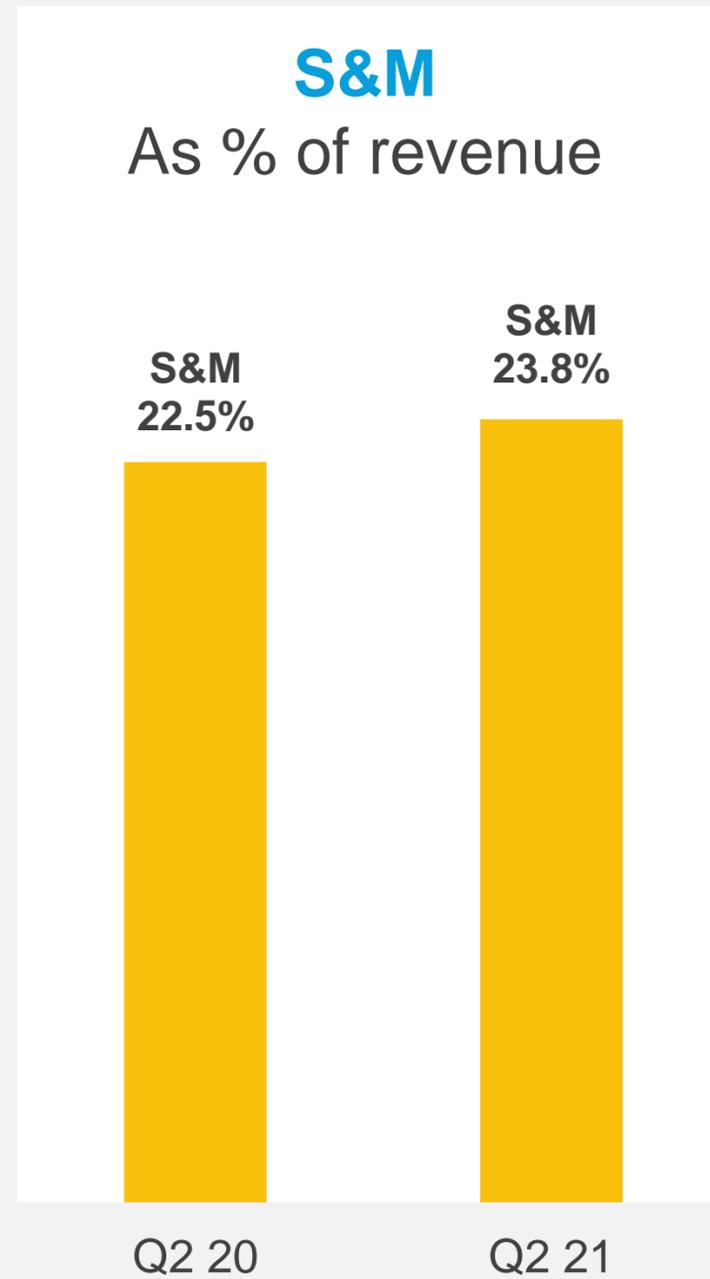
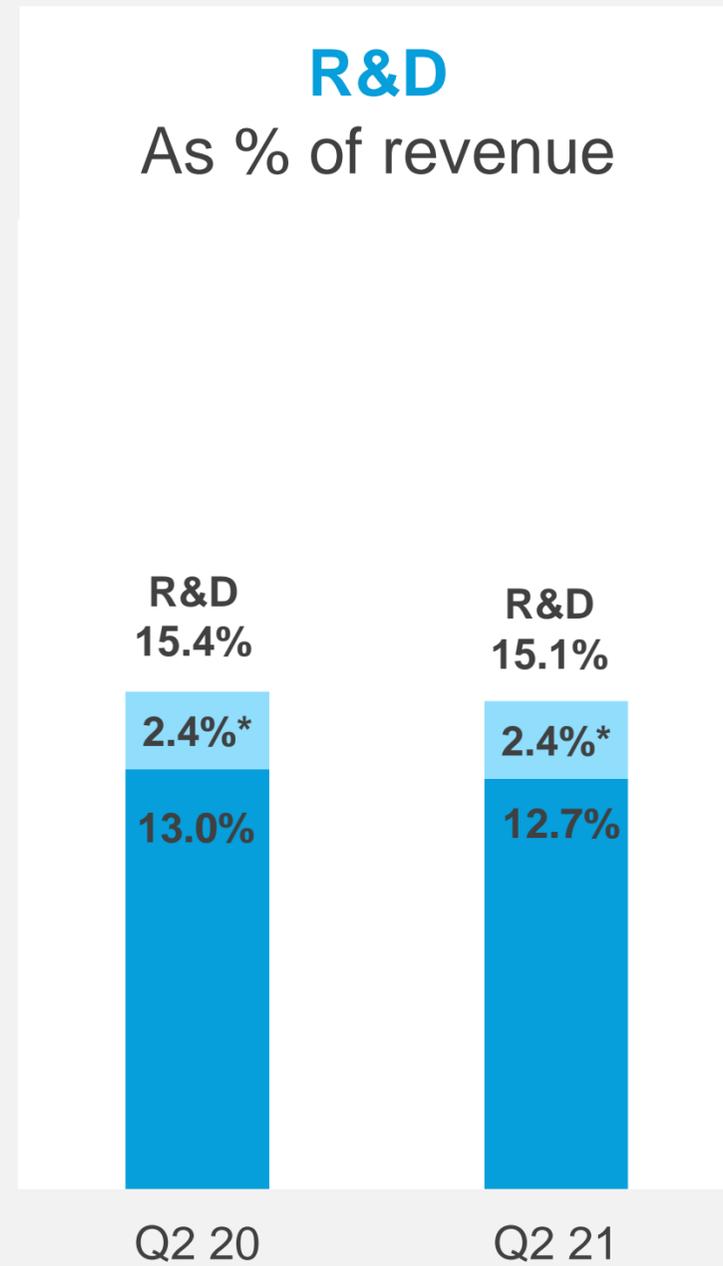


