



Q4 and Full Year 2018 Investor Presentation

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Sapiens at a Glance

Global Provider
of Software
Solutions
for **Insurance**

Leading Position
Across Our Key
Businesses

450 Insurance
Customers

Global
47% North America
44.3% Europe²
8.4% RoW³

\$290.3 Million¹
2018 Revenue

\$39.6 Million¹
2018 Operating
Profit

16.5% 2013-2018
Revenue CAGR

11 Acquisitions
in 8 Years

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 Value Proposition

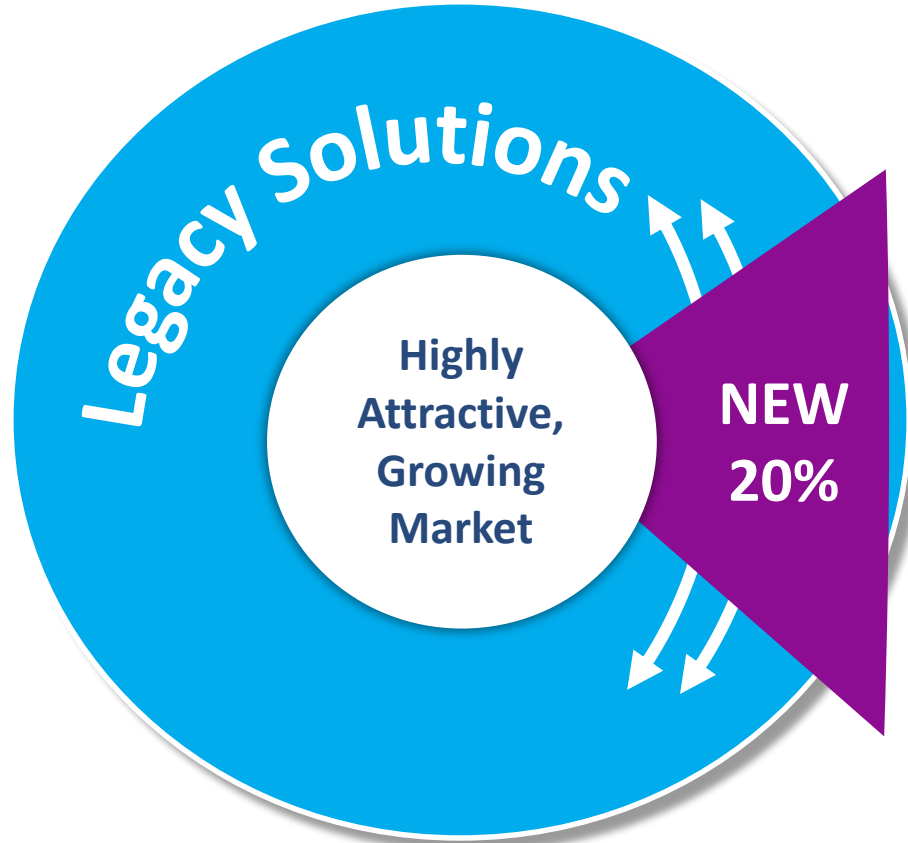


- **One-Hand-to-Shake** – product and system integrator
- **Property & Casualty and Life & Annuities** – covering all key insurance verticals



