

Initiated 2026-09-28 (re-initiation; prior report `initiation-2026-09-26.md`) · Price \$109.97 (as of 2026-09-28 1:19 PM EDT, stockanalysis.com) · Mkt cap \$6.57bn · Technology / contact-center and customer-experience software · Model: verified

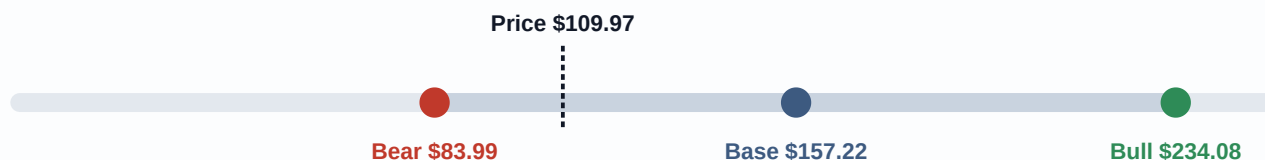
Rating: Buy — Conviction: High

NICE is the largest listed cloud contact-center vendor, growing revenue ~8% (guided) with net cash and no funded debt. At ~7.3x FY2025 GAAP EBITDA after SBC on filed figures, the price already assumes AI agents shrink the seat business and the 2026 margin reset is permanent. The call holds on either valuation method, at a 1pp higher discount rate, and on EDGAR data. The 2026-09-26 Buy stands.

Conviction tests (3a-v-c): T1 pass (base +31.7% at +1pp, +57.0% at -1pp; Buy at both) · T2 pass (Gordon +59.9%, exit +26.0%) · T3 pass · T4 pass (no pending deal, ruling or contract event in the 6-Ks since 2026-08-05)

The tests don't stress the margin path: the base assumes GAAP EBITDA margin recovers about a point a year from 22.5%, while Q2 2026 GAAP operating income fell 35% y/y.

MODEL VALUE RANGE VS PRICE



Business overview

NICE sells CXone, a cloud contact-center platform (routing, workforce management, analytics, quality), to enterprises and BPOs, priced mostly per agent seat. Since 2025 it also sells Cognigy conversational-AI agents; Actimize (bank financial-crime compliance) is a smaller second franchise. In Q2 2026, cloud revenue was \$609.0mm of \$782.3mm (78%, +12.6%, ~10.4% organic ex-Cognigy), services \$124.6mm (-11%) and product \$48.6mm. Earnings turn on three variables: cloud growth net of seat erosion, how fast AI and self-service revenue (\$362mm ARR, +52%) replaces seats, and whether GAAP margin recovers from the 2026 reset.

Competition

Rivals: Genesys (private), Five9, and the hyperscaler and CRM platforms (Amazon Connect, Salesforce, Microsoft). Genesys reported cloud ARR of nearly \$2.9bn, up more than 30%, for the quarter to July 2026, with net revenue retention above 120% and AI ARR above \$400mm. NICE's cloud NRR is 106%. Five9 grew Q2 2026 revenue 10% to \$312.4mm, subscription revenue 14%, and AI revenue 78%. Both are outgrowing NICE's ~10% organic cloud line. Pressure shows first in NRR and renewal seat pricing. On one definition (stockanalysis, 2026-09-28), NICE's 9.4x forward P/E is in line with Five9's 9.6x and below RingCentral's 14.4x.

Bull case

1. **AI self-service becomes a second growth engine.** AI and self-service ARR is \$362mm (+52%), 15% of cloud revenue. Plays out if AI revenue grows faster than seats shrink, lifting total growth back to ~10% and restoring a growth multiple. *Model: rev_growth, exit_ev_ebitda*
2. **The 2026 margin reset is temporary.** Non-GAAP operating margin falls from 30.8% (FY2025) to a guided high end of 25–26%, driven by Cognigy costs, SBC (\$54.1mm in Q2) and a shrinking services line. Plays out if integration costs roll off and services stop shrinking, taking GAAP EBITDA margin back above 30% by FY2030. *Model: ebitda_margin*
3. **A trough multiple on a net-cash company.** EV is ~7.3x FY2025 GAAP EBITDA, FCF yield ~9.8% (stockanalysis), and there's no funded debt. Plays out if the AI-disruption discount narrows even partly. *Model: exit_ev_ebitda, wacc*