- Services gross margin increased as a result of continued efficiencies in the services organization
- Cloud gross margin increased as a result of increased scale in the cloud business

Operating Income and Operating Margin Q2 2021 (Non-GAAP)



Cost Ratios Q2 2021 (Non-GAAP)



* R&D capitalization

agenda

Q2 2021 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

Condensed Consolidated Balance Sheet (USD in thousands)

	June 30, 2021	December 31, 2020
	Unaudited	Audited
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 343,452	\$ 442,267
Short-term investments	1,064,290	1,021,613
Trade receivables	331,493	303,100
Prepaid expenses and other current assets	169,642	175,340
Total current assets	<u>1,908,877</u>	<u>1,942,320</u>
LONG-TERM ASSETS:		
Property and equipment, net	143,014	137,785
Deferred tax assets	35,133	32,735
Other intangible assets, net	349,924	366,003
Operating lease right-of-use assets	91,647	97,162
Goodwill	1,595,613	1,503,252
Other long-term assets	<u>180,125</u>	<u>153,660</u>
Total long-term assets	<u>2,395,456</u>	<u>2,290,597</u>
TOTAL ASSETS	<u><u>\$ 4,304,333</u></u>	<u><u>\$ 4,232,917</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 40,850	\$ 33,132
Deferred revenues and advances from customers	327,955	311,851
Current maturities of operating leases	21,372	22,412
Debt	187,866	259,881
Accrued expenses and other liabilities	<u>409,992</u>	<u>417,174</u>
Total current liabilities	<u>988,035</u>	<u>1,044,450</u>
LONG-TERM LIABILITIES:		
Deferred revenues and advances from customers	73,197	36,295
Operating leases	86,389	92,262
Deferred tax liabilities	18,396	32,109
Debt	425,284	421,337
Other long-term liabilities	<u>17,514</u>	<u>17,980</u>
Total long-term liabilities	<u>620,780</u>	<u>599,983</u>
SHAREHOLDERS' EQUITY		
Nice Ltd's equity	2,672,128	2,563,910
Non-controlling interests	<u>23,390</u>	<u>24,574</u>
Total shareholders' equity	<u>2,695,518</u>	<u>2,588,484</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 4,304,333</u></u>	<u><u>\$ 4,232,917</u></u>

