



# 2020 FOURTH QUARTER AND FULL YEAR RESULTS

Ended December 31, 2020

# Forward Looking Statements Disclaimer

This press release 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 and various other factors and uncertainties discussed in our filings with the U.S. Securities and Exchange Commission (the “SEC”). In addition, COVID-19 is contributing to a general slowdown in the global economy. At this time, the extent and duration of the continued impact of the pandemic is unknown, and therefore we cannot predict how it may affect the Company’s future business, results of operations, financial condition and strategic plans. Furthermore, due to our subscription based business model, the effect of COVID-19 may not be fully reflected in our results of operations until future periods, if at all. 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 the tax effect of the Non-GAAP adjustments. Business combination accounting rules require 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 should be based on its fair value at the date of acquisition. The 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.

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# agenda

## Q4 and Full Year 2020 Highlights

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook

# Full Year 2020 Highlights\*

Record revenue for FY; \$1,657M, an increase of 5%

FY cloud revenue increased 31%; to \$786M compared to \$599M last year

FY cloud gross margin increased 380 bps to 65.6%; compared to 61.8% last year

FY recurring revenue increased to 79% of total revenue; compared to 72% last year

FY cloud revenue represented 47% of total revenue; compared to 38% last year

FY operating margin increased to 28.4%; compared to 27.5% last year

FY EPS increased 8%; to \$5.73 compared to \$5.31 last year

FY cash flow from operations; increased to a record of \$480M compared to \$374M last year

\* All numbers presented are Non-GAAP

# agenda

Q4 and Full Year 2020 Highlights

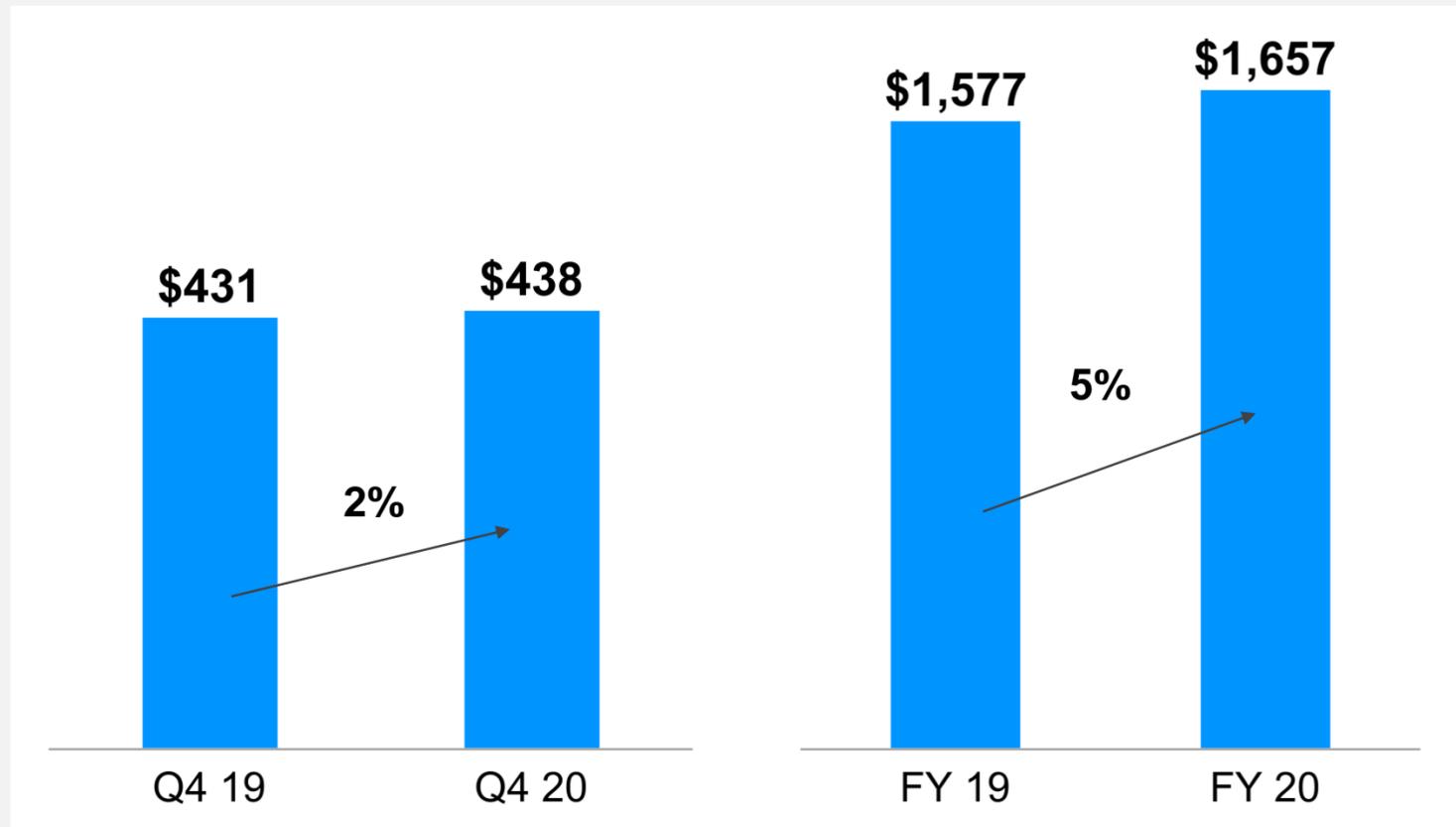
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Balance Sheet and Cash Flow Analysis

Outlook

# Solid Growth and Execution

## REVENUES (Non-GAAP, \$M)



- Record revenue in Q4 and FY 2020
- Cloud revenue increased 33% and 31% in Q4 and FY 2020, respectively
- Cloud revenue represented 51% of total revenue in Q4 and 47% in FY 2020, compared to 39% and 38% in Q4 and FY 2019, respectively
- Recurring revenue accounted for 79% of total revenue for FY 2020, compared to 72% for FY 2019

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



- Record EPS for Q4 and FY 2020
- Solid growth in FY 20 EPS due to expanded operating margins combined with strong expense management

# 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 December 31,		Year ended December 31,	
	2020	2019	2020	2019
GAAP revenues	\$ 434,581	\$ 430,208	\$ 1,648,016	\$ 1,573,912
Valuation adjustment on acquired deferred product revenue	-	-	-	15
Valuation adjustment on acquired deferred services revenue	149	-	230	5
Valuation adjustment on acquired deferred cloud revenue	3,679	842	8,866	3,534
Non-GAAP revenues	<u>\$ 438,409</u>	<u>\$ 431,050</u>	<u>\$ 1,657,112</u>	<u>\$ 1,577,466</u>
GAAP cost of revenue	\$ 146,055	\$ 137,282	\$ 561,952	\$ 531,768
Amortization of acquired intangible assets on cost of product	(1,073)	(1,134)	(4,467)	(4,106)
Amortization of acquired intangible assets on cost of services	(1,225)	(1,522)	(4,566)	(6,126)
Amortization of acquired intangible assets on cost of cloud	(18,012)	(15,323)	(66,434)	(60,441)
Valuation adjustment on acquired deferred cost of cloud	194	532	931	2,425
Cost of product revenue adjustment (1)	(131)	131	(336)	(173)
Cost of services revenue adjustment (1)	(2,593)	(1,941)	(7,550)	(8,192)
Cost of cloud revenue adjustment (1)	(1,457)	(813)	(4,058)	(2,955)
Non-GAAP cost of revenue	<u>\$ 121,758</u>	<u>\$ 117,212</u>	<u>\$ 475,472</u>	<u>\$ 452,200</u>
GAAP gross profit	\$ 288,526	\$ 292,926	\$ 1,086,064	\$ 1,042,144
Gross profit adjustments	28,125	20,912	95,576	83,122
Non-GAAP gross profit	<u>\$ 316,651</u>	<u>\$ 313,838</u>	<u>\$ 1,181,640</u>	<u>\$ 1,125,266</u>
GAAP operating expenses	\$ 223,403	\$ 215,334	\$ 844,017	\$ 803,427
Research and development (1,2)	(4,324)	(2,896)	(11,877)	(8,078)
Sales and marketing (1,2)	(10,769)	(7,468)	(30,392)	(26,679)
General and administrative (1,2)	(13,775)	(11,327)	(52,014)	(35,705)
Amortization of acquired intangible assets	(9,719)	(10,107)	(38,670)	(42,383)
Valuation adjustment on acquired deferred commission	89	62	195	307
Non-GAAP operating expenses	<u>\$ 184,905</u>	<u>\$ 183,598</u>	<u>\$ 711,259</u>	<u>\$ 690,889</u>

# GAAP and Non-GAAP Income Statement

(USD in thousands except EPS)

