



ONE

STOP-SHOP
FOR ALL INSURANCE
SOFTWARE SOLUTIONS

Sapiens Investor Presentation

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Q3 2019 Results, November 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

480

Insurance Carriers

**Global
Presence**

47% North America
44.3% Europe²
8.4% RoW³

3,000

Employees

16.5%

2013-2018 Revenue
CAGR

\$290M

2018 Revenue

**Leading
Position**

Across Our Key
Businesses

Serving Both
P&C and L&A
Insurance
Verticals

12

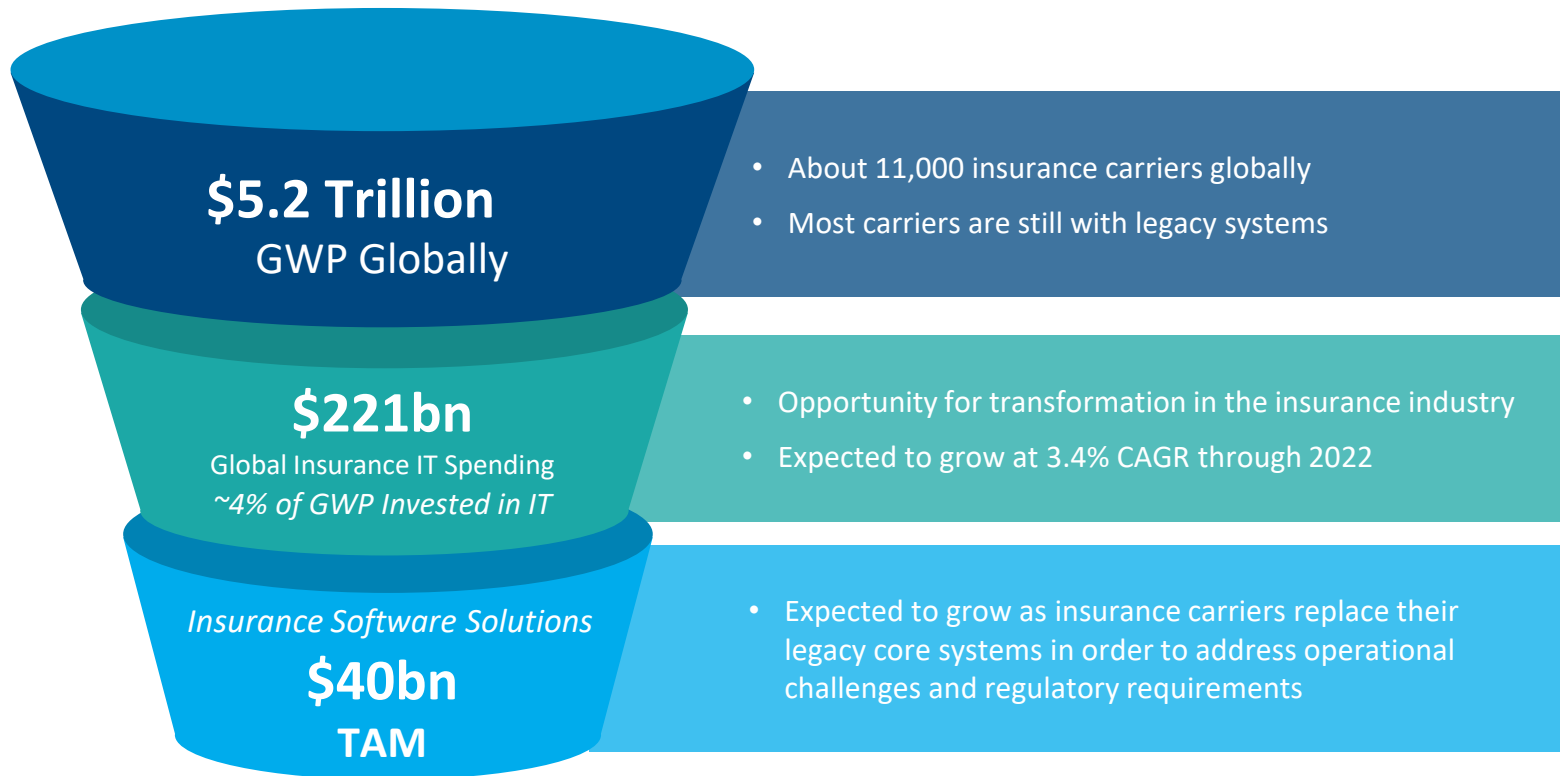
Acquisitions in
9 years

1. Non-GAAP figures

2. Includes Israel.

3. Includes APAC and South Africa.

Large and Growing TAM



Key Industry Trends



Implications for insurance companies

- Prolonged time to market
- Growth challenges
- Difficulty entering new markets
- Poor consumer experience
- Shrinking profits

Technology is the differentiation as insurance companies transform for the future



Sapiens Today

Our Business Model

Comprehensive Product and System Integration for P&C and L&A Globally



Wide Range
of Product Offerings

Pre- & Post-Production
Services

“One stop shop”

Key Benefits of our Winning Model

Benefits to Customers:

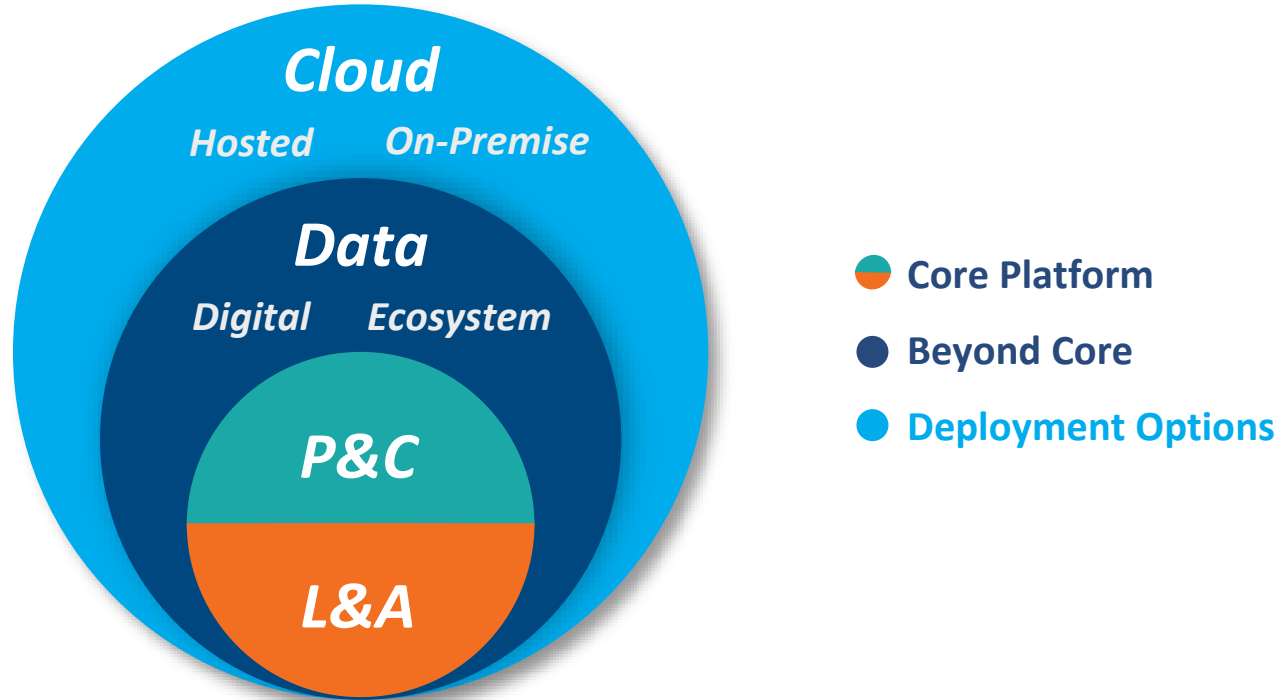
- ✓ Single point of contact for the customer
- ✓ Lower client risk
- ✓ Successful implementation
- ✓ Opportunity to enhance product functionality

Benefits to Sapiens:

- ✓ High LTV – cross-sell and up-sell opportunities
- ✓ High stickiness – long-term customer relationships with repeat revenues
- ✓ Collaboration – innovation and R&D efforts

Our Offerings – Insurance Platforms

Meeting Insurance Carriers' Needs – Fully Integrated Platform, or Modular Components with Multiple Deployment Options

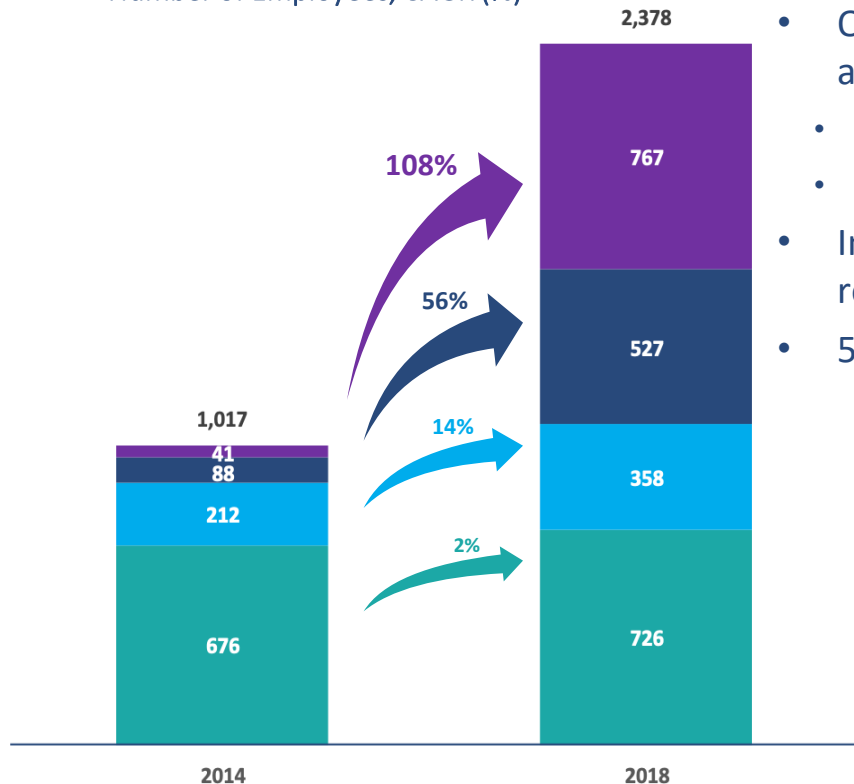


Global Customer Base Over 480 Customers across 25+ Countries



Growing Global Footprint

Number of Employees, CAGR (%)



- Opened office in India to drive innovation and support new and existing projects across product portfolio
- Provides scale with efficient cost structure
- 1,000 employees as of today; potential to expand to 1,600
- In addition, significantly expanded US footprint driven by recent acquisitions
- 5 major development, delivery and support centers

 Development, delivery and support center



USA



UK



Israel



India



Poland





Sapiens Strategy

Strategy Overview

- 1. Geographic Expansion:** Further expand in North America, Penetrate Additional European Markets
- 2. Growing in P&C:** Continue Growing in P&C Across Geographies
- 3. Return to Growth in L&A**
- 4. Ecosystem:** Partnerships with InsureTech partners
- 5. Innovate:** Continue to Innovate in Our Product Offerings

