

NICE Ltd.

4Q23 Wrap: Steady performer in choppy market

Reiterate Rating: BUY | PO: 300.00 USD | Price: 245.50 USD

NICE results separated company from peers

NICE 4Q23 results were highlighted by resilient growth, continued market share gains and less back-end loaded guidance than peers. Also separating NICE from recent results was a lack of commentary on macro or industry specific pressure on reported or projected growth. Organic cloud growth in 2024 (projected at least 18%) is skewed to the upside, in our view, with greater sensitivity to an improving than deteriorating macro environment.

4Q revenues beat, guidance reads bullish

NICE reported 4Q23 total rev of \$623.2mn (+9.6% YoY) versus our estimate of \$620.9mn and consensus \$616.8mn. Cloud rev grew to \$429.0mn (+19.5% YoY), in line with our estimate of \$428.4mn. Adj. operating margin of 30.0% expanded 140bps YoY and was slightly below our estimate of 30.7%. NICE introduced FY24 non-GAAP rev guidance of \$2.725bn (inclusive of \$142mn LiveVox contribution), above the Street at \$2.666bn (though likely skewed by lack of sell-side model updates post LiveVox deal closure). NICE reiterated its expectation for Cloud revenue growth of 18%+ in 2024 ex-LiveVox.

Increasing revenue/EPS estimates for 2024/2025

While management reiterated organic Cloud growth guidance for 18%+ in 2024, we come away from the quarter incrementally more positive on Cloud growth trajectory based on results and commentary. We are increasing our revenue and EPS estimates for 2024 and 2025 to reflect results, guidance, consistent execution, and the closure of the LiveVox acquisition.

Reiterate Buy, raising PO to \$300 (from \$285)

We reiterate our Buy rating and increase our PO to \$300 (from \$285). Our new PO of \$300 represents EV/Revenue of 6.2x our C25 (6.9x C24 prior) estimate (we roll forward our multiple) and a 0.5x EV/Revenue/Growth multiple. Our target multiple is a premium to the UCaaS peer group trading at 2.4x, which we believe is justified based on competitive positioning, market share gain, margin and FCF generation.

Estimates(Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	7.62	8.79	10.56	11.64	13.40
GAAP EPS	4.00	5.11	6.55	7.96	9.45
EPS Change (YoY)	16.9%	15.4%	20.1%	10.2%	15.1%
Consensus EPS (Bloomberg)			9.88	11.55	14.22
DPS	0.01	0.03	0	0	0
Common EPS (ILS)	25.60	32.40	38.40	42.32	48.72
Common DPS (ILS)	0.02	0.10	0	0	0
Valuation (Dec)					
P/E	32.2x	27.9x	23.2x	21.1x	18.3x
GAAP P/E	61.4x	48.0x	37.5x	30.8x	26.0x
EV / EBITDA*	20.2x	18.6x	16.0x	14.7x	12.9x
Free Cash Flow Yield*	2.8%	3.3%	3.7%	4.3%	4.9%

* For full definitions of *IQmethod*SM measures, see page 9.

22 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	285.00	300.00
2024E Rev (m)	2,598.7	2,732.2
2025E Rev (m)	2,898.4	3,063.2
2026E Rev (m)	NA	3,407.7
2024E EPS	10.05	10.56
2025E EPS	11.00	11.64
2026E EPS	NA	13.40

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Stock Data

Price (ADR / Common)	245.50 USD / 908.60 ILS
Price Objective	300.00 USD / 1,034.00 ILS
Date Established	22-Feb-2024 / 23-Feb-2023
Investment Opinion	B-1-9 / B-1-9
52-Week Range	149.54 USD - 253.00 USD
Market Value (mn)	16,141 USD
Free Float	0%
Average Daily Value	82.04 USD
Shares Outstanding (mn)	65.7 / 65.7
BofA Ticker / Exchange	NICE / NAS
BofA Ticker / Exchange	NCSYF / TLV
Bloomberg / Reuters	NICE US / NICE.OQ
ROE (2024E)	19.8%
Net Dbt to Eqty (Dec-2023A)	8.1%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

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Refer to important disclosures on page 10 to 13. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.

