



2021 FIRST QUARTER RESULTS

Ended March 31, 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 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. At this time, the extent and duration of the continued impact of the pandemic is unknown, and therefore we cannot predict how it may affect the Company’s future business, results of operations, financial condition and strategic plans. 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 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 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

Q1 2021 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

Q1 2021 Highlights (Non-GAAP)

Total revenue increased 11% to \$457M; compared to Q1 2020

Cloud revenue increased 33% compared to Q1 2020; Representing 50% of total revenue

Q1 Cloud gross margin increased 470 bps to 67.6%; compared to 62.9% in Q1 last year

Recurring revenue increased to 78% of total revenue; compared to 75% in Q1 last year

Gross margin increased to 72.7%; compared to 70.9% in Q1 2020

Operating income increased 17% to \$129M; compared to Q1 last year

Operating margin increased 130 bps to 28.2%; compared to 26.9% in Q1 last year

EPS increased 15% to \$1.54; compared to \$1.34 in Q1 2020

* All numbers presented are Non-GAAP

agenda

Q1 2021 Highlights

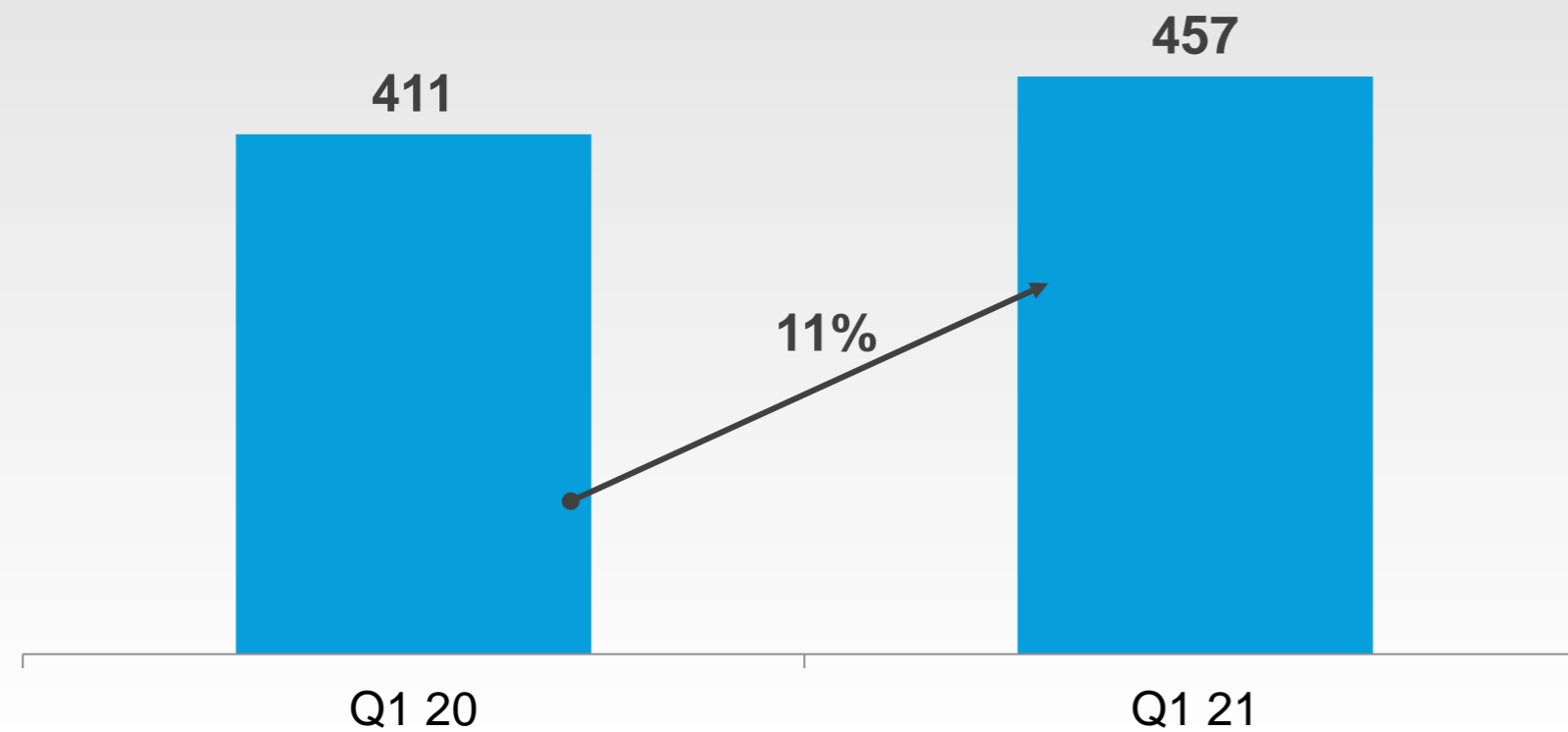
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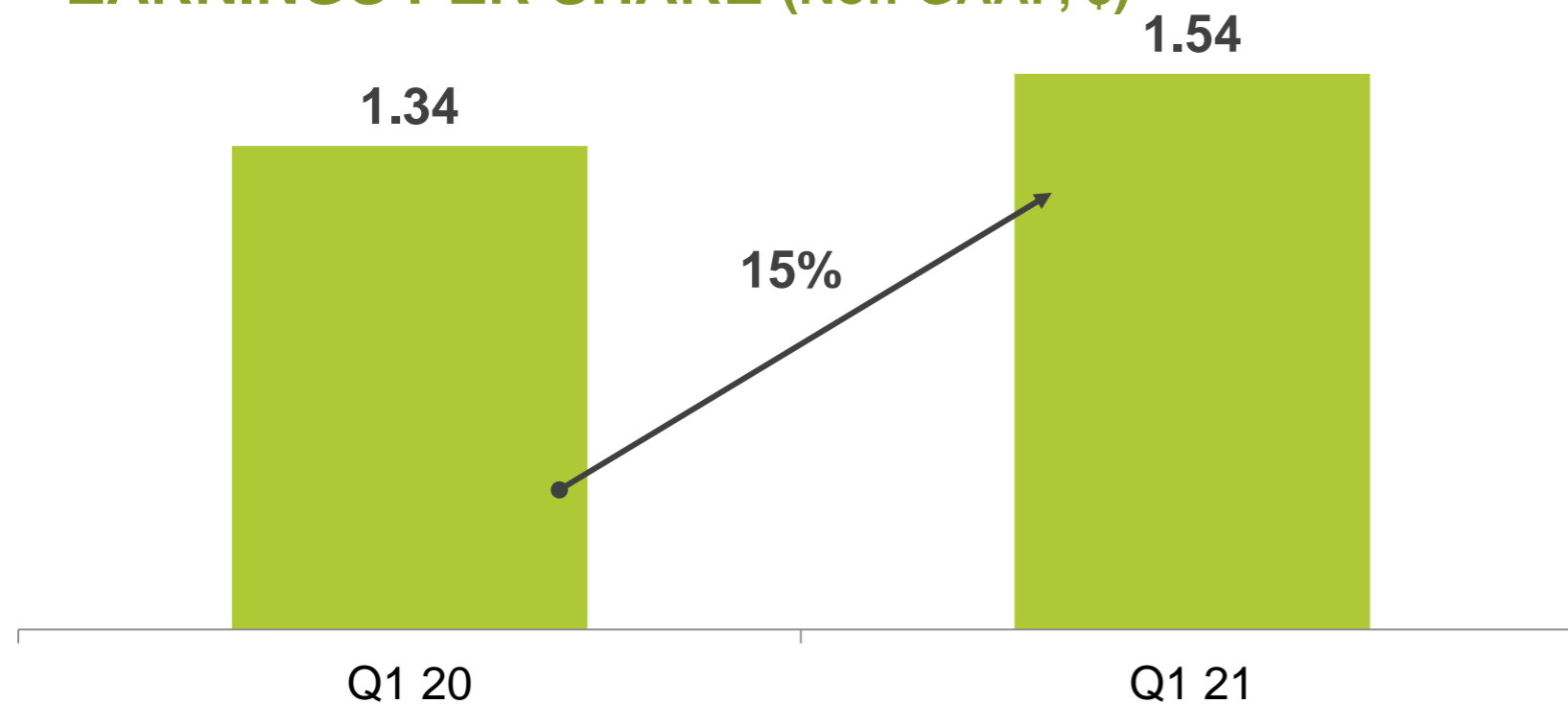
Solid Growth and Execution