GAAP financial and other expense, net	\$ 2,600	\$ 554	\$ 4,859	\$ 4,444
Amortization of discount on debt	(5,353)	(2,388)	(13,297)	(9,235)
Non-GAAP financial and other income, net	<u>\$ (2,753)</u>	<u>\$ (1,834)</u>	<u>\$ (8,438)</u>	<u>\$ (4,791)</u>
GAAP taxes on income	\$ 7,549	\$ 15,295	\$ 40,842	\$ 48,369
Tax adjustments re non-GAAP adjustments	20,056	14,142	59,757	47,400
Non-GAAP taxes on income	<u>\$ 27,605</u>	<u>\$ 29,437</u>	<u>\$ 100,599</u>	<u>\$ 95,769</u>
GAAP net income	\$ 54,974	\$ 61,743	\$ 196,346	\$ 185,904
Valuation adjustment on acquired deferred revenue	3,828	842	9,096	3,554
Valuation adjustment on acquired deferred cost of cloud revenue	(194)	(532)	(931)	(2,425)
Amortization of acquired intangible assets	30,029	28,086	114,137	113,056
Valuation adjustment on acquired deferred commission	(89)	(62)	(195)	(307)
Share-based compensation (1)	33,049	24,314	102,304	80,939
Acquisition related expenses (2)	-	-	3,923	843
Amortization of discount on long term debt	5,353	2,388	13,297	9,235
Tax adjustments re non-GAAP adjustments	(20,056)	(14,142)	(59,757)	(47,400)
Non-GAAP net income	<u>\$ 106,894</u>	<u>\$ 102,637</u>	<u>\$ 378,220</u>	<u>\$ 343,399</u>
GAAP diluted earnings per share	<u>\$ 0.83</u>	<u>\$ 0.95</u>	<u>\$ 2.98</u>	<u>\$ 2.88</u>
Non-GAAP diluted earnings per share	<u>\$ 1.61</u>	<u>\$ 1.58</u>	<u>\$ 5.73</u>	<u>\$ 5.31</u>
Shares used in computing GAAP diluted earnings per share	66,600	65,161	65,956	64,661
Shares used in computing non-GAAP diluted earnings per share	66,600	65,161	65,956	64,661

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

(USD in thousands)

## (1) Share-based Compensation

	Quarter ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Cost of product revenue	\$ 131	\$ (131)	\$ 336	\$ 173
Cost of services revenue	2,593	1,941	7,550	8,192
Cost of cloud revenue	1,457	813	4,058	2,955
Research and development	4,324	2,896	11,877	8,073
Sales and marketing	10,769	7,468	30,262	26,649
General and administrative	13,775	11,327	48,221	34,897
	<u>\$ 33,049</u>	<u>\$ 24,314</u>	<u>\$ 102,304</u>	<u>\$ 80,939</u>

## (2) Acquisition related expenses

	Quarter ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Research and development	\$ -	\$ -	\$ -	\$ 5
Sales and marketing	-	-	130	30
General and administrative	-	-	3,793	808
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,923</u>	<u>\$ 843</u>