Large and Growing Global Insurance IT Market

Sapiens' Total
Addressable Market:
\$40B



Sapiens Today

Innovative Software Solutions



**PROPERTY &
CASUALTY**



**LIFE &
ANNUITIES**



**WORKERS'
COMPENSATION**



**FINANCIAL &
COMPLIANCE**

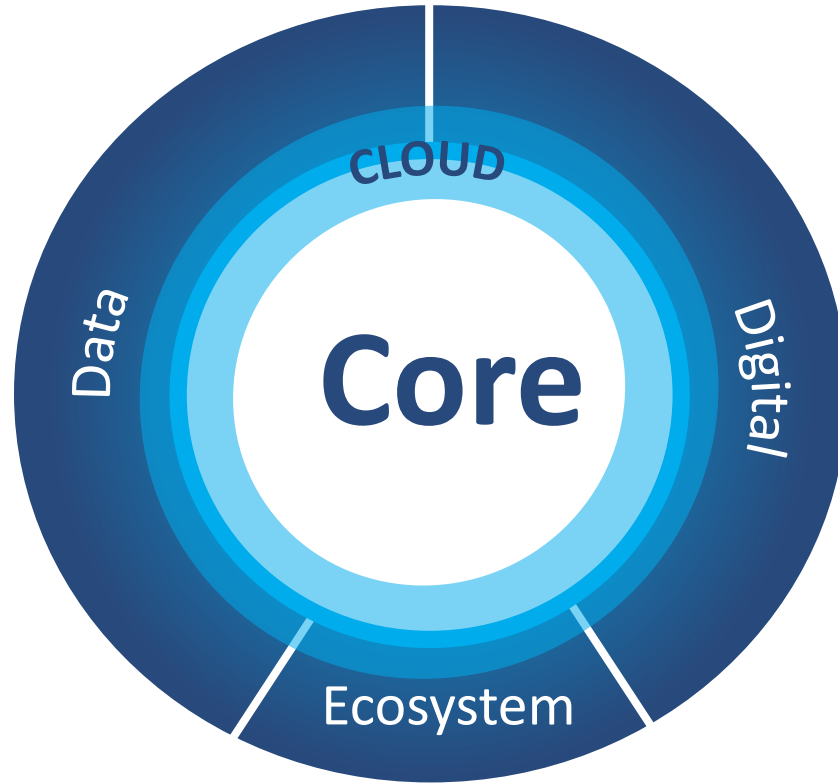


**DECISION
MANAGEMENT**



DIGITAL

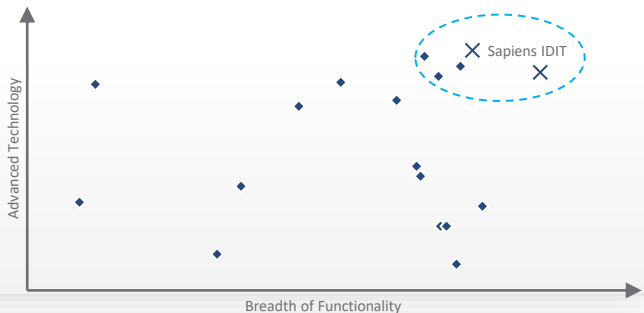
Our Offerings - Insurance Platforms



.....across Global Markets - North America, EMEA and APAC.

Leading Property & Casualty Offering

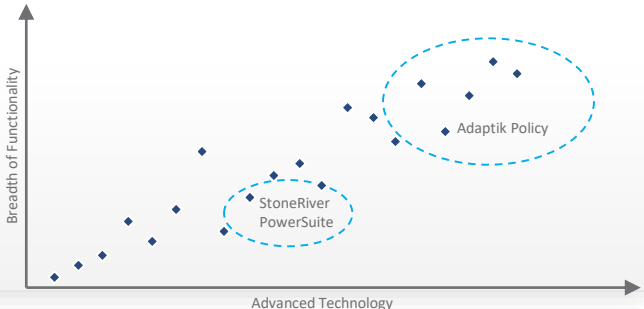
Europe



Positioning

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

North America



Key Achievements

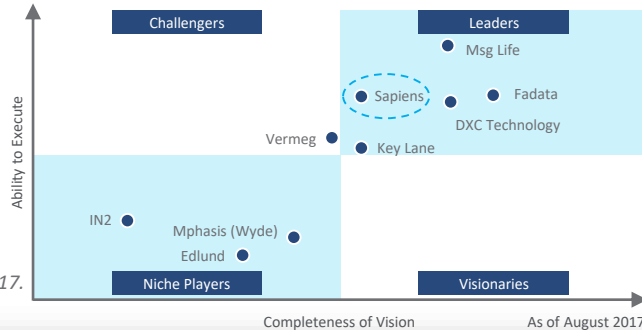
- Double digit growth (to 60% of revenues)
- Digital-ready offering
- Entering higher tiers/larger deal sizes (platform & services)
- Shifting to cloud

Source: Celent 2018.

Leading Life & Annuities Offering

Europe

Gartner

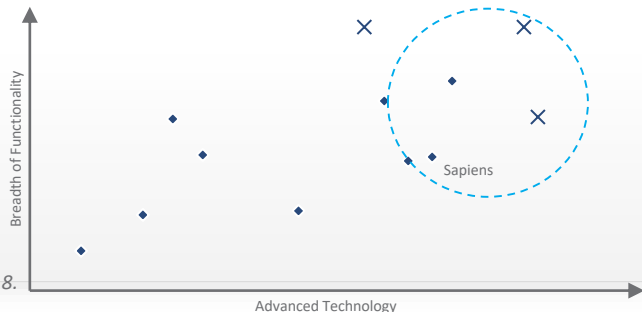


Positioning

- 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

Supporting our customers throughout their lifecycle

Stage

1

Pre-Production
Offering

2

Post-Production
Offering

Key Benefits
of Our
Winning Model

- Lower risk for our clients
- Long-term relationships and higher customer stickiness
- Cross-sell and up-sell opportunities – higher LTV
- Collaborating with our customers – a key source for innovation
- Recurring revenues

