



3Q 2006 EARNINGS

For Immediate Release

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NIC Earns Four Cents Per Share as Portal Revenues Increase 18 Percent in the Third Quarter

OLATHE, Kan. – October 26, 2006 – NIC Inc. (NASDAQ: EGOV) today reported net income of \$2.5 million and earnings per share of four cents on total revenues of \$18.0 million for the three months ended September 30, 2006. Operating income was \$3.6 million in the third quarter.

The Company posted net income of \$2.4 million and earnings per share of four cents on total revenues of \$16.0 million in third quarter 2005.

For the third quarter of 2006, portal revenues of \$17.2 million were 18 percent higher than the prior year quarter. On a same state basis, portal revenues grew eight percent in the third quarter and were driven by strong performance from a variety of new revenue-generating applications.

In the third quarter, NIC's portals launched more than 60 new revenue-generating services and another 130 applications are in the development pipeline. "Creating new applications is a key focus area of our research & development program," said Harry Herington, President of NIC. "We continue to identify, build, and commercialize new revenue-generating services in each of our 18 state portals."

Reflecting the continued wind-down of the software and services business, software and services revenues in the third quarter were \$0.8 million.

NIC ended the quarter with \$74.7 million in cash and marketable securities, up \$6.4 million from June 30, 2006.

Investing in Growth

In the third quarter, NIC launched a new strategic investment program to drive long-term growth.

"Our management team and the NIC Board of Directors believe that the time is right to invest strategically in business development," said Jeff Fraser, Chief Executive Officer of NIC. "This program will allow us to aggressively pursue more new state portal opportunities, further increase new service cross-selling in our portal operations, and identify the next generation of highly profitable products and services."

In 2007, the Company expects to invest \$6.0 - \$8.0 million in strategic long-term growth initiatives. Revenues from these initiatives are not expected prior to 2008.

The initial implementation of the Company's new growth initiatives was reflected in third quarter 2006 selling and administrative expenses of \$3.9 million, a 33 percent increase over the same period last year. As a percentage of portal revenues, selling and administrative expenses were 23 percent, up from 20 percent in third quarter 2005.

Fourth Quarter 2006 Outlook

For fourth quarter 2006, NIC expects total revenues of \$16.6 - \$16.9 million, portal revenues of \$16.1 - \$16.3 million, and software and services revenues of \$0.5 - \$0.6 million. The Company also anticipates operating income between \$2.3 - \$2.4 million and net income of \$1.7 - \$1.8 million.

"NIC's fourth quarter guidance reflects seasonality as well as some incremental investment as we enhance our sales, marketing, and operations teams in preparation for a busy 2007," said Eric Bur, NIC's Chief Financial Officer.

NIC's fourth quarter estimates do not include any new portal contracts.

Third Quarter Earnings Call and Webcast Details

Dial-In Information

Thursday, October 26, 2006

9:00 a.m. (EDT)

Call bridge: 1-800-218-0530

Call leaders: Jeff Fraser, Chief Executive Officer
Harry Herington, President
Eric Bur, Chief Financial Officer

A replay of NIC's third quarter earnings call will be available until 5:00 p.m. (EST) on November 2 by dialing 1-800-405-2236 and using passcode 11065542.

Webcast Information

Thursday, October 26, 2006

9:00 a.m. (EDT)

To sign in and listen: The Webcast system is available at www.nicusa.com/investor.

Some users may need to refresh their browsers to view the Webcast information. A replay of the Webcast will be available until 11:00 p.m. (EST) on January 25, 2007, by visiting www.nicusa.com/investor.

The conference call replay will also be available via Podcast download by visiting www.nicusa.com/investor.

About NIC

NIC manages more eGovernment services than any provider in the world. The company is helping governments communicate more effectively with citizens and businesses by putting essential services online. NIC provides eGovernment solutions for 2,200 state and local agencies that serve more than 60 million people in the United States. Additional company information is available at 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 2005 Annual Report on Form 10-K filed on March 16, 2006, with the Securities and Exchange Commission.

(financial tables follow)

NIC Inc.
FINANCIAL SUMMARY
(UNAUDITED)
Thousands except for per share amounts

	Three months ended September 30,		Nine months ended September 30,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Portal revenues	\$ 17,214	\$14,637	\$ 51,997	\$ 42,684
Software & services revenues	<u>821</u>	<u>1,321</u>	<u>547</u>	<u>171</u>
Total revenues	<u>18,035</u>	<u>15,958</u>	<u>52,544</u>	<u>42,855</u>
Operating expenses:				
Cost of portal revenues, exclusive of depreciation & amortization	9,478	7,620	26,685	21,428
Cost of software & services revenues, exclusive of depreciation & amortization	565	1,117	3	4,442
Selling & administrative	3,916	2,948	10,904	9,507
Depreciation & amortization	<u>501</u>	<u>422</u>	<u>1,531</u>	<u>1,141</u>
Total operating expenses	<u>14,460</u>	<u>12,107</u>	<u>39,123</u>	<u>36,518</u>
Operating income	<u>3,575</u>	<u>3,851</u>	<u>13,421</u>	<u>6,337</u>
Other income (expense):				
Interest income	666	197	1,544	432
Equity in net loss of affiliates	-	-	(97)	-
Other income (expense), net	<u>(49)</u>	<u>-</u>	<u>(49)</u>	<u>(3)</u>
Total other income (expense)	<u>617</u>	<u>197</u>	<u>1,398</u>	<u>429</u>
Income before income taxes	4,192	4,048	14,819	6,766
Income tax provision	<u>1,727</u>	<u>1,661</u>	<u>6,191</u>	<u>2,806</u>
Net income	<u>\$ 2,465</u>	<u>\$ 2,387</u>	<u>\$ 8,628</u>	<u>\$ 3,960</u>
Basic net income per share	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.14</u>	<u>\$ 0.07</u>
Diluted net income per share	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.14</u>	<u>\$ 0.07</u>
Weighted average shares outstanding:				
Basic	<u>61,536</u>	<u>60,271</u>	<u>61,353</u>	<u>59,838</u>
Diluted	<u>61,798</u>	<u>61,226</u>	<u>61,749</u>	<u>60,902</u>

