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PRESS RELEASES



Sapiens Reports Fourth Quarter and Full Year 2019 Financial Results


February 24, 2020

Holon, Israel, February 24, 2020 – [Sapiens International Corporation](#), (NASDAQ and TASE: SPNS), a leading global provider of software solutions for the insurance industry, and a member of [the Formula Group](#) (NASDAQ: FORTY and TASE: FORT), today announced its financial results for the fourth quarter and full year ended December 31, 2019.

Summary Results for Fourth Quarter 2019 (USD in millions, except per share data)



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% Change

Non-GAAP

% Change

Q4-2019

Q4-2018

Q4-2019

Q4-2018

Revenue

\$86.7

\$73.3

18.3%

\$86.7

\$73.4

18.1%

Gross Profit



\$27.9

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25.3%

↓ 18.4%

\$31.3

22.6%

Gross Margin

40.3%

38.0%

230 bps

44.3%

42.7%

160 bps

Operating Income

\$10.2

\$6.6

55.3%

\$14.3

\$10.8



Operating Margin

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11.8%

...)%

280 bps

16.5%

14.8%

170 bps

Net income (*)

\$6.8

\$3.8

82.1%

\$10.6

\$7.8

34.8%

Diluted EPS

\$0.13

\$0.07

85.7%



\$0.16

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31.3%



Summary Results for Full Year 2019 (USD in millions, except per share data)

GAAP

% Change

Non-GAAP

% Change

2019

2018

2019

2018

Revenue



\$289.7

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12.4%

↓ 25%

\$290.3

12.2%

Gross Profit

\$129.5

\$109.6

18.2%

\$143.0

\$122.9

16.3%

Gross Margin

39.8%

37.8%

200 bps

43.9%

42.4%



Operating Income

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\$37.9

↓ 13.0%

64.5%

\$52.2

\$39.6

32.0%

Operating Margin

11.6%

7.9%

370 bps

16.0%

13.6%

240 bps

Net income (*)

\$26.2

\$13.8

90.4%



\$28.1

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38.6%

Adjusted EPS

\$0.52

\$0.28

85.7%

\$0.77

\$0.56

37.5%

(*) Attributable to Sapiens' shareholders

"Sapiens finished 2019 on a very strong note with fourth quarter non-GAAP revenue reaching a record high of \$86.7 million and non-GAAP operating margin improving by 170 basis points to 16.5%. For the full year, we advanced our business globally, growing revenue by 12.2% to \$325.7 million, the high end of the annual guidance range, fueled by prior acquisitions that delivered increased market penetration with new products, particularly on the digital front. We grew our core business in both P&C, with double digit growth, and saw expansion in our L&A business towards the end of the year. Increased revenue, combined with significant operating leverage from our offshore operations, improved Sapiens 2019 non-GAAP operating margins by 240 basis points to 16.0%.



stated Roni Al-Dor, president and CEO, Sapiens.

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“The Sapiens global team delivered one of our most successful years to date with 34 new logos for 2019.” continued Mr. Al-Dor. Mr. Al-Dor concluded: “We are building a unified global platform of innovative digital insurance solutions and advancing our competitive position as a one-stop-shop for insurance software with enhanced products and services. The pipeline for 2020 is very robust and we see further opportunities to increase operating efficiencies and improve margins. We are introducing 2020 guidance for revenue in a range of \$377 million to \$383 million, and operating margin in a range of 16.0% to 16.5%.”

Quarterly Results Conference Call

Management will host a conference call and webcast today, February 24, 2020 at 9:30 a.m. Eastern Time (4:30 p.m. in Israel) to review and discuss Sapiens’ results.