Global Customer Base

UK	                   
Continental Europe	                     
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



Successful Acquisition Track Record

2010-2018



2010



2014



2016



KNOWLEDGEPRICE.COM



2018

2011



2015



INSECO

2017



Executing on Our Strategic Plan

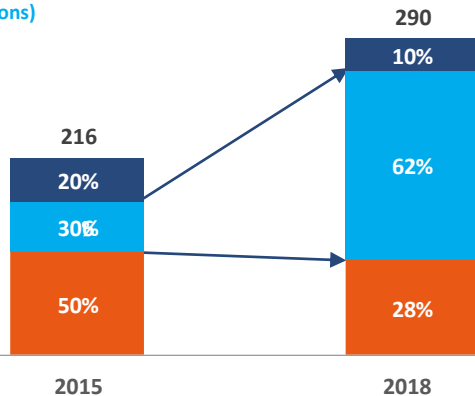
Focus on P&C

Strategic Rationale/ Benefits

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

Progress

Revenue Breakdown
(USD millions)

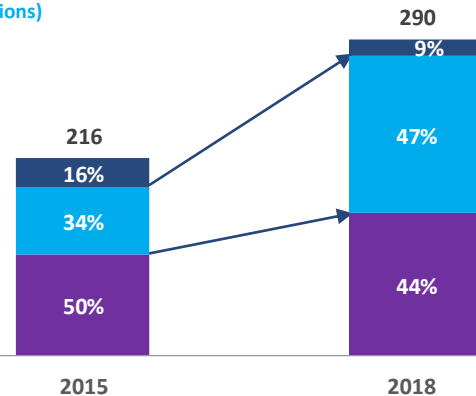


■ L&P ■ P&C ■ Other

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)



■ Europe ■ NA ■ EAPAC & SA

Enhancing Our Sales Model to Drive Existing Client Business

The Sapiens Account Managers Team

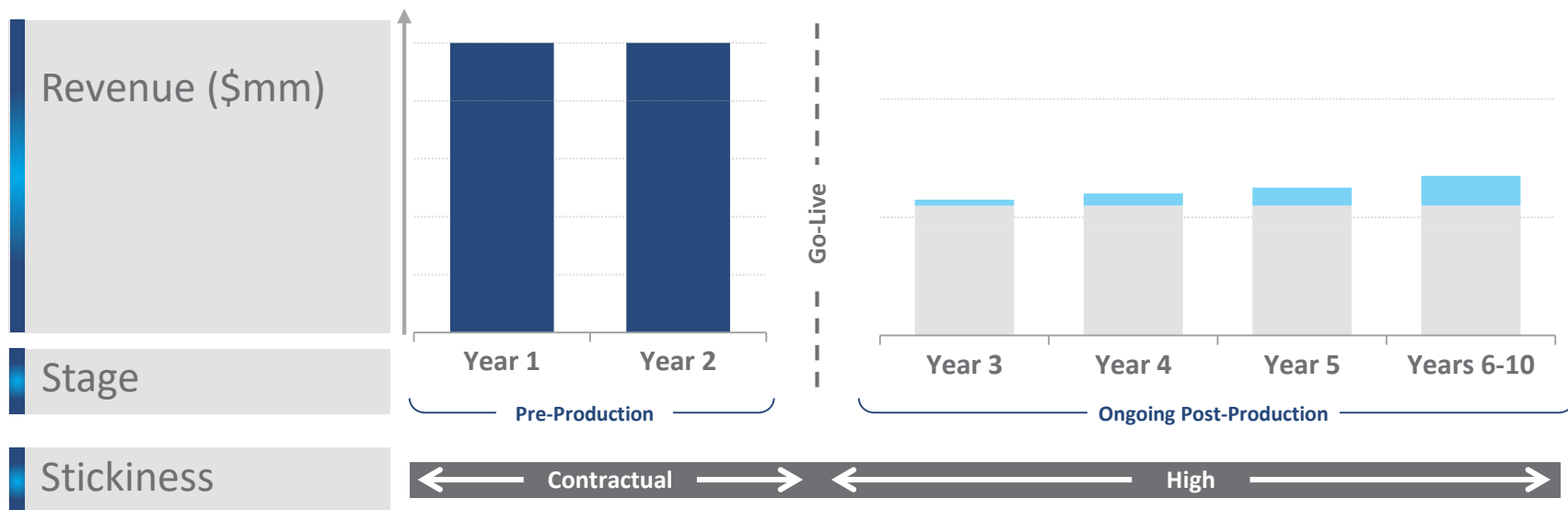
- Newly established team of senior insurance business professionals **FULLY FOCUSED** on the **CUSTOMERS**