REVENUES (Non-GAAP, \$M)



- Solid growth in total revenue driven by 33% increase in cloud revenue in Q1
- Cloud revenue of \$230M represented 50% of total revenue in Q1
- Recurring revenue accounted for 78% of total revenue for Q1

EARNINGS PER SHARE (Non-GAAP, \$)



- Strong growth in Q1 EPS due to expanded gross and operating margins

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	
	March 31,	
	2021	2020
GAAP revenues	\$ 455,021	\$ 410,428
Valuation adjustment on acquired deferred cloud revenue	1,823	779
Valuation adjustment on acquired deferred services revenue	106	-
Valuation adjustment on acquired deferred product revenue	-	-
Non-GAAP revenues	<u>\$ 456,950</u>	<u>\$ 411,207</u>
GAAP cost of revenue	\$ 147,862	\$ 140,085
Amortization of acquired intangible assets on cost of cloud	(17,515)	(15,558)
Amortization of acquired intangible assets on cost of services	(1,225)	(1,522)
Amortization of acquired intangible assets on cost of product	(283)	(1,134)
Valuation adjustment on acquired deferred cost of cloud	25	293
Cost of cloud revenue adjustment (1)	(1,494)	(844)
Cost of services revenue adjustment (1)	(2,435)	(1,600)
Cost of product revenue adjustment (1)	(125)	(68)
Non-GAAP cost of revenue	<u>\$ 124,810</u>	<u>\$ 119,652</u>
GAAP gross profit	\$ 307,159	\$ 270,343
Gross profit adjustments	24,981	21,212
Non-GAAP gross profit	<u>\$ 332,140</u>	<u>\$ 291,555</u>
GAAP operating expenses	\$ 240,686	\$ 211,515
Research and development (1,2)	(4,057)	(2,615)
Sales and marketing (1,2)	(10,908)	(5,265)
General and administrative (1,2)	(12,687)	(12,834)
Amortization of acquired intangible assets	(9,709)	(9,805)
Valuation adjustment on acquired deferred commission	53	35
Non-GAAP operating expenses	<u>\$ 203,378</u>	<u>\$ 181,031</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 March 31,	
	2021	2020
GAAP financial and other expense, net	\$ 3,394	\$ 1,650
Amortization of discount on debt	(4,125)	(2,342)
Non-GAAP financial and other income, net	<u>\$ (731)</u>	<u>\$ (692)</u>
GAAP taxes on income	\$ 10,868	\$ 11,064
Tax adjustments re non-GAAP adjustments	15,814	12,291
Non-GAAP taxes on income	<u>\$ 26,682</u>	<u>\$ 23,355</u>
GAAP net income	\$ 52,211	\$ 46,114
Valuation adjustment on acquired deferred revenue	1,929	779
Valuation adjustment on acquired deferred cost of cloud revenue	(25)	(293)
Amortization of acquired intangible assets	28,732	28,019
Valuation adjustment on acquired deferred commission	(53)	(35)
Share-based compensation (1)	31,706	21,645
Acquisition related expenses (2)	-	1,581
Amortization of discount on long term debt	4,125	2,342
Tax adjustments re non-GAAP adjustments	(15,814)	(12,291)
Non-GAAP net income	<u>\$ 102,811</u>	<u>\$ 87,861</u>
GAAP diluted earnings per share	<u>\$ 0.78</u>	<u>\$ 0.71</u>
Non-GAAP diluted earnings per share	<u>\$ 1.54</u>	<u>\$ 1.34</u>
Shares used in computing GAAP diluted earnings per share	66,723	65,335
Shares used in computing non-GAAP diluted earnings per share	66,723	65,335