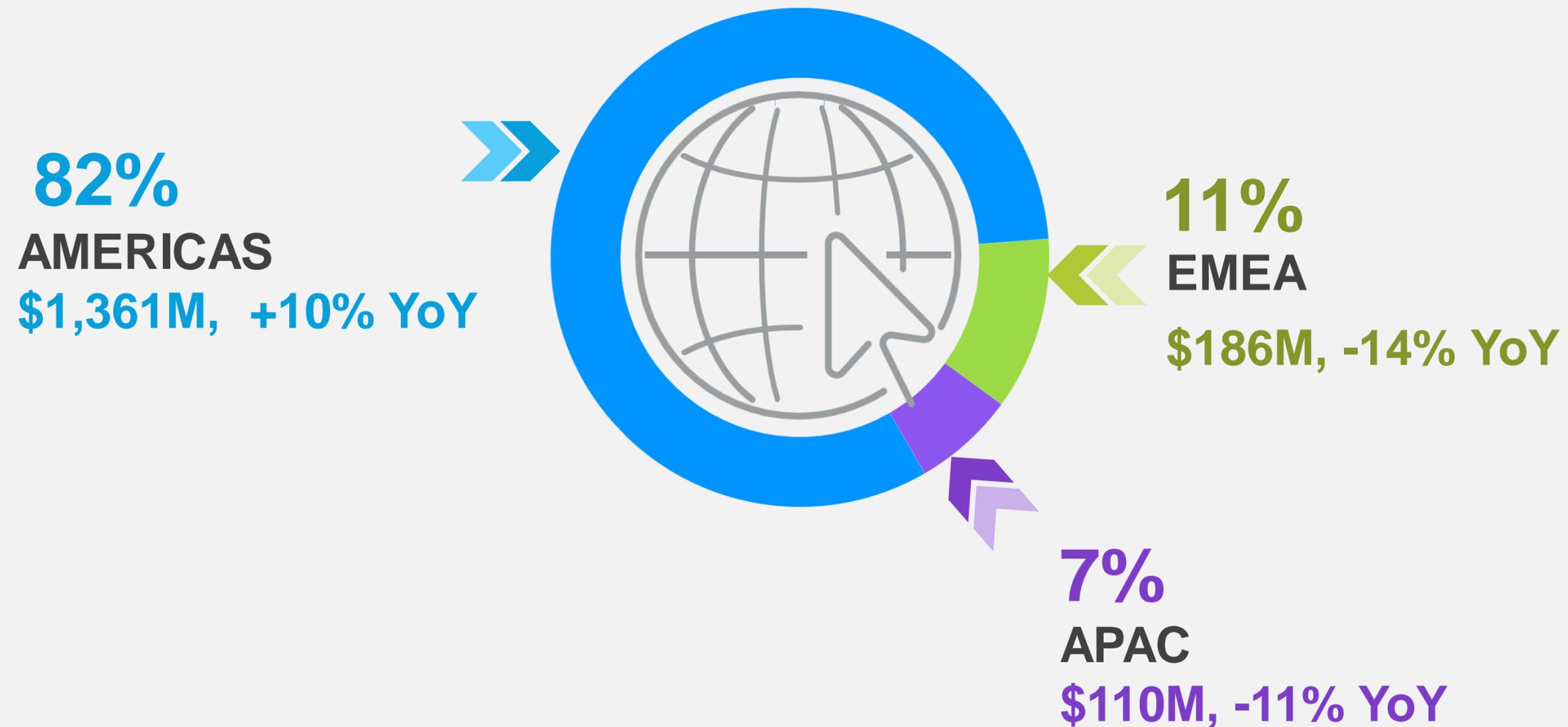
# Q4 2020

## Revenue Breakdown by Region (Non-GAAP)



# Full Year 2020

## Revenue Breakdown by Region (Non-GAAP)



**Q4 2020**

# Revenue Breakdown by Business Unit (Non-GAAP)

**82%**  
**CUSTOMER ENGAGEMENT**  
**\$361M, +8% YoY**



**18%**  
**FINANCIAL CRIME & COMPLIANCE**  
**\$78M, -19% YoY**

# Full Year 2020

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

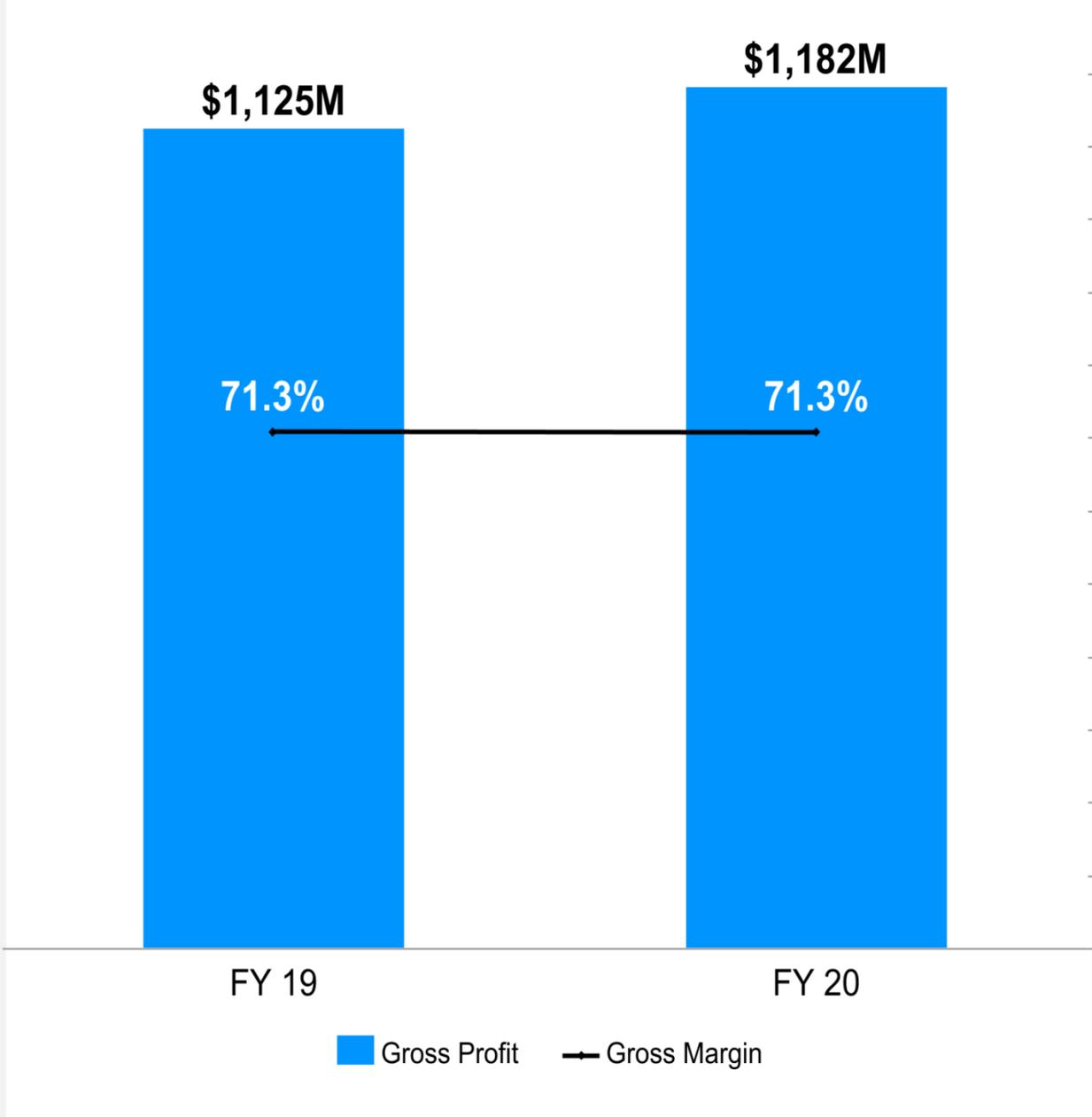
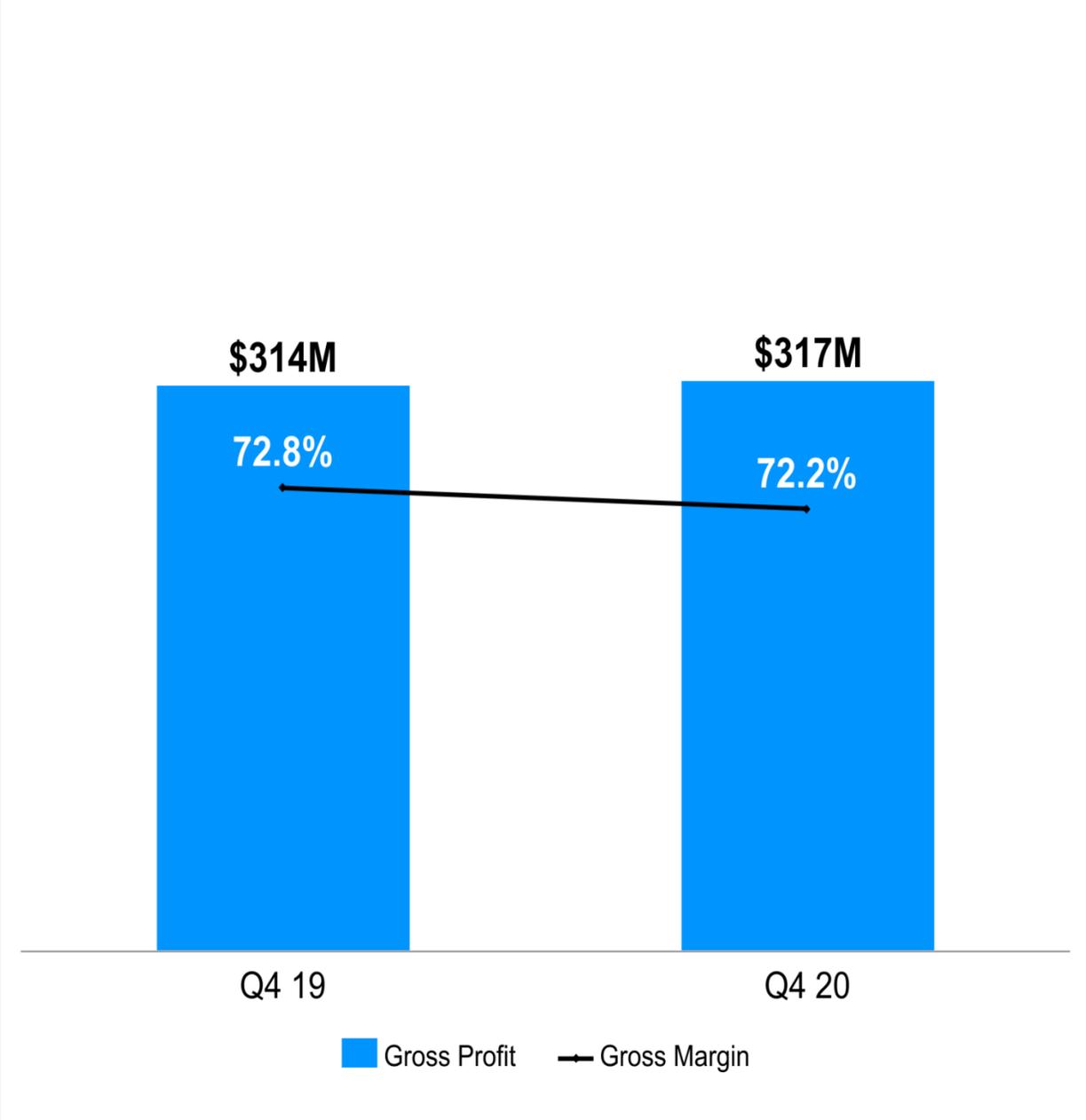
**81%**  
**CUSTOMER ENGAGEMENT**  
**\$1,349M, 6% YoY**



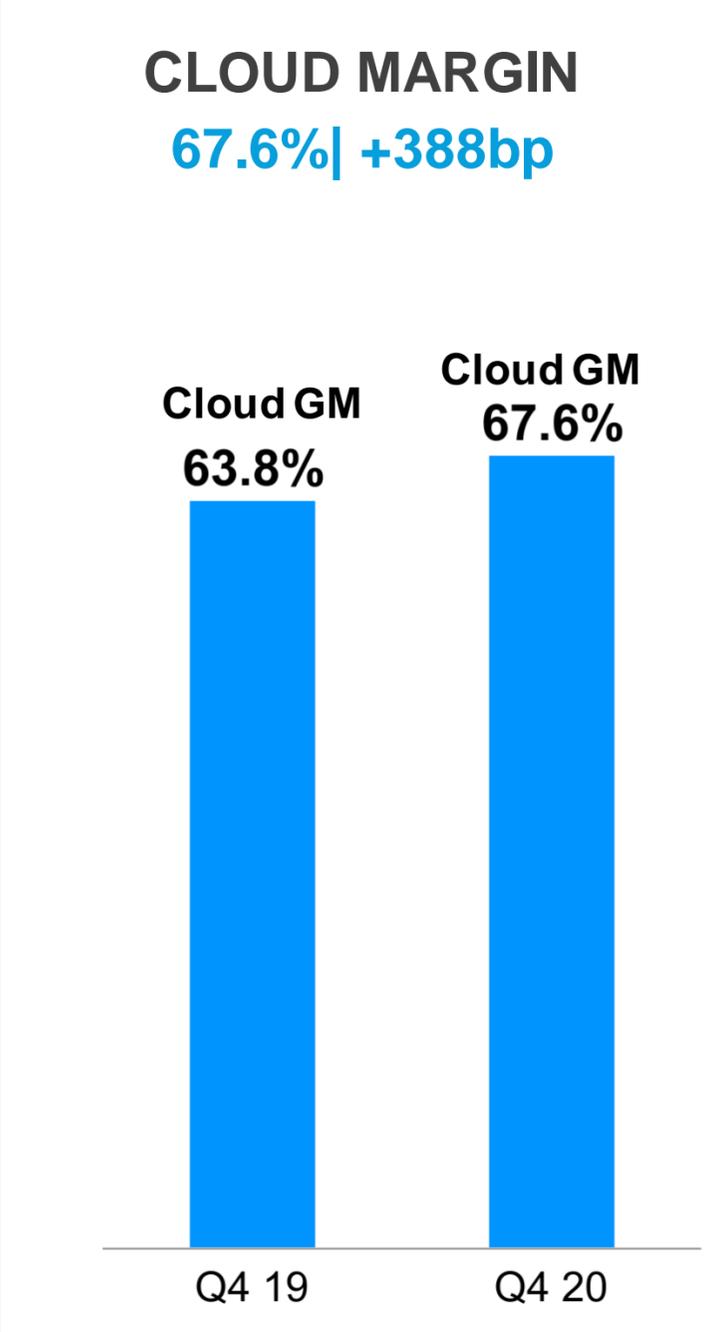
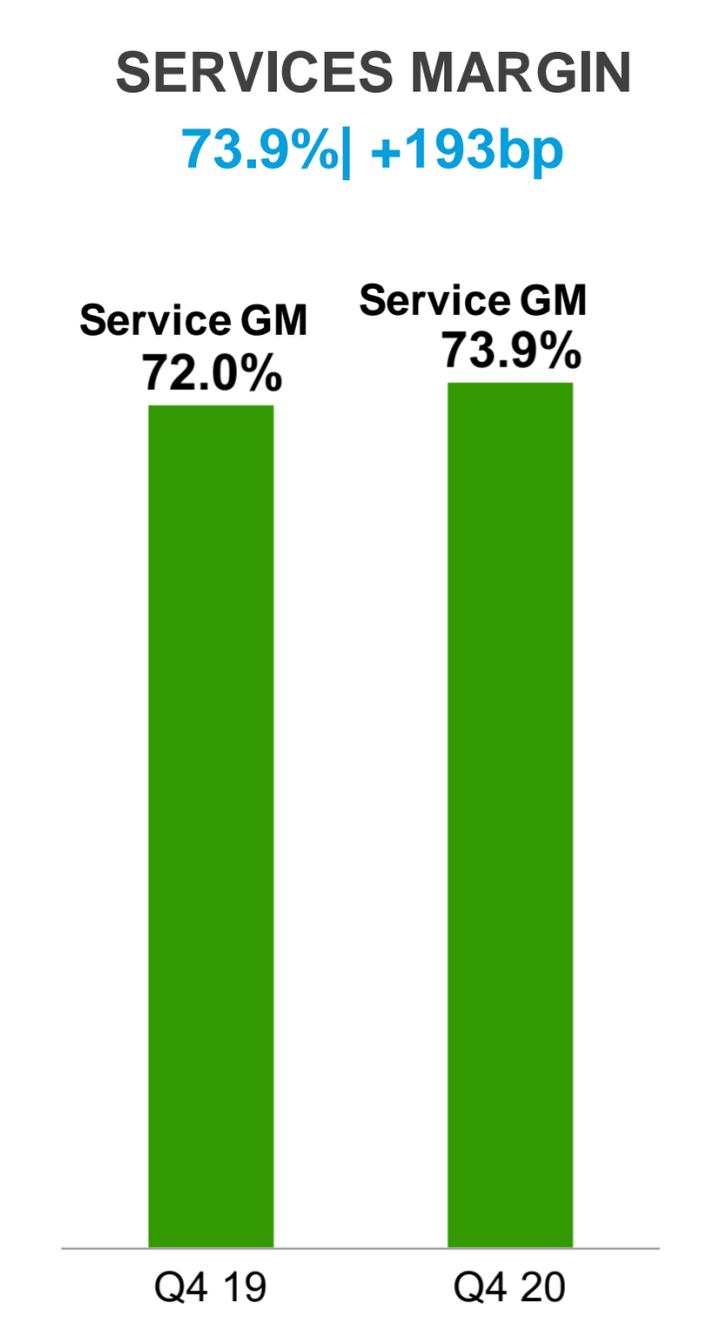
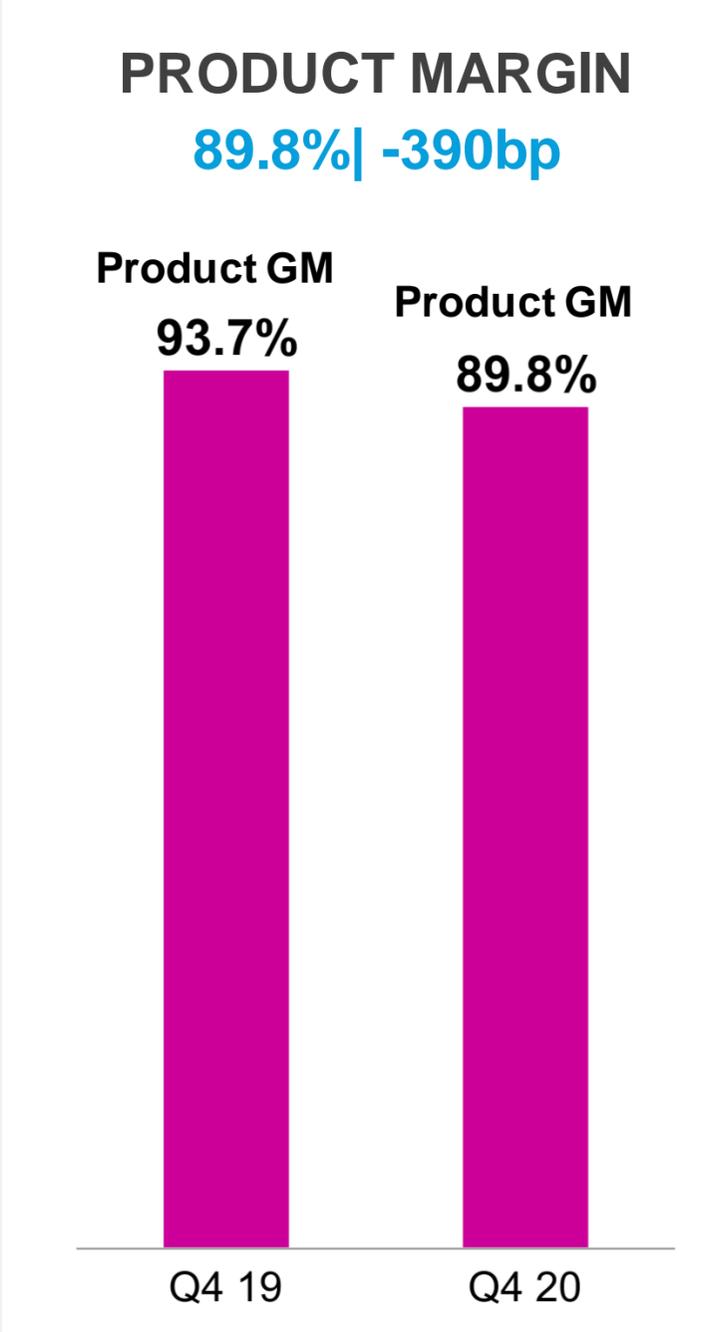
**19%**

