



## 2Q 2007 Earnings

*For Immediate Release*

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### **NIC Earns Four Cents per Share in Second Quarter**

#### ***Same-state portal revenues increase 14 percent***

OLATHE, Kan. – August 1, 2007 – NIC Inc. (Nasdaq: EGOV) today announced net income of \$2.8 million and earnings per share of four cents on total revenues of \$21.5 million for the three months ended June 30, 2007. Operating income was \$4.5 million for the quarter. In second quarter 2006, the company reported net income of \$3.2 million and earnings per share of five cents on total revenues of \$18.8 million.

Quarterly portal revenues were a record \$20.6 million, a 16 percent increase over second quarter 2006. On a same-state basis, portal revenues grew 14 percent in the second quarter, compared to a nine percent increase during the same period a year ago. NIC's vehicle registration, online income tax payment and hunting and fishing license services performed well in the second quarter, helping same-state, transaction-based revenues from non-driver record exchange (non-DMV) applications rise 37 percent. DMV revenues grew 10 percent on a same-state basis in the second quarter, up from two percent growth during the same period last year.

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“Today’s report is a product of our specialization,” said Jeff Fraser, chief executive officer of NIC. “No other organization can match the depth or breadth of NIC’s experience in eGovernment. Our eGovernment focus attracts new partners, like Arizona, because they know we will deliver exceptional value to state agencies as well as the citizens and businesses they serve. NIC’s eGovernment experience and focus also delivers the kind of numbers we reported today and expect to report in the future.”

In the second quarter, NIC’s portals launched a record 110 new non-DMV revenue-generating services. The company also has an all-time high of 170 applications in the development pipeline.

Reflecting NIC’s ongoing investment in long-term growth, selling and administrative expenses rose to \$5.4 million in the current quarter compared to \$3.6 million in the second quarter of 2006. As a percentage of portal revenue, selling and administrative expenses were 26 percent in the current quarter, up from 20 percent in the second quarter of 2006.

“Our strategic growth investments are already starting to pay off,” said Harry Herington, president of NIC. “Our sales pipeline is the best we’ve had in the history of the company, and the progress our portals are making is driving our success on non-DMV revenue.”

NIC estimates the cost of these initiatives will be \$4 million to \$6 million in 2007.

NIC ended the second quarter with approximately \$43.2 million in cash and investments, up \$10.2 million from March 31, 2007. As announced earlier this year, the company declared a \$0.75 per-share special dividend in the first quarter that it paid to shareholders on February 20, 2007. NIC paid the \$46.7 million dividend from its short-term investments and cash reserves.

### **Operating Highlights**

The company announced recently that it had finalized a contract with the state of Arizona, bringing the total number of state partners to 20 and increasing the population served to 67 million.

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"We're grateful for the vote of confidence given us by Arizona," said Fraser. "We look forward to developing outstanding eGovernment solutions for the state and its citizens and businesses for years to come."

## **2007 Outlook**

For full-year 2007, NIC's updated projections reflect strong performance in the first two quarters, normal seasonality in the second half of the year and a partial year of start-up costs from the Arizona contract. The company projects: total revenues of \$82.5 million to \$83.8 million, portal revenues of \$79.5 million to \$80.5 million, software and services revenues of \$3.0 million to \$3.3 million, operating income between \$12.7 million and \$13.2 million and net income between \$8.1 million and \$8.6 million. The company's projections do not include any new, unsigned portal contracts.

"Our portal business continues its strong performance," said Steve Kovzan, NIC's vice president of financial operations. "Portal gross margins should range from 45 to 47 percent in 2007, with selling and administrative expenses as a percentage of portal revenues remaining in the 28 to 29 percent range we projected earlier this year, as we continue to invest in our long-term growth initiatives."

## **Second-quarter Earnings Webcast Details**

### **Webcast Information**

**Date:** Wednesday, August 1, 2007  
**Time:** 4:30 p.m. EDT  
**URL:** <http://www.nicusa.com/investor>  
*(click on the Webcast link under "Second Quarter 2007 Earnings Announcement")*  
**Note:** Some users may need to refresh their browsers to view the Webcast information.

