



2019 SECOND QUARTER RESULTS

Ended June 30, 2019

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, 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. 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.

agenda

Q2 2019 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

Q2 2019 Highlights (Non-GAAP)

Total revenue increased 11%; to \$381M

Cloud revenue increased 30%; and increased to 38% of total revenue

Recurring revenue increased to 72%

Product revenue increased 25%

Gross margin increased to 70.9%; compared to 70.5% last year

Operating margin increased to 26.6%; compared to 25.8% last year

EPS increased 14%; to \$1.25

Company increases revenue and EPS guidance

agenda

Q2 2019 Highlights

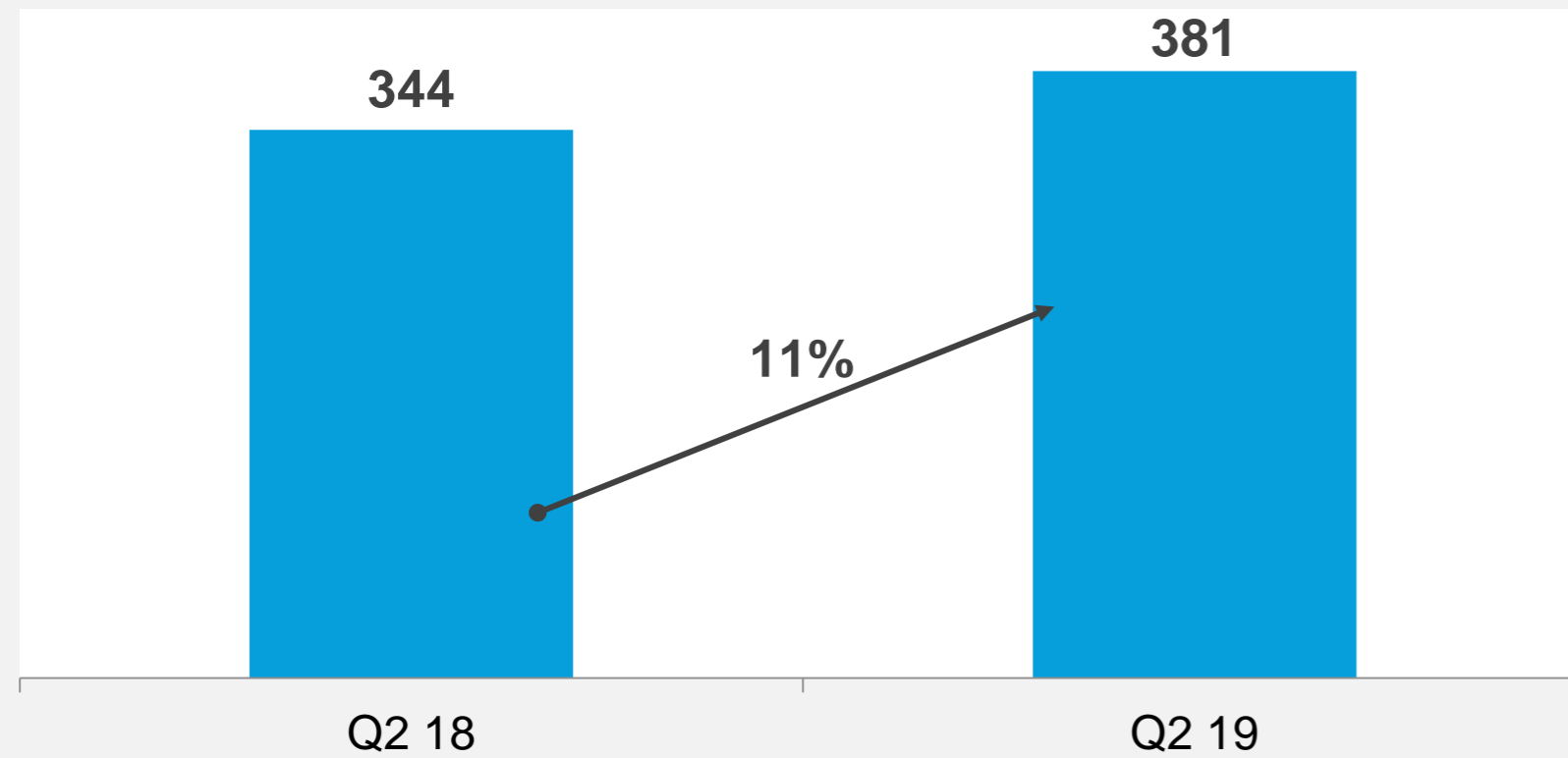
Income Statement

Balance Sheet and Cash Flow Analysis

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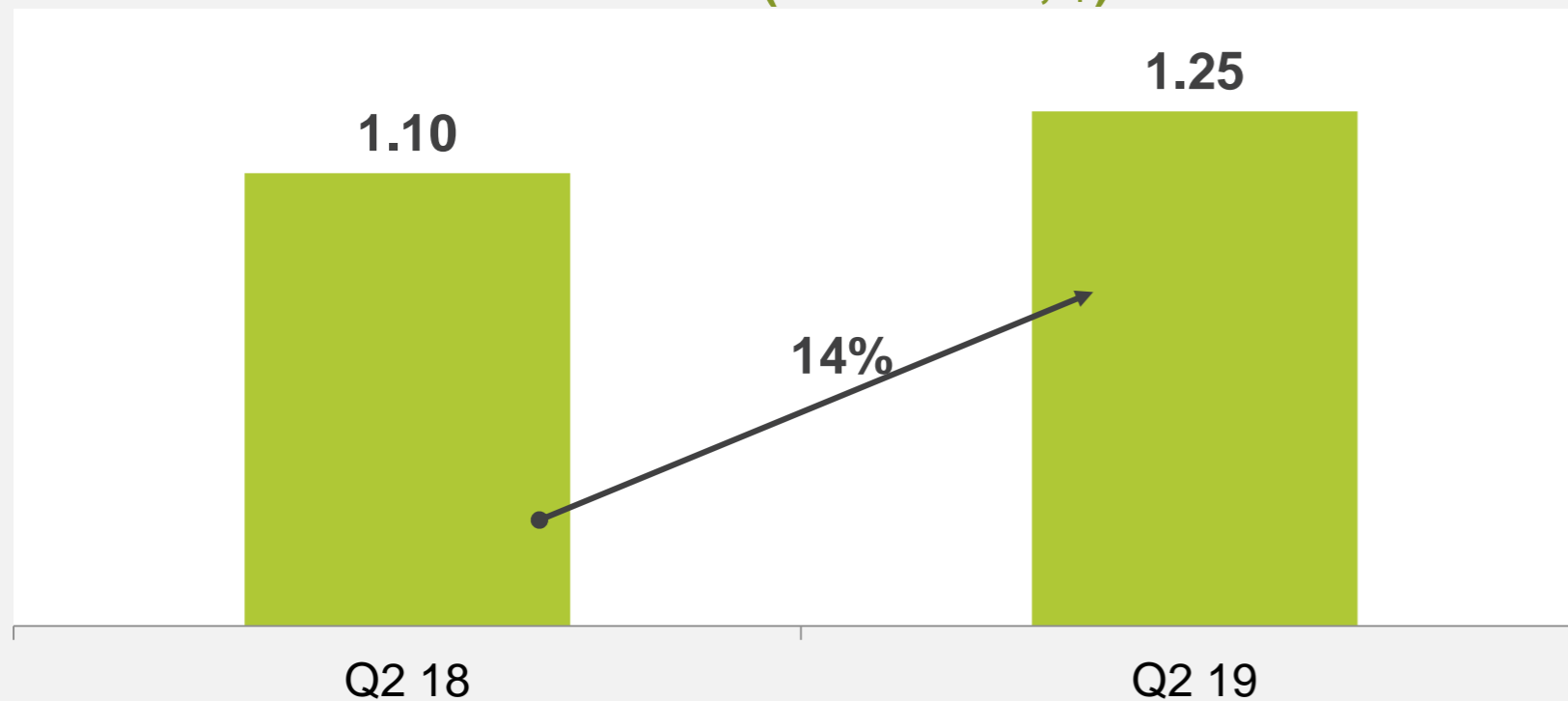
Solid Growth and Execution

TOTAL REVENUES (Non-GAAP, \$M)



- Total revenue grew 11% YoY
- Cloud revenue increased 30% and product revenue increase 25%
- Recurring revenue represented 72% of total revenue
- Cloud revenue represented 38% of total revenue in Q2 2019 compared to 32% in Q2 2018

EARNINGS PER SHARE (Non-GAAP, \$)



- EPS grew 14% YoY
- Strong revenue growth together with continued operating efficiencies led to solid growth in EPS

GAAP and Non-GAAP Income Statement

