



2018 FOURTH QUARTER AND FULL YEAR RESULTS

Ended December 31, 2018

Forward Looking Statements Disclaimer

This press release 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, analytics and artificial intelligence 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 competition, success and growth of the Company’s cloud Software-as-a-Service business, cyber security attacks or other security breaches against the Company, privacy concerns and legislation impacting the Company’s business, the Company’s dependency on third-party cloud computing platform providers, hosting facilities and service partners, changes in general economic and business conditions, rapidly changing technology, changes in currency exchange rates and interest rates, difficulties in making additional acquisitions or effectively integrating acquired operations, products, technologies and personnel, successful execution of the Company’s growth strategy, the effects of tax reforms and of newly enacted or modified laws, regulation or standards on the Company and its products, and 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 consist of GAAP financial measures adjusted to exclude: amortization of acquired intangible assets, share-based compensation, certain business combination accounting entries, amortization of discount on long term debt, re-organization expenses, tax adjustment re non-GAAP adjustments and tax reform and ASC 606 to ASC 605 adjustments. The purpose of such adjustments is to give an indication of our performance exclusive of non-cash charges and other items that are considered by management to be outside of our core operating results. 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. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Business combination accounting rules requires us to recognize a legal performance obligation related to a revenue arrangement of an acquired entity. The amount assigned to that liability should be based on its fair value at the date of acquisition. The non-GAAP adjustment is intended to reflect the full amount of such revenue. We believe this adjustment is useful to investors as a measure of the ongoing performance of our business. We believe these non-GAAP financial measures provide consistent and comparable measures to help investors understand our current and future operating cash flow performance. These non-GAAP financial measures may differ materially from the non-GAAP financial measures used by other companies. Our non-GAAP financial measures in Q4 and full year 2018 are based on ASC 605. We elected to present our non-GAAP financial data using this approach to provide better transparency and comparability to 2017 non-GAAP financial data, which was reported under ASC 605.

agenda

Q4 and Full Year 2018 Highlights

Income Statement (Including 2018 Quarterly Reconciliation GAAP to non-GAAP ASC 606)

Balance Sheet and Cash Flow Analysis

Outlook

Q4 and Full Year 2018 Highlights*

Record revenue for Q4 and FY: \$420M and \$1,463M, respectively

Q4 Cloud revenue increased 29% to \$134M compared to Q4 last year

FY Recurring revenue increased to 70% of total revenue compared to 65% in 2017

Q4 and FY cloud revenue: represented 32% of total revenue vs. 26% in Q4 17 and 27% in FY 17

Record operating income for Q4 and FY: \$119M and \$379M, respectively

FY operating margin increased to 25.9% compared to 25.0% last year

Record EPS for Q4 and FY: increased 9% and 14%, respectively

Record FY cash flow from operations of \$397M

* All numbers presented are Non-GAAP under ASC 605

agenda

Q4 and Full Year 2018 Highlights

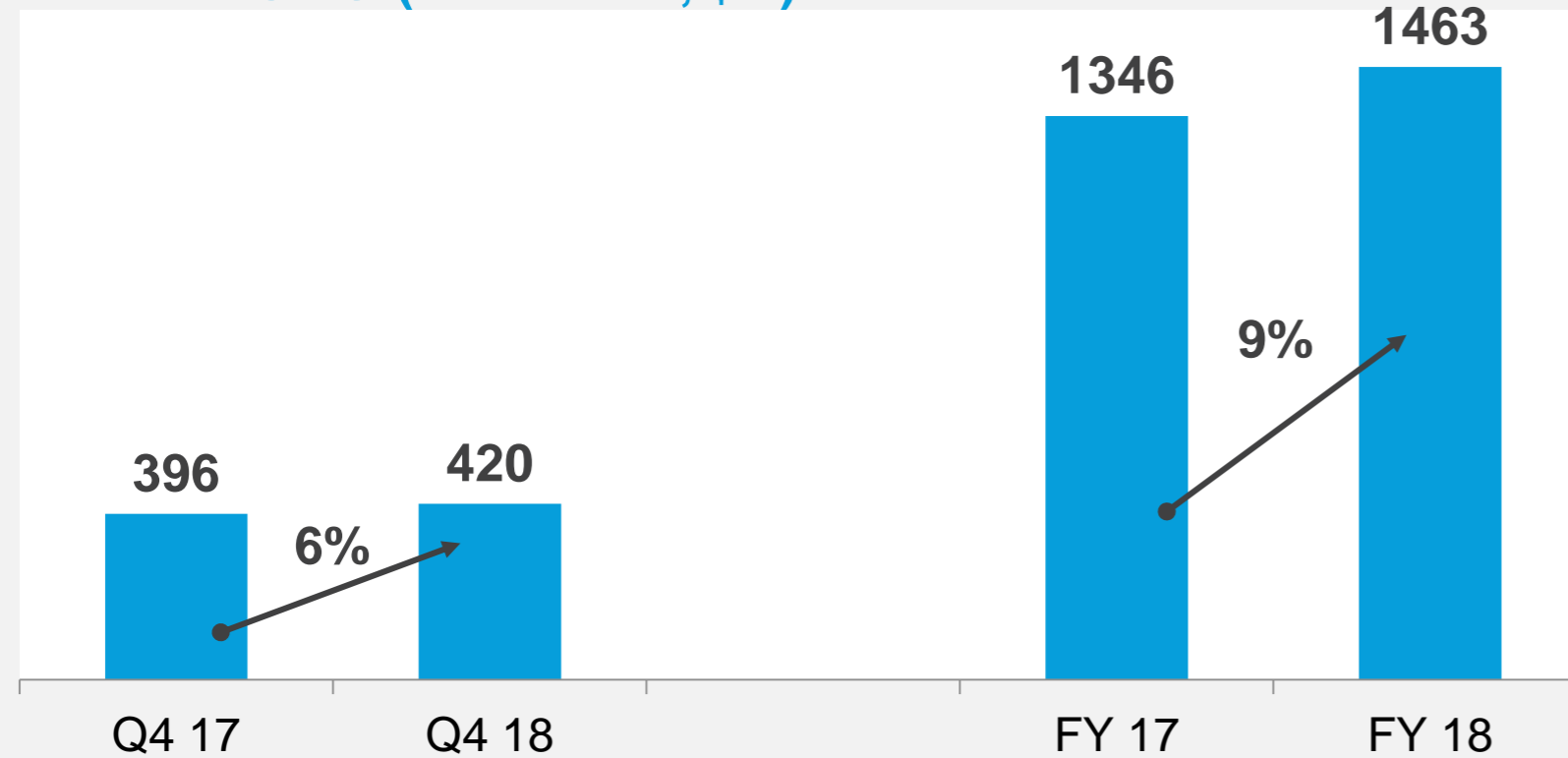
Income Statement (Including 2018 Quarterly Reconciliation GAAP to non-GAAP ASC 606)

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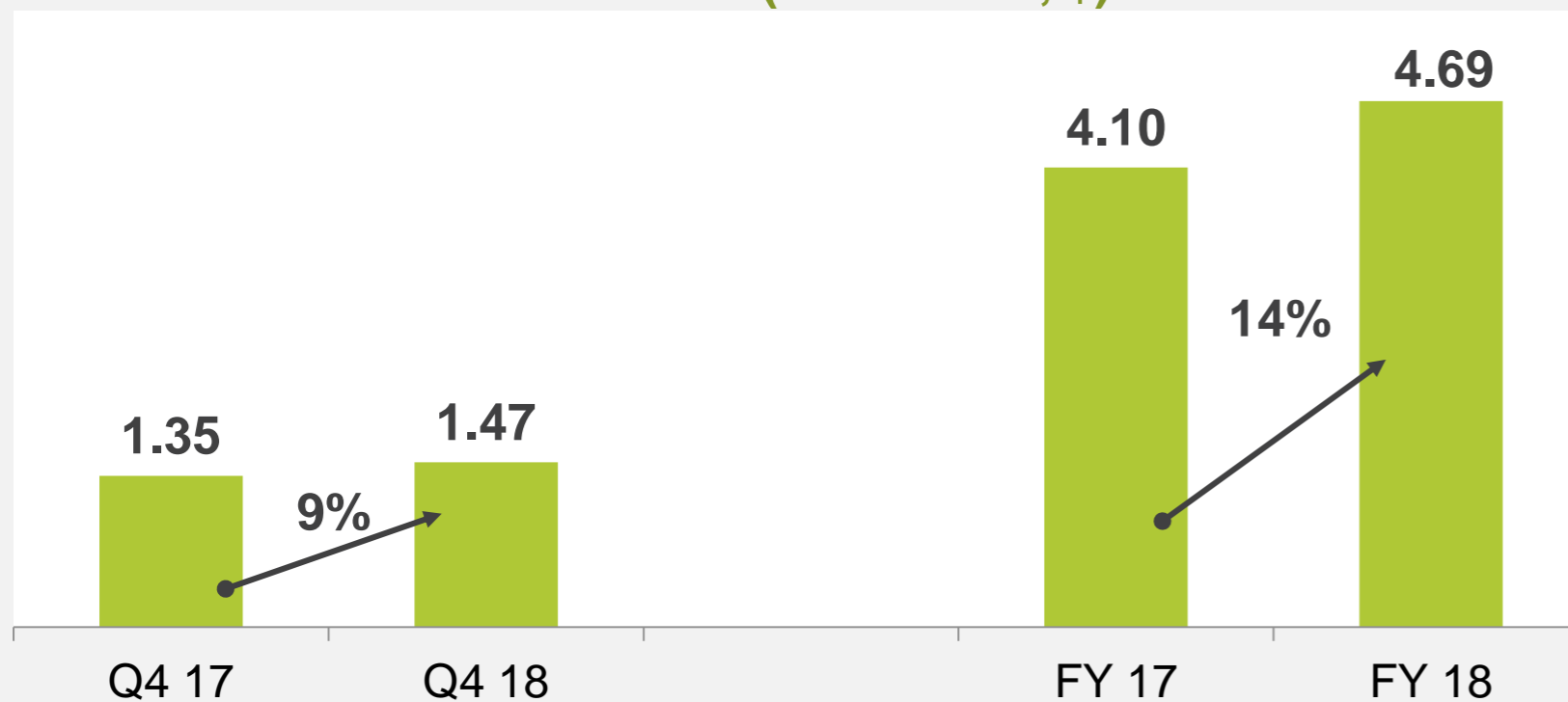
Solid Growth and Execution*

