

NICE LTD. AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP RESULTS

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

	Quarter ended December 31,		Year to date December 31,	
	2022	2021	2022	2021
GAAP revenues	\$ 568,560	\$ 515,473	\$ 2,181,294	\$ 1,921,150
Valuation adjustment on acquired deferred cloud revenue	-	-	-	4,372
Valuation adjustment on acquired deferred services revenue	-	-	-	175
Non-GAAP revenues	<u>\$ 568,560</u>	<u>\$ 515,473</u>	<u>\$ 2,181,294</u>	<u>\$ 1,925,697</u>
GAAP cost of revenue	\$ 180,980	\$ 165,245	\$ 683,688	\$ 624,456
Amortization of acquired intangible assets on cost of cloud	(18,940)	(18,796)	(74,791)	(72,015)
Amortization of acquired intangible assets on cost of services	-	(669)	(377)	(4,228)
Amortization of acquired intangible assets on cost of product	(241)	(277)	(1,017)	(1,130)
Valuation adjustment on acquired deferred cost of cloud	13	21	54	97
Cost of cloud revenue adjustment (1)	(2,451)	(2,661)	(8,840)	(7,949)
Cost of services revenue adjustment (1)	(3,233)	(3,597)	(11,497)	(10,513)
Cost of product revenue adjustment (1)	(147)	(185)	(548)	(595)
Non-GAAP cost of revenue	<u>\$ 155,981</u>	<u>\$ 139,081</u>	<u>\$ 586,672</u>	<u>\$ 528,123</u>
GAAP gross profit	\$ 387,580	\$ 350,228	\$ 1,497,606	\$ 1,296,694
Gross profit adjustments	24,999	26,164	97,016	100,880
Non-GAAP gross profit	<u>\$ 412,579</u>	<u>\$ 376,392</u>	<u>\$ 1,594,622</u>	<u>\$ 1,397,574</u>
GAAP operating expenses	\$ 299,756	\$ 285,161	\$ 1,162,433	\$ 1,032,785
Research and development (1)	(9,736)	(9,980)	(33,561)	(25,221)
Sales and marketing (1)	(13,993)	(14,495)	(57,114)	(42,021)
General and administrative (1)	(20,549)	(19,403)	(73,540)	(70,776)
Amortization of acquired intangible assets	(5,748)	(10,538)	(28,901)	(41,308)
Valuation adjustment on acquired deferred commission	43	54	196	215
Non-GAAP operating expenses	<u>\$ 249,773</u>	<u>\$ 230,799</u>	<u>\$ 969,513</u>	<u>\$ 853,674</u>
GAAP financial and other expense (income), net	\$ (9,127)	\$ 7,696	\$ (10,159)	\$ 23,290
Amortization of discount on debt and loss from extinguishment of debt	(1,151)	(8,874)	(5,788)	(28,279)
Non-GAAP financial and other income, net	<u>\$ (10,278)</u>	<u>\$ (1,178)</u>	<u>\$ (15,947)</u>	<u>\$ (4,989)</u>
GAAP taxes on income	\$ 25,765	\$ 6,210	\$ 79,387	\$ 41,396
Tax adjustments re non-GAAP adjustments	12,037	23,898	54,897	71,157
Non-GAAP taxes on income	<u>\$ 37,802</u>	<u>\$ 30,108</u>	<u>\$ 134,284</u>	<u>\$ 112,553</u>
GAAP net income	\$ 71,186	\$ 51,161	\$ 265,945	\$ 199,223
Valuation adjustment on acquired deferred revenue	-	-	-	4,547
Valuation adjustment on acquired deferred cost of cloud revenue	(13)	(21)	(54)	(97)
Amortization of acquired intangible assets	24,929	30,280	105,086	118,681
Valuation adjustment on acquired deferred commission	(43)	(54)	(196)	(215)
Share-based compensation (1)	50,061	50,321	185,052	154,213
Acquisition related expenses (2)	48	-	48	2,862
Amortization of discount on debt and loss from extinguishment of debt	1,151	8,874	5,788	28,279
Tax adjustments re non-GAAP adjustments	(12,037)	(23,898)	(54,897)	(71,157)
Non-GAAP net income	<u>\$ 135,282</u>	<u>\$ 116,663</u>	<u>\$ 506,772</u>	<u>\$ 436,336</u>
GAAP diluted earnings per share	<u>\$ 1.07</u>	<u>\$ 0.76</u>	<u>\$ 4.00</u>	<u>\$ 2.98</u>
Non-GAAP diluted earnings per share	<u>\$ 2.04</u>	<u>\$ 1.73</u>	<u>\$ 7.62</u>	<u>\$ 6.52</u>
Shares used in computing GAAP diluted earnings per share	66,285	67,245	66,465	66,896
Shares used in computing non-GAAP diluted earnings per share	66,285	67,245	66,465	66,896

NICE LTD. AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP RESULTS (continued)

U.S. dollars in thousands

(1) Share-based Compensation

	Quarter ended December 31,		Year to date December 31,	
	2022	2021	2022	2021
Cost of cloud revenue	\$ 2,451	\$ 2,661	\$ 8,840	\$ 7,949
Cost of services revenue	3,233	3,597	11,497	10,513
Cost of product revenue	147	185	548	595
Research and development	9,736	9,980	33,561	25,221
Sales and marketing	13,993	14,495	57,114	42,021
General and administrative	20,501	19,403	73,492	67,914
	<u>\$ 50,061</u>	<u>\$ 50,321</u>	<u>\$ 185,052</u>	<u>\$ 154,213</u>

(2) Acquisition related expenses

	Quarter ended December 31,		Year to date December 31,	
	2022	2021	2022	2021
Research and development	-	-	-	-
Sales and marketing	-	-	-	-
General and administrative	48	-	48	2,862
	<u>48</u>	<u>-</u>	<u>48</u>	<u>2,862</u>