

2022 Third Quarter Results

Ended September 30, 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, 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 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 third-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.

Disclaimer

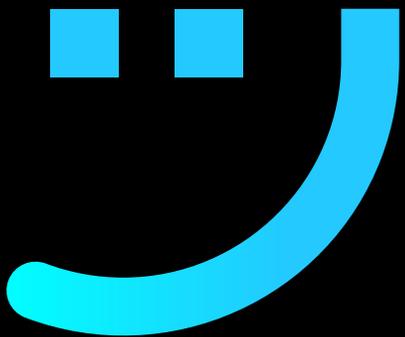
Explanation of Non-GAAP measures

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. FASB issued an accounting update, ASU 2021-08, Business Combinations, in the fourth quarter of 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. Before this guidance and through December 31, 2020, business combination accounting rules required recognizing 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. Effective January 1, 2021, the Company early adopted the new guidance retroactively to the start of the year. The Company has applied the new guidance retrospectively to all business combinations for which the acquisition date occurred on or after January 1, 2021, and therefore comparative financials for periods during 2021 have been adjusted accordingly to recognize the full amount of revenue associated with acquisitions. 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.

Explanation of Constant Currency (“CC”)

NICE presents constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current results for transactions in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the current period.

Future expected results for transactions in currencies other than United States dollars are converted into United States dollars using the exchange rates in effect in the last month of the reporting period. NICE has provided this financial information to aid investors in better understanding our performance. These constant currency financial measures presented in this release should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.



Agenda

Q3 2022 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

Q3 2022 Highlights (Non-GAAP)

Total revenue increased 12% (14% in CC) to \$555M; compared to \$494M in Q3 2021

Cloud revenue increased 26% (27% in CC) to \$330M; compared to \$262M in Q3 2021

Cloud gross margin increased 330 bps to 70.4%; compared to 67.1% in Q3 2021

Gross profit increased 14% to \$408M; compared to \$358M in Q3 2021

Gross margin increased to 73.5%; compared to 72.3% in Q3 2021

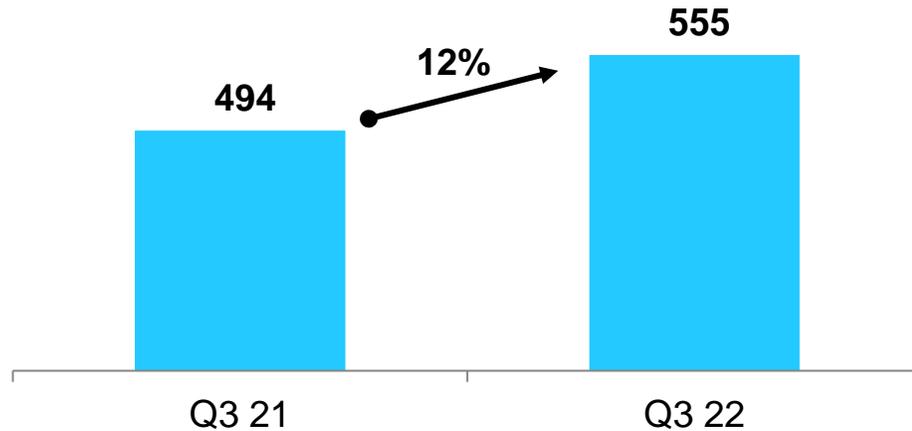
Operating income increased 14% to \$159M; compared to \$140M in Q3 2021

Operating margin increased to 28.7%; compared to 28.3% in Q3 2021

Fully diluted EPS increased 14% (and 17% in CC) to \$1.92; compared to \$1.68 in Q3 2021

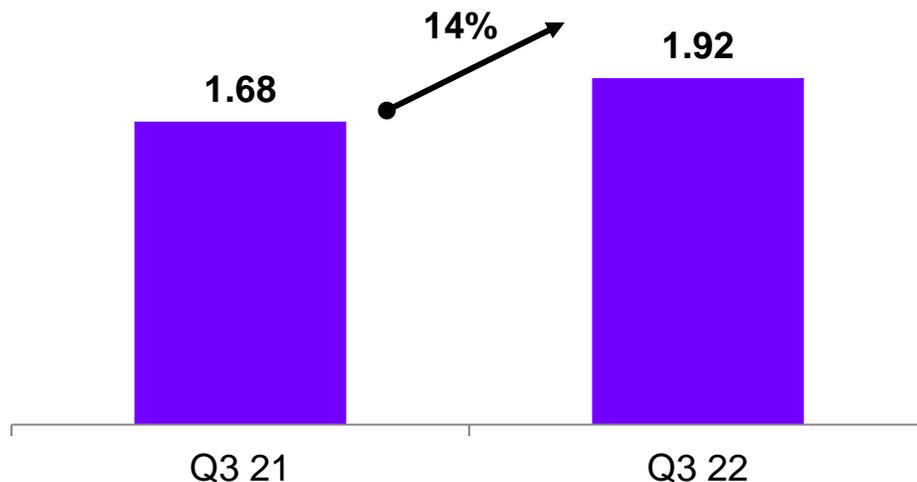
Impressive Growth and Execution

TOTAL REVENUE (Non-GAAP, \$M)