**FINANCIAL CRIME &  
COMPLIANCE**  
**\$308M, 0% YoY**

# Gross Profit and Gross Margin Q4 and FY 2020 (Non-GAAP)

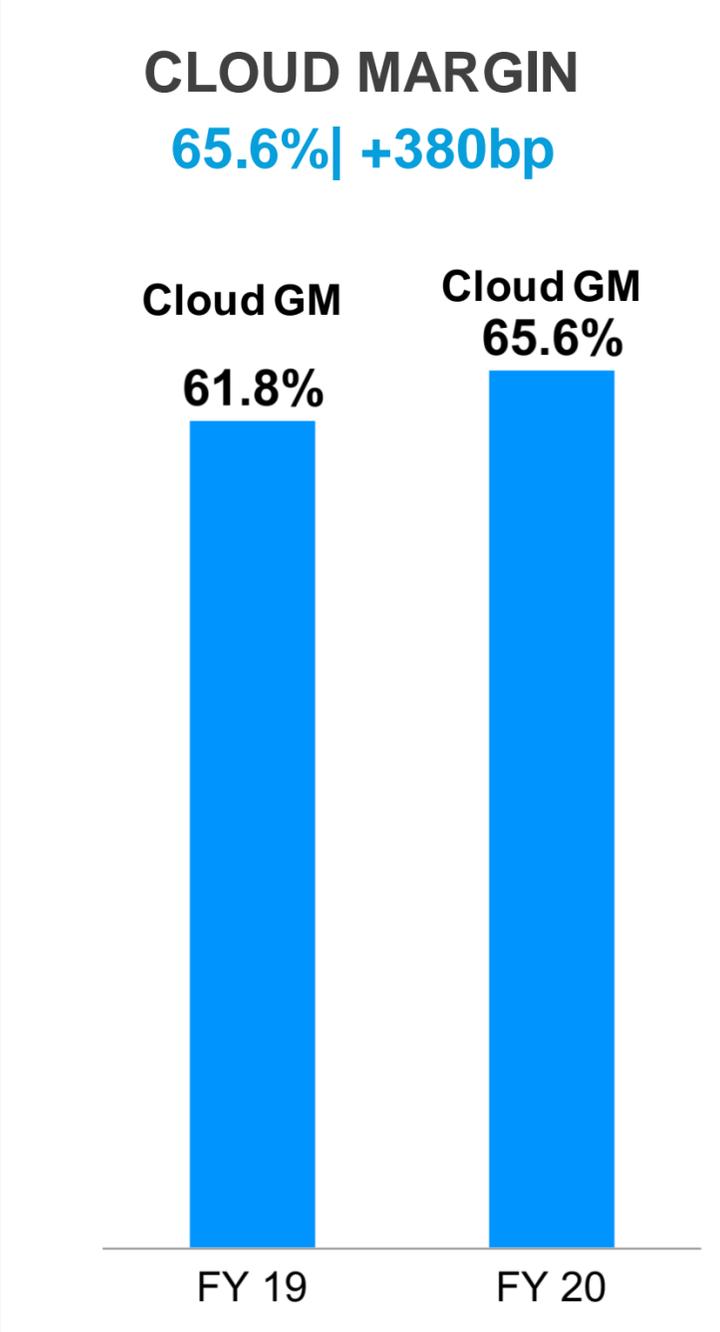
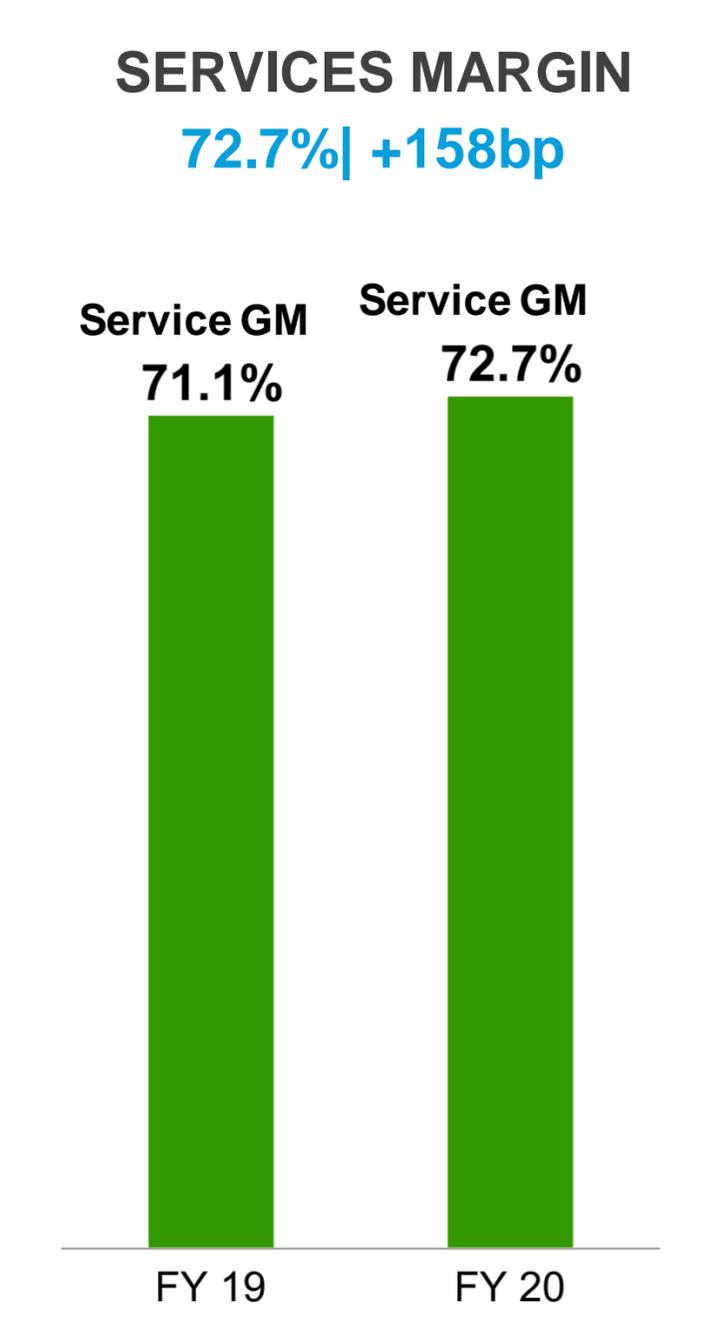
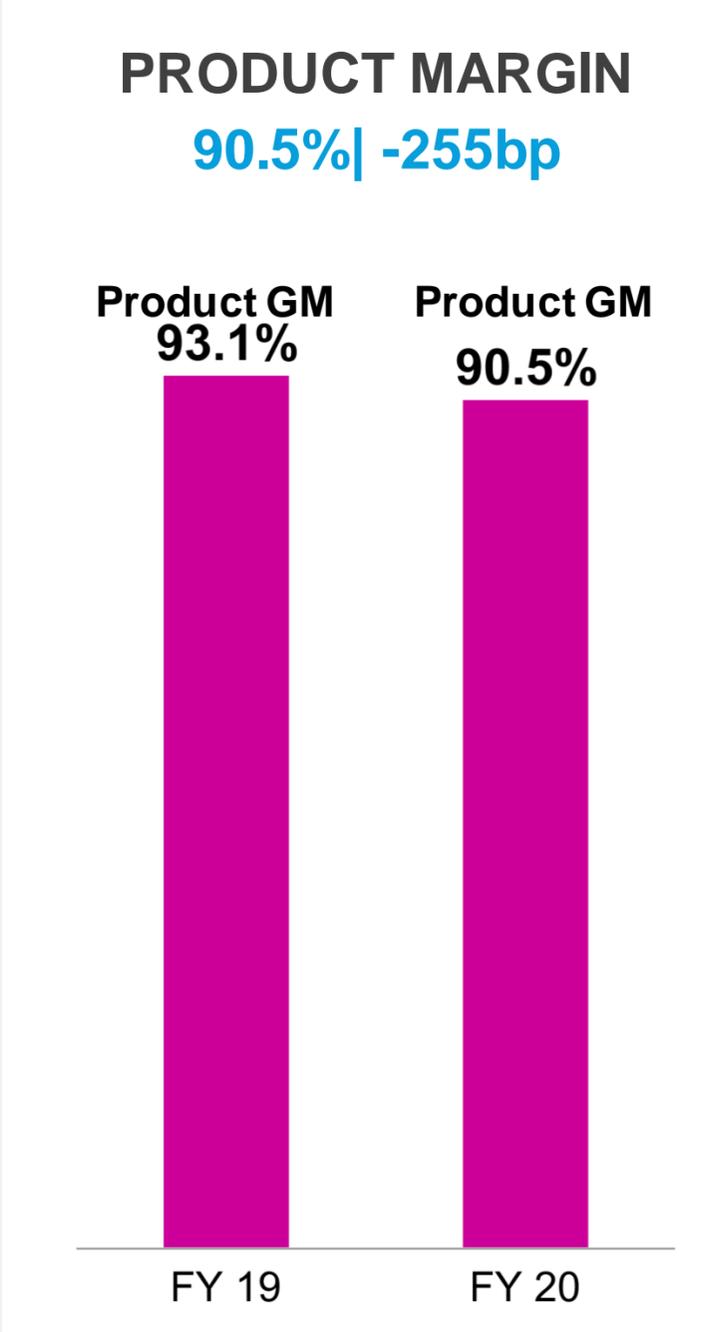