Bear case

1. **AI agents shrink the seat base.** CXone is priced per human agent; every bot-deflected call puts a seat at risk. Plays out if customers cut agent headcount faster than NICE's AI revenue grows, and total growth fades to ~1%. *Model: rev_growth, exit_ev_ebitda, wacc, terminal_growth*
2. **Share loss to Genesys, Five9 and the platforms.** NICE's 106% NRR against Genesys's 120%+ and Five9's accelerating subscription line says NICE takes less of the expansion. Plays out if organic cloud growth slips below 8% and renewals reprice lower. *Model: rev_growth, ebitda_margin*
3. **The margin reset is structural.** Q2 2026 S&M was 22.8% of revenue and G&A 14.9%. Plays out if AI R&D and price competition hold GAAP EBITDA margin near 20%. *Model: ebitda_margin*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (EV \$6.18bn, no leases / FY2025 GAAP EBITDA \$844.8mm after SBC, EDGAR)	7.3x	n/a (not restated)	n/a (peers not restated)	model-inputs.json , 2026-09-28
EV/EBITDA, aggregator (TTM, lease-inclusive EV)	7.73x	n/a (not re-fetched)	Five9 18.6x · RingCentral 17.9x · Twilio 81.6x (GAAP EBITDA depressed by SBC)	stockanalysis.com, 2026-09-28
EV/FCF (TTM FCF, before SBC)	9.79x	n/a	Five9 13.5x · RingCentral 11.6x · Twilio 38.8x	stockanalysis.com, 2026-09-28
Forward P/E (non-GAAP EPS)	9.39x	n/a	Five9 9.6x · RingCentral 14.4x · Twilio 44.7x	stockanalysis.com, 2026-09-28

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$83.99 · Base \$157.22 · Bull \$234.08 per share, i.e. implied returns of -23.6% / +43.0% / +112.9% vs \$109.97. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits much nearer the bear case: it pays for growth fading to low single digits and margins near 20%, not for today's guidance.

Re-rating. The exit method holds 7.5x, a ~3% re-rating from today's 7.3x, and gives \$138.59 (+26.0%). The Gordon method gives \$175.84, 27% higher, because a 10.9% WACC and 3% terminal growth embed a terminal multiple well above 7.5x. So part of the base upside is a Gordon-method re-rating; the exit method alone still reads Buy.

Tail, quantified. A harsher case was run on a scratch copy outside the repo, with AI seat erosion outrunning AI revenue: revenue +7%, then -3%, -5%, -5%, -5%; GAAP EBITDA margin 21% falling to 18%; NWC 4% of revenue; 4.5x exit; 12.9% WACC; 0% terminal growth. It gives **\$57.44 (-47.8%)**.

Balance sheet: net leverage not meaningful (net cash \$354.7mm at 2026-06-30; the FY2024 \$458.8mm of debt was repaid in 2025); coverage not meaningful; liquidity \$354.7mm plus H1 2026 operating cash flow of \$301.9mm, roughly all spent on buybacks (\$311.2mm); no material maturities; ratings n/a (unverified).

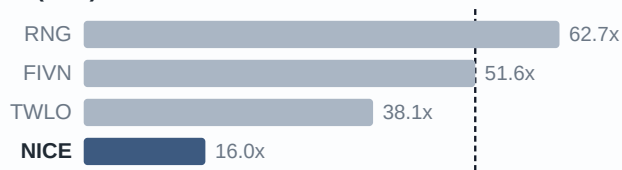
Model note:

- Tier **full** , status **built** , verification **verified** (LibreOffice recalculation matched all 3,206 formula cells). No unverified inputs, no assumptions without a basis, and all 14 scenarios **OK** .
- Revenue, operating income and D&A: EDGAR XBRL (20-F values, FY2022–FY2025). NWC: FY2025 and FY2023 20-F balance sheets. Cash, shares, debt: Q2 2026 6-K. No aggregator fallback; the aggregator supplies price, beta and peer multiples only.
- Corrections vs the 09-26 model: FY2025 EBITDA \$844.8mm, not \$853.9mm (filed operating income \$645.8mm vs \$654.8mm); FY2022/FY2023 NWC –\$195.1mm/–\$114.2mm, not –\$72.8mm/+\$7.7mm.
- WACC: beta 1.15 (RingCentral, the lowest of three peer 5-year betas from one source, since the peers carry debt and NICE is net cash) replaces the 09-26 judgmental 1.00; NICE's own 0.05 isn't usable. CAPM $5.17\% + 1.15 \times 5.0\% = 10.92\%$; base 10.9%, no adjustment. This cut the base return from ~+49% to +43%.
- Estimates: 19% tax rate; FY2026 margin and capex inferred from H1. Five9's Q2 figures came from a search summary (its IR page returned 503).
- Base Y1 EPS \$6.81 is GAAP; the \$11.06–11.26 guide is non-GAAP (ex-SBC and amortization), so they won't match. Shares: Q2 2026 diluted average (59.4mm).

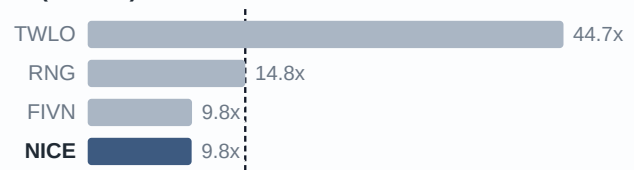
RELATIVE VALUE VS PEERS

Metric	NICE	FIVN	RNG	TWLO	Peer median	vs median
P/E (TTM)	16.0x	51.6x	62.7x	38.1x	51.6x	–69%
P/E (forward)	9.8x	9.8x	14.8x	44.7x	14.8x	–34%
PEG	n/a	n/a	0.7x	2.3x	1.5x	
EV/EBITDA (TTM)	8.1x	18.7x	18.6x	83.3x	18.7x	–57%
EV/Sales (TTM)	2.1x	2.4x	3.0x	7.5x	3.0x	–28%
P/B	1.8x	3.4x	n/a	4.7x	4.0x	–55%
FCF yield	9.4%	7.9%	9.6%	2.4%	7.9%	+1.5pp
EV/FCF (TTM)	10.2x	13.6x	12.1x	39.7x	13.6x	–25%

P/E (TTM)



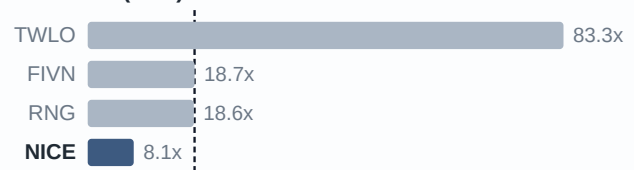
P/E (forward)



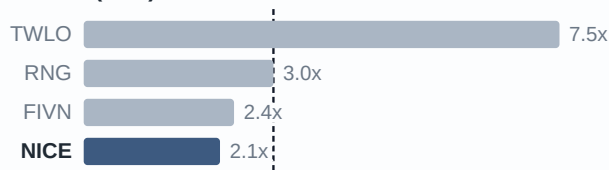
PEG



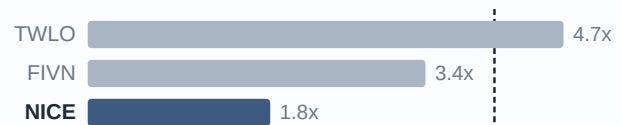
EV/EBITDA (TTM)



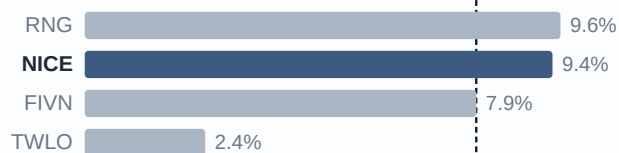
EV/Sales (TTM)