\$M (except EPS)	Q2 2019	Q2 2018
GAAP revenue	380.4	342.0
Valuation adjustment on acquired deferred product revenue	0.0	0.0
Valuation adjustment on acquired deferred service revenue	0.0	0.2
Valuation adjustment on acquired deferred cloud revenue	1.0	1.4
Non-GAAP revenue	381.4	343.7
GAAP Cost of revenue	130.8	118.6
Amortization of acquired intangible assets on cost of product	(1.0)	(1.3)
Amortization of acquired intangible assets on cost of services	(1.5)	(1.0)
Amortization of acquired intangible assets on cost of cloud	(15.0)	(12.7)
Valuation adjustments on acquired deferred cost of cloud	0.6	0.3
Cost of product revenue adjustment (1)	(0.1)	-
Cost of services revenue adjustment (1)	(2.0)	(1.9)
Cost of cloud revenue adjustment (1)	(0.9)	(0.6)
Non-GAAP cost of revenue	110.9	101.4
GAAP gross profit	249.6	223.4
Gross profit adjustments	20.9	18.9
Non-GAAP gross profit	270.5	242.3
GAAP operating expenses	196.1	177.0
Research and development (1,2)	(1.6)	(1.8)
Sales and marketing (1,2)	(5.8)	(6.8)
General and administrative (1,2)	(8.8)	(4.2)
Amortization of acquired intangible assets	(10.8)	(10.6)
Valuation adjustment on acquired deferred commission	0.1	-
Non-GAAP operating expenses	169.2	153.6
GAAP finance & other expense, net	0.7	2.9
Amortization of discount on long term debt	(2.1)	(2.1)
Non-GAAP finance & other expense (income), net	1.4	0.8

GAAP and Non-GAAP Income Statement (cont.)

