

May 7, 2009

NICE Systems

overweight

(NICE: \$21.57)

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Key outlook changes

METRIC		TO	FROM
2009e EPS	DOWN	\$1.50	\$1.80
2010e EPS	START	\$1.68	
2009e Revenue	DOWN	\$577.2	\$662.0
2010e Revenue	START	\$628.5	

Estimates summary

YEAR (DEC)	REVENUE (MILLIONS)	CHANGE	EPS	CHANGE	P/E
2008	\$628.1	--	\$1.67	15.6%	12.9
2009e	\$577.2	(8.1%)	\$1.50	(10.5%)	14.4
2010e	\$628.5	8.9%	\$1.68	12.1%	12.9

Fundamentals

Equity market capitalization (MM)	\$1,327.8
Debt/total capitalization	0%
Return on average equity (2009e)	5%
Price/book value	1.4
Total market cap./2009e EBITDA	5.4
52-week price range	\$16.11 - \$35.87
12-month price target	\$26

Important disclosures and certifications begin on page 8 of this report.

Macro picture tougher to sidestep; hanging in with overweight

- We think geographic challenges (a buying freeze in parts of Europe, mainly) are the primary top-line culprit.
- We note on a constant-currency basis, Q1 revenue was flat or slightly up year-over-year.

We retain our overweight rating for NICE Systems after reviewing its mixed Q1 results (good EPS, but a slight top-line miss from guidance) and lower-than-expected Q2 outlook. Extended sales cycles and we think especially some geographic particulars (Europeans halting expenditures) have surprised NICE and us, and are throwing a wrench of uncertainty into the full-year picture. NICE has admirably weathered macro headwinds until now ('08 organic growth was 12%), though its near-term fortunes, particularly on the Enterprise side (70% of revenue), have become more intertwined with macro trends.

We don't believe the need for NICE products has slipped, nor do we think the company is losing ground competitively. We also note the key Americas geography (56% of '08 revenue) saw 9% currency-unadjusted y-o-y growth, with financial services and other major verticals performing respectably.

It's tough to build a bullet-proof case for the name, but we think several factors combine to still make NICE an interesting medium-term tech story: a newly streamlined cost structure (Q1 opex was down 10% y-o-y on 5% lower

revenue), attractive follow-on software opportunities into its installed base, and a security business that should see interesting multi-year momentum.

We regard valuation metrics as reasonable: At an intra-day price of \$22.50, the stock trades at 2.6X its cash/share value, we calculate a roughly 7% free cash flow yield, and the P/E multiple on our forward-12-month EPSe is about 14.6X, which is in the lower half of the two-year historical FTM P/E range of 9X to 26X. We think that most any indication of an incrementally better macro picture should spur the stock.

Estimates

Q2 guidance is for a top- and bottom-line result 'similar' to Q1, and we thus model the quarter to be basically sequentially flat.

Our bias is to think customer budgets should solidify as the year progresses, which should help NICE performance. At a very high level, the company expects H2 to see some sort of pickup over Q1, and we model a 48%-52% H1-H2 revenue split. We see the leaner cost structure progressively helping operating margin through the quarters this year.

We forecast a 15% y-o-y call center decline, roughly flat Actimize transaction analytics revenue (10% of total), and 6% security growth (27% of revenue). Given the very strong backlog and good momentum, our bias is to think our security forecast is conservative (it was up 21% last year).

The result is our forecast is down 13% and 17% on the top- and bottom-line, respectively, from our previous estimate profile.

2010

We introduce a best-guess for 2010 that assumes some macro rebound. Our 9% top-line growth projection off a soft '09 includes assumption for 4% call center growth, 8% Actimize growth, and 20% security growth (off a soft '09). We model operating margin to grow about 80 basis points y-o-y, resulting in 12% EPS growth.