REVENUES (Non-GAAP, \$M)



- Record revenue in Q4 and FY 2018
- Cloud revenue increased 29% and 27% in Q4 and FY 2018, respectively
- Cloud revenue represented 32% of total revenue in Q4 and FY 2018 compared to 26% and 27% in Q4 and FY 2017, respectively
- Recurring revenue accounted for 70% of total revenue for FY 2018, compared to 65% for FY 2017

EARNINGS PER SHARE (Non-GAAP, \$)



- Record EPS for Q4 and FY 2018
- Strong revenue growth and controlled expense management led to solid growth in EPS

* All numbers presented are Non-GAAP under ASC 605

GAAP and Non-GAAP Income Statement*

\$M (except EPS)	Q4 2018	Q4 2017	FY 2018	FY 2017
GAAP revenue	410.8	392.2	1,444.5	1,332.2
Valuation adjustment on acquired deferred product revenue	-	0.0	0.0	0.3
Valuation adjustment on acquired deferred service revenue	0.0	0.8	0.6	4.7
Valuation adjustment on acquired deferred cloud revenue	2.6	2.8	8.2	8.8
ASC 606 to ASC 605 revenue adjustment	6.5	-	9.2	-
Non-GAAP revenue ASC 605	419.9	395.8	1,462.7	1,345.9
GAAP Cost of revenue	136.2	124.0	496.8	468.7
Amortization of acquired intangible assets on cost of product	(0.9)	(5.3)	(5.9)	(23.8)
Amortization of acquired intangible assets on cost of services	(1.8)	(1.0)	(5.1)	(6.3)
Amortization of acquired intangible assets on cost of cloud	(15.5)	(12.6)	(53.9)	(46.4)
Valuation adjustments on acquired deferred cost of cloud	0.9	0.4	2.2	1.5
Cost of product revenue adjustment (1)	(0.1)	(0.2)	(0.4)	(0.7)
Cost of services revenue adjustment (1,3)	(1.9)	(2.1)	(7.6)	(7.7)
Cost of cloud revenue adjustment (1,3)	(0.9)	(0.8)	(4.7)	(3.0)
ASC 606 to ASC 605 cost of revenue adjustment	0.0	-	0.7	-
Non-GAAP cost of revenue ASC 605	116.1	102.3	422.1	382.3
GAAP gross profit	274.7	268.3	947.7	863.5
Gross profit adjustments	29.1	25.2	92.8	100.1
Non-GAAP gross profit ASC 605	303.8	293.5	1,040.6	963.6
GAAP operating expenses	204.3	205.1	750.1	713.4
Research and development (1,3)	(1.7)	(2.4)	(8.4)	(9.0)
Sales and marketing (1,3)	(5.4)	(6.1)	(27.7)	(23.2)
General and administrative (1,2,3)	(8.6)	(5.0)	(23.7)	(12.0)
Amortization of acquired intangible assets	(10.8)	(10.6)	(42.3)	(41.9)
Valuation adjustment on acquired deferred commission	0.3	-	0.4	-
ASC 606 to ASC 605 operating expenses adjustment	6.9	-	13.5	-
Non-GAAP operating expenses ASC 605	185.2	181.1	661.9	627.2

* Q4 and full year 2018 reconciliation from GAAP ASC 606 to non-GAAP ASC 605; Q4 and full year 2017 reconciliation from GAAP ASC 605 to non-GAAP ASC 605

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

\$M (except EPS)	Q4 2018	Q4 2017
GAAP finance & other expense, net	1.8	3.7
Amortization of discount on long term debt	(2.2)	(2.1)
Non-GAAP finance & other expense (income), net ASC 605	(0.3)	1.5
GAAP taxes on income	6.3	19.9
Tax adjustment re non-GAAP adjustments	18.9	15.4
Tax reform adjustments	-	30.9
Tax adjustment re ASC 606 to ASC 605	(0.0)	-
Non-GAAP taxes on income ASC 605	25.1	26.4
GAAP net income	62.3	79.4
Valuation adjustment on acquired deferred revenue	2.6	3.5
Valuation adjustment on acquired deferred cost of cloud revenue	(0.9)	(0.4)
Amortization of acquired intangible assets	28.9	29.5
Valuation adjustment on acquired deferred commission	(0.3)	-
Share-based compensation (1)	18.4	16.1
Acquisition related expenses (2)	-	0.4
Amortization of discount on long term debt (3)	2.2	2.1
Tax adjustments re non-GAAP adjustments	(18.9)	(46.3)
ASC 606 to ASC 605 adjustments	(0.4)	-
Non-GAAP net income ASC 605	93.9	84.5
GAAP diluted earnings per share	0.98	1.27
Non-GAAP diluted earnings per share ASC 605	1.47	1.35

FY 2018	FY 2017
10.9	20.4
(8.7)	(13.5)
2.2	6.9
27.4	13.6
53.4	57.7
-	30.9
(1.0)	-
79.7	75.0
159.3	143.3
8.9	13.7
(2.2)	(1.5)
107.2	118.4
(0.4)	-
67.2	57.0
5.2	1.7
8.7	13.5
(53.4)	(88.6)
(3.9)	-
296.7	254.5
2.52	2.31
4.69	4.10

* Q4 and full year 2018 reconciliation from GAAP ASC 606 to non-GAAP ASC 605; Q4 and full year 2017 reconciliation from GAAP ASC 605 to non-GAAP ASC 605

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

\$M (except EPS)	Q4 2018	Q4 2017	FY 2018	FY 2017
(1) Shared-based Compensation				
Cost of product revenue	(0.1)	(0.2)	(0.4)	(0.7)
Cost of services revenue	(1.9)	(2.1)	(7.6)	(7.7)
Cost of cloud revenue	(0.9)	(0.8)	(3.0)	(3.0)
Research and development	(1.6)	(2.4)	(7.4)	(9.0)
Sales and marketing	(5.4)	(6.0)	(27.5)	(23.1)
General and administrative	(8.6)	(4.6)	(21.4)	(13.5)
	(18.5)	(16.1)	(67.2)	(57.0)
(2) Re-organization expenses				
General and administrative	-	-	-	3.1
	-	-	-	3.1
(3) Acquisition related expenses				
Cost of service revenue	-	(0.0)	-	(0.0)
Cost of cloud revenue	-	-	(1.6)	-
Research and development	-	(0.0)	(1.1)	(0.0)
Sales and marketing	-	(0.1)	(0.2)	(0.1)
General and administrative	-	(0.4)	(2.3)	(1.6)
	-	(0.5)	(5.2)	(1.7)

2018 Quarterly Reconciliation GAAP to non-GAAP ASC 606

\$M (except EPS)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018
GAAP revenue	335.4	342.0	356.2	410.8	1,444.5
Valuation adjustment on acquired deferred product revenue	0.0	0.1	0.0	-	0.1
Valuation adjustment on acquired deferred service revenue	0.3	0.2	0.1	0.0	0.6
Valuation adjustment on acquired deferred cloud revenue	1.9	1.4	2.3	2.6	8.2
Non-GAAP revenue ASC 606	337.6	343.7	358.6	413.4	1,453.4
GAAP Cost of revenue	118.5	118.7	123.4	136.2	496.8
Amortization of acquired intangible assets on cost of product	(2.6)	(1.3)	(1.1)	(0.9)	(5.9)
Amortization of acquired intangible assets on cost of services	(0.8)	(1.0)	(1.5)	(1.8)	(5.1)
Amortization of acquired intangible assets on cost of cloud	(12.8)	(12.7)	(12.9)	(15.5)	(53.9)
Valuation adjustments on acquired deferred cost of cloud	0.3	0.3	0.6	0.9	2.2
Cost of product revenue adjustment (1)	(0.2)	-	(0.0)	(0.1)	(0.4)
Cost of services revenue adjustment (1,2)	(1.7)	(1.9)	(2.1)	(1.9)	(7.6)
Cost of cloud revenue adjustment (1,2)	(0.8)	(0.6)	(2.4)	(0.9)	(4.7)
Non-GAAP cost of revenue ASC 606	100.0	101.4	104.0	116.1	421.5
GAAP gross profit	216.9	223.4	232.7	274.7	947.7
Gross profit adjustments	20.7	18.9	21.9	22.7	84.3
Non-GAAP gross profit ASC 606	237.7	242.3	254.7	297.4	1,032.0
GAAP operating expenses	182.8	177.0	186.1	204.3	750.1
Research and development (1,2)	(2.3)	(1.8)	(2.6)	(1.6)	(8.4)
Sales and marketing (1,2)	(6.3)	(6.9)	(9.1)	(5.4)	(27.7)
General and administrative (1,2)	(4.8)	(4.2)	(6.2)	(8.6)	(23.7)
Amortization of acquired intangible assets	(10.6)	(10.6)	(10.3)	(10.7)	(42.3)
Valuation adjustment on acquired deferred commission	-	-	0.1	0.3	0.4
Non-GAAP operating expenses ASC 606	158.7	153.6	157.9	178.2	648.4