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iQprofileSM NICE Ltd.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	12.4%	12.8%	14.4%	15.2%	15.6%
Return on Equity	17.2%	18.2%	19.8%	19.9%	19.3%
Operating Margin	28.7%	29.6%	30.9%	30.7%	32.1%
Free Cash Flow	448	532	591	690	797

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.9x	1.0x	0.9x	0.9x	0.9x
Asset Replacement Ratio	0.2x	0.2x	0.2x	0.2x	0.2x
Tax Rate	23.0%	26.1%	25.8%	24.6%	24.6%
Net Debt-to-Equity Ratio	8.1%	8.1%	-0.6%	-6.2%	-25.0%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,181	2,378	2,732	3,063	3,408
% Change	13.3%	9.0%	14.9%	12.1%	11.2%
Gross Profit	1,595	1,709	1,972	2,235	2,518
% Change	14.1%	7.2%	15.4%	13.3%	12.7%
EBITDA	802	871	1,012	1,107	1,260
% Change	10.1%	8.7%	16.2%	9.4%	13.8%
Net Interest & Other Income	16	40	40	40	40
Net Income (Adjusted)	507	583	699	770	891
% Change	16.1%	15.0%	19.9%	10.2%	15.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	266	338	433	526	628
Depreciation & Amortization	177	167	167	167	167
Change in Working Capital	(103)	(58)	(107)	(121)	(138)
Deferred Taxation Charge	(57)	(67)	(80)	(83)	(84)
Other Adjustments, Net	197	180	207	232	259
Capital Expenditure	(32)	(29)	(29)	(32)	(36)
Free Cash Flow	448	532	591	690	797
% Change	2.5%	18.8%	11.1%	16.6%	15.5%
Share / Issue Repurchase	1	3	0	0	0
Cost of Dividends Paid	0	(2)	0	0	0
Change in Debt	(20)	(3)	(106)	(460)	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	530	512	698	928	1,724
Trade Receivables	516	585	654	751	874
Other Current Assets	1,371	1,216	1,257	1,289	1,317
Property, Plant & Equipment	159	174	137	102	71
Other Non-Current Assets	2,281	2,630	2,673	2,707	2,736
Total Assets	4,856	5,118	5,419	5,778	6,722
Short-Term Debt	223	223	223	223	223
Other Current Liabilities	921	897	926	961	997
Long-Term Debt	555	560	454	454	202
Other Non-Current Liabilities	102	83	99	107	113
Total Liabilities	1,801	1,763	1,702	1,745	1,535
Total Equity	3,055	3,355	3,717	4,033	5,188
Total Equity & Liabilities	4,856	5,118	5,419	5,778	6,722

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Data Networking

Company Description

NICE is a leader in the Customer Engagement market and Financial Crime & Compliance market. In the Customer Engagement market, NICE's Contact Center-as-a-Service platform enables omni-channel routing (routing of voice, messaging, Social Media, etc. to contact center agents), workforce optimization (scheduling and performance analysis of agents), and AI/ML analytics. In the Financial Crime market, NICE leverages AI/ML to automate compliance processes and detect/prevent money laundering and fraud.

Investment Rationale

NICE is a leader in the Contact Center as-a-Service market, a market that is becoming increasingly attractive as the digitalization of enterprises shifts the point of contact with customers from in-person interactions at the storefront to the contact center. COVID-19 has sparked an inflection point in the CCaaS market growth, and we believe NICE is positioned to benefit from these secular tailwinds and gain share from legacy players.

Stock Data

Average Daily Volume	334,167
Shares / Common	1.00

Quarterly Earnings Estimates

	2023	2024
Q1	2.03A	2.46E
Q2	2.13A	2.54E
Q3	2.27A	2.67E
Q4	2.36A	2.89E

Key Changes

(ILS)	Previous	Current
2024E EPS	36.54	38.40
2025E EPS	40.00	42.32
2026E EPS	NA	48.72

4Q revenues beat, guidance reads bullish

NICE reported 4Q23 total rev of \$623.2mn (+9.6% YoY) versus our estimate of \$620.9mn and consensus \$616.8mn. Cloud rev grew to \$429.0mn (+19.5% YoY), in line with our estimate of \$428.4mn. Cloud segment accounted for 69% of total rev in 4Q23, increasing from 63% in 4Q22, and cloud gross margin increased 60bps YoY to 71.1%. Non-GAAP EPS increased 15.4% YoY to \$2.36 versus \$2.04 in 4Q22. Adj. operating margin of 30.0% expanded 140bps YoY and was slightly below our estimate of 30.7%. NICE introduced FY24 non-GAAP rev guidance of \$2.725bn (inclusive of \$142mn LiveVox contribution), above the Street at \$2.666bn (though likely skewed by lack of sell-side model updates post LiveVox deal closure). NICE reiterated its expectation for Cloud revenue growth of 18%+ in 2024 ex-LiveVox. Non-GAAP EPS guidance was introduced at \$10.50 for FY24 (Street at \$9.88). Management also provided 1Q24 total revenue and non-GAAP EPS guidance of \$655mn and \$2.45 at the mid versus the Street at \$639.5mn and \$2.28 respectively.