QUARTER SKETCH

- NICE reported Q1 pro forma EPS of \$0.35, two cents below our estimate but on target with consensus, on revenue of \$139.2 million, 6% below our estimate. Revenue fell 5% y-o-y; adjusted for currency, revenue was flat to slightly up y-o-y. GAAP EPS was \$0.17.
 - ✓ Gross margin of 63.2% fell 170 basis points y-o-y (below our estimate by a little more) on light product revenue. Opex was 10% below our estimate, producing operating margin of 16.8% that matched our estimate and enabled NICE to achieve a respectable EPS result despite the slight revenue miss.
 - ✓ We note the product/services revenue mix of 49%/51% was significantly different than the 56%/44% seen all last year, as product sales were delayed while services (maintenance and professional services) were largely as the company expected.
 - ✓ We were again encouraged to hear of another significant security win (\$9 million, with an emerging-market government entity). However, beyond that, overall large-deal color was absent from the dialogue, likely indicating a tough quarter on that front.
- In terms of business tone, NICE saw no meaningful changes in its pipeline, but its close rates changed and sales cycles became extended beyond what the company had already assumed. It sounds like NICE hasn't lost many

deals, but the deals it had won await final signatures (some of which have closed in April).

- We consider the geographic breakdown of revenue to be a key to the quarter's story. We noted the favorable Americas growth above (64% of revenue). We think EMEA (30% of revenue last year, 24% this year) was the main culprit, falling 24% y-o-y.
 - ✓ We believe this decline was due in part to some European entities cutting off-- not just cutting back--technology expenditures, as many domestic buyers might do in an macro downturn. We have heard of such color from other tech companies in the last couple weeks, and believe there's can be a cultural difference in how Europeans react to a downturn vs. how Americans do.
 - ✓ We think the magnitude of delays surprised the company in the last few weeks of the quarter.
 - ✓ APAC (12% of revenue) was down 20% y-o-y.
- Enterprise revenue (contact center, trading recording, transaction analytics) of \$103 million (74% of revenue) was 6% below our estimate and down 8% year-over-year.
 - ✓ It sounds like there was no particular vertical weakness (domestic financial services business held up), but that contact center was soft across the board.
 - ✓ The smallest component, transaction analytics, was in line with expectations, and we believe NICE saw favorable uptake with its contact center applications domestically.
- Security revenue of \$36 million (26% of revenue) grew a handsome 29% y-o-y and was just below our forecast.
 - ✓ We have written extensively about NICE's security momentum previously. We noted above the company's most recent mega-win.
 - ✓ We think the attractive security backlog and opportunity for NICE are unchanged, though the above-noted European spending slowdown makes forecasting this business this year somewhat problematic.

Balance sheet

- ✓ Cash of \$529 million grew 6% sequentially, helped by free cash flow of \$29 million (down 32% y-o-y).
- ✓ DSOs of 60 were in line with recent trends and unchanged y-o-y.

INVESTMENT SUMMARY

Company

- NICE Systems provides call center recording and quality monitoring with a growing presence in the digital video surveillance and communication interception industries.
- Revenue profile: roughly 70% enterprise business and 30% security.

Positives

- Ongoing Enterprise installed-base opportunities for higher-margin VoIP (voice over Internet protocol) upgrades and follow-on software application

- sales (both at best 10% penetrated).
- Likely continued growth-driving acquisition profile.
- NICE is in the best position to benefit from international call centers adopting quality-monitoring solutions.
- Video security has attractive growth opportunities over the next several years.

Risks

- Competition from companies such as Verint/Witness, General Electric, and Honeywell.
 - Cyclicity of call center spending market.
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COMPANY DESCRIPTION

NICE Systems, headquartered in Ra'anana, Israel, is a leading vendor in the call center recording and quality monitoring marketplace with a growing presence in the digital video surveillance and communication interception industries. Also features transaction analytics for banks.

