



# Sapiens Investor Presentation

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**Q2 2019 Financial Results – August 2019**

# Safe Harbor Statement

Certain statements made in this presentation may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities and Exchange Act of 1934 and the United States Private Securities Litigation Reform Act of 1995. Words such as "will," "expects," "believes" and similar expressions are used to identify these forward-looking statements (although not all forward-looking statements include such words). These forward-looking statements, which may include, without limitation, projections regarding our future performance and financial condition, are made on the basis of management’s current views and assumptions with respect to future events. Any forward-looking statement is not a guarantee of future performance and actual results could differ materially from those contained in the forward-looking statement.

These statements speak only as of the date they were made, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We operate in a changing environment. New risks emerge from time to time and it is not possible for us to predict all risks that may affect us. For more information regarding these risks and uncertainties, as well as certain additional risks that we face, you should refer to the Risk Factors detailed in Item 3 of Part III of our Annual Report on Form 20-F for the year ended December 31, 2018 and subsequent reports and registration statements filed from time to time with the Securities and Exchange Commission.

# Sapiens at a Glance

## Global Provider of Insurance Software Solutions

**Leading Position**  
Across Our Key  
Businesses

**450** Insurance  
Customers

**11** Acquisitions  
in 8 Years

**\$290.3 Million<sup>1</sup>**  
2018 Revenue

**16.5%** 2013-2018  
Revenue CAGR

**Global Presence**  
47% North America  
44.3% Europe<sup>2</sup>  
8.4% RoW<sup>3</sup>

1. Non-GAAP figures

2. Includes Israel.

3. Includes APAC and South Africa.



# Sapiens' Mission

To enable the transformation of insurance carriers globally by providing integrated core and complementary software solutions, technology-led services and a full digital suite.



# Our Business Model

Comprehensive product and system integration for  
Property & Casualty and Life & Annuities globally