\$M (except EPS)	Q2 2019	Q2 2018
GAAP taxes on income	10.7	9.2
Tax adjustment re non-GAAP adjustments	11.1	9.3
Non-GAAP taxes on income	21.8	18.5
GAAP net income	42.0	34.2
Valuation adjustment on acquired deferred revenue	0.9	1.7
Valuation adjustment on acquired deferred cost of cloud revenue	(0.6)	(0.3)
Amortization of acquired intangible assets	28.4	25.6
Valuation adjustment on acquired deferred commission	(0.0)	-
Share-based compensation (1)	18.3	15.3
Acquisitions relates expenses (2)	0.8	-
Amortization of discount on long term debt	2.2	2.1
Tax adjustments re non-GAAP adjustments	(11.1)	(9.3)
Non-GAAP net income	80.9	69.3
GAAP diluted earnings per share	0.65	0.54
Non-GAAP diluted earnings per share	1.25	1.10

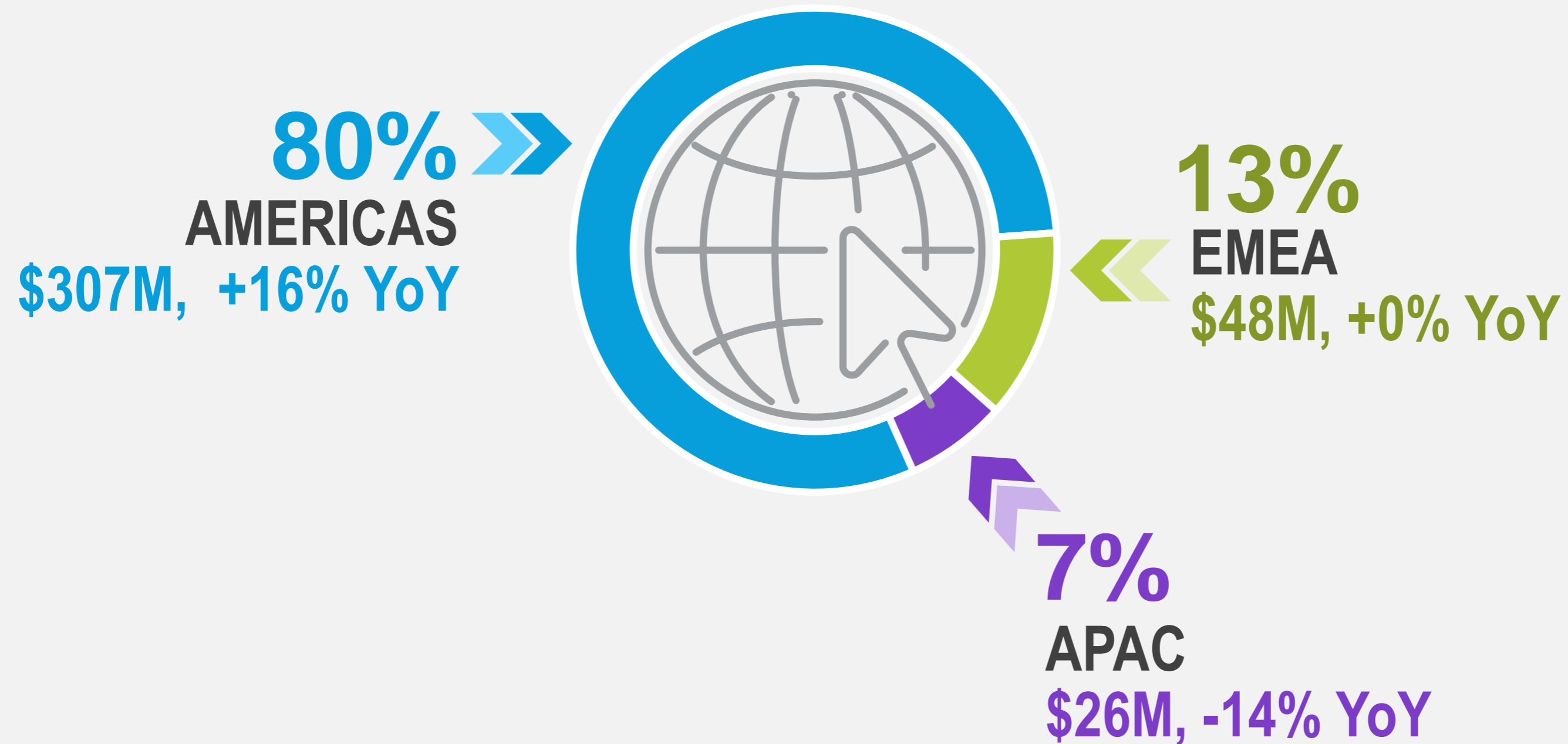
GAAP and Non-GAAP Income Statement (cont.)