Earnings Model (Dollars in thousands except per-share data)

	2005	2006	2007	Mar-08	Jun-08	Sep-08	Dec-08	2008	Mar-09	Jun-09e	Sep-09e	Dec-09e	2009e	2010e	
Products	\$206,355	\$264,752	\$319,152	\$85,216	\$88,850	\$87,991	\$91,968	\$353,625	\$68,617	\$70,000	\$73,000	\$78,000	\$289,617	\$350,000	
Services	\$104,755	\$153,379	\$202,652	\$61,530	\$66,440	\$75,051	\$75,520	\$74,495	\$70,623	\$70,000	\$72,000	\$75,000	\$267,623	\$278,500	
Total Revenue	\$311,110	\$418,131	\$521,804	\$146,746	\$155,290	\$162,996	\$163,088	\$628,120	\$139,240	\$140,000	\$145,000	\$153,000	\$577,240	\$628,500	
Cost of Products	\$66,092	\$77,086	\$76,673	\$18,309	\$18,546	\$20,839	\$21,266	\$78,960	\$16,018	\$16,100	\$15,680	\$16,770	\$64,583	\$77,000	
Cost of Services	\$88,637	\$113,323	\$113,402	\$33,133	\$35,048	\$36,542	\$35,059	\$139,782	\$35,218	\$35,350	\$36,356	\$37,875	\$144,803	\$144,820	
Total Cost of Revenue	\$154,729	\$190,409	\$190,075	\$51,442	\$53,594	\$57,381	\$56,325	\$218,742	\$51,236	\$51,450	\$52,055	\$54,645	\$209,386	\$221,820	
Gross Profit	\$176,381	\$252,722	\$331,729	\$95,304	\$101,696	\$105,615	\$106,763	\$409,378	\$88,004	\$88,550	\$92,945	\$98,355	\$367,854	\$406,680	
R&D	\$30,895	\$43,490	\$55,487	\$16,973	\$17,409	\$18,571	\$19,621	\$72,574	\$17,073	\$17,100	\$17,500	\$17,800	\$69,473	\$76,500	
Selling & marketing	\$72,830	\$91,812	\$113,724	\$33,970	\$35,973	\$35,844	\$35,589	\$141,076	\$31,975	\$32,000	\$33,000	\$35,000	\$131,975	\$145,000	
G&A	\$37,742	\$54,193	\$75,276	\$21,109	\$22,630	\$21,126	\$21,491	\$86,356	\$15,608	\$15,700	\$16,000	\$16,500	\$63,808	\$68,000	
Total Operating Expenses	\$141,467	\$189,495	\$244,487	\$71,952	\$76,012	\$75,341	\$76,701	\$300,006	\$64,656	\$64,800	\$66,500	\$69,300	\$265,256	\$289,500	
Operating Income	\$34,914	\$63,227	\$87,242	\$23,352	\$25,684	\$30,274	\$30,062	\$109,372	\$23,348	\$23,750	\$26,445	\$29,055	\$102,598	\$117,180	
Financial income, net	\$5,390	\$12,921	\$14,879	\$3,676	\$3,828	\$3,145	\$5,131	\$15,780	\$2,743	\$2,500	\$2,500	\$2,500	\$10,243	\$10,500	
Other income (expense), net	(\$5)	\$274	(\$80)	(\$9)	(\$6)	(\$16)	\$0	(\$31)	\$52	\$0	\$0	\$0	\$52	\$0	
Pretax Income	\$40,299	\$76,422	\$102,041	\$27,019	\$29,506	\$33,403	\$35,193	\$125,121	\$26,143	\$26,250	\$28,945	\$31,555	\$112,893	\$127,680	