Wide Range  
of Product  
Offerings



Transformation  
Services



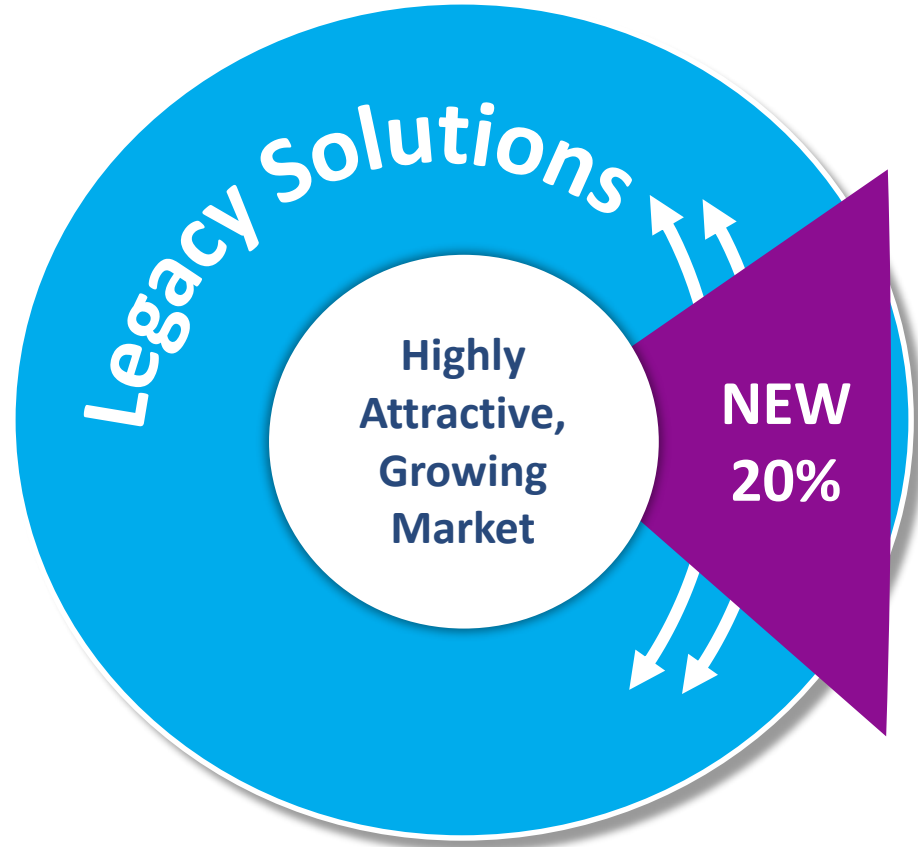
Post-  
Production

***One-Hand-to-Shake***



# Large and Growing Global Insurance IT Market

Sapiens' Total  
Addressable Market:  
**\$40B**



# Sapiens Today

# Innovative Software Solutions

## Covering Key Insurance Verticals



**PROPERTY &  
CASUALTY**



**LIFE &  
ANNUITIES**



**WORKERS'  
COMPENSATION**



**FINANCIAL &  
COMPLIANCE**



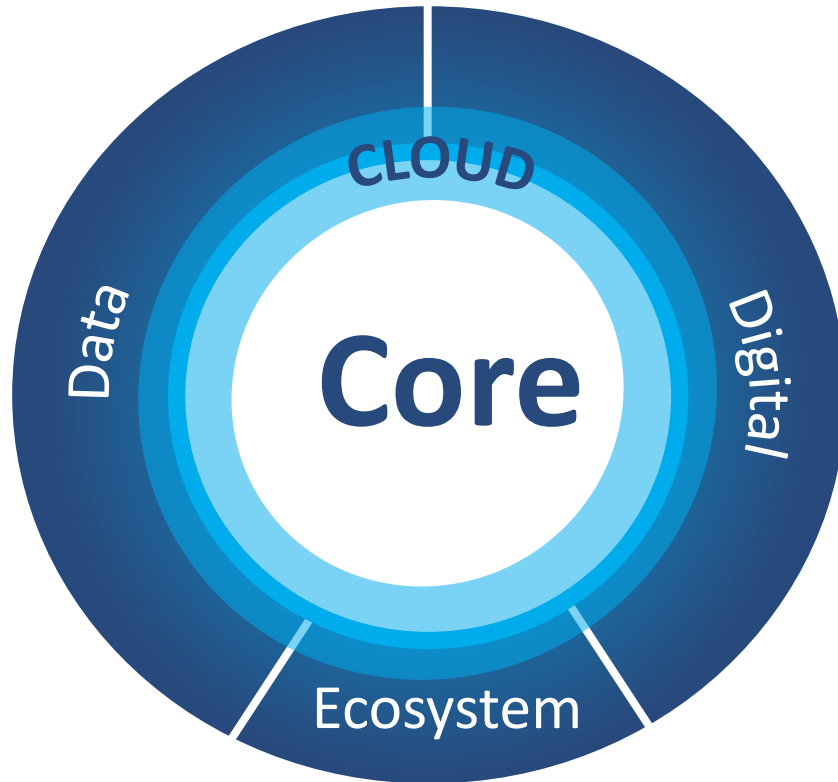
**DECISION  
MANAGEMENT**



**DATA & DIGITAL**

# Our Offerings - Insurance Platforms

Built for insurers needs' - fully integrated platform, or modular components

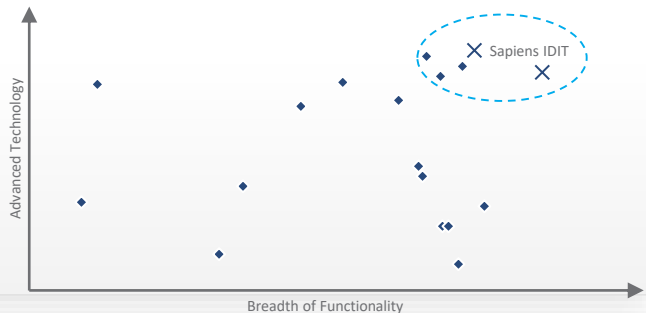


Deployment options:

- Cloud - Azure / AWS
- Hosted
- On-premise

# Leading Property & Casualty Offering

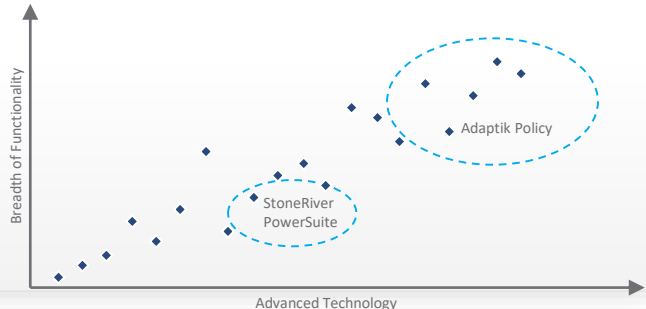
## Europe



### Positioning

- Fit-to-Market Solutions
- Europe - dominant brand position
- North America – gaining momentum

## North America



### Key Achievements

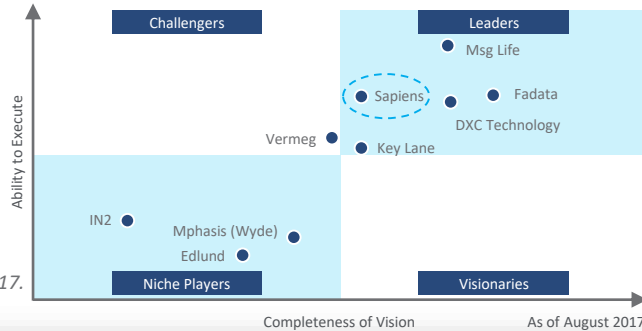
- Double digit growth (to 60% of revenues)
- Digital-ready offering
- Entering higher tiers/larger deal sizes (platform & services)
- Shifting to cloud

Source: Celent 2018.

