

2022 First Quarter Results

Ended March 31, 2022



Forward Looking Statements Disclaimer

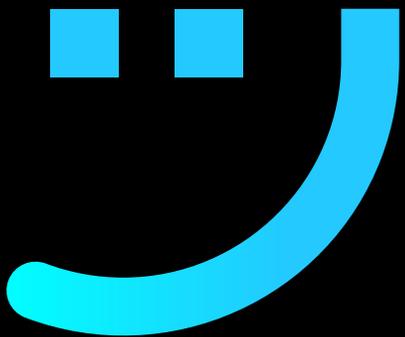
This presentation contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements may be identified by words such as “believe,” “expect,” “seek,” “may,” “will,” “intend,” “should,” “project,” “anticipate,” “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. The Company early adopted ASU 2021-08, Business Combinations, effective January 1, 2021. The amendments in ASU 2021-08 require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The Company applied the new guidance retrospectively to all business combinations for which the acquisition date occurred on or after January 1, 2021, therefore comparative financials were not adjusted. Through December 31, 2020 business combination accounting rules required 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 was based on its fair value at the date of acquisition. Comparative financials 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 2022 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

Q1 2022 Highlights (Non-GAAP)

Total revenue increased 15% to \$527M;
compared to \$457M in Q1 2021

Cloud revenue increased 28% to \$295M;
compared to \$230M in Q1 2021

Cloud gross margin increased 100 bps to 68.6%;
compared to 67.6% in Q1 2021

Total gross profit increased 16% to \$385M;
compared to \$332M in Q1 2021

Gross margin increased to 73.0%;
compared to 72.7% in Q1 2021

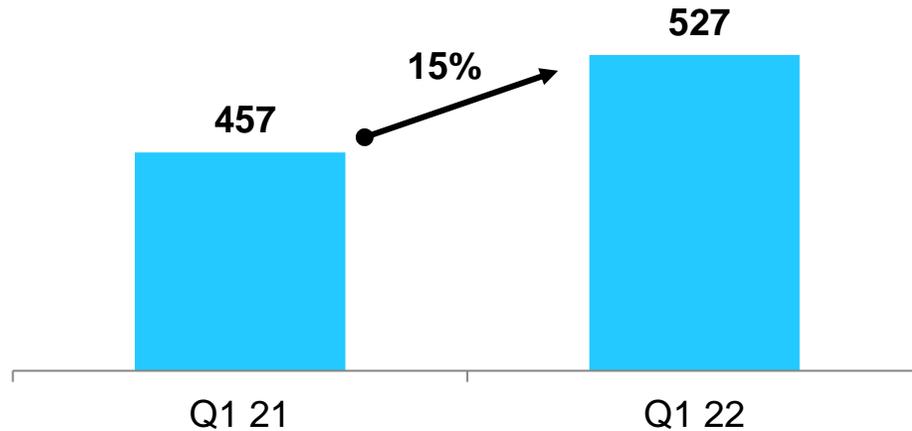
Operating income increased 16% to \$149M;
compared to \$129M in Q1 2021

Net income increased 17% to \$120M;
compared to \$103M in Q1 2021

Operating cash flow increased 17% to \$193M;
compared to \$164M in Q1 2021

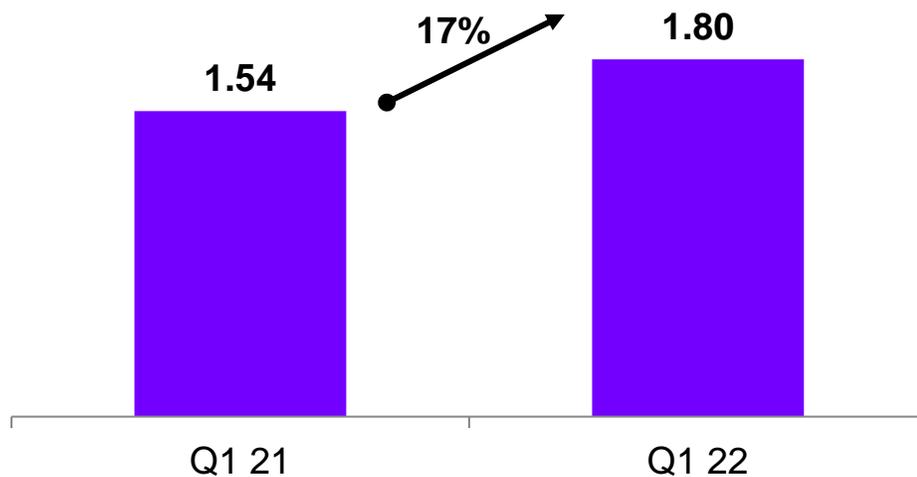
Impressive Growth and Execution

TOTAL REVENUE (Non-GAAP, \$M)