Exhibit 1: NICE reported 4Q Cloud revs in line with our estimate

NICE 4Q23 variance table

\$ in Thousands (except per share data)	BofA Estimates	4Q23 Actuals	Variance
Product Revenue	34,147	31,841	-7%
Services Revenue	158,318	162,365	3%
Cloud Revenue	428,389	428,986	0%
Total Revenue	620,854	623,192	0%
Product Cost of Rev	4,781	5,454	14%
Services Cost of Rev	44,329	45,532	3%
Cloud Cost of Rev	124,233	123,970	0%
Total Cost of Rev	173,342	174,956	1%
Gross Profit	447,511	448,236	0%
Research & Development	77,390	74,122	-4%
Selling & Marketing	135,780	143,007	5%
General & Administrative	43,739	44,194	1%
Total operating expenses	256,909	261,323	2%
Income/(loss) from operations	190,602	186,913	-2%
Finance and other income	9,922	10,818	9%
Pro forma net income	157,612	154,889	-2%
Pro forma EPS	2.38	\$2.36	-1%
Diluted shares outstanding (pro forma)	66,190	65,749	-1%
Growth Analysis Y-Y			
Product Revenue	-29.6%	-34.4%	16%
Services Revenue	-1.8%	0.7%	-140%
Cloud Revenue	19.4%	19.5%	1%
Total Revenue	9.2%	9.6%	4%
Income/(loss) from operation	17.1%	14.8%	-13%
Proforma EPS	16.7%	15.4%	-7%
Margin Analysis			
Gross margin	72.1%	71.9%	0%
Research & Development	12.5%	11.9%	-5%
Sales & Marketing	21.9%	22.9%	5%
General & Administrative	7.0%	7.1%	1%
Operating Margin	30.7%	30.0%	-2%
Tax rate pro forma	21.4%	21.7%	1%
Net Margin	25.4%	24.9%	-2%
BS & CFS Analysis			
Total cash and equiv.	822,961	511,795	-38%
Cash Flow from Operations	154,192	180,496	17%
Free Cash Flow	138,671	174,417	26%

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH

Exhibit 2: We are increasing our 2024/2025 revenue and EPS estimates, due in large part to the closure of the LiveVox acquisition

NICE estimate revisions

	1Q24E				2024E				2025E			
	Previous	Previous	New	New Y/Y	Previous	Previous	New	New Y/Y	Previous	Previous	New	New Y/Y
Product Revenue	31,508	-29.1%	26,284	-40.8%	109,921	-29.8%	93,937	-39.1%	84,006	-23.6%	88,781	-5.5%
Service Revenue	151,240	-5.4%	160,988	0.7%	603,623	-5.3%	627,207	-2.2%	563,984	-6.6%	565,413	-9.9%
Cloud Revenue	447,418	21.7%	469,822	27.8%	1,885,144	19.2%	2,011,073	27.1%	2,250,440	19.4%	2,408,991	19.8%
Total Revenue	630,166	10.2%	657,094	14.9%	2,598,689	9.4%	2,732,218	14.9%	2,898,431	11.5%	3,063,186	12.1%
Adj. Operating Income	186,840	14.4%	196,889	20.5%	801,505	13.9%	844,779	22.9%	885,788	14.3%	939,628	14.8%
Pro forma EPS	2.34	14.9%	\$2.46	20.9%	\$10.05	6.6%	\$10.56	13.7%	\$11.00	8.9%	\$11.64	8.9%

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 3: NICE reported total 2023 revenues of \$2.378bn