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

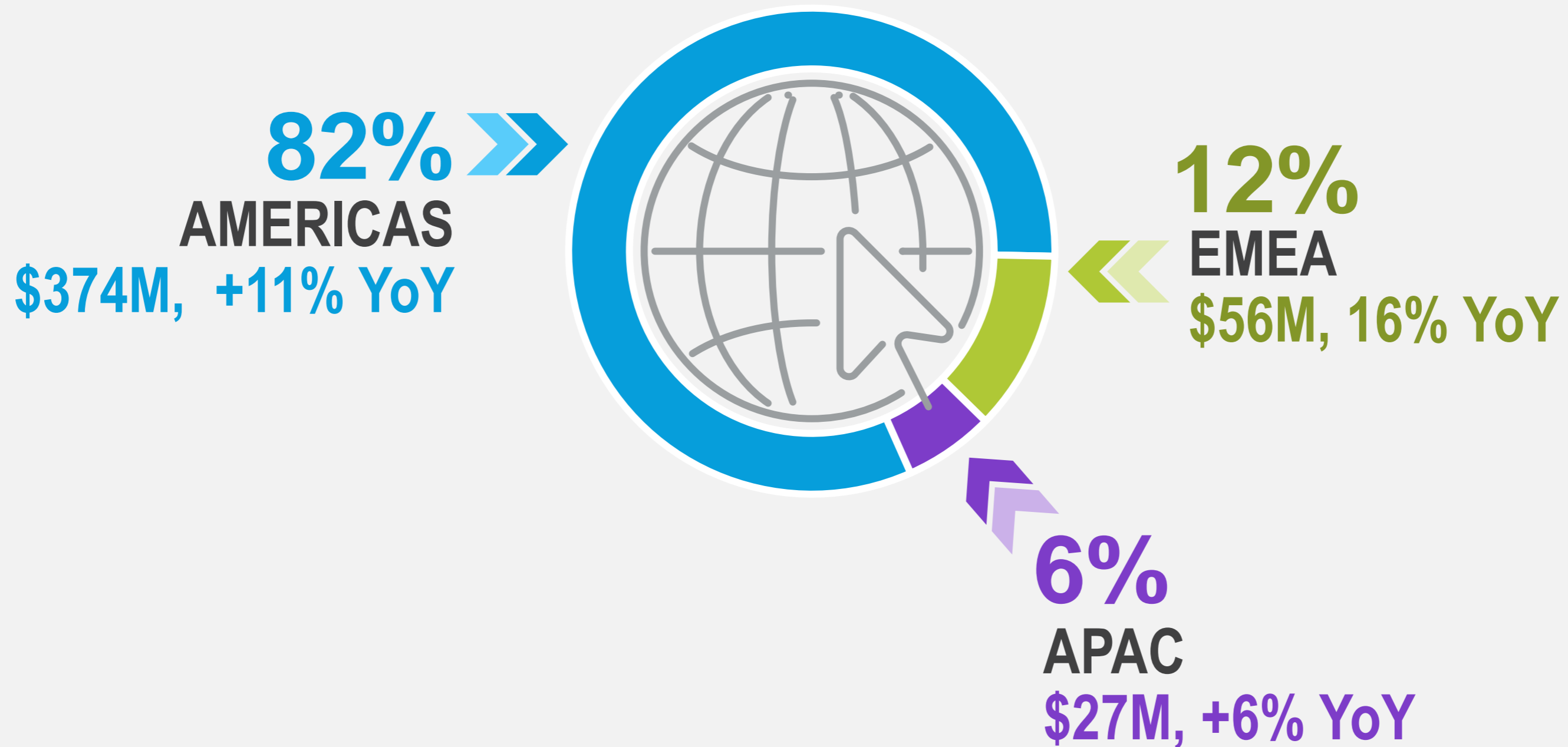
	Quarter ended March 31,	
	2021	2020
Cost of cloud revenue	\$ 1,494	\$ 844
Cost of services revenue	2,435	1,600
Cost of product revenue	125	68
Research and development	4,057	2,615
Sales and marketing	10,908	5,177
General and administrative	12,687	11,341
	<u>\$ 31,706</u>	<u>\$ 21,645</u>

(2) Acquisition related expenses

	Quarter ended March 31,	
	2021	2020
Sales and marketing	\$ -	\$ 88
General and administrative	-	1,493
	<u>\$ -</u>	<u>\$ 1,581</u>

Q1 2021

Revenue Breakdown by Region (Non-GAAP)



Q1 2021

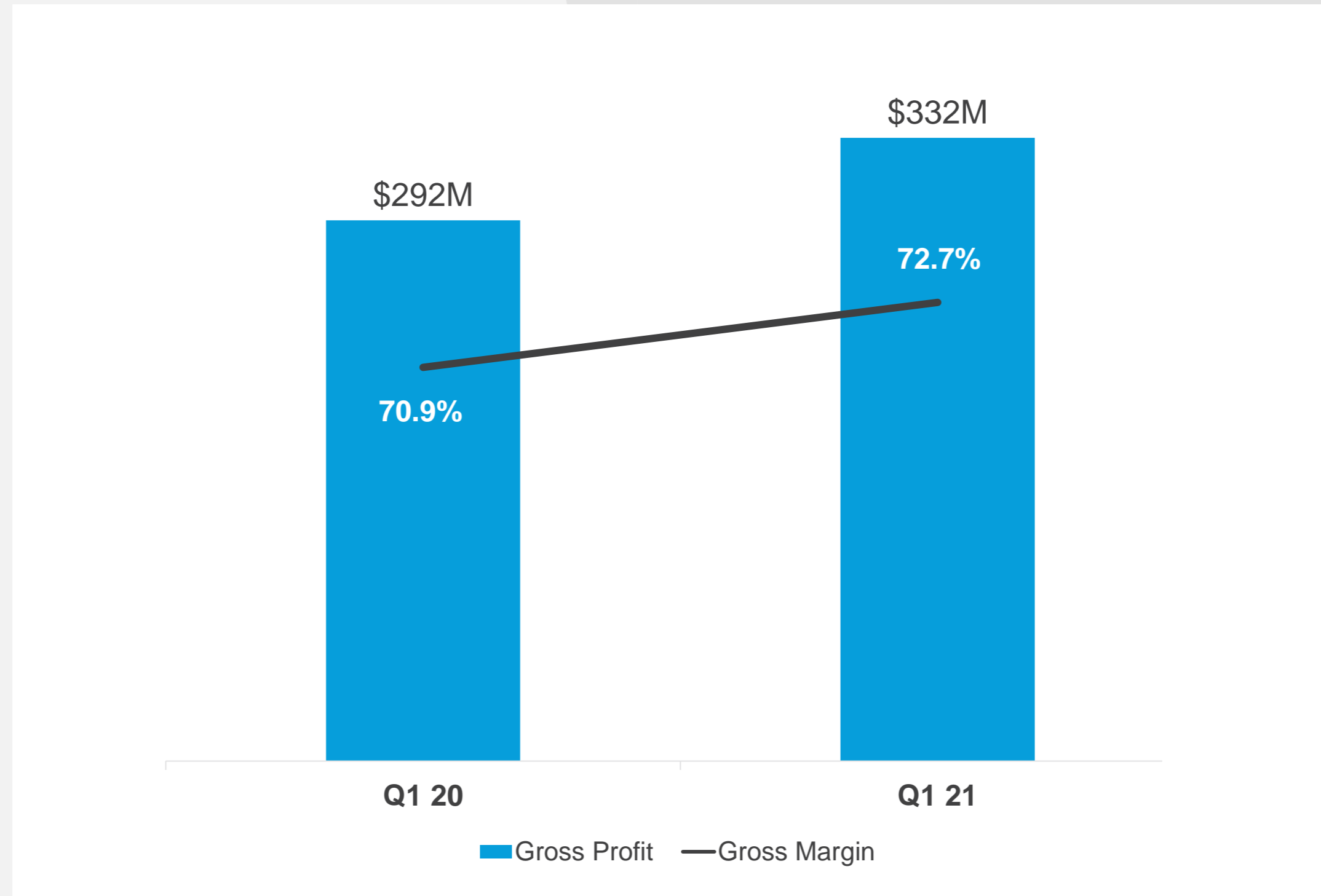
Revenue Breakdown by Business Unit (Non-GAAP)