Please call the following numbers (at least 10 minutes before the scheduled time) to participate:

North America (toll-free): + 1-888-668-9141; International: +972-3-9180609; UK: 0-800-917-5108

The live webcast of the call can be viewed on Sapiens’ website at:


<https://sapiens.com/investor-relations/ir-events-presentations/>

If you are unable to join live, a replay of the call will be accessible until March 4, 2020, as follows:

North America: 1-888-295-2634; International: +972-3-925-5901

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Non-GAAP Financial Measures

 This press release contains the following non-GAAP financial measures: non-GAAP revenue, non-GAAP gross profit, non-GAAP operating income, non-GAAP net income attributed to Sapiens shareholders, non-GAAP basic and diluted earnings per share, Adjusted EBITDA and Adjusted Free Cash-Flow.

Sapiens believes that these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to Sapiens' financial condition and results of operations. The Company's management uses these non-GAAP measures to compare the Company's performance to that of prior periods for trend analyses, for purposes of determining executive and senior management incentive compensation and for budgeting and planning purposes. These measures are used in financial reports prepared for management and in quarterly financial reports presented to the Company's board of directors. The Company believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends, and in comparing the Company's financial measures with other software companies, many of which present similar non-GAAP financial measures to investors.

Non-GAAP financial measures consist of GAAP financial measures adjusted to exclude: Valuation adjustment on acquired deferred revenue, amortization of capitalized software development and other intangible assets, capitalization of software development, stock-based compensation, restructuring and cost reduction costs, tax adjustments



performance targets and retention criteria as determined upon acquisition date of the respective acquired companies as well as third-party services, such as, tax, accounting and legal rendered until the acquisition date.



Management of the Company does not consider these non-GAAP measures in isolation, or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses and income that are required by GAAP to be recorded in the Company's financial statements. In addition, they are subject to inherent limitations, as they reflect the exercise of judgment by management about which expenses and income are excluded or included in determining these non-GAAP financial measures.

To compensate for these limitations, management presents non-GAAP financial measures in connection with GAAP results. Sapiens urges investors to review the reconciliation of its non-GAAP financial measures to the comparable GAAP financial measures, which it includes in press releases announcing quarterly financial results, including this press release, and not to rely on any single financial measure to evaluate the Company's business.

Reconciliation tables of the most comparable GAAP financial measures to the non-GAAP financial measures used in this press release are included with the financial tables of this release.

The Company defines Adjusted EBITDA as net profit, adjusted for valuation adjustment on acquired deferred revenue, stock-based compensation expense, depreciation and amortization, capitalized of software development costs, compensation expenses related to acquisition and acquisition-related costs, restructuring and cost



other companies to help investors understand the operational

performance of their business. [Rearchitect](#) [Resources](#) [About](#)

The Company uses Adjusted EBITDA as a measurement of its operating performance, and reconciles Non-GAAP Operating Income to Adjusted EBITDA, adjusted for amortization and capitalization of capitalized software and amortization other intangible assets, stock-based compensation and acquisition-related costs, and valuation adjustment on acquired deferred revenues. The Company uses Adjusted EBITDA, because it assists in comparing the operating performance on a consistent basis by removing the impact of certain non-cash and non-operating items. Adjusted EBITDA reflects an additional way of viewing aspects of the operations that the Company believes, when viewed with the GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting its business.

The Company uses Adjusted Free Cash-Flow as a measurement of its operating performance, and reconciles cash-flow from operating activities to Adjusted Free Cash-Flow while reducing the amounts for capitalization of software development costs and capital expenditures, and adds back payments related to investment in new campus in India, cash payments made for former acquisitions in respect of future performance targets and retention criteria as determined upon acquisition date of the respective acquired company, and were included in the cash-flow from operating activities. We believe that Adjusted Free Cash-Flow is useful in evaluating our business, because Adjusted Free Cash-Flow reflects the cash surplus available to fund the expansion of our business.

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solutions and services for the property and casualty, life, pension and annuity, reinsurance, financial and compliance, workers' compensation and financial markets. With more than 35 years of experience delivering to over 450 organizations globally, Sapiens has a proven ability to satisfy customers' core, data and digital requirements. For more information: sapiens.com

Forward Looking Statement

Some of the statements in this press release 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, please refer to the Risk Factors detailed in Item 3 of Part III of our Annual Report on Form 20-F



Exchange Commission.

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