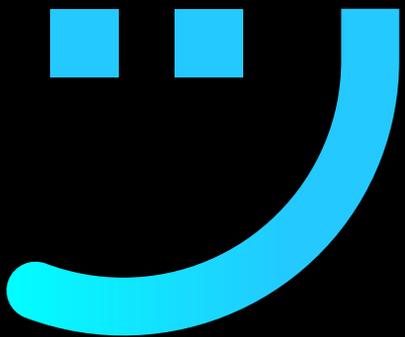


- Total revenue increased 12% (14% in CC) driven by further growth in cloud revenue
- Cloud revenue of \$330M represented a record 60% of total revenue in Q3 2022 compared to 53% in Q3 2021, and increased 27% in CC
- Recurring revenue accounted for 82% of total revenue for Q3 2022 compared to 79% in Q3 2021

EARNINGS PER SHARE (Non-GAAP, \$)



- Double-digit EPS growth (increase of 14%, 17% in CC) in Q3 2022 driven primarily by expansion of cloud gross margin



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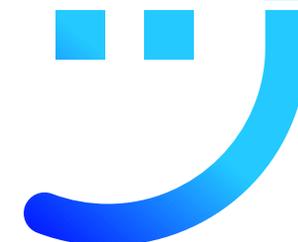
GAAP and Non-GAAP Income Statement (USD in thousands except EPS)

NICE LTD. AND SUBSIDIARIES

RECONCILIATION OF GAAP TO NON-GAAP RESULTS

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

	Quarter ended September 30,		Year to date September 30,	
	2022	2021	2022	2021
GAAP revenues	\$ 554,724	\$ 493,829	\$ 1,612,734	\$ 1,405,677
Valuation adjustment on acquired deferred cloud revenue	-	570	-	4,372
Valuation adjustment on acquired deferred services revenue	-	10	-	175
Non-GAAP revenues	<u>\$ 554,724</u>	<u>\$ 494,409</u>	<u>\$ 1,612,734</u>	<u>\$ 1,410,224</u>
GAAP cost of revenue	\$ 170,782	\$ 160,843	\$ 502,708	\$ 459,212
Amortization of acquired intangible assets on cost of cloud	(18,564)	(17,493)	(55,851)	(53,220)
Amortization of acquired intangible assets on cost of services	-	(1,107)	(377)	(3,558)
Amortization of acquired intangible assets on cost of product	(242)	(283)	(776)	(853)
Valuation adjustment on acquired deferred cost of cloud	13	25	41	76
Cost of cloud revenue adjustment (1)	(2,319)	(2,117)	(6,389)	(5,287)
Cost of services revenue adjustment (1)	(2,778)	(2,835)	(8,264)	(6,916)
Cost of product revenue adjustment (1)	(135)	(159)	(401)	(410)
Non-GAAP cost of revenue	<u>\$ 146,757</u>	<u>\$ 136,874</u>	<u>\$ 430,691</u>	<u>\$ 389,044</u>
GAAP gross profit	\$ 383,942	\$ 332,986	\$ 1,110,026	\$ 946,465
Gross profit adjustments	24,025	24,549	72,017	74,715
Non-GAAP gross profit	<u>\$ 407,967</u>	<u>\$ 357,535</u>	<u>\$ 1,182,043</u>	<u>\$ 1,021,180</u>
GAAP operating expenses	\$ 293,647	\$ 265,392	\$ 862,677	\$ 747,624
Research and development (1)	(7,424)	(7,073)	(23,825)	(15,241)
Sales and marketing (1)	(13,723)	(9,707)	(43,121)	(27,526)
General and administrative (1)	(16,505)	(19,998)	(52,991)	(51,373)
Amortization of acquired intangible assets	(7,379)	(11,109)	(23,153)	(30,769)
Valuation adjustment on acquired deferred commission	48	53	153	161
Non-GAAP operating expenses	<u>\$ 248,664</u>	<u>\$ 217,558</u>	<u>\$ 719,740</u>	<u>\$ 622,876</u>
GAAP financial and other expense (income), net	\$ (596)	\$ 3,138	\$ (1,032)	\$ 15,594
Amortization of discount on debt and loss from extinguishment of debt	(1,144)	(4,469)	(4,637)	(19,406)
Non-GAAP financial and other income, net	<u>\$ (1,740)</u>	<u>\$ (1,331)</u>	<u>\$ (5,669)</u>	<u>\$ (3,812)</u>