Our Growth Engines



Enhancing Our Sales Model to Drive Existing Client Business



Successful Acquisitions Track Record

2010-2019

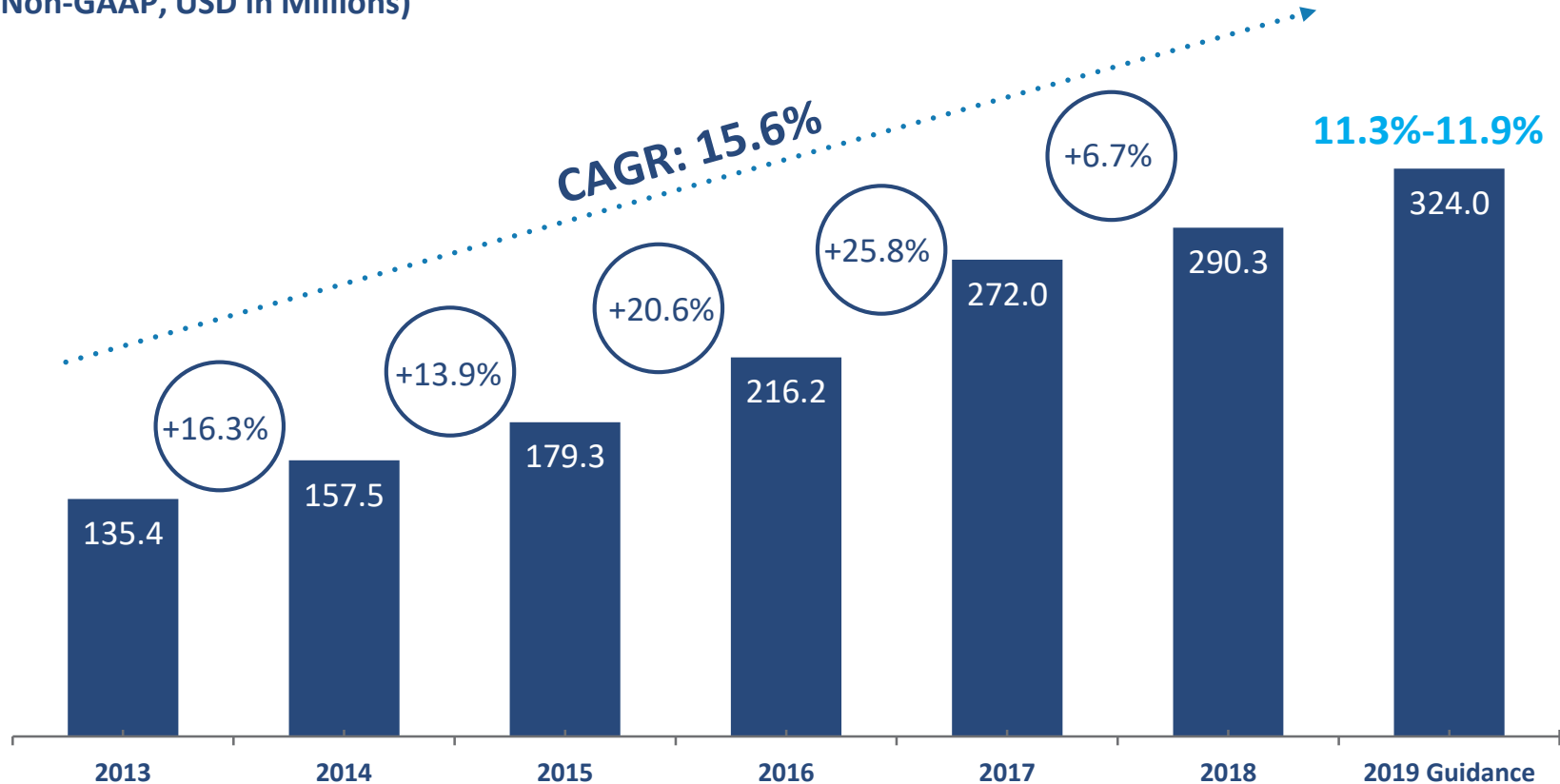




Financial Overview

Annual Revenue Growth

(Non-GAAP, USD in Millions)



Revenue Growth

(Non-GAAP, USD in Millions)

