

2023 First Quarter Results

Ended March 31, 2023



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, the effect of unexpected events or geo-political conditions, such as the COVID-19 pandemic, that may disrupt our business and the global economy 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

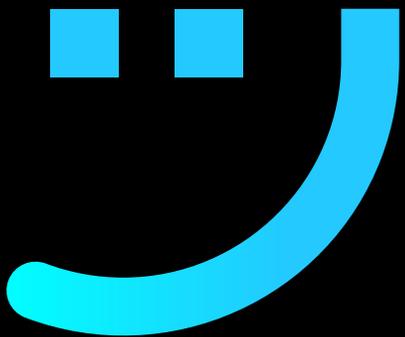
Non-GAAP financial measures are included in this press release. Non-GAAP financial measures consist of GAAP financial measures adjusted to exclude share-based compensation, amortization of acquired intangible assets, acquisition related expenses, amortization of discount on debt and loss from extinguishment of debt and the tax effect of the Non-GAAP adjustments.

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

Q1 2023 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

Q1 2023 Highlights (Non-GAAP)

Total revenue increased 8% (9% in CC) to \$572M; compared to \$527M in Q1 2022

Cloud revenue increased 25% to \$368M; compared to \$295M in Q1 2022

Cloud gross margin increased 140 bps to 70.0%; compared to 68.6% in Q1 2022

Recurring revenue represented 85% of total revenue; compared to 79% in Q1 2022

Operating income increased 10% to \$163M; compared to \$149M in Q1 2022

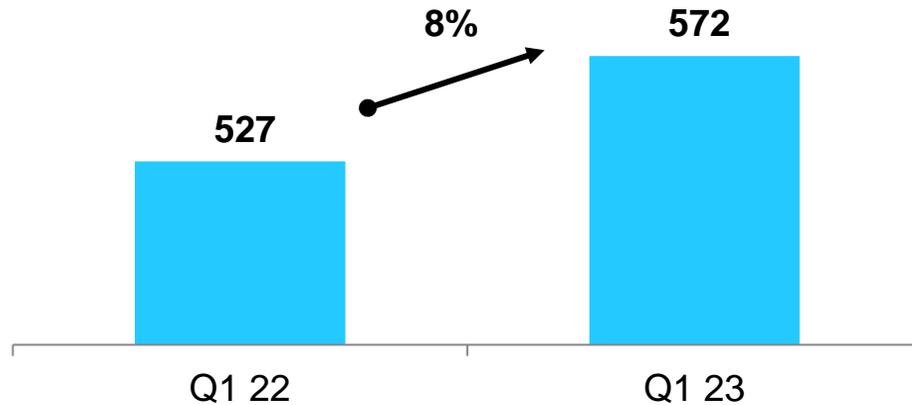
Operating margin increased 30 bps to 28.6%; compared to 28.3% in Q1 2022

Fully diluted EPS increased 13% to \$2.03; compared to \$1.80 in Q1 2022

Cash flow from operations increased to a record \$195M in Q1 2023

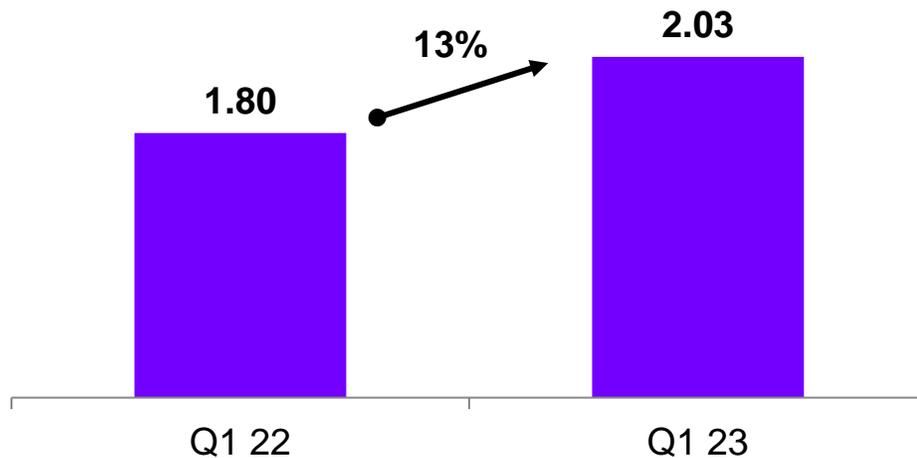
Impressive Growth and Execution

TOTAL REVENUE (Non-GAAP, \$M)

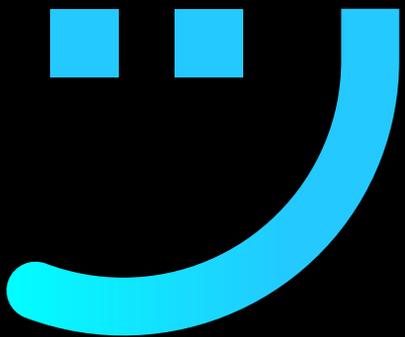


- Total revenue increased 8% (9% in CC) in Q1 2023 driven by 25% growth in cloud revenue
- Cloud revenue in Q1 2023 of \$368M represented a record 64% of total revenue
- Recurring revenue accounted for 85% of total revenue for Q1 2023

