

The Sapiens logo, featuring the word "SAPIENS" in a bold, white, sans-serif font. A small blue checkmark is integrated into the letter "A".

SAPIENS

TASE Annual Conference

February 22nd 2024

Roni Al-Dor, CEO



Welcome



**Sapiens is the global partner of choice
for insurance carriers that seek to
digitally transform their business
for the next generation**

We are Sapiens

We passed the \$500M mark
this year!

We are **one of the top leaders** in
the industry

We are a growth company
consistently growing
organically and non-organically

We have **industry experts**, and we
continue to adapt our organization
to meet our goals and market
needs

We are Sapiens

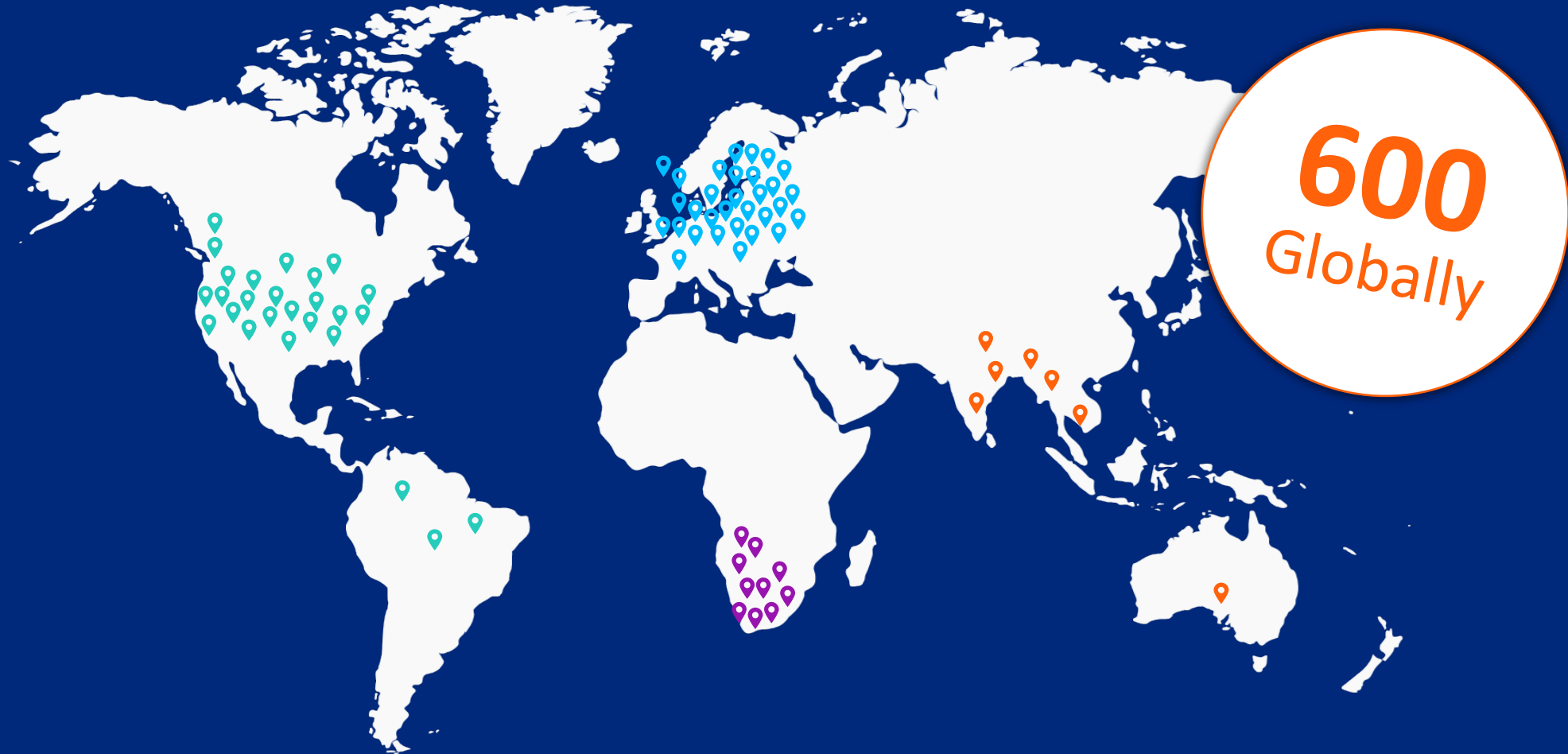
We are **a technology partner**
to our customers

