

# 2023 Third Quarter Results

Ended September 30, 2023



# Disclaimer

## **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.

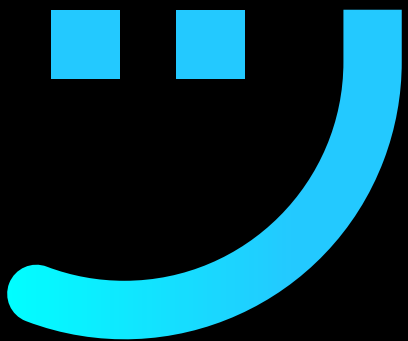
Forward looking statements are inherently subject to significant economic, competitive and other uncertainties and contingencies, many of which are beyond the control of management. The Company cautions that these statements are not guarantees of future performance, and investors should not place undue 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 impact of conflicts in the Middle East, 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.

## **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.



# Agenda

## Q3 2023 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

# Q3 2023 Highlights (Non-GAAP)

Total revenue increased 8% to \$601M; compared to \$555M in Q3 2022

Cloud revenue increased 22% to \$403M; compared to \$330M in Q3 2022

Cloud revenue as a percentage of total revenue was 67% compared to 60% in Q3 2022

Recurring revenue of \$524M represented a record 87% of total revenue; compared to 82% in Q3 2022

Operating income increased 15% to \$184M; compared to \$159M in Q3 2022

Operating margin increased 190 bps to a record 30.6%; compared to 28.7% in Q3 2022

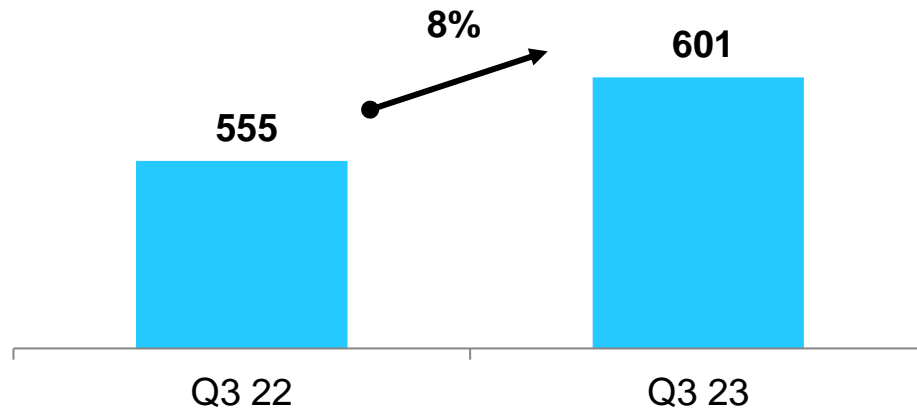
Fully diluted EPS increased 18% to \$2.27; compared to \$1.92 in Q3 2022

Cash flow from operations increased 28% to \$121M; compared to \$94M in Q3 2022



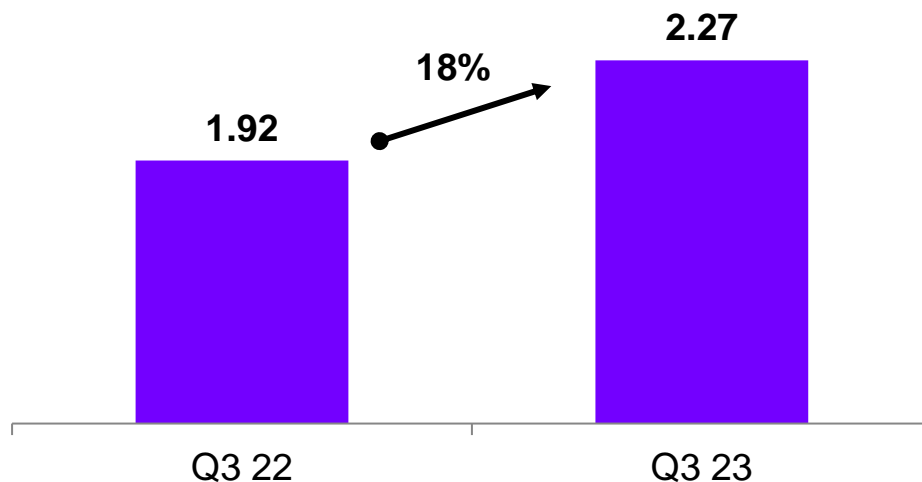
# Impressive Growth and Execution

## TOTAL REVENUE (Non-GAAP, \$M)



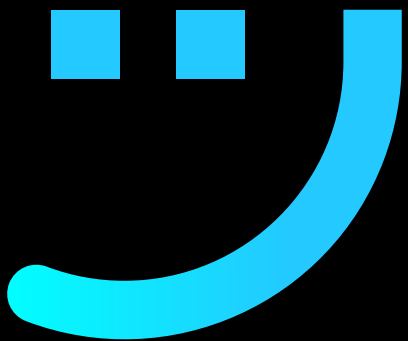
- Total revenue increased 8% in Q3 2023 driven by 22% growth in cloud revenue
- Cloud revenue in Q3 2023 of \$403M represented a record 67% of total revenue
- Recurring revenue accounted for 87% of total revenue for Q3 2023

## EARNINGS PER SHARE (Non-GAAP, \$)



- Double-digit EPS growth in Q3 2023 driven primarily by strong cloud growth, expansion of operating margin





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Q3 2023 Highlights

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# GAAP and Non-GAAP Income Statement