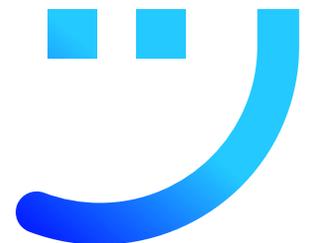


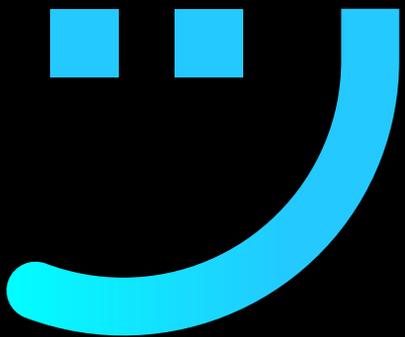
- Significant growth in total revenue driven by growth in cloud and product revenue
- Cloud revenue of \$295M represented a record 56% of total revenue in Q1 2022 compared to 50% in Q1 2021;
- Recurring revenue accounted for 79% of total revenue for Q1 2022 compared to 78% in Q1 2021

EARNINGS PER SHARE (Non-GAAP, \$)



- Double digit EPS growth in Q1 2022 driven by expansion of gross margin and control of operating expenses





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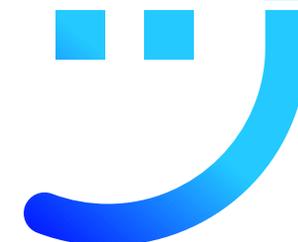
GAAP and Non-GAAP Income Statement (USD in thousands except EPS)

NICE LTD. AND SUBSIDIARIES

RECONCILIATION OF GAAP TO NON-GAAP RESULTS

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

	Quarter ended	
	March 31,	
	2022	2021
GAAP revenues	\$ 527,429	\$ 455,021
Valuation adjustment on acquired deferred cloud revenue	-	1,823
Valuation adjustment on acquired deferred services revenue	-	106
Non-GAAP revenues	<u>\$ 527,429</u>	<u>\$ 456,950</u>
GAAP cost of revenue	\$ 167,002	\$ 147,862
Amortization of acquired intangible assets on cost of cloud	(18,665)	(17,515)
Amortization of acquired intangible assets on cost of services	(377)	(1,225)
Amortization of acquired intangible assets on cost of product	(276)	(283)
Valuation adjustment on acquired deferred cost of cloud	15	25
Cost of cloud revenue adjustment (1)	(2,324)	(1,494)
Cost of services revenue adjustment (1)	(2,967)	(2,435)
Cost of product revenue adjustment (1)	(132)	(125)
Non-GAAP cost of revenue	<u>\$ 142,276</u>	<u>\$ 124,810</u>
GAAP gross profit	\$ 360,427	\$ 307,159
Gross profit adjustments	24,726	24,981
Non-GAAP gross profit	<u>\$ 385,153</u>	<u>\$ 332,140</u>
GAAP operating expenses	\$ 288,063	\$ 240,686
Research and development (1)	(8,515)	(4,057)
Sales and marketing (1)	(16,269)	(10,908)
General and administrative (1)	(18,400)	(12,687)
Amortization of acquired intangible assets	(8,811)	(9,709)
Valuation adjustment on acquired deferred commission	53	53
Non-GAAP operating expenses	<u>\$ 236,121</u>	<u>\$ 203,378</u>



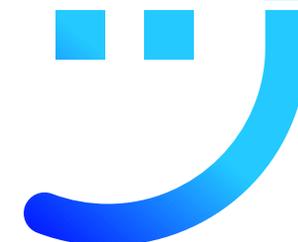
GAAP and Non-GAAP Income Statement (cont.)