# Leading Life & Annuities Offering

## Europe

Gartner

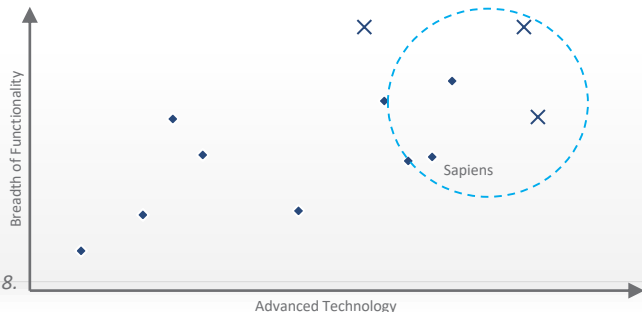


## Positioning

- End-to-end proposition
  - Covering both strategic growth business and run-off portfolio management
- Comprehensive proposition: both full core suite and business components

## North America

CELENT

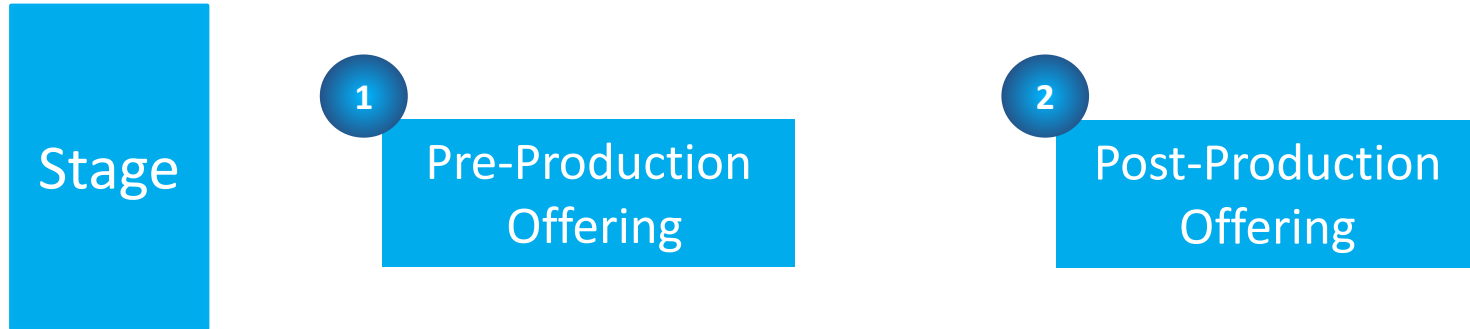


## Key Achievements

- Building strong foundation for growth
- Digital-ready offering
- Focus – exited retirement services projects
- Shifting to cloud

# Technology-Led Services

We support our customers throughout their lifecycle



## Key Benefits of Our Winning Model

- Lower client risk
- High stickiness - Long-term customer relationships
- High LTV- cross-sell and up-sell opportunities
- Collaboration - innovation and R&D efforts
- Recurring revenues

# Global Customer Base

UK	                  
Continental Europe and South Africa	                   
North America	                                         
APAC	           

# Growing Global Footprint

- **5** major development, delivery and support centers: Israel, U.S., India, Poland, UK
- Over **450** customers across **25+** countries



# Our Strategy

# Multiple Growth Engines

- **Win** new customers
- **Grow** with existing customers
- **Leverage** strategic acquisitions
- **Expand** with next-generation insurance solution offerings



