



2019 FOURTH QUARTER AND FULL YEAR RESULTS

Ended December 31, 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 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 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.

agenda

Q4 and Full Year 2019 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

Q4 and Full Year 2019 Highlights (Non-GAAP)

Record revenue for Q4 and FY: \$431M and \$1,577M, respectively

FY cloud revenue increased 28% to \$599M compared to last year

Q4 cloud gross margin increased 390 bps to 63.8% compared to 59.9% in to Q4 last year

FY recurring revenue increased to 72% of total revenue compared to 69% in 2018

FY cloud revenue represented 38% of total revenue compared to 32% in 2018

Record operating income for Q4 and FY: \$130M and \$434M, respectively

FY operating margin increased to 27.5% compared to 26.4% last year

FY EPS increased 12% to \$5.31

* All numbers presented are Non-GAAP

agenda

Q4 and Full Year Highlights

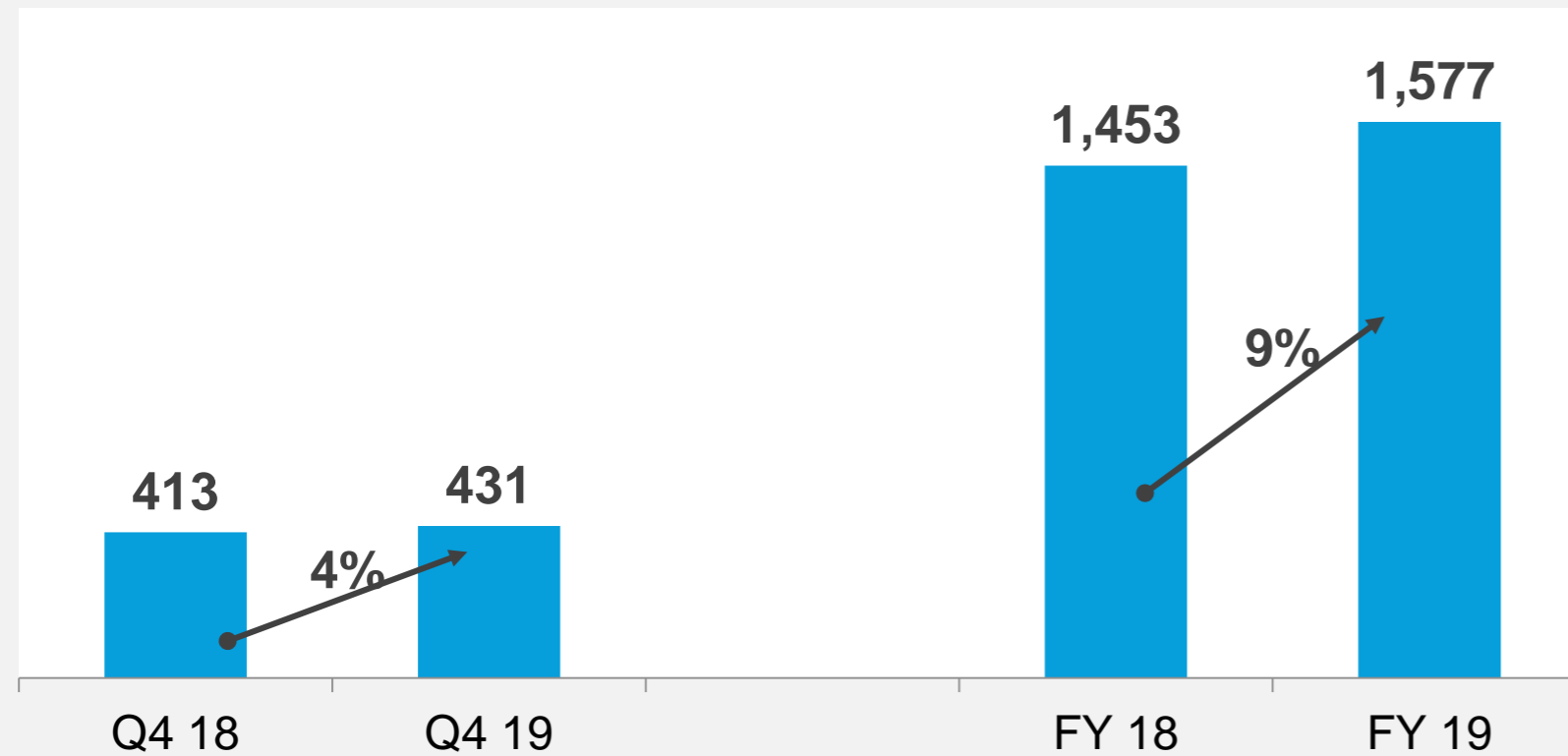
Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

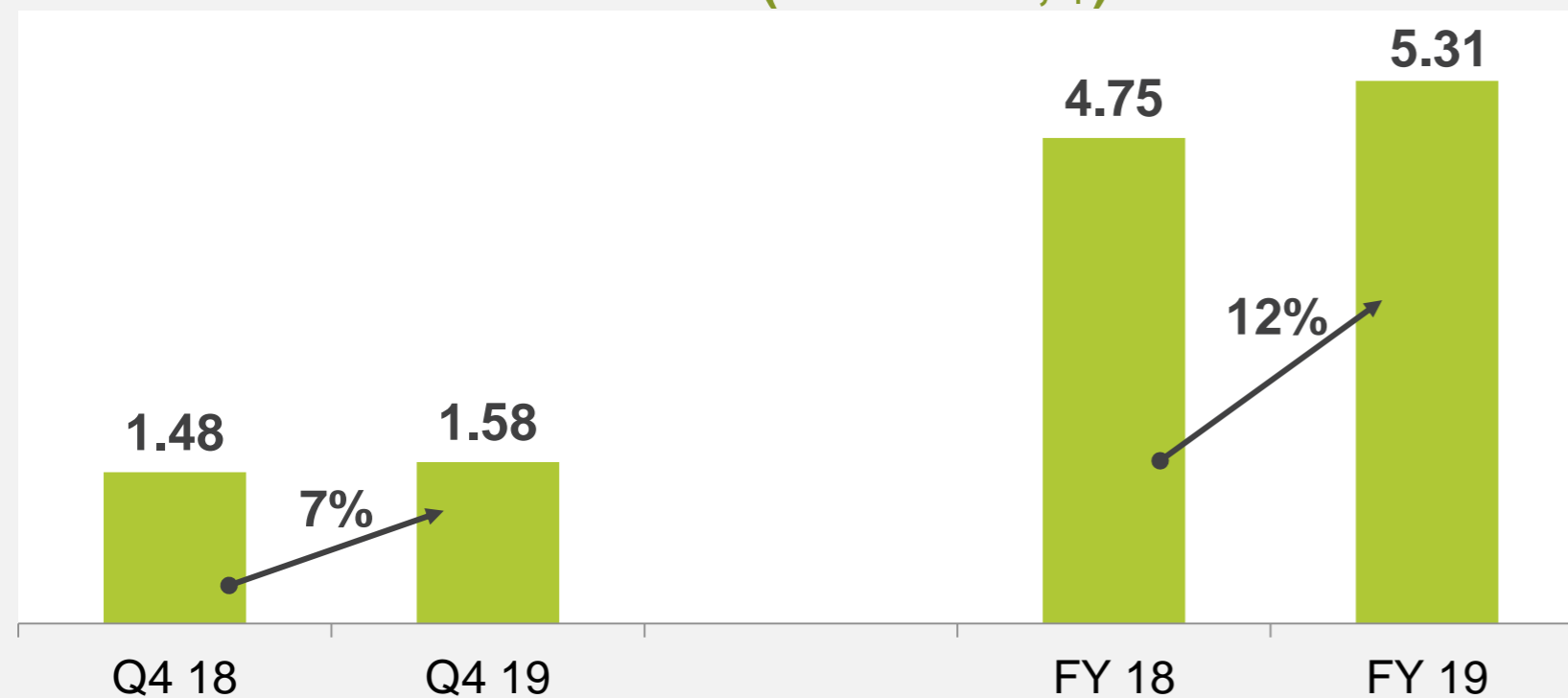
Solid Growth and Execution

REVENUES (Non-GAAP, \$M)



- Record revenue in Q4 and FY 2019
- Cloud revenue increased 25% and 28% in Q4 and FY 2019, respectively
- Cloud revenue represented 39% of total revenue in Q4 and 38% in FY 2019 compared to 33% and 32% in Q4 and FY 2018, respectively
- Recurring revenue accounted for 72% of total revenue for FY 2019, compared to 69% for FY 2018

EARNINGS PER SHARE (Non-GAAP, \$)



- Record EPS for Q4 and FY 2019
- Solid growth in Q4 EPS due to expanded gross margin and strong expense management
- FY EPS growth demonstrates positive leverage in our financial model