EARNINGS PER SHARE (Non-GAAP, \$)



- Double-digit EPS growth in Q1 2023 driven primarily by expansion of cloud gross margin



Agenda

Q1 2023 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

GAAP and Non-GAAP Income Statement

USD in thousands (except EPS)

	Quarter ended March 31,	
	2023	2022
GAAP revenues	\$ 571,860	\$ 527,429
Non-GAAP revenues	<u>\$ 571,860</u>	<u>\$ 527,429</u>
GAAP cost of revenue	\$ 186,596	\$ 167,002
Amortization of acquired intangible assets on cost of cloud	(19,369)	(18,665)
Amortization of acquired intangible assets on cost of services	-	(377)
Amortization of acquired intangible assets on cost of product	(249)	(276)
Valuation adjustment on acquired deferred cost of cloud	-	15
Cost of cloud revenue adjustment (1)	(1,947)	(2,324)
Cost of services revenue adjustment (1)	(2,885)	(2,967)
Cost of product revenue adjustment (1)	(138)	(132)
Non-GAAP cost of revenue	<u>\$ 162,008</u>	<u>\$ 142,276</u>
GAAP gross profit	\$ 385,264	\$ 360,427
Gross profit adjustments	24,588	24,726
Non-GAAP gross profit	<u>\$ 409,852</u>	<u>\$ 385,153</u>
GAAP operating expenses	\$ 291,757	\$ 288,063
Research and development (1)	(8,398)	(8,515)
Sales and marketing (1)	(11,102)	(16,269)
General and administrative (1)	(21,296)	(18,400)
Amortization of acquired intangible assets	(4,515)	(8,811)
Valuation adjustment on acquired deferred commission	40	53
Non-GAAP operating expenses	<u>\$ 246,486</u>	<u>\$ 236,121</u>

GAAP and Non-GAAP Income Statement (cont.)

USD in thousands (except EPS)

	Quarter ended March 31,	
	2023	2022
GAAP financial and other income, net	\$ (8,721)	\$ (486)
Amortization of discount and loss of extinguishment on debt	(1,154)	(2,229)
Non-GAAP financial and other income, net	<u>\$ (9,875)</u>	<u>\$ (2,715)</u>
GAAP taxes on income	\$ 25,286	\$ 14,909
Tax adjustments re non-GAAP adjustments	12,308	16,351
Non-GAAP taxes on income	<u>\$ 37,594</u>	<u>\$ 31,260</u>
GAAP net income	\$ 76,942	57,941
Valuation adjustment on acquired deferred revenue	-	-
Valuation adjustment on acquired deferred cost of cloud revenue	-	(15)
Amortization of acquired intangible assets	24,133	28,129
Valuation adjustment on acquired deferred commission	(40)	(53)
Share-based compensation (1)	45,766	48,607
Amortization of discount and loss of extinguishment on debt	1,154	2,229
Tax adjustments re non-GAAP adjustments	(12,308)	(16,351)
Non-GAAP net income	<u>\$ 135,647</u>	<u>\$ 120,487</u>
GAAP diluted earnings per share	<u>\$ 1.15</u>	<u>\$ 0.87</u>
Non-GAAP diluted earnings per share	<u>\$ 2.03</u>	<u>\$ 1.80</u>
Shares used in computing GAAP diluted earnings per share	66,662	66,853
Shares used in computing non-GAAP diluted earnings per share	66,662	66,853

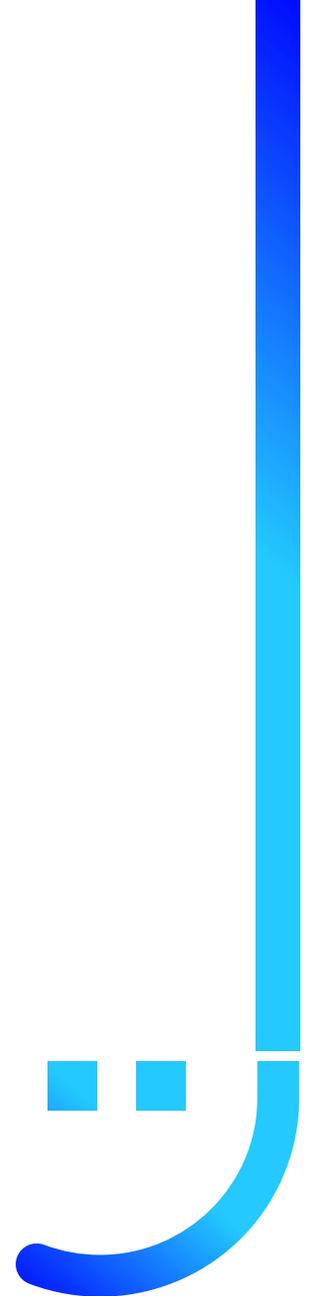


GAAP and Non-GAAP Income Statement (cont.)