# Executing on Our Strategic Plan

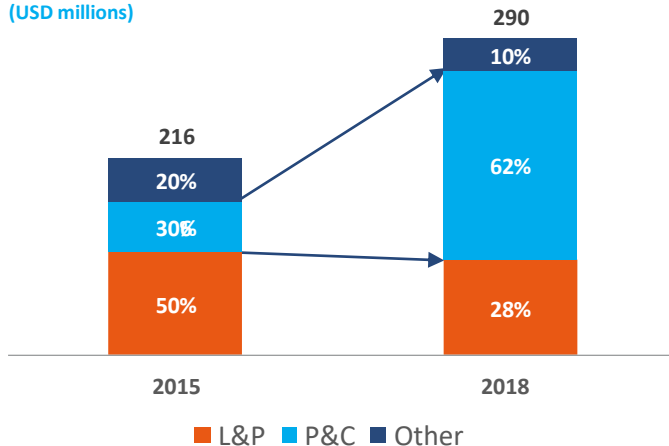
## Focus on P&C

### Strategic Rationale/ Benefits

- Dynamic, fast growing market
- High deal flow
- Less complexity
- Profitable

### Progress

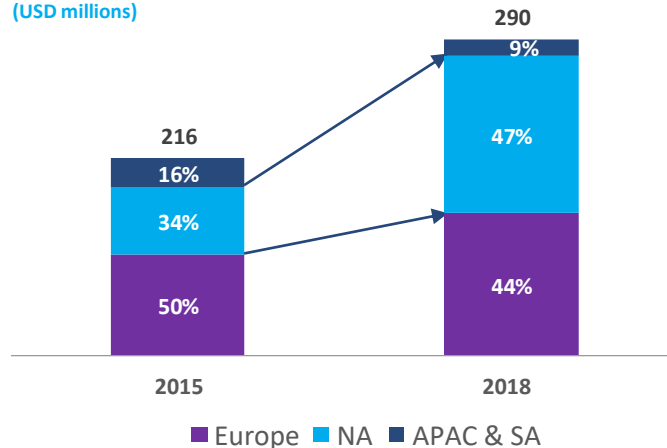
Revenue Breakdown  
(USD millions)



## Expand North America

- The largest insurance market
- High growth market
- Diversification/NA as a growth engine in addition to our leading position in Europe

Revenue Breakdown  
(USD millions)



# Enhancing Our Sales Model to Drive Existing Client Business



# Successful Acquisitions Track Record

2010-2018



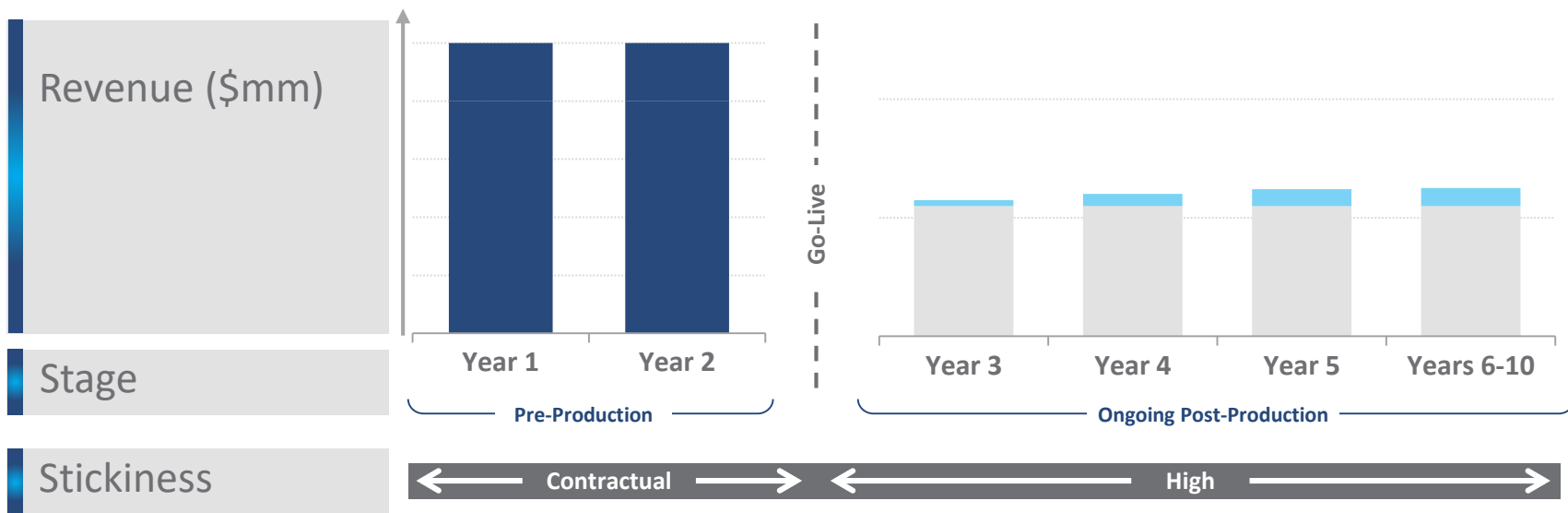
# M&A – Looking Ahead

2019 and onwards

Period	#	Main Goal
Mid Term		Vast ideas
Current		Europe Expansion
2016-2018	5	US Expansion
2015	2	Off-shore Capabilities
2010-2014	4	Core Systems