GAAP and Non-GAAP Income Statement

\$M (except EPS)	Q4 2019	Q4 2018
GAAP revenues	430.2	410.8
Valuation adjustment on acquired deferred product revenue	-	-
Valuation adjustment on acquired deferred service revenue	-	0.0
Valuation adjustment on acquired deferred cloud revenue	0.8	2.6
Non-GAAP revenues	431.0	413.4
GAAP Cost of revenue	137.2	136.2
Amortization of acquired intangible assets on cost of product	(1.1)	(0.9)
Amortization of acquired intangible assets on cost of services	(1.5)	(1.8)
Amortization of acquired intangible assets on cost of cloud	(15.3)	(15.5)
Valuation adjustments on acquired deferred cost of cloud	0.5	0.9
Cost of product revenue adjustment (1)	0.1	(0.1)
Cost of services revenue adjustment (1,3)	(1.9)	(1.9)
Cost of cloud revenue adjustment (1,3)	(0.8)	(0.9)
Non-GAAP cost of revenue	117.2	116.0
GAAP gross profit	292.9	274.7
Gross profit adjustments	20.9	22.7
Non-GAAP gross profit	313.8	297.4
GAAP operating expenses	215.3	204.3
Research and development (1,3)	(2.9)	(1.6)
Sales and marketing (1,3)	(7.5)	(5.4)
General and administrative (1,2,3)	(11.3)	(8.6)
Amortization of acquired intangible assets	(10.1)	(10.8)
Valuation adjustment on acquired deferred commission	0.1	0.3
Non-GAAP operating expenses	183.6	178.2

	FY 2019	FY 2018
	1,573.9	1,444.5
	0.0	0.1
	0.0	0.6
	3.5	8.2
	1,577.4	1,453.4
	531.7	496.8
	(4.1)	(5.9)
	(6.1)	(5.1)
	(60.4)	(53.9)
	2.4	2.2
	(0.2)	(0.4)
	(8.2)	(7.6)
	(2.9)	(4.7)
	452.2	421.4
	1,042.1	947.7
	83.1	84.3
	1,125.2	1032.0
	803.4	750.1
	(8.1)	(8.4)
	(26.7)	(27.7)
	(35.7)	(23.7)
	(42.4)	(42.3)
	0.3	0.4
	690.8	648.4

GAAP and Non-GAAP Income Statement (cont.)

\$M (except EPS)	Q4 2019	Q4 2018
GAAP finance & other expense (income), net	0.6	1.8
Amortization of discount on long term debt	(2.4)	(2.2)
Non-GAAP finance & other expense (income), net	(1.8)	(0.4)
GAAP taxes on income	15.3	6.3
Tax adjustments re non-GAAP adjustments	14.1	18.9
Non-GAAP taxes on income	29.4	25.2
GAAP net income	61.7	62.3
Valuation adjustment on acquired deferred revenue	0.8	2.6
Valuation adjustment on acquired deferred cost of cloud revenue	(0.5)	(0.9)
Amortization of acquired intangible assets	28.1	28.9
Valuation adjustment on acquired deferred commission	(0.1)	(0.3)
Share-based compensation (1)	24.3	18.4
Acquisition related expenses (2)	-	-
Amortization of discount on long term debt (3)	2.4	2.2
Tax adjustments re non-GAAP adjustments	(14.1)	(18.9)
Non-GAAP net income	102.6	94.3
GAAP diluted earnings per share	0.95	0.98
Non-GAAP diluted earnings per share	1.58	1.48

FY 2019	FY 2018
4.4	10.9
(9.2)	(8.7)
(4.8)	2.2
48.4	27.4
47.4	53.3
95.8	80.7
185.9	159.3
3.6	8.9
(2.4)	(2.2)
113.1	107.2
(0.3)	(0.4)
80.9	67.2
0.8	5.2
9.2	8.7
(47.4)	(53.3)
343.4	300.6
2.88	2.52
5.31	4.75

GAAP and Non-GAAP Income Statement (cont.)

\$M (except EPS)	Q4 2019	Q4 2018
(1) Shared-based Compensation		
Cost of product revenue	(0.1)	0.1
Cost of services revenue	1.9	1.9
Cost of cloud revenue	0.8	0.9
Research and development	2.9	1.6
Sales and marketing	7.5	5.4
General and administrative	11.3	8.6
	24.3	18.5

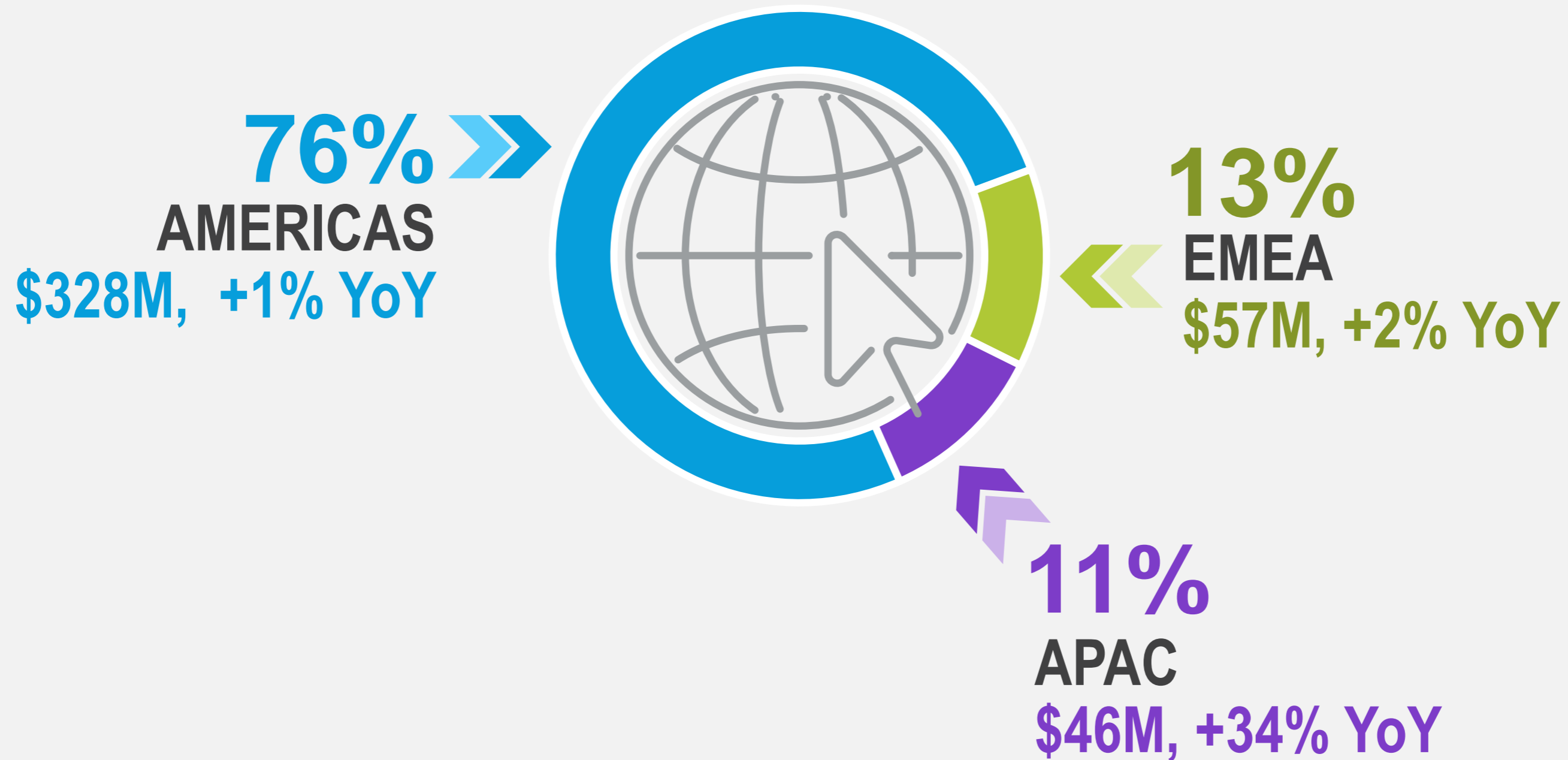
(2) Acquisition related expenses		
Cost of cloud revenue	-	-
Research and development	-	-
Sales and marketing	-	-
General and administrative	-	-
	-	-