USD in thousands (except EPS)

	Quarter ended September 30,		Year to date September 30,	
	2023	2022	2023	2022
GAAP revenues	\$ 601,344	\$ 554,724	\$ 1,754,316	\$ 1,612,734
Non-GAAP revenues	\$ 601,344	\$ 554,724	\$ 1,754,316	\$ 1,612,734
GAAP cost of revenue	\$ 190,986	\$ 170,782	\$ 567,295	\$ 502,708
Amortization of acquired intangible assets on cost of cloud	(18,967)	(18,564)	(57,732)	(55,851)
Amortization of acquired intangible assets on cost of services	-	-	-	(377)
Amortization of acquired intangible assets on cost of product	(260)	(242)	(766)	(776)
Valuation adjustment on acquired deferred cost of cloud	-	13	-	41
Cost of cloud revenue adjustment (1)	(2,160)	(2,319)	(6,360)	(6,389)
Cost of services revenue adjustment (1)	(3,016)	(2,778)	(8,764)	(8,264)
Cost of product revenue adjustment (1)	384	(135)	106	(401)
Non-GAAP cost of revenue	\$ 166,967	\$ 146,757	\$ 493,779	\$ 430,691
GAAP gross profit	\$ 410,358	\$ 383,942	\$ 1,187,021	\$ 1,110,026
Gross profit adjustments	24,019	24,025	73,516	72,017
Non-GAAP gross profit	\$ 434,377	\$ 407,967	\$ 1,260,537	\$ 1,182,043
GAAP operating expenses	\$ 296,732	\$ 293,647	\$ 874,459	\$ 862,677
Research and development (1)	(8,224)	(7,424)	(24,405)	(23,825)
Sales and marketing (1,2)	(12,376)	(13,723)	(36,533)	(43,121)
General and administrative (1,2)	(22,348)	(16,505)	(57,703)	(52,991)
Amortization of acquired intangible assets	(3,308)	(7,379)	(12,251)	(23,153)
Valuation adjustment on acquired deferred commission	30	48	106	153
Non-GAAP operating expenses	\$ 250,506	\$ 248,664	\$ 743,673	\$ 719,740
GAAP financial and other income, net	\$ (7,037)	\$ (596)	\$ (25,108)	\$ (1,032)
Amortization of discount and loss of extinguishment on debt	(1,166)	(1,144)	(3,486)	(4,637)
Change in fair value of contingent consideration	(239)	-	(817)	-
Non-GAAP financial and other income, net	(8,442)	(1,740)	(29,411)	(5,669)
GAAP taxes on income	\$ 28,310	\$ 19,645	\$ 81,021	\$ 53,622
Tax adjustments re non-GAAP adjustments	13,372	13,598	37,473	42,860
Non-GAAP taxes on income	\$ 41,682	\$ 33,243	\$ 118,494	\$ 96,482



# GAAP and Non-GAAP Income Statement (cont.)

USD in thousands (except EPS)

	Quarter ended September 30,		Year to date September 30,	
	2023	2022	2023	2022
GAAP net income	\$ 92,353	\$ 71,246	\$ 256,649	\$ 194,759
Valuation adjustment on acquired deferred cost of cloud revenue	-	(13)	-	(41)
Amortization of acquired intangible assets	22,535	26,185	70,749	80,157
Valuation adjustment on acquired deferred commission	(30)	(48)	(106)	(153)
Share-based compensation (1)	47,287	42,884	133,206	134,991
Acquisition related expenses (2)	453	-	453	-
Amortization of discount and loss of extinguishment on debt	1,166	1,144	3,486	4,637
Change in fair value of contingent consideration	239	-	817	-
Tax adjustments re non-GAAP adjustments	(13,372)	(13,598)	(37,473)	(42,860)
Non-GAAP net income	<u>\$ 150,631</u>	<u>\$ 127,800</u>	<u>\$ 427,781</u>	<u>\$ 371,490</u>
GAAP diluted earnings per share	<u>\$ 1.39</u>	<u>\$ 1.07</u>	<u>\$ 3.86</u>	<u>\$ 2.93</u>
Non-GAAP diluted earnings per share	<u>\$ 2.27</u>	<u>\$ 1.92</u>	<u>\$ 6.44</u>	<u>\$ 5.58</u>
Shares used in computing GAAP diluted earnings per share	66,223	66,446	66,438	66,524
Shares used in computing non-GAAP diluted earnings per share	66,223	66,446	66,438	66,524





# GAAP and Non-GAAP Income Statement (cont.)

USD in thousands (except EPS)

(1) Share-based Compensation

	Quarter ended September 30,		Year to date September 30,	
	2023	2022	2023	2022
Cost of cloud revenue	\$ 2,160	\$ 2,319	\$ 6,360	\$ 6,389
Cost of services revenue	3,016	2,778	8,764	8,264
Cost of product revenue	(384)	135	(106)	401
Research and development	8,224	7,424	24,405	23,825
Sales and marketing	12,351	13,723	36,508	43,121
General and administrative	21,920	16,505	57,275	52,991
	<u>\$ 47,287</u>	<u>\$ 42,884</u>	<u>\$ 133,206</u>	<u>\$ 134,991</u>

(2) Acquisition related expenses

	Quarter ended September 30,		Year to date September 30,	
	2023	2022	2023	2022
Sales and marketing	\$ 25	\$ -	\$ 25	\$ -
General and administrative	428	-	428	-
	<u>\$ 453</u>	<u>\$ -</u>	<u>\$ 453</u>	<u>\$ -</u>