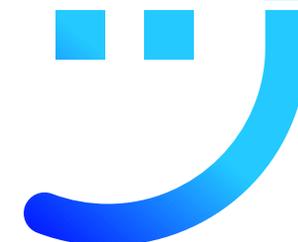
GAAP and Non-GAAP Income Statement (cont.)

NICE LTD. AND SUBSIDIARIES

RECONCILIATION OF GAAP TO NON-GAAP RESULTS

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

	Quarter ended September 30,		Year to date September 30,	
	2022	2021	2022	2021
GAAP taxes on income	\$ 19,645	\$ 13,803	\$ 53,622	\$ 35,186
Tax adjustments re non-GAAP adjustments	13,598	14,916	42,860	47,259
Non-GAAP taxes on income	<u>\$ 33,243</u>	<u>\$ 28,719</u>	<u>\$ 96,482</u>	<u>\$ 82,445</u>
GAAP net income	\$ 71,246	\$ 50,653	\$ 194,759	\$ 148,061
Valuation adjustment on acquired deferred revenue	-	580	-	4,547
Valuation adjustment on acquired deferred cost of cloud revenue	(13)	(25)	(41)	(76)
Amortization of acquired intangible assets	26,185	29,992	80,157	88,400
Valuation adjustment on acquired deferred commission	(48)	(53)	(153)	(161)
Share-based compensation (1)	42,884	40,934	134,991	103,891
Acquisition related expenses (2)	-	955	-	2,862
Amortization of discount on debt and loss from extinguishment of debt	1,144	4,469	4,637	19,406
Tax adjustments re non-GAAP adjustments	(13,598)	(14,916)	(42,860)	(47,259)
Non-GAAP net income	<u>\$ 127,800</u>	<u>\$ 112,589</u>	<u>\$ 371,490</u>	<u>\$ 319,671</u>
GAAP diluted earnings per share	<u>\$ 1.07</u>	<u>\$ 0.75</u>	<u>\$ 2.93</u>	<u>\$ 2.22</u>
Non-GAAP diluted earnings per share	<u>\$ 1.92</u>	<u>\$ 1.68</u>	<u>\$ 5.58</u>	<u>\$ 4.79</u>
Shares used in computing GAAP diluted earnings per share	66,446	67,101	66,524	66,779
Shares used in computing non-GAAP diluted earnings per share	66,446	67,101	66,524	66,779



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 September 30,		Year to date September 30,	
	2022	2021	2022	2021
Cost of cloud revenue	\$ 2,319	\$ 2,117	\$ 6,389	\$ 5,287
Cost of services revenue	2,778	2,835	8,264	6,916
Cost of product revenue	135	159	401	410
Research and development	7,424	7,073	23,825	15,241
Sales and marketing	13,723	9,707	43,121	27,526
General and administrative	16,505	19,043	52,991	48,511
	<u>\$ 42,884</u>	<u>\$ 40,934</u>	<u>\$ 134,991</u>	<u>\$ 103,891</u>