NICE LTD. AND SUBSIDIARIES

RECONCILIATION OF GAAP TO NON-GAAP RESULTS

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

	Quarter ended	
	March 31,	
	2022	2021
GAAP financial and other (income)/expense, net	\$ (486)	\$ 3,394
Amortization of discount and loss of extinguishment on debt	(2,229)	(4,125)
Non-GAAP financial and other income, net	<u>\$ (2,715)</u>	<u>\$ (731)</u>
GAAP taxes on income	\$ 14,909	\$ 10,868
Tax adjustments re non-GAAP adjustments	16,351	15,814
Non-GAAP taxes on income	<u>\$ 31,260</u>	<u>\$ 26,682</u>
GAAP net income	\$ 57,941	52,211
Valuation adjustment on acquired deferred revenue	-	1,929
Valuation adjustment on acquired deferred cost of cloud revenue	(15)	(25)
Amortization of acquired intangible assets	28,129	28,732
Valuation adjustment on acquired deferred commission	(53)	(53)
Share-based compensation (1)	48,607	31,706
Amortization of discount and loss of extinguishment on debt	2,229	4,125
Tax adjustments re non-GAAP adjustments	(16,351)	(15,814)
Non-GAAP net income	<u>\$ 120,487</u>	<u>\$ 102,811</u>
GAAP diluted earnings per share	<u>\$ 0.87</u>	<u>\$ 0.78</u>
Non-GAAP diluted earnings per share	<u>\$ 1.80</u>	<u>\$ 1.54</u>
Shares used in computing GAAP diluted earnings per share	66,853	66,723
Shares used in computing non-GAAP diluted earnings per share	66,853	66,723



GAAP and Non-GAAP Income Statement (cont.)