USD in thousands (except EPS)

(1) Share-based Compensation

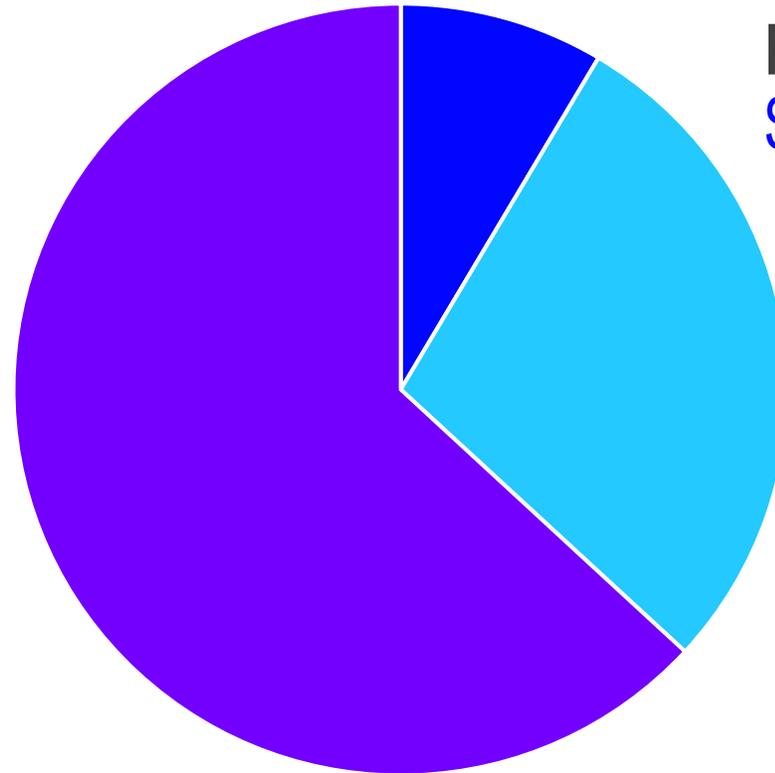
	Quarter ended	
	March 31,	
	2023	2022
Cost of cloud revenue	\$ 1,947	\$ 2,324
Cost of services revenue	2,885	2,967
Cost of product revenue	138	132
Research and development	8,398	8,515
Sales and marketing	11,102	16,269
General and administrative	21,296	18,400
	<u>\$ 45,766</u>	<u>\$ 48,607</u>



Q1 2023

Revenue Breakdown by Business Model (Non-GAAP)

64%
CLOUD
\$368M, +25% YoY,
+25% YoY CC

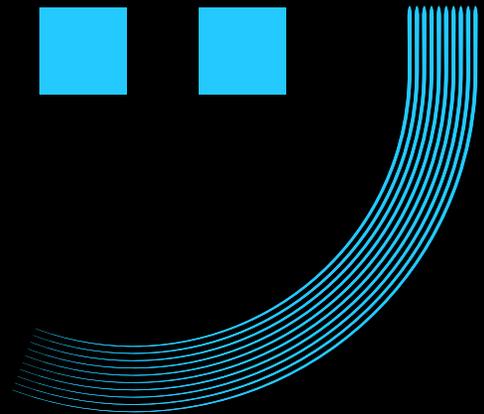
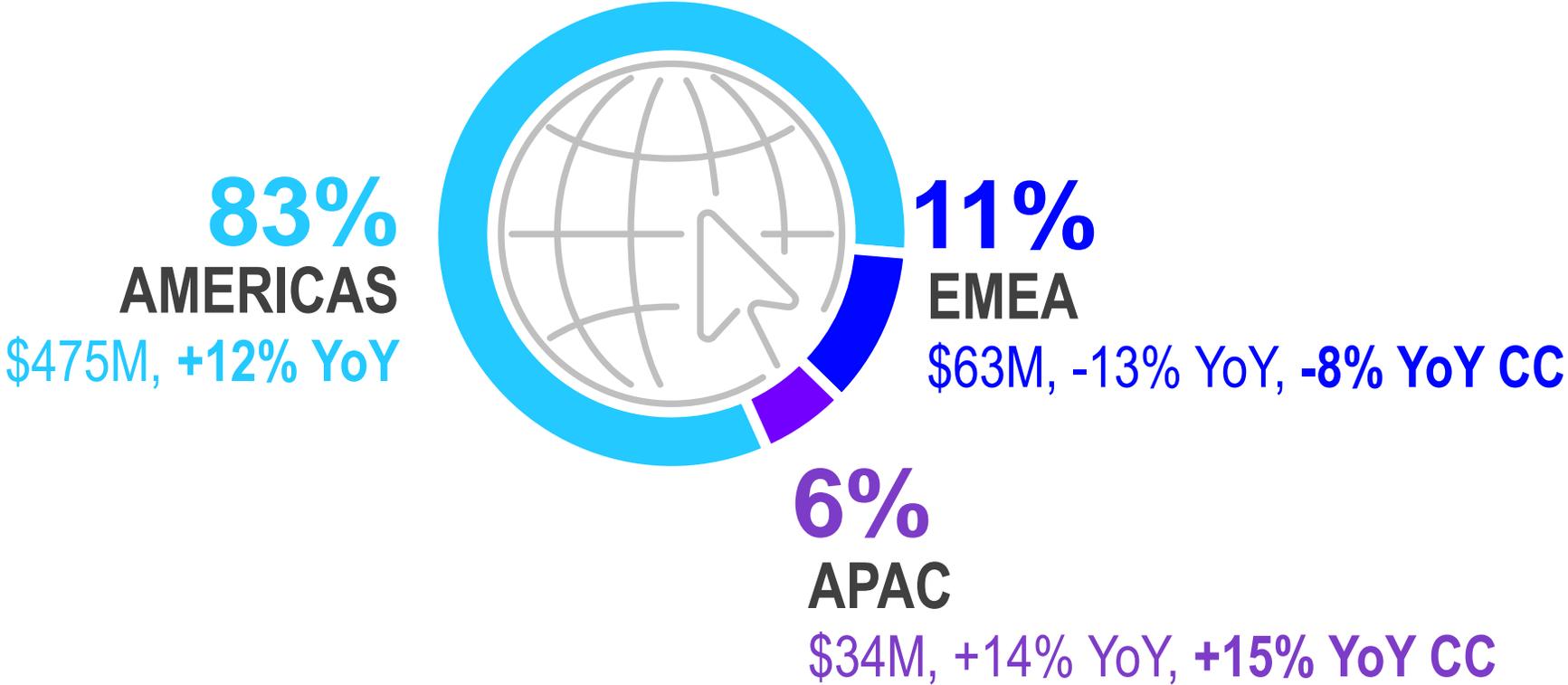


