

NICE SYSTEMS LTD  
Form 6-K  
July 30, 2003  
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 July 30, 2003*

**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.

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Form 20-F  Form 40-F

Indicate by check mark, whether the registrant by furnishing the information contained in this form 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

Page 1 of  Pages

Exhibit Index on Page 4

(1)

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333-11154 AND 333-13686), AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS SUBMITTED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.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 Second Quarter 2003 Results.

Dated: July 30, 2003

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**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

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Dated: \_\_\_\_\_

## **NICE SYSTEMS REPORTS SECOND QUARTER 2003 RESULTS**

### Highlights:

- Revenue increased 6% sequentially and 47% year-over-year
- Gross margin improves to 51.0%
- GAAP EPS of \$0.09; excluding restructuring charges, EPS of \$0.14
- Continued focus on working capital management helped generate \$9.7 million in operating cash flow; DSO declined to 81 days

**Ra'anana, Israel, July 30, 2003 - NICE Systems (NASDAQ: NICE)**, a worldwide leader of multimedia recording solutions, applications and related professional services for business interaction management, today announced unaudited results for the quarter ending June 30, 2003.

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Revenue in the second quarter was \$56.2 million, a 6% sequential increase from \$53.3 million in the first quarter of 2003, and a 47% increase from the second quarter of 2002. On a GAAP basis, net income was \$1.4 million, or \$0.09 per fully diluted share, compared with a net profit of \$0.2 million, or \$0.01 per share, on a fully diluted basis, in the first quarter of 2003. The GAAP net profit in the second quarter of 2002 was \$0.1 million, or \$0.00 per fully diluted share.

Excluding restructuring charges, non-GAAP net income in the second quarter was \$2.3 million, or \$0.14 per fully diluted share, compared with a net profit of \$0.7 million, or \$0.04 per fully diluted share in the first quarter of 2003, and net income of \$0.1 million, or \$0.00 per share, in the year earlier period.

Commenting on the results, Haim Shani, president and CEO of NICE said, "We are pleased to report another solid quarter with sequential revenue increases in each sector of our business. Year-to-date, product revenues are up 31% and service revenues are up 147% over the first half of last year. Our results this quarter reflect continued progress toward our goals for this year. The latest industry research figures confirm that we continue to gain market share, and we are improving our service revenues, increasing our gross margin, and holding our operating expenses in check. "

Gross margin continued to improve and reached 51.0%, up from 50.1% in the first quarter of 2003 and 47.7% in the second quarter a year ago. Operating expenses, excluding restructuring charges, were about the same as in the first quarter, but dropped to 47% of revenue compared with 49.8% in the first quarter of 2003. On a GAAP basis, the company reported operating income of \$1.4 million for the second quarter. However, excluding the cost of involuntary employee terminations and office closures, NICE had a non-GAAP operating profit of \$2.3 million.

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## **Balance Sheet**

Total cash and equivalents at June 30, 2003 rose to \$87.0 million compared with \$79.2 million at March 31, 2003, reflecting continued focus on working capital during Q2. DSOs fell to 81 days from 97 days at the end of the first quarter.

## **Outlook**

Commenting on the outlook, Mr. Shani said, "We are expecting a moderate sequential increase in revenue in Q3 despite the fact that with nearly a third of our revenues coming from the EMEA region, the impact of the summer holidays is greater than in the past. We also believe we are still on track to hit the low end of our longstanding guidance of \$0.80 to \$0.90 per share on a non-GAAP basis for 2003 as a whole."

## **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](http://www.nice.com). A telephone replay will be available for up to 72 hours after the call. The replay information will also be available on NICE's website.