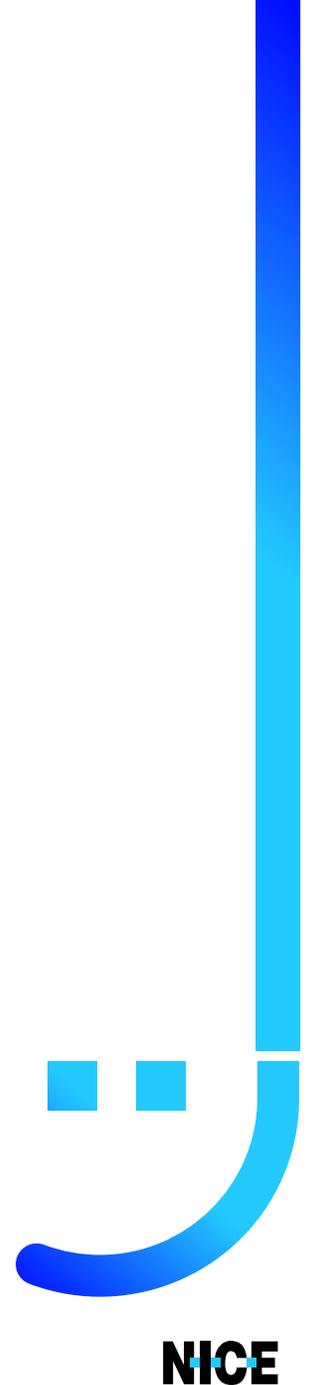
NICE LTD. AND SUBSIDIARIES

RECONCILIATION OF GAAP TO NON-GAAP RESULTS

U.S. dollars in thousands

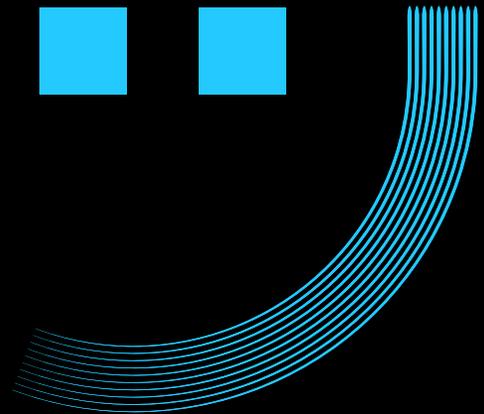
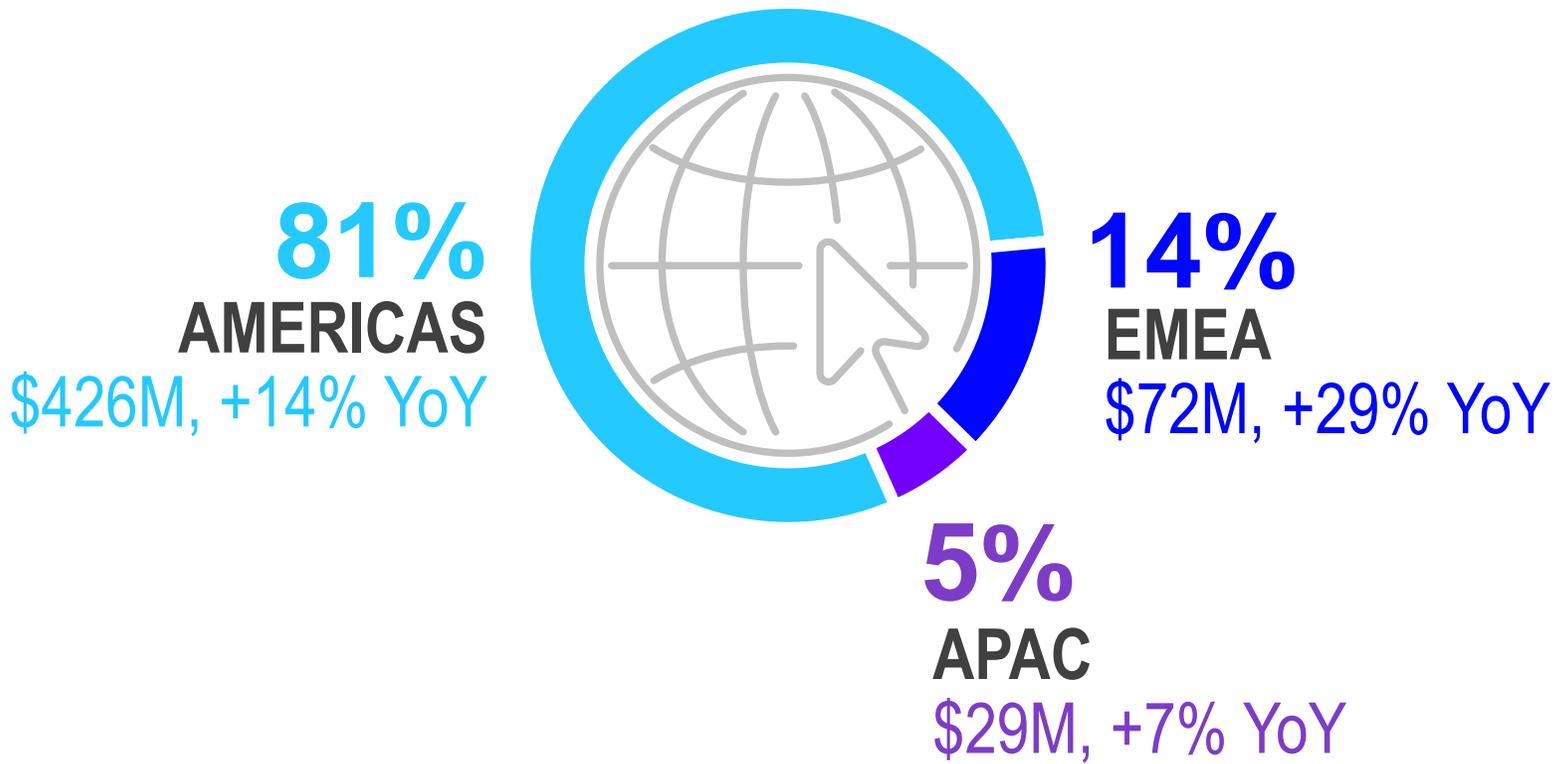
(1) Share-based Compensation

	Quarter ended	
	March 31,	
	2022	2021
Cost of cloud revenue	\$ 2,324	\$ 1,494
Cost of services revenue	2,967	2,435
Cost of product revenue	132	125
Research and development	8,515	4,057
Sales and marketing	16,269	10,908
General and administrative	18,400	12,687
	<u>\$ 48,607</u>	<u>\$ 31,706</u>



Q1 2022

Revenue Breakdown by Region (Non-GAAP)