Income tax provision (benefit)	\$5,731	\$15,363	\$20,585	\$5,037	\$5,556	\$6,706	\$4,623	\$21,922	\$4,792	\$4,856	\$5,500	\$5,364	\$20,512	\$23,621	
Pro Forma Net Income	\$34,568	\$61,059	\$81,456	\$21,982	\$23,950	\$26,697	\$30,570	\$103,199	\$21,351	\$21,394	\$23,445	\$26,191	\$92,381	\$104,059	
Amort. of intangible assets, other	\$2,859	\$9,766	\$22,956	\$7,841	\$8,436	\$8,289	\$8,057	\$32,623	\$7,985	\$8,000	\$8,000	\$8,000	\$24,985	\$20,000	
Amort. of stock-based comp	\$9,000	\$11,500	\$13,500	\$7,582	\$6,419	\$5,384	\$5,932	\$25,317	\$2,942	\$3,000	\$3,500	\$4,000	\$13,442	\$15,000	
Valuation adj. acq. Def. rev.	\$0	\$8,487	\$5,362	\$2,303	\$1,152	\$504	\$253	\$4,212	\$80	\$100	\$100	\$100	\$380	\$1,000	
Pro forma income tax effect	(\$4,829)	(\$6,772)	(\$8,287)	(\$3,676)	(\$3,488)	(\$2,916)	(\$2,412)	(\$12,442)	(\$2,490)	(\$569)	(\$663)	\$249	(\$3,473)	(\$5,000)	
Income from discn. operation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Restruct. & impair. Chgs. other	\$0	\$12,182	\$0	\$9,870	\$4,512	\$0	\$14,382	\$2,213	\$2,213	\$0	\$0	\$0	\$2,213	\$0	
GAAP Net Income	\$36,538	\$25,896	\$47,925	\$19,322	\$15,111	\$10,924	\$18,740	\$39,107	\$10,621	\$12,863	\$14,509	\$16,841	\$54,834	\$73,059	
Fully-diluted Shares out	41,283	52,215	56,275	61,606	61,892	61,874	61,426	61,700	61,360	61,600	61,700	62,000	61,715	62,000	
Reported GAAP EPS	\$0.89	\$0.50	\$0.85	\$0.31	\$0.25	\$0.18	\$0.31	\$0.63	\$0.17	\$0.21	\$0.24	\$0.27	\$0.89	\$1.18	
Pro forma EPS (ex-cash)	\$0.73	\$0.97	\$1.24	\$0.36	\$0.39	\$0.43	\$0.50	\$1.46	\$0.35	\$0.35	\$0.38	\$0.42	\$1.36	\$1.54	
Pro forma EPS (w/stock comp)	\$0.62	\$0.95	\$1.21	\$0.36	\$0.39	\$0.43	\$0.50	\$1.26	\$0.35	\$0.35	\$0.38	\$0.42	\$1.28	\$1.44	
Pro Forma EPS	\$0.84	\$1.17	\$1.45	\$0.36	\$0.39	\$0.43	\$0.50	\$1.67	\$0.35	\$0.35	\$0.38	\$0.42	\$1.50	\$1.68	
Margins:															
Products gross margin	68.0%	70.9%	76.0%	78.5%	79.1%	76.3%	76.8%	77.7%	76.7%	77.0%	78.5%	78.5%	77.7%	78.0%	
Services gross margin	34.5%	42.4%	44.0%	46.2%	47.2%	51.3%	51.0%	49.1%	50.1%	49.5%	49.5%	49.5%	49.7%	48.0%	
Overall gross margin	56.7%	60.4%	63.6%	64.9%	65.5%	64.8%	65.2%	65.2%	63.2%	63.3%	64.3%	64.3%	63.7%	64.7%	
R&D	9.9%	10.4%	10.6%	11.6%	11.2%	11.4%	12.0%	11.6%	12.3%	12.2%	12.1%	11.6%	12.0%	12.2%	