Our Strategic Approach

	<u>Old: Division Sales Managers</u>	<u>New: Account Managers</u>
The Team	<ul style="list-style-type: none">• Delivery and account management	<ul style="list-style-type: none">• Account management
What we sell	<ul style="list-style-type: none">• Product approach	<ul style="list-style-type: none">• Customer approach with full offering
Responsibility	<ul style="list-style-type: none">• Division	<ul style="list-style-type: none">• Territory responsibility

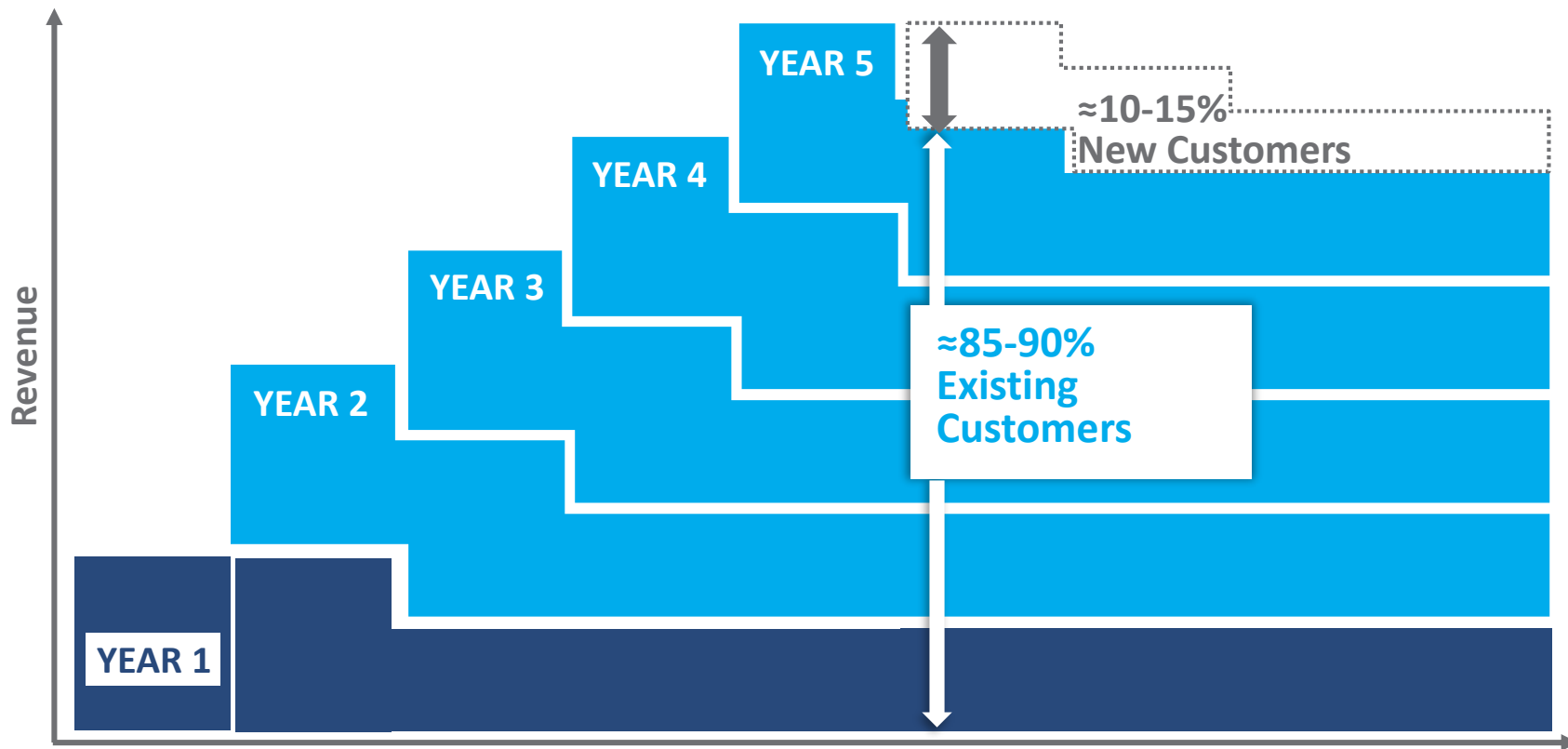
Maximizing awareness and LTV leveraging our expanded customer base and product offering