# Gross Margin Q4 2020 (Non-GAAP)



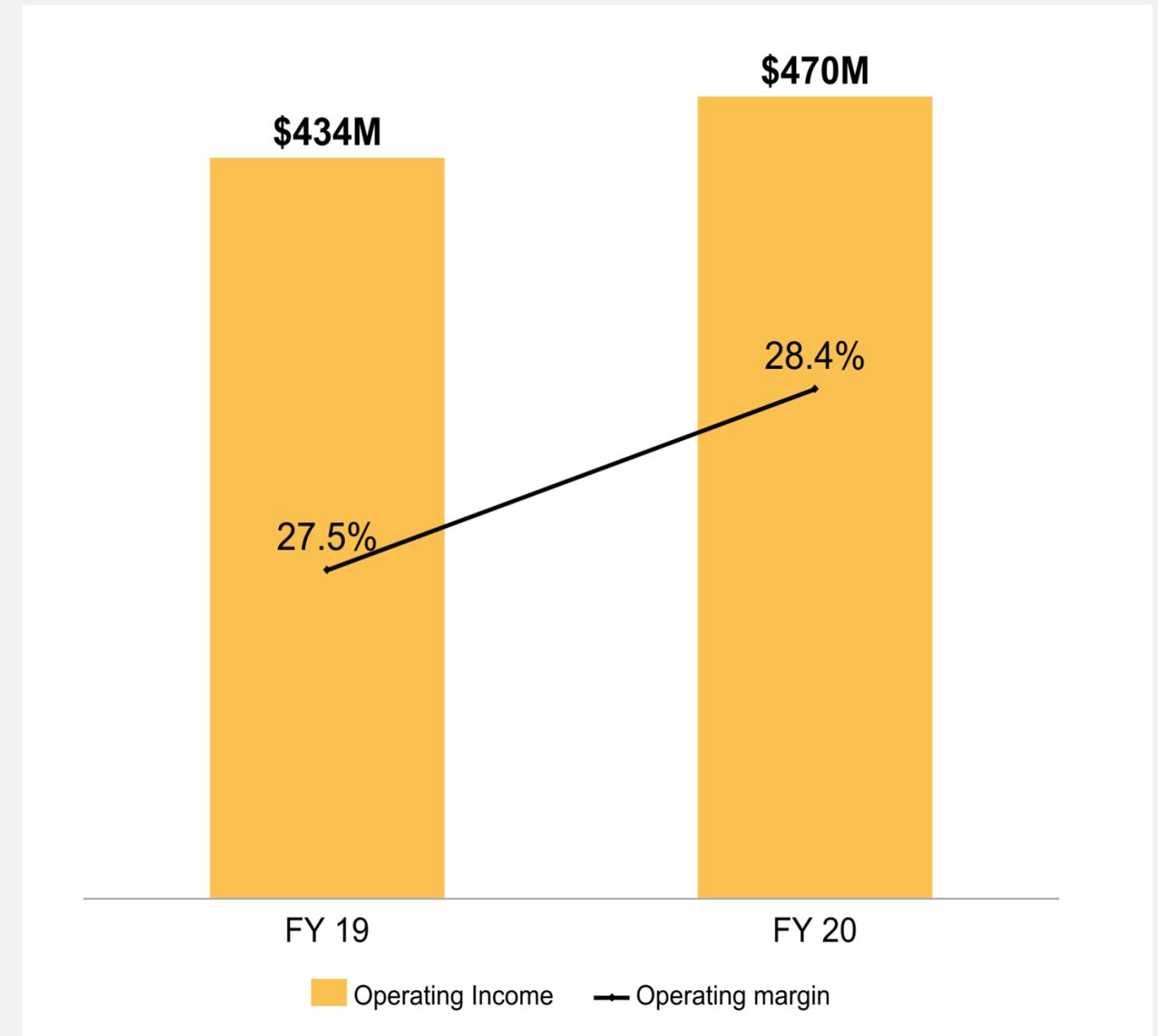
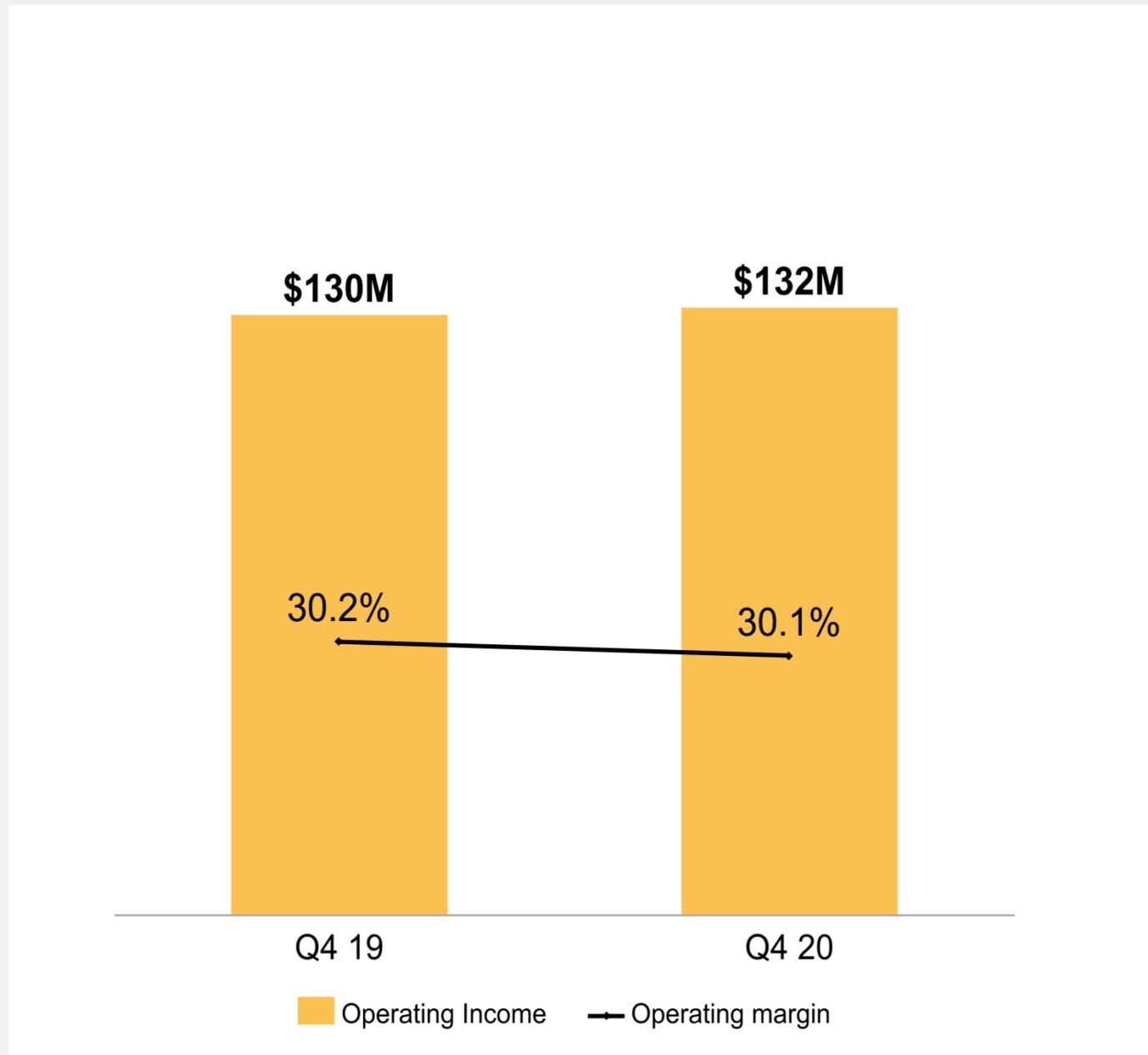
- Product gross margin declined due to different product mix
- Services gross margin increased as a result of continued efficiencies in the services organization
- Cloud gross margin increased as a result of increased scale in the cloud business