NICE income statement

(\$k, except per share)	FY	FY	FY	Mar-24	Jun-24	Sep-24	Dec-24	FY	FY	FY
Fiscal year ends December 31st	2021A	2022A	2023A	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E
Product	242,442	235,854	154,296	26,284	24,132	22,044	21,477	93,937	88,781	93,328
Services	660,258	650,117	641,388	160,988	160,878	154,999	150,342	627,207	565,413	493,027
Cloud	1,022,996	1,295,323	1,581,825	469,822	485,314	511,841	544,096	2,011,073	2,408,991	2,821,364
Total Non-GAAP Revenue	1,925,696	2,181,294	2,377,509	657,094	670,323	688,885	715,916	2,732,218	3,063,186	3,407,718
Q/Q rev growth				5.4%	2.0%	2.8%	3.9%			
Y/Y rev growth	16.2%	13.3%	9.0%	14.9%	15.4%	14.6%	14.9%	14.9%	12.1%	11.2%
Product Cost of Revenue	20,924	25,380	24,729	3,943	3,499	3,086	2,899	13,427	12,641	13,293
Services Cost of Revenue	176,397	172,064	176,983	45,338	44,692	40,898	42,160	173,089	157,185	137,061
Cloud Cost of Revenue	330,805	389,232	467,022	136,248	139,285	145,363	152,891	573,787	658,438	739,441
Total Cost of Revenue (Non-GAAP)	528,126	586,676	668,734	185,529	187,476	189,347	197,951	760,304	828,264	889,796
Product Gross Profit	221,518	210,474	129,567	22,341	20,633	18,958	18,578	80,510	76,141	80,035
Services Gross Profit	483,861	478,053	464,405	115,650	116,186	114,101	108,182	454,118	408,228	355,965
Cloud Gross Profit	692,191	906,091	1,114,803	333,574	346,029	366,478	391,205	1,437,286	1,750,553	2,081,922
Total Gross Profit (Non-GAAP)	1,397,570	1,594,618	1,708,775	471,564	482,847	499,537	517,965	1,971,914	2,234,922	2,517,923
Total Gross Margin (Non-GAAP)	72.6%	73.1%	71.9%	71.8%	72.0%	72.5%	72.3%	72.2%	73.0%	73.9%
Research and Development	245,966	272,511	291,307	77,828	79,385	81,766	81,766	320,745	371,931	416,516
Selling and Marketing	484,677	552,916	551,194	150,443	154,204	157,289	158,861	620,798	713,046	778,943
General and Administrative	123,031	144,086	162,496	46,404	45,940	46,858	46,390	185,592	210,317	229,594
Total Operating Expenses (Non-GAAP)	853,674	969,513	1,004,997	274,675	279,529	285,913	287,017	1,127,135	1,295,294	1,425,053
Operating Income (Non-GAAP)	543,896	625,105	703,778	196,889	203,318	213,624	230,948	844,779	939,628	1,092,869
Total Operating Margin (Non-GAAP)	28.2%	28.7%	29.6%	30.0%	30.3%	31.0%	32.3%	30.9%	30.7%	32.1%
Finance and other income (expense), net	4,989	15,947	40,229	10,057	10,103	9,855	10,208	40,223	40,246	40,259
Total other income (expense)	4,989	15,947	40,229	10,057	10,103	9,855	10,208	40,223	40,246	40,259
Pretax Income	548,885	641,052	744,007	206,947	213,421	223,479	241,156	885,003	979,873	1,133,128
Non-GAAP Income Tax Expense	112,553	134,284	161,335	44,287	45,672	47,824	51,607	189,391	209,693	242,489
Non-GAAP Net Income	436,333	506,768	582,672	162,660	167,749	175,654	189,549	695,612	770,180	890,639
Non-GAAP EPS	\$6.49	\$7.62	\$8.79	\$2.46	\$2.54	\$2.67	\$2.89	\$10.56	\$11.64	\$13.40
Weighted average shares outstanding (basic)	63,382	63,811	63,592	63,417	63,241	63,065	62,889	63,153	63,470	63,763
Weighted average shares outstanding (diluted)	67,245	66,465	66,267	66,097	65,927	65,757	65,586	65,842	66,172	66,478