8%
PRODUCTS
\$44M, -41% YoY, -40% YoY CC

28%
SERVICES
\$160M, +2% YoY, +3% YoY CC

Q1 2023

Revenue Breakdown by Region (Non-GAAP)



Q1 2023

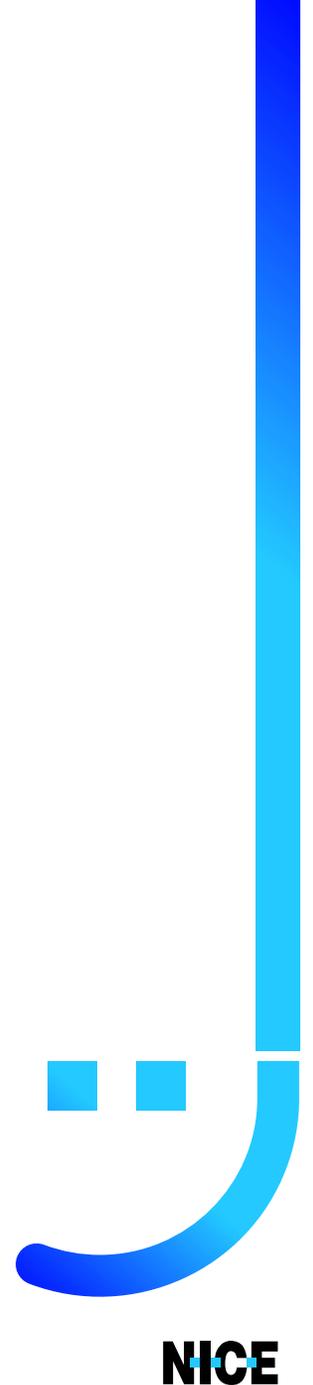
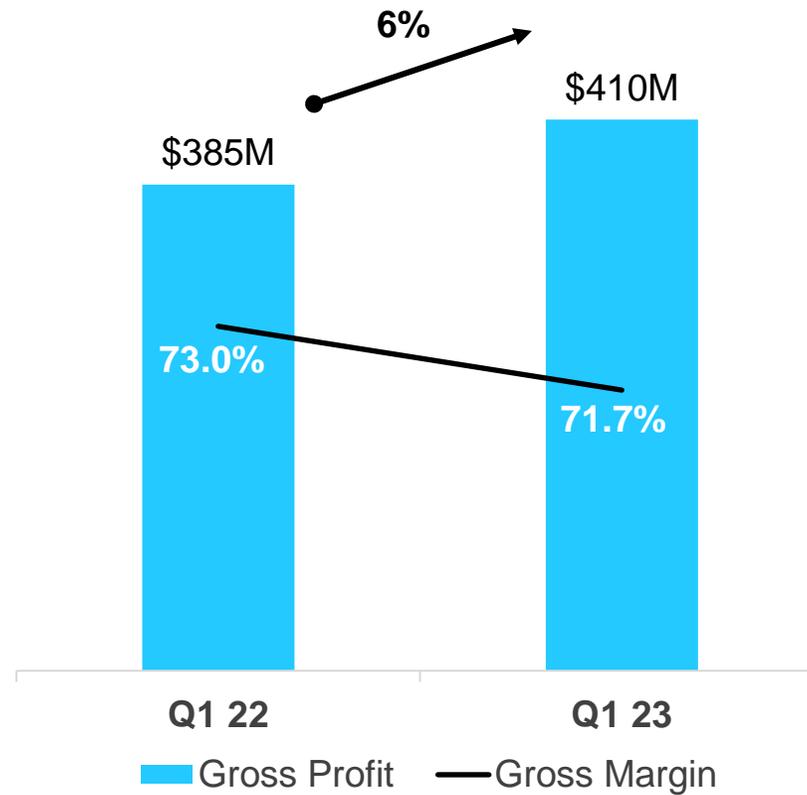
Revenue Breakdown by Business Unit (Non-GAAP)