We have a **wide range of platforms**
meeting any type of insurance
challenge

We are at the center of a large and
growing market opportunity

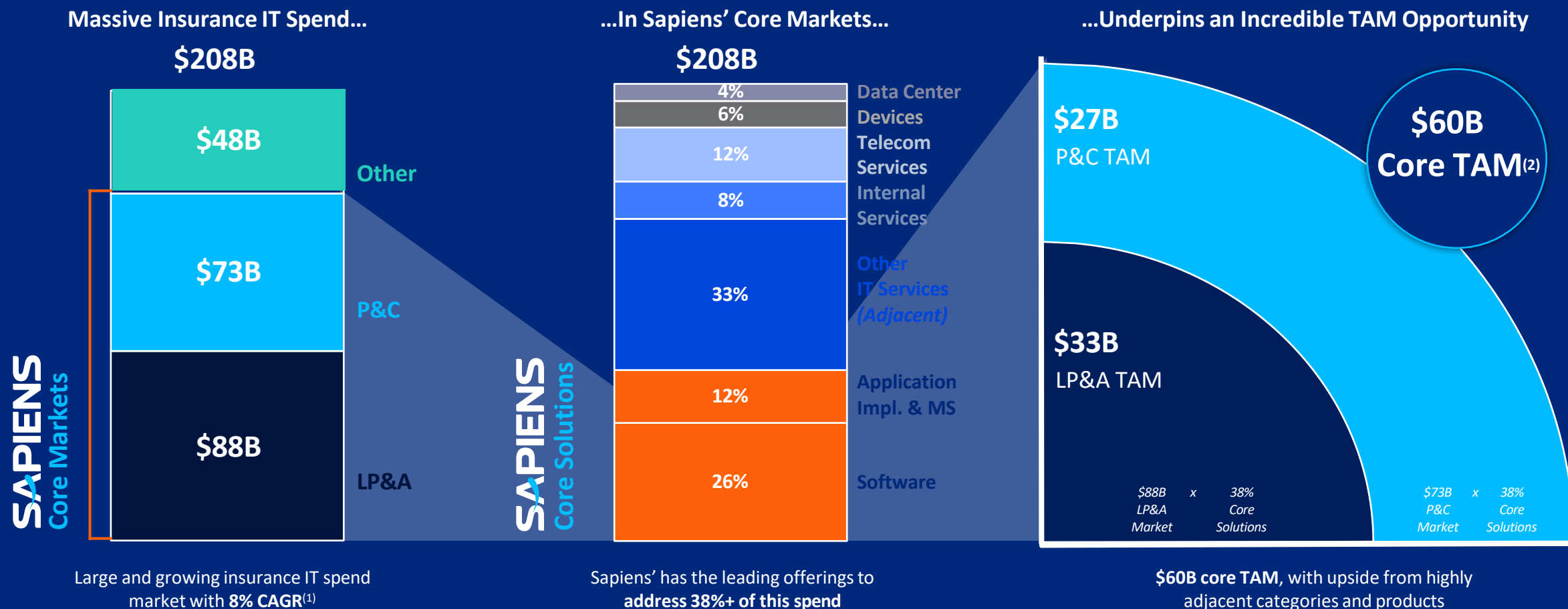
A Growing Number of Sapiens Customers

A great community of astounding brands, people and national leaders



Sapiens is at the Center of a Large and Growing Market Opportunity

Outdated insurers technology presents a **MASSIVE** market for Sapiens



2023 was a successful year

Non-GAAP (USD millions)

Revenue

\$514.8M

Operating Profit

\$94.1M

Operating Margin

18.3%

A group of business professionals in a meeting. In the foreground, a man in a blue suit and tie is pointing his right index finger directly at the camera. Behind him, another man in a grey plaid jacket is also pointing his right index finger towards the camera. To the left, a woman in a grey blazer is looking down at a laptop. The background is slightly blurred, showing other people in the meeting. The overall tone is professional and collaborative.

Why customers choose us

Why customers choose us



The people we worked with at Sapiens helped us to think out of the box and come up with different ways and different solutions to meet our business needs.... Sapiens is one of the top companies in the Reinsurance space.



**PATRICK SCHIESSL, LEAD APPLICATION ENGINEER
SECURA INSURANCE COMPANY, US**



Why customers choose us



That full package of CoreSuite, Sapiens Intelligence and DigitalSuite as an insurance company you only need that, you don't need anything else. The way that it's great, the real-time functionality that you have, it was a clear hands-down winner for us.