	FY 2019	FY 2018
	0.2	0.4
	8.2	7.6
	2.9	3.0
	8.1	7.4
	26.6	27.4
	34.9	21.4
	80.9	67.2

	-	1.6
	0.0	1.1
	0.0	0.2
	0.8	2.3
	0.8	5.2

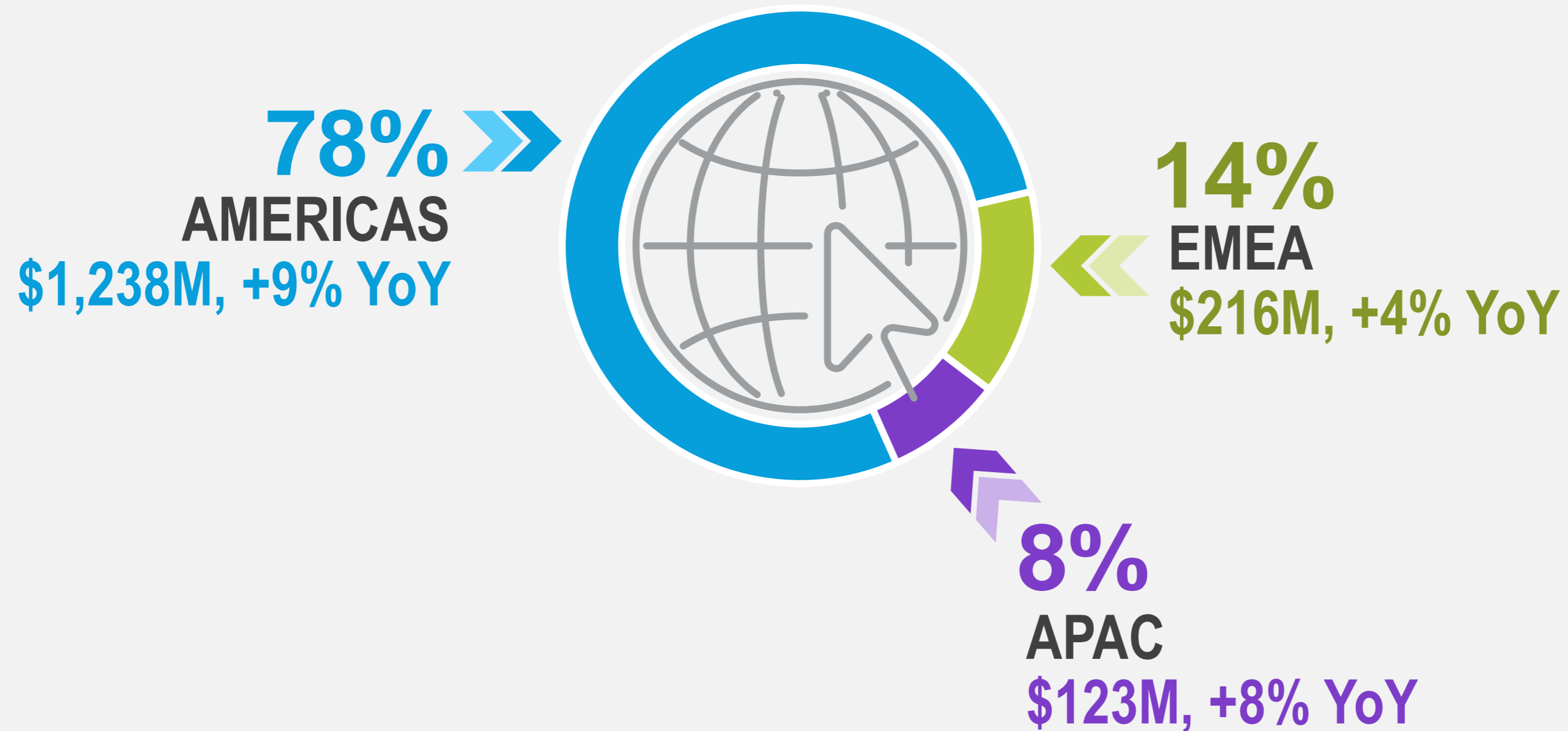
Q4 2019

Revenue Breakdown by Region (Non-GAAP)



Full Year 2019

Revenue Breakdown by Region (Non-GAAP)



Q4 2019

Revenue Breakdown by Business Unit (Non-GAAP)

78% **»»**
**CUSTOMER
ENGAGEMENT**
\$335M, +3% YoY



«« 22%
**FINANCIAL CRIME &
COMPLIANCE**
\$96M, +10% YoY

Full Year 2019

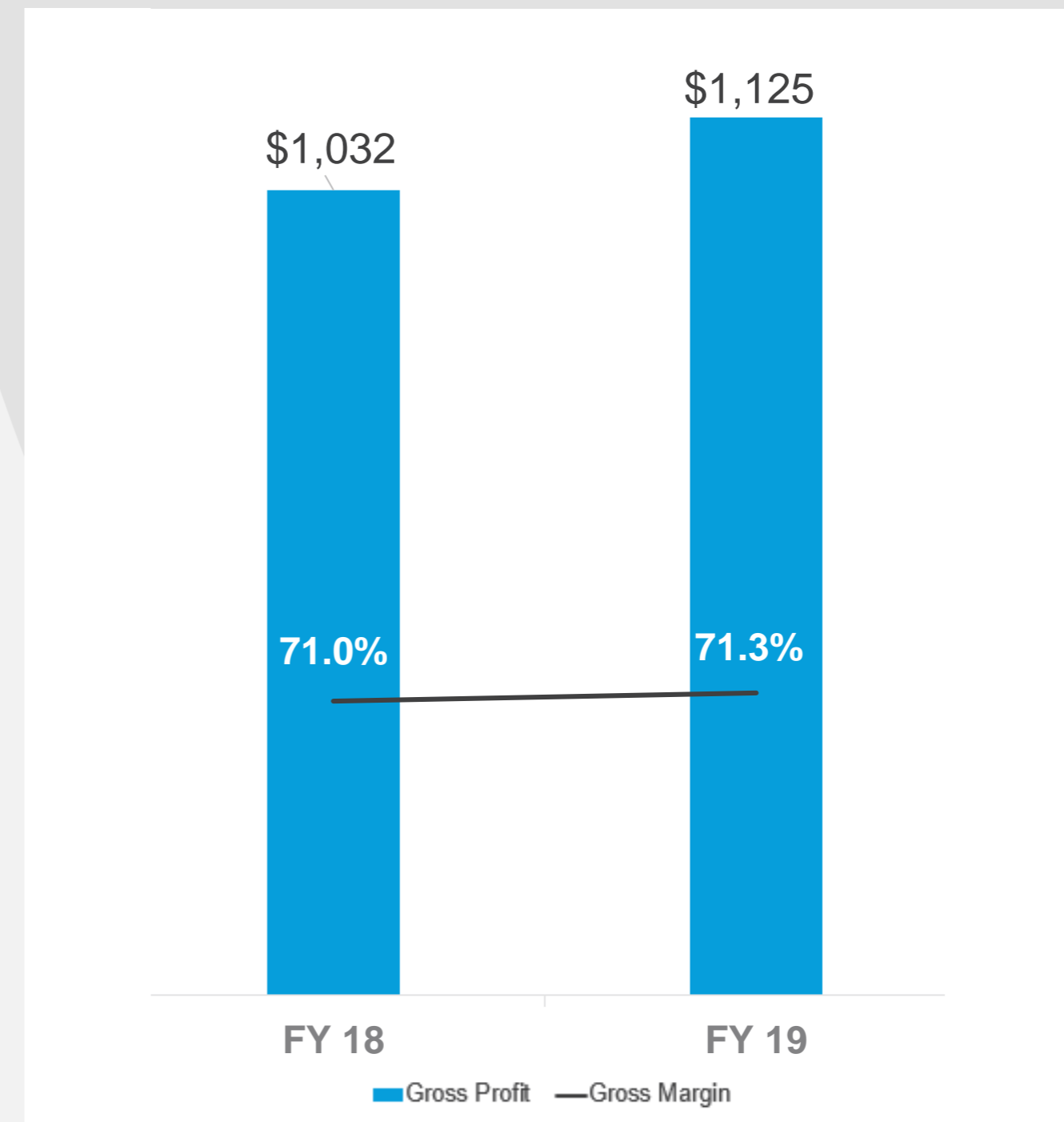
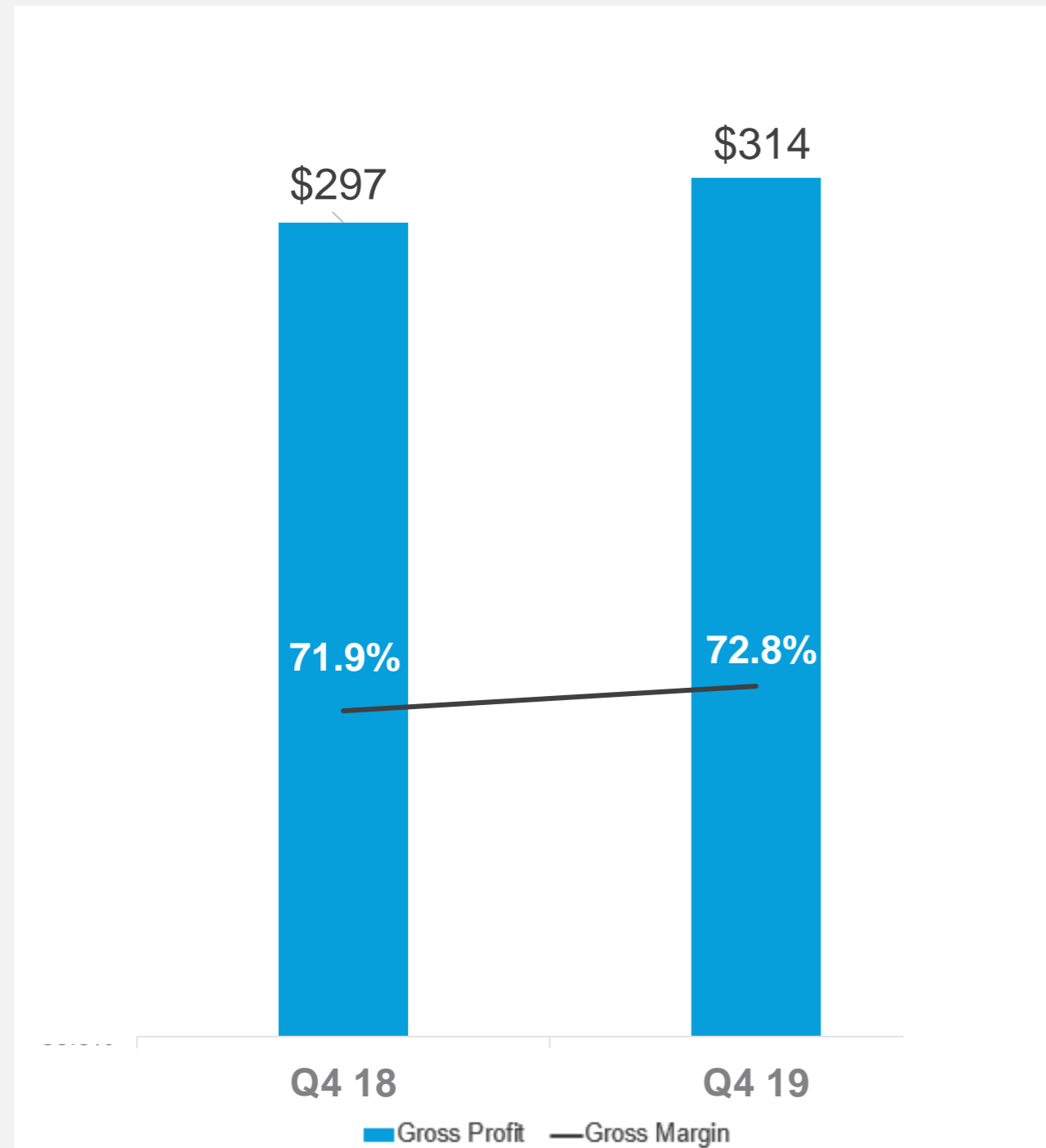
Revenue Breakdown by Business Unit (Non-GAAP)