83%
CUSTOMER
ENGAGEMENT
\$472M, +12% YoY,
+13% YoY CC



17%
FINANCIAL
CRIME &
COMPLIANCE
\$100M, -5% YoY,
-4% YoY CC

Gross Profit and Gross Margin Q1 2023 (Non-GAAP)



Gross Margin Q1 2023 (Non-GAAP)

PRODUCT MARGIN

-670bp

Product GM
91.6%



Q1 22

Product GM
84.9%



Q1 23

SERVICES MARGIN

-40bp

Services GM
72.2%



Q1 22

Services GM
71.8%



Q1 23

CLOUD MARGIN

+140bp

Cloud GM
68.6%



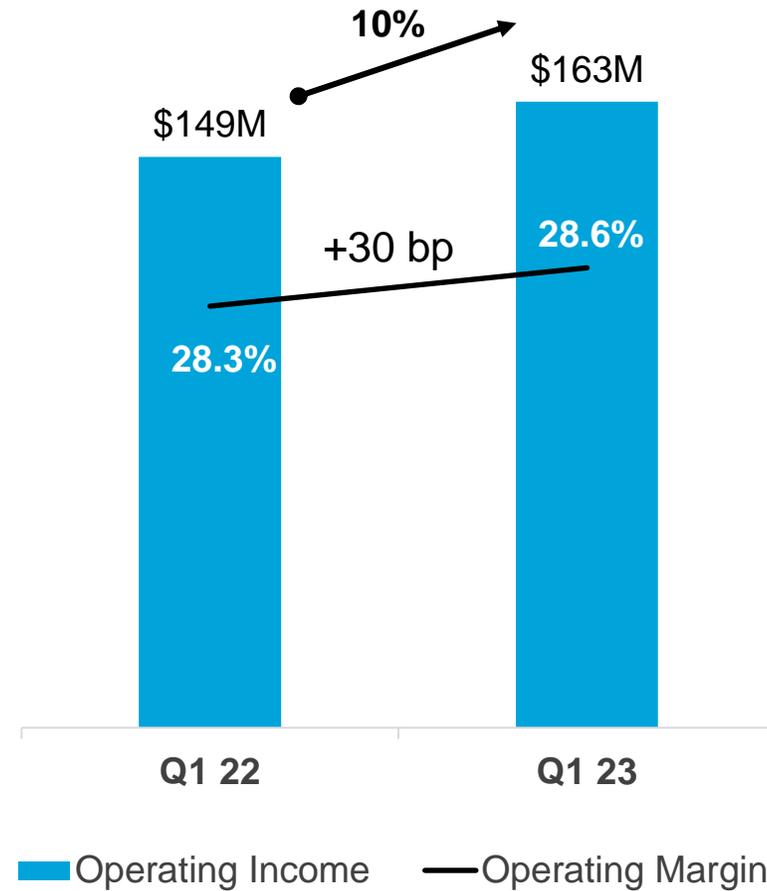
Q1 22

Cloud GM
70.0%



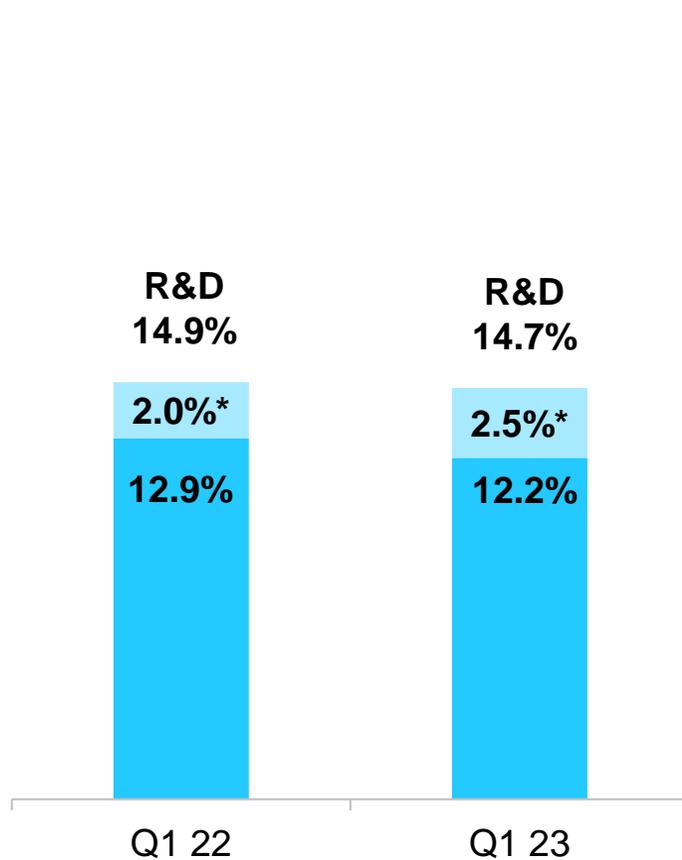
Q1 23

Operating Income and Operating Margin Q1 2023 (Non-GAAP)

