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PRESS RELEASES

Sapiens Reports Q4 and Full Year 2020 Financial Results

February 25, 2021

Holon, Israel, February 25, 2021 – [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, 2020.

Summary Results for Fourth Quarter 2020 (USD in millions, except per share data)

	GAAP			Non-GAAP		
	Q4 2020	Q4 2019	% Change	Q4 2020	Q4 2019	% Change
Revenue	\$101.7	\$86.7	17.2%	\$102.9	\$86.7	18.7%
Gross Profit	\$41.4	\$34.9	18.4%	\$47.0	\$38.4	22.5%
Gross Margin	40.7%	40.3%	40 bps	45.7%	44.3%	140 bps
Operating Income	\$10.2	\$10.2	-	\$18.7	\$14.3	30.1%
Operating Margin	10.1%	11.8%	(170) bps	18.1%	16.5%	160 bps
Net Income (*)	\$8.3	\$6.8	21.7%	\$14.5	\$10.6	37.0%
Diluted EPS	\$0.15	\$0.13	15.4%	\$0.27	\$0.21	28.6%

Summary Results for Full Year 2020 (USD in millions, except per share data)

	GAAP		% Change	Non-GAAP		% Change
	2020	2019		2020	2019	
Revenue	\$382.9	\$325.7	17.6%	\$384.5	\$325.7	18.1%
Gross Profit	\$156.0	\$129.5	20.4%	\$172.9	\$143.0	20.9%
Gross Margin	40.7%	39.8%	90 bps	45.0%	43.9%	110 bps
Operating Income	\$45.0	\$37.9	18.8%	\$67.9	\$52.2	30.1%
Operating Margin	11.8%	11.6%	20 bps	17.7%	16.0%	170 bps
Net income (*)	\$33.8	\$26.2	28.7%	\$52.0	\$38.9	33.6%
Diluted EPS	\$0.65	\$0.52	25.0%	\$1.00	\$0.77	29.9%

(*) Attributable to Sapiens' shareholders.

"The non-GAAP financial results Sapiens reported today demonstrate how well we are executing our strategy. Sapiens ended the year on a strong note with record fourth quarter revenue and a strong operating margin. Despite COVID-19, we crossed the \$100 million-dollar-mark in quarterly Non-GAAP revenues, coming in at \$103 million, 19% higher than last year. Non-GAAP Operating margin was 18.1%, 164 basis points, or 29% improvement from fourth quarter 2019, validating our operating leverage. For the full year, 2020 Non-GAAP revenue increased by 18% to \$384 million and we delivered Non-GAAP operating margin of 17.7%. The global Sapiens team executed extremely well in 2020, and I want to

thank everyone for their outstanding work in a year that presented unique challenges and required tremendous adaptability,” stated Roni Al-Dor, President and CEO of Sapiens.

“We have proven repeatedly that our “Land and Expand” strategy is an efficient and effective way to grow in the highly regulated and regionally diverse global insurance markets. In addition to our global advantage, we offer customers a one-stop-shop in P&C and Life, along with complimentary and digital solutions. With hundreds of customers around the world, Sapiens is making a significant impact with our broad portfolio of solutions and one-hand-to-shake business model. We entered 2021 with a positive momentum and are planning to leverage our recent acquisitions,” continued Mr. Al-Dor. Mr. Al-Dor concluded: “We are introducing 2021 guidance for Non-GAAP revenue in a range of \$457 million to \$463 million, and Non-GAAP operating margin in a range of 17.7% to 18.0%, reflecting the likelihood that certain cost savings related to COVID-19 diminish in the second half of 2021. With a focused growth strategy, global diversity and an even stronger balance sheet, Sapiens is well positioned for success and growth.”

Quarterly Results Conference Call

Management will host a conference call and webcast today, February 25, 2021 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- 642-5032; International: +972-3-918-0609; 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: +1-877-456-0009; International: +972-3-925-5900.

A recorded version of the webcast will also be available via the Sapiens website, for three months at the same location.

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, compensation related to acquisition and acquisition-related costs, restructuring and cost reduction costs, and tax adjustments related to non-GAAP adjustments.

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 reduction costs, financial expense (income), provision for income taxes

and other income (expenses). These amounts are often excluded by other companies to help investors understand the operational performance of their business.

The Company uses Adjusted EBITDA as a measurement of its operating performance, 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. The Company adds back 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, which 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.

About Sapiens

Sapiens International Corporation empowers insurers to succeed in an evolving industry. The company offers digital software platforms, 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 more than 600 organizations globally, Sapiens has a proven ability to

satisfy customers' core, data and digital requirements. For more information: sapiens.com.

Forward Looking Statements

Certain matters discussed in this prospectus supplement, the accompanying prospectus and the other documents we have filed with the SEC that are incorporated herein and therein by reference are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, that are based on our beliefs, assumptions and expectations, as well as information currently available to us. Such forward-looking statements may be identified by the use of the words "anticipate," "believe," "estimate," "expect," "may," "will," "plan" and similar expressions. Such statements reflect our current views with respect to future events and are subject to certain risks and uncertainties. There are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from the results, levels of activity, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to: the COVID-19 (coronavirus) pandemic, which may last longer than expected and materially adversely affect our results of operations; the degree of our success in our plans to leverage our global footprint to grow our sales; the degree of our success in integrating the companies that we have acquired through the implementation of our M&A growth strategy; the lengthy development cycles for our solutions, which may frustrate our ability to realize revenues and/or profits from our potential new solutions; our lengthy and complex sales cycles, which do not always result in the realization of revenues; the degree of our success in retaining our existing customers or competing effectively for greater market share; difficulties in successfully planning and managing changes in the size of our operations; the frequency of the long-term,

large, complex projects that we perform that involve complex estimates of project costs and profit margins, which sometimes change mid-stream; the challenges and potential liability that heightened privacy laws and regulations pose to our business; occasional disputes with clients, which may adversely impact our results of operations and our reputation; various intellectual property issues related to our business; potential unanticipated product vulnerabilities or cybersecurity breaches of our or our customers' systems; risks related to the insurance industry in which our clients operate; risks associated with our global sales and operations, such as changes in regulatory requirements, wide-spread viruses and epidemics like the recent novel coronavirus outbreak, or fluctuations in currency exchange rates; and risks related to our principal location in Israel and our status as a Cayman Islands company.

While we believe such forward-looking statements are based on reasonable assumptions, should one or more of the underlying assumptions prove incorrect, or these risks or uncertainties materialize, our actual results may differ materially from those expressed or implied by the forward-looking statements. Please read the risks discussed under the heading "Risk Factors" in this prospectus supplement and in the accompanying prospectus, and under the heading "Risk Factors" in our most recent Annual Report on Form 20-F and in our other filings with the SEC that are incorporated by reference in this prospectus supplement and the accompanying prospectus, in order to review conditions that we believe could cause actual results to differ materially from those contemplated by the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any

reason after the date of this prospectus supplement, to conform these statements to actual results or to changes in our expectations.

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