2018 Quarterly Reconciliation GAAP to non-GAAP ASC 606 (continued)

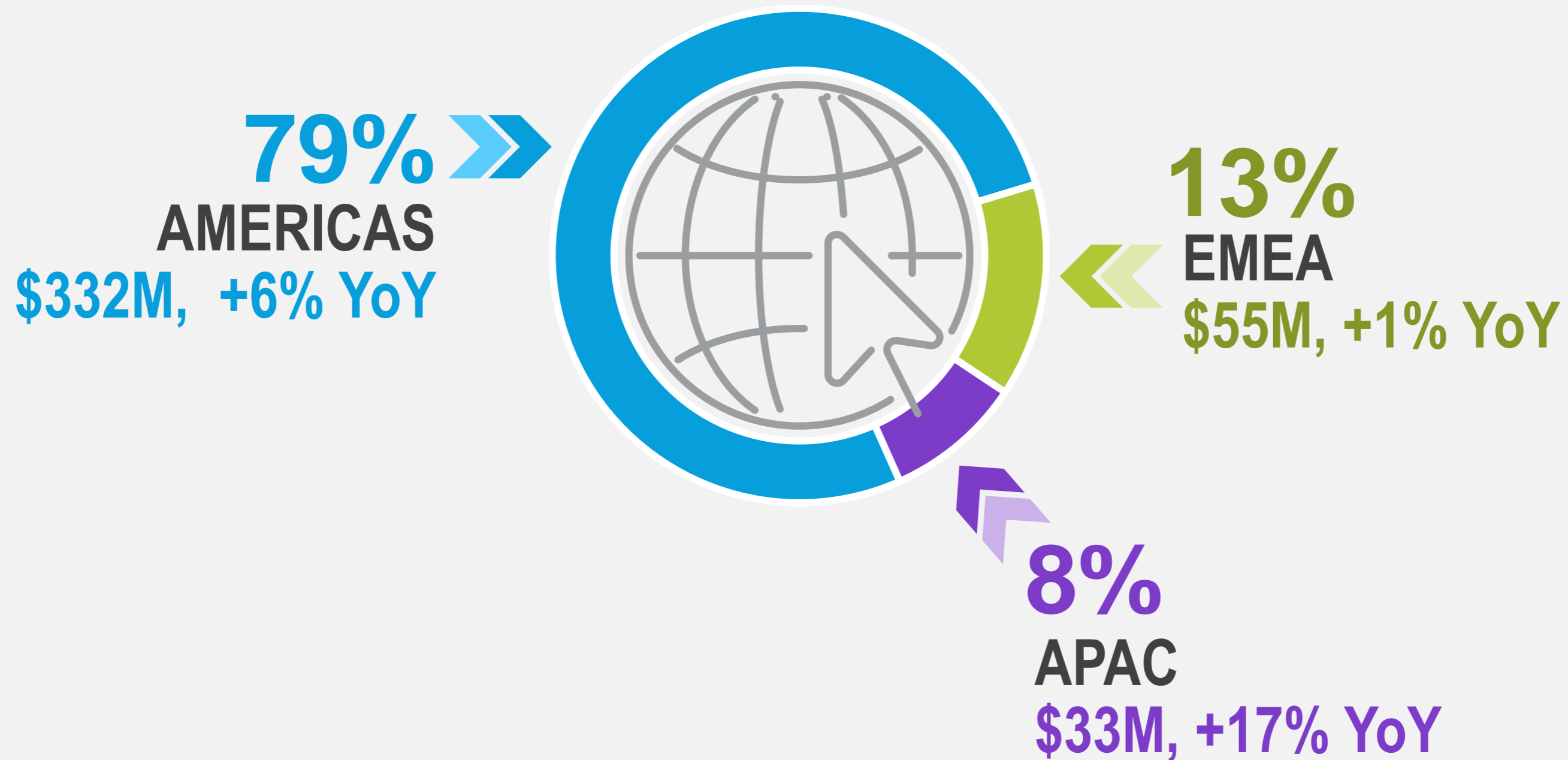
\$M (except EPS)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018
GAAP finance & other expense, net	4.0	2.9	2.2	1.9	10.9
Amortization of discount on long term debt	(2.2)	(2.1)	(2.2)	(2.2)	(8.7)
Non-GAAP finance & other expense (income), net ASC 606	1.8	0.8	(0.0)	(0.3)	2.2
GAAP taxes on income	6.7	9.2	5.2	6.3	27.4
Tax adjustment re non-GAAP adjustments	9.8	9.3	15.3	18.9	53.4
Non-GAAP taxes on income ASC 606	16.5	18.5	20.5	25.2	80.7
GAAP net income	23.5	34.2	39.3	62.3	159.3
Valuation adjustment on acquired deferred revenue	2.2	1.7	2.4	2.6	8.9
Valuation adjustment on acquired deferred cost of cloud revenue	(0.3)	(0.3)	(0.6)	(0.9)	(2.2)
Amortization of acquired intangible assets	26.8	25.6	25.9	28.9	107.2
Valuation adjustment on acquired deferred commission	-	-	(0.1)	(0.3)	(0.4)
Share-based compensation (1)	16.1	15.3	17.3	18.5	67.2
Acquisition related expenses (2)	-	-	5.2	-	5.2
Amortization of discount on long term debt	2.2	2.1	2.2	2.2	8.7
Tax adjustments re non-GAAP adjustments	(9.8)	(9.3)	(15.3)	(18.9)	(53.4)
Non-GAAP net income ASC 606	60.7	69.3	76.3	94.3	300.6
GAAP diluted earnings per share	0.37	0.54	0.62	0.98	2.52
Non-GAAP diluted earnings per share ASC 606	0.97	1.10	1.20	1.48	4.75

2018 Quarterly Reconciliation GAAP to non-GAAP ASC 606 (continued)

\$M (except EPS)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018
(1) Shared-based Compensation					
Cost of product revenue	(0.2)	-	(0.1)	(0.1)	(0.4)
Cost of services revenue	(1.7)	(1.9)	(2.1)	(1.9)	(7.6)
Cost of cloud revenue	(0.8)	(0.6)	(0.7)	(0.9)	(3.0)
Research and development	(2.3)	(1.8)	(1.6)	(1.6)	(7.4)
Sales and marketing	(6.3)	(6.9)	(8.9)	(5.4)	(27.5)
General and administrative	(4.8)	(4.2)	(3.9)	(8.6)	(21.4)
	(16.1)	(15.4)	(17.3)	(18.5)	(67.2)
(2) Acquisition related expenses					
Cost of cloud revenue	-	-	(1.6)	-	(1.6)
Research and development	-	-	(1.1)	-	(1.1)
Sales and marketing	-	-	(0.2)	-	(0.2)
General and administrative	-	-	(2.3)	-	(2.3)
	-	-	(5.2)	-	(5.2)

Q4 2018

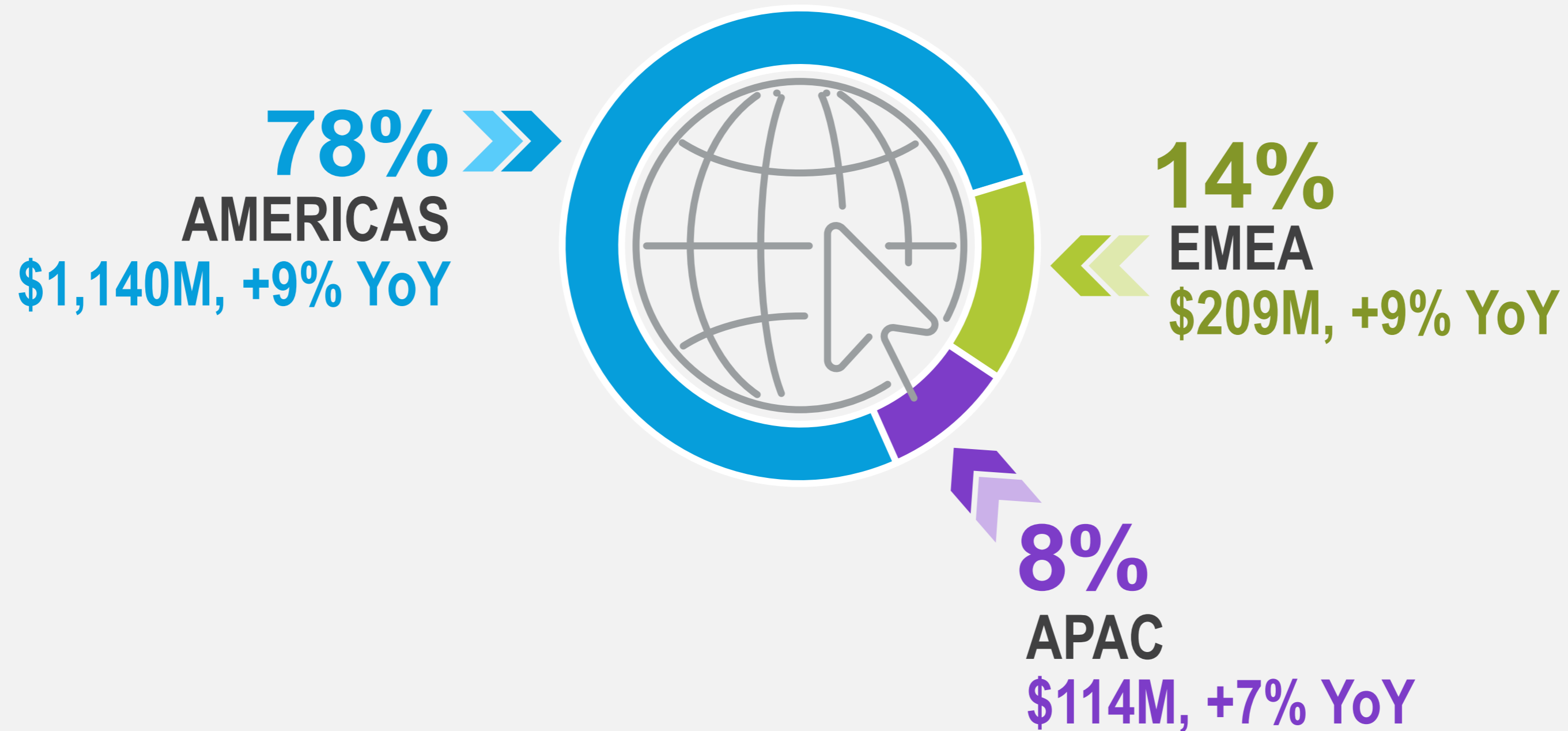
Revenue Breakdown by Region* (Non-GAAP)