# Non-GAAP EBITDA Reconciliation

USD in thousands

## NICE LTD. AND SUBSIDIARIES RECONCILIATION OF GAAP NET INCOME TO NON-GAAP EBITDA

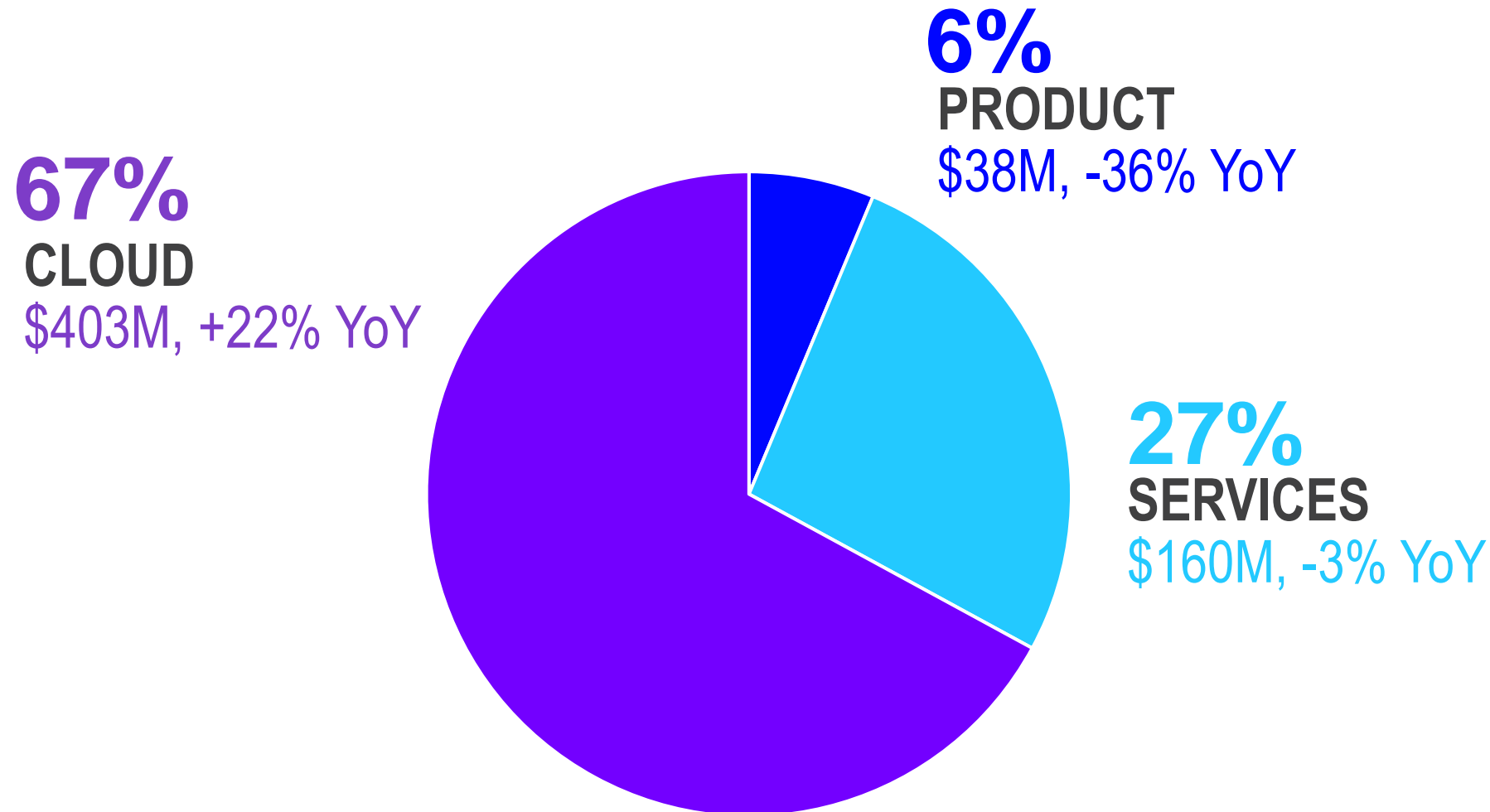
U.S. dollars in thousands

	Quarter ended September 30,		Year to date September 30,	
	2023	2022	2023	2022
GAAP net income	\$ 92,353	\$ 71,246	\$ 256,649	\$ 194,759
Non-GAAP adjustments:				
Depreciation and amortization	42,269	42,594	126,148	129,077
Share-based Compensation	46,213	42,396	130,488	133,689
Financial and other expense/ (income), net	(7,037)	(596)	(25,108)	(1,032)
Acquisition related expenses	453	-	453	-
Valuation adjustment on acquired deferred commission	(30)	(48)	(106)	(153)
Valuation adjustment on acquired deferred cost of cloud	-	(13)	-	(41)
Taxes on income	28,310	19,645	81,021	53,622
Non-GAAP EBITDA	<u>\$ 202,531</u>	<u>\$ 175,224</u>	<u>\$ 569,545</u>	<u>\$ 509,921</u>



