

NICE SYSTEMS LTD
Form 6-K
November 03, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

For November 3, 2004

NICE-SYSTEMS LTD.

(Translation of Registrant's Name into English)

8 Hapnina Street, P.O. Box 690, Ra'anana, Israel

(Address of Principal Executive Offices)

Indicate by check mark whether the Registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the Registrant is submitting this Form 6-K in paper as permitted by Regulations S-T Rule 101(b)(1):

Yes No

-

Indicate by check mark if the Registrant is submitting this Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

Indicate by check mark whether by furnishing the information contained in this Form 6-K, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the Registrant in connection with Rule 12g3-2(b): 82-N/A

THIS REPORT ON FORM 6-K IS HEREBY INCORPORATED BY REFERENCE INTO NICE-SYSTEMS LTD.'S ("NICE") REGISTRATION STATEMENTS ON FORM F-3 (REGISTRATION STATEMENT NOS. 333-12350 AND 333-12996) AND NICE'S REGISTRATION STATEMENTS ON FORM S-8 (REGISTRATION STATEMENT NOS. 333-6784, 333-8146, 333-9350, 333-11842, 333-7414, 333-9352, 333-11154 , 333-13686, 333-111112 ,333-111113 AND 333-109766), AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS SUBMITTED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

CONTENTS

This Report on Form 6-K of NICE consists of the following documents, which are attached hereto and incorporated by reference herein:

Press Release: Nice Systems Reports Third Quarter 2004 Results.

Dated: November 3, 2004

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

NICE-SYSTEMS LTD.

By: /s/ Daphna Kedmi

Name: Daphna Kedmi

Title: Corporate Vice President

General Counsel

Dated: November 3, 2004

NICE Systems Reports Third Quarter 2004 Results

Highlights:

- . *Record revenue of \$63.5 million, up 14% versus Q3:03*
- . *Continued gross margin improvement to 54.7%*
- . *Q3 GAAP EPS of \$0.28 fully diluted, up 33% versus Q3:03*
- . *Cash and equivalents grew to \$146.0 million from \$135.8 million at the end of Q2*

Ra'anana, Israel, November 3, 2004 - NICE Systems (NASDAQ: NICE), a global provider of advanced solutions that enable organizations to extract the value hidden within multimedia interactions to drive performance today announced results for the quarter ending September 30, 2004.

Revenue for the third quarter of 2004 was a record \$63.5 million, up 14% from the same quarter of 2003 and up 4% sequentially due to continued strong sales to enterprise customers and better traction in the public sector markets including video surveillance, public safety solutions, and lawful interception.

Net income increased 48% to \$5.2 million, or \$0.28 per fully diluted share, compared with \$3.5 million, or \$0.21 per fully diluted share in the third quarter of 2003. EPS increased 17% sequentially.

Commenting on the quarter, Haim Shani, president and CEO of NICE, said, "We again achieved record revenues and we were particularly pleased to see that we are beginning to get some traction in the public sector where revenues were up 18% year over year and up 17% sequentially."

Gross margin increased to 54.7% from 53.0% in Q3 of 2003 and 54.3% in Q2 of 2004, primarily due to increased volume.

"As planned, we continued to spend on our key strategic initiatives, including the launch of NICE Perform," continued Mr. Shani. "Even with this continued investment, we were able to substantially increase our operating profit."

The company reported a Q3 operating profit of \$5.1 million, up 118% from \$2.3 million in the year earlier period, and up 31% from \$3.9 million in the second quarter of 2004. Operating margin increased to 8.1% from 4.2% in Q3 of 2003 and 6.4% in Q2 of 2004.

Total cash and equivalents at September 30, 2004 rose to \$146.0 million, compared with \$135.8 million at June 30, 2004. DSO for the third quarter was 68 days, at the low end of the target range.

"Demand for VoIP products remains strong, also contributing to our growing orders. During the quarter NICE filed a lawsuit against Witness Systems seeking an injunction preventing the sale by Witness of any solution which infringes NICE's VoIP patent. Witness has, in retaliation, filed a patent infringement suit claiming that NICE has infringed two of its patents relating to

screen capture. We believe the suit is without merit and will defend ourselves vigorously against this retaliatory claim.

Commenting on the outlook, Mr. Shani said, "Similar to last year, we expect a very strong fourth quarter. We continue to experience strong bookings with over a 1:1 book to bill ratio, and we were gratified that Q3 bookings included 8 deals for our new NICE Perform suite which was launched at the beginning of the quarter. No revenue from these deals was recognized in Q3.