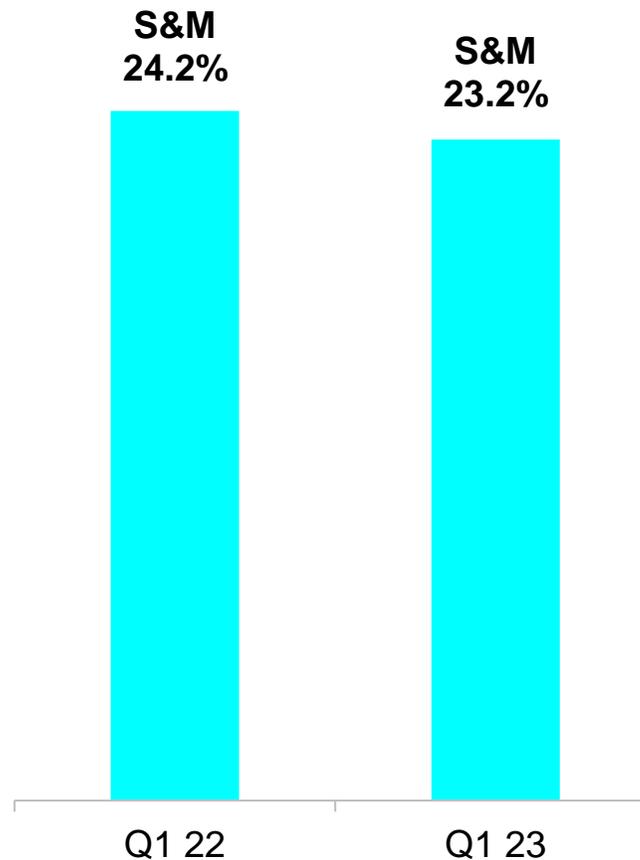


Cost Ratios Q1 2023 (Non-GAAP)