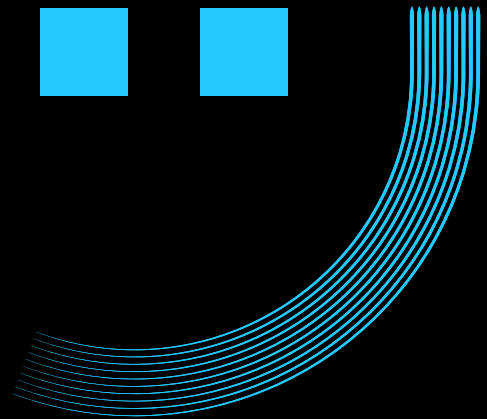
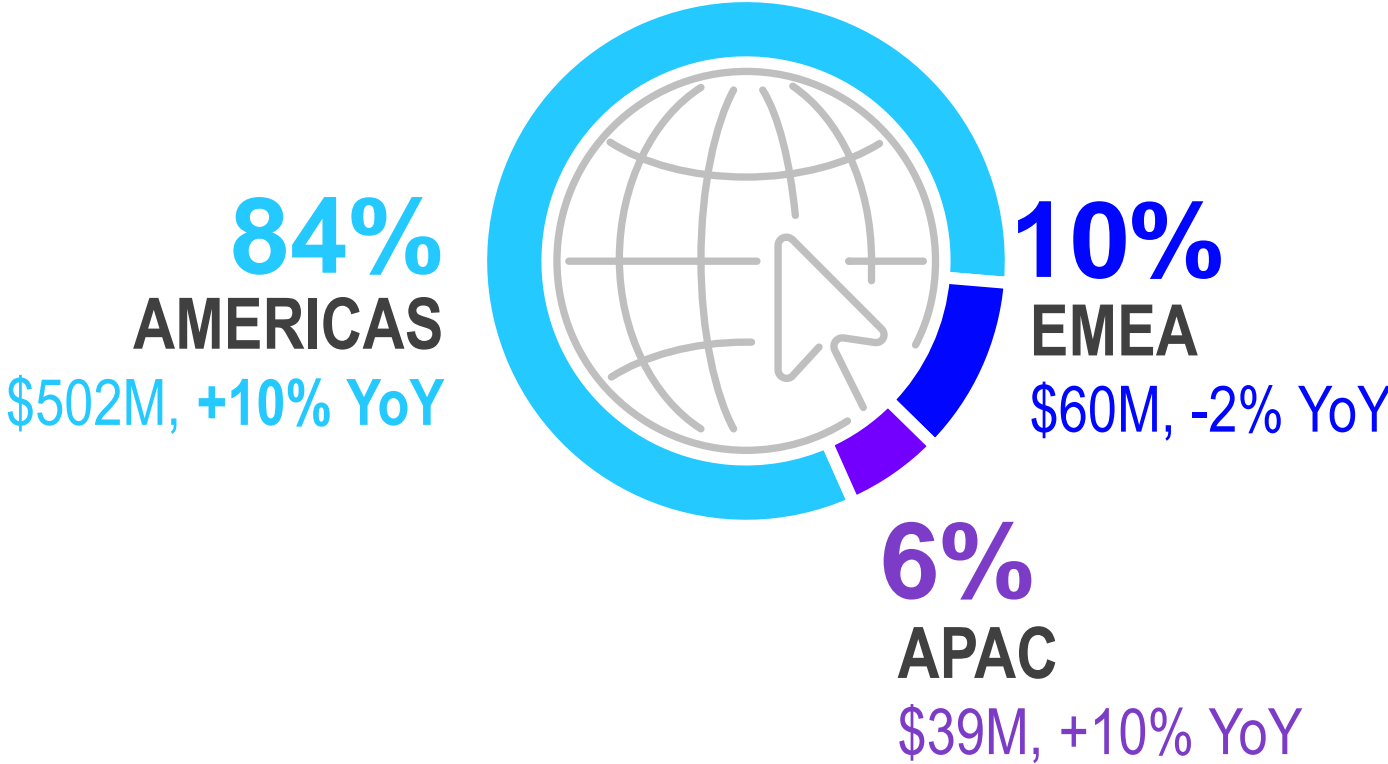
# Q3 2023