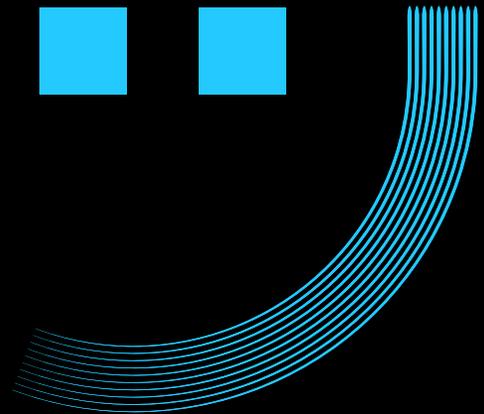
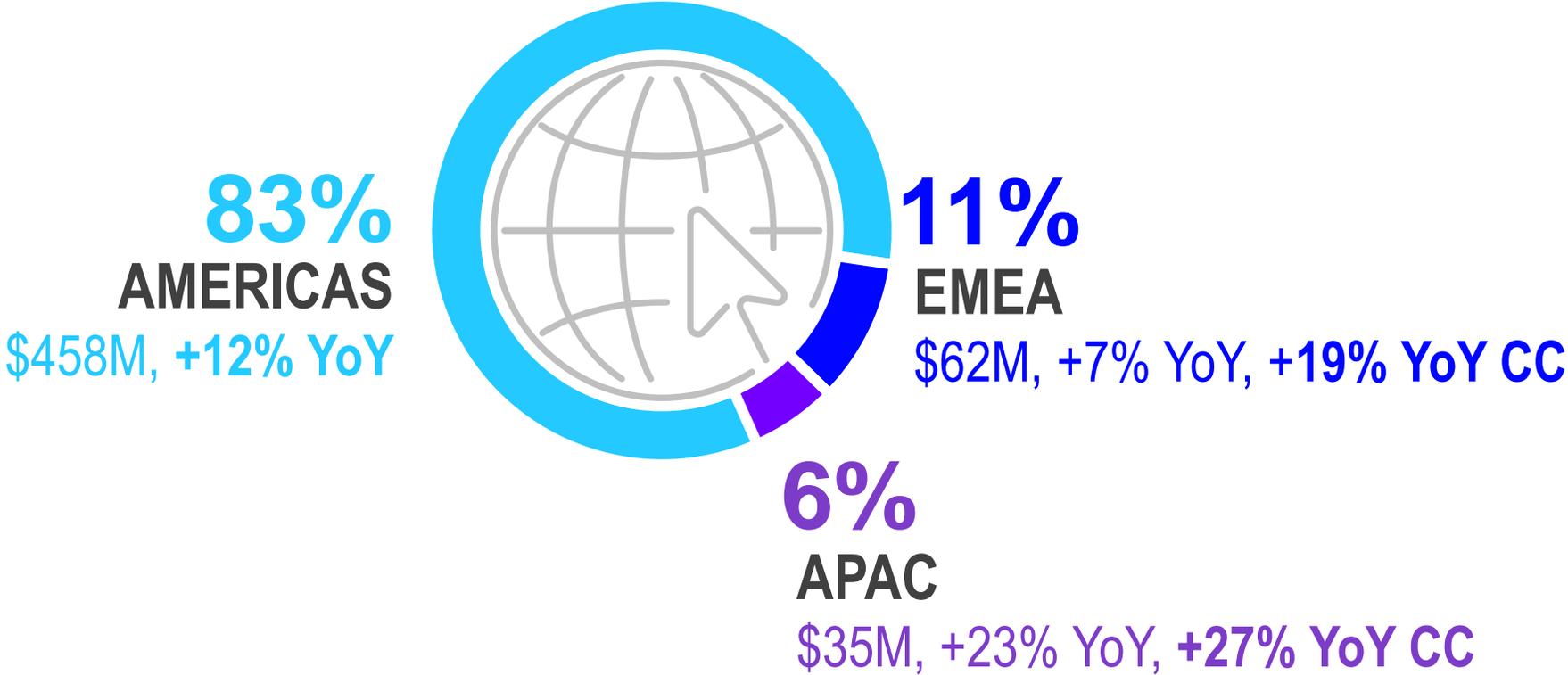
(2) Acquisition related expenses

	Quarter ended September 30,		Year to date September 30,	
	2022	2021	2022	2021
Research and development	-	-	-	-
Sales and marketing	-	-	-	-
General and administrative	-	955	-	2,862
	<u>-</u>	<u>955</u>	<u>-</u>	<u>2,862</u>



Q3 2022

Revenue Breakdown by Region (Non-GAAP)