* All numbers presented are Non-GAAP under ASC 605

Full Year 2018

Revenue Breakdown by Region* (Non-GAAP)



* All numbers presented are Non-GAAP under ASC 605

Q4 2018

Revenue Breakdown by Business Unit* (Non-GAAP)

77% **»»**
**CUSTOMER
ENGAGEMENT**
\$322M, +6% YoY



«« 23%
**FINANCIAL CRIME &
COMPLIANCE**
\$98M, +5% YoY

Full Year 2018

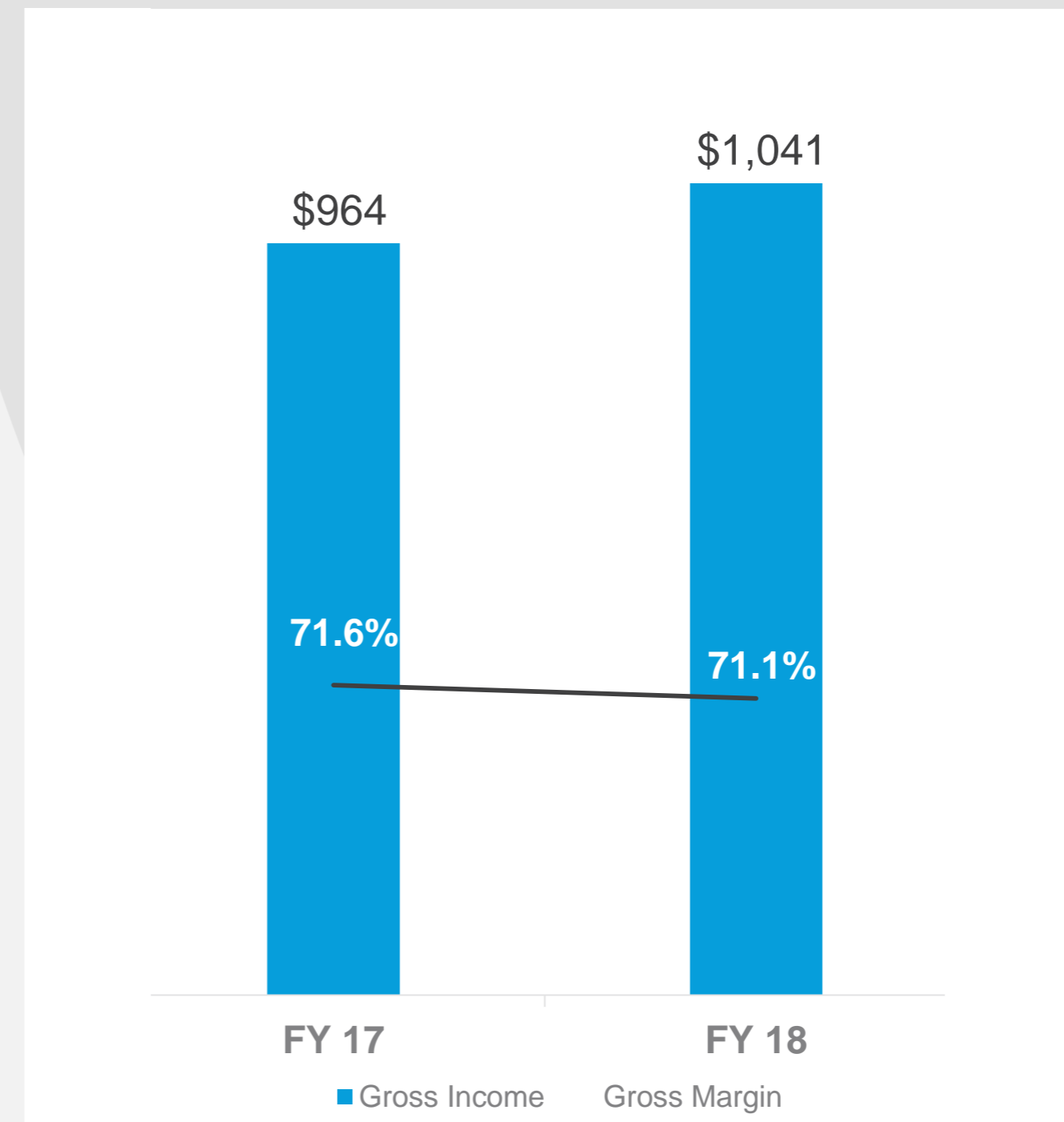
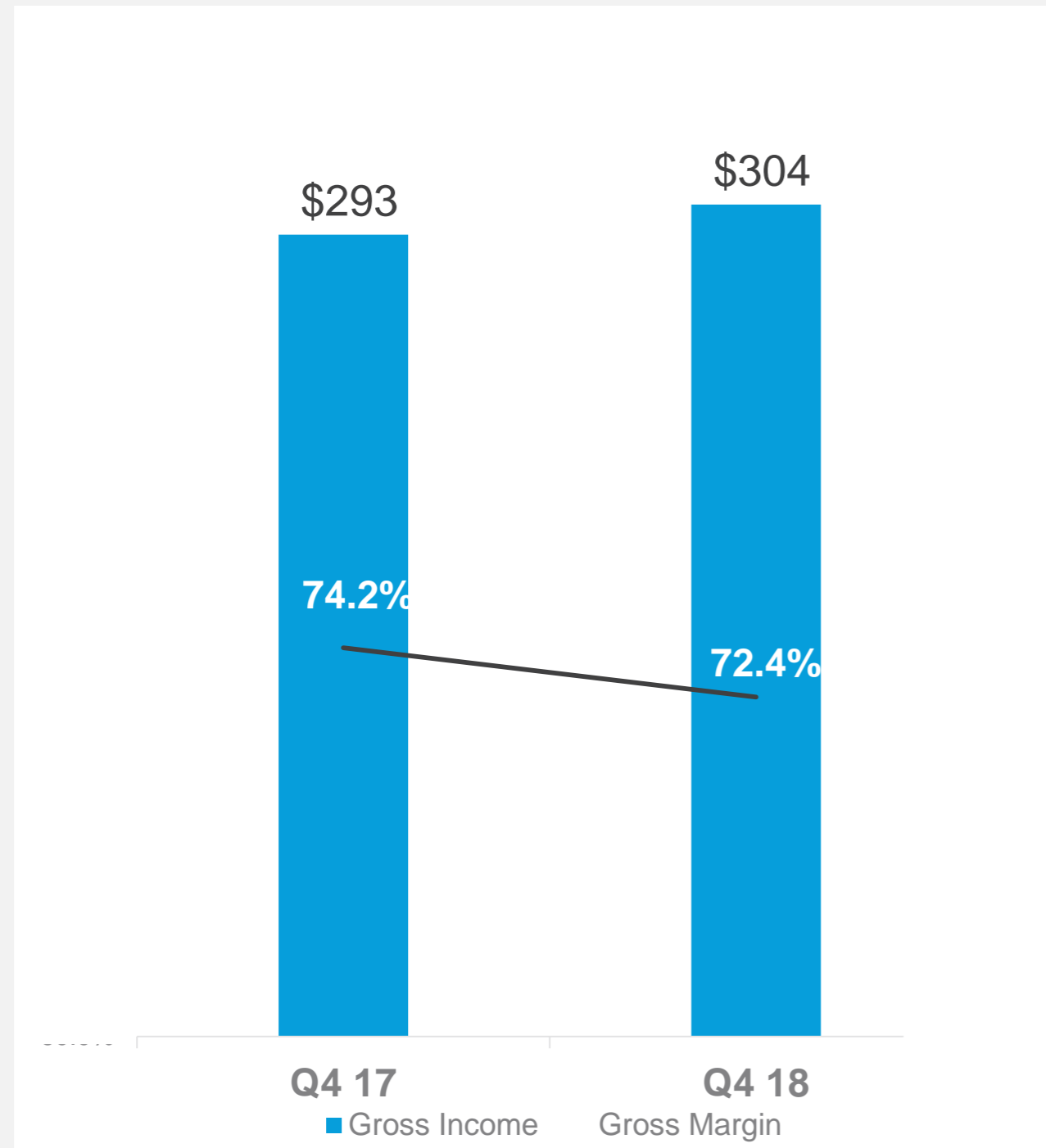
Revenue Breakdown by Business Unit* (Non-GAAP)