Q1 2022

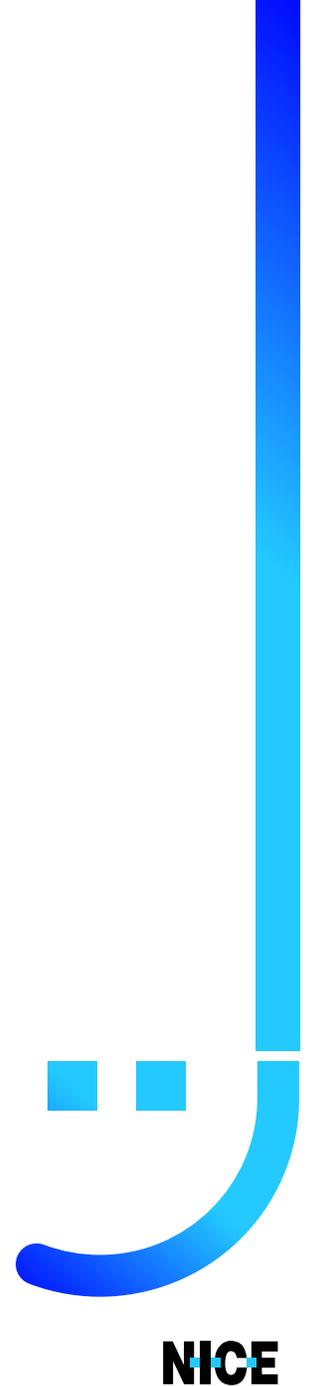
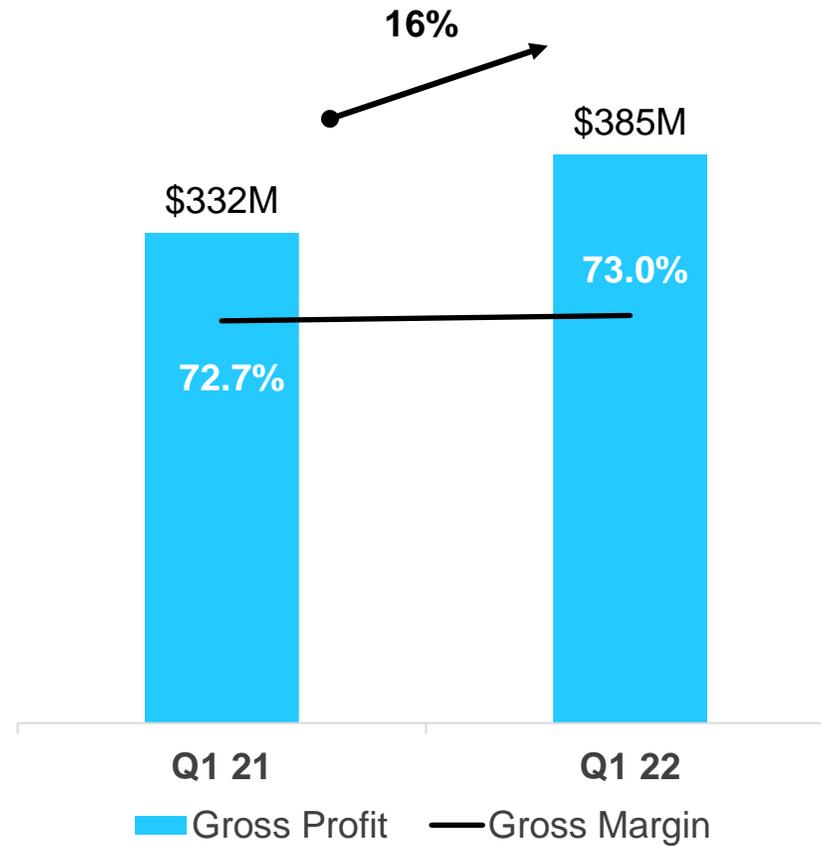
Revenue Breakdown by Business Unit (Non-GAAP)

80%
CUSTOMER
ENGAGEMENT
\$421M, +14% YoY



20%
FINANCIAL
CRIME &
COMPLIANCE
\$106M, +20% YoY

Gross Profit and Gross Margin Q1 2022 (Non-GAAP)



Gross Margin Q1 2022 (Non-GAAP)