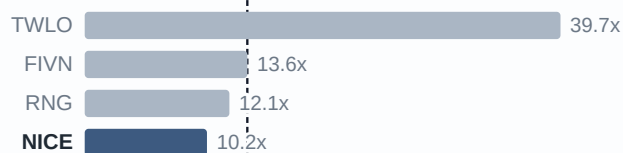
P/B



FCF yield



EV/FCF (TTM)



As of 2026-10-09. One source and one definition for every company: aggregator TTM and consensus-forward multiples, lease-inclusive EV. Not the model's own EV basis (see the report's valuation table). Quotes taken 11:40-11:58 ET on 2026-10-09 with the market open, so multiples reflect intraday prices. Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-09.

Notes. No PEG on the source for NICE. RingCentral has no P/B on the source (negative equity).

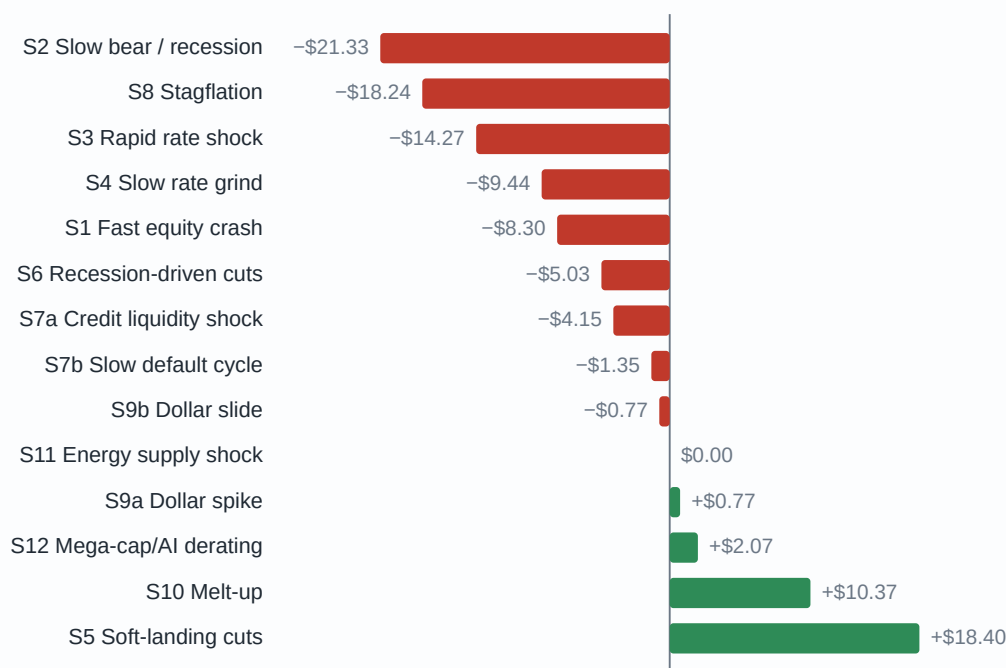
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	-	De-rating in a liquidity sell-off; no operating channel over weeks; the multiple is already low	Med	-\$8.30
S2 Slow bear / recession	-	Customers cut contact-center headcount, so seats shrink and new cloud deals slip. Much smaller than Base – Bear (\$73.23) on purpose: a recession is transitory, while the bear case is permanent seat erosion	High	-\$21.33
S3 Rapid rate shock	-	Discount rate rises; net cash earns more, but it's small against the market cap	High	-\$14.27
S4 Slow rate grind	-	Same channel, grinding	Med	-\$9.44
S5 Soft-landing cuts	+	Lower discount rate; enterprise CX budgets intact	High	+\$18.40
S6 Recession-driven cuts	-	Seat cuts outweigh the lower discount rate	Low	-\$5.03
S7a Credit liquidity shock	-	Forced selling only; net cash and no maturities	Low	-\$4.15
S7b Slow default cycle	-	A few levered customers (BPOs, retailers) cut seats	Low	-\$1.35
S8 Stagflation	-	Higher discount rate; Israeli wage inflation; squeezed customers	High	-\$18.24
S9a Dollar spike	+	Shekel-denominated costs get cheaper in dollars	Low	+\$0.77
S9b Dollar slide	-	Mirror of S9a	Low	-\$0.77
S10 Melt-up	+	Momentum rotates back into de-rated single-digit-multiple software	Med	+\$10.37
S11 Energy supply shock	0	No material effect, not modeled	Low	\$0.00
S12 Mega-cap/AI derating	±	Offsetting: an AI unwind eases the "AI replaces seats" discount, while a broader tech de-rating pulls the other way	Low	+\$2.07