81% **»»**
**CUSTOMER
ENGAGEMENT**
\$369M, +13% YoY

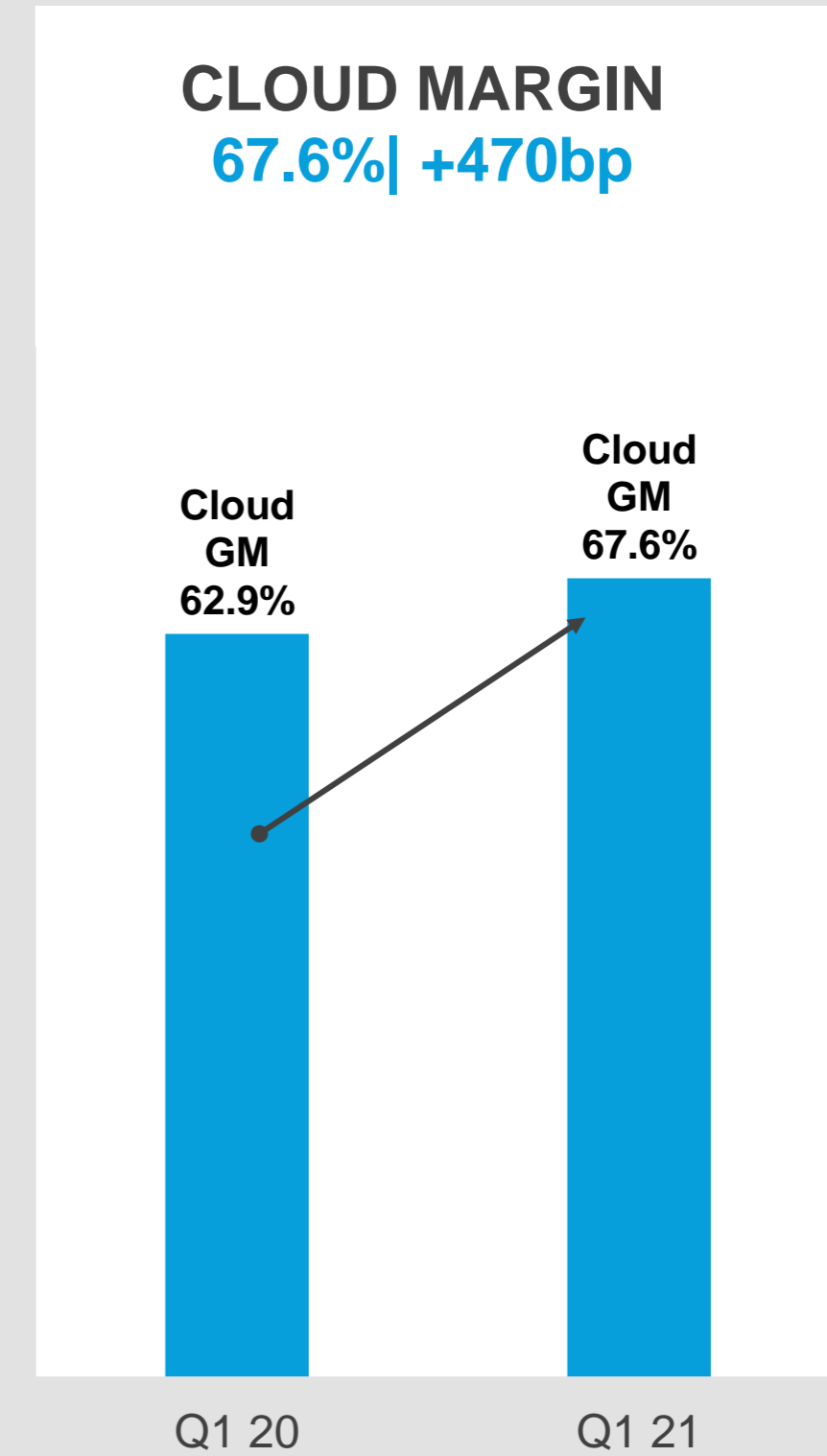
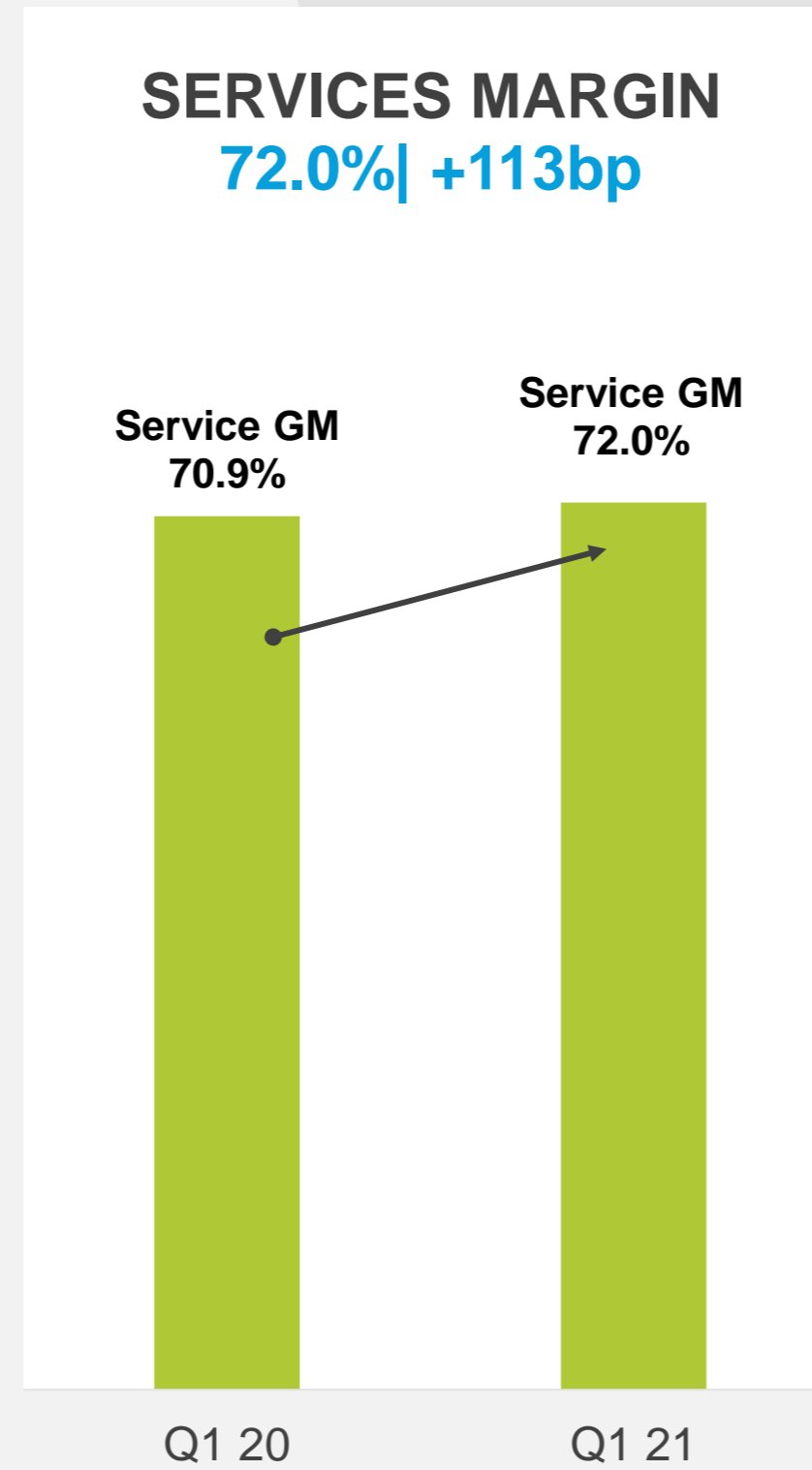
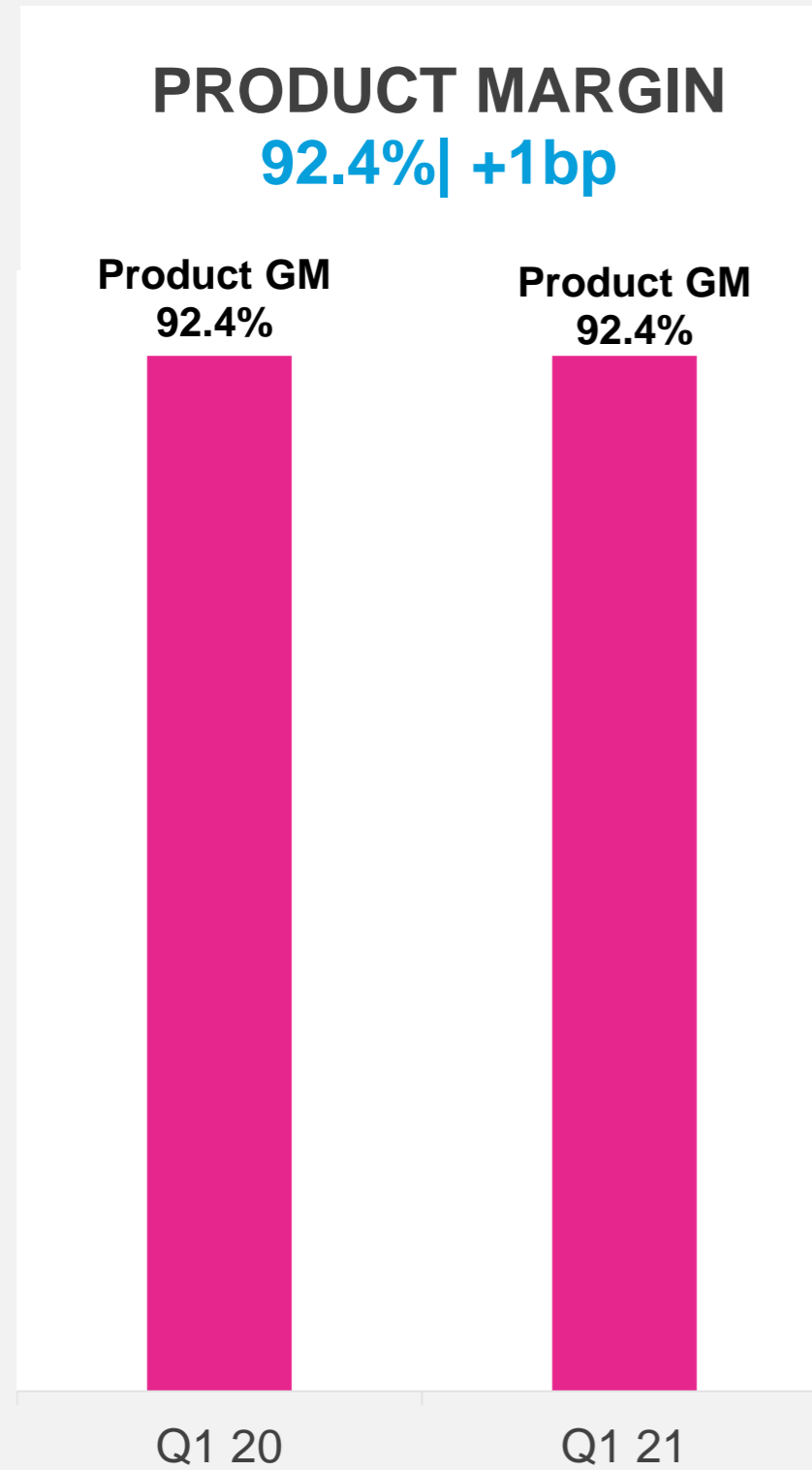