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

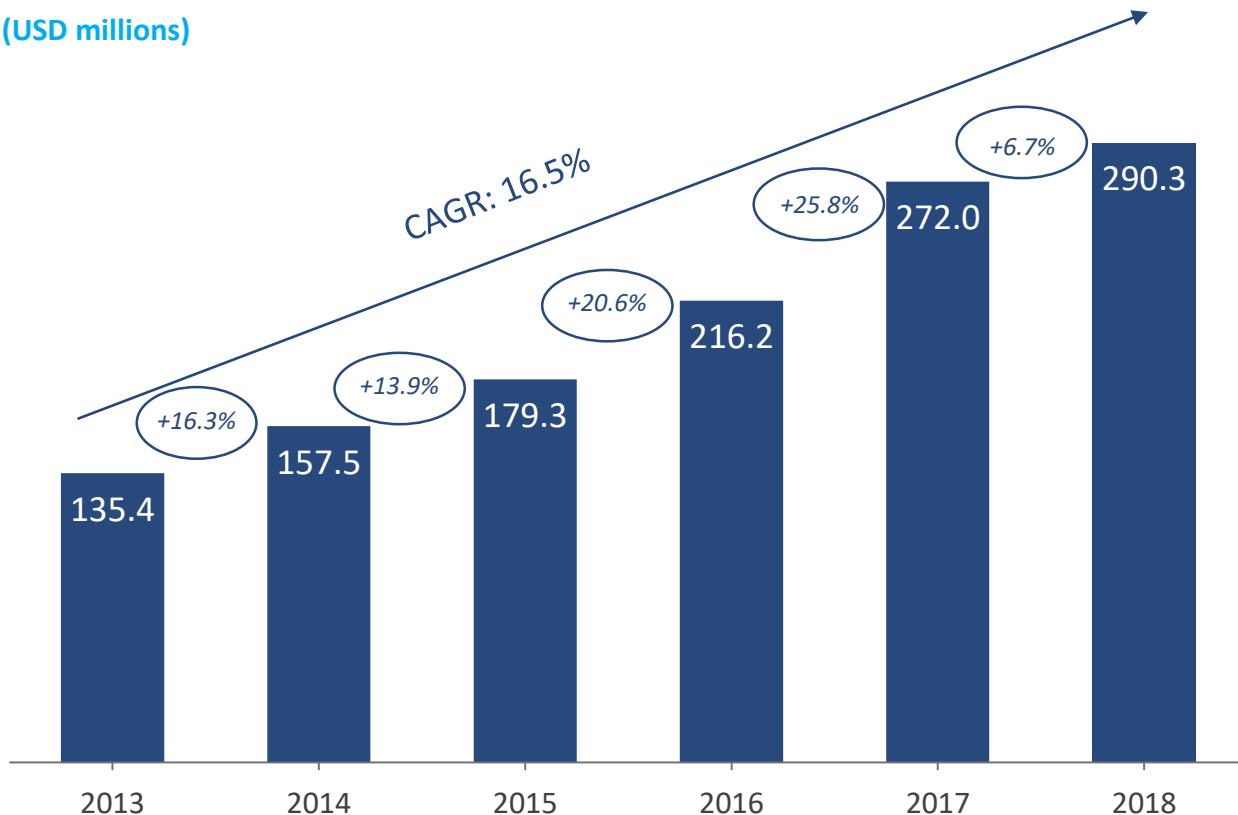
High Customer Stickiness Creates Significant Visibility



Financials

Non-GAAP Revenue

(USD millions)