"We reiterate our guidance for the year, and expect revenues in Q4 to grow to between \$67 million and \$70 million, with EPS between \$0.44 and \$0.49. 2005 promises to be another year of growth in both the enterprise and public sectors with excellent operating leverage that will enable our EPS to grow substantially faster than revenue," continued Mr. Shani. Our preliminary guidance for 2005 calls for revenues between \$275 and \$280 million and EPS of \$1.40 to \$1.50."

Conference Call

Please be reminded that NICE will report its third quarter 2004 financial results on Wednesday, November 3, 2004. Following the earnings release, NICE management will host a teleconference at 8:30 (ET) 15:30 Israel time to discuss the results and the company's outlook.

Please call the following dial-in numbers to participate: United States 1-866-860-9642; United Kingdom 0-800-917-4256; Israel 03-9180610. The call will be broadcasted live on <http://www.nice.com>. An online replay will also be available approximately one hour after the call. A telephone replay will be available for up to 72 hours after the call. The replay information: US Toll-free: 1-866-276-1485; International: + 972-3-925-5930; Israel: 03-925-5930

About NICE

NICE Systems is the global provider of advanced solutions that enable organizations to extract the value hidden within multimedia interactions. NICE solutions sharpen the awareness of organizations to help them generate insight from interactions for improved decision-making, better performance and enhanced security. NICE has more than 15,000 customers in over 100 countries, including the world's top ten banks and over 65% of the Fortune 100. More information is available at www.nice.com.

Trademark Note: 360^o View, Agent@home, Big Picture Technology, Executive Connect, Executive Insight, Experience Your Customer, Investigator, Lasting Loyalty, Listen Learn Lead, MEGACORDER, Mirra, My Universe, NICE, NiceAdvantage, NICE Analyzer, NiceCall, NiceCLS, NiceCMS, NICE Feedback, NiceFix, NiceGuard, NICE Learning, NICE Link, NiceLog, NICE Perform ScreenSense, NiceScreen, NiceSoft, NICE Storage Center, NiceTrack, NiceUniverse, NiceUniverse LIVE, NiceVision, NiceVision Harmony, NiceVision Mobile, NiceVision Pro, NiceVision Virtual, NiceWatch,*

Renaissance, Secure Your Vision, Tienna, Wordnet and other product names and services mentioned herein are trademarks and registered trademarks of NICE Systems Ltd. All other registered and unregistered trademarks are the property of their respective owners.

- *In Australia only*
-

Media

Vivian Cohen-Leisorek NICE Systems 972-775-314

Vivian.cohen@nice.com

Investors

- Claudia Gatlin CMG International 973-316-9409

Claudia@cmginternational.us

This press release contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on the current expectations of the management of NICE Systems Ltd. (the Company) only, and are subject to a number of risk factors and uncertainties, including but not limited to changes in technology and market requirements, decline in demand for the Company's products, inability to timely develop and introduce new technologies, products and applications, difficulties or delays in absorbing and integrating acquired operations, products, technologies and personnel, loss of market share, pressure on pricing resulting from competition, and inability to maintain certain marketing and distribution arrangements, which could cause the actual results or performance of the Company to differ materially from those described therein. We undertake no obligation to update these forward-looking statements. For a more detailed description of the risk factors and uncertainties affecting the company, refer to the Company's reports filed from time to time with the Securities and Exchange Commission.