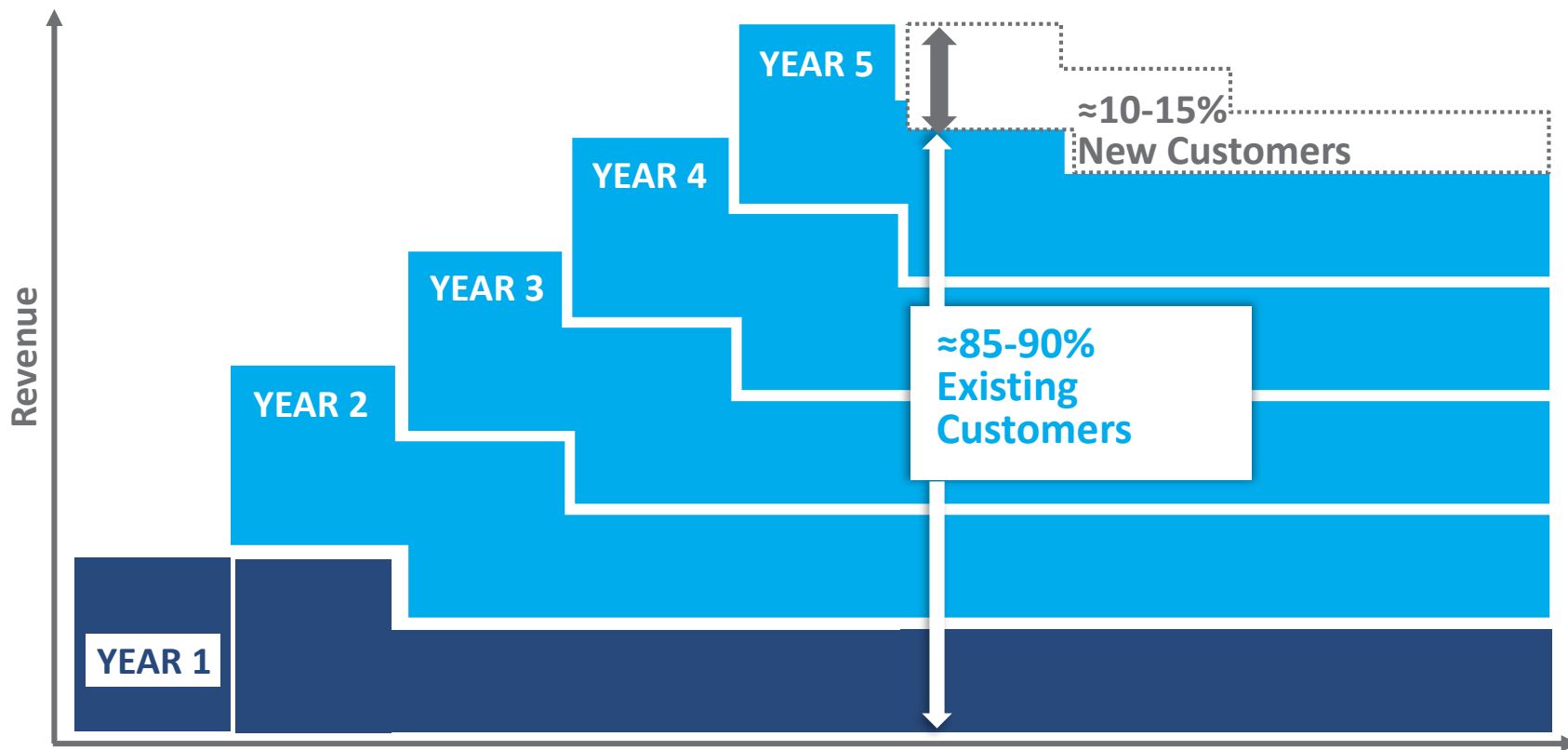
Customers & product

# Attractive Revenue Model with Recurring Component



Expected upside from **account managers initiative** – 100% focus on customers and the sale of the complete, expanded Sapiens products offering