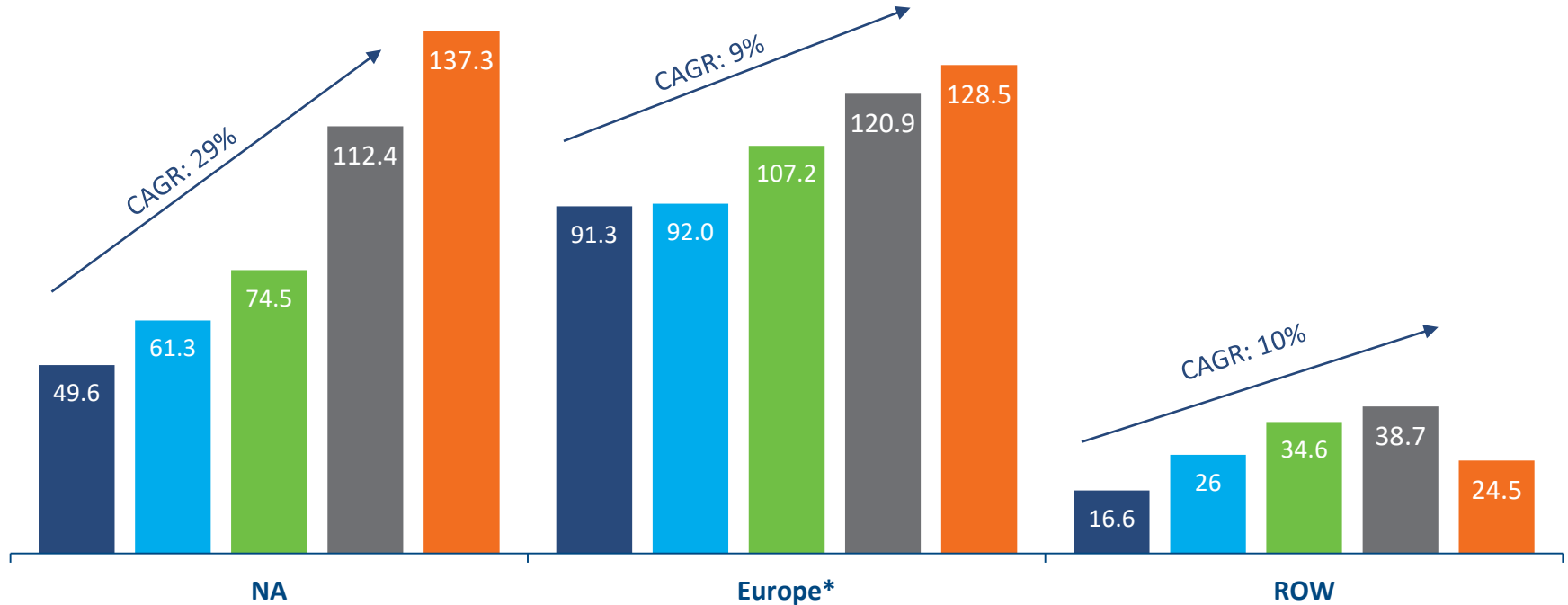


2017-2018 transition years:

- Territory – penetration into the U.S. insurance market.
- Products:
 - P&C
 - Continue EMEA growth
 - U.S. – building the infrastructure for growth
 - Life – recovery while focusing on customer satisfaction
- One-time events

Annual Revenue by Geography

Non-GAAP Revenue (USD millions)