\$M (except EPS)	Q2 2019	Q2 2018
(1) Shared-based Compensation		
Cost of product revenue	(0.1)	-
Cost of services revenue	(2.0)	(1.9)
Cost of cloud revenue	(0.9)	(0.6)
Research and development	(1.6)	(1.8)
Sales and marketing	(5.7)	(6.9)
General and administrative	(8.0)	(4.2)
	(18.3)	(15.4)
(2) Acquisition related expenses		
Research and development	(0)	-
Sales and Marketing	(0)	-
General and administrative	(0.8)	-
	(0.8)	-

Errors due to rounding

Q2 2019

Revenue Breakdown by Region (Non-GAAP)



Q2 2019

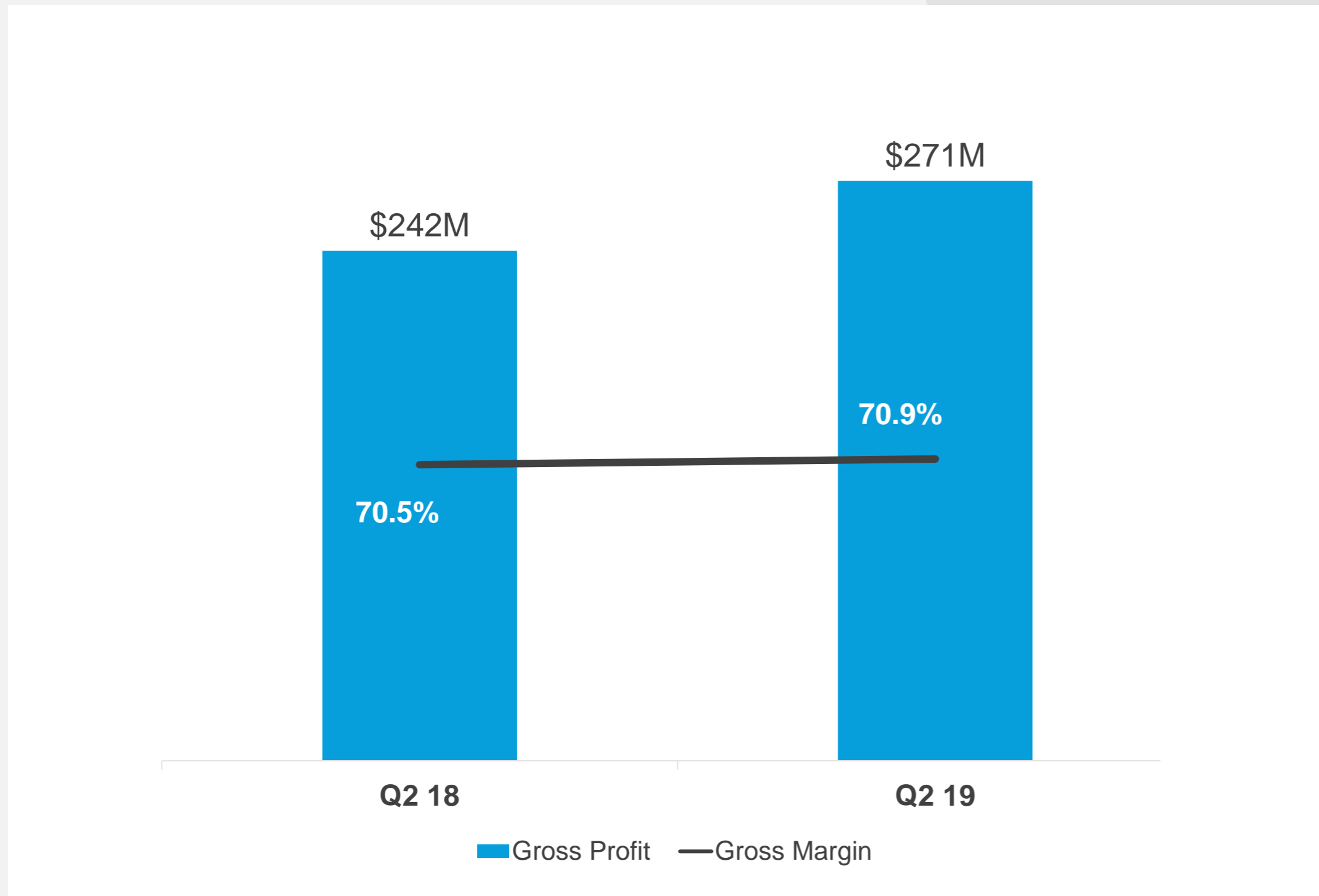
Revenue Breakdown by Business Unit (Non-GAAP)