Key Financial Metrics:

Revenue growth - outsourced portals	18%	23%	22%	17%
Same state revenue growth - outsourced portals	8%	20%	8%	18%
Gross profit percentage - outsourced portals	45%	48%	49%	50%
Selling & administrative costs as a percentage of portal revenue	23%	20%	21%	22%
Recurring portal revenue percentage	95%	97%	96%	97%

Portal Revenue Analysis (thousands):

DMV	\$ 9,844	\$ 9,109	\$ 31,858	\$ 26,408
Non-DMV	<u>7,370</u>	<u>5,528</u>	<u>20,139</u>	<u>16,276</u>
Total	<u>\$ 17,214</u>	<u>\$ 14,637</u>	<u>\$ 51,997</u>	<u>\$ 42,684</u>

NIC Inc.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
Thousands except for share amounts

	September 30, <u>2006</u>	December 31, <u>2005</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 32,661	\$ 36,902
Marketable securities	42,000	20,500
Trade accounts receivable	28,213	22,269
Unbilled revenues	406	2,198
Deferred income taxes	755	421
Prepaid expenses & other current assets	<u>1,331</u>	<u>1,632</u>
Total current assets	105,366	83,922
Property and equipment, net	3,666	3,327
Unbilled revenues	-	1,395
Deferred income taxes	22,979	28,916
Other assets	<u>345</u>	<u>285</u>
Total assets	<u>\$ 132,356</u>	<u>\$ 117,845</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 30,011	\$ 24,458
Accrued expenses	5,372	6,642
Application development contracts	557	1,261
Other current liabilities	<u>350</u>	<u>317</u>
Total current liabilities	<u>36,290</u>	<u>32,678</u>
Commitments and contingencies	-	-
Shareholders' equity:		
Common stock, no par, 200,000,000 shares authorized 61,750,900 and 61,073,505 shares issued and outstanding	-	-
Additional paid-in capital	209,699	207,444
Accumulated deficit	<u>(113,465)</u>	<u>(122,093)</u>
Less treasury stock	96,234	85,351
Total shareholders' equity	<u>(168)</u>	<u>(184)</u>
Total shareholders' equity	<u>96,066</u>	<u>85,167</u>
Total liabilities and shareholders' equity	<u>\$ 132,356</u>	<u>\$ 117,845</u>

NIC Inc.
CASH FLOW SUMMARY
(UNAUDITED)
Thousands

	Three months ended September 30,		Nine months ended September 30,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:				
Net income	\$ 2,465	\$ 2,387	\$ 8,628	\$ 3,960
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation & amortization	501	422	1,531	1,141
Stock-based compensation expense	477	-	829	-
Application development contracts	(49)	(120)	(704)	1,338
Deferred income taxes	1,533	1,473	5,603	2,510
Equity in net loss of affiliates	-	-	97	-
Loss on disposal of property & equipment	49	-	49	-
Changes in operating assets and liabilities				
(Increase) decrease in trade accounts receivable	(1,481)	5	(5,944)	(4,708)
(Increase) decrease in unbilled revenues	88	(700)	3,187	2,992
(Increase) decrease prepaid expenses & other current assets	109	(386)	286	(92)
(Increase) decrease in other assets	(66)	14	(140)	76
Increase in accounts payable	2,475	1,527	5,553	6,505
Increase (decrease) in accrued expenses	561	764	(1,270)	(302)
Increase (decrease) in other current liabilities	<u>96</u>	<u>(4)</u>	<u>33</u>	<u>(35)</u>
Net cash provided by operating activities	<u>6,758</u>	<u>5,382</u>	<u>17,738</u>	<u>13,385</u>
Cash flows from investing activities:				
Purchases of property and equipment	(643)	(826)	(1,919)	(1,304)
Purchases of marketable securities	(8,500)	(7,900)	(21,500)	(30,900)
Maturities of marketable securities	-	-	-	15,000
Cash and cash equivalents - restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Net cash used in investing activities	<u>(9,143)</u>	<u>(8,726)</u>	<u>(23,419)</u>	<u>(14,204)</u>
Cash flows from financing activities:				
Proceeds from sale of treasury stock	-	-	65	-
Proceeds from employee common stock purchases	-	-	157	122
Proceeds from exercise of employee stock options	<u>220</u>	<u>745</u>	<u>1,218</u>	<u>2,227</u>
Net cash provided by financing activities	<u>220</u>	<u>745</u>	<u>1,440</u>	<u>2,349</u>
Net increase (decrease) in cash and cash equivalents	(2,165)	(2,599)	(4,241)	1,530
Cash and cash equivalents, beginning of period	<u>34,826</u>	<u>34,898</u>	<u>36,902</u>	<u>30,769</u>
Cash and cash equivalents, end of period	<u>\$ 32,661</u>	<u>\$ 32,299</u>	<u>\$32,661</u>	<u>\$32,299</u>