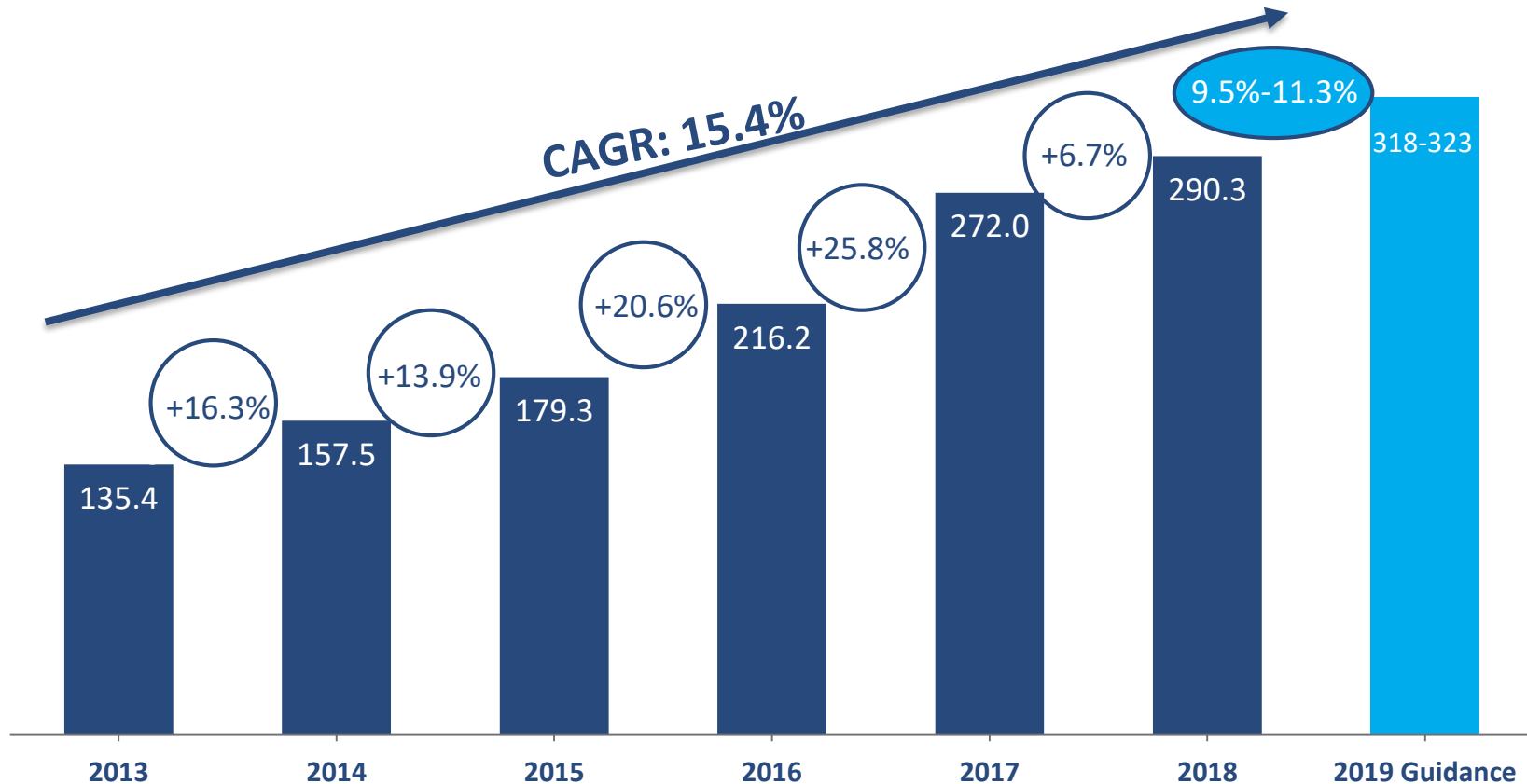
# High Customer Stickiness Creates Significant Visibility



# Financials

# Revenue Growth

Non-GAAP Revenues (USD millions)



# Organic Growth

	2018	2019
P&C EMEA & APAC	++	++
P&C NA	+	++
L&A	--	=
Other	=	=
Growth Rate	+3%	+10%

# Revenue Growth

Non-GAAP Revenue (USD millions)

