



# **1Q 2016 EARNINGS**

***For Immediate Release***

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## **NIC Earns 19 Cents Per Share in First Quarter 2016; Company Reports Record Quarterly Revenues and Operating Income**

OLATHE, Kan. – May 2, 2016 – NIC Inc. (NASDAQ: EGOV), the dominant provider of digital government services, today announced net income of \$12.9 million and earnings per share of 19 cents on total revenues of \$78.4 million for the three months ended March 31, 2016. In the first quarter of 2015, the Company reported net income of \$8.9 million and earnings per share of 14 cents on total revenues of \$70.4 million.

Quarterly portal revenues were a record \$73.2 million, an 11 percent increase over the first quarter of 2015. On a same-state basis, portal revenues were \$73.0 million in the current quarter, a 12 percent increase over the first quarter of 2015. Same-state, transaction-based revenues from Interactive Government Services (IGS) rose 16 percent over the first quarter of 2015, due primarily to higher volumes from a variety of services including motor vehicle inspections and registrations, tax filings and professional licensing, among others. Same-state, transaction-based revenues from Driver History Records (DHR) were up 6 percent due mainly to higher transaction volumes in several states and to a DHR monitoring service in one state, which became effective in the second quarter of 2015. Same-state portal software development revenues increased 25 percent, driven mainly by a stronger quarter of project-based, time and materials revenues in a few states.

For the quarter, portal management revenues were down 30 percent from the prior year reflecting the expiration of the Delaware contract in March 2015.

NIC's portal gross profit percentage was 40 percent in the current quarter, up from 37 percent in the first quarter of 2015, driven mainly by strong organic revenue growth and higher gross profits across several states including Texas, Wisconsin, and Maryland.

Software & services revenues were \$5.2 million in the current quarter, up 17 percent from the first quarter of 2015, driven by an increase in transactional revenues from the federal Pre-employment Screening Program and other payment processing services.

Quarterly operating income increased 38 percent to a record \$20.4 million, contributing to an operating margin of 26 percent for the current quarter, up from 21 percent in the prior year quarter.

"The year is off to an exceptional start, and I am very pleased with our strong financial results for the quarter," said NIC Inc. CEO Harry Herington. "It is great to see our core business of offering convenient digital government services continue to perform so well."

### **Operational Highlights**

During the quarter, three NIC subsidiaries received contract extensions. The Company's Kansas Information Consortium, LLC subsidiary received a one-year contract extension from the State of Kansas, taking the contract through 2022. Alabama Interactive, LLC received a one-year contract renewal from the State of Alabama through March 2017, and the State of Oklahoma extended its contract with Oklahoma Interactive, LLC for one year through March 2017.

### **First Quarter Earnings Call and Webcast Details**

On the May 2, 2016 call, the Company will discuss its 2016 first quarter financial and operational results, and answer questions from the investment community. The call may also include discussion of Company developments, and forward-looking and other material information about business and financial matters.

### **Dial-In Information**

Monday, May 2, 2016

4:30 p.m. (EDT)

Call bridge: 888-438-5519 (U.S. callers) or 719-457-2689 (international callers)  
Conference ID: 6964685  
Call leaders: Harry Herington, Chief Executive Officer and Chairman of the Board  
Steve Kovzan, Chief Financial Officer  
Robert Knapp, Chief Operating Officer

### **Webcast Information**

To sign in and listen: The Webcast system is available at <https://www.egov.com/investor-relations>.

A replay of the Webcast will be available by visiting <https://www.egov.com/investor-relations>.

### **About NIC**

Founded in 1992, NIC Inc. (NASDAQ: EGOV) is the nation's leading provider of official government websites, online services, and secure payment processing solutions. The Company's innovative digital government services help make government more accessible to everyone through technology. The family of NIC companies provides digital government solutions for more than 4,500 federal, state, and local agencies in the United States. Forbes has named NIC as one of the "100 Best Small Companies in America" six times, and the Company has been included four times on the Barron's 400 Index. Additional information is available at <https://www.egov.com>.