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### **Audio Replay Information**

**Available starting:** Wednesday, August 1, 2007  
6:10 p.m. EDT  
**Available until:** Wednesday, August 8, 2007  
11:59 p.m. EDT  
**Dial-in number:** (800) 405-2236  
**Dial-in passcode:** 11092664#

### **Webcast Replay Information**

**Available until:** October 31, 2007  
5:10 p.m. EST  
**URL:** <http://www.nicusa.com/investor>  
*(click on the Webcast link in the Recent Events section under "Second Quarter 2007 Earnings Announcement")*  
**Podcast Replay URL** <http://www.nicusa.com/investor>  
*(click on the podcast link in the Recent Events section under "Second Quarter 2007 Earnings Announcement")*

### **About NIC**

NIC manages more eGovernment services than any provider in the world. The company helps government communicate more effectively with citizens and businesses by putting essential services online. NIC provides eGovernment solutions for 2,600 state and local agencies that serve more than 67 million people in the United States. Additional information is available at <http://www.nicusa.com>.

The statements in this release regarding continued implementation of NIC's business model and its development of new products and services are forward-looking statements. There are a number of important factors that could cause actual results to differ materially from those suggested or indicated by such forward-looking statements. These include, among others, the success of the company in signing contracts with new states and government agencies, including continued favorable government legislation; NIC's ability to develop new services; existing states and agencies adopting those new services; acceptance of eGovernment services by businesses and citizens; competition; and general economic conditions and the other important cautionary statements and risk factors described in NIC's 2006 Annual Report on Form 10-K filed on March 15, 2007, and Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 filed on May 7, 2007, with the Securities and Exchange Commission.

(financial tables follow)

NIC Inc.  
FINANCIAL SUMMARY  
(UNAUDITED)

thousands except per share amounts

	Three months ended		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Revenues:				
Portal revenues	\$ 20,610	\$ 17,794	\$ 40,478	\$ 34,783
Software & services revenues	866	968	1,632	(274)
Total revenues	<u>21,476</u>	<u>18,762</u>	<u>42,110</u>	<u>34,509</u>
Operating expenses:				
Cost of portal revenues, exclusive of depreciation & amortization	10,419	8,931	20,873	17,208
Cost of software & services revenues, exclusive of depreciation & amortization	493	767	964	(563)
Selling & administrative	5,445	3,560	10,565	6,988
Depreciation & amortization	577	525	1,112	1,030
Total operating expenses	<u>16,934</u>	<u>13,783</u>	<u>33,514</u>	<u>24,663</u>
Operating income	<u>4,542</u>	<u>4,979</u>	<u>8,596</u>	<u>9,846</u>
Other income (expense):				
Interest income	317	498	897	878
Equity in net loss of affiliates	-	-	-	(97)
Total other income (expense)	<u>317</u>	<u>498</u>	<u>897</u>	<u>781</u>
Income before income taxes	4,859	5,477	9,493	10,627
Income tax provision	2,107	2,232	3,995	4,464
Net income	<u>\$ 2,752</u>	<u>\$ 3,245</u>	<u>\$ 5,498</u>	<u>\$ 6,163</u>
Basic net income per share	<u>\$ 0.04</u>	<u>\$ 0.05</u>	<u>\$ 0.09</u>	<u>\$ 0.10</u>
Diluted net income per share	<u>\$ 0.04</u>	<u>\$ 0.05</u>	<u>\$ 0.09</u>	<u>\$ 0.10</u>
Weighted average shares outstanding:				
Basic	<u>61,769</u>	<u>61,381</u>	<u>61,711</u>	<u>61,250</u>
Diluted	<u>62,256</u>	<u>61,839</u>	<u>62,113</u>	<u>61,713</u>
<b>Key Financial Metrics:</b>				
Revenue growth - outsourced portals	16%	24%	16%	24%
Same state revenue growth - outsourced portals	14%	9%	15%	9%
Gross profit % - outsourced portals	49%	50%	48%	51%
Selling & administrative as a % of portal revenue	26%	20%	26%	20%
Recurring portal revenue percentage	95%	96%	94%	97%
Operating income margin as % of portal revenue	22%	28%	21%	28%
<b>Portal Revenue Analysis:</b>				
DMV transaction-based	\$ 11,275	\$ 10,837	\$ 22,736	\$ 22,014
Non-DMV transaction based	7,266	6,297	13,281	11,559
Software development & portal management	2,069	660	4,461	1,210
Total	<u>\$ 20,610</u>	<u>\$ 17,794</u>	<u>\$ 40,478</u>	<u>\$ 34,783</u>