Q3 2022

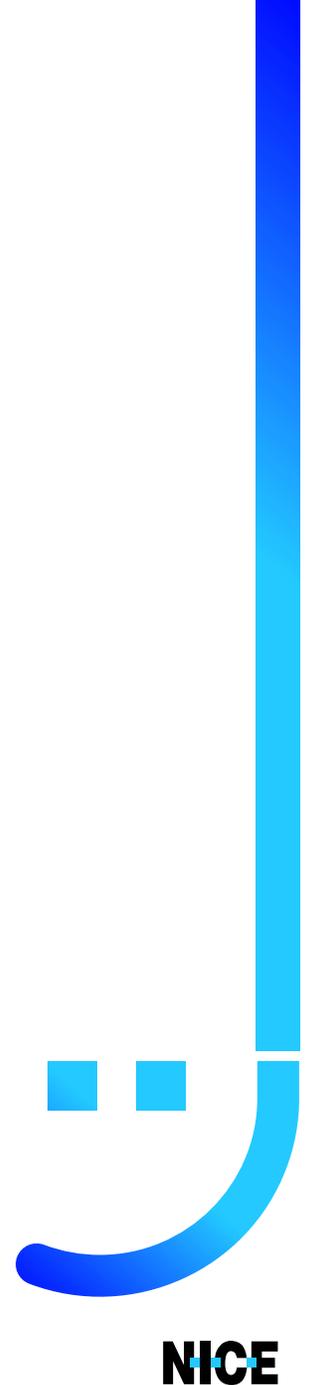
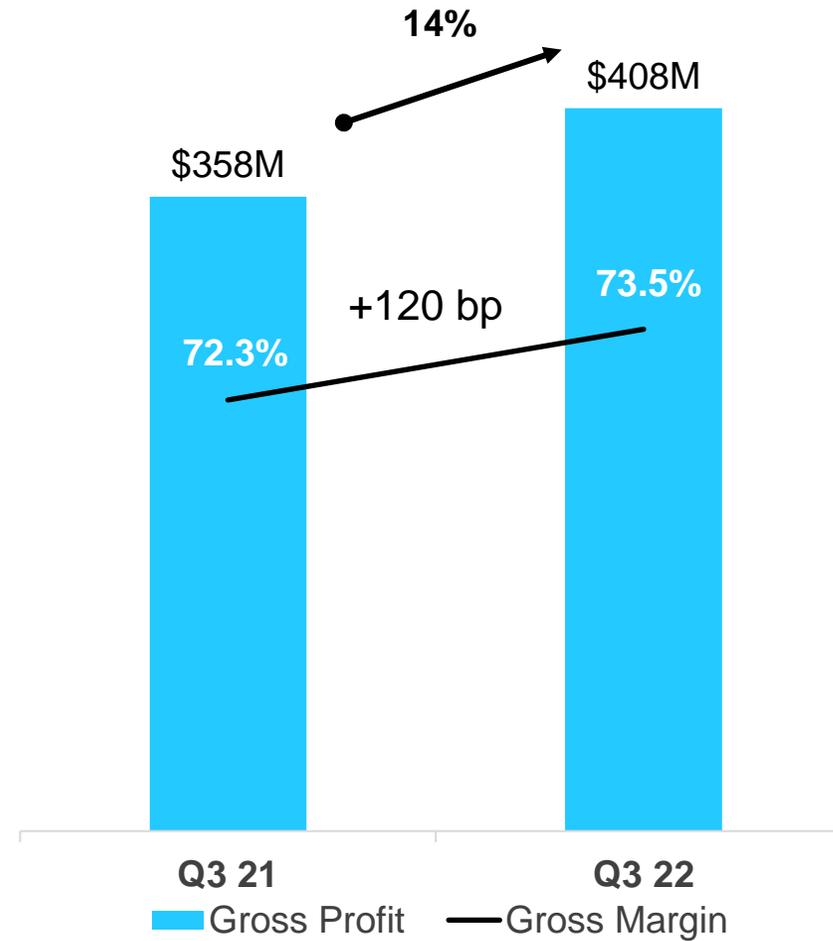
Revenue Breakdown by Business Unit (Non-GAAP)

81%
CUSTOMER
ENGAGEMENT
\$452M, +12% YoY



19%
FINANCIAL
CRIME &
COMPLIANCE
\$103M, +13% YoY

Gross Profit and Gross Margin Q3 2022 (Non-GAAP)



Gross Margin Q3 2022 (Non-GAAP)