## Revenue Breakdown by Business Model (Non-GAAP)



# Q3 2023

## Revenue Breakdown by Region (Non-GAAP)



# Q3 2023

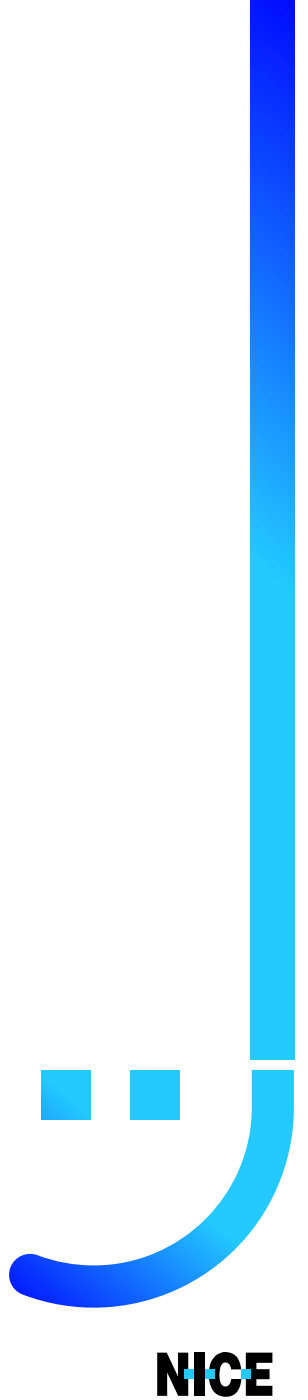
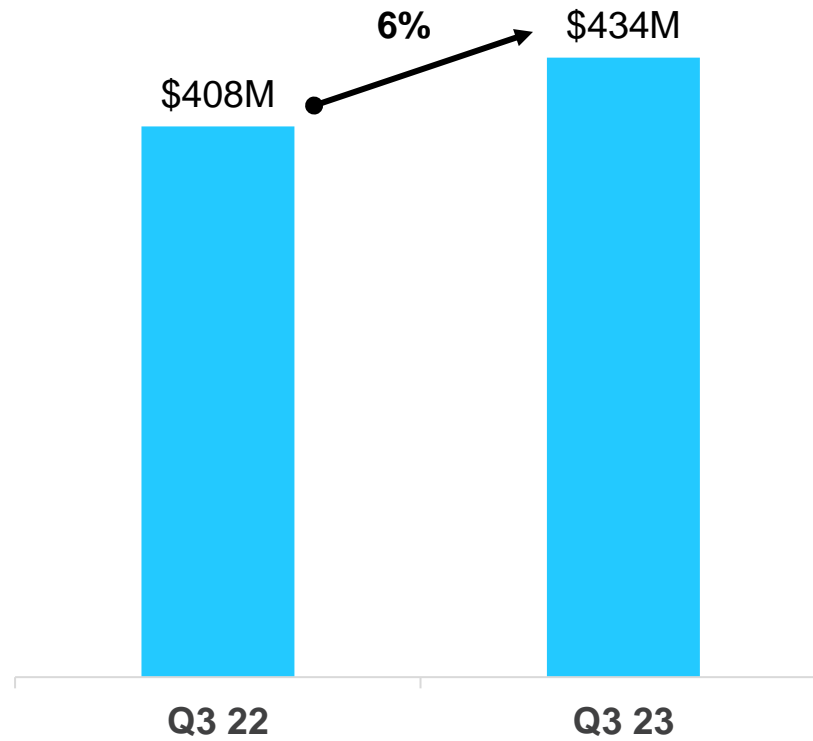
## Revenue Breakdown by Business Unit (Non-GAAP)