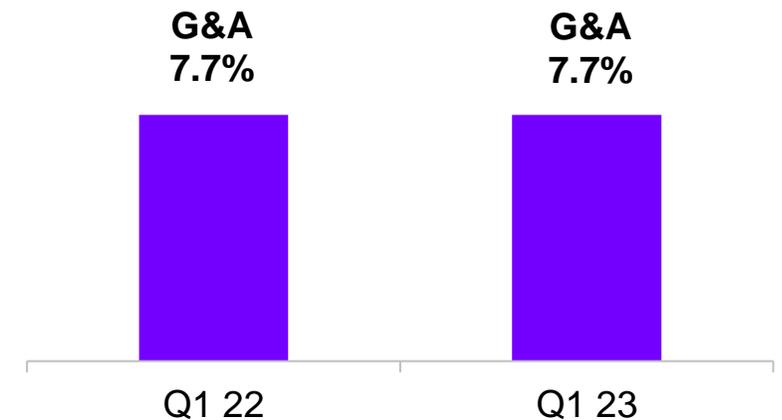
R&D as % of revenue



S&M as % of revenue

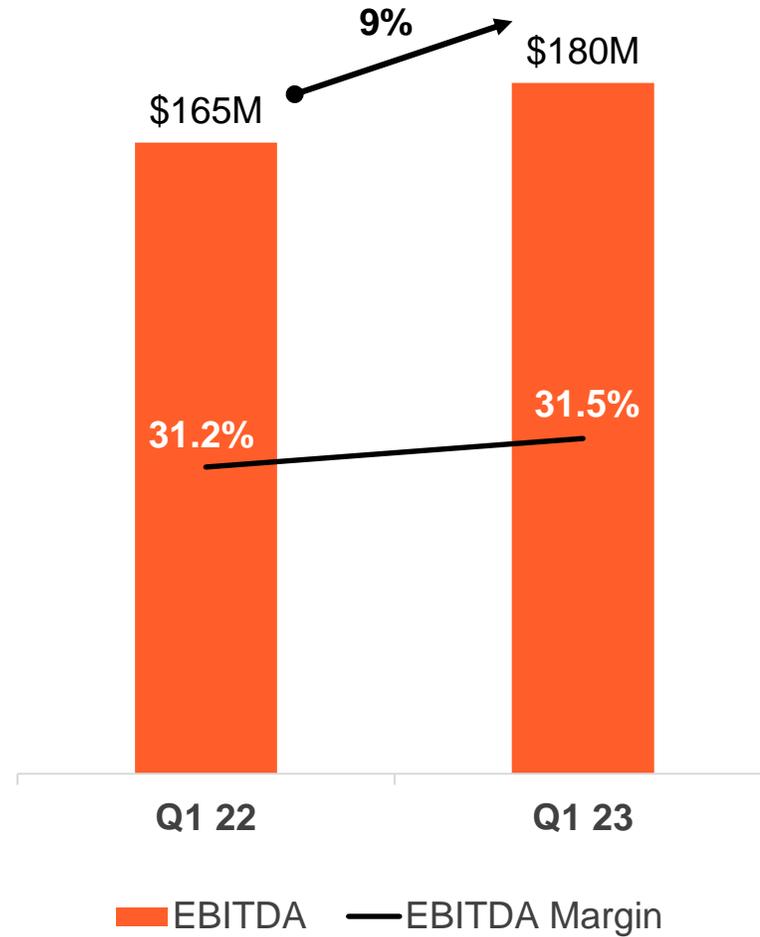


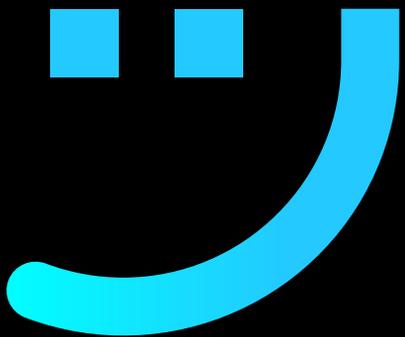
G&A as % of revenue



EBITDA and EBITDA Margin

Q1 2023 (Non-GAAP)





Agenda

Q1 2023 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

Condensed Consolidated Balance Sheet

USD in thousands

	March 31, 2023	December 31, 2022		March 31, 2023	December 31, 2022
	Unaudited	Audited		Unaudited	Audited
ASSETS			LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents	\$ 630,661	\$ 529,596	Trade payables	\$ 54,902	\$ 56,019
Short-term investments	1,054,184	1,041,943	Deferred revenues and advances from customers	376,785	338,930
Trade receivables	503,751	518,517	Current maturities of operating leases	13,147	13,525
Debt hedge option	160,474	122,323	Debt	248,180	209,292
Prepaid expenses and other current assets	211,431	204,754	Accrued expenses and other liabilities	518,164	523,451
Total current assets	<u>2,560,501</u>	<u>2,417,133</u>	Total current liabilities	<u>1,211,178</u>	<u>1,141,217</u>
LONG-TERM ASSETS:			LONG-TERM LIABILITIES:		
Property and equipment, net	169,062	159,285	Deferred revenues and advances from customers	53,704	57,211
Deferred tax assets	123,377	116,889	Operating leases	97,320	99,262
Other intangible assets, net	185,859	209,605	Deferred tax liabilities	7,260	7,336
Operating lease right-of-use assets	101,415	102,893	Debt	455,800	455,382
Goodwill	1,620,802	1,617,118	Other long-term liabilities	38,544	38,588
Prepaid expenses and other long-term assets	232,306	231,496	Total long-term liabilities	<u>652,628</u>	<u>657,779</u>
Total long-term assets	<u>2,432,821</u>	<u>2,437,286</u>	SHAREHOLDERS' EQUITY		
TOTAL ASSETS	<u><u>\$ 4,993,322</u></u>	<u><u>\$ 4,854,419</u></u>	Nice Ltd's equity	3,117,584	3,042,085
			Non-controlling interests	11,932	13,338
			Total equity	<u>3,129,516</u>	<u>3,055,423</u>
			TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 4,993,322</u></u>	<u><u>\$ 4,854,419</u></u>