JONATHAN MANNING, HEAD OF CHANGE
LV=, UK



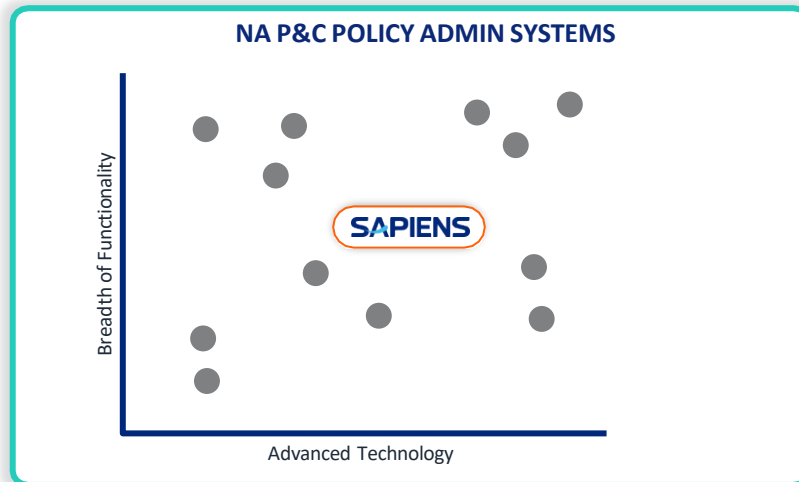
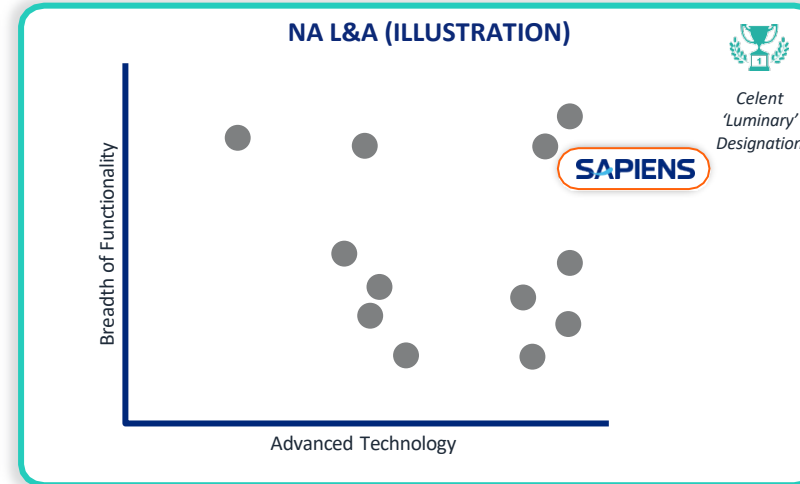
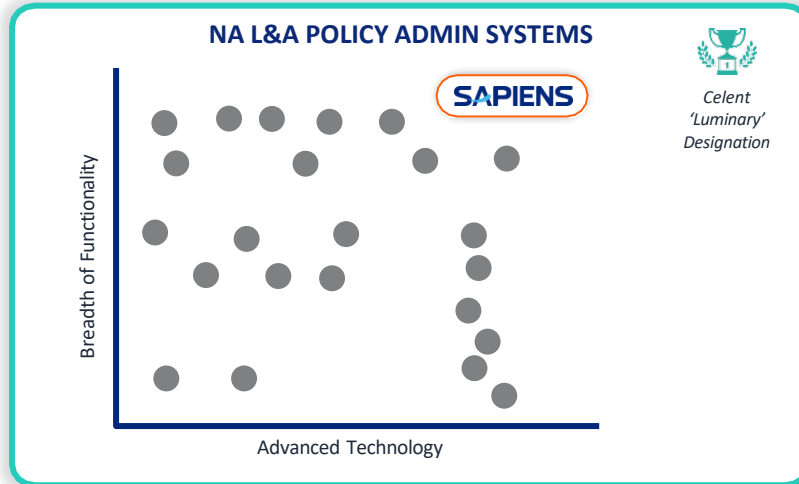
Industry analysts
recognize Sapiens
as a leader across
both L&P and P&C



Sapiens is the Recognized Leader By Analysts

Clear market recognition driven by Sapiens' innovative product strategy and leadership