**83%**  
CUSTOMER  
ENGAGEMENT  
\$498M, +10% YoY



**17%**  
FINANCIAL  
CRIME &  
COMPLIANCE  
\$103M, 0% YoY

# Gross Profit Q3 2023 (Non-GAAP)



**NICE**



# Gross Margin Q3 2023 (Non-GAAP)

## PRODUCT MARGIN -370bp

Product GM  
89.8%



Q3 22

Product GM  
86.1%



Q3 23

## SERVICES MARGIN -40bp

Services GM  
74.0%



Q3 22

Services GM  
73.6%



Q3 23

## CLOUD MARGIN 0bp

Cloud GM  
70.4%



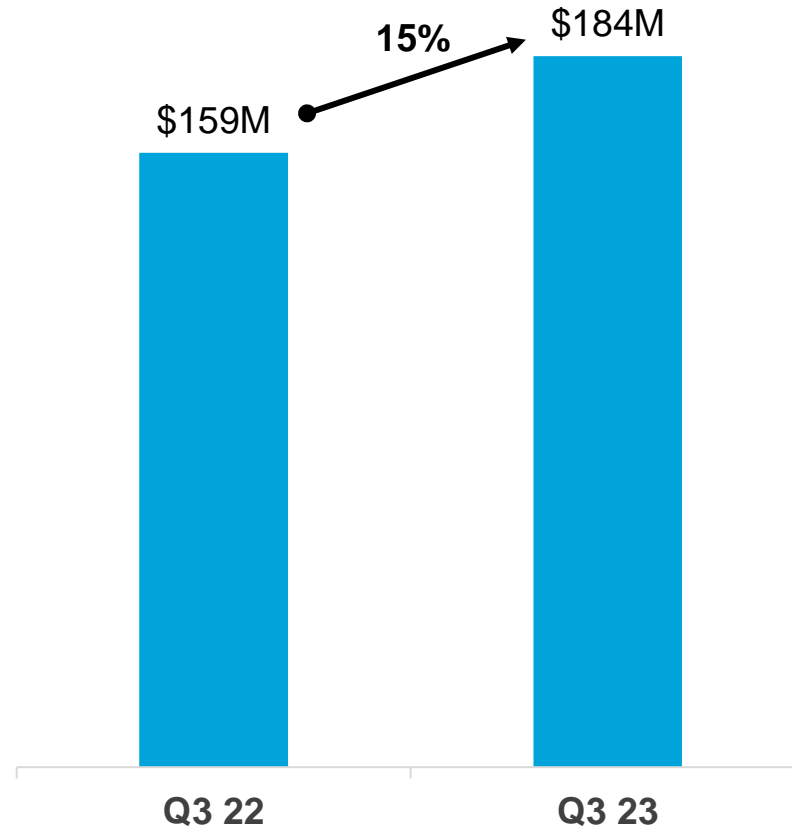
Q3 22

Cloud GM  
70.4%



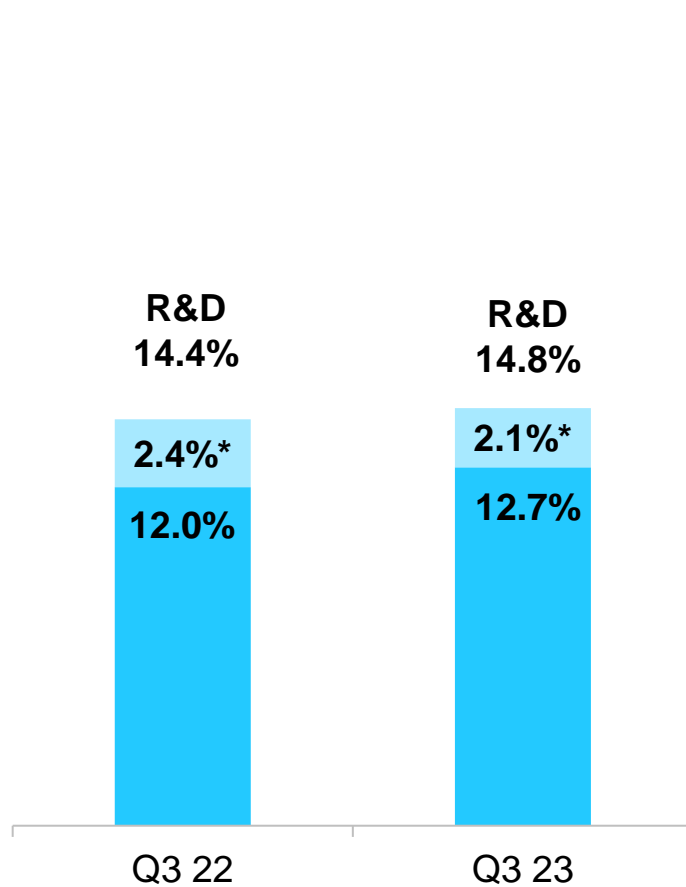
Q3 23

# Operating Income Q3 2023 (Non-GAAP)

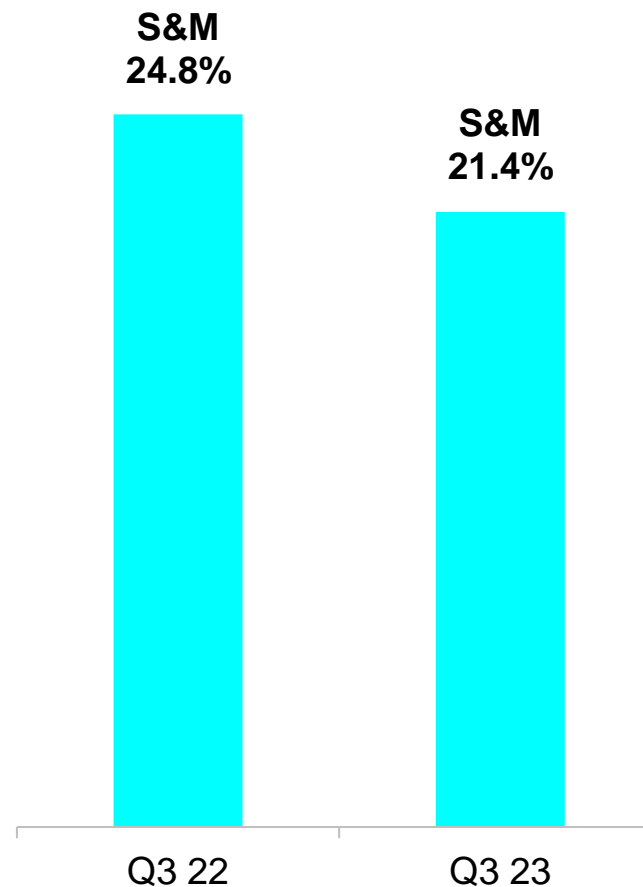


# Cost Ratios Q3 2023 (Non-GAAP)

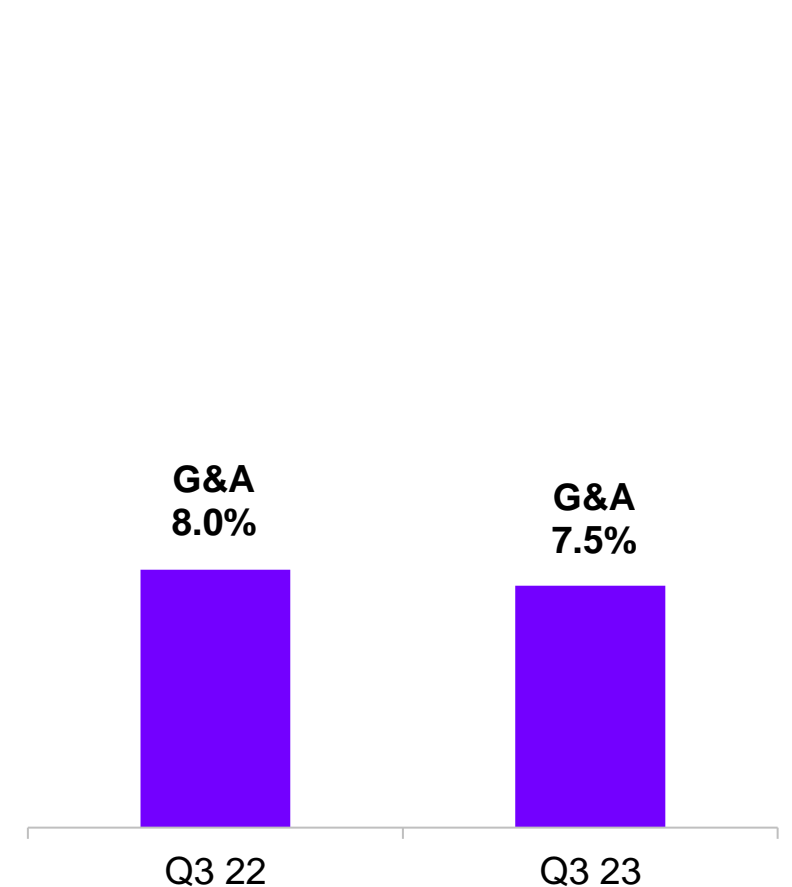
## R&D as % of revenue



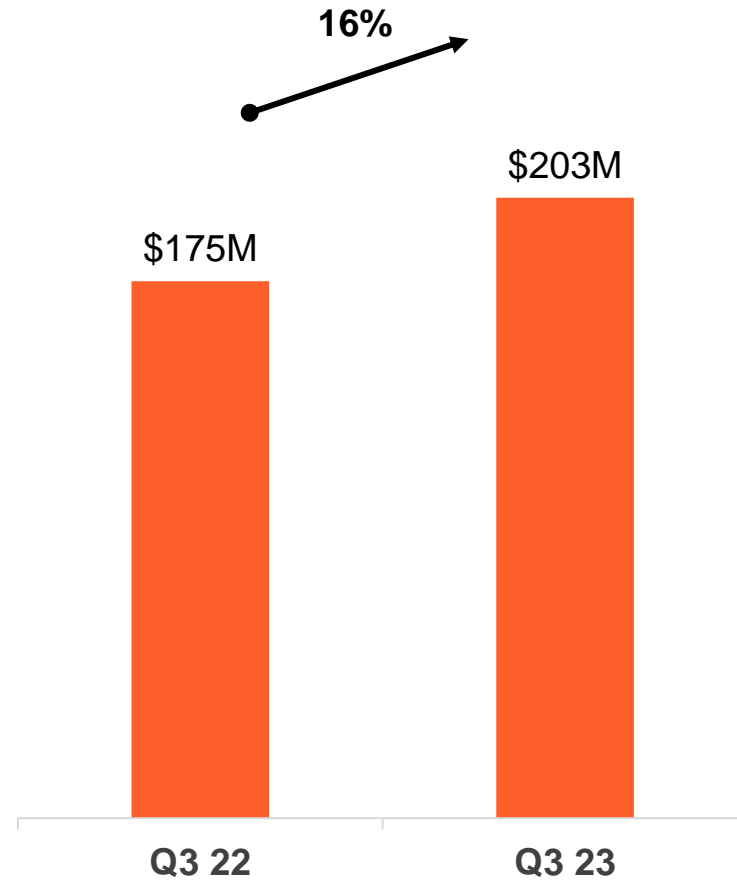
## S&M as % of revenue

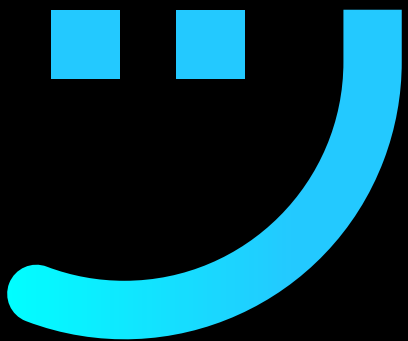


## G&A as % of revenue



# EBITDA Q3 2023 (Non-GAAP)





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# Condensed Consolidated Balance Sheet

USD in thousands

	September 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
	Unaudited	Audited		Unaudited	Audited
<b>ASSETS</b>			<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>		
Cash and cash equivalents	\$ 713,090	\$ 529,596	Trade payables	\$ 56,998	\$ 56,019
Short-term investments	938,500	1,041,943	Deferred revenues and advances from customers	304,968	338,930