Selling & marketing	23.4%	22.0%	21.8%	23.1%	23.2%	21.9%	21.8%	22.5%	23.0%	22.9%	22.8%	22.9%	22.9%	23.1%	
G&A	12.1%	13.0%	14.4%	14.4%	14.6%	13.0%	13.2%	13.7%	11.2%	11.2%	11.0%	10.8%	11.1%	10.8%	
Operating margin	11.2%	15.1%	16.7%	15.9%	16.5%	18.6%	18.4%	17.4%	16.8%	17.0%	18.2%	19.0%	17.8%	18.6%	
Pretax Margin	13.0%	18.3%	19.6%	18.4%	19.0%	20.5%	21.6%	19.9%	18.8%	18.8%	20.0%	20.6%	19.6%	20.3%	
Tax Rate	14.2%	20.1%	20.2%	16.6%	18.8%	20.1%	13.1%	17.5%	18.3%	18.5%	19.0%	17.0%	18.2%	18.5%	
Net Margin	11.1%	14.6%	15.6%	15.0%	15.4%	16.4%	18.7%	16.4%	15.3%	15.3%	16.2%	17.1%	16.0%	16.6%	
Revenue Mix:															
Products	66.3%	63.3%	61.2%	58.1%	57.2%	54.0%	56.1%	56.3%	49.3%	50.0%	50.3%	51.0%	50.2%	55.7%	
Services	33.7%	36.7%	38.8%	41.9%	42.8%	46.0%	43.9%	43.7%	50.7%	50.0%	49.7%	49.0%	49.8%	44.3%	
Enterprise Interactions	76.3%	74.0%	76.7%	81.1%	74.8%	72.4%	77.9%	76.4%	74.1%	74.3%	72.4%	70.6%	72.8%	70.0%	
Public safety & security	23.7%	26.0%	23.5%	19.1%	25.2%	27.6%	22.1%	23.6%	25.9%	25.7%	27.6%	29.4%	27.2%	30.0%	
Enterprise Interactions	\$237,400	\$309,500	\$400,300	\$119,000	\$116,150	\$118,000	\$127,000	\$480,150	\$103,240	\$104,000	\$105,000	\$108,000	\$420,240	\$440,000	
Public safety & security	\$73,800	\$108,700	\$122,550	\$28,000	\$39,149	\$44,996	\$38,088	\$148,233	\$36,000	\$36,000	\$40,000	\$45,000	\$157,000	\$188,500	
YOY Growth:															
Products	13%	28%	21%	16.1%	16.4%	8.3%	3.8%	11%	-18.5%	-21.2%	-17.0%	-14.8%	-18%	-21%	
Services	50%	46%	32%	41.0%	33.2%	45.4%	24.3%	35%	14.8%	5.4%	-4.0%	4.9%	5%	-3%	
Enterprise Interactions	22%	30%	29%	31.3%	16.5%	22.9%	11.4%	20%	-13.2%	-10.5%	-11.0%	-15.0%	-12%	5%	
Public safety & security	26%	47%	13%	6.1%	42.9%	22.1%	12.8%	21%	28.6%	-8.0%	-11.1%	24.7%	6%	20%	
TOTAL REV.	23%	34%	25%	25.4%	23.1%	22.7%	11.9%	20%	-5.1%	-9.8%	-11.0%	-6.2%	-8%	9%	
OPERATING INC.	67%	81%	38%	32.6%	20.1%	33.5%	17.5%	25%	0.0%	-7.5%	-12.6%	-3.3%	-6%	14%	
Pro Forma EPS	41%	40%	24%	14.7%	6.6%	14.0%	27.7%	16%	-2.9%	-10.2%	-11.9%	-15.1%	-11%	12%	
Guidance: Revenue	\$308m-\$311m	\$413-\$418	\$519-\$523	\$424-\$426	\$481-\$485	\$519-\$523	\$616-\$621	\$627-\$635	\$715-\$717	\$715-\$717	\$715-\$717	\$715-\$717	\$715-\$717	\$715-\$717	
EPS	\$1.62-\$1.66	\$1.12-\$1.17	1.41-\$1.45	.34-\$0.37	.37-\$0.41	.41-\$0.45	.42-\$0.49	1.65-\$1.75	.31-\$0.41	to Q1	to Q1	to Q1	to Q1	to Q1	

