

NICE SYSTEMS LTD
Form 6-K
February 04, 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 February 4, 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

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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 as-signed 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AND 333-109766), AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS SUBMITTED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.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 FOURTH QUARTER AND
FULL YEAR 2003 RESULTS

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: February 4, 2004

NICE SYSTEMS REPORTS FOURTH QUARTER AND FULL YEAR 2003 RESULTS

Highlights:

- . Record quarterly revenue with record net income, excluding special charges***
- . Q4 record revenue up 10% sequentially; 24% year-over-year increase***
- . Q4 gross margin improved to 55.5%***
- . Q4 GAAP EPS of \$0.11; excluding charges, EPS was \$0.39***

- ***FY 2003 revenue increased 44%***
- ***FY 2003 GAAP EPS of \$0.42; excluding charges, EPS was \$0.83***
- ***FY 2003 operating cash flow of \$38.2M; year end 2003 cash and equivalents of \$107M.***

Ra'anana, Israel, February 4, 2004 - NICE Systems (NASDAQ: NICE), a worldwide leader of multimedia recording solutions, applications and related professional services for business interaction management, today announced results for the quarter and full year ending December 31, 2003.

Fourth quarter non-GAAP revenue, which includes COMINT/DF revenue, was \$63.2 million and within the range of the Company's previous guidance. In accordance with GAAP, all periods have been adjusted to restate the net revenues and expenses of the COMINT/DF as a discontinued operation, after an agreement to sell the net assets of this operation was signed during Q4. As a result, fourth quarter GAAP revenue was \$61.7 million, a 10% sequential increase from \$55.9 million in the third quarter of 2003, and a 24% increase from the fourth quarter of 2002.

On a GAAP basis, net income was \$1.9 million, or \$0.11 per fully diluted share, compared with net income of \$3.5 million, or \$0.21 per share, on a fully diluted basis, in the third quarter of 2003. In the fourth quarter of 2002, GAAP net loss was \$33.3 million, or \$2.22 per share.

Excluding restructuring and settlement charges, non-GAAP net income in the fourth quarter was \$7.0 million, or \$0.39 per fully diluted share, compared with net income of \$4.0 million, or \$0.24 per fully diluted share in the third quarter of 2003, and a net loss of \$0.7 million, or \$0.05 per fully diluted share, in the year earlier period. Non-GAAP earnings per share from continuing operations was \$0.37 in the fourth quarter and \$0.74 for the full year.

Commenting on the quarterly results, Haim Shani, president and CEO of NICE said, "We had a strong finish to 2003, with revenue and net income before special charges reaching record levels. The 10.5% sequential increase in Q4 revenue represents growth in all parts of our business and across all regions. Our continued improvement in gross margin reflects improvement in both product and services margins."

Gross margin in the fourth quarter reached 55.5%, up from 53.0% in the third quarter of 2003 and 48.7% in the fourth quarter a year ago. Operating expenses, excluding restructuring and settlement costs, increased slightly to \$27.5 million but declined as a percent of revenue to 44.6% compared with 48.0% in the third quarter of 2003 and 50.4% in the fourth quarter of 2002. On a GAAP basis, the company reported operating income of \$1.4 million for the fourth quarter. However, excluding the cost of restructuring and costs associated with the settlement of a lawsuit, NICE had a non-GAAP operating profit of \$6.7 million.

Balance Sheet

Total cash and equivalents at December 31, 2003 rose to \$107.3 million compared with \$93.2 million at September 30, 2003 and compared with \$68.6 million at the end of 2002. Net operating cash flow from continuing operations was \$11.3 million in the fourth quarter. DSO at year end was 74 days compared with 70 days at the end of the third quarter. DSO at the end of 2002 was 112 days. The improvement during the year reflects aggressive working capital management.

CEO's Analysis of 2003 Results

"2003 has been a year of significant achievement", said Mr. Shani, "We grew our revenue by 44% and reported gross margin that was more than five margin points higher than 2002. We achieved record profitability on a non-GAAP basis and generated more than \$38 million in operating cash flow for the year."