Q3 2018 Q4 2018 Q1 2019 Q2 2019 Q3 2019

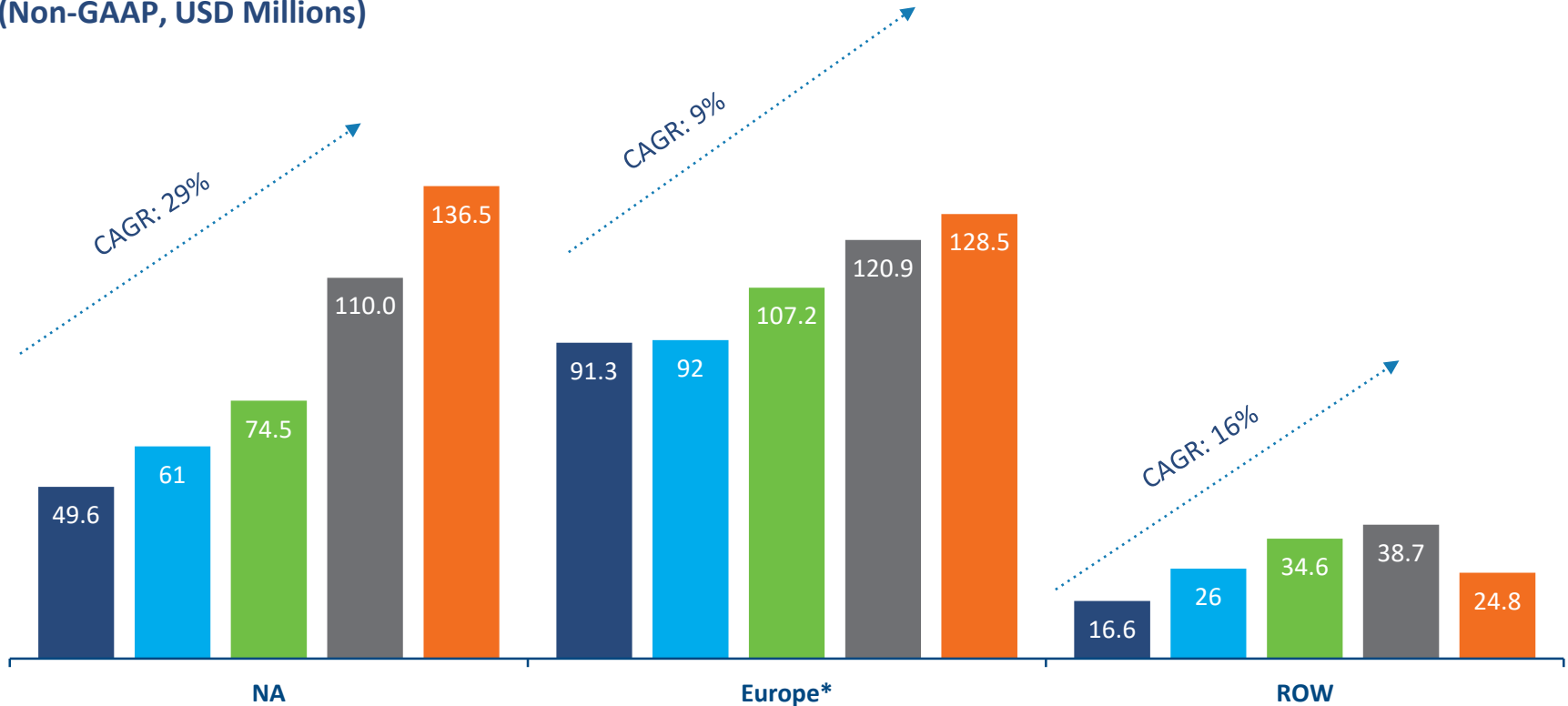
73.3 73.4 76.7 79.5 82.6

YOY	-0.8%	1.4%	8.0%	9.6%	12.8%
QOQ	1.0%	0.3%	4.7%	3.6%	3.9%



Annual Revenue by Geography

(Non-GAAP, USD Millions)

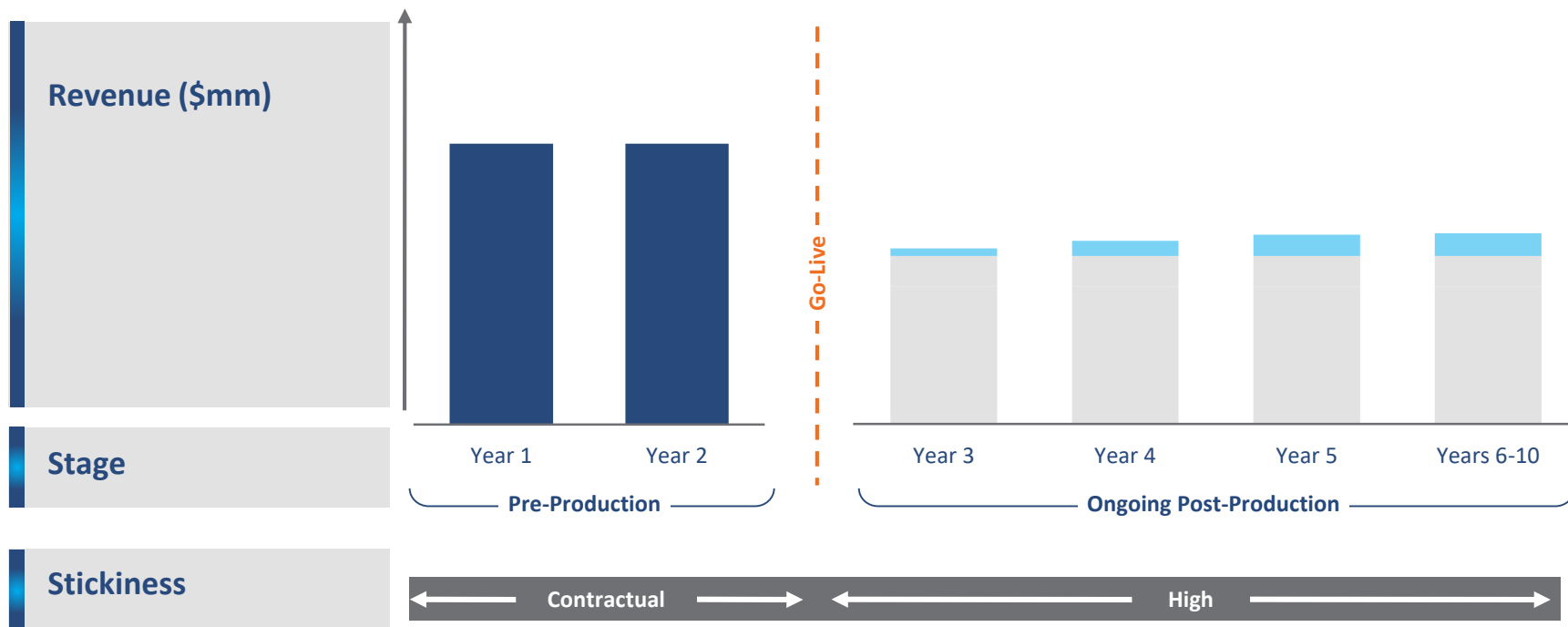


* Europe includes UK, Nordics, Israel and rest of Europe.