80% **»»**
**CUSTOMER
ENGAGEMENT**
\$1,268M, +9% YoY

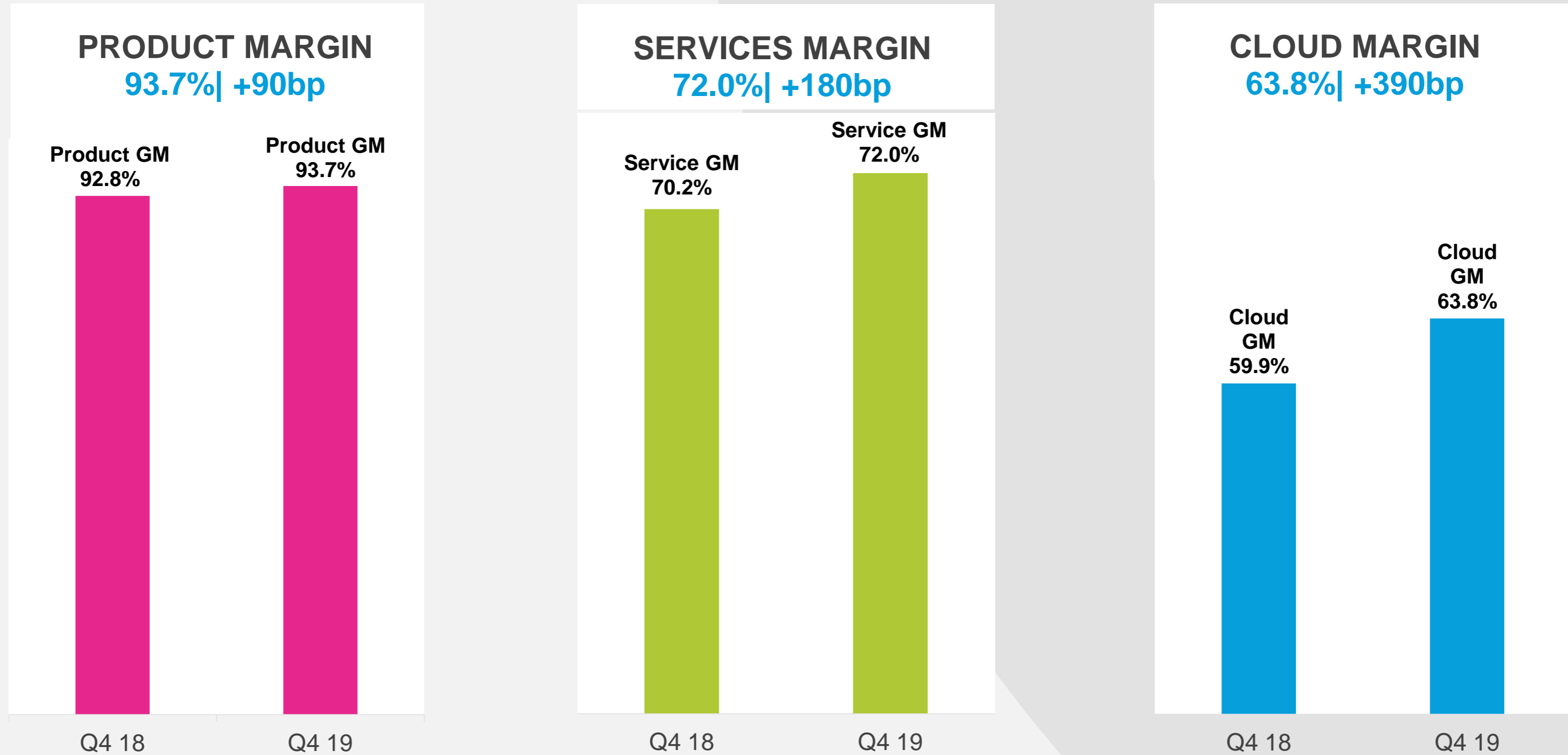


«« 20%
**FINANCIAL CRIME &
COMPLIANCE**
\$309M, +7% YoY

Gross Profit and Gross Margin Q4 and FY (Non-GAAP)