PRODUCT MARGIN

89.8% | -30bp

Product GM
90.1%



Q3 21

Product GM
89.8%



Q3 22

SERVICES MARGIN

74.0% | +70bp

Services GM
73.3%



Q3 21

Services GM
74.0%



Q3 22

CLOUD MARGIN

70.4% | +330bp

Cloud GM
67.1%



Q3 21

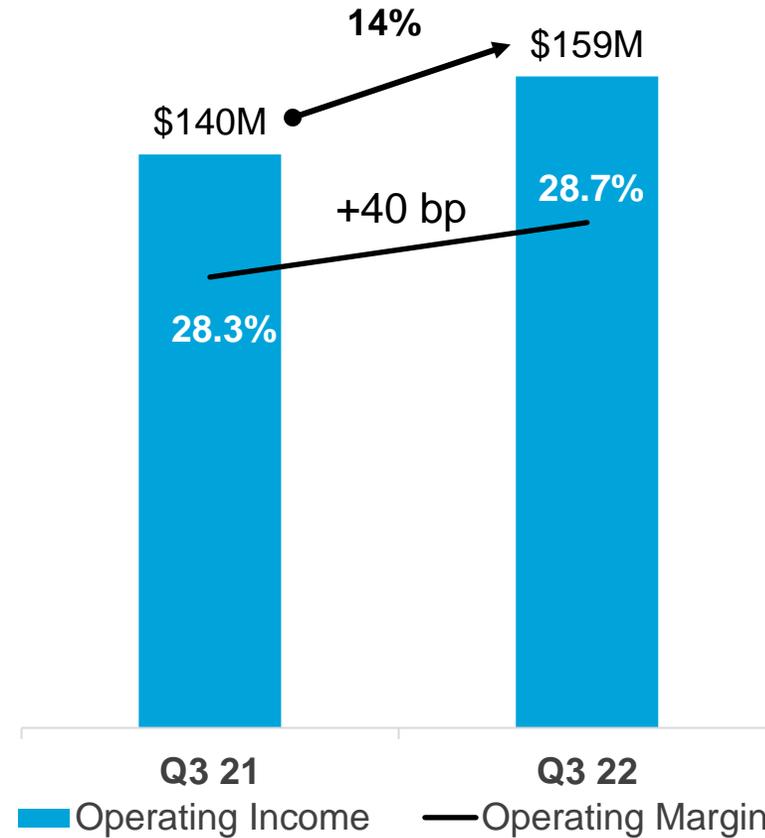
Cloud GM
70.4%



Q3 22

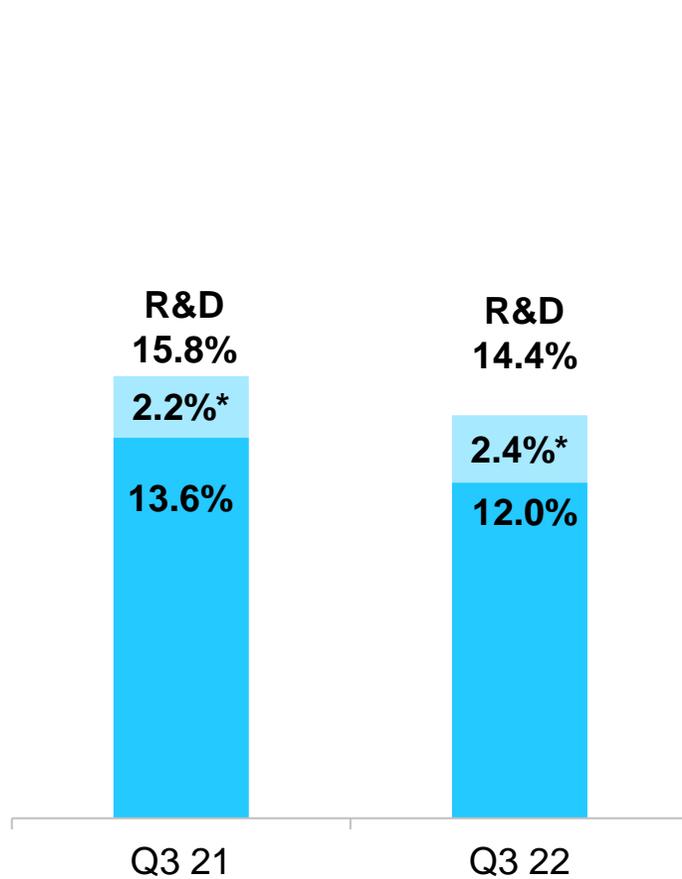
Operating Income and Operating Margin

Q3 2022 (Non-GAAP)

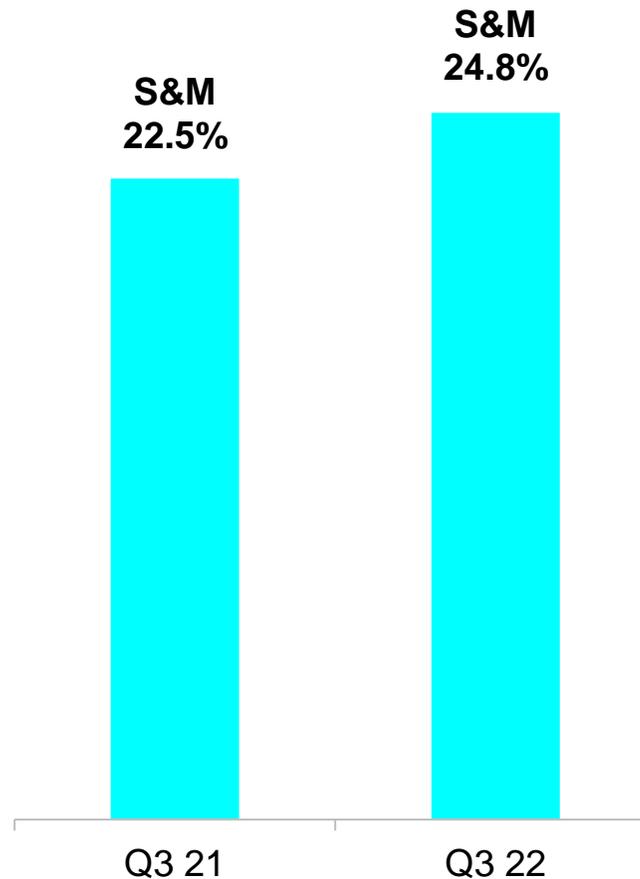


Cost Ratios Q3 2022 (Non-GAAP)