### **Cautionary Statement Regarding Forward-Looking Information**

Any statements included in this release that do not relate to historical or current facts constitute forward-looking statements. These statements include estimates, projections, the expected length of contract terms, statements relating to the Company's business plans, objectives and expected operating results, and the assumptions upon which those statements are based. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements, including regional or national business, political, economic, competitive, social and market conditions, including various termination rights of the Company and its partners, the ability of the Company to renew existing contracts, and to sign contracts with new states and federal government agencies, as well as possible data security incidents. You should not rely on any forward-looking statement as a prediction or guarantee about the future. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the sections titled "Risk Factors" and "Caution About Forward-Looking Statements" of the Company's most recent Forms 10-K and 10-Q filed with the SEC. These filings are available at the SEC's web site at [www.sec.gov](http://www.sec.gov). Any forward-looking statements made in this release speak only as of the date of this release. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

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**NIC INC.**  
**FINANCIAL SUMMARY**  
**(UNAUDITED)**

Thousands except per share amounts and percentages

|  | <b>Three months ended</b> |                  |
|--|---------------------------|------------------|
|  | <b>March 31,</b>          |                  |
|  | <b>2016</b>               | <b>2015</b>      |
| Revenues:  |                           |                  |
| Portal revenues  | \$ 73,197                 | \$ 65,914        |
| Software & services revenues   | 5,193                     | 4,445            |
| Total revenues   | <u>78,390</u>             | <u>70,359</u>    |
| Operating expenses:  |                           |                  |
| Cost of portal revenues, exclusive of depreciation & amortization              | 43,615                    | 41,494           |
| Cost of software & services revenues, exclusive of depreciation & amortization | 1,413                     | 1,290            |
| Selling & administrative   | 11,342                    | 10,538           |
| Depreciation & amortization  | 1,664                     | 2,292            |
| Total operating expenses   | <u>58,034</u>             | <u>55,614</u>    |
| Operating income before income taxes   | 20,356                    | 14,745           |
| Income tax provision   | 7,462                     | 5,804            |
| Net income   | <u>\$ 12,894</u>          | <u>\$ 8,941</u>  |
| Basic net income per share   | <u>\$ 0.19</u>            | <u>\$ 0.14</u>   |
| Diluted net income per share   | <u>\$ 0.19</u>            | <u>\$ 0.14</u>   |
| Weighted average shares outstanding:   |                           |                  |
| Basic  | <u>65,739</u>             | <u>65,387</u>    |
| Diluted  | <u>65,739</u>             | <u>65,387</u>    |
| Key Financial Metrics:   |                           |                  |
| Revenue growth - outsourced portals  | 11%                       | 7%               |
| Same state revenue growth - outsourced portals                                 | 12%                       | 7%               |
| Recurring portal revenue as a % of total portal revenues                       | 96%                       | 97%              |
| Gross profit % - outsourced portals  | 40%                       | 37%              |
| Revenue growth - software & services   | 17%                       | 14%              |
| Gross profit % - software & services   | 73%                       | 71%              |
| Selling & administrative expenses as a % of total revenues                     | 14%                       | 15%              |
| Operating income as a % of total revenue                                       | 26%                       | 21%              |
| Portal Revenue Analysis:   |                           |                  |
| IGS transaction-based  | \$ 41,933                 | \$ 36,147        |
| DHR transaction-based  | 27,126                    | 25,652           |
| Portal software development  | 2,863                     | 2,295            |
| Portal management  | 1,275                     | 1,820            |
| Total portal revenues  | <u>\$ 73,197</u>          | <u>\$ 65,914</u> |

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**NIC INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**  
Thousands except par value amount

|   | <b>March 31, 2016</b> | <b>December 31, 2015</b> |
|---|-----------------------|--------------------------|
| <b>ASSETS</b>   |                       |                          |
| Current assets:   |                       |                          |
| Cash  | \$ 105,783            | \$ 98,388                |
| Cash restricted for payment of dividend   | -                     | 36,456                   |
| Trade accounts receivable, net  | 79,187                | 80,362                   |
| Prepaid expenses & other current assets   | 13,961                | 12,584                   |
| Total current assets  | 198,931               | 227,790                  |
| Property and equipment, net   | 9,462                 | 9,333                    |
| Intangible assets, net  | 2,523                 | 2,267                    |
| Deferred income taxes, net  | 828                   | 1,421                    |
| Other assets  | 446                   | 426                      |
| Total assets  | \$ 212,190            | \$ 241,237               |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                       |                          |
| Current liabilities:  |                       |                          |
| Accounts payable  | \$ 57,743             | \$ 61,133                |
| Accrued expenses  | 17,347                | 20,986                   |
| Dividend payable  | -                     | 36,456                   |
| Other current liabilities   | 2,842                 | 2,597                    |
| Total current liabilities   | 77,932                | 121,172                  |
| Other long-term liabilities   | 4,646                 | 4,259                    |
| Total liabilities   | 82,578                | 125,431                  |
| Commitments and contingencies   | -                     | -                        |
| Stockholders' equity:   |                       |                          |
| Common stock, \$0.0001 par, 200,000 shares authorized,<br>65,911 and 65,637 shares issued and outstanding | 7                     | 7                        |
| Additional paid-in capital  | 101,814               | 100,929                  |
| Retained earnings   | 27,791                | 14,870                   |
| Total stockholders' equity  | 129,612               | 115,806                  |
| Total liabilities and stockholders' equity  | \$ 212,190            | \$ 241,237               |