Trade receivables	537,951	518,517	Current maturities of operating leases	12,569	13,525
Debt hedge option	93,505	122,323	Debt	181,131	209,292
Prepaid expenses and other current assets	205,564	204,754	Accrued expenses and other liabilities	460,910	523,451
Total current assets	<u>2,488,610</u>	<u>2,417,133</u>	Total current liabilities	<u>1,016,576</u>	<u>1,141,217</u>
<b>LONG-TERM ASSETS:</b>			<b>LONG-TERM LIABILITIES:</b>		
Property and equipment, net	170,619	159,285	Deferred revenues and advances from customers	51,502	57,211
Deferred tax assets	145,404	116,889	Operating leases	92,270	99,262
Other intangible assets, net	150,708	209,605	Deferred tax liabilities	8,760	7,336
Operating lease right-of-use assets	97,814	102,893	Debt	456,652	455,382
Goodwill	1,627,186	1,617,118	Other long-term liabilities	38,535	38,588
Prepaid expenses and other long-term assets	215,650	231,496	Total long-term liabilities	<u>647,719</u>	<u>657,779</u>
Total long-term assets	<u>2,407,381</u>	<u>2,437,286</u>	<b>SHAREHOLDERS' EQUITY</b>		
<b>TOTAL ASSETS</b>	<u><u>\$ 4,895,991</u></u>	<u><u>\$ 4,854,419</u></u>	Nice Ltd's equity	3,218,880	3,042,085
			Non-controlling interests	12,816	13,338
			Total shareholders' equity	<u>3,231,696</u>	<u>3,055,423</u>
			<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>\$ 4,895,991</u></u>	<u><u>\$ 4,854,419</u></u>