Balance Sheet (Dollars in thousands except per-share data)

	2005	2006	2007	Mar-08	Jun-08	Sep-08	Dec-08	2008	Mar-09	Jun-09	Sep-09	Dec-09	2009e
Cash equivalents & ST/LT investments				\$226,520	\$201,977	\$252,814	\$330,448		\$367,017				
Trade receivables, net				\$96,855	\$107,795	\$107,989	\$104,115		\$85,783				\$85,783
Other receivables & prepaid expense				\$23,789	\$24,528	\$25,000	\$23,697		\$24,919				\$24,919
Related party receivables				\$0	\$0	\$0	\$0		\$0				\$0
Inventories				\$13,023	\$13,512	\$11,865	\$11,500		\$10,608				\$10,608
Current deferred taxes				\$8,166	\$8,721	\$12,353	\$8,400		\$8,713				\$8,713
Assets of discontinued operation				\$0	\$0	\$0	\$0		\$0				\$0
Total Current Assets				\$368,363	\$359,533	\$410,021	\$478,160		\$497,040				
Investment in affiliates				\$0	\$0	\$0	\$0		\$0				\$0
Severance pay fund				\$0	\$0	\$0	\$0		\$0				\$0
Other long-term investments				\$234,791	\$260,809	\$222,068	\$188,872		\$180,065				\$180,065
Long-term deferred taxes				\$9,266	\$6,979	\$3,687	\$7,373		\$7,798				\$7,798
LT receivables & prepaid expense				\$0	\$0	\$0	\$0		\$0				\$0
Property & equipment, net				\$19,549	\$20,855	\$22,893	\$23,394		\$22,970				\$22,970
Other intangible assets				\$156,012	\$163,933	\$157,321	\$145,402		\$137,802				\$137,802
Goodwill				\$445,843	\$454,409	\$450,635	\$445,504		\$443,739				\$443,739
Total Assets				\$1,233,824	\$1,266,518	\$1,266,625	\$1,288,705		\$1,289,414				
ST bank credit				\$0	\$0	\$0	\$0		\$0				\$0
Trade payables				\$23,601	\$25,165	\$21,212	\$23,060		\$16,005				\$16,005
Accrued expenses & other liabilities				\$224,808	\$234,514	\$233,841	\$237,589		\$237,971				\$237,971
Liabilities of discontinued operation				\$0	\$0	\$0	\$0		\$0				\$0
Total Current Liabilities				\$248,409	\$259,679	\$255,053	\$260,649		\$253,976				\$253,976
Accrued severance pay				\$0	\$0	\$0	\$0		\$0				\$0
Long-term tax liabilities				\$38,906	\$41,656	\$40,404	\$37,060		\$34,977				\$34,977
Other LT liabilities				\$18,619	\$20,402	\$21,944	\$20,174		\$18,908				\$18,908
Total Liabilities				\$305,934	\$321,737	\$317,401	\$317,883		\$307,861				\$307,861
Shareholders Equity	\$487,041	\$569,574		\$927,880	\$944,781	\$903,794	\$970,822		\$981,553				\$981,553
BV per share				\$15.06	\$15.26	\$14.61	\$15.80		\$15.94				\$15.94
Tangible BV per share				\$5.29	\$5.27	\$4.78	\$6.18		\$6.50				\$6.50
D/SO				60	65	60	60		60				60
Capex	\$6,128	\$8,092	\$10,915	\$3,274	\$3,772	\$4,938	\$3,798	\$15,782	\$2,541				\$13,000
Operating Cash Flow	\$65,703	\$87,375	\$118,049	\$46,706	\$13,821	\$32,344	\$41,974	\$134,845	\$31,955				\$142,936
Free Cash Flow	\$59,575	\$79,283	\$107,134	\$43,432	\$10,049	\$27,406	\$38,176	\$119,063	\$29,414				\$129,936
Deprn & Amorth	\$13,151	\$21,917	\$31,125	\$10,000	\$10,600	\$10,964	\$11,116	\$42,680	\$10,944				\$45,000
EBITDA	\$48,065	\$65,144	\$118,367	\$33,352	\$36,284	\$41,238	\$41,178	\$152,052	\$34,292				\$147,598
Annualized ROE	10%	12%						7%					5%
Geographic Breakdown													
Revenue				\$82,000	\$83,000	\$88,000	\$97,000		\$89,000				\$89,000
Americas	\$163,300	\$248,600		\$45,000	\$49,000	\$50,000	\$47,000		\$34,000				\$34,000
EMEA	\$99,300	\$113,500		\$20,000	\$23,290	\$25,000	\$19,000		\$16,000				\$16,000
Asia-Pacific	\$48,500	\$56,000		\$147,000	\$155,290	\$163,000	\$163,000		\$139,000				\$139,000
Total revenue	\$311,100	\$311,100											
YOY Growth													
Americas	34.3%	52.2%		19.2%	15.3%	18.9%	21.7%		18.9%				21.7%
EMEA	6.4%	14.3%		30.1%	35.4%	28.2%	6.8%		28.2%				6.8%
Asia-Pacific	28.6%	15.5%		47.1%	29.4%	25.0%	-13.6%		25.0%				-13.6%