80% **»»**
**CUSTOMER
ENGAGEMENT**
\$1,166M, +9% YoY



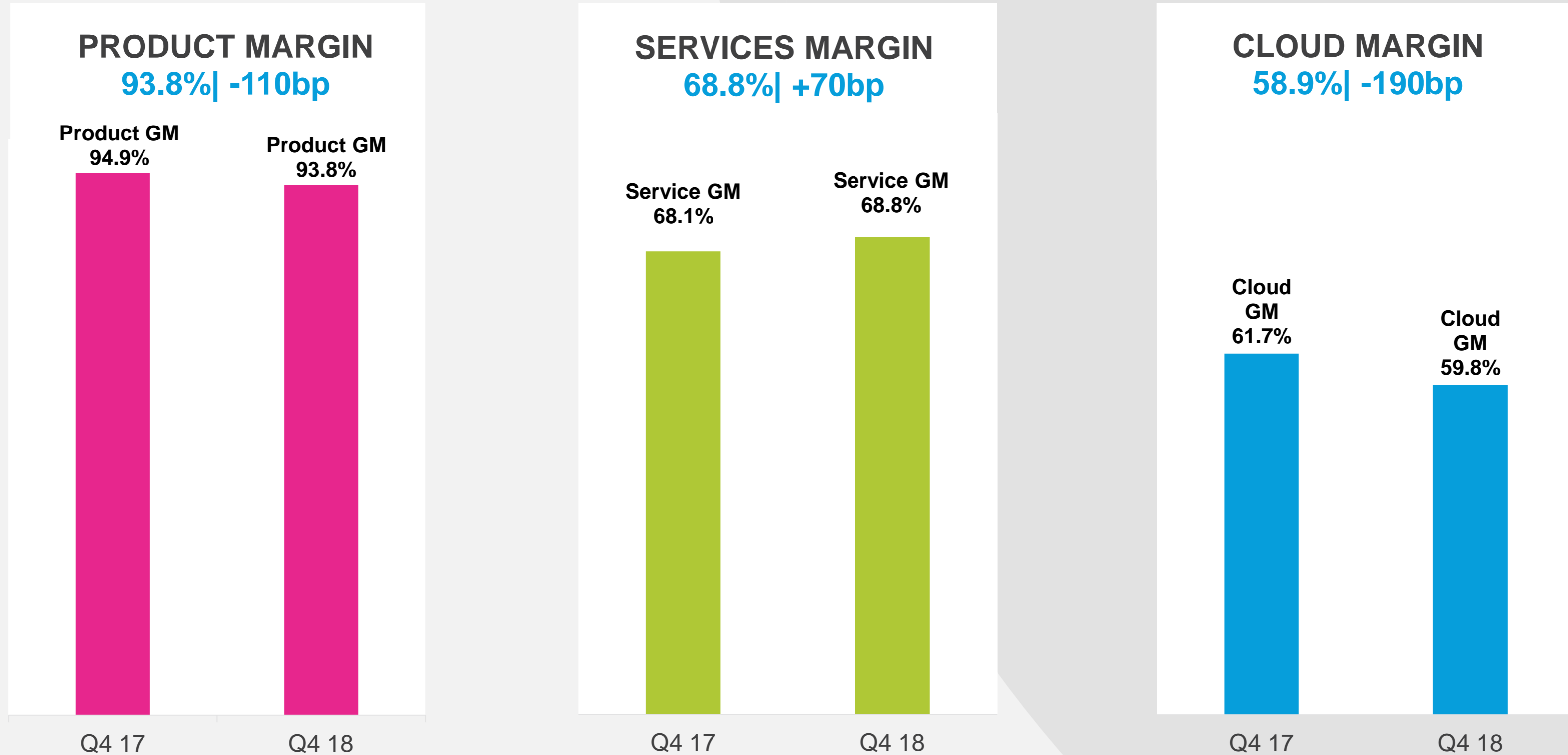
«« 20%
**FINANCIAL CRIME &
COMPLIANCE**
\$297M, +6% YoY

Gross Profit and Gross Margin* (Non-GAAP)



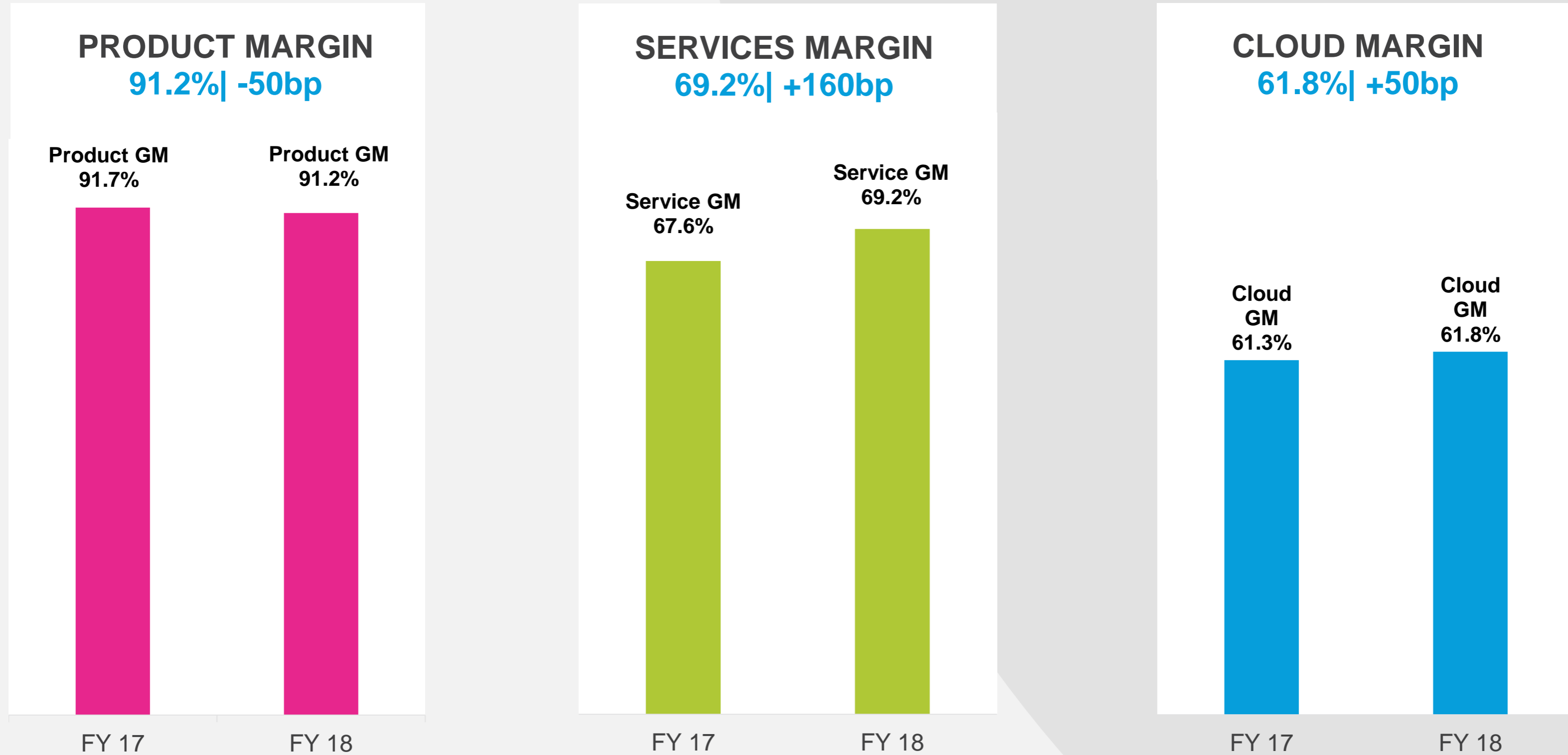
The decrease in the Q4 2018 gross margin was the result of a decrease in the cloud gross margin related to the consolidation of Mattersight following the acquisition, as Mattersight has lower gross margin than NICE, and the decrease in product margin related to product mix, offset by the expansion in the services gross margin.

Gross Margin Q4 2018* (Non-GAAP)