# Gross Margin Full Year 2020 (Non-GAAP)



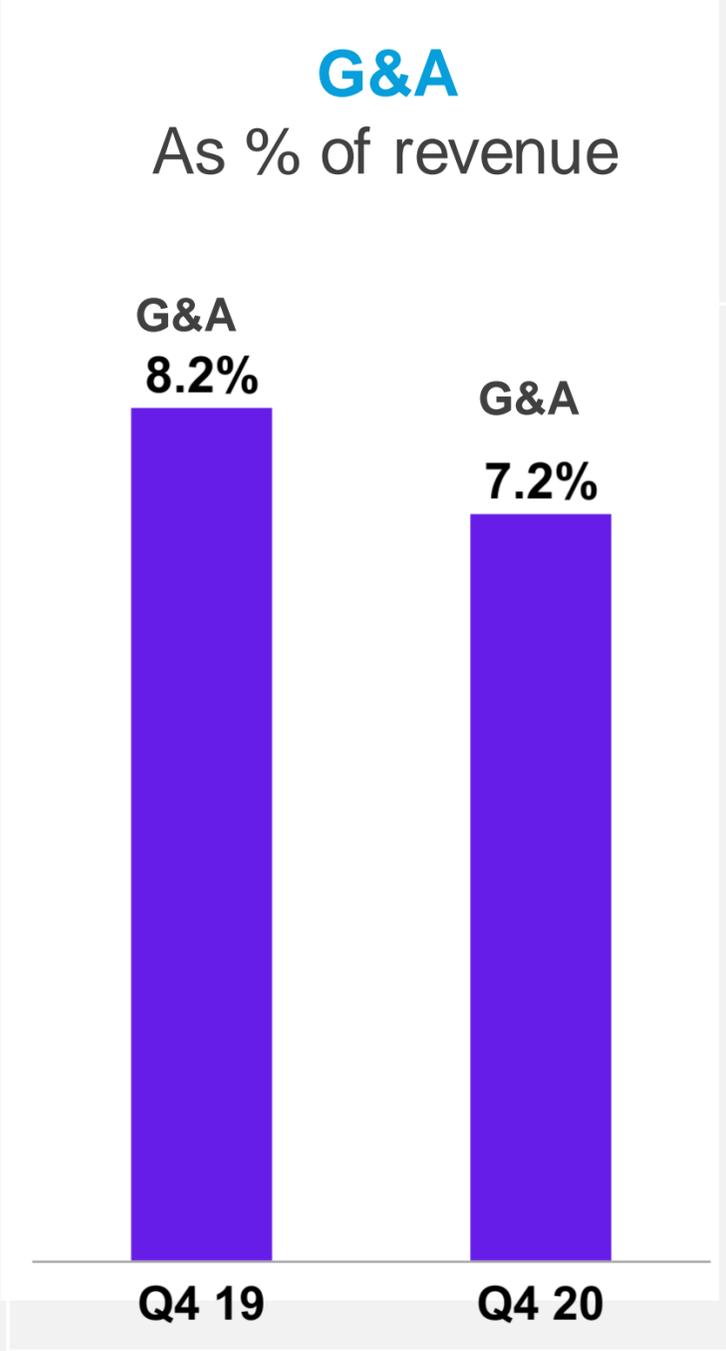
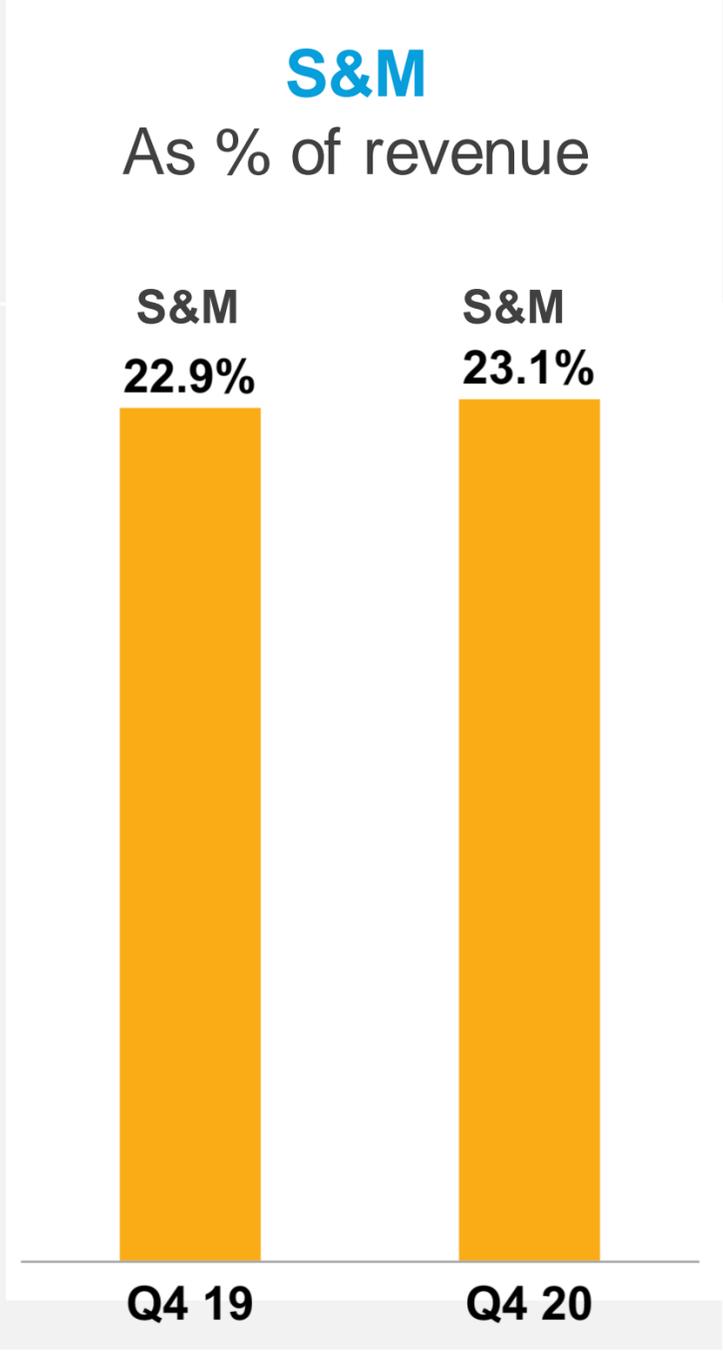
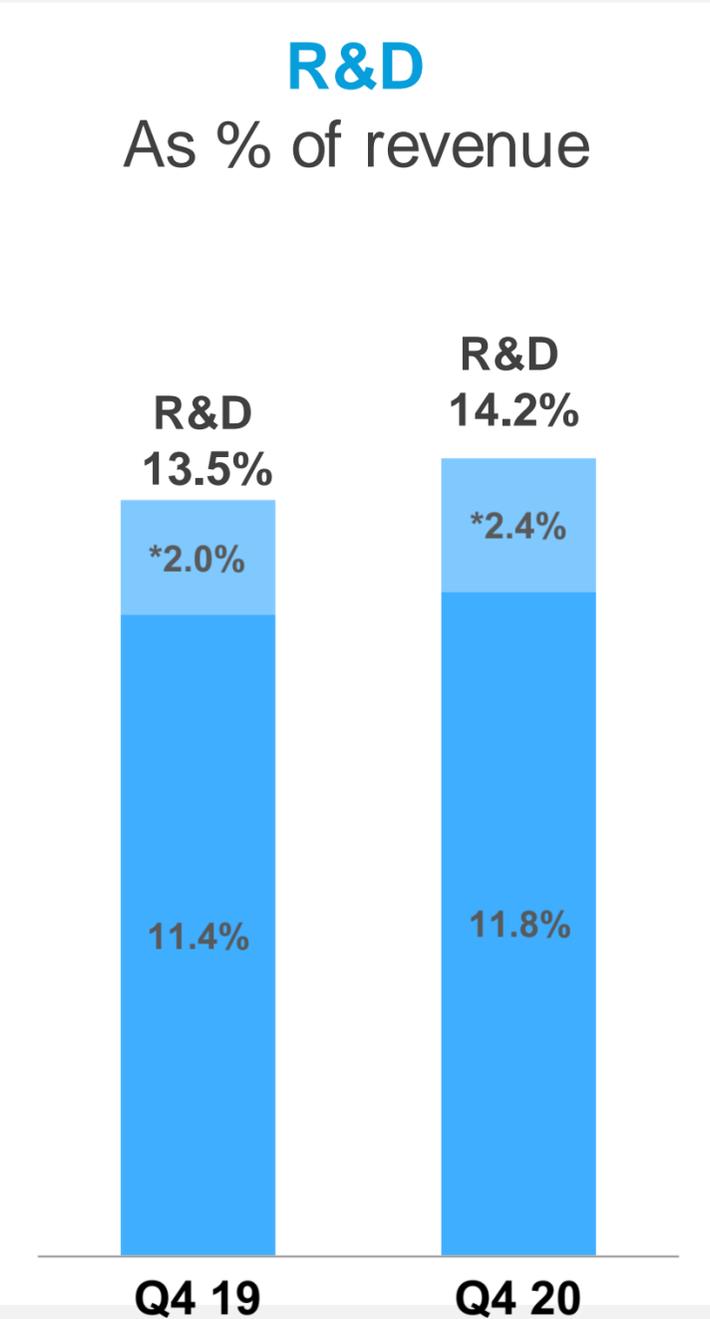
- Product gross margin declined due to different product mix
- Services gross margin increased as a result of continued efficiencies in the services organization
- Cloud gross margin increased as a result of increased scale in the cloud business