PRODUCT MARGIN

91.6% | -80bp

Product GM
92.4%



Q1 21

Product GM
91.6%



Q1 22

SERVICES MARGIN

72.2% | +20bp

Services GM
72.0%



Q1 21

Services GM
72.2%



Q1 22

CLOUD MARGIN

68.6% | +100bp

Cloud GM
67.6%



Q1 21

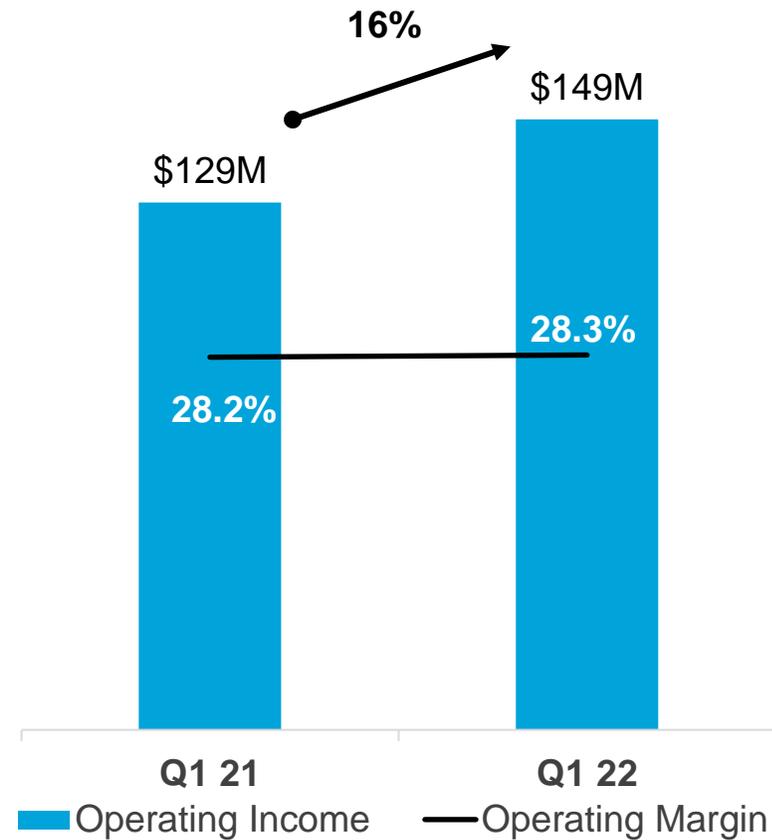
Cloud GM
68.6%



Q1 22

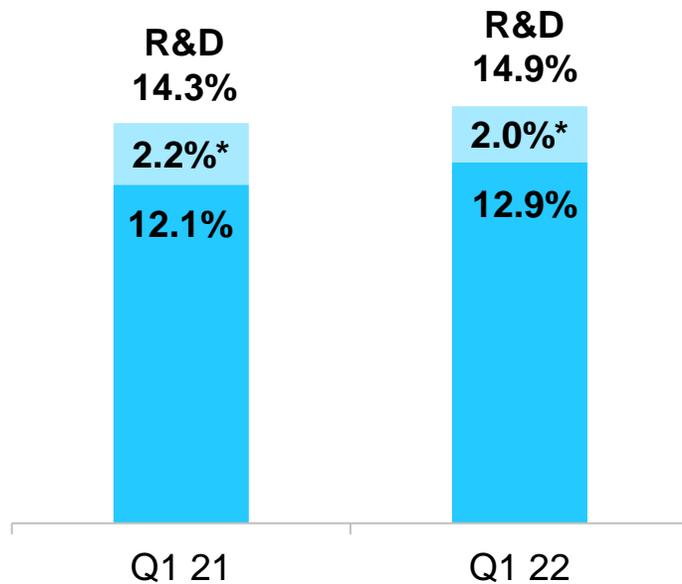
Operating Income and Operating Margin

Q1 2022 (Non-GAAP)



Cost Ratios Q1 2022 (Non-GAAP)

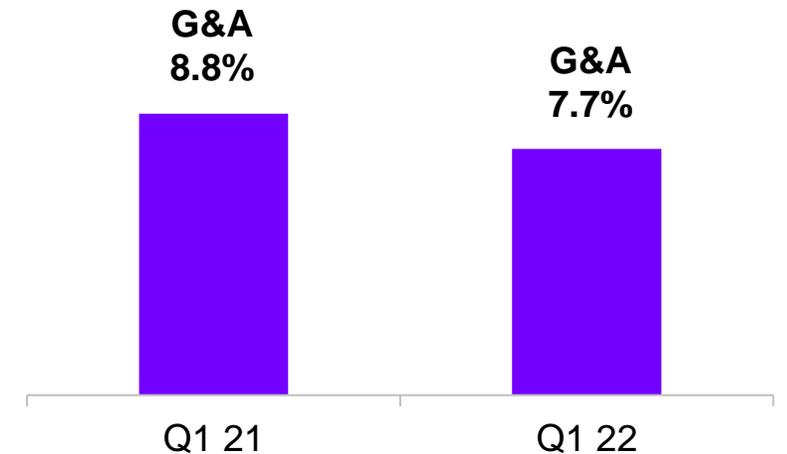
R&D as % of revenue

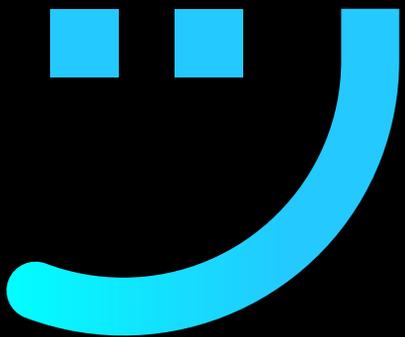


S&M as % of revenue



G&A as % of revenue





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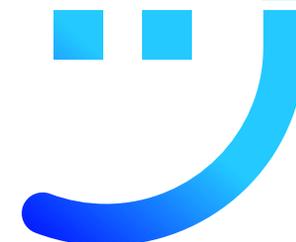
Condensed Consolidated Balance Sheet