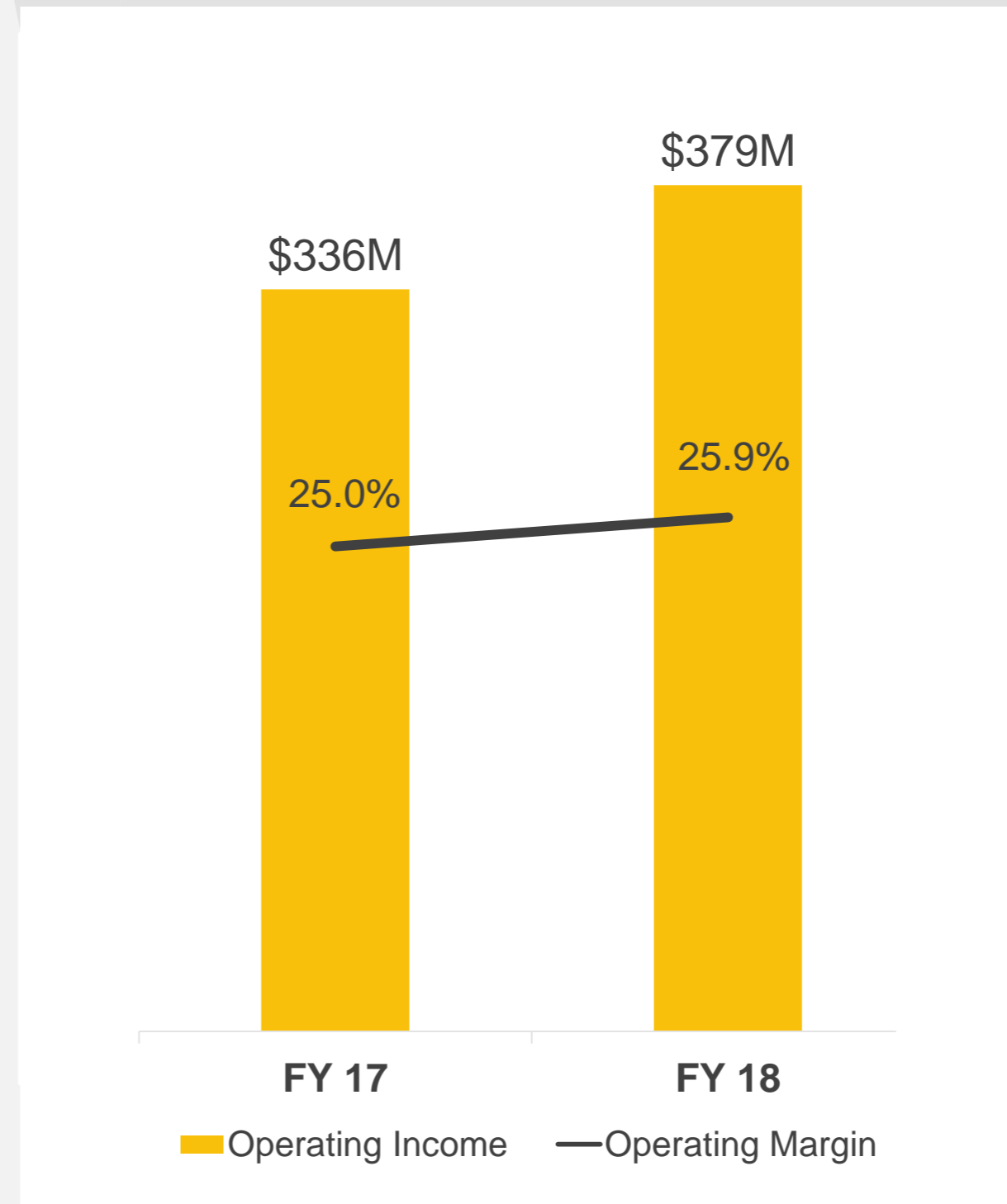
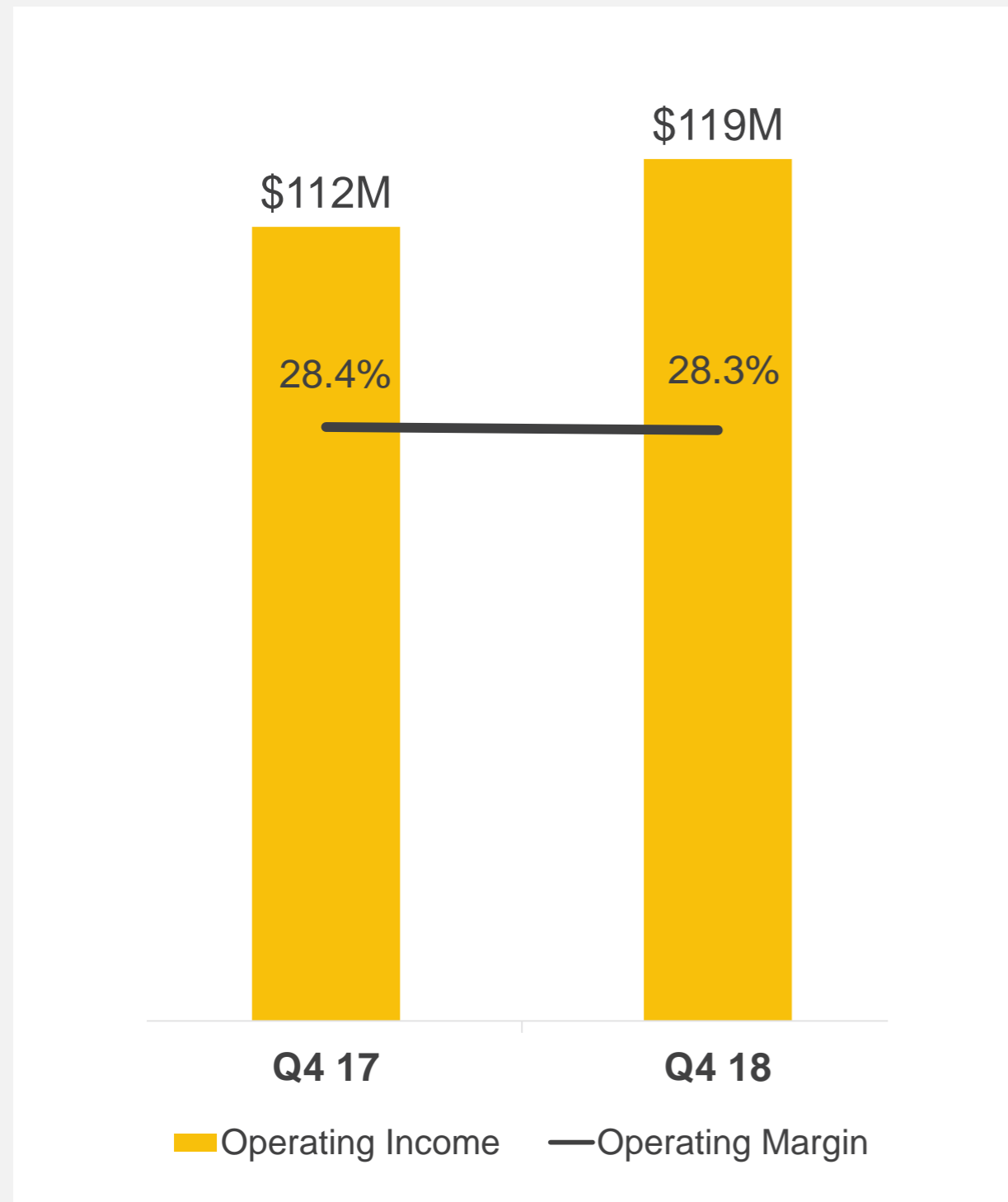
- Product gross margin decreased as a result of product mix
- Decrease in cloud gross margin is primarily related to the consolidation of Mattersight following the acquisition, as Mattersight had a lower cloud gross margin than NICE

Gross Margin Full Year 2018* (Non-GAAP)



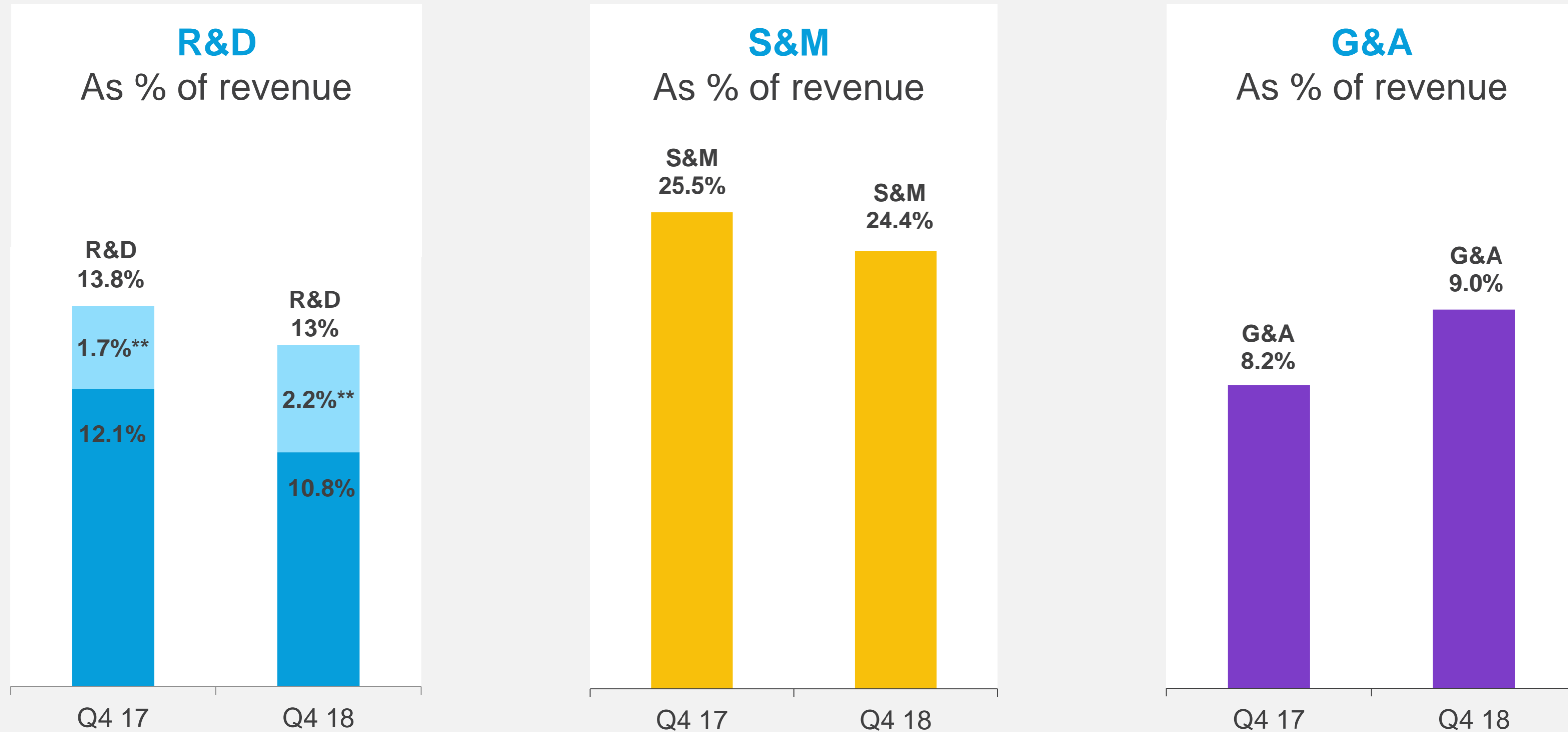
- Increase in service margin is due to the continued efficient utilization of the services organization