«« 19%
**FINANCIAL CRIME &
COMPLIANCE**
\$88M, +6% YoY

Gross Profit and Gross Margin Q1 2021 (Non-GAAP)

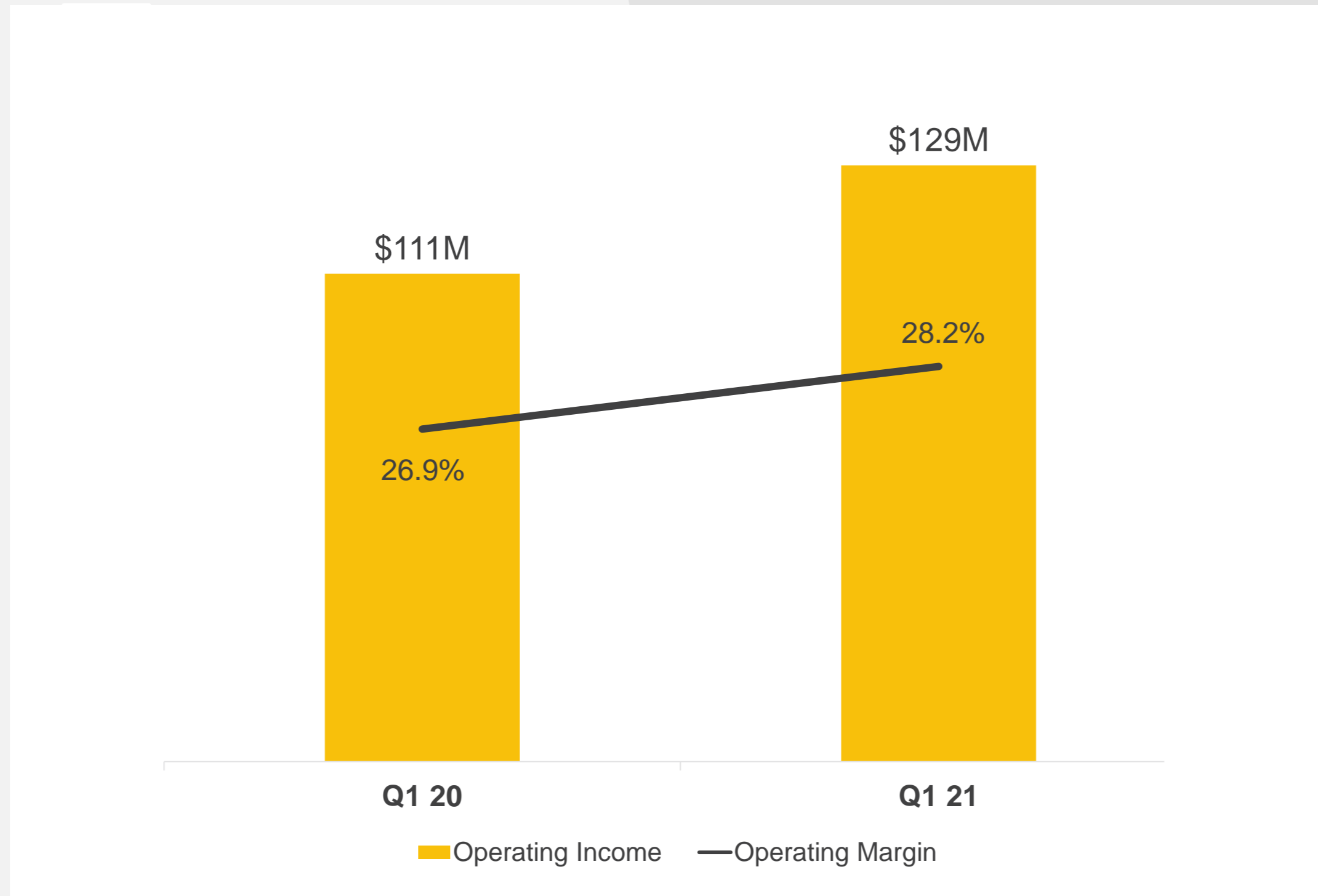


Gross Margin Q1 2021 (Non-GAAP)