###

NICE SYSTEMS LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

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

| | Three months ended | | Nine months ended | |
|--|---------------------------|-----------|--------------------------|-----------|
| | September 30, | | September 30, | |
| | 2003 | 2004 | 2003 | 2004 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Revenue | | | | |
| Product | \$ 41,510 | \$ 45,667 | \$122,668 | \$131,221 |
| Services | 14,370 | 17,845 | 39,870 | 51,903 |
| Total revenue | 55,880 | 63,512 | 162,538 | 183,124 |
| Cost of revenue | | | | |
| Product | 15,644 | 16,112 | 48,079 | 46,728 |
| Services | 10,625 | 12,642 | 30,787 | 37,006 |
| Total cost of revenue | 26,269 | 28,754 | 78,866 | 83,734 |
| Gross Profit | 29,611 | 34,758 | 83,672 | 99,390 |
| Operating Expenses: | | | | |
| Research and development, net | 5,750 | 6,084 | 16,842 | 18,517 |
| Selling and marketing | 13,628 | 15,786 | 39,730 | 46,365 |
| General and administrative | 7,465 | 7,769 | 22,279 | 23,453 |
| Restructuring and other special charges | 423 | - | 1,701 | - |
| Total operating expenses | 27,266 | 29,639 | 80,552 | 88,335 |
| Operating income | 2,345 | 5,119 | 3,120 | 11,055 |
| Financial income, net | 791 | 695 | 1,685 | 2,766 |
| Other income (expense), net | 39 | (2) | 6 | 5 |
| Income before taxes on income | 3,175 | 5,812 | 4,811 | 13,826 |
| Taxes on income | 456 | 630 | 820 | 1,525 |
| Net income from continuing operations | 2,719 | 5,182 | 3,991 | 12,301 |
| Net income from discontinued operation | 819 | - | 1,185 | 3,236 |
| Net income | \$ 3,538 | \$ 5,182 | \$ 5,176 | \$ 15,537 |
| Basic income per share from continuing operations | \$ 0.17 | \$ 0.29 | \$ 0.25 | \$ 0.71 |
| Basic income per share from discontinued operation | \$ 0.05 | - | \$ 0.07 | \$ 0.19 |
| Basic income per share | \$ 0.22 | \$ 0.29 | \$ 0.33 | \$ 0.89 |

Edgar Filing: NICE SYSTEMS LTD - Form 6-K

| | | | | |
|--|---------|---------|---------|---------|
| Diluted income per share from continuing operations | \$ 0.16 | \$ 0.28 | \$ 0.25 | \$ 0.66 |
| Diluted income per share from discontinued operation | \$ 0.05 | - | \$ 0.07 | \$ 0.17 |
| Diluted income per share | \$ 0.21 | \$ 0.28 | \$ 0.32 | \$ 0.84 |

Weighted average number of shares
outstanding used to compute:

| | | | | |
|--------------------------|--------|--------|--------|--------|
| Basic income per share | 16,037 | 17,595 | 15,890 | 17,365 |
| Diluted income per share | 16,884 | 18,549 | 16,186 | 18,557 |

**NICE SYSTEMS LTD. AND SUBSIDIARIES
FOR COMPARATIVE PURPOSES
NET INCOME AND INCOME PER SHARE EXCLUDING RESTRUCTURING
COST,
AND OTHER SPECIAL CHARGES**

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

| | Three months ended | | Nine months ended | |
|---|---------------------------|-----------|--------------------------|-----------|
| | September 30, | | September 30, | |
| | 2003 | 2004 | 2003 | 2004 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| GAAP net income | \$ 3,538 | \$ 5,182 | \$ 5,176 | \$ 15,537 |
| Adjustments: | | | | |
| GAAP net income from discontinued operation | (819) | - | (1,185) | (3,236) |

Edgar Filing: NICE SYSTEMS LTD - Form 6-K

| | | | | |
|--|----------|----------|----------|-----------|
| Restructuring and other special charges | 423 | - | 1,701 | - |
| Non-GAAP net income from continuing operations | \$ 3,142 | \$ 5,182 | \$ 5,692 | \$ 12,301 |
| Non-GAAP basic income per share from continuing operations | \$ 0.20 | \$ 0.29 | \$ 0.36 | \$ 0.71 |
| Non-GAAP diluted income per share from continuing operations | \$ 0.19 | \$ 0.28 | \$ 0.35 | \$ 0.66 |

NICE SYSTEMS LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

| December 31, | September 30, |
|---------------------|----------------------|
| 2003 | 2004 |
| Audited | Unaudited |

ASSETS

CURRENT ASSETS:

| | | |
|--|-------------|-------------|
| Cash and cash equivalents | \$ 29,859 | \$ 31,729 |
| Short-term bank deposits | 189 | 144 |
| Marketable securities | 17,187 | 7,277 |
| Trade receivables | 45,973 | 45,864 |
| Other receivables and prepaid expenses | 7,366 | 8,619 |
| Related party receivables | 4,013 | - |
| Inventories | 12,634 | 11,331 |
| Assets of discontinued operation | 3,945 | 924 |
| Total current assets | 121,166 | 105,888 |

LONG-TERM INVESTMENTS:

| | | |
|------------------------------------|------------|------------|
| Long-term marketable securities | 60,034 | 106,845 |
| Other long-term investments | 8,084 | 8,729 |
| Total long-term investments | 68,118 | 115,574 |
| PROPERTY AND EQUIPMENT, NET | 18,627 | 17,337 |
| OTHER ASSETS, NET | 41,504 | 38,568 |
| TOTAL ASSETS | \$ 249,415 | \$ 277,367 |