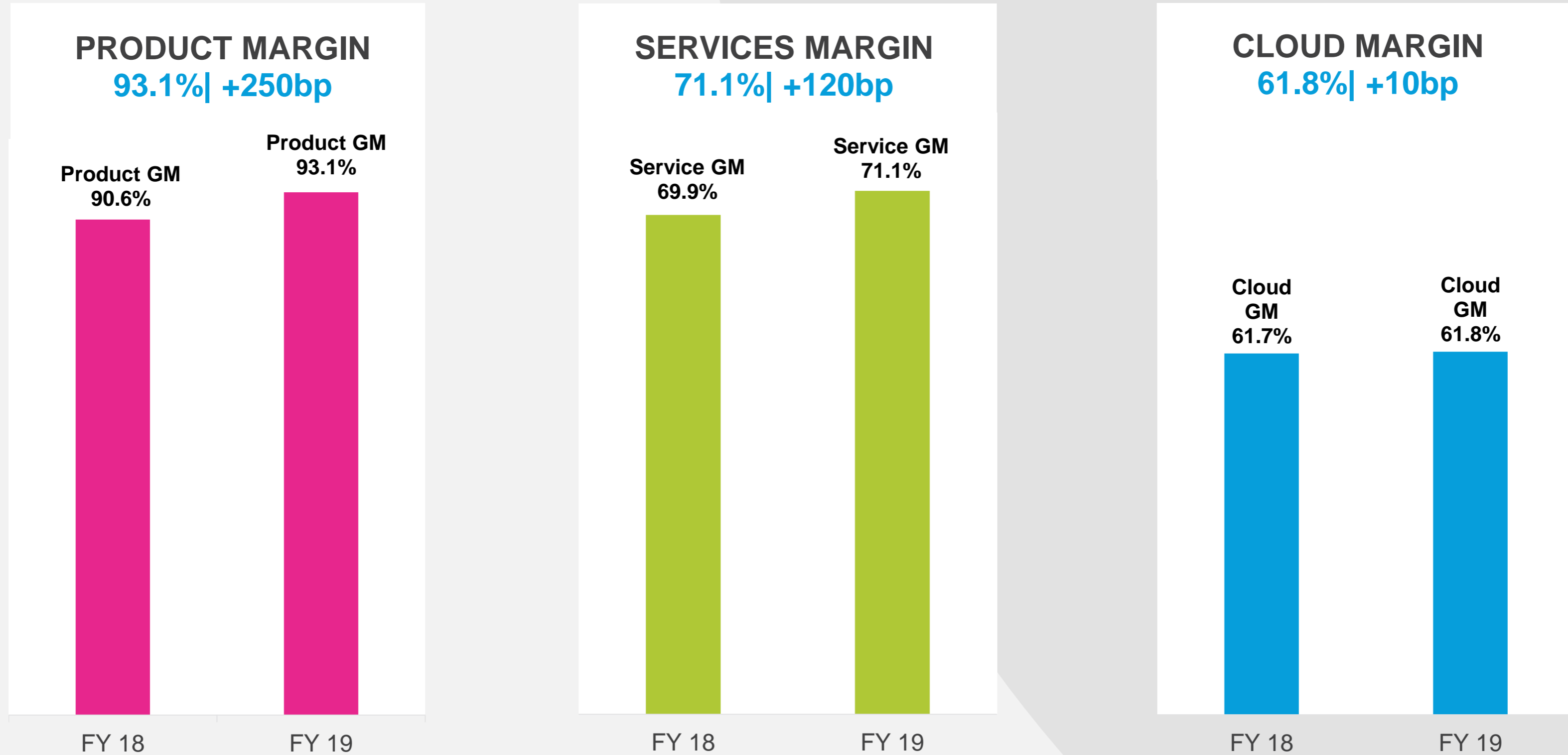


Gross Margin Q4 2019 (Non-GAAP)



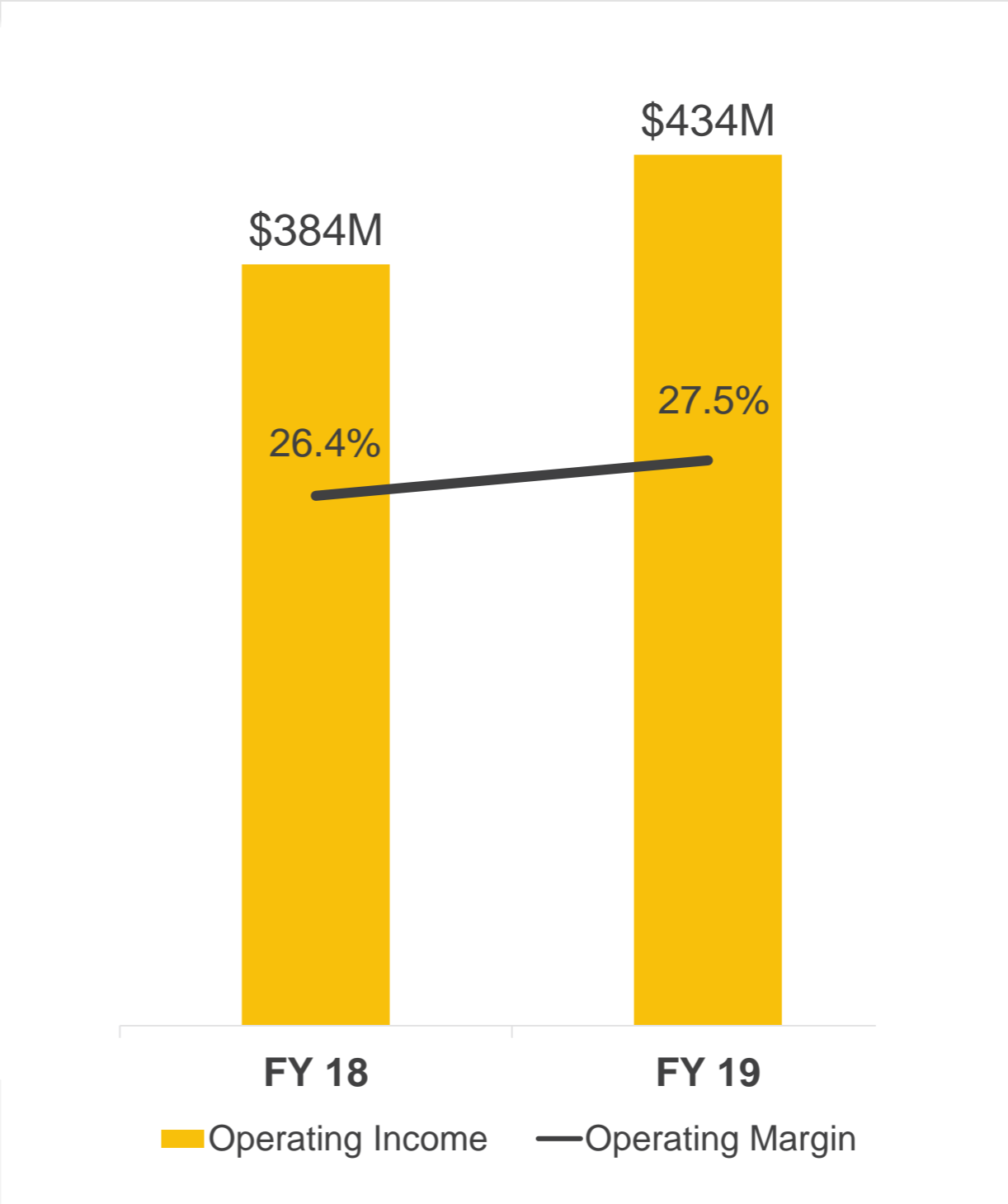
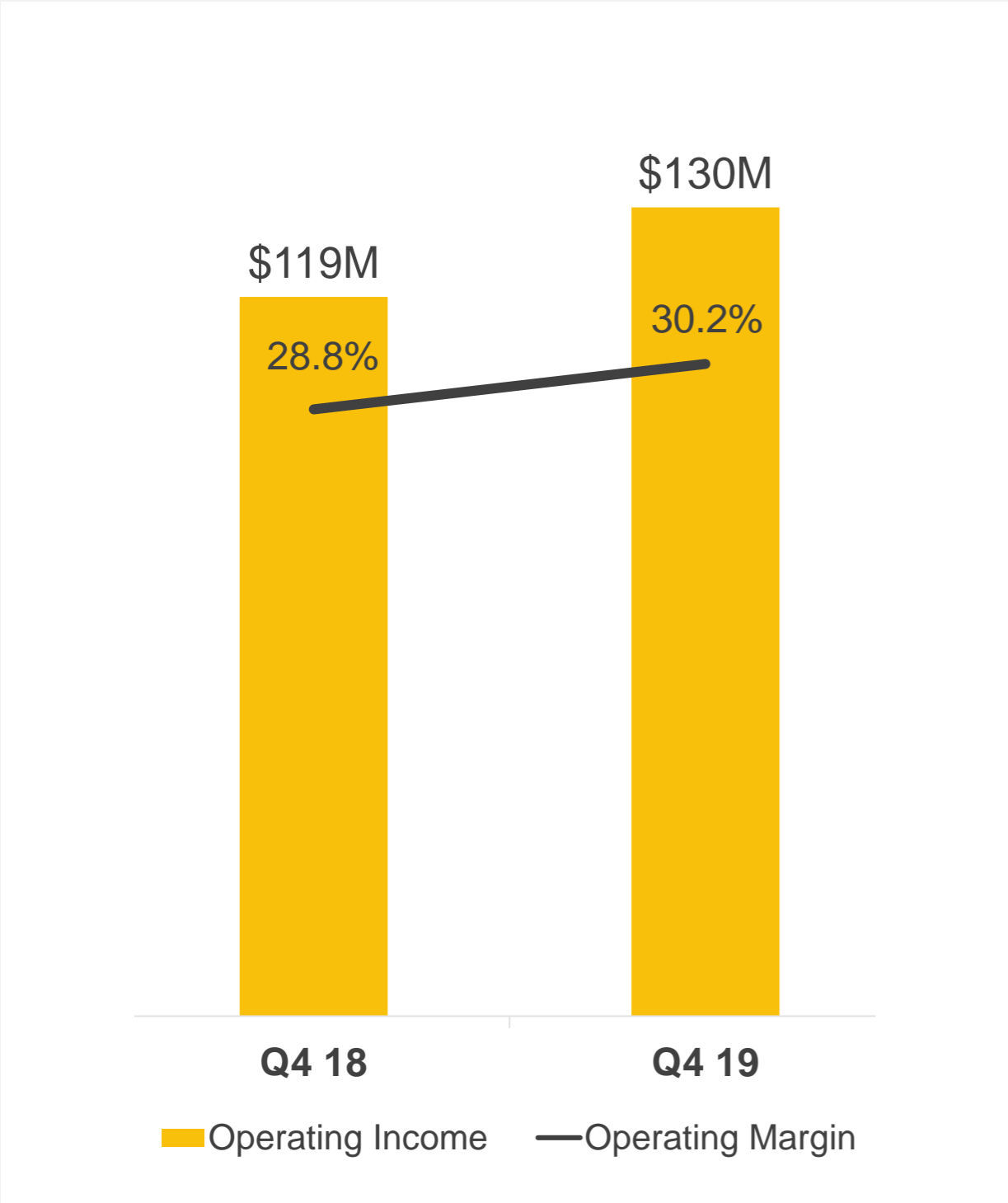
- Product gross margin increased due to product mix
- Services gross margin increased as a result of continued efficiencies in the services organization
- Cloud margin increased as a result of increased scale in the cloud business