NORTH AMERICA

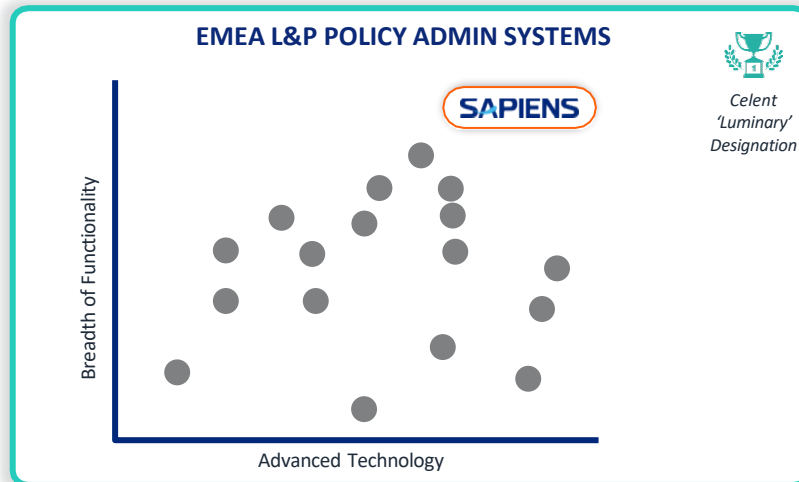
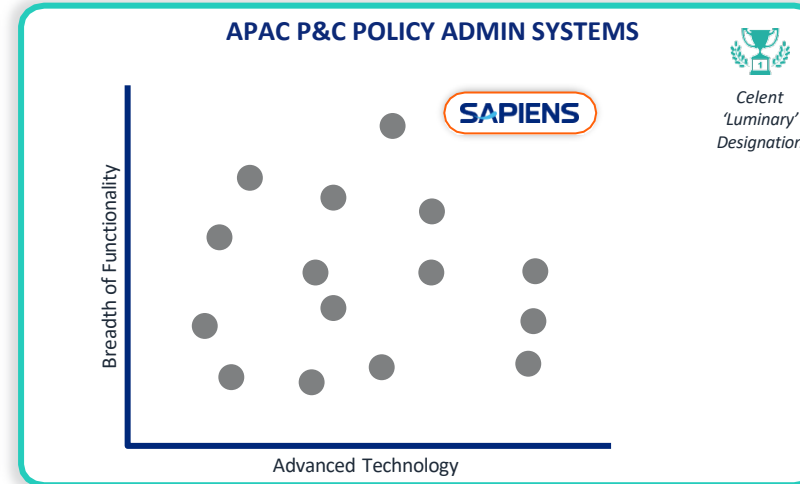
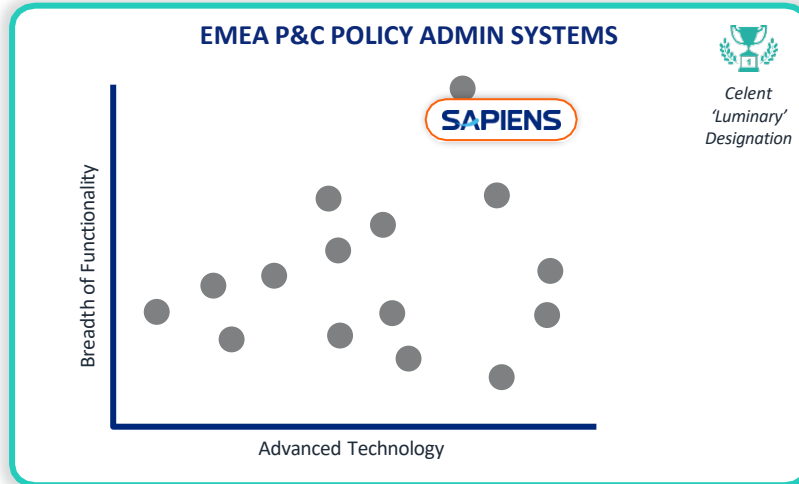


CELENT
ABC Vendor Maps

Sapiens is the Recognized Leader By Analysts...

Clear market recognition driven by Sapiens' innovative product strategy and leadership

EMEA & APAC



CELENT
ABC Vendor Maps

A pair of hands is shown from the front, cupping a glowing Earth globe. The globe is illuminated from within, showing a map of the world with a warm, golden-yellow glow. The background is a deep blue space filled with numerous small, bright stars and a soft, out-of-focus light source in the upper right corner, creating a bokeh effect. The hands are positioned at the bottom, with fingers slightly curled around the globe.

Let's take a macro view
of the market

2024 Macroeconomic environment



Macroeconomic challenges – inflation, FX stability



Insurance remains stable



Struggling insurtech industry



Overall technology spending in insurance has increased

Growth & Efficiency
are the top priorities
for insurance carriers

A person in a dark suit and tie is shown from the chest down, with their right hand held out palm up. In the palm, a large, glowing, wireframe cross-shaped structure made of cubes is visible. Several smaller, similar glowing cross-shaped structures are floating in the air around the central one. The background is dark and blue-toned.