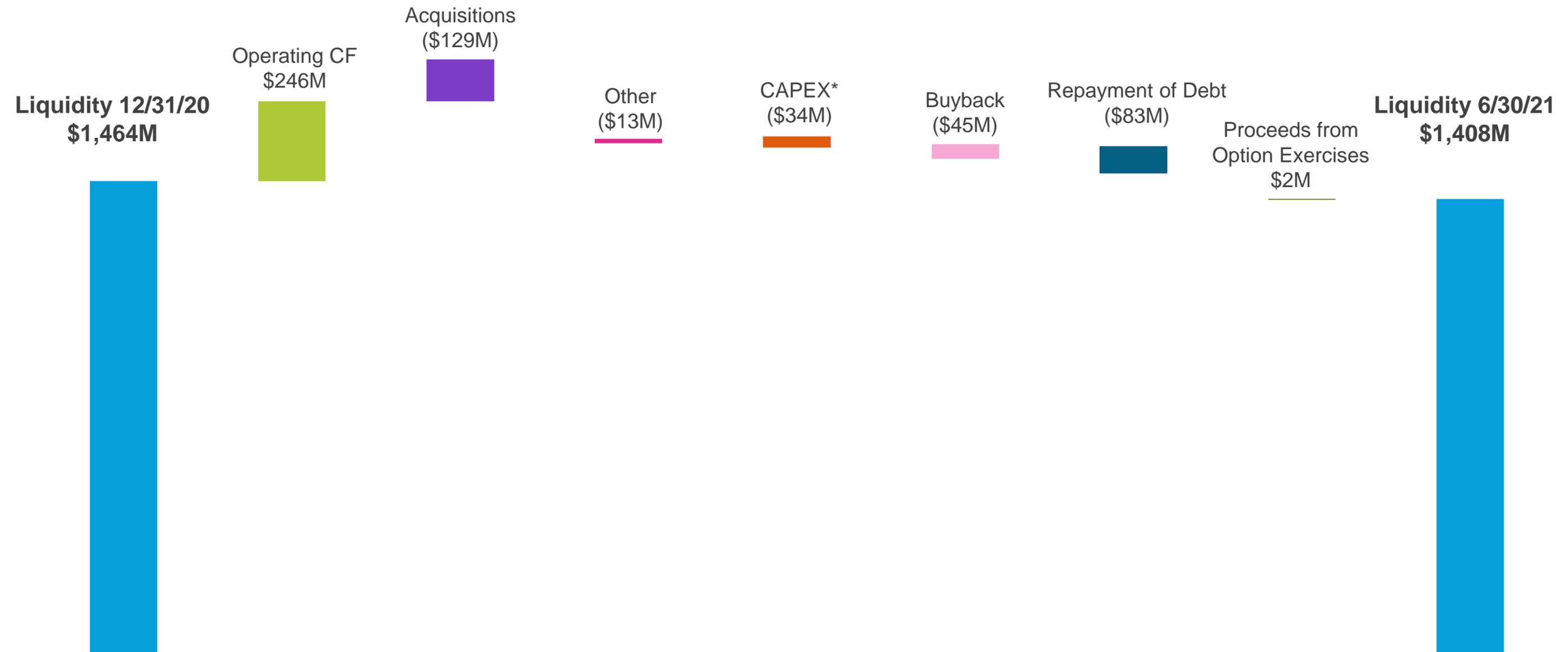
Cash Flow From Operations

\$M	Q2 21	Q2 20	%Δ	H1 21	H1 20	%Δ
Cash flow from operations	81.4	59.6	37%	245.7	214.4	15%
- Capital expenditure	10.6	7.8	36%	13.0	17.5	(26%)
- Capitalization of software development	11.2	9.9	13%	21.3	19.2	11%
Cash flow from operations after capex & software capitalization	59.7	41.8	43%	211.4	177.7	19%
Cash flow from operation after capex and software capitalization as % of non-GAAP revenue	13%	11%	(2pp)	23%	22%	(1pp)
Cash conversion rate *	0.6	0.5	23%	1.0	1.0	2%
Days sales outstanding (DSO)	68	67	1%	68	67	1%

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

Cash Movement and Liquidity (USD in millions)

June 30, 2021



* CAPEX movement includes R&D capitalization

agenda

Q2 2021 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

Outlook* (Non-GAAP)

	Q3 2021	FY 2021
Revenue (\$M)	460 - 470	1,835 - 1,855
EPS (\$)	1.51 - 1.61	6.26 – 6.46

The outlook is provided as of August 5, 2021. 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

NICE[®]