Gross Margin Full Year 2019 (Non-GAAP)

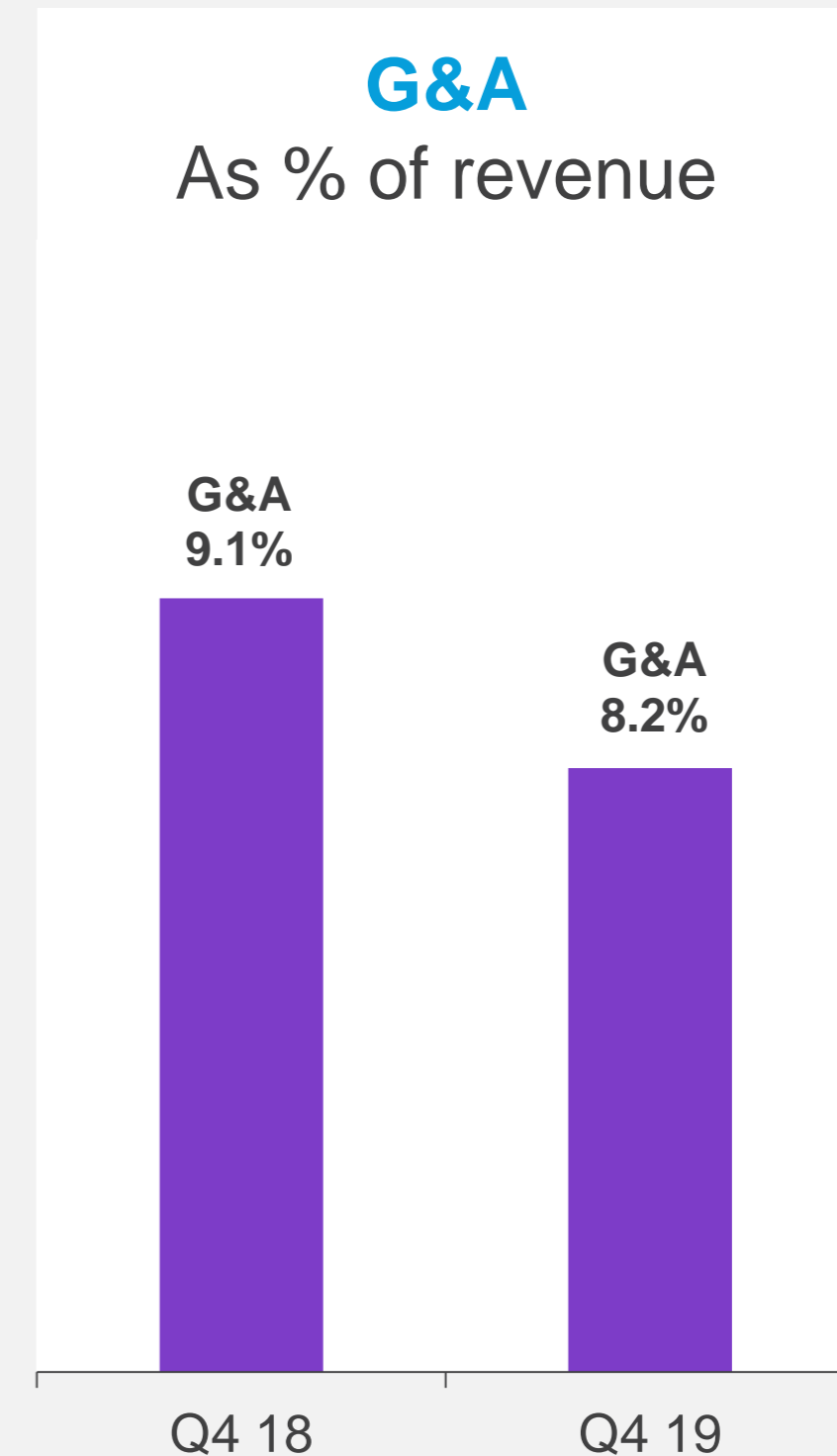
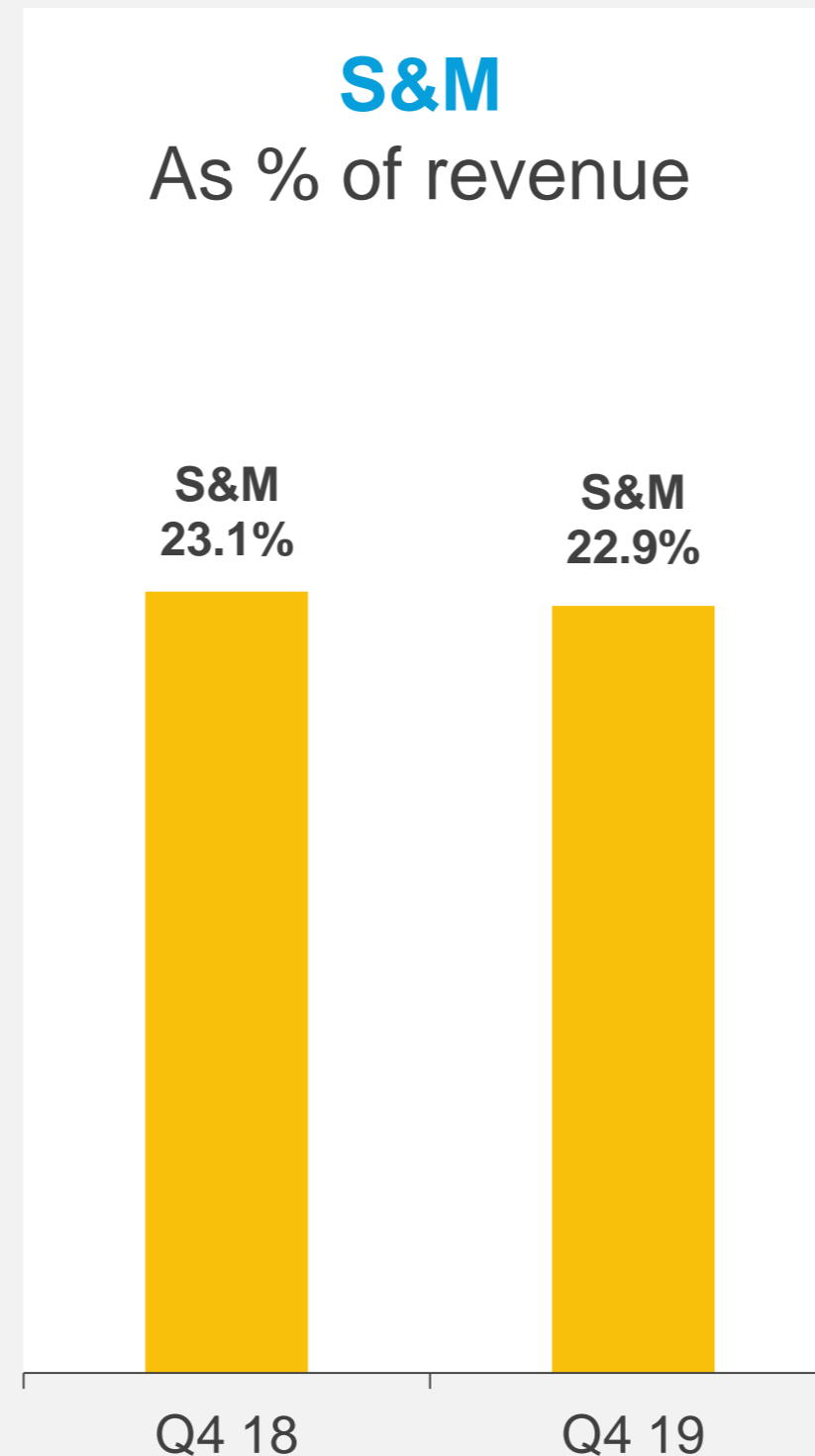
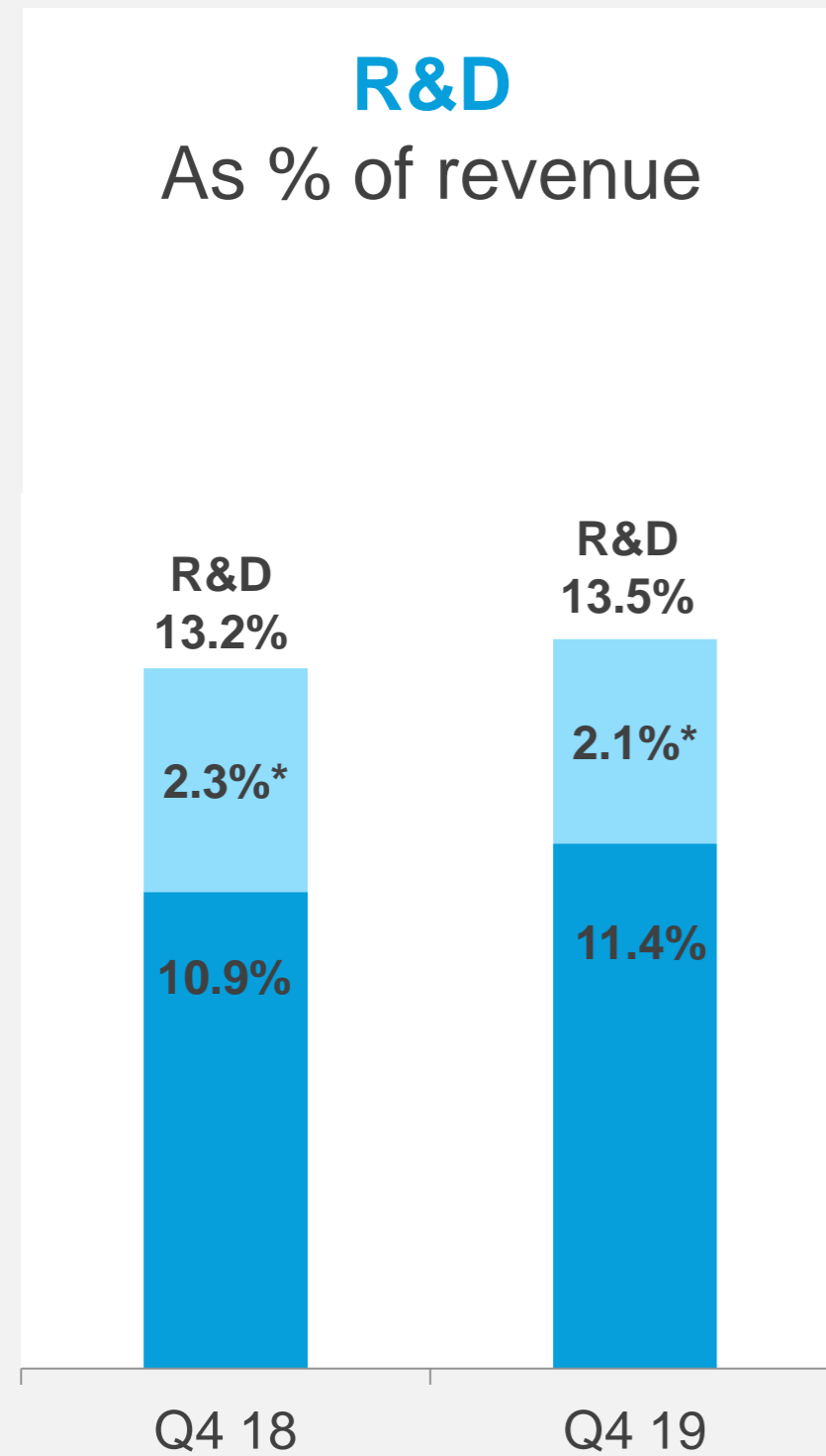