■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018

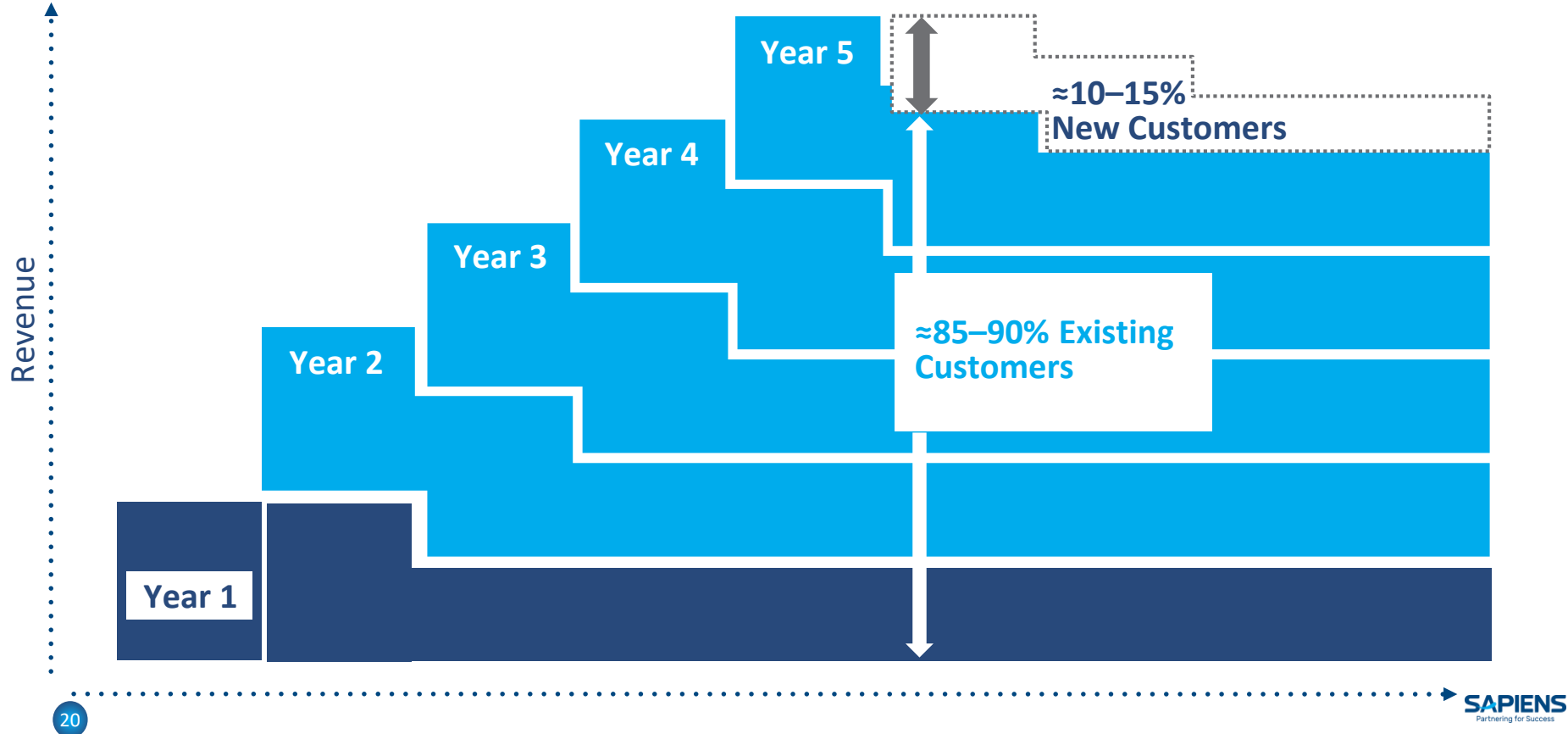
Attractive Revenue Model with Repeat Revenue Component

Non-GAAP Revenues (USD millions)



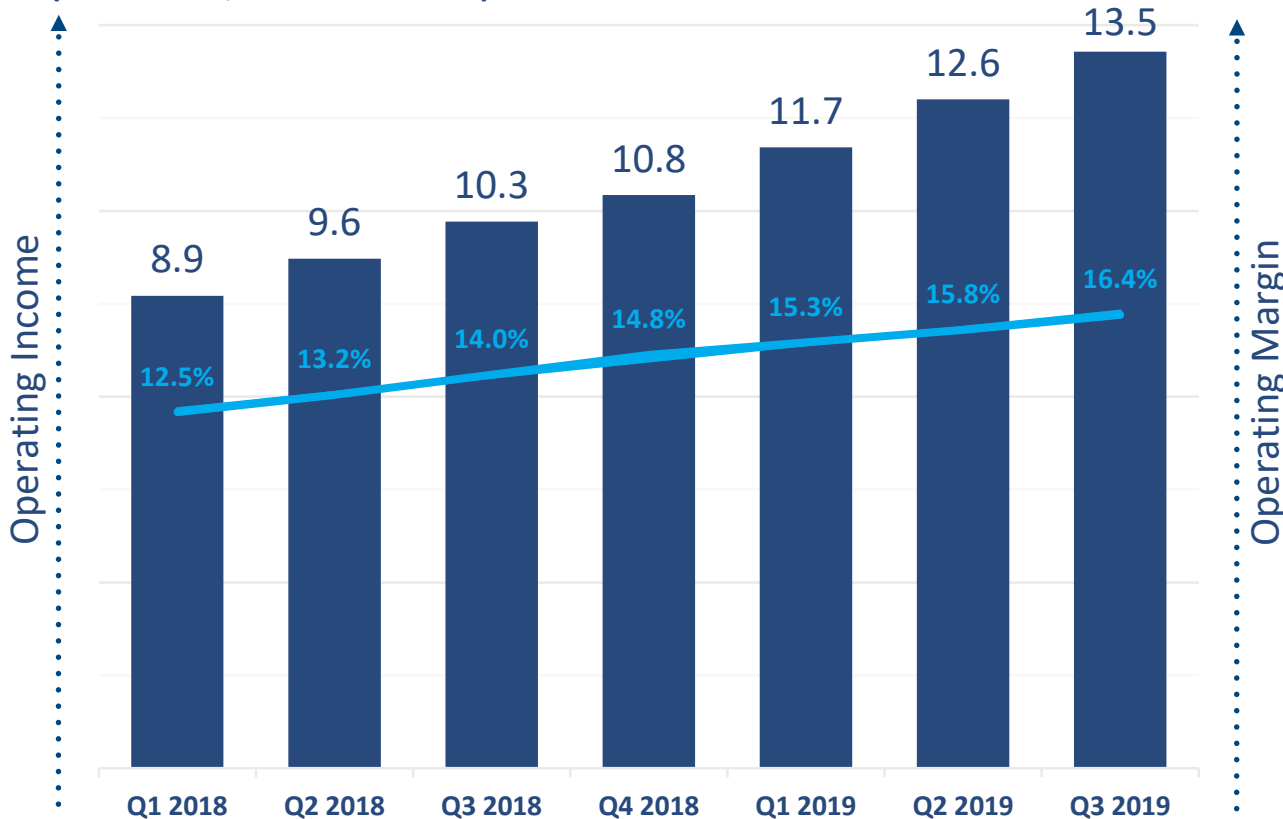
Expected upside from **account managers initiative** – 100% focus on customers and the sale of the complete, expanded Sapiens products offering