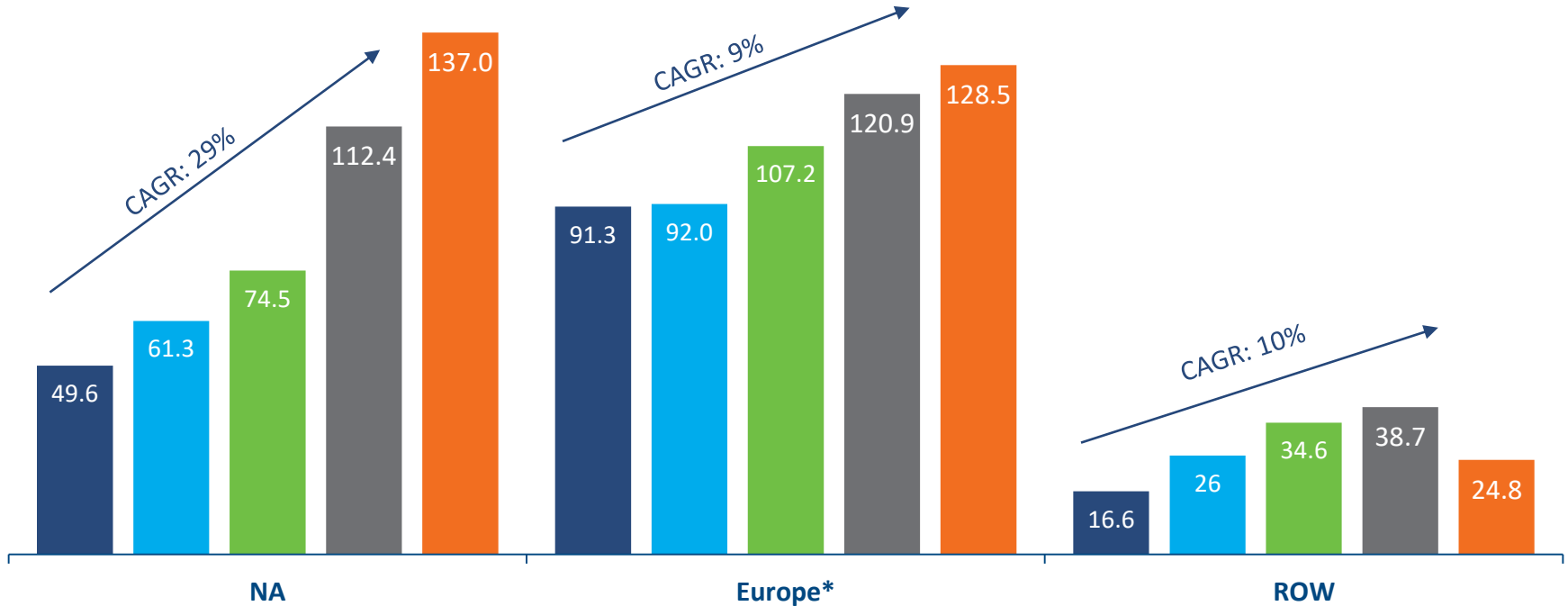
Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
71.0	72.5	73.3	73.4	76.7	79.5

YOY	25.7%	4.9%	-0.8%	1.4%	8.0%	9.6%
QOQ	-1.9%	2.0%	1.0%	0.3%	4.6%	3.6%



# Annual Revenue by Geography

Non-GAAP Revenue (USD millions)



\* Europe includes UK, Nordics, Israel and rest of Europe.

■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018

# Profitability Improvement

	2018 Actual	2019 Guidance	Profit Growth
Revenue	290.3	321.5	10.7%
Operating Profit	39.6	50.5	27.5%
Operating Margin	13.6%	15.7%	210 bps
EBITDA	14.9%	16.7%	180 bps

*2019 non-GAAP revenue guidance high end of \$318-\$323 million*  
*2019 non-GAAP operating margin guidance 15.6%-15.8%*

# Operating Margin Expansion

## On Going Margin Improvement



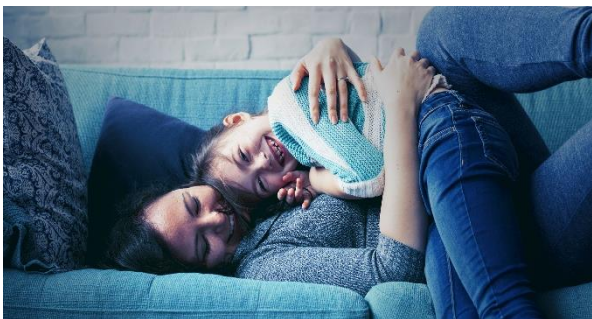
	GM	R&D	Sales	G&A
Economy of Scale	-	+	-	+
Off-shore	+	+	-	+

# Focus 2019 & Beyond: Growth, Profitability



## Continued Revenue Growth

- P&C Europe & U.S. – double digit growth
- Life – stable, with a positive growth outlook
- Global operations account management initiative



## Margin Expansion

- Short/Mid-term operating margin target: 17%
- Increase offshore
- Economies of scale

# Investment Highlights

Leading global provider of insurance software solutions

Targeting a massive market – TAM ~\$40B

450+ customer base across the globe

Recurring revenue business model

Double digit organic growth with M&A to accelerate

Proven management team comprised of industry experts

# Q2 Non-GAAP Results

(in USD millions, except per share amount)	SECOND QUARTER	
	2019	2018
Revenue	79.5	72.5
Gross Profit	34.8	30.4
	43.8 %	42.0 %
Operational Profit	12.6	9.6
	15.8%	13.2%
Net Income	9.5	6.4
	12.0%	8.8%
Adjusted EBITDA*	13.4	10.4
Diluted EPS	0.19	0.13
Diluted Weighted Average Number of Shares	50,530	49,998
Outstanding Shares: 50,004 (as of June 30, 2019)		

\*The Company defines Adjusted EBITDA as net profit, adjusted for stock-based compensation expense, depreciation and amortization, capitalized internal-use software development costs, amortization of internal-use software development costs, interest expense, provision for income taxes and other income (expenses).