LIABILITIES AND SHAREHOLDERS' EQUITY**CURRENT LIABILITIES:**

| | | |
|---|------------|------------|
| Trade payables | \$ 15,744 | \$ 15,172 |
| Accrued expenses and other liabilities | 47,370 | 49,211 |
| Liabilities of discontinued operation | 1,878 | 134 |
| Total current liabilities | 64,992 | 64,517 |
| LONG-TERM LIABILITIES | 7,592 | 7,602 |
| SHAREHOLDERS' EQUITY | 176,831 | 205,248 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 249,415 | \$ 277,367 |

NICE SYSTEMS LTD. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS

U.S. dollars in thousands

Nine months ended

| | Three months ended | | | |
|---|-------------------------------|-----------|----------------------|-----------|
| | September 30, | | September 30, | |
| | 2003 | 2004 | 2003 | 2004 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| <u>Cash flows from operating activities:</u> | | | | |
| Net income | \$ 3,538 | \$ 5,182 | \$ 5,176 | \$ 15,537 |
| Less income for the period from discontinued operation | (819) | - | (1,185) | (3,236) |
| Adjustments required to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 4,180 | 3,374 | 13,152 | 10,282 |
| Accrued severance pay, net | 32 | (58) | 140 | 30 |
| Amortization of discount (premium) and accrued interest on held-to-maturity marketable securities | 340 | 265 | 1,014 | 1,013 |
| Decrease (increase) in trade receivables | (737) | 44 | 7,601 | 79 |
| Decrease (increase) in other receivables and prepaid expenses | 1,190 | (1,109) | 835 | (1,251) |
| Decrease (increase) in inventories | 623 | 49 | (873) | 1,291 |
| Increase (decrease) in trade payables | (967) | 500 | (984) | (561) |
| Increase in accrued expenses and other liabilities | 491 | 3,271 | 463 | 4,149 |
| Other | 9 | 26 | 69 | - |
| Net cash provided by operating activities from continuing operations | 7,880 | 11,544 | 25,408 | 27,333 |
| Net cash provided (used) by operating activities from discontinued operation | 1,880 | (246) | 2,130 | 604 |
| Net cash provided by operating activities | 9,760 | 11,298 | 27,538 | 27,937 |
| <u>Cash flows from investing activities:</u> | | | | |
| Purchase of property and equipment | (1,176) | (1,970) | (3,889) | (5,159) |
| Proceeds from sale of property and equipment | 340 | - | 681 | 60 |
| Investment in short-term bank deposits | (52) | (33) | (98) | (72) |
| Proceeds from short-term bank deposits | 32 | 45 | 123 | 116 |
| Proceeds from maturity of short-term held-to-maturity marketable securities | 8,577 | 1,725 | 28,662 | 16,710 |
| Investment in short-term held-to-maturity marketable securities | - | (1,000) | - | (3,000) |
| Proceeds of call of long-term held-to-maturity marketable securities | 5,000 | 9,632 | 5,000 | 29,434 |
| Investment in long-term held-to-maturity marketable securities | (23,299) | (13,195) | (56,126) | (81,058) |
| Capitalization of software development costs | (549) | (312) | (1,793) | (987) |
| Decrease in accrued acquisition costs | (58) | - | (3,008) | (75) |
| Payment in respect of terminated contract from TCS acquisition | (5,141) | (1,364) | (5,141) | (2,847) |
| Decrease in related party receivables from TCS acquisition | - | - | 6,635 | 4,013 |
| Net cash provided (used) by investing activities from continuing operations | (16,326) | (6,472) | (28,954) | (42,865) |
| Net cash provided (used) by investing activities from discontinued operation | (26) | - | (52) | 4,136 |
| Net cash used by investing activities | (16,352) | (6,472) | (29,006) | (38,729) |
| <u>Cash flows from financing activities:</u> | | | | |
| Proceeds from issuance of shares and exercise of share options, net | 3,344 | 2,753 | 4,604 | 12,671 |
| Short-term bank credit, net | - | - | (24) | - |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Net cash provided by financing activities | 3,344 | 2,753 | 4,580 | 12,671 |
| Effect of exchange rate changes on cash | 50 | 20 | 58 | (9) |
| Increase (decrease) in cash and cash equivalents | (3,198) | 7,599 | 3,170 | 1,870 |
| Cash and cash equivalents at beginning of period | 25,649 | 24,130 | 19,281 | 29,859 |
| Cash and cash equivalents at end of period | \$ 22,451 | \$ 31,729 | \$ 22,451 | \$ 31,729 |