High Customer Stickiness Creates Significant Visibility



Operating Income Growth & Margin Expansion

(Non-GAAP, USD in Millions)



- Scaling revenue over efficient cost structure.
- Off-shore operation has a positive contribution on gross margin
 - Expected to drive further margin improvement
- Short term operating margin target: 17%

Adjusted Free Cash Flow

(U.S. Dollars in Thousands)

	Q3 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Cash-flow from Operating Activities	18,671	15,507	10,550	11,509	6,370
Capitalized Software Development Costs	(1,541)	(1,570)	(1,392)	(1,382)	(1,308)
Other Capital Expenditures	(973)	(1,079)	(641)	(204)	(831)
New campus in India	(6,325)	-	-	-	-
Free Cash Flow	9,832	12,858	8,517	9,923	4,231
New campus in India	6,325	-	-	-	-
Acquisition-related Costs ¹	100	1,692	1,608	790	-
Adjusted Free Cash-flow	16,257	14,550	10,125	10,713	4,231

Cash by end of Q3 - \$73M

Debentures by end of Q3 – \$70M, spread over 7 years

Dividend policy - distribution of up to 40% of its annual net profit (non-GAAP) annually.

Payment of \$11 in September 2019 for the year 2018.

1. Included in cash-flow from operating activities.

Investment Highlights

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

Leading global provider of insurance software solutions across P&C and L&A

Targeting a massive market – TAM ~\$40B

Long-term, well-established relationships with 480+ customers globally

Recurring revenue business model

Double digit organic growth accelerated with M&A

Margin expansion driven by economies of scale and off-shore operation

A man and a young boy are sitting on a wooden dock, fishing in a body of blue water. The man is wearing a plaid shirt and the boy is wearing a blue shirt. They are both holding fishing rods. The water is a deep blue color.

THANK YOU

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GAAP vs. Non-GAAP Reconciliation

(USD in Thousands)

	Q3, 2019	Q3, 2018	Diff
GAAP revenue	82,643	73,237	9,406
Valuation adjustment on acquired deferred revenue	-	-	0
Non-GAAP revenue	82,643	73,237	9,406
GAAP gross profit	33,327	27,799	5,528
Revenue adjustment	-	-	0
Amortization of capitalized software	1,438	1,205	233
Amortization of other intangible assets	1,947	1,899	48
Non-GAAP gross profit	36,712	30,903	5,809
	<i>44.4%</i>	<i>42.2%</i>	<i>2.2%</i>
GAAP operating income	10,115	6,814	3,301
Gross profit adjustments	3,385	3,104	281
Capitalization of software development	(1,542)	(1,308)	(234)
Amortization of other intangible assets	539	739	(200)
Stock-based compensation	382	384	(2)
Restructuring & cost reduction plan	-	-	0
Non-GAAP operating income	13,529	10,273	3,256
	<i>16.4%</i>	<i>14.0%</i>	<i>2.3%</i>
GAAP net income attributable to Sapiens' shareholders	7,418	5,183	2,235
Operating income adjustments	3,414	3,459	(45)
Tax and other	(421)	(1,094)	673
Non-GAAP net income attributable to Sapiens' shareholders	10,411	7,548	2,863
	<i>12.6%</i>	<i>10.3%</i>	<i>2.3%</i>

GAAP vs. Non-GAAP Reconciliation

(USD in Thousands)

	Q3 YTD, 2019	Q3 YTD, 2018	Diff
GAAP revenue	238,959	216,396	22,563
Valuation adjustment on acquired deferred revenue	-	468	(468)
Non-GAAP revenue	<u>238,959</u>	<u>216,864</u>	22,095
GAAP gross profit	94,588	81,686	12,902
Revenue adjustment	-	468	-468
Amortization of capitalized software	4,169	3,612	557
Amortization of other intangible assets	5,853	5,858	(5)
Non-GAAP gross profit	<u>104,610</u>	<u>91,624</u>	12,986
	<i>43.8%</i>	<i>42.2%</i>	<i>1.5%</i>
GAAP operating income	27,646	16,439	11,207
Gross profit adjustments	10,022	9,938	84
Capitalization of software development	(4,504)	(3,778)	(726)
Amortization of other intangible assets	1,614	2,367	(753)
Stock-based compensation	1,123	1,470	(347)
Compensation related to acquisition and acquisition related costs	1,959	2,275	(316)
Non-GAAP operating income	<u>37,860</u>	<u>28,711</u>	9,149
	<i>15.9%</i>	<i>13.2%</i>	
GAAP net income attributable to Sapiens' shareholders	19,413	10,033	9,380
Operating income adjustments	10,214	12,272	(2,058)
Tax and other	(1,285)	(2,068)	783
Non-GAAP net income attributable to Sapiens' shareholders	<u>28,342</u>	<u>20,237</u>	8,105
	<i>11.9%</i>	<i>9.3%</i>	<i>2.4%</i>