# Operating Income and Operating Margin Q4 and FY 2020 (Non-GAAP)



- Operating margin improved mainly as a result of cloud gross margin expansion and focus on expenses

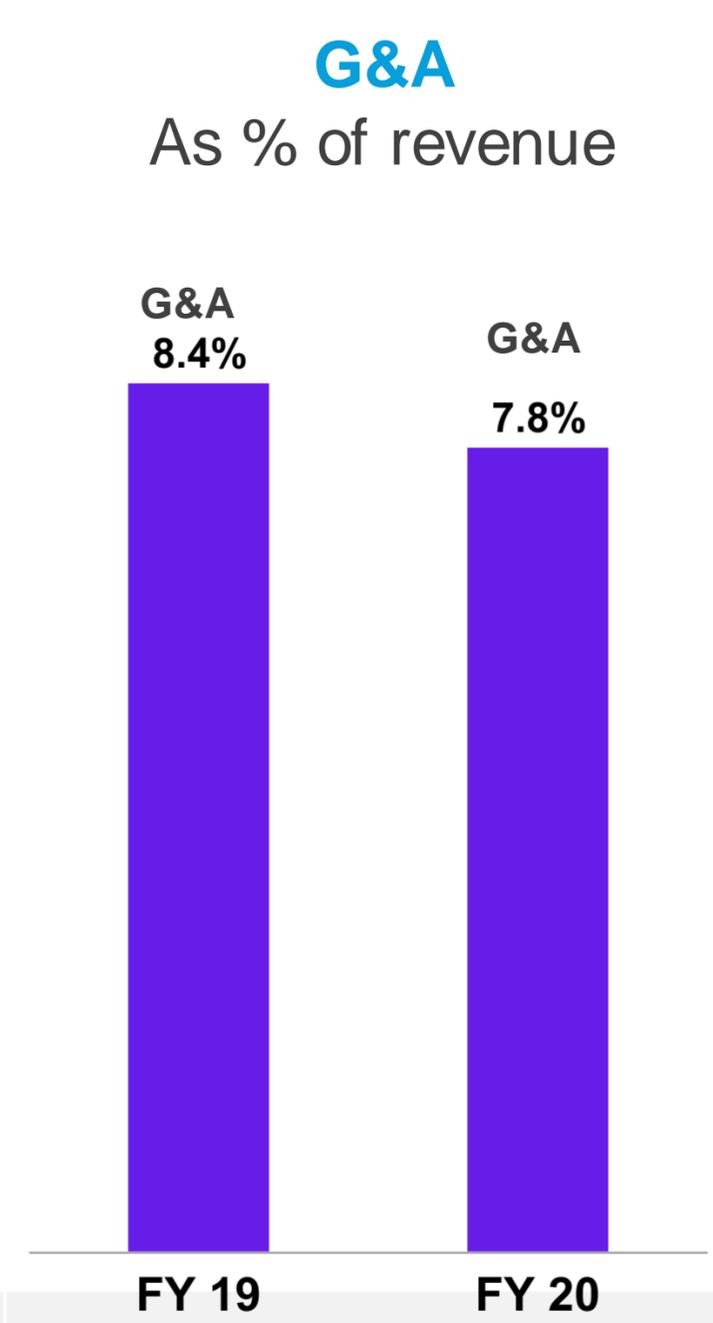
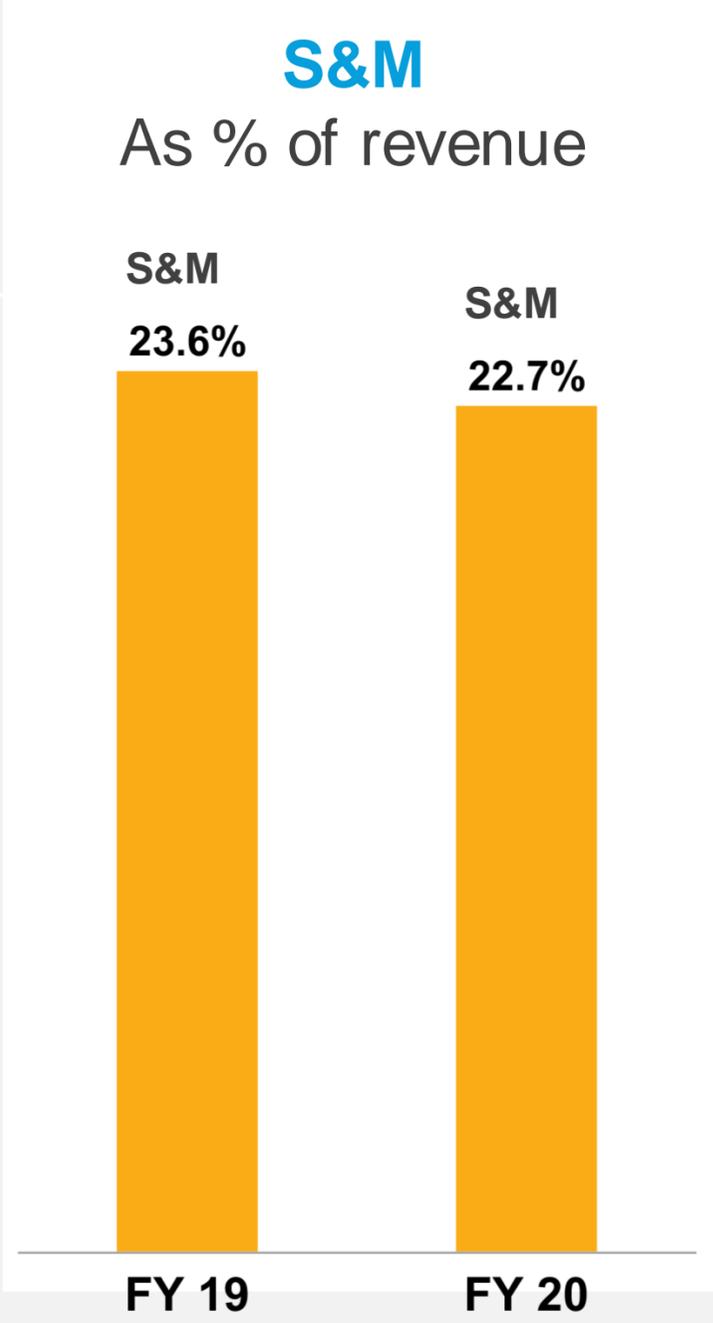
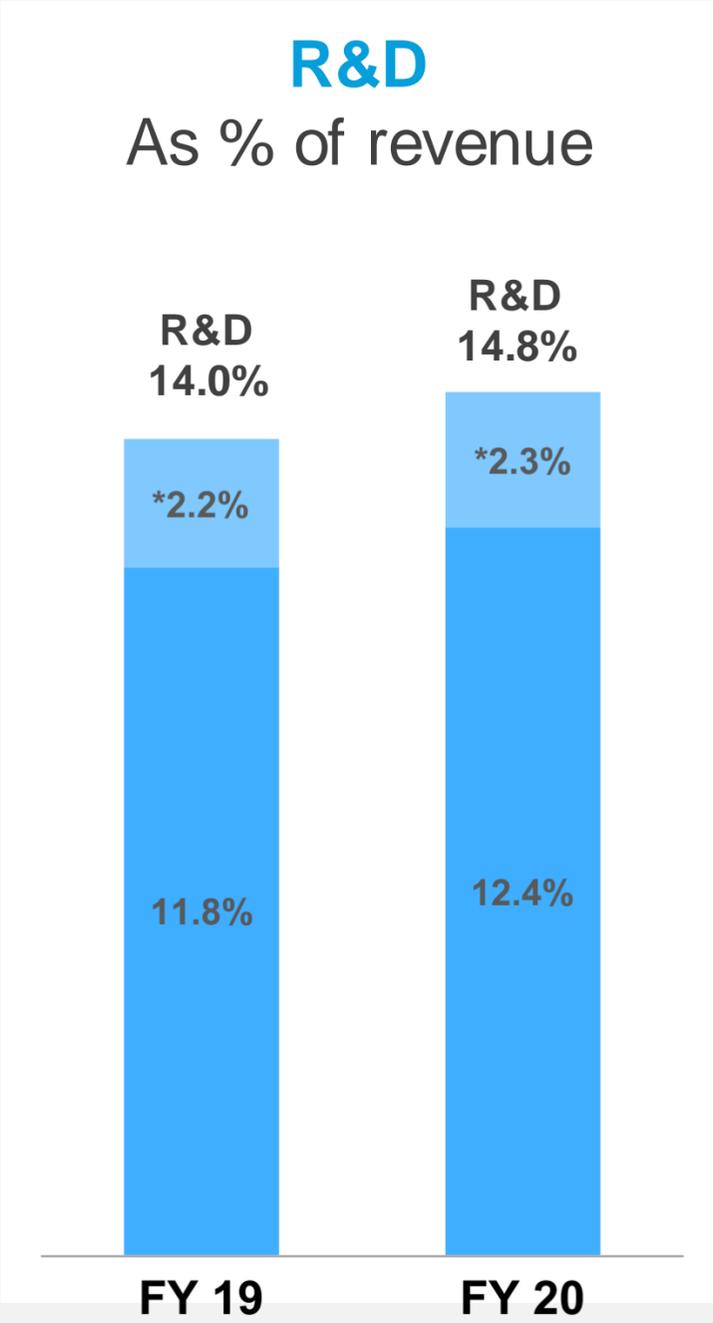
# Cost Ratios Q4 2020 (Non-GAAP)