Source: BofA Global Research, company filings

Exhibit 4: NICE ended 2023 with \$1.4bn+ in cash and equivalents

NICE balance sheet

	FY 2021A	FY 2022A	FY 2023A	Mar-24 1Q24E	Jun-24 2Q24E	Sep-24 3Q24E	Dec-24 4Q24E	FY 2024E	FY 2025E	FY 2026E
Balance Sheet										
Assets										
Cash and cash equivalents	378,656	529,596	511,795	493,007	560,240	606,944	698,369	698,369	927,886	1,724,446
Short-term investments	1,046,095	1,041,943	896,044	896,044	896,044	896,044	896,044	896,044	896,044	896,044
Trade receivables	395,583	515,730	585,154	591,179	606,230	626,474	653,710	653,710	751,379	874,253
Debt hedge option		122,323	121,922	121,922	121,922	121,922	121,922	121,922	121,922	121,922
Prepaid expenses and other current assets	436,495	206,372	197,967	226,766	227,206	231,390	239,404	239,404	271,512	298,559
Total current assets	2,256,829	2,415,964	2,312,882	2,328,918	2,411,642	2,482,774	2,609,449	2,609,449	2,968,743	3,915,224
Long-term investments	-	-	-	-	-	-	-	-	-	-
Property and equipment, net	145,654	159,284	174,414	165,825	155,639	145,998	136,820	136,820	102,132	70,989
Deferred tax assets	48,900	119,821	178,971	178,971	178,971	178,971	178,971	178,971	178,971	178,971
Other intangible assets, net	295,378	209,605	305,501	305,501	305,501	305,501	305,501	305,501	305,501	305,501
Operating lease right-of-use assets	85,055	102,893	104,565	104,565	104,565	104,565	104,565	104,565	104,565	104,565
Goodwill	1,606,756	1,617,118	1,821,969	1,821,969	1,821,969	1,821,969	1,821,969	1,821,969	1,821,969	1,821,969
Other long-term assets	224,445	231,496	219,332	247,458	247,474	250,813	261,635	261,635	295,929	325,248
Total long-term assets	2,406,188	2,440,217	2,804,752	2,824,290	2,814,119	2,807,817	2,809,461	2,809,461	2,809,067	2,807,243
Total Assets	4,663,017	4,856,181	5,117,634	5,153,207	5,225,761	5,290,591	5,418,910	5,418,910	5,777,810	6,722,468
Liabilities and Shareholders' Equity										
Trade payables	36,121	56,019	66,036	61,799	62,176	65,494	68,693	68,693	73,729	78,903
Deferred revenues and advances from customers	330,459	338,930	302,649	332,914	322,926	274,488	270,370	270,370	230,500	196,508
Current maturities of operating leases	19,514	13,525	13,747	13,747	13,747	13,747	13,747	13,747	13,747	13,747
Exchangeable senior notes	348,551	209,292	209,229	209,229	209,229	209,229	209,229	209,229	209,229	209,229
Accrued expenses and other liabilities	487,547	526,527	528,660	540,277	537,097	557,695	587,292	587,292	657,077	721,193
Total Current Liabilities	1,222,192	1,144,293	1,120,321	1,157,966	1,145,176	1,120,652	1,149,331	1,149,331	1,184,282	1,219,580
Deferred revenues and advances from customers	66,606	57,211	52,458	54,032	54,032	54,032	54,032	54,032	55,653	57,322
Operating leases	81,185	99,261	102,909	102,909	102,909	102,909	102,909	102,909	102,909	102,909
Deferred tax liabilities	7,429	6,024	8,596	8,596	8,596	8,596	8,596	8,596	8,596	8,596
Long-term debt	429,267	455,382	457,081	350,881	350,881	350,881	350,881	350,881	350,881	99,236
Other long-term liabilities	18,379	38,587	21,769	38,331	37,583	36,754	36,276	36,276	42,757	47,242
Total long-term liabilities	602,866	656,465	642,813	554,748	554,000	553,172	552,694	552,694	560,796	315,305
Total Liabilities	1,825,058	1,800,758	1,763,134	1,712,714	1,699,177	1,673,824	1,702,025	1,702,025	1,745,077	1,534,885
Shareholders' Equity	2,837,959	3,055,423	3,354,500	3,440,493	3,526,584	3,616,767	3,716,885	3,716,885	4,032,733	5,187,582
Total Liabilities and Shareholders' Equity	4,663,017	4,856,181	5,117,634	5,153,207	5,225,761	5,290,591	5,418,910	5,418,910	5,777,810	6,722,468