Q3 Non-GAAP Results

(USD in Millions, Except per Share Amount)

	Third Quarter	
	2019	2018
Revenue	82.6	73.2
Gross Profit	36.7	30.9
	44.4 %	42.2 %
Operational Profit	13.5	10.3
	16.4%	14.0%
Net Income	10.4	7.5
	12.6%	10.3%
Adjusted EBITDA ¹	14.5	11.2
Diluted EPS	0.21	0.15
Diluted Weighted Average Number of Shares	50,742	50,143
Outstanding Shares: 50,052)as of September 30, 2019(

1. 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

(USD in 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 ¹	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(

1. 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).

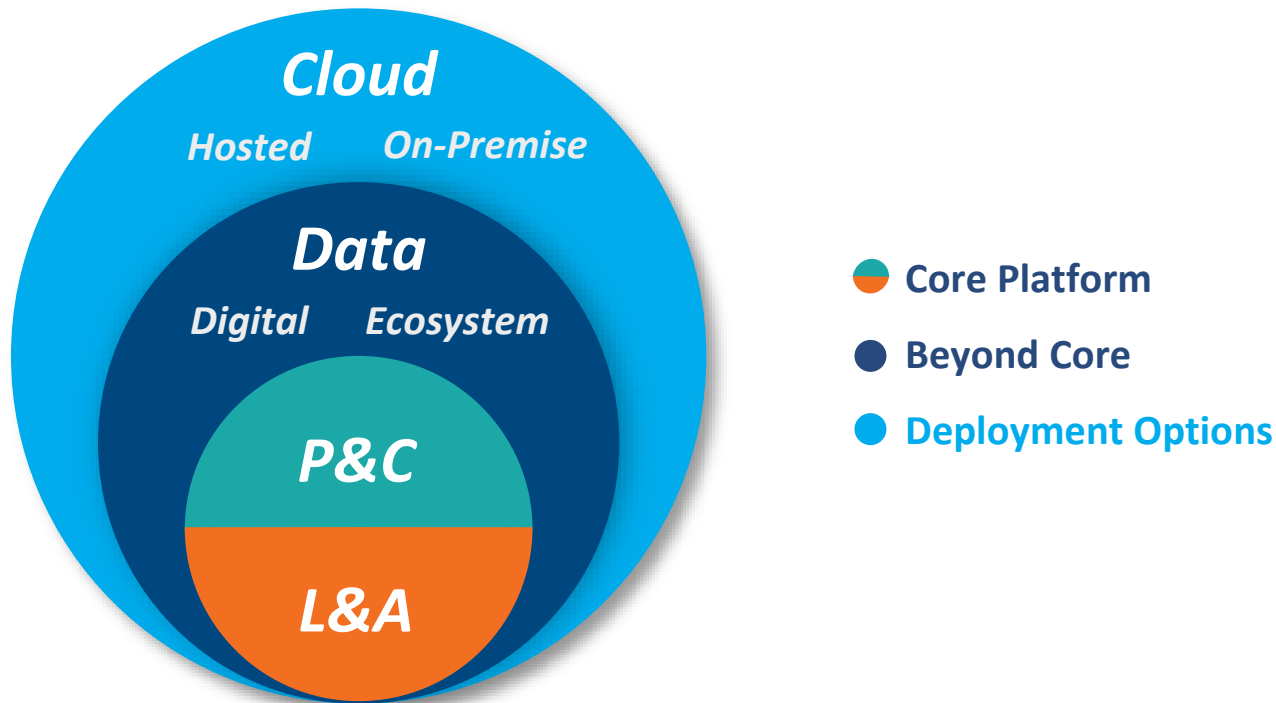
Consolidated Balance Sheets

(USD in Thousands)