- G&A decreased primarily due to reduced travel

\* R&D capitalization

# Cost Ratios Full Year 2020 (Non-GAAP)



- G&A decreased primarily due to reduced travel

\* R&D capitalization



Q4 and Full Year 2020 Highlights

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# Balance Sheet (USD in thousands)

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<u>Audited</u>	<u>Audited</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 442,267	\$ 228,323
Short-term investments	1,021,613	210,772
Trade receivables	303,100	319,622
Prepaid expenses and other current assets	175,340	116,972
	<u>1,942,320</u>	<u>875,689</u>
<b>LONG-TERM ASSETS:</b>		
Long-term investments	-	542,389
Property and equipment, net	137,785	141,647
Deferred tax assets	32,735	30,513
Other intangible assets, net	366,003	411,019
Operating lease right-of-use assets	97,162	106,196
Goodwill	1,503,252	1,378,418
Other long-term assets	153,660	124,034
	<u>2,290,597</u>	<u>2,734,216</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,232,917</u>	<u>\$ 3,609,905</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$ 33,132	\$ 30,376
Deferred revenues and advances from customers	311,851	245,792
Current maturities of operating leases	22,412	21,519
Exchangeable senior notes	259,881	251,583
Accrued expenses and other liabilities	417,174	391,685
	<u>1,044,450</u>	<u>940,955</u>
<b>LONG-TERM LIABILITIES:</b>		
Deferred revenues and advances from customers	36,295	26,045
Operating leases	92,262	103,490
Deferred tax liabilities	32,109	52,509
Long-term debt	421,337	213,313
Other long-term liabilities	17,980	16,327
	<u>599,983</u>	<u>411,684</u>
<b>SHAREHOLDERS' EQUITY</b>		
Nice Ltd's equity	2,563,910	2,257,266
Non-controlling interests	24,574	-
	<u>2,588,484</u>	<u>2,257,266</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 4,232,917</u>	<u>\$ 3,609,905</u>

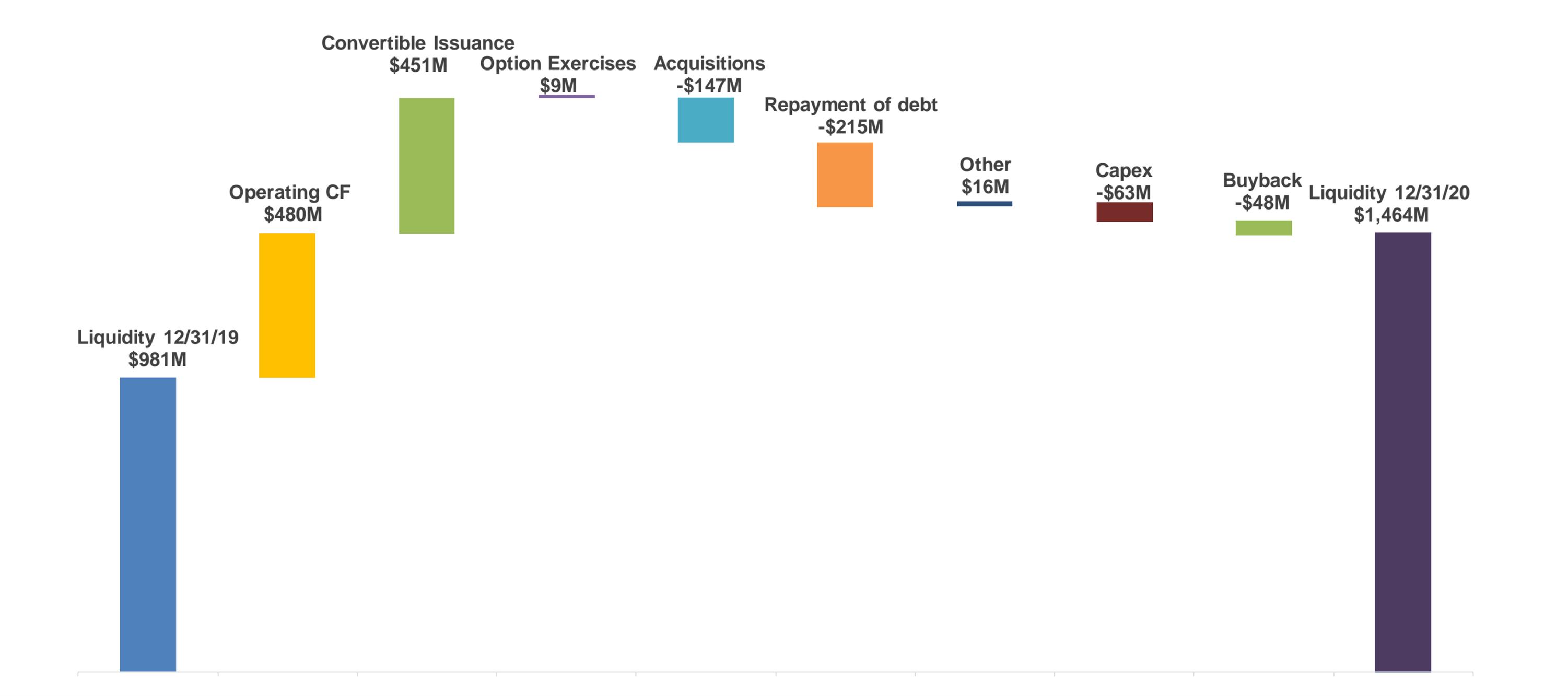
# Cash Flow From Operations

\$M	Q4 19	Q4 20	%Δ	FY 19	FY20	%Δ
Cash flow from operations	91	167	84%	374	480	28%
- Capital expenditure	6	3	(50%)	27	24	(11%)
- Capitalization of software development	9	10	11%	35	39	11%
<b>Cash flow from operations after capex &amp; software capitalization</b>	<b>76</b>	<b>154</b>	<b>102%</b>	<b>312</b>	<b>417</b>	<b>33%</b>
Cash flow from operation after capex and software capitalization as % of non-GAAP revenue	18%	35%	7pp	20%	25%	5pp
Cash conversion rate *	0.74	1.44	94%	0.91	1.10	21%
Days sales outstanding (DSO)	73	66	(10%)	73	66	(10%)

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

# Liquidity and Cash Movement

December 31, 2020



\* CAPEX movement includes R&D capitalization



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# Outlook\* (Non-GAAP)

	Q1 2021	FY 2021
Revenue (\$M)	445-455	1,790-1,810
EPS (\$)	1.42-1.52	6.12-6.32

The outlook is provided as of February 18, 2021. 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.



Thank You

**NICE**