Our Offering

Sapiens Strategic Proposition

Across insurance verticals



Property & Casualty



Life & Annuities



**Workers'
Compensation & MPL**

Business model



Rich
Product
Portfolio

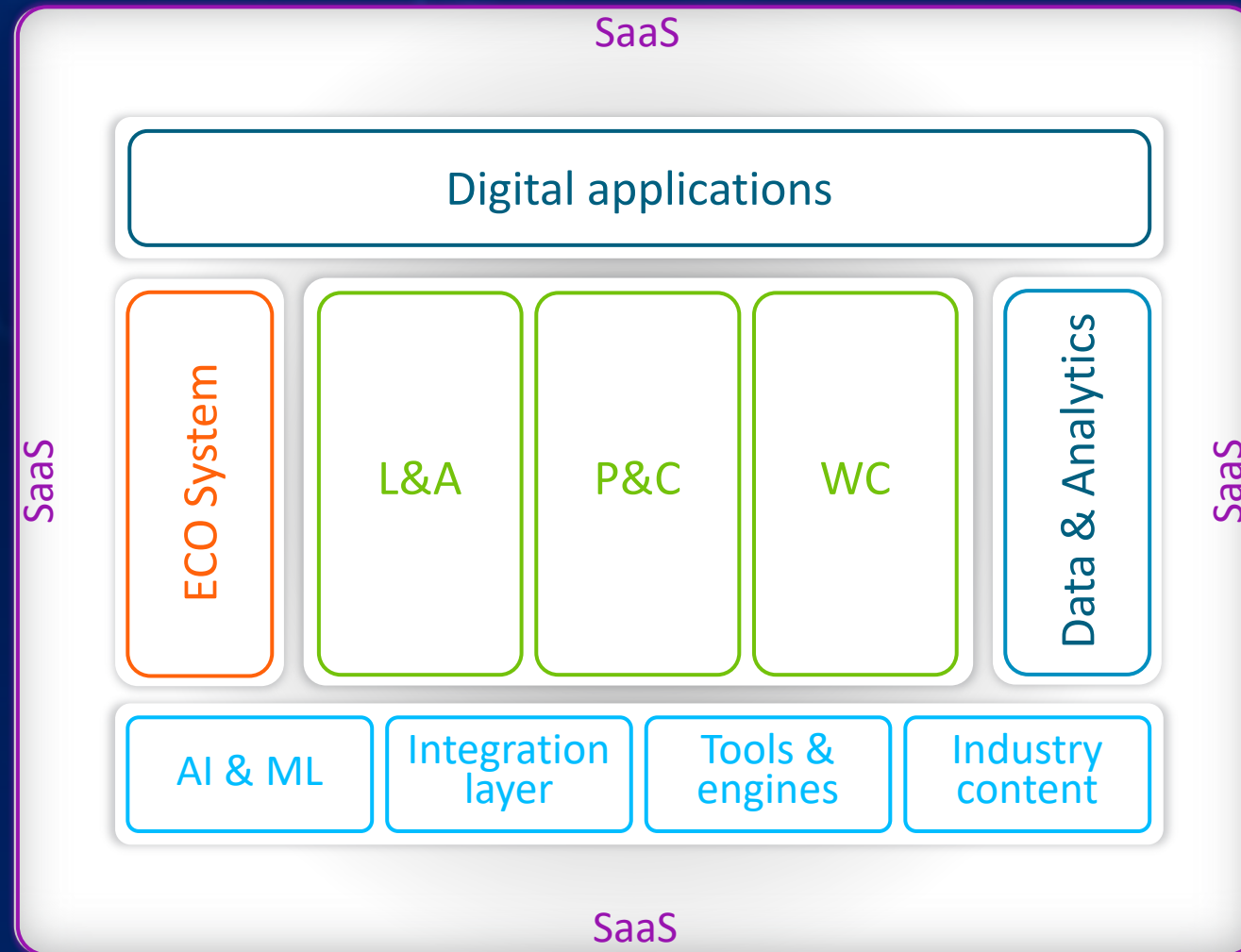


Full menu of
Services
& Integration



SaaS

The Sapiens Insurance Platform



Updated business model - SIs

Leverage
business with
System
Integrators

Selecting our
Preferred SI's

Focusing SI's for
upper tiers
customers &
specific regions

CGI

Deloitte.

Q_PERIOR

pwc

EVIDEN

KPMG

Our Potential SI Partners

accenture

LTIMindtree

PROPELLINT
INTELLIGENT SOLUTIONS

Capgemini

cognizant

tcs

linea

avanade

NTT DATA

genpact

A hand is shown from the wrist up, palm facing up, holding a glowing sphere. The sphere is composed of numerous white dots connected by thin white lines, creating a complex network or mesh structure. The dots and lines are illuminated from within, giving the sphere a bright, ethereal glow. The background is a dark blue gradient with soft, out-of-focus light spots, suggesting a digital or technological environment. The overall composition is centered, with the hand and sphere occupying the middle ground.

Microsoft partnership & AI

SaaS offering on Single Cloud based on Microsoft Azure





Microsoft



OpenAI

The partnership with Microsoft is fundamental to Sapiens AI strategy and fundamental to our customers as we view this as a low-risk innovation

Microsoft and Sapiens Strategic Partnership

An extensive technology and go-to-market strategic partnership

Delighted to Announce
Partnership with Microsoft

Sapiens is one of the few
selected vendors to
strategically collaborate with
Microsoft on OpenAI