82% **»»**
**CUSTOMER
ENGAGEMENT**
\$313M, +11% YoY



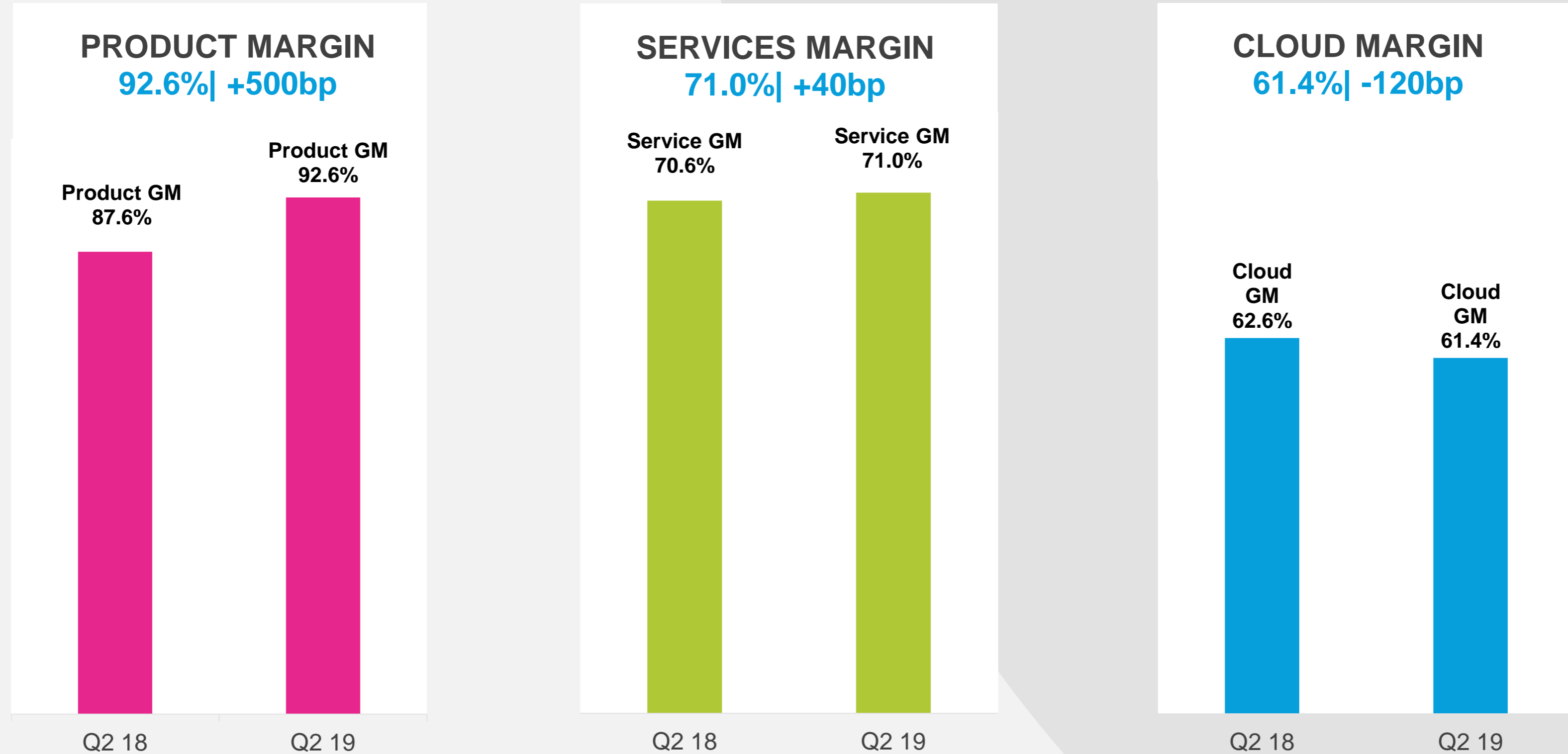
«« 18%
**FINANCIAL CRIME &
COMPLIANCE**
\$68M, +10% YoY

Gross Profit and Gross Margin Q2 2019 (Non-GAAP)



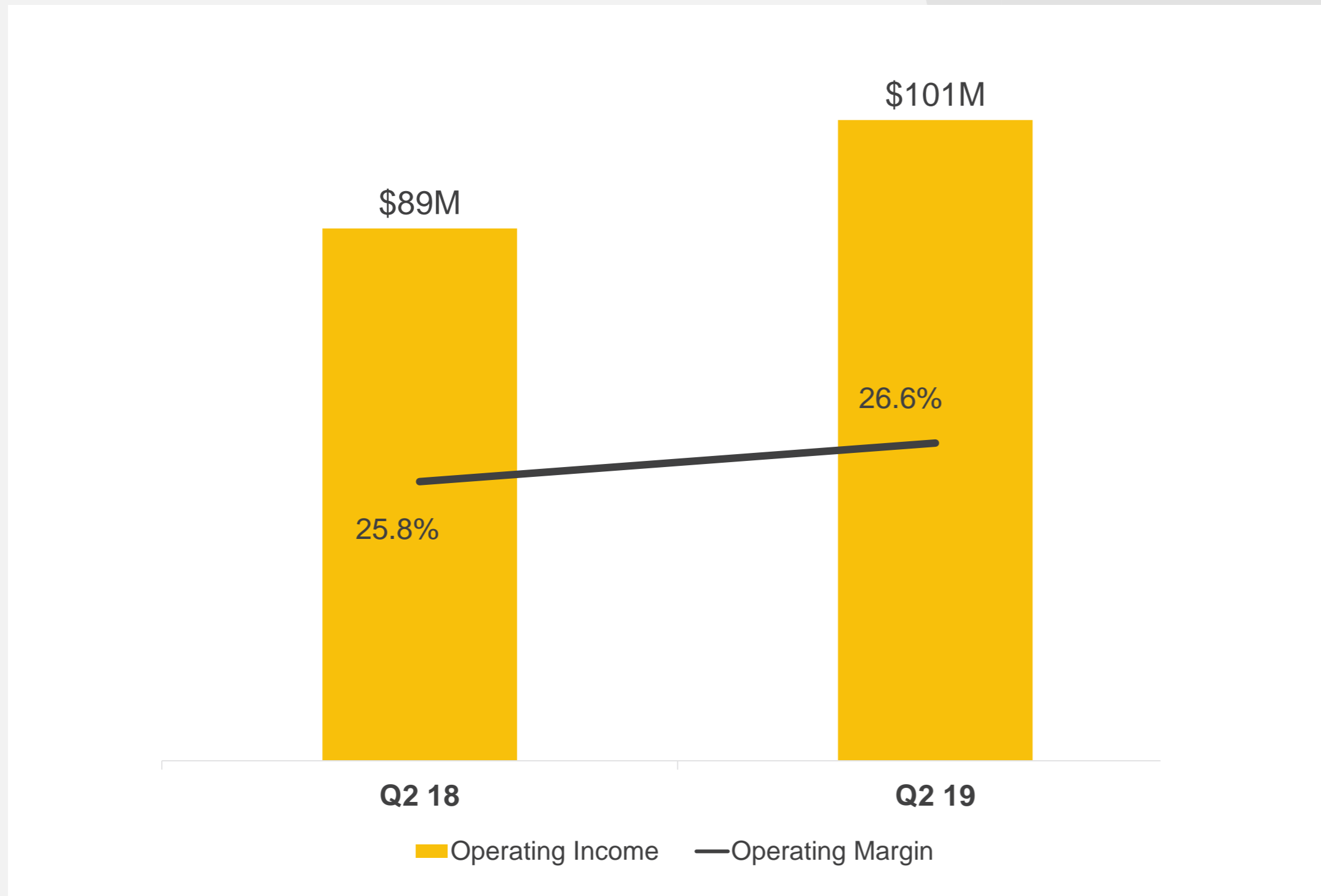
Gross margin improved due to the mix of product and the continued expansion of the service margin