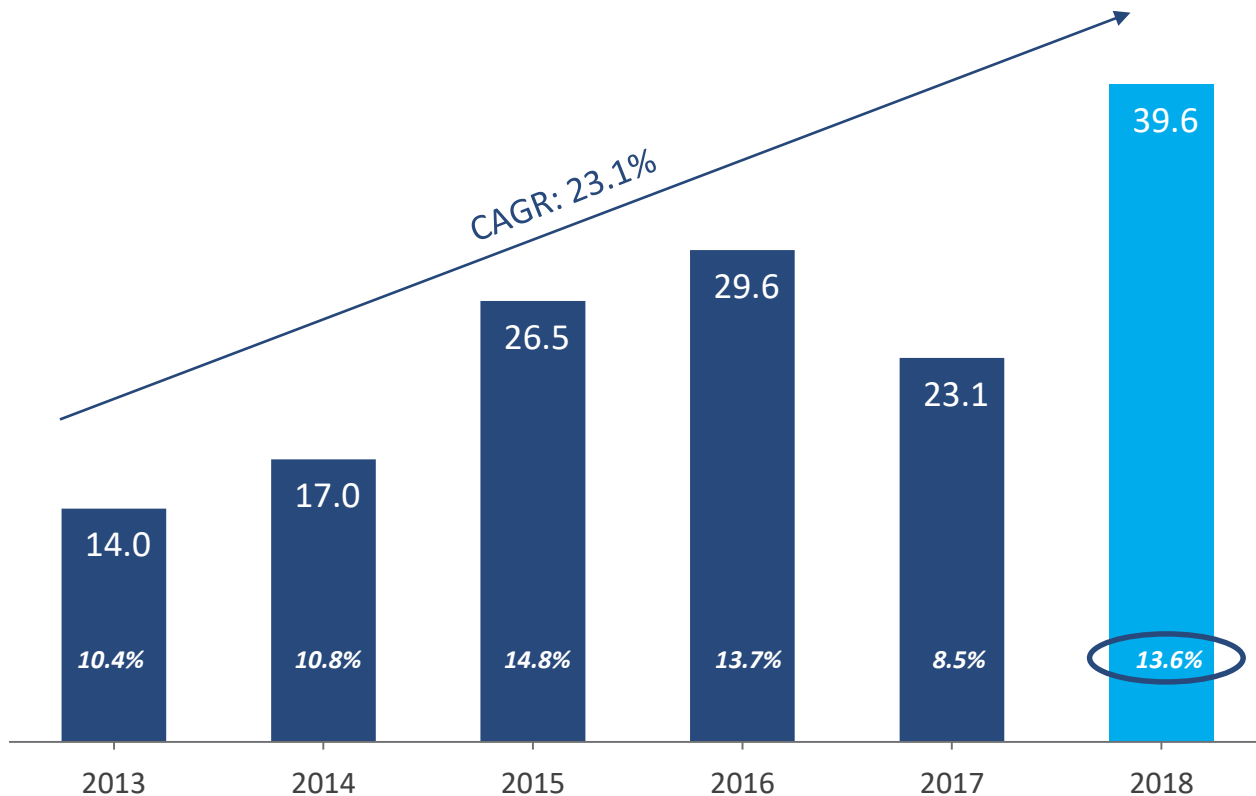


* Europe includes UK, Nordics, Israel and rest of Europe.

■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018

Non-GAAP Operating Profit and Margin

(USD millions)



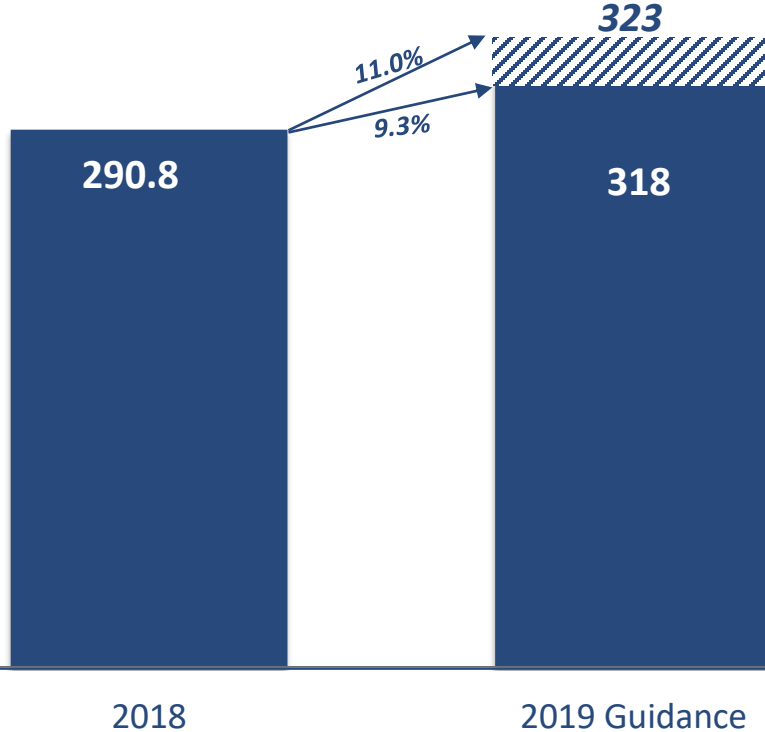
Q4 and Annual – Non-GAAP Results

(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)				