Source: BofA Global Research, company filings

Exhibit 5: NICE generated \$561mn in CFO during 2023

NICE income statement

	FY 2021A	FY 2022A	FY 2023A	2024				FY 2024E	FY 2025E	FY 2026E
	Mar-24 1Q24E	Jun-24 2Q24E	Sep-24 3Q24E	Dec-24 4Q24E						
Cash Flow Statement										
Operating Activities:										
Net Income	195,002	265,948	338,302	101,154	103,962	109,138	118,851	433,106	526,478	628,429
Depreciation	65,412	71,456	167,360	41,840	41,839	41,790	41,823	167,291	167,273	167,270
Amortization of acquired intangibles	118,680	105,087	-	-	-	-	-	-	-	-
Stock based compensation	153,030	182,704	176,658	49,871	50,875	52,284	54,335	207,365	232,485	258,633
Amortization of premium and discount and accrued interest on marketable securities	11,867	8,322	2,480	-	-	-	-	-	-	-
Deferred taxes, net	(32,970)	(56,862)	(66,620)	(16,655)	(18,849)	(21,313)	(23,163)	(79,980)	(83,478)	(84,220)
				(29,044)	(53,120)	(17,870)		(107,204)	(121,020)	
Changes in operating assets and liabilities:	(49,206)	(96,940)	(56,749)	(7,170))))))	(137,787)
Trade Receivables	(85,777)	(126,925)	(34,292)	(6,025)	(15,051)	(20,245)	(27,235)	(68,556)	(97,669)	(122,874)
Prepaid expenses and other current assets	(85,969)	(33,290)	73,052	(28,799)	(440)	(4,184)	(8,015)	(41,437)	(32,108)	(27,047)
Trade payables	(389)	19,923	3,426	(4,237)	377	3,317	3,199	2,657	5,036	5,174
Accrued expenses and other current liabilities	64,179	36,758	(55,703)	11,617	(3,179)	20,598	29,597	58,632	69,785	64,116
Operating lease right-of-use assets, net	15,075	14,956	12,518	-	-	-	-	-	-	-
Deferred revenue	34,991	6,417	(45,947)	31,839	(9,987)	(48,439)	(4,117)	(30,705)	(38,250)	(32,321)
Long term liabilities	-	-	-	(11,565)	(764)	(4,167)	(11,299)	(27,795)	(27,814)	(24,834)
Operating lease liabilities	(18,011)	(20,754)	(11,100)	-	-	-	-	-	-	-
Amortization of discount long term debt	14,469	4,582	4,615	-	-	-	-	-	-	-
Other	12,226	1,393	(3,318)	0	0	0	0	-	-	-
Net cash provided by operating activities	461,815	479,715	561,431	169,040	148,782	128,779	173,977	620,578	721,737	832,325
Investing Activities:										
Purchase of property and equipment	(24,771)	(31,893)	(29,205)	(8,147)	(6,549)	(7,075)	(7,552)	(29,323)	(32,220)	(35,765)
Purchase of investments	(322,129)	(396,297)	(230,263)	-	-	-	-	-	-	-
Proceeds from investments	270,645	355,560	436,044	-	-	-	-	-	-	-
Capitalization of software development costs	(42,440)	(49,997)	(54,974)	-	-	-	-	-	-	-
Payments for business acquisitions, net of cash acquired	(142,804)	(30,000)	(415,185)	-	-	-	-	-	-	-
Other		276								
Net cash provided by investing activities	(261,499)	(152,351)	(293,583)	(8,147)	(6,549)	(7,075)	(7,552)	(29,323)	(32,220)	(35,765)
Financing Activities:										
Proceeds from issuance of shares upon exercise of share options and ESPP	4,426	953	2,570	-	-	-	-	-	-	-
Purchase of treasury shares	(73,180)	(144,944)	(288,443)	(75,000)	(75,000)	(75,000)	(75,000)	(300,000)	-	-
Dividends paid	(1,754)	(376)	(1,771)	-	-	-	-	-	-	-
Capital Lease payments	-	-	-	-	-	-	-	-	-	-
Repayment of long term debt	(177,308)	(20,132)	(2,628)	(106,200)	-	-	-	(106,200)	(460,000)	-
Proceeds from issuance of exchangeable notes	-	-	-	-	-	-	-	-	-	-
Other (ST bank loans, NCI, etc)	(14,000)	-	-	-	-	-	-	-	-	-
Net cash provided by financing activities	(261,816)	(164,499)	(290,272)	(181,200)	(75,000)	(75,000)	(75,000)	(406,200)	(460,000)	-
Effect of exchange rates on cash and cash equivalents	(2,111)	(8,425)	2,643	-	-	-	-	-	-	-
Net change in cash and cash equivalents	(63,611)	154,440	(19,781)	(20,307)	67,234	46,704	91,425	185,055	229,517	796,560
Cash and cash equivalents, beginning of period	442,267	378,656	533,095	513,314	493,007	560,240	606,944	513,314	698,369	927,886
Cash and cash equivalents, end of period	378,656	533,095	513,314	493,007	560,240	606,944	698,369	698,369	927,886	1,724,446

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH

Price objective basis & risk

NICE Ltd. (NICE / NCSYF)

Our PO of US\$300 / ILS 1034 is based on a 6.2x multiple of our C25e EV/Revenue. Our target multiple is a premium to the UCaaS peer group trading at 2.4x, which we believe is justified based on competitive positioning, market share gains, margin and FCF generation. As Cloud increases as a percentage of total revenue, this should be supportive for the multiple.