# Q4 and Annual – Non-GAAP Results

(in USD millions, except per share amount)	Q4		Annual	
	2018	2017	2018	2017
Revenue	73.4	72.5	290.3	272.0
Gross Profit	31.3	29.5	122.9	106.7
	42.7 %	40.7%	42.4%	39.2%
Operational Profit	10.8	9.0	39.6	23.1
	14.7%	12.5%	13.6%	8.5%
Net Income	7.8	6.1	28.1	15.5
	10.7%	8.5%	9.7%	5.7%
Adjusted EBITDA*	11.8	10.1	43.3	26.9
Diluted EPS	0.16	0.12	0.56	0.32
Diluted Weighted Average Number of Shares	50,210	50,032	50,106	49,926
Outstanding Shares: 49,982 (as of December 31, 2018)				

\*The Company defines Adjusted EBITDA as net profit, adjusted for stock-based compensation expense, depreciation and amortization, capitalized internal-use software development costs, amortization of internal-use software development costs, interest expense, provision for income taxes and other income (expenses).

A man and a young boy are sitting on a wooden dock, fishing in a body of blue water. The man is holding the fishing rod, and the boy is helping him. The scene is peaceful and captures a moment of bonding between the two.

# THANK YOU

## Contact:

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# Consolidated Balance Sheets

(USD thousands)

	June 30, 2019 (unaudited)	December 31, 2018 (unaudited)		June 30, 2019 (unaudited)	December 31, 2018 (unaudited)
<b><u>ASSETS</u></b>			<b><u>LIABILITIES AND EQUITY</u></b>		
<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>		
Cash and cash equivalents	77,282	64,628	Trade payables	6,491	6,149
Trade receivables, net	58,827	59,159	Current maturities of Series B Debentures	9,898	9,898
Other receivables and prepaid expenses	7,615	6,224	Accrued expenses and other liabilities	49,390	46,999
			Current maturities of operating leases	8,107	-
			Deferred revenue	22,782	18,057
Total current assets	143,724	130,011	Total current liabilities	96,668	81,103
<b>LONG-TERM ASSETS:</b>			<b>LONG-TERM LIABILITIES:</b>		
Property and equipment, net	9,264	8,515	Series B Debentures, net of current maturities	58,763	68,577
Severance pay fund	4,941	4,292	Deferred tax liabilities	9,692	11,681
Other intangible assets, net	61,556	65,254	Other long-term liabilities	7,723	9,398
Other long-term assets	4,885	4,292	Noncurrent operating leases	48,105	-
Operating lease right-of-use assets	54,106	-	Accrued severance pay	5,946	5,622
Goodwill	168,513	166,094	Total long-term liabilities	130,229	95,278
Total long-term assets	303,265	248,854	<b>EQUITY</b>	220,092	202,484
<b>TOTAL ASSETS</b>	446,989	378,865	<b>TOTAL LIABILITIES AND EQUITY</b>	446,989	378,865

# Adjusted Free Cash Flow

U.S. dollars in thousands

	<u>Q2 2019</u>	<u>Q1 2019</u>	<u>Q4 2018</u>	<u>Q3 2018</u>	<u>Q2 2018</u>
Cash-flow from operating activities	15,507	10,550	11,509	6,370	658
Increase in capitalized software development costs	(1,570)	(1,392)	(1,382)	(1,308)	(1,293)
Capital expenditures	(1,079)	(641)	(204)	(831)	(402)
<b>Free Cash Flow</b>	<b>12,858</b>	<b>9,517</b>	<b>9,923</b>	<b>4,231</b>	<b>(1,037)</b>
Cash payments attributed to acquisition-related costs*	1,692	1,608	790	-	256
<b>Adjusted free cash-flow</b>	<b>14,550</b>	<b>10,125</b>	<b>10,713</b>	<b>4,231</b>	<b>(781)</b>

# The Insurance Industry

Big Market

**\$5,200,000,000,000**

gross written premium (GWP)

Potential

**Over 11,000**

insurance companies globally

IT-related Investment

3-4% of GWP invested in IT

**\$185B in 2020**

Source: Gartner Forecast: Enterprise IT Spending for the Insurance Market, Worldwide, 2016-2022, 4Q18 Update