Gross Margin Q2 2019 (Non-GAAP)

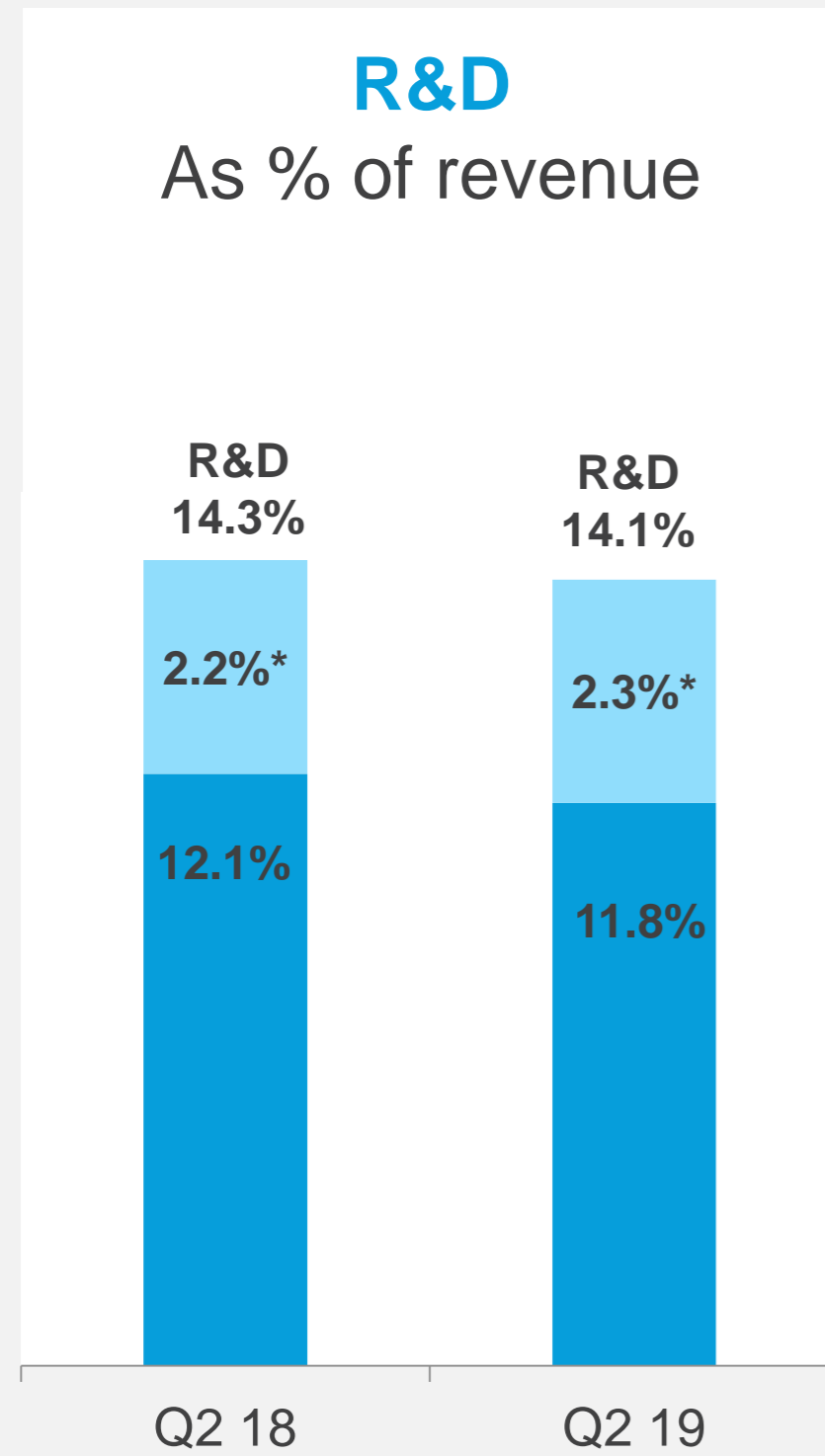


- Product gross margin increased due to product mix
- Services gross margin increased as a result of continued efficiencies in the services organization
- Cloud margin decreased due to the integration of Mattersight and the increased amortization of capitalized software R&D