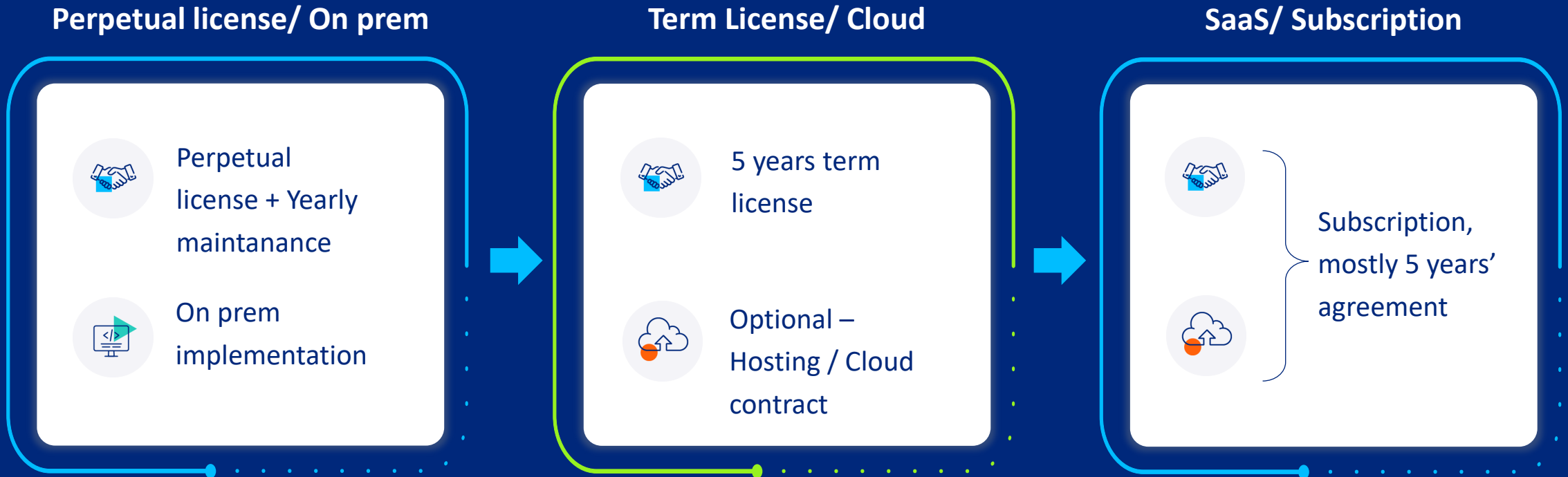
Microsoft



Sapiens Transition to SaaS

SaaS

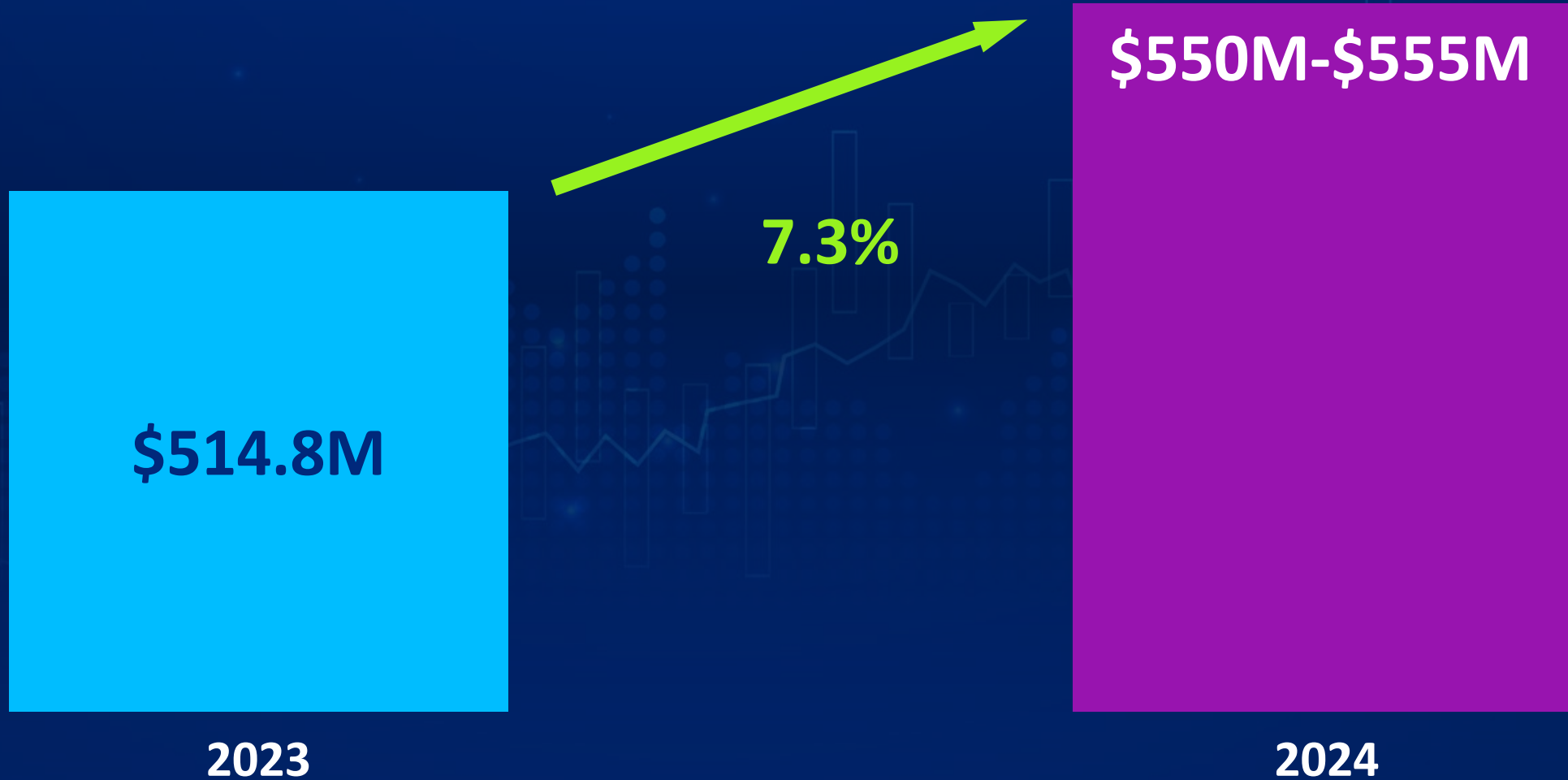
Sapiens Transition to SaaS

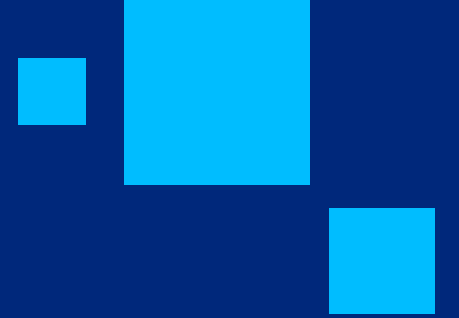


A network diagram consisting of numerous small, metallic-looking pins connected by thin black lines. The pins are arranged in a complex, interconnected pattern across the entire frame. The background is a solid, light blue color. The overall aesthetic is clean and modern, suggesting a digital or technological theme.

2024 Go-to-Market Land and Expand

Revenue Growth 2024 vs. 2023





Land New Logos

Offer Sapiens Insurance Platform to
increase deal size and scope

Cross Sell to existing customers

Expand with core, data, digital, SaaS,
and ecosystem

North America

continue the growth in our North
American business



Life



P&C



WC



RI



Decision

EMEA and APAC

Maintain leadership position across Life and P&C

Continue growth pattern



CoreSuite Life



IDIT



RI



Tia



Nordics



UK



DACH



Iberia



SA



APAC

Increase investments in sales,
marketing & product strategy
to accelerate growth

A close-up, high-angle shot of several hands of different skin tones stacked together in a huddle. The hands are positioned in a way that suggests a team effort or a shared goal. The background is dark and out of focus, emphasizing the hands in the foreground. The overall tone is professional and collaborative.