Upside risks to our PO are 1) higher-than-expected cloud revenue growth, 2) higher-than-expected Contact Center market growth, and 3) a faster displacement of legacy on-premise solutions.

Downside risks to our PO are 1) investor sentiment and sensitivity to the premium valuation levels, 2) lower-than-expected cloud revenue growth, 3) slower-than-expected displacement of legacy on-premise solutions, 4) cash flow deterioration.

Analyst Certification

I, Michael J. Funk, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	8x8	EGHT	EGHT US	Michael J. Funk
	Adobe	ADBE	ADBE US	Brad Sills
	Alarm.com	ALRM	ALRM US	Michael J. Funk
	Amplitude, Inc.	AMPL	AMPL US	Koji Ikeda, CFA
	BILL	BILL	BILL US	Brad Sills
	CCC Intelligent Solutions	CCCS	CCCS US	Michael J. Funk
	Dynatrace	DT	DT US	Koji Ikeda, CFA
	Elastic NV	ESTC	ESTC US	Koji Ikeda, CFA
	GitLab Inc.	GTLB	GTLB US	Koji Ikeda, CFA
	Global-e Online Ltd.	GLBE	GLBE US	Koji Ikeda, CFA
	HubSpot	HUBS	HUBS US	Brad Sills
	Informatica Inc.	INFA	INFA US	Koji Ikeda, CFA
	Intapp Inc.	INTA	INTA US	Koji Ikeda, CFA
	Intuit	INTU	INTU US	Brad Sills
	JFrog Ltd	FROG	FROG US	Koji Ikeda, CFA
	MeridianLink, Inc.	MLNK	MLNK US	Koji Ikeda, CFA
	Microsoft Corporation	MSFT	MSFT US	Brad Sills
	MongoDB Inc	MDB	MDB US	Brad Sills
	nCino, Inc.	NCNO	NCNO US	Adam Bergere
	NICE Ltd.	NICE	NICE US	Michael J. Funk
	NICE Ltd.	NCSYF	NICE IT	Michael J. Funk
	PagerDuty	PD	PD US	Koji Ikeda, CFA
	PowerSchool Holdings, Inc.	PWSC	PWSC US	Koji Ikeda, CFA
	RingCentral	RNG	RNG US	Michael J. Funk
	Salesforce.com	CRM	CRM US	Brad Sills
	ServiceNow	NOW	NOW US	Brad Sills
	UiPath	PATH	PATH US	Brad Sills
	Unity	U	U US	Michael J. Funk
	Weave	WEAV	WEAV US	Michael J. Funk
	Workday Inc.	WDAY	WDAY US	Brad Sills
	Zeta Global	ZETA	ZETA US	Koji Ikeda, CFA
	ZoomInfo	ZI	ZI US	Koji Ikeda, CFA
NEUTRAL				
	Autodesk	ADSK	ADSK US	Michael J. Funk

US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Bentley Systems	BSY	BSY US	Michael J. Funk
	BigCommerce Holdings, Inc.	BIGC	BIGC US	Koji Ikeda, CFA
	Coveo	YCVO	CVO CN	Koji Ikeda, CFA
	Datadog Inc	DDOG	DDOG US	Koji Ikeda, CFA
	DocuSign	DOCU	DOCU US	Brad Sills
	Freshworks, Inc.	FRSH	FRSH US	Adam Bergere
	HashiCorp	HCP	HCP US	Brad Sills
	Jamf	JAMF	JAMF US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	LSPD	LSPD US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	YLSPD	LSPD CN	Koji Ikeda, CFA
	Oracle Corporation	ORCL	ORCL US	Brad Sills
	Paycom	PAYC	PAYC US	Adam Bergere
	Paylocity	PCTY	PCTY US	Adam Bergere
	Shopify, Inc.	SHOP	SHOP US	Brad Sills
	Snowflake	SNOW	SNOW US	Brad Sills
	Veeva Systems, Inc.	VEEV	VEEV US	Brad Sills
	Zoom Video Communications	ZM	ZM US	Michael J. Funk
UNDERPERFORM				
	AvidXchange, Inc.	AVDX	AVDX US	Brad Sills
	Blackbaud, Inc.	BLKB	BLKB US	Koji Ikeda, CFA
	BlackLine, Inc.	BL	BL US	Koji Ikeda, CFA
	C3.ai	AI	AI US	Brad Sills
	Confluent	CFLT	CFLT US	Brad Sills
	CS Disco, Inc.	LAW	LAW US	Koji Ikeda, CFA
	Dropbox	DBX	DBX US	Michael J. Funk
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Five9	FIVN	FIVN US	Michael J. Funk
	Guidewire Software, Inc.	GWRE	GWRE US	Michael J. Funk
	Twilio	TWLO	TWLO US	Michael J. Funk
	Vertex, Inc.	VERX	VERX US	Brad Sills
RSTR				
	Splunk	SPLK	SPLK US	Brad Sills