"The integration of the TCS acquisition was achieved smoothly and quickly and enabled us to leverage the ex-TCS customer base and channel relationships. During the year, we were able to capitalize on the growing trend toward VoIP in both contact centers and financial trading floors and we are the leader in VoIP recording. We also completed the development of important content analytics applications for both voice and video and have received very positive feedback from customers evaluating these new products."

"We also strengthened our strategic partnerships during the course of the year. Our relationship with Motorola in the public safety market has been expanded and formalized via a joint development and marketing agreement, and we recently announced that we will be working closely with IBM to pursue opportunities in both the enterprise and security markets."

"Finally, we improved our business focus by withdrawing from the COMINT/DF business by agreeing to sell the assets and we are shifting our resources to high-potential projects. Now, we look forward to a new set of challenges in 2004 as we set about transforming our business from primarily a product-focused company selling recording platforms and quality monitoring software to a solution-focused company selling enterprise-wide business performance solutions based on data from unstructured multimedia interactions. We will pursue this evolutionary process while maintaining our leadership in our core recording and quality monitoring business and while we also introduce new value-added applications in the security business."

Outlook

Commenting on the outlook, Mr. Shani said, "We expect normal seasonality in Q1 2004 with revenue of between \$58 and \$60 million, a 12-16% increase from the adjusted \$51.8 million in Q1 2003, with EPS between \$0.12 and \$0.14."

"We continue to execute on our strategic plan. We expect to accelerate our investment in customer-facing activities and partnerships during the first half of 2004 and to realize the benefits in the second-half of the year and more significantly in 2005. For all of 2004, we expect to see 10-15% growth in revenues from the \$224 million reported in 2003 and a 50-60% increase from 2003 EPS from continuing operations of \$0.74 to between \$1.10 and \$1.20 per

share for 2004".

Conference Call

NICE will host a conference call to discuss these topics today at 8:30 a.m. EST (15:30 Israel). The call will be broadcast live on the internet via NICE`s website at www.nice.com. A telephone replay will be available for up to 72 hours after the call. The replay information: US Toll-free: 1-866-500-4953; International: ++ 972-3-925-5950; Israel: 03-925-5950.

About NICE

NICE Systems (NASDAQ: NICE) headquartered in Ra'anana, Israel, is a worldwide leader of multimedia digital recording solutions, applications and related professional services for business interaction management. NICE products and solutions are used in contact centers, trading floors, air traffic control (ATC) sites, CCTV (closed circuit television) security installations and government markets. NICE's synergistic technology platform enables customers to capture, evaluate and analyze business interactions in order to improve business processes and gain competitive advantage. NICE's subsidiaries and local offices are based in the United States, Germany, United Kingdom, France and Hong Kong. The company operates in more than 100 countries through a network of partners and distributors.

NICE's worldwide clients include: ABN Amro, Bank of England, Boston Communications, Compaq Computer Corporation, Deutsche Bank, Dresdner Bank, Emeraude Group, US Federal Aviation Administration, Hong Kong Airport, Japan Ministry of Transport, Los Angeles Police Department, MicroAge Teleservices, NAV Canada, New York Police Department, Nokia, SNT Group, Software Spectrum and Sydney Airport (NICE Web Site: www.nice.com).

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** In Australia only*

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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 December 31,		Twelve months ended December 31,	
	2002 Unaudited	2003 Unaudited	2002 Audited	2003 Audited
Revenue				
Product	\$ 40,106	\$ 45,387	\$ 127,896	\$ 168,055
Services	9,490	16,333	27,445	56,203
Total revenue	49,596	61,720	155,341	224,258
Cost of revenue				
Product	17,424	16,152	55,453	64,231
Services	8,043	11,297	26,054	42,084
Total cost of revenue	25,467	27,449	81,507	106,315
Gross Profit	24,129	34,271	73,834	117,943
Operating Expenses:				
Research and development, net	5,360	5,991	17,122	22,833
Selling and marketing	12,569	13,971	38,743	53,701
General and administrative	7,046	7,561	23,806	29,840
Goodwill impairment	28,260	-	28,260	-
In-process research and development write-off	1,270	-	1,270	-
Restructuring and other special charges	(438)	5,381	(438)	7,082
Total operating expenses	54,067	32,904	108,763	113,456