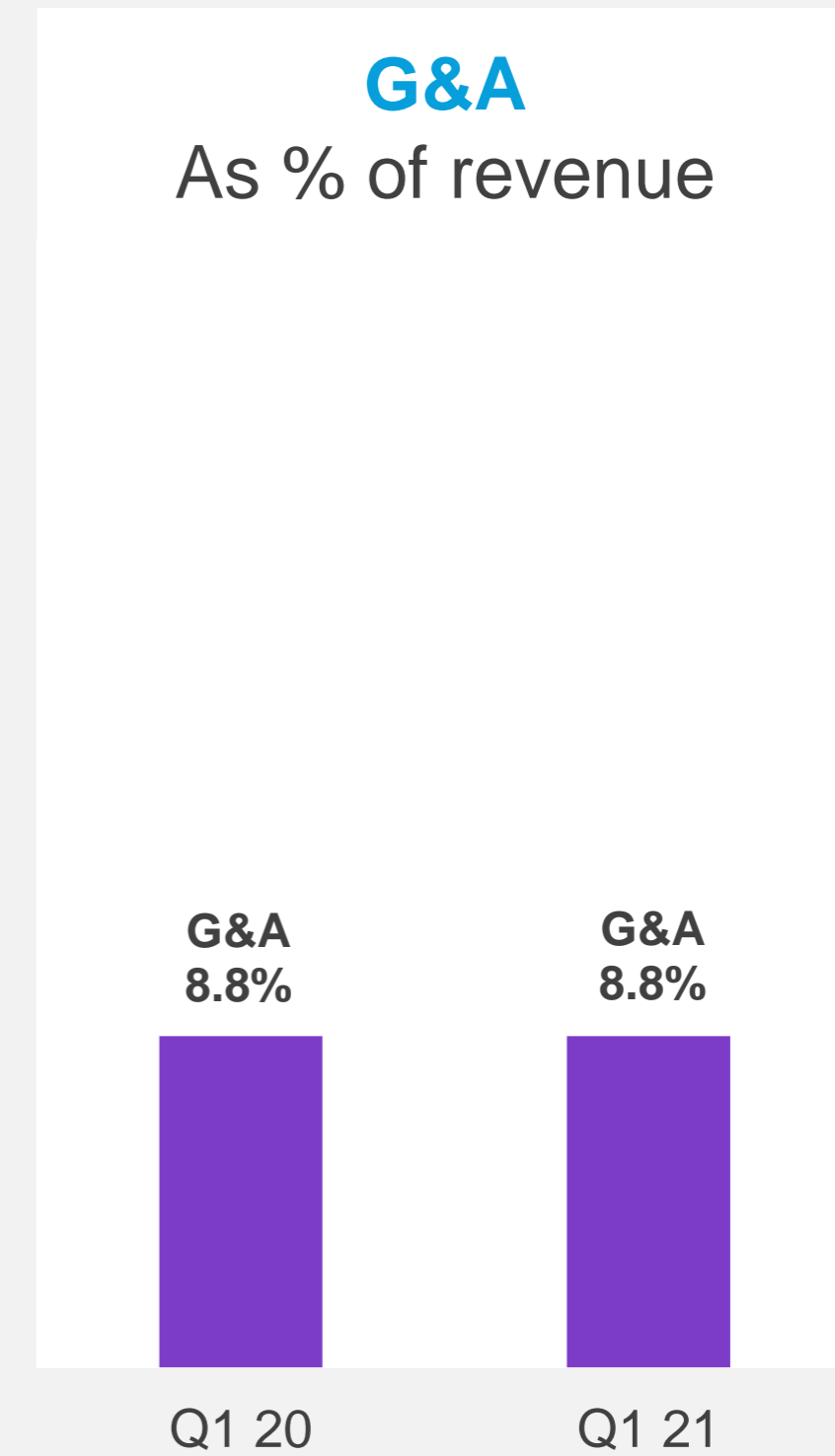
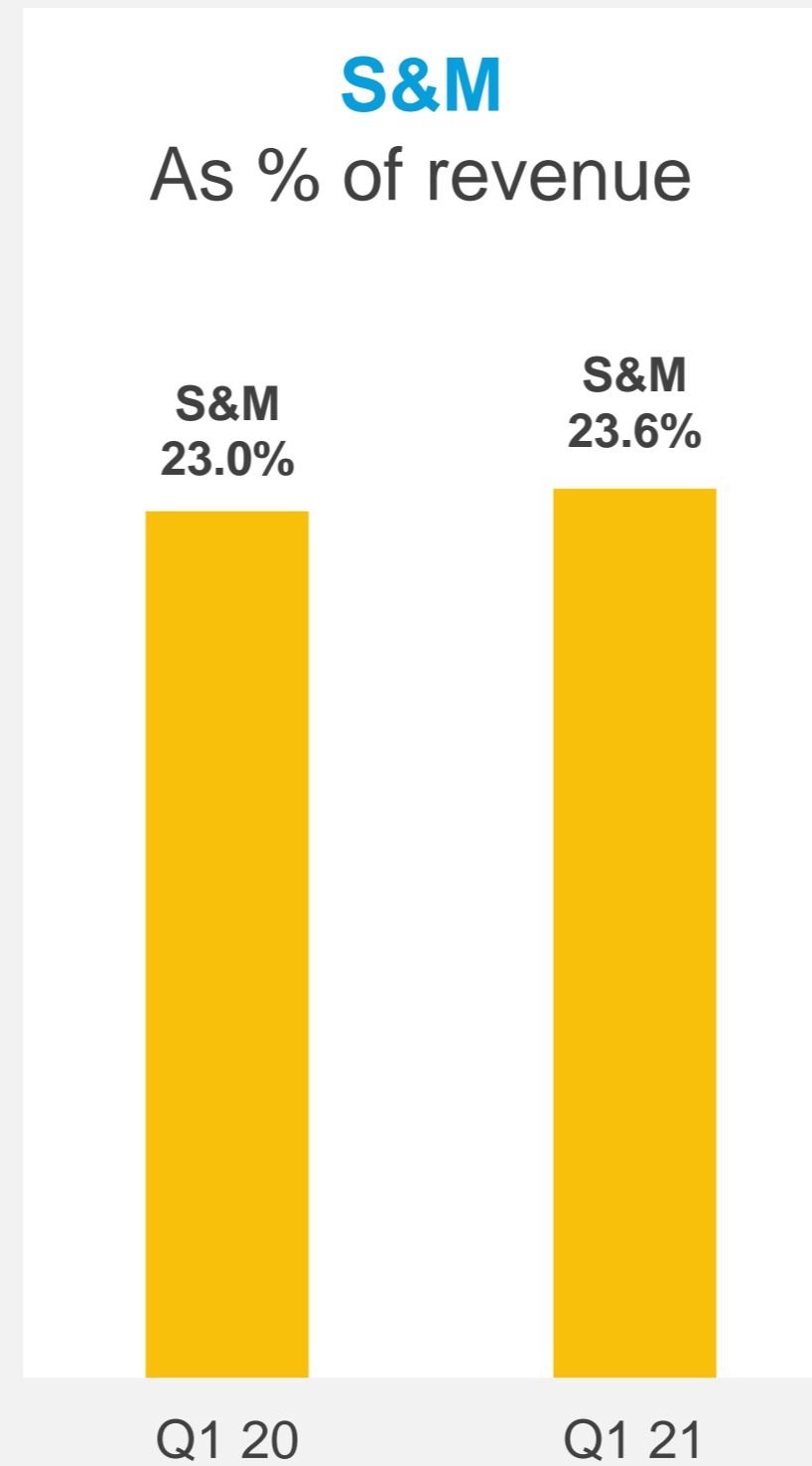
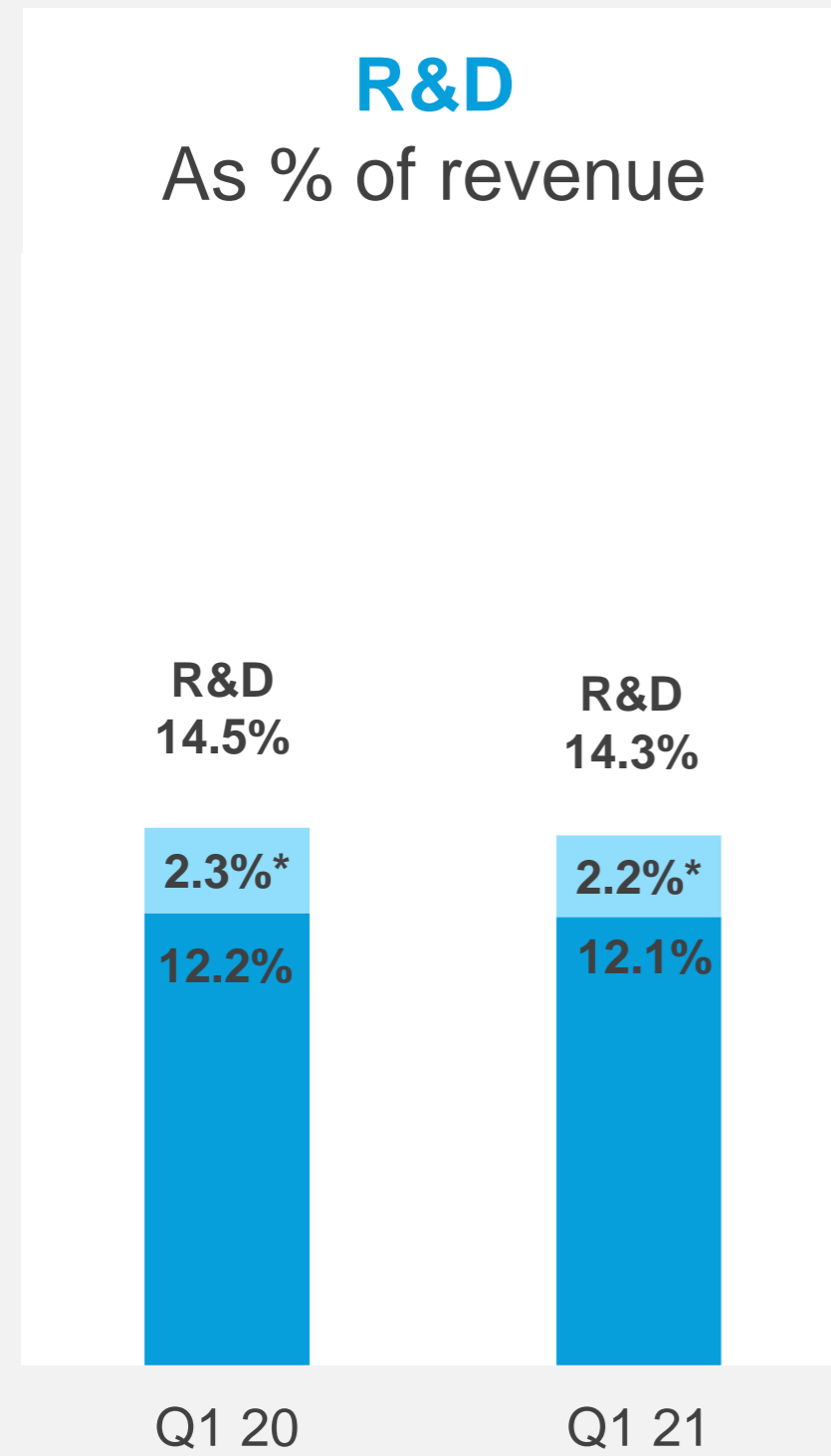
- Services gross margin increased as a result of continued efficiencies in the services organization
- Cloud gross margin increased as a result of increased scale in the cloud business