NIC Inc.  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)  
thousands

	June 30, 2007	December 31, 2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 41,244	\$ 36,745
Marketable securities	2,000	45,008
Trade accounts receivable	28,312	28,729
Unbilled revenues	441	1,069
Deferred income taxes	4,934	5,290
Prepaid expenses & other current assets	1,477	1,645
Total current assets	78,408	118,486
Property and equipment, net	4,384	3,790
Deferred income taxes	15,435	17,434
Other assets	555	424
Total assets	<u>\$ 98,782</u>	<u>\$ 140,134</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 30,180	\$ 34,202
Accrued expenses	7,007	5,911
Application development contracts	433	513
Other current liabilities	359	255
Total current liabilities	37,979	40,881
Other long-term liabilities	1,241	-
Total liabilities	39,220	40,881
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock, no par, 200,000 shares authorized 61,781 and 61,574 shares issued and outstanding	-	-
Additional paid-in capital	165,089	210,210
Accumulated deficit	(105,359)	(110,789)
59,730	99,421	
Less treasury stock	(168)	(168)
Total shareholders' equity	59,562	99,253
Total liabilities and shareholders' equity	<u>\$ 98,782</u>	<u>\$ 140,134</u>

NIC INC.  
SUMMARY OF CHANGES IN SHAREHOLDERS' EQUITY  
(UNAUDITED)  
Thousands

	Common Stock		Additional	Accumulated	Treasury	Total
	Shares	Amount	Paid-in Capital	Deficit	Stock	
<b>Balance, January 1, 2007</b>	61,574	\$ -	\$ 210,210	\$ (110,789)	\$ (168)	\$ 99,253
Cumulative effect of FIN 48	-	-	-	(68)	-	(68)
Net income	-	-	-	5,498	-	5,498
Cash dividends on common stock	-	-	(46,730)	-	-	(46,730)
Stock option exercises & restricted stock vestings	154	-	506	-	-	506
Stock-based compensation	-	-	864	-	-	864
Issuance of common stock under employee stock purchase plan	53	-	239	-	-	239
<b>Balance, June 30, 2007</b>	<u>61,781</u>	<u>\$ -</u>	<u>\$ 165,089</u>	<u>\$ (105,359)</u>	<u>\$ (168)</u>	<u>\$ 59,562</u>

**CASH FLOW SUMMARY**  
**(UNAUDITED)**  
**Thousands**

	Three months ended		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Cash flows from operating activities:				
Net income	\$2,752	\$3,245	\$5,498	\$6,163
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation & amortization	577	525	1,112	1,030
Stock-based compensation expense	453	152	864	352
Application development contracts	(41)	(99)	(80)	(655)
Deferred income taxes	1,750	1,999	3,406	4,070
Equity in net loss of affiliates	-	-	-	97
Changes in operating assets and liabilities:				
(Increase) decrease in trade accounts receivable	9,125	(105)	417	(4,463)
(Increase) decrease in unbilled revenues	(236)	1,070	628	3,099
(Increase) decrease in prepaid expenses & other current assets	(282)	290	168	177
Decrease in other assets	2	-	2	9
Increase (decrease) in accounts payable	(4,517)	(4,815)	(4,022)	3,078
Increase (decrease) in accrued expenses	1,037	152	1,096	(1,831)
Increase (decrease) in other current liabilities	101	78	104	(63)
Increase in other long-term liabilities	122	-	122	-
Net cash provided by operating activities	<u>10,843</u>	<u>2,492</u>	<u>9,315</u>	<u>11,063</u>
Cash flows from investing activities:				
Purchases of property and equipment	(612)	(491)	(1,658)	(1,276)
Capitalized internal use software development costs	(122)	(37)	(181)	(83)
Purchases of marketable securities	(2,000)	(8,000)	(2,000)	(13,000)
Sales and maturities of marketable securities	-	-	45,008	-
Net cash provided by (used in) investing activities	<u>(2,734)</u>	<u>(8,528)</u>	<u>41,169</u>	<u>(14,359)</u>
Cash flows from financing activities:				
Cash dividends on common stock	-	-	(46,730)	-
Proceeds from sale of treasury stock	-	-	-	65
Proceeds from employee common stock purchases	-	-	239	157
Proceeds from exercise of employee stock options	52	691	506	998
Net cash provided by (used in) financing activities	<u>52</u>	<u>691</u>	<u>(45,985)</u>	<u>1,220</u>
Net increase (decrease) in cash and cash equivalents	8,161	(5,345)	4,499	(2,076)
Cash and cash equivalents, beginning of period	<u>33,083</u>	<u>40,171</u>	<u>36,745</u>	<u>36,902</u>
Cash and cash equivalents, end of period	<u>\$41,244</u>	<u>\$34,826</u>	<u>\$41,244</u>	<u>\$34,826</u>