Operating Income and Operating Margin* (Non-GAAP)



- Operating income for both the quarter and year increased.
- Operating margin decreased slightly in Q4 2018 primarily as a result of the Mattersight acquisition

Cost Ratio Q4 2018* (Non-GAAP)

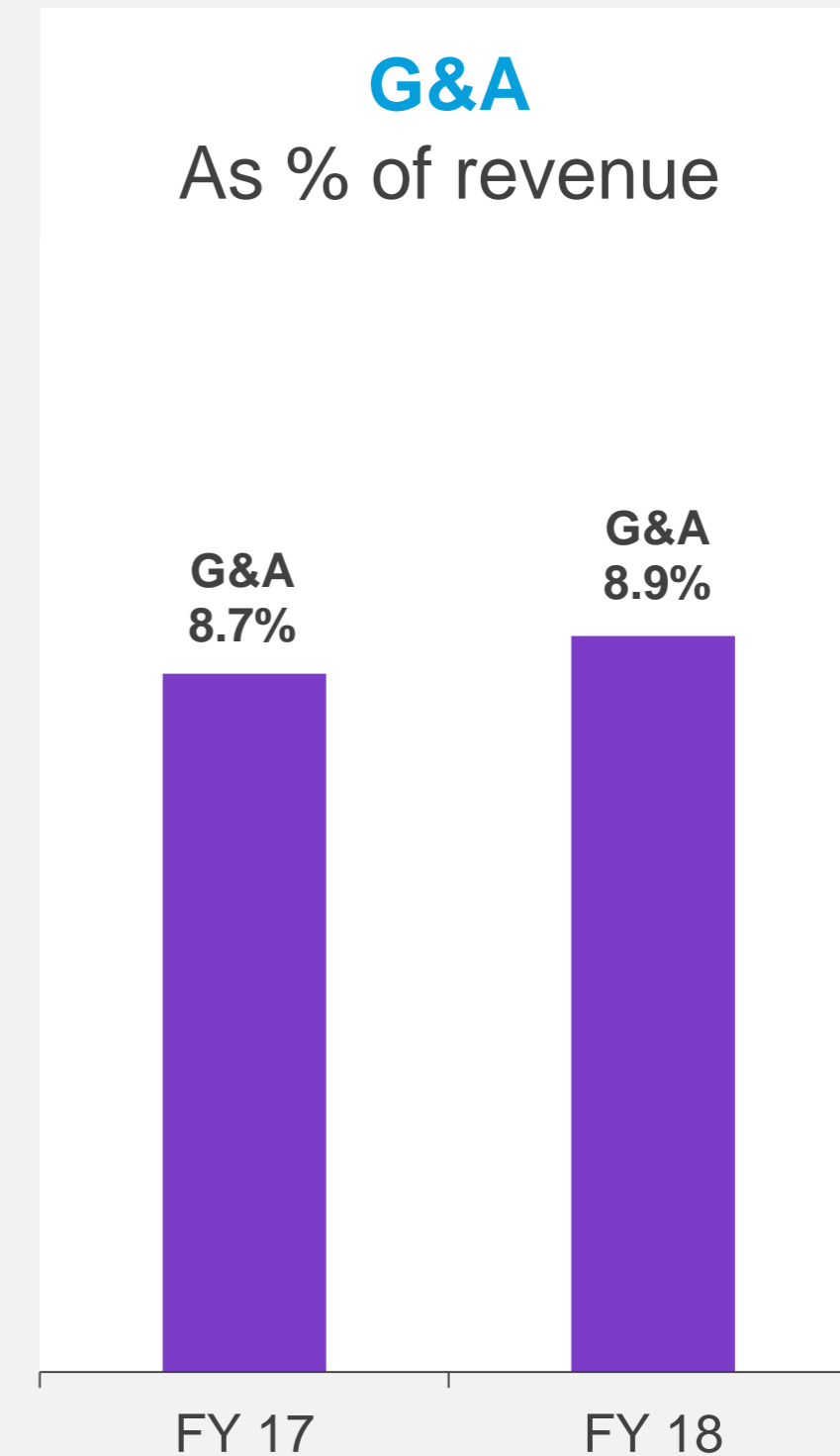
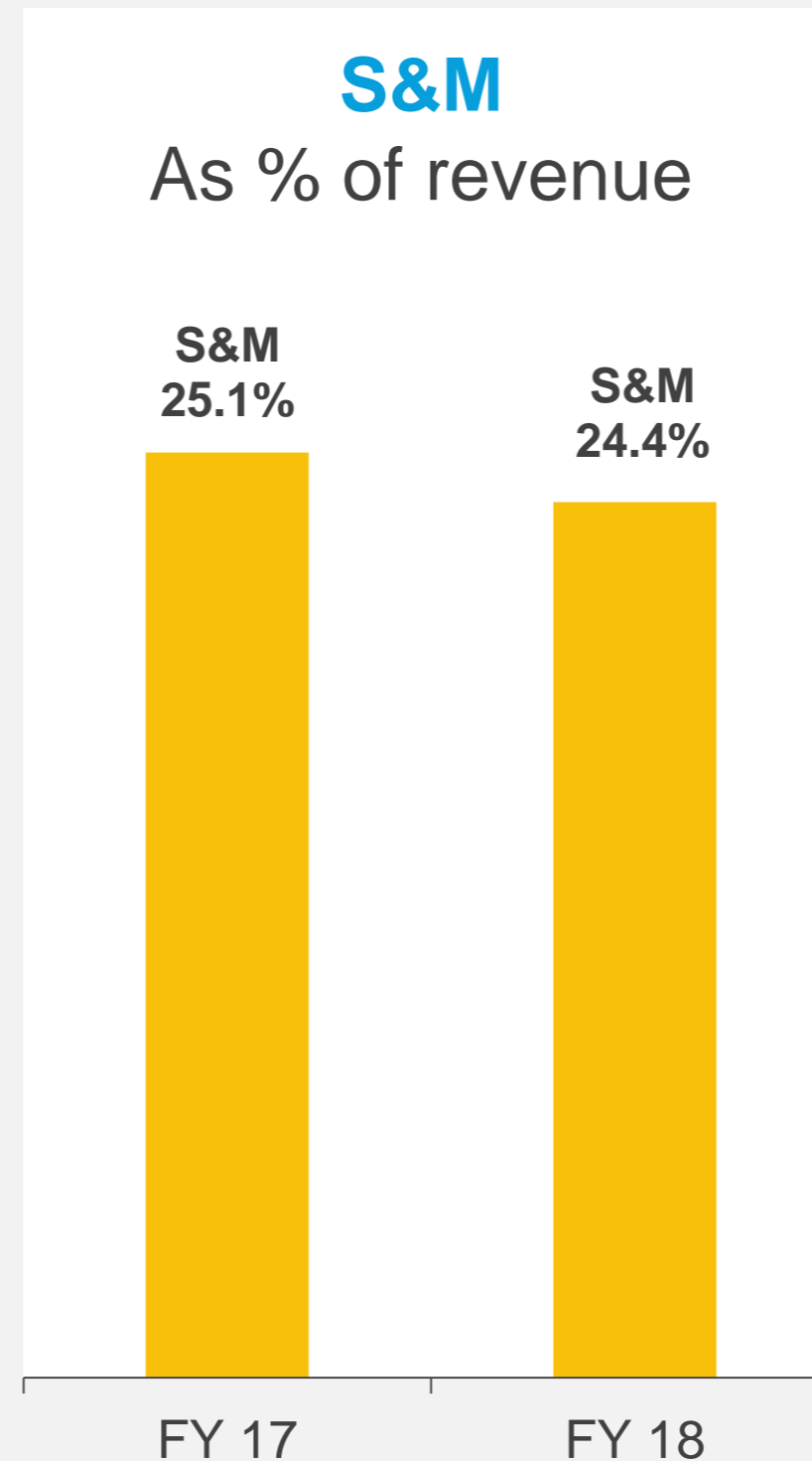
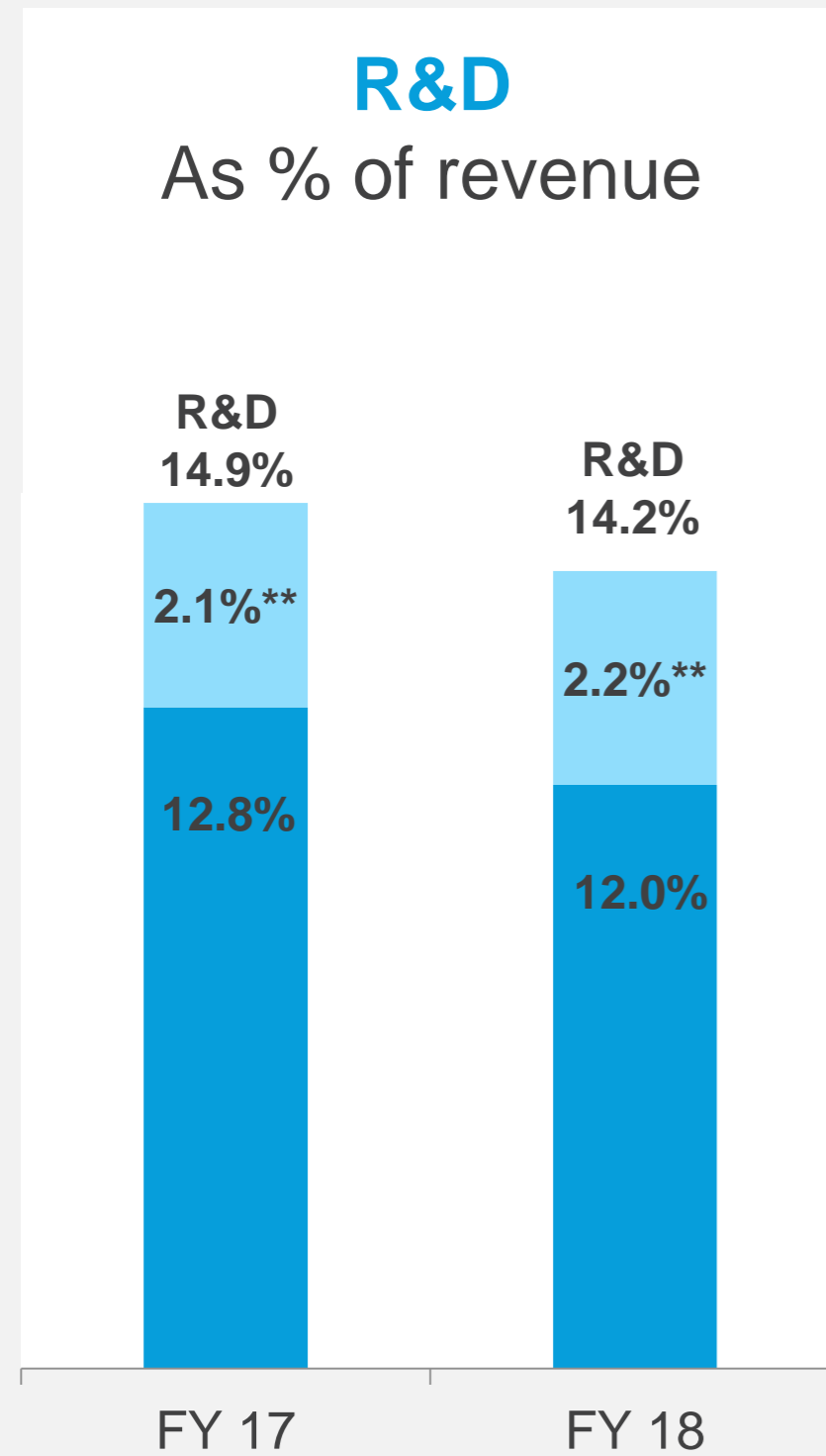