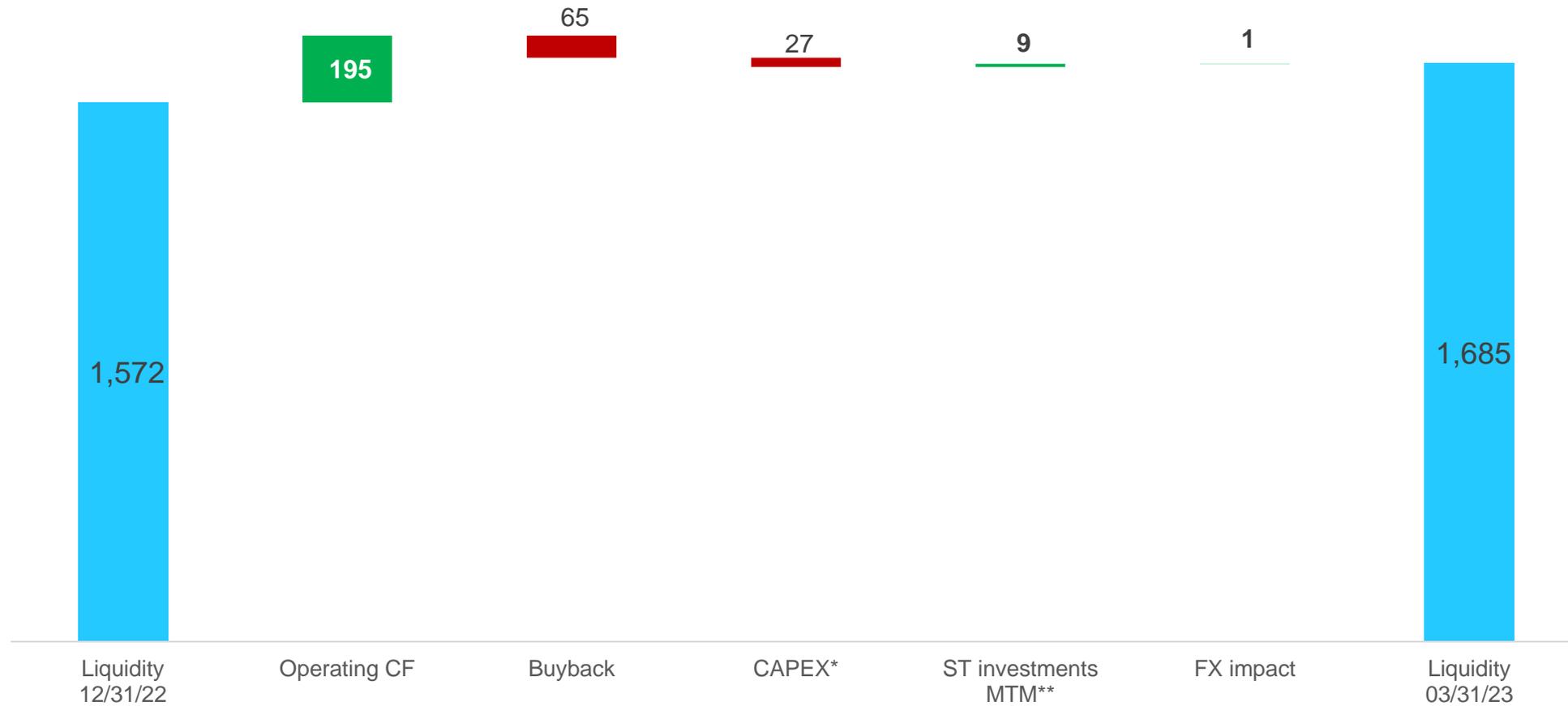
Cash Flow From Operations

\$M	Q1 23	Q1 22	%Δ
Cash flow from operations	195.1	192.7	1%
- Capital expenditure	13.1	9.6	37%
- Capitalization of software development	14.1	10.7	32%
Cash flow from operations after capex & software capitalization	167.8	172.5	(10%)
Cash flow from operations after capex and software capitalization as % of non-GAAP revenue	29%	33%	-4pp
Cash conversion rate *	1.2	1.4	(14%)

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

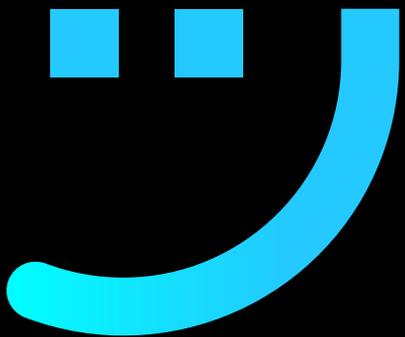
Cash Movement and Liquidity (USD in Millions)

March 31, 2023



*CAPEX movement includes R&D capitalization

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



Agenda

Q1 2023 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

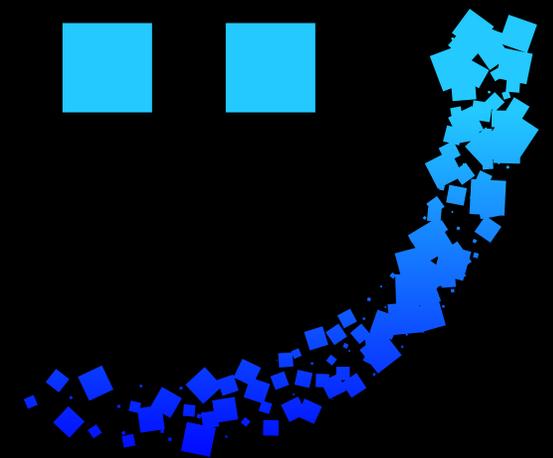
Outlook

Outlook* (Non-GAAP)

	Q2 2023	FY 2023
Revenue (\$M)	573 – 583	2,350 – 2,370
EPS (\$)	2.00 – 2.10	8.32 – 8.52

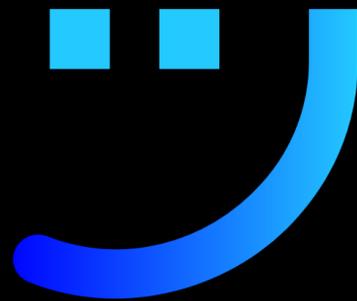
*The outlook is provided as of May 11, 2023. There is no guarantee that the Company will change or update these figures in this presentation should a need arise in the future to update the outlook. This is in addition to the forward-looking statements disclaimer at the beginning of the presentation.

Make experiences *flow*



Thank You

NICE



Make
experiences

flow