- Product gross margin increased due to product mix
- Increase in service margin is due to the continued efficient utilization of the services organization
- Cloud gross margin stable while investing in international expansion

Operating Income and Operating Margin Q4 and FY 2019 (Non-GAAP)

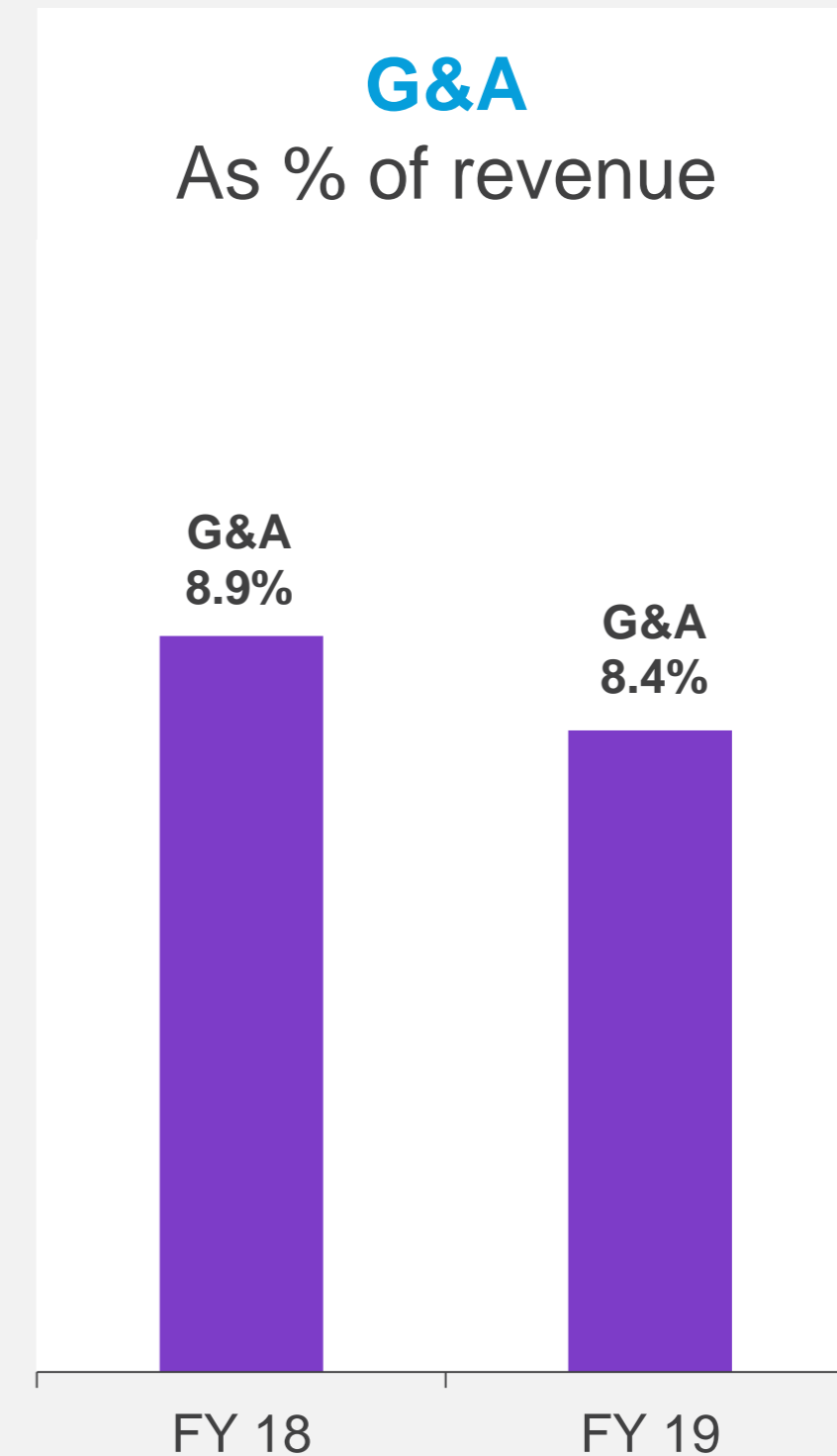
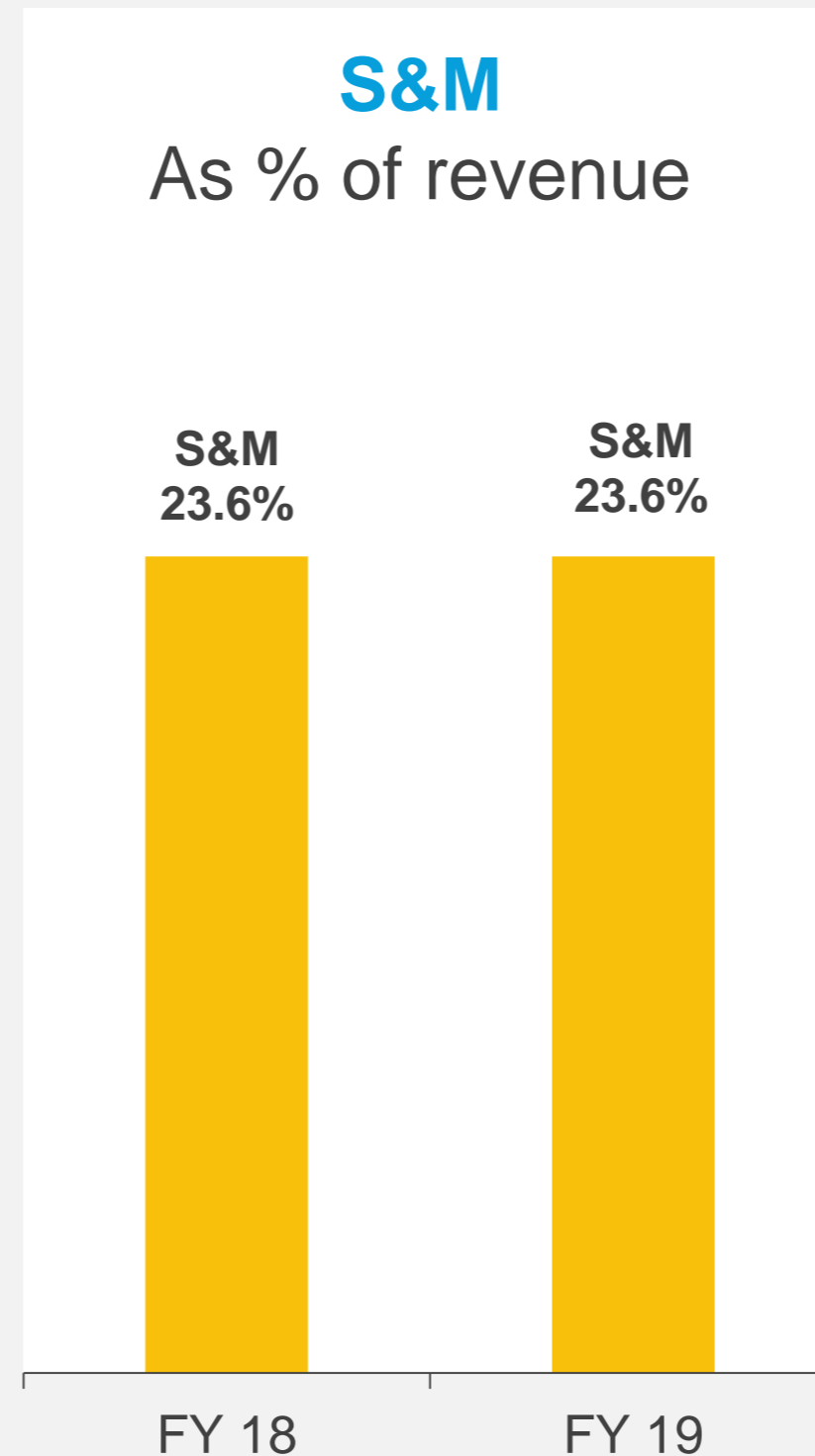
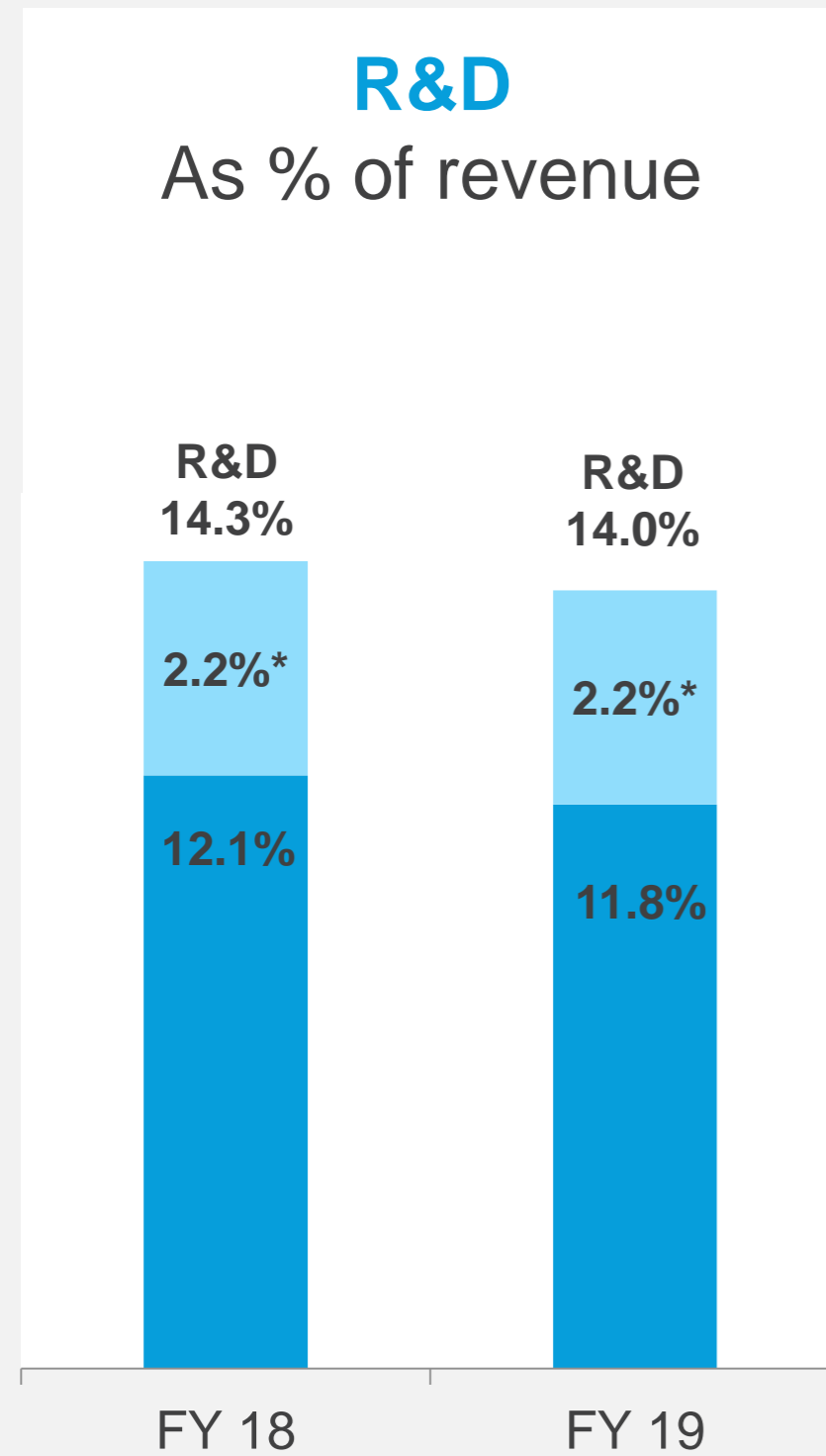


Cost Ratios Q4 2019 (Non-GAAP)



* R&D capitalization

Cost Ratios Full Year 2019 (Non-GAAP)



* R&D capitalization

agenda

Q4 and Full Year 2019 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

Balance Sheet

December 31, 2019

Assets (\$M)	12/31/2019	12/31/2018
Cash and cash equivalents	228.3	242.1
Short term investments	210.8	243.7
Trade receivables	319.6	288.0
Prepaid expenses and other current assets	117.0	87.4
Total current assets	875.7	861.2
Long term Investments	542.4	245.0
Property and equipment, net	141.7	140.4
Deferred tax assets	30.5	12.3
Other Intangible assets, net	411.0	508.2
Operating lease right-of-use assets	106.2	-
Goodwill	1,378.4	1,366.2
Other long-term assets	124.0	74.0
Total Assets	3,609.9	3,207.3

Equity & Liabilities (\$M)	12/31/2019	12/31/2018
Trade payables	30.4	29.6
Deferred revenues and advances from customers	245.8	221.4
Current maturities of operating leases	21.5	-