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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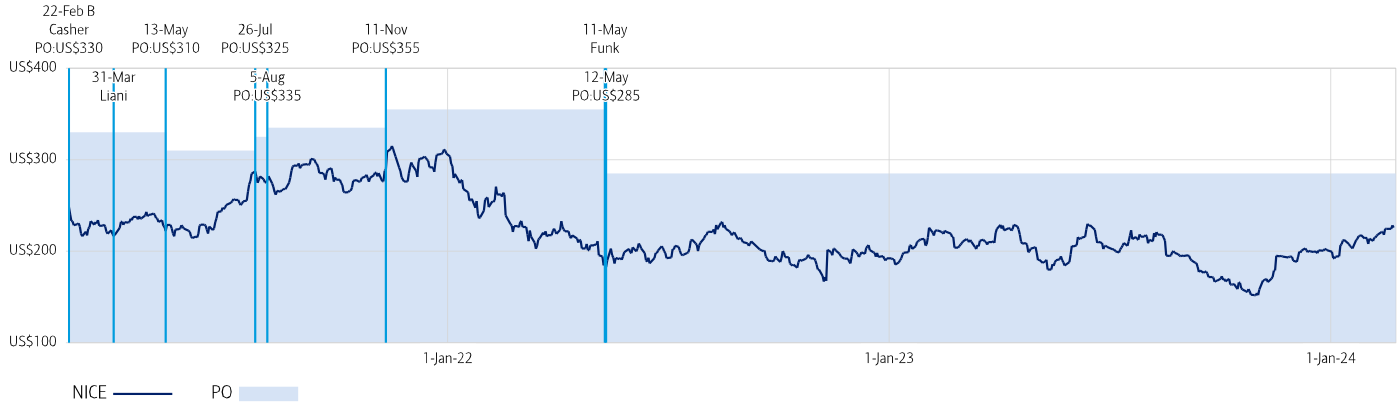
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Important Disclosures

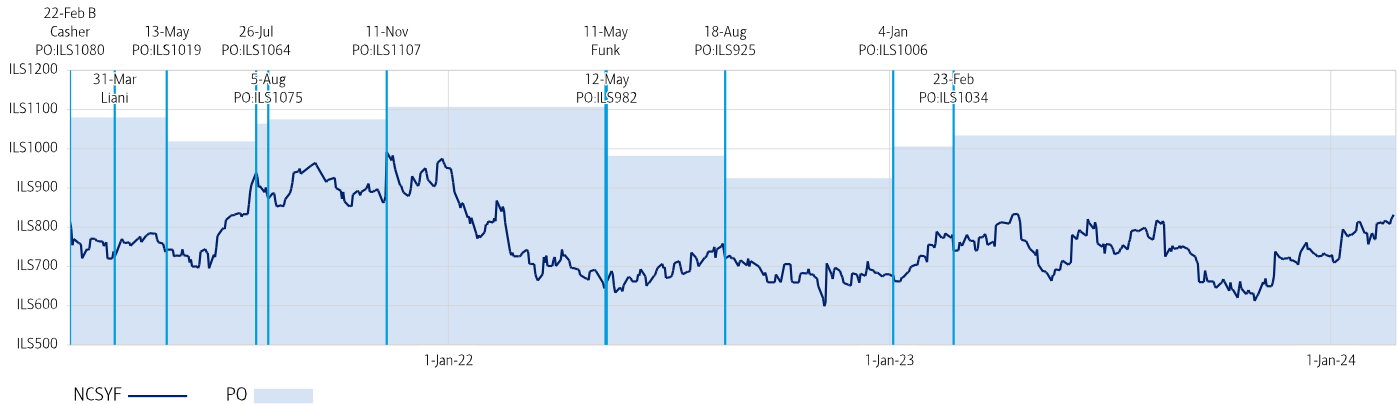
NICE Ltd. (NICE) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

NICE Ltd. (NCSYF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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