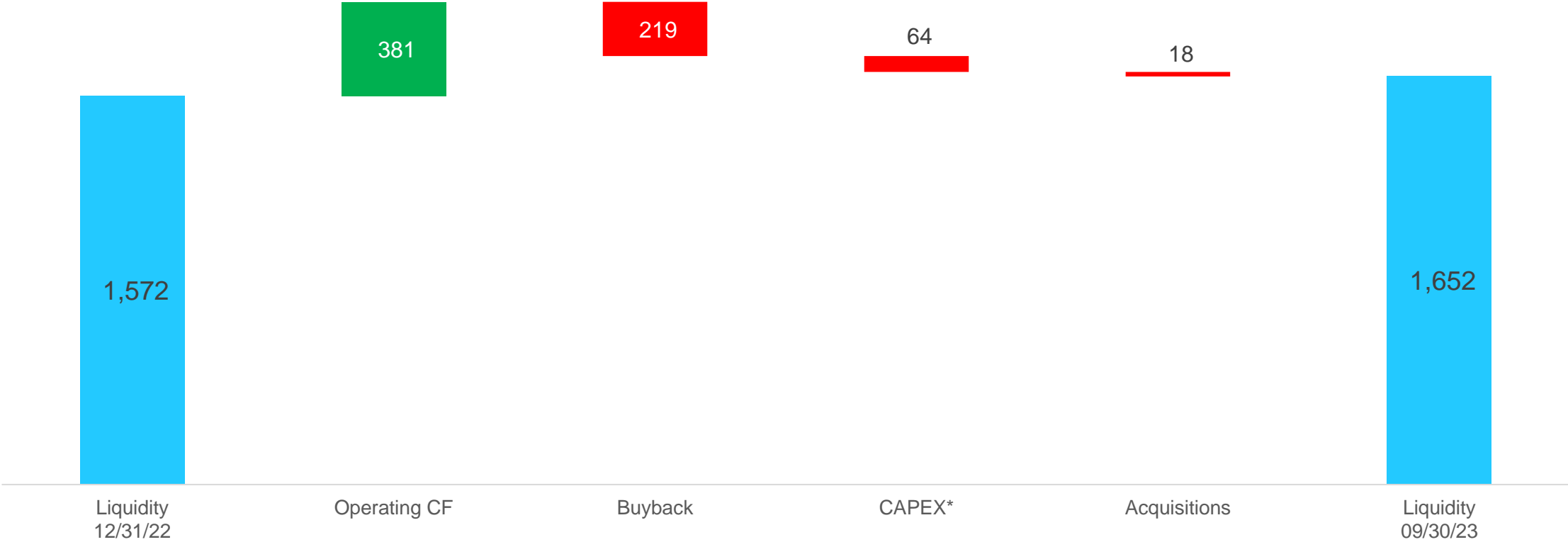
# Cash Flow From Operations and Free Cash Flow

<b>\$M</b>	<b>Q3 23</b>	<b>Q3 22</b>
Cash flow from operations	120.6	94.3
Capital expenditure of property and equipment	(5.5)	(6.1)
Capitalization of software development	(12.5)	(13.4)
<b>Free cash flow</b>	<b>102.6</b>	<b>74.8</b>
Free cash flow margin	17%	13%
Cash conversion rate *	0.7	0.6

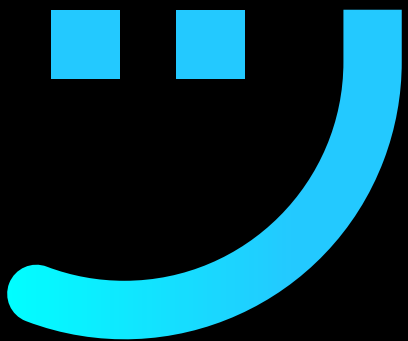
\* Cash Conversion Rate = (Free Cash Flow/ Non-GAAP Net Income)

# Cash and Investments (USD in Millions)

September 30, 2023



\*CAPEX movement includes R&D capitalization



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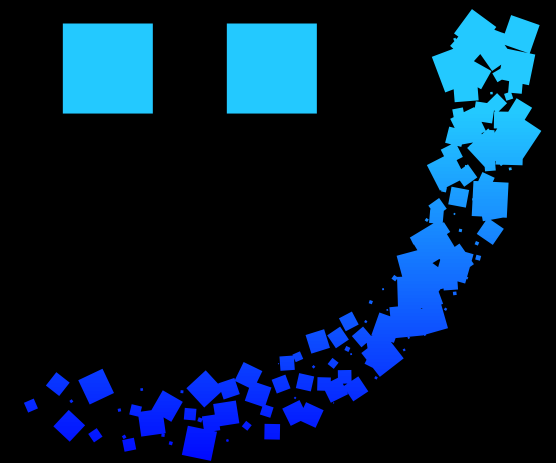
Outlook

# Outlook\* (Non-GAAP)

	<b>FY 2023</b>	
Revenue (\$M)	2,359 – 2,379	
EPS (\$)	8.58 – 8.78	

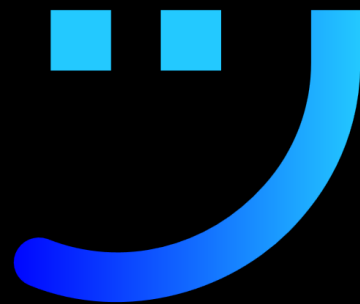
\*The outlook is provided as of November 16, 2023. There is no guarantee that the Company will change or update these figures in this presentation should a need arise in the future to update the outlook. This is in addition to the forward-looking statements disclaimer at the beginning of the presentation.

Make experiences *flow*



Thank You

NICE



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