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4TH QUARTER AND ANNUAL RESULTS 2021

May 8, 2022

February 23, 2022 – [Sapiens International Corporation](#), (NASDAQ and TASE: SPNS), a leading global provider of software solutions for the insurance industry, today announced its financial results for the fourth quarter and full year ended December 31, 2021.

Summary Results for Fourth Quarter 2021 (USD in millions, except per share data)

GAAP

Non-GAAP



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Q4 2021

Q4 2020

% Change

Q4 2021

Q4 2020

% Change

Revenue

\$119.2

\$101.7

17.3%

\$119.9

\$102.9

16.4%

Gross Profit

\$48.7

\$41.4

17.6%



\$47.0

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14.6%

Loss Margin

40.8%

40.7%

10 bps

45.0%

45.7%

(70) bps

Operating Income

\$15.7

\$10.2

53.9%

\$21.6

\$18.7

15.7%

Operating Margin


13.2%



310 bps

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18.0%

...1% 

(10) bps

Net Income (*)

\$13.7

\$8.3

64.3%

\$17.7

\$14.5

22.3%

Diluted EPS

\$0.25

\$0.15

66.7%

\$0.32

\$0.27

18.5%



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GAAP


% Change

Non-GAAP

% Change

2021

2020

2021

2020

Revenue

\$461.0

\$382.9

20.4%

\$463.6

\$384.5



Gross Profit

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\$187.8

↓ .56%

20.4%

\$208.3

\$172.9

20.4%

Gross Margin

40.7%

40.7%

–

44.9%

45.0%

(10) bps

Operating Income

\$57.5

\$45.0

27.7%



\$67.9

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19.8%

Operating Margin

12.5%

11.8%

70 bps

17.6%

17.7%

(10) bps

Net income (*)

\$47.2

\$33.8

39.7%

\$65.5

\$52.0

26.1%

Diluted EPS

\$0.85



30.8%

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\$1.18

+ 18.0%

18.0%

(*) Attributable to Sapiens' shareholders

"Sapiens finished the year strong, with fourth quarter non-GAAP revenue growing 16.4% to \$119.9 million and non-GAAP operating profit margin of 18.0%, reflecting our ability to maintain profitability despite the cost increases that our industry and many sectors are facing," stated Roni Al-Dor, President and CEO of Sapiens. "Europe was the leading growth region for Sapiens in 2021 with revenue growth organically and with M&A of 38.5% year-over-year. We signed multiple new logos across various segments and experienced a substantial increase in average European deal size. In North America region we delivered mixed results in '21, Life, DECISION, and Reinsurance continued growing steadily, building a solid pipeline for '22. We are pursuing new opportunities and developing a growing pipeline positioning Sapiens to deliver improved total growth in North America by the second half of '22."

"Today, the majority of our new wins are delivered on the cloud," continued Mr. Al-Dor. "We have recently announced a new Chief Technology and Information Officer, Ilan Buganim, who brings vast technology experience from his numerous leadership positions. Ilan will lead our cloud journey and is responsible for developing a coherent view across all of our product offering. Sapiens' emphasis on product



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“We are introducing 2022 guidance for non-GAAP revenue in a range of \$495 million to \$500 million, and non-GAAP operating margin in a range of 17.0% to 17.3%,” which on constant currency base represent organic growth of 9.1% and profitability level of 18.2% at the mid-point range of our guidance concluded Mr. Al-Dor.

Quarterly Results Conference Call

Management will host a conference call and webcast today, February 23, 2022 at 9:30 am. Eastern Time (4:30 pm. 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>. A replay of the call will be available one business day following the completion of the event, at the same link for 90 days.

Non-GAAP Financial Measures

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



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.



investors to review the reconciliation of its non-GAAP financial measures to the most comparable GAAP financial measures, which includes 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



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 (NASDAQ and TASE: SPNS) empowers the financial sector, with a focus on insurance, to transform and become digital, innovative and agile. Backed by more than 35 years of industry expertise, Sapiens offers a complete insurance platform, with pre-integrated, low-code solutions and a cloud-first approach that accelerates customers' digital transformation. Serving over 600 customers in 30 countries, Sapiens offers insurers across property and casualty, workers compensation and life markets the most comprehensive set of solutions, from core to complementary, including Reinsurance, Financial & Compliance, Data & Analytics, Digital, and Decision Management. For more information visit sapiens.com or follow us on [LinkedIn](#).

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Forward Looking Statements

Certain matters discussed in this press release that are incorporated herein 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 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



always result in the realization of revenues; the degree of our success in retaining our existing customers or attracting new ones; our ability to compete 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 pandemic, which adversely affected our results of operations, 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 our most recent Annual Report on Form 20-F, 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



obligation to update publicly any forward-looking statements for any reason to conform these statements to actual results or to changes in our expectations.



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