Go-to-market team

Go-to-market team



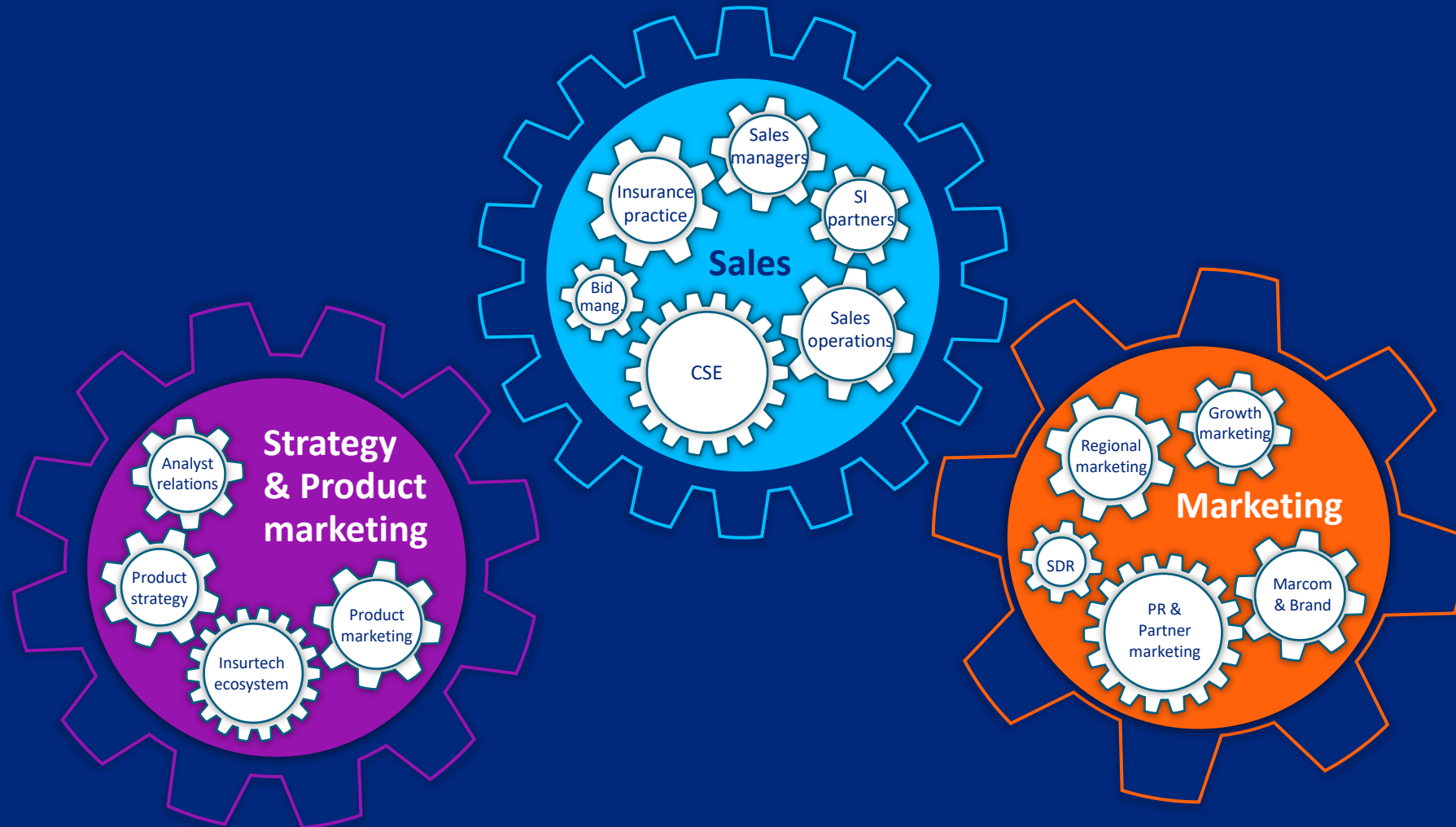
Go-to-market team



Go-to-market team



Go-to-market team



To Summarize



Strong
customer base



Insurance
platform



Transition
to SaaS



Market
recognition



Our
industry



Accelerate growth
into 2025 and
beyond



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Sapiens Strategy

Alex Zukerman, Chief Strategy Officer



Technology trends in a rapidly-evolving insurance market

The Mega Factors Impacting The Future (of insurance)



The Mega Factors Impacting The Future (of insurance)



Forces driving change in insurance



Increased and More Innovative **Competition**



Greater Accessibility to Both **Data and Analytics** Technology



Shifting **Consumer Behavior**, Desires and Insurance **Needs**



Demands to Enhance **Operational Efficiency**



Crowded and Disruptive **Insurtech Market**

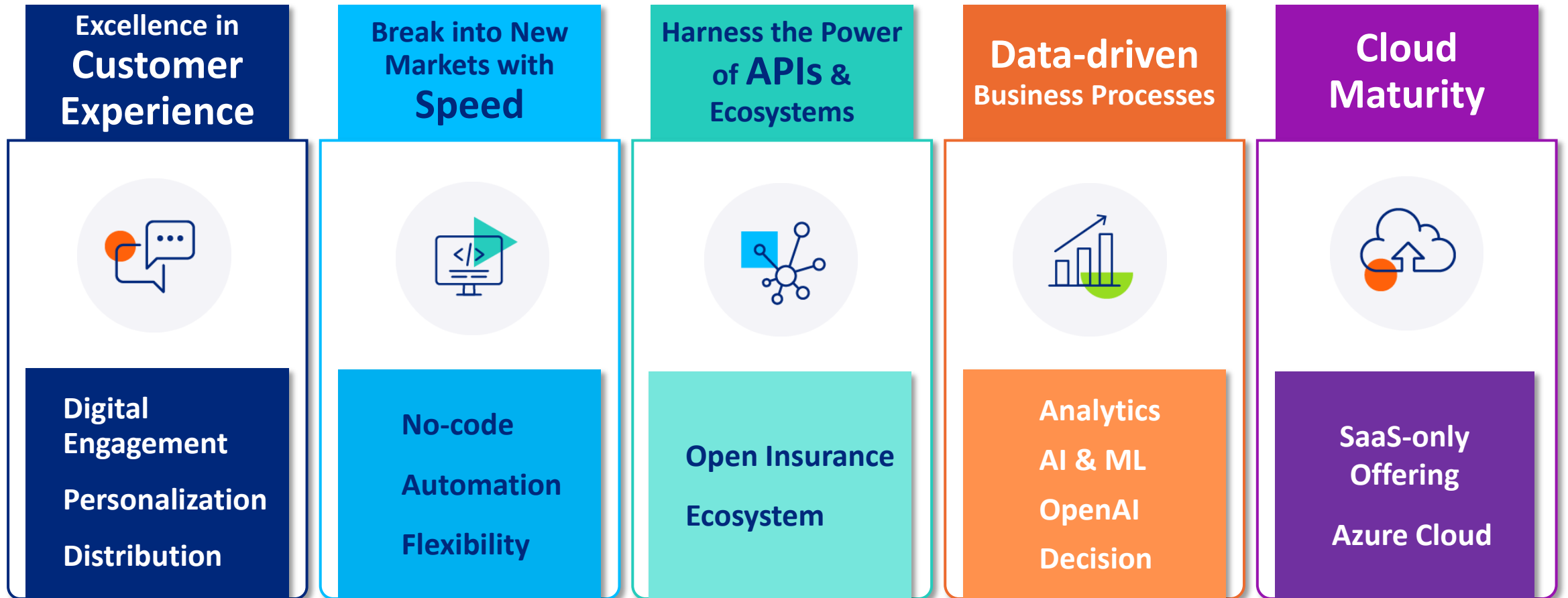
Tech-Driven Insurance Outlook 2028