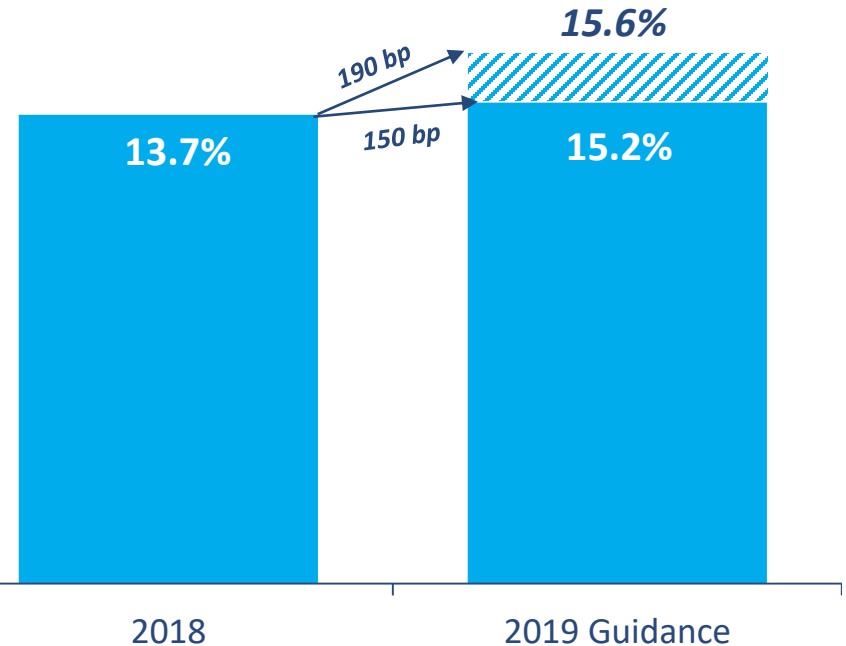
*The Company defines Adjusted EBITDA as net profit, adjusted for stock-based compensation expense, depreciation and amortization, capitalized internal-use software development costs, amortization of internal-use software development costs, interest expense, provision for income taxes and other income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

2019 Revenue and Operational Margin Guidance

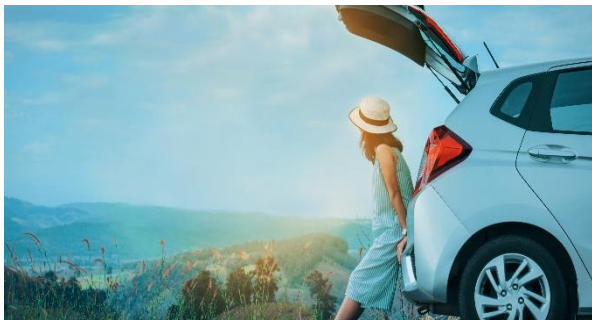
Revenue Guidance



Operational Margin Target

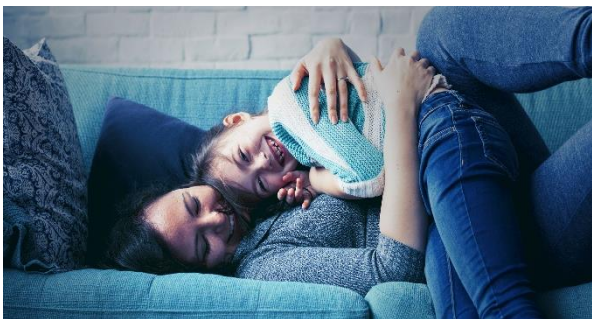


Our Focus – 2019 and Beyond



Increase Revenue Growth

- P&C
 - Europe – continue double digit growth
 - U.S. – double digit growth
- Life – stable, with a positive growth outlook
- Account management initiative – across our global operations



Margin Expansion

- Mid-term target: 15-17%
- Increase offshore
- Economies of scale
- ...All while investing in sales and account management

Investment Highlights

Leading global provider of solutions across major segments of the insurance industry

Targeting a massive market – TAM ~\$40B

One-stop-shop – technology and services

450+ customer base across the globe

Proven management team comprised of industry experts

Organic growth with operating leverage, and recurring revenue

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 assisting him. The scene is peaceful and captures a moment of bonding between the two.

THANK YOU

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Consolidated Balance Sheets

(USD thousands)

	December 31, 2018 (unaudited)	December 31, 2017 (unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	64,628	71,467
Trade receivables, net and unbilled receivables	59,159	53,226
Other receivables and prepaid expenses	6,224	6,280
Total current assets	130,011	130,973
LONG-TERM ASSETS:		
Property and equipment, net	8,515	10,695
Severance pay fund	4,699	4,547
Goodwill and other intangible assets, net	231,348	223,729
Other long-term assets	4,292	3,675
Total long-term assets	248,854	242,646
TOTAL ASSETS	378,865	373,619
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables	6,150	7,044
Accrued expenses and other liabilities	46,998	46,612
Current maturities of Series B Debentures	9,898	-
Deferred revenue	18,759	16,513
Total current liabilities	81,805	70,169
LONG-TERM LIABILITIES:		
Other long-term liabilities	20,377	17,442
Series B Debentures, net of current maturities	68,577	78,281
Accrued severance pay	5,622	5,500
Total long-term liabilities	94,576	101,223
REDEEMABLE NON-CONTROLLING INTEREST	-	1,353
EQUITY	202,484	200,874
TOTAL LIABILITIES AND EQUITY	378,865	373,619

The Insurance Market – Next Wave of Innovation