## 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](http://www.nice.com))

*Trademark Note: 360° 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, 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*

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**NICE SYSTEMS LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

|                                      | <b>Three months ended</b> |           | <b>Six months ended</b> |           |
|--------------------------------------|---------------------------|-----------|-------------------------|-----------|
|                                      | <b>June 30,</b>           |           | <b>June 30,</b>         |           |
|                                      | 2002                      | 2003      | 2002                    | 2003      |
|                                      | Unaudited                 | Unaudited | Unaudited               | Unaudited |
| Revenue                              |                           |           |                         |           |
| Product                              | \$ 32,781                 | \$ 43,883 | \$ 63,943               | \$ 84,022 |
| Services                             | 5,438                     | 12,363    | 10,341                  | 25,500    |
| Total revenue                        | 38,219                    | 56,246    | 74,284                  | 109,522   |
| Cost of revenue                      |                           |           |                         |           |
| Product                              | 14,256                    | 17,208    | 28,445                  | 33,936    |
| Services                             | 5,747                     | 10,344    | 11,348                  | 20,178    |
| Total cost of revenue                | 20,003                    | 27,552    | 39,793                  | 54,114    |
| Gross Profit                         | 18,216                    | 28,694    | 34,491                  | 55,408    |
| Operating Expenses:                  |                           |           |                         |           |
| Research and development, net        | 4,189                     | 5,787     | 8,468                   | 11,608    |
| Selling and marketing                | 9,283                     | 13,094    | 18,271                  | 26,524    |
| General and administrative           | 5,584                     | 7,574     | 10,752                  | 14,856    |
| Restructuring charges                | -                         | 834       | -                       | 1,278     |
| Total operating expenses             | 19,056                    | 27,289    | 37,491                  | 54,266    |
| Operating income (loss)              | (840)                     | 1,405     | (3,000)                 | 1,142     |
| Financial income, net                | 1,376                     | 334       | 2,335                   | 893       |
| Other income (expense), net          | (334)                     | 4         | (303)                   | (33)      |
| Income (loss) before taxes on income | 202                       | 1,743     | (968)                   | 2,002     |
| Taxes on income                      | 150                       | 314       | 170                     | 364       |
| Net income (loss)                    | \$ 52                     | \$ 1,429  | \$ (1,138)              | \$ 1,638  |
| Basic income (loss) per share        | \$ 0.00                   | \$ 0.09   | \$ (0.09)               | \$ 0.10   |

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|   |         |         |           |         |
|---|---------|---------|-----------|---------|
| Diluted income (loss) per share                                   | \$ 0.00 | \$ 0.09 | \$ (0.09) | \$ 0.10 |
| Weighted average number of shares<br>outstanding used to compute: |         |         |           |         |
| Basic income (loss) per share                                     | 13,377  | 15,822  | 13,360    | 15,815  |
| Diluted income (loss) per share                                   | 13,544  | 16,175  | 13,360    | 15,885  |

**FOR COMPARATIVE PURPOSES**

**NET INCOME (LOSS) AND  
INCOME (LOSS) PER SHARE  
EXCLUDING RESTRUCTURING  
COST**

|                                 |         |          |            |          |
|---------------------------------|---------|----------|------------|----------|
| GAAP net income (loss)          | \$ 52   | \$ 1,429 | \$ (1,138) | \$ 1,638 |
| Restructuring charges           | -       | 834      | -          | 1,278    |
| Non-GAAP net income (loss)      | \$ 52   | \$ 2,263 | \$ (1,138) | \$ 2,916 |
| Basic income (loss) per share   | \$ 0.00 | \$ 0.14  | \$ (0.09)  | \$ 0.18  |
| Diluted income (loss) per share | \$ 0.00 | \$ 0.14  | \$ (0.09)  | \$ 0.18  |

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**NICE SYSTEMS LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands

|  | <b>December 31,<br/>2002</b> | <b>June 30,<br/>2003</b> |
|--|------------------------------|--------------------------|
|  | Audited                      | Unaudited                |
| <b>ASSETS</b>                          |                              |                          |
| <b>CURRENT ASSETS:</b>                 |                              |                          |
| Cash and cash equivalents              | \$ 19,281                    | \$ 25,649                |
| Short-term bank deposits               | 208                          | 179                      |
| Marketable securities                  | 33,853                       | 28,813                   |
| Trade and unbilled receivables         | 53,358                       | 44,735                   |
| Other receivables and prepaid expenses | 8,234                        | 9,131                    |
| Related party receivables              | 12,804                       | 6,169                    |
| Inventories                            | 13,480                       | 15,083                   |
| <br>Total current assets               | <br>141,218                  | <br>129,759              |
| <b>LONG-TERM INVESTMENTS:</b>          |                              |                          |
| Long-term marketable securities        | 15,247                       | 32,355                   |
| Other long-term investments            | 7,578                        | 8,618                    |
| <br>Total long-term investments        | <br>22,825                   | <br>40,973               |
| <br><b>PROPERTY AND EQUIPMENT, NET</b> | <br>24,345                   | <br>20,971               |
| <br><b>OTHER ASSETS, NET</b>           | <br>47,900                   | <br>40,941               |
| <br><b>TOTAL ASSETS</b>                | <br>\$ 236,288               | <br>\$ 232,644           |

**LIABILITIES AND SHAREHOLDERS'  
EQUITY**

**CURRENT LIABILITIES:**

|  |        |        |
|--|--------|--------|
| Short-term bank credit                 | \$ 24  | \$ 0   |
| Trade payables                         | 16,129 | 15,797 |
| Accrued expenses and other liabilities | 45,859 | 47,336 |
| Total current liabilities              | 62,012 | 63,133 |

**LONG-TERM LIABILITIES** 19,740 10,840

**SHAREHOLDERS' EQUITY** 154,536 158,671

**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** \$ 236,288 \$ 232,644

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**NICE SYSTEMS LTD. AND SUBSIDIARIES****CONSOLIDATED CASH FLOW STATEMENTS****U.S. dollars in thousands**

|   | <b>Three months<br/>ended<br/>June 30, 2003</b> | <b>Six months<br/>ended<br/>June 30, 2003</b> |
|---|---|---|
| <u>Cash flows from operating activities:</u>  |   |   |
| Net income  | \$ 1,429  | \$ 1,638                                      |
| Adjustments required to reconcile net income to net cash provided by operating activities:        |   |   |
| Depreciation and amortization   | 4,489   | 9,203   |
| Accrued severance pay, net  | 218   | 169   |
| Amortization of discount (premium) and accrued interest on held-to-maturity marketable securities | 499   | 674   |
| Decrease in trade and unbilled receivables  | 3,790   | 9,046   |
| Increase in other receivables and prepaid expenses  | (2,639)   | (422)   |
| Increase in inventories   | (156)   | (1,516)                                       |
| Increase (decrease) in trade payables   | 858   | (369)   |
| Increase (decrease) in accrued expenses and other liabilities                                     | 1,120   | (721)   |
| Other   | 54  | 58  |
| Net cash provided by operating activities   | 9,662   | 17,760  |
| <u>Cash flows from investing activities:</u>  |   |   |
| Purchase of property and equipment  | (1,203)   | (2,734)                                       |
| Proceeds from sale of property and equipment  | 168   | 341   |
| Investment in short-term bank deposits  | (26)  | (41)  |
| Proceeds from short-term bank deposits  | 41  | 86  |
| Proceeds from maturity of short-term held-to-maturity marketable securities                       | 11,285  | 20,085  |
| Investment in long-term held-to-maturity marketable securities                                    | (25,054)  | (32,827)                                      |
| Capitalization of software development costs  | (611)   | (1,245)                                       |
| Decrease in accrued acquisition costs   | (402)   | (2,951)                                       |
| Decrease in related party receivables from TCS acquisition  | -   | 6,635   |
| Net cash used in investing activities   | (15,802)  | (12,651)                                      |

Cash flows from financing activities:

|   |           |           |
|---|-----------|-----------|
| Proceeds from issuance of shares and exercise of share options, net | 542       | 1,260     |
| Short-term bank credit, net   | -         | (24)      |
| Net cash provided by financing activities                           | 542       | 1,236     |
| Effect of exchange rate changes on cash                             | 139       | 23        |
| Increase (decrease) in cash and cash equivalents                    | (5,459)   | 6,368     |
| Cash and cash equivalents at beginning of period                    | 31,108    | 19,281    |
| Cash and cash equivalents at June 30, 2003                          | \$ 25,649 | \$ 25,649 |

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