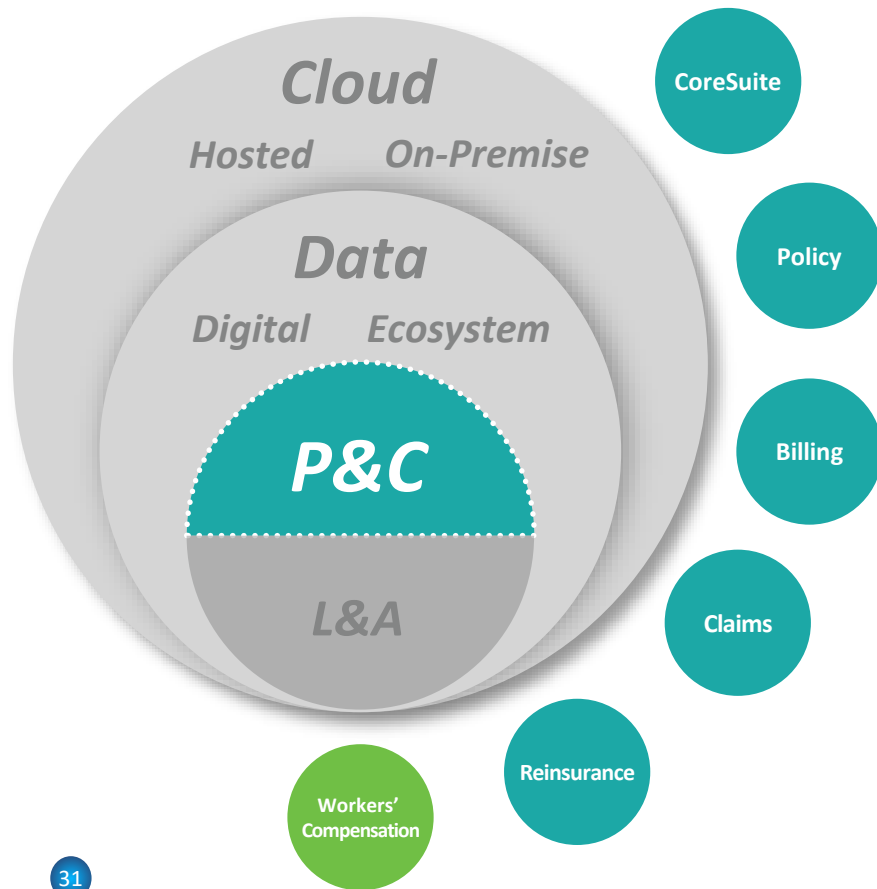
	September 30, 2019 (unaudited)	June 30, 2019 (unaudited)	December 31, 2018 (unaudited)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	73,138	77,282	64,628
Trade receivables, net	57,237	58,827	59,159
Other receivables and prepaid expenses	7,567	7,615	6,224
Total current assets	137,942	143,724	130,011
LONG-TERM ASSETS:			
Property and equipment, net	15,446	9,264	8,515
Severance pay fund	5,052	4,941	4,699
Goodwill and other intangible assets, net	230,936	230,069	231,348
Operating lease right-of-use assets	52,747	54,106	-
Other long-term assets	5,445	4,885	4,292
Total long-term assets	309,626	303,265	248,854
TOTAL ASSETS	447,568	446,989	378,865
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	5,507	6,491	6,149
Accrued expenses and other liabilities	54,848	49,390	46,999
Current maturities of Series B Debentures	9,898	9,898	9,898
Current maturities of operating leases	8,155	8,107	-
Deferred revenue	22,691	22,782	18,057
Total current liabilities	101,099	96,668	81,103
LONG-TERM LIABILITIES:			
Other long-term liabilities	17,268	17,415	21,079
Series B Debentures, net of current maturities	58,803	58,763	68,577
Noncurrent operating leases	47,663	48,105	-
Accrued severance pay	6,082	5,946	5,622
Total long-term liabilities	129,816	130,229	95,278
EQUITY	216,653	220,092	202,484
TOTAL LIABILITIES AND EQUITY	447,568	446,989	378,865

Our Offerings – Insurance Platforms

Meeting Insurance Carriers' Needs – Fully Integrated Platform, or Modular Components with Multiple Deployment Options



Leading Property & Casualty Offering



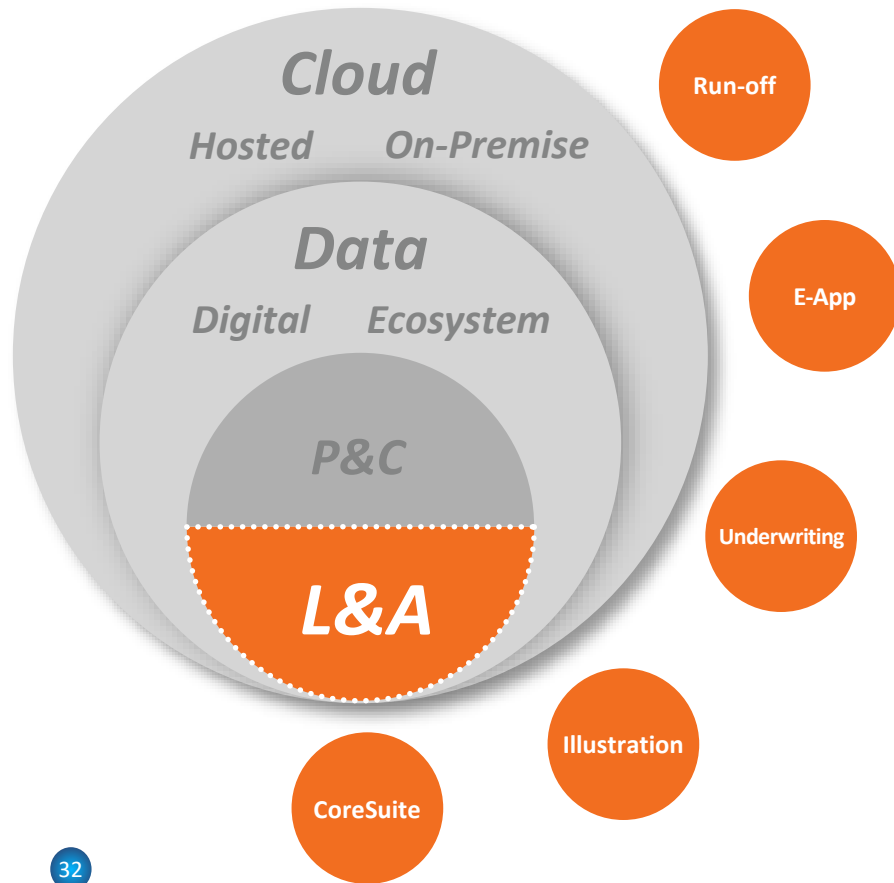
Our Positioning

- Fit-to-Market Solutions
- Europe – leading position in the UK & Nordics
 - Potential to expand
- North America – strong momentum following the acquisitions of StoneRiver and Adaptik

Key Achievements

- ✓ Continues Growth
- ✓ larger deal sizes (platform and services)
- ✓ Shifting to cloud

Leading Life & Annuities Offering



Our Positioning

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

Key Achievements

- ✓ Back to growth
- ✓ Digital-ready offering
- ✓ Shifting to cloud