Accrued expenses and other liabilities	391.7	373.9
Total current liabilities	689.4	624.9
Deferred revenues and advances from customers	26.0	35.1
Operating leases	103.5	-
Deferred tax liabilities	52.5	44.1
Long-term debt	464.9	456.0
Other long-term liabilities	16.3	30.6
Total long-term liabilities	663.2	565.8
Equity	2,257.3	2,016.6
Equity & Liabilities	3,609.9	3,207.3

Cash Flow From Operations

\$M	Q4 19	Q4 18	%Δ	FY 19	FY 18	%Δ
Cash flow from operations	91.4	108.9	(16%)	374.2	396.6	(6%)
- Capital expenditure	5.8	9.9	(41%)	27.3	31.4	(13%)
- Capitalization of software development	8.7	9.3	(6%)	34.7	32.2	8%
Cash flow from operations after capex & software capitalization	76.9	89.7	(14%)	312.2	333.0	(6%)
Cash flow from operation after capex and software capitalization as % of non-GAAP revenue	18%	22%	(4pp)	20%	23%	(3pp)
Cash conversion rate *	0.7	1.0	(30%)	0.9	1.1	(18%)
Days sales outstanding (DSO)	66	62	6%	73	71	3%

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

Cash Movement and Liquidity

December 31, 2019



* CAPEX movement includes R&D capitalization

agenda

Q4 and Full Year 2019 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

Outlook* (Non-GAAP)

	Q1 2020	FY 2020
Revenue (\$M)	406-416	1,690-1,710
EPS (\$)	1.27-1.37	5.65-5.85

The outlook is provided as of February 13, 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

NICE[®]