NICE LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands

	March 31, 2022 <u>Unaudited</u>	December 31, 2021 <u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 471,715	\$ 378,656
Short-term investments	1,019,092	1,046,095
Trade receivables	416,716	395,583
Debt hedge option	154,464	292,940
Prepaid expenses and other current assets	<u>205,248</u>	<u>184,604</u>
Total current assets	<u>2,267,235</u>	<u>2,297,878</u>
LONG-TERM ASSETS:		
Property and equipment, net	151,455	145,654
Deferred tax assets	62,300	55,246
Other intangible assets, net	266,542	295,378
Operating lease right-of-use assets	81,031	85,055
Goodwill	1,602,493	1,606,756
Prepaid expenses and other long-term assets	<u>229,573</u>	<u>224,445</u>
Total long-term assets	<u>2,393,394</u>	<u>2,412,534</u>
TOTAL ASSETS	<u><u>\$ 4,660,629</u></u>	<u><u>\$ 4,710,412</u></u>

NICE LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands

	March 31, 2022 <u>Unaudited</u>	December 31, 2021 <u>Audited</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 45,197	\$ 36,121
Deferred revenues and advances from customers	384,344	330,459
Current maturities of operating leases	19,028	19,514
Debt	241,190	395,946
Accrued expenses and other liabilities	<u>516,630</u>	<u>487,547</u>
Total current liabilities	<u>1,206,389</u>	<u>1,269,587</u>
LONG-TERM LIABILITIES:		
Deferred revenues and advances from customers	63,981	66,606
Operating leases	76,616	81,185
Deferred tax liabilities	6,865	7,429
Debt	454,106	429,267
Other long-term liabilities	<u>17,958</u>	<u>18,379</u>
Total long-term liabilities	<u>619,526</u>	<u>602,866</u>
SHAREHOLDERS' EQUITY		
Nice Ltd's equity	2,821,750	2,825,085
Non-controlling interests	12,964	12,874
Total equity	<u>2,834,714</u>	<u>2,837,959</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 4,660,629</u></u>	<u><u>\$ 4,710,412</u></u>



Cash Flow From Operations

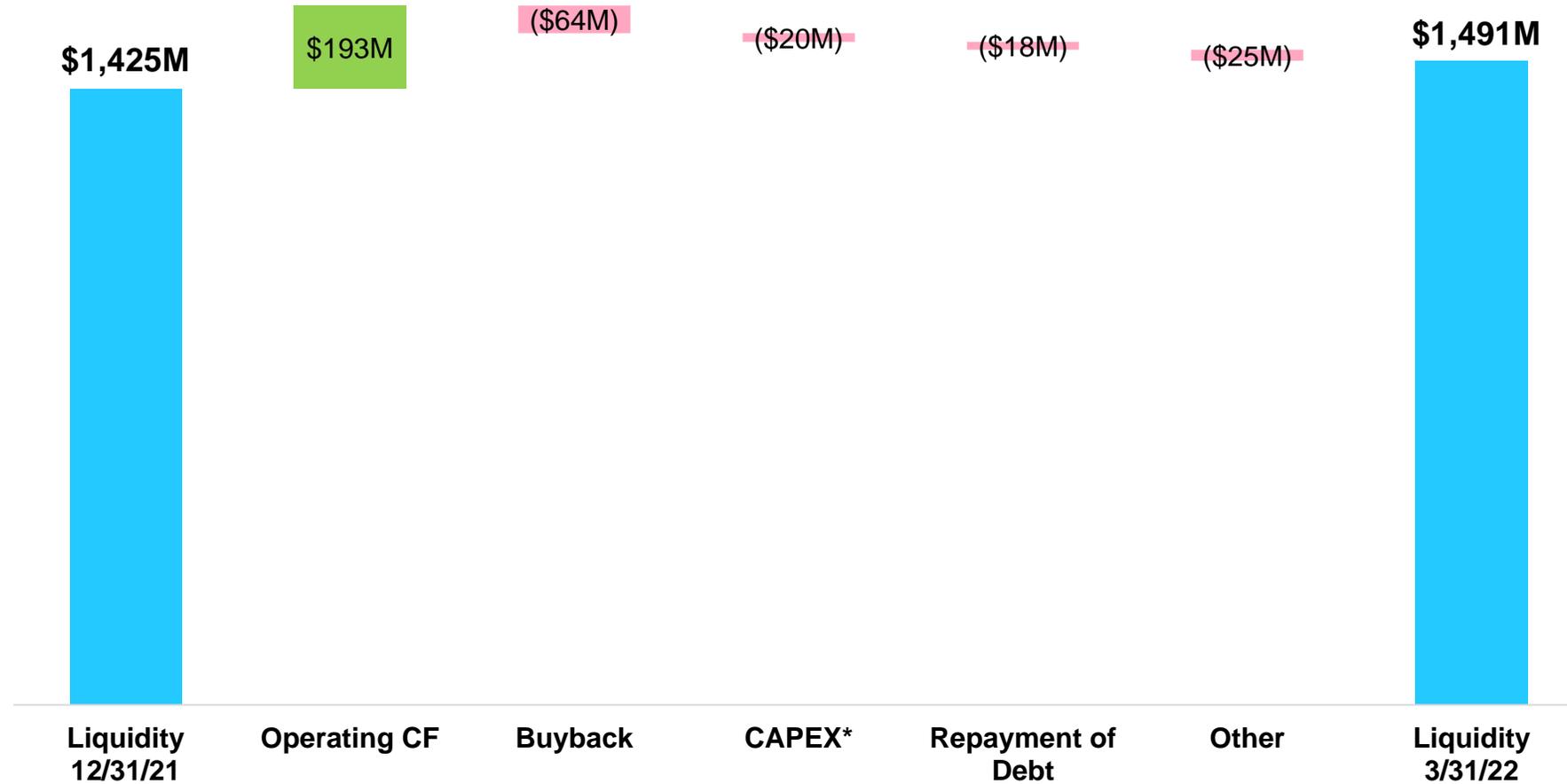
\$M	Q1 22	Q1 21	%Δ
Cash flow from operations	192.7	164.2	17%
- Capital expenditure	9.6	2.3	312%
- Capitalization of software development	10.7	10.1	5%
Cash flow from operations after capex & software capitalization	172.4	151.8	14%
Cash flow from operation after capex and software capitalization as % of non-GAAP revenue	33%	33%	(0pp)
Cash conversion rate *	1.4	1.5	(3%)
Days sales outstanding (DSO)**	69	62	11%