• Increase in G&A is primarily due to acquisition expense related to the acquisition of Mattersight and certain non-recurring one-time expenses

** R&D capitalization

* All numbers presented are Non-GAAP under ASC 605

Cost Ratio Full Year 2018* (Non-GAAP)



- The increase in G&A is due to acquisition expense related to the acquisition of Mattersight

** R&D capitalization

* All numbers presented are Non-GAAP under ASC 605

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Q4 and Full Year 2018 Highlights

Income Statement (Including 2018 Quarterly Reconciliation GAAP to non-GAAP ASC 606)

Balance Sheet and Cash Flow Analysis

Outlook

Balance Sheet*

December 31, 2018

Assets (\$M)	12/31/2018	12/31/2017
Cash and cash equivalents	242.1	328.3
Short term investments	243.7	64.0
Trade receivables	287.9	230.7
Prepaid expenses and other current assets	87.5	70.1
Total current assets	861.2	693.1
Long term Investments	245.0	132.8
Property and equipment	140.3	118.3
Deferred tax assets	12.3	11.9
Other Intangible assets	508.2	551.3
Goodwill	1,366.2	1,318.2
Other long term assets	74.0	19.5
Total Assets	3,207.4	2,845.1

Equity & Liabilities (\$M)	12/31/2018	12/31/2017
Trade payables	29.6	29.4
Deferred revenue and advances from customers	221.4	184.6
Accrued expenses and other liabilities	373.9	309.3
Total current liabilities	624.9	523.3
Deferred revenue and advances from customers	35.1	37.6
Deferred tax liabilities	44.1	57.8
Long term debt	456.0	447.6
Other long term liabilities	30.6	29.2
Total long term liabilities	565.8	572.2
Equity	2,016.6	1,749.6
Equity & Liabilities	3,207.4	2,845.1

* 2018 financial data is presented under GAAP ASC 606 with the comparison period under GAAP ASC 605

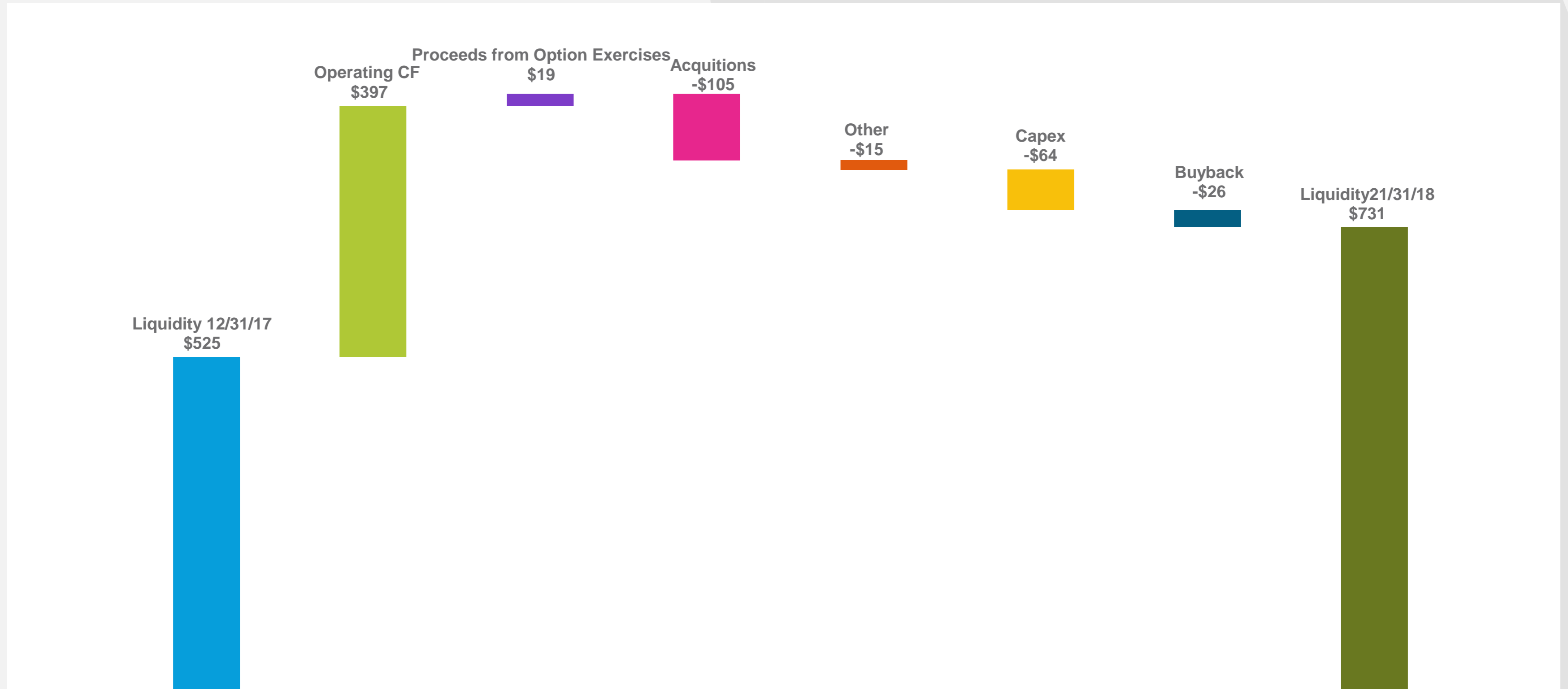
Cash Flow From Operations

\$M	Q4 18	Q4 17	%Δ	FY 18	FY 17	%Δ
Cash flow from operations	108.9	86.6	26%	396.6	394.7	0.5%
- Capital expenditure	9.9	8.5	16%	31.4	39.9	(21%)
- Capitalization of software development	9.3	6.9	35%	32.2	27.9	15%
Cash flow from operations after capex & software capitalization	89.7	71.2	26%	333.0	326.9	2%
Cash flow from operation after capex and software capitalization as % of non-GAAP revenue	21%	18%	3pp	23%	24%	(1pp)
Cash conversion rate *	1.0	0.8	25%	1.1	1.3	(15%)
Days sales outstanding (DSO)	62	52	19%	71	62	15%

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

Cash Movement and Liquidity

December 31, 2018



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Q4 and Full Year 2018 Highlights

Income Statement (Including 2018 Quarterly Reconciliation GAAP to non-GAAP ASC 606)

Balance Sheet and Cash Flow Analysis

Outlook

Outlook* (Non-GAAP)

	Q1 2019	FY 2019
Revenue (\$M)	\$370-\$380	\$1,558-\$1,582
EPS (\$)	\$1.05-\$1.15	\$5.08-\$5.28

* The outlook presented is non-GAAP under ASC 606

The outlook is provided as of February 14, 2019. 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[®]