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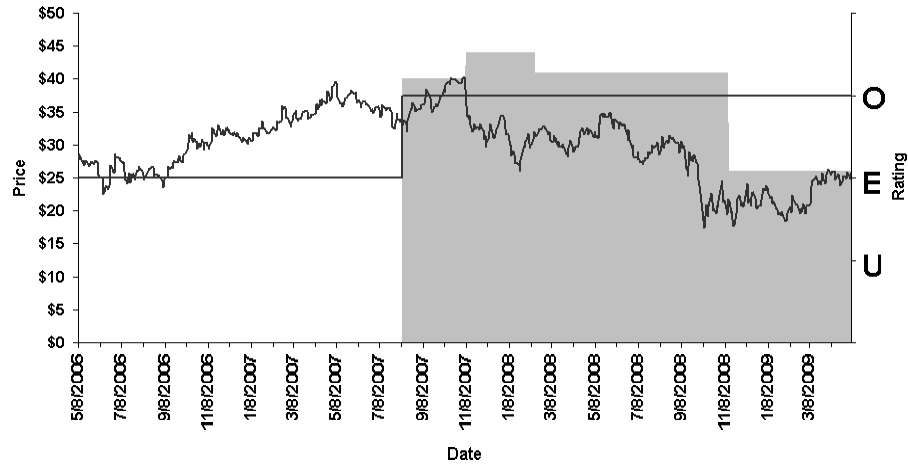
LIFE SCIENCE TOOLS & DIAGNOSTICS
Dan Leonard

IMPORTANT DISCLOSURES AND CERTIFICATIONS

PRICE, RATING, AND TARGET PRICE HISTORY*

Date	Close	Target	Rating
5/8/2006	\$27.67		E
8/10/2007	\$32.94	\$40	O
11/8/2007	\$35.99	\$44	O
2/13/2008	\$31.99	\$41	O
11/13/2008	\$21.72	\$26	O

NICE Systems



*Left axis is stock price (gray area indicates 12-month price target); right axis is rating (line indicates rating level). When no rating is indicated in the chart or table, then the stock was unrated at that time. Likewise, when no 12-month price target is indicated in the chart or table, then there was no 12-month price target at that time. First Analysis Securities Corp. does not provide 12-month price targets for stocks rated equal-weight or underweight. It usually provides 12-month price targets for stocks rated overweight. The data in this chart are current as of the last trading date prior to the date of this report.

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I, Craig Nankervis, attest the views expressed in this document accurately reflect my personal views about the subject securities and issuers. I further attest no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me herein.

VALUATIONS / RISKS

NICE Systems: Our 12-month price target reflects a 15.5 multiple on our 2010 EPSe, a multiple that is just below the midpoint of the two-year historical forward-four-quarter range of 9X-26X. A number of risks and uncertainties have the potential to impede share-price appreciation toward our 12-month target, including such factors as unfavorable economic conditions, a downturn in capital markets, slow adoption of new technologies, IT spending weakness, and changes in government spending on security initiatives.

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Equal-weight (E): Hold shares to maintain an equal-weighted position: Stock price expected to perform in line with the S&P 500 over the next 12 months.

Underweight (U): Sell shares to establish an underweighted position: Stock price expected to perform worse than the S&P 500 over the next 12 months.

*Stock target prices may at times be inconsistent with these definitions due to short-term stock price volatility that may not reflect large-holder/buyer valuations of the security.

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ABBREVIATIONS AND ACRONYMS: The meaning of the following abbreviations and acronyms has been identified as not common knowledge, and we therefore provide these explanations. DCF: Discounted cash flow (model). DSOs: Days sales outstanding. EBITDA: Earnings before interest, taxes, depreciation, and amortization. G&A: General and administrative (expense). OEM: Original equipment manufacturer. R&D: Research and development (expense). SG&A: Selling, general, and administrative (expense). APAC: Asia Pacific. EMEA: Europe, Middle East, and Africa.

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