Currently active/on watch per the playbook: `state.md` lists S3 as partially active; the macro log records all three legs crossed from 2026-09-24 (10Y 5.17% on 09-25). S8, S10 and S11 are on watch. S3 and S8 are High rows here.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: the call is already Buy; it would strengthen if cloud NRR rises back above 110% while AI ARR keeps growing 40%+, or if FY2027 guidance shows non-GAAP operating margin back toward 28%+. **Downgrades if:** organic cloud growth (ex-Cognigy) falls below 8%; or FY2027 guidance shows margin flat at 25–26% with growth below 7%; or management attributes customer seat reductions to AI deflection.

Watch items

- **W1:** Q3 2026 revenue against the \$780–790mm guide, and cloud growth against the 13–15% full-year guide. Source: Q3 2026 release (mid-November 2026). *Model: rev_growth*
- **W2:** Q3 2026 non-GAAP operating margin against the high end of the 25–26% target, and GAAP operating income against Q3 2025. Source: Q3 2026 release. *Model: ebitda_margin*
- **W3:** Cloud NRR (106% TTM) and AI ARR (\$362mm) trend against Genesys (>120% NRR). Source: Q3 2026 release and slides. *Model: rev_growth*
- **W4:** FY2027 guidance for revenue, cloud growth and margin. Source: Q4 2026 release (February 2027). *Model: rev_growth, ebitda_margin*

Sources

- SEC EDGAR XBRL companyconcept, NICE Ltd. (CIK 1003935): Revenues, OperatingIncomeLoss, DepreciationAndAmortization — <https://data.sec.gov/api/xbrl/companyconcept/CIK0001003935/us-gaap/Revenues.json> (and /OperatingIncomeLoss.json, /DepreciationAndAmortization.json) — accessed 2026-09-28

- NICE FY2025 Form 20-F, consolidated balance sheets — <https://www.sec.gov/Archives/edgar/data/1003935/000100393526000010/R3.htm> — accessed 2026-09-28
- NICE FY2023 Form 20-F, consolidated balance sheets — <https://www.sec.gov/Archives/edgar/data/1003935/000162828024013301/R3.htm> — accessed 2026-09-28
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- NICE statistics — <https://stockanalysis.com/stocks/nice/statistics/> — accessed 2026-09-28
- Peer statistics: Five9 <https://stockanalysis.com/stocks/fivn/statistics/> · RingCentral <https://stockanalysis.com/stocks/rng/statistics/> · Twilio <https://stockanalysis.com/stocks/twlo/statistics/> — accessed 2026-09-28
- Genesys nearly \$2.9B cloud ARR (CMSWire) — <https://www.cmswire.com/contact-center/genesys-touts-nearly-2-9b-in-cloud-arr-unveils-new-agentic-orchestration-tools-at-xperience-2026/> — accessed 2026-09-28
- Five9 Q2 2026 results (8-K ex. 99.1, via search summary) — <https://www.sec.gov/Archives/edgar/data/0001288847/000128884726000121/a063026ex991earningsrelease.htm> — accessed 2026-09-28
- Daily macro log (10Y, S3 status), [logs/macro-2026-09.md](#), 2026-09-25 entry

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.