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NIC INC.  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
(UNAUDITED)  
Thousands

|  | Common Stock  |             | Additional        | Retained Earnings | Total             |
|--|---------------|-------------|-------------------|-------------------|-------------------|
|  | Shares        | Amount      | Paid-in Capital   |                   |                   |
| <b>Balance, January 1, 2016</b>  | 65,637        | \$ 7        | \$ 100,929        | \$ 14,870         | \$ 115,806        |
| Net income   | -             | -           | -                 | 12,894            | 12,894            |
| Restricted stock vestings  | 314           | -           | 135               | -                 | 135               |
| Dividend equivalents cancelled upon forfeiture of performance-based restricted stock awards        | -             | -           | -                 | 27                | 27                |
| Shares surrendered and cancelled upon vesting of restricted stock to satisfy tax withholdings      | (115)         | -           | (2,034)           | -                 | (2,034)           |
| Stock-based compensation   | -             | -           | 1,622             | -                 | 1,622             |
| Tax deductions relating to stock-based compensation  | -             | -           | 210               | -                 | 210               |
| Shares issuable in lieu of dividend payments on unvested performance-based restricted stock awards | -             | -           | (162)             | -                 | (162)             |
| Issuance of common stock under employee stock purchase plan  | 75            | -           | 1,114             | -                 | 1,114             |
| <b>Balance, March 31, 2016</b>   | <b>65,911</b> | <b>\$ 7</b> | <b>\$ 101,814</b> | <b>\$ 27,791</b>  | <b>\$ 129,612</b> |

NIC INC.  
**CASH FLOW SUMMARY**  
(UNAUDITED)  
Thousands

|   | Three months ended |                  |
|---|--------------------|------------------|
|   | March 31,          |                  |
|   | 2016               | 2015             |
| Cash flows from operating activities:   |                    |                  |
| Net income  | \$ 12,894          | \$ 8,941         |
| Adjustments to reconcile net income to net cash provided by operating activities: |                    |                  |
| Depreciation & amortization   | 1,664              | 2,292            |
| Stock-based compensation expense  | 1,622              | 2,159            |
| Deferred income taxes   | (1,263)            | (1,436)          |
| Loss on disposal of property and equipment  | -                  | 27               |
| Changes in operating assets and liabilities:                                      |                    |                  |
| (Increase) decrease in trade accounts receivable, net                             | 1,175              | (10,354)         |
| Decrease in prepaid expenses & other current assets                               | 479                | 395              |
| (Increase) decrease in other assets   | (20)               | 2                |
| Increase (decrease) in accounts payable   | (3,390)            | 6,916            |
| (Decrease) in accrued expenses  | (5,696)            | (4,960)          |
| Increase (decrease) in other current liabilities                                  | 245                | (444)            |
| Increase in other long-term liabilities   | 387                | 213              |
| Net cash provided by operating activities   | <u>8,097</u>       | <u>3,751</u>     |
| Cash flows from investing activities:   |                    |                  |
| Purchases of property and equipment   | (1,485)            | (677)            |
| Proceeds from sale of property and equipment                                      | 2                  | -                |
| Capitalized internal use software development costs                               | (543)              | (288)            |
| Net cash used in investing activities   | <u>(2,026)</u>     | <u>(965)</u>     |
| Cash flows from financing activities:   |                    |                  |
| Proceeds from employee common stock purchases                                     | 1,114              | 1,131            |
| Tax deductions related to stock-based compensation                                | 210                | 204              |
| Net cash provided by financing activities   | <u>1,324</u>       | <u>1,335</u>     |
| Net increase in cash  | 7,395              | 4,121            |
| Cash, beginning of period   | 98,388             | 87,983           |
| Cash, end of period   | <u>\$ 105,783</u>  | <u>\$ 92,104</u> |
| Other cash flow information:  |                    |                  |
| Non-cash investing activities:  |                    |                  |
| Capital expenditures accrued but not yet paid                                     | \$ 23              | \$ 126           |
| Cash payments:  |                    |                  |
| Income taxes paid   | \$ 6,853           | \$ 6,414         |
| Cash dividends paid on common stock previously restricted for payment of dividend | \$ 36,456          | \$ -             |