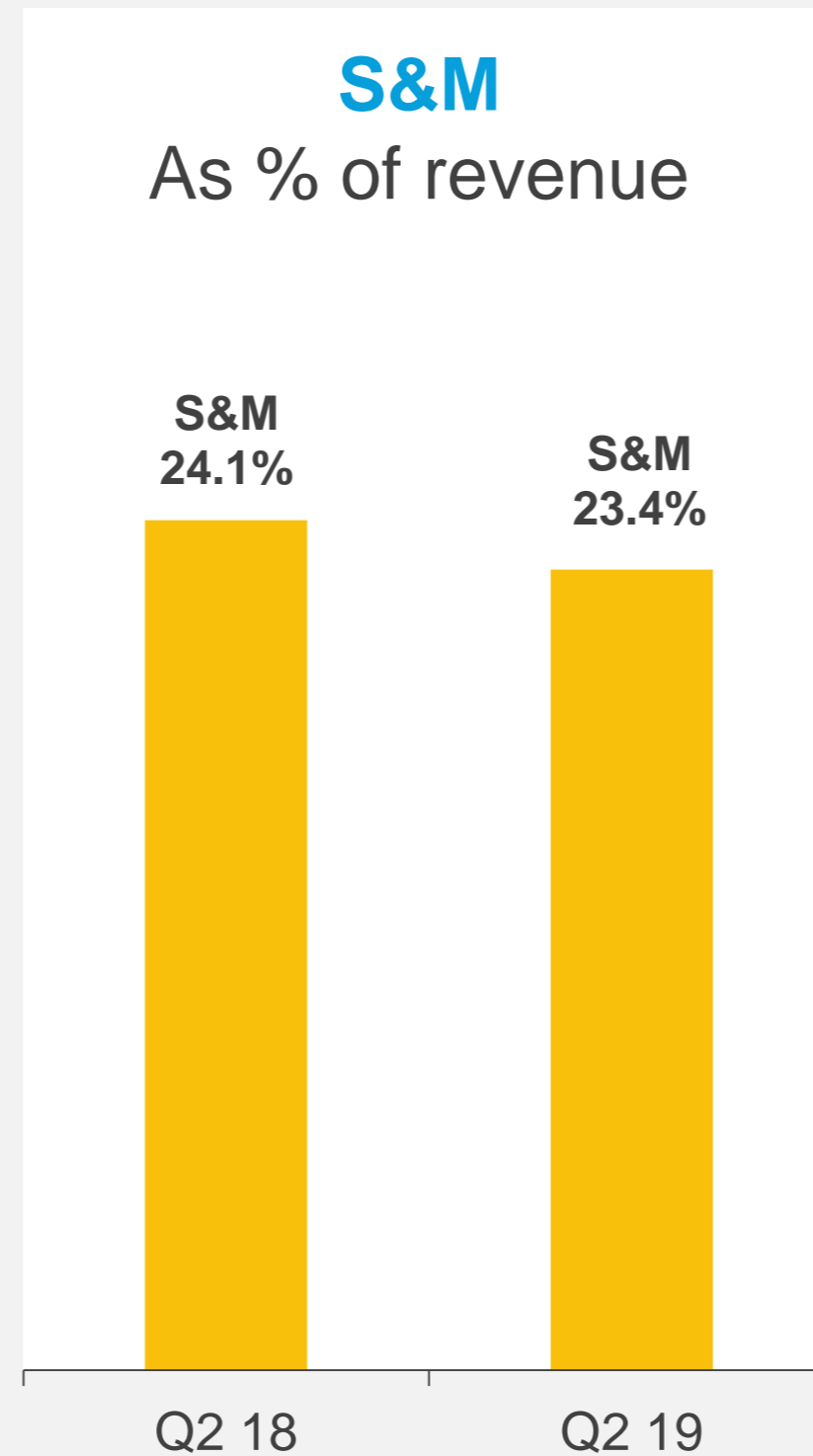
Operating Income and Operating Margin Q2 2019 (Non-GAAP)



Cost Ratios Q2 2019 (Non-GAAP)



* R&D capitalization



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Balance Sheet

June 30, 2019

Assets (\$M)	06/30/2019	12/31/2018
Cash and cash equivalents	236.3	242.1
Short term investments	273.0	243.7
Trade receivables	269.0	287.9
Prepaid expenses and other current assets	121.6	87.5
Total current assets	899.9	861.2
Long term Investments	358.1	245.0
Property and equipment	141.0	140.3
Deferred tax assets	12.5	12.3
Other Intangible assets	467.4	508.2
Operating lease right-of-use assets	117.0	-
Goodwill	1,380.8	1,366.2
Other long term assets	114.3	74.0
Total Assets	3,491.1	3,207.4