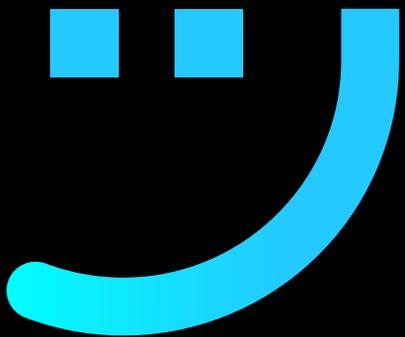
* Cash Conversion Rate = (Cash Flow from Operations after CAPEX and software capitalization / Non-GAAP Net Income)

** DSO calculation approach revised effective 1-1-22 and prior period DSO restated for consistent comparison.

Cash Movement and Liquidity (USD in Millions)

March 31, 2022





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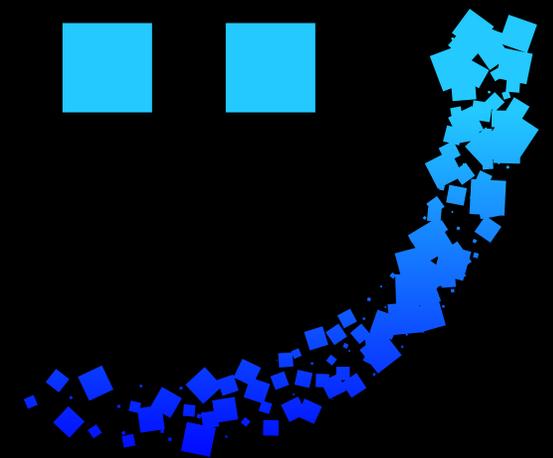
Outlook

Outlook* (Non-GAAP)

	Q2 2022	FY 2022
Revenue (\$M)	520 – 530	2,160 – 2,180
EPS (\$)	1.75 – 1.85	7.25 – 7.45

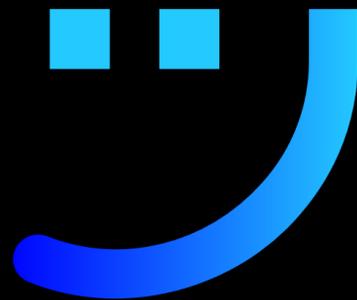
*The outlook is provided as of May 12, 2022. There is no guarantee that the Company will change or update these figures in this presentation should a need arise in the future to update the outlook. This is in addition to the forward-looking statements disclaimer at the beginning of the presentation.

Make experiences *flow*



Thank You

NICE



Make
experiences

flow