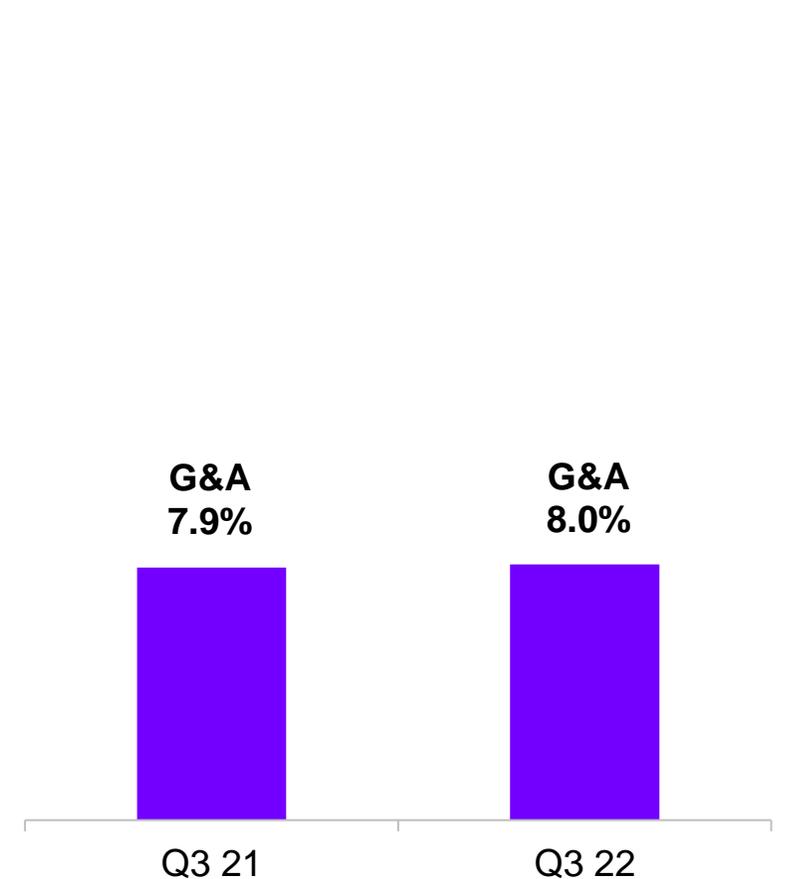
R&D as % of revenue

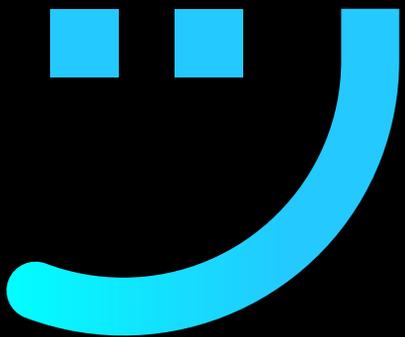


S&M as % of revenue



G&A as % of revenue





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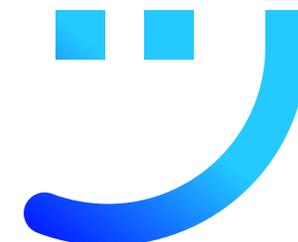
Condensed Consolidated Balance Sheet

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

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
	Unaudited	Audited
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 423,032	\$ 378,656
Short-term investments	1,038,160	1,046,095
Trade receivables	469,230	395,583
Debt hedge option	118,694	292,940
Prepaid expenses and other current assets	<u>192,105</u>	<u>184,604</u>
Total current assets	<u>2,241,221</u>	<u>2,297,878</u>
LONG-TERM ASSETS:		
Property and equipment, net	157,992	145,654
Deferred tax assets	83,457	55,246
Other intangible assets, net	211,200	295,378
Operating lease right-of-use assets	105,317	85,055
Goodwill	1,577,871	1,606,756
Prepaid expenses and other long-term assets	<u>246,110</u>	<u>224,445</u>
Total long-term assets	<u>2,381,947</u>	<u>2,412,534</u>
TOTAL ASSETS	<u><u>\$ 4,623,168</u></u>	<u><u>\$ 4,710,412</u></u>