Operating Income and Operating Margin Q1 2021 (Non-GAAP)



- Operating income increased as a result of an increase in revenue coupled with cost control

Cost Ratios Q1 2021 (Non-GAAP)



* R&D capitalization

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Q1 2021 Highlights

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Condensed Consolidated Balance Sheet (USD in thousands)

	March 31, 2021	December 31, 2020
	<u>Unaudited</u>	<u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 451,128	\$ 442,267
Short-term investments	1,110,057	1,021,613
Trade receivables	322,658	303,100
Prepaid expenses and other current assets	176,922	175,340
Total current assets	<u>2,060,765</u>	<u>1,942,320</u>
LONG-TERM ASSETS:		
Property and equipment, net	136,687	137,785
Deferred tax assets	34,543	32,735
Other intangible assets, net	337,303	366,003
Operating lease right-of-use assets	92,684	97,162
Goodwill	1,503,549	1,503,252
Other long-term assets	<u>156,503</u>	<u>153,660</u>
Total long-term assets	<u>2,261,269</u>	<u>2,290,597</u>
TOTAL ASSETS	<u>\$ 4,322,034</u>	<u>\$ 4,232,917</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 45,193	\$ 33,132
Deferred revenues and advances from customers	320,034	311,851
Current maturities of operating leases	20,564	22,412
Exchangeable senior notes	262,011	259,881
Accrued expenses and other liabilities	<u>415,107</u>	<u>417,174</u>
Total current liabilities	<u>1,062,909</u>	<u>1,044,450</u>
LONG-TERM LIABILITIES:		
Deferred revenues and advances from customers	80,271	36,295
Operating leases	88,421	92,262
Deferred tax liabilities	31,659	32,109
Long-term debt	423,306	421,337
Other long-term liabilities	<u>17,182</u>	<u>17,980</u>
Total long-term liabilities	<u>640,839</u>	<u>599,983</u>
SHAREHOLDERS' EQUITY		
Nice Ltd's equity	2,593,715	2,563,910
Non-controlling interests	<u>24,571</u>	<u>24,574</u>
Total shareholders' equity	<u>2,618,286</u>	<u>2,588,484</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 4,322,034</u>	<u>\$ 4,232,917</u>

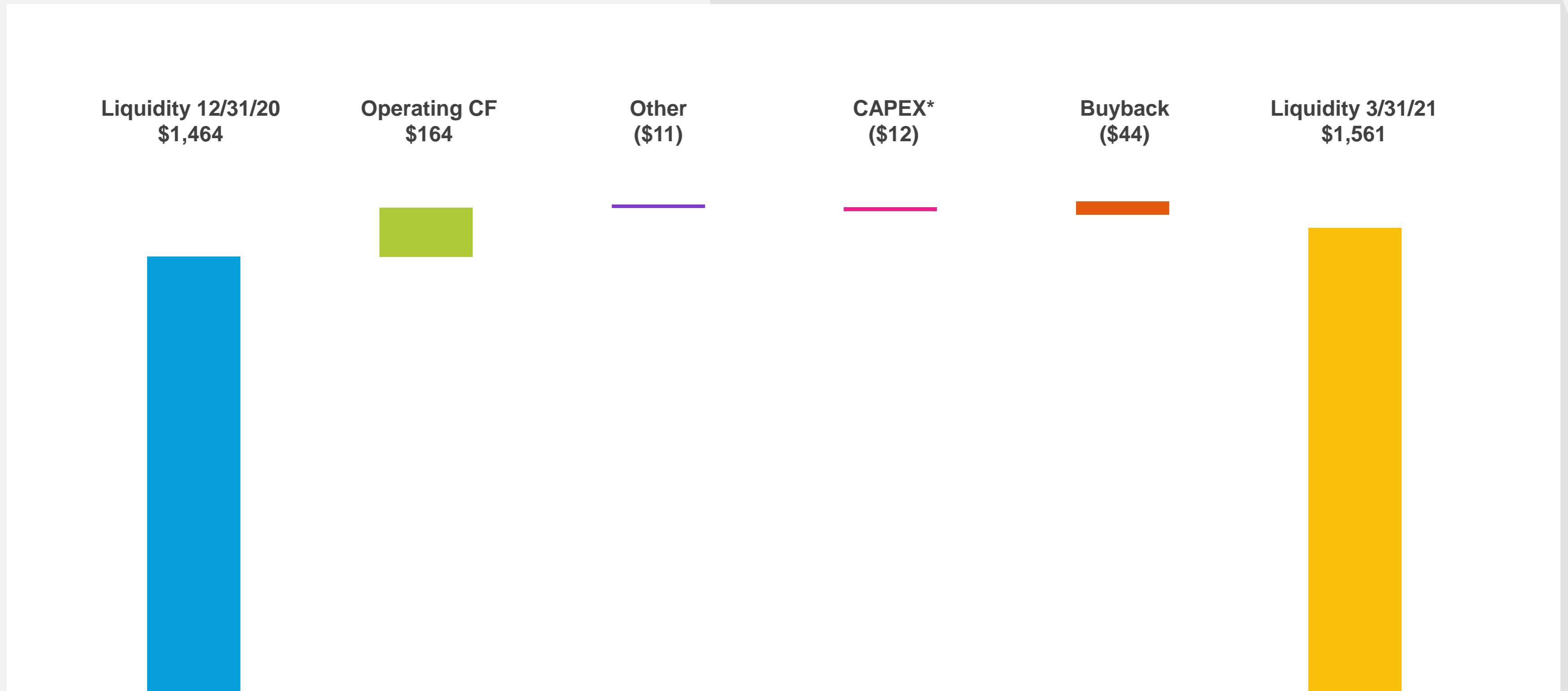
Cash Flow From Operations

\$M	Q1 21	Q1 20	%Δ
Cash flow from operations	164.2	154.8	6%
- Capital expenditure	2.3	9.6	(76%)
- Capitalization of software development	10.1	9.3	9%
Cash flow from operations after capex & software capitalization	151.8	135.9	12%
Cash flow from operation after capex and software capitalization as % of non-GAAP revenue	33%	33%	(0.5pp)
Cash conversion rate *	1.5	1.5	(5%)
Days sales outstanding (DSO)	68	71	(4%)

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

Cash Movement and Liquidity (USD in millions)

March 31, 2021



* CAPEX movement includes R&D capitalization

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Outlook* (Non-GAAP)

	Q2 2021	FY 2021
Revenue (\$M)	445 - 455	1,800 - 1,820
EPS (\$)	1.45 - 1.55	6.19 - 6.39

The outlook is provided as of May 13, 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

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