Equity & Liabilities (\$M)	06/30/2019	12/31/2018
Trade payables	30.9	29.6
Deferred revenue and advances from customers	280.6	221.4
Current maturities of operating leases	17.3	-
Accrued expenses and other liabilities	374.2	373.9
Total current liabilities	703.0	624.9
Deferred revenue and advances from customers	35.8	35.1
Operating leases	116.5	-
Deferred tax liabilities	29.0	44.1
Long term debt	460.3	456.0
Other long term liabilities	16.0	30.6
Total long term liabilities	657.6	565.8
Equity	2,130.5	2,016.6
Equity & Liabilities	3,491.1	3,207.3

Cash Flow From Operations

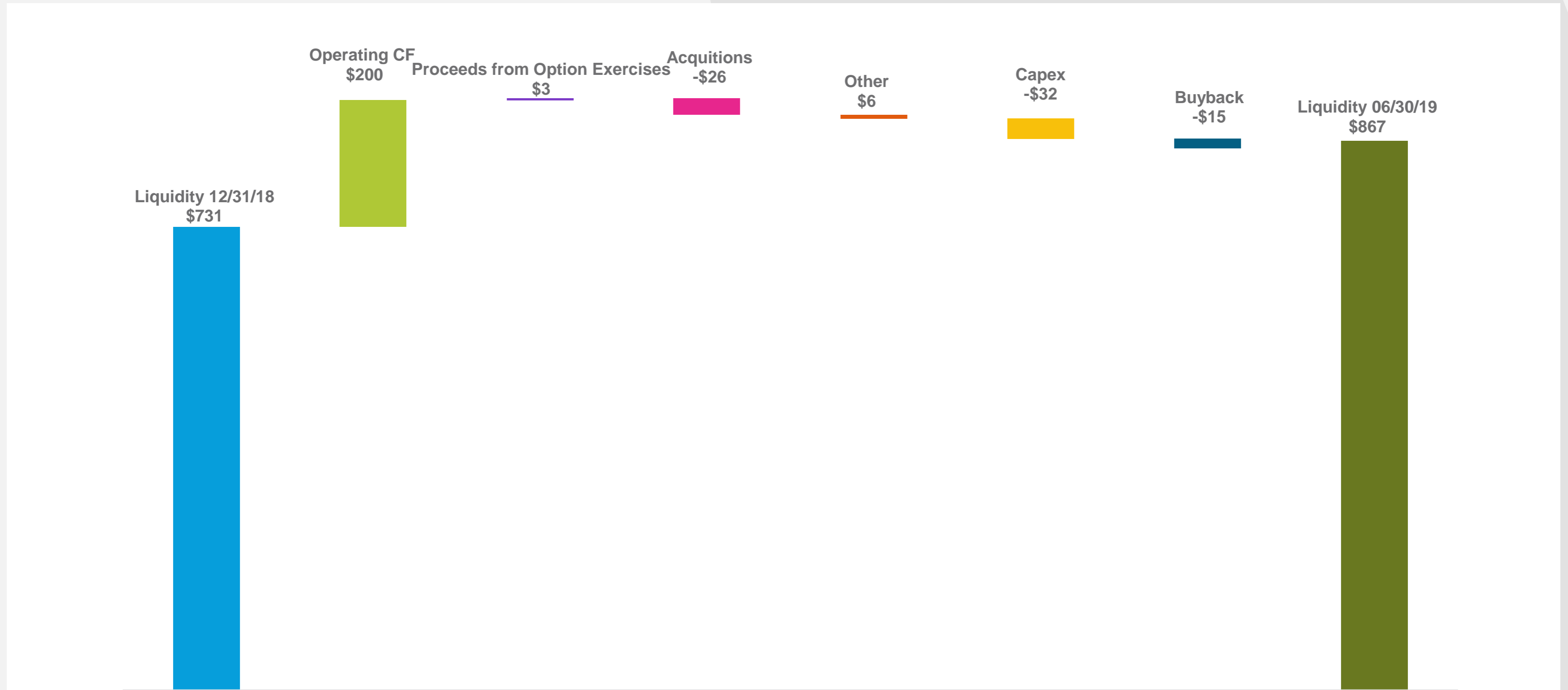
\$M	Q2 19*	Q2 18	%Δ	H1 19	H1 18	%Δ
Cash flow from operations	18.0	63.8	(72%)	200.4	200.7	(0.1%)
- Capital expenditure	6.6	8.2	(20%)	15.0	13.6	10%
- Capitalization of software development	8.9	7.7	16%	17.4	15.5	12%
Cash flow from operations after capex & software capitalization	2.5	47.9	(95%)	168.0	171.6	(2%)
Cash flow from operation after capex and software capitalization as % of non-GAAP revenue	0.7%	14%	13.3pp	22.1%	25.2%	(3.1pp)
Cash conversion rate **	0.03	0.7	(96%)	1.1	1.3	(15%)
Days sales outstanding (DSO)	63	54	17%	63	54	17%

* Decrease in cash flow from operations is a result of timing difference between quarters versus prior year and prepayments to capture discounts to lower ongoing expenses

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

Cash Movement and Liquidity

June 30, 2019



* CAPEX movement includes R&D capitalization

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Outlook* (Non-GAAP)

	Q3 2019	FY 2019
Revenue (\$M)	380-390	1,563-1,583
EPS (\$)	1.23-1.33	5.13-5.33

The outlook is provided as of August 8, 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

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