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

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
	Unaudited	Audited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 37,373	\$ 36,121
Deferred revenues and advances from customers	329,203	330,459
Current maturities of operating leases	14,531	19,514
Debt	204,943	395,946
Accrued expenses and other liabilities	<u>477,033</u>	<u>487,547</u>
Total current liabilities	<u>1,063,083</u>	<u>1,269,587</u>
LONG-TERM LIABILITIES:		
Deferred revenues and advances from customers	55,142	66,606
Operating leases	100,757	81,185
Deferred tax liabilities	4,165	7,429
Debt	454,954	429,267
Other long-term liabilities	<u>17,067</u>	<u>18,379</u>
Total long-term liabilities	<u>632,085</u>	<u>602,866</u>
SHAREHOLDERS' EQUITY		
Nice Ltd's equity	2,915,076	2,825,085
Non-controlling interests	<u>12,924</u>	<u>12,874</u>
Total shareholders' equity	<u>2,928,000</u>	<u>2,837,959</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 4,623,168</u></u>	<u><u>\$ 4,710,412</u></u>



Cash Flow From Operations

\$M	Q3 22	Q3 21	%Δ	9M 22	9M 21	%Δ
Cash flow from operations	94.3	103.5	(9%)	303.0	349.2	(13%)
- Capital expenditure	6.1	8.2	(26%)	21.0	21.1	(1%)
- Capitalization of software development	13.4	10.7	25%	37.2	32.0	16%
Cash flow from operations after capex & software capitalization	74.8	84.6	(12%)	244.8	296.1	(17%)
Cash flow from operations after capex and software capitalization as % of non-GAAP revenue	13%	17%	(4pp)	15%	21%	(6pp)
Cash conversion rate *	0.6	0.8	(25%)	0.7	0.9	(22%)
Days sales outstanding (DSO)**	75	62	21%	72	63	14%

* 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.

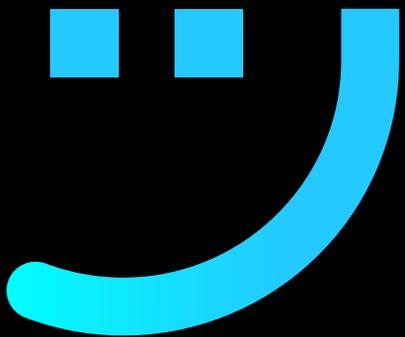
Cash Movement and Liquidity (USD in Millions)

September 30, 2022



*CAPEX movement includes R&D capitalization

**Short-term investments Mark to Market (MTM)



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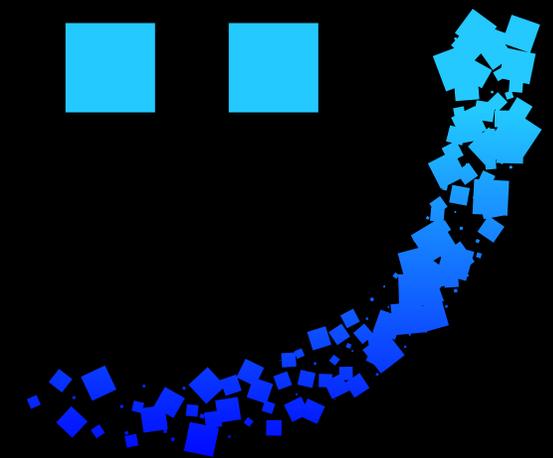
Non-GAAP Outlook*

	FY 2022 Guidance	YoY Growth at Midpoint	Constant currency YoY Growth at Midpoint
Revenue (\$M)	2,168 – 2,188	13.1%	13.8%
EPS (\$)	7.40 – 7.60	15.0%	15.6%

*The outlook is provided as of November 10, 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.

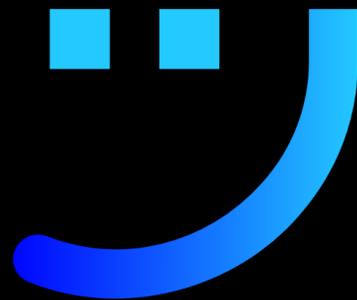
The Company is providing additional disclosure of full year guidance in constant currency resulting from stronger than expected foreign exchange headwinds. Excluding these headwinds, full year 2022 Non-GAAP total revenue guidance would be \$15 million higher and 2022 Non-GAAP fully diluted earnings per share would be \$0.04 higher.

Make experiences *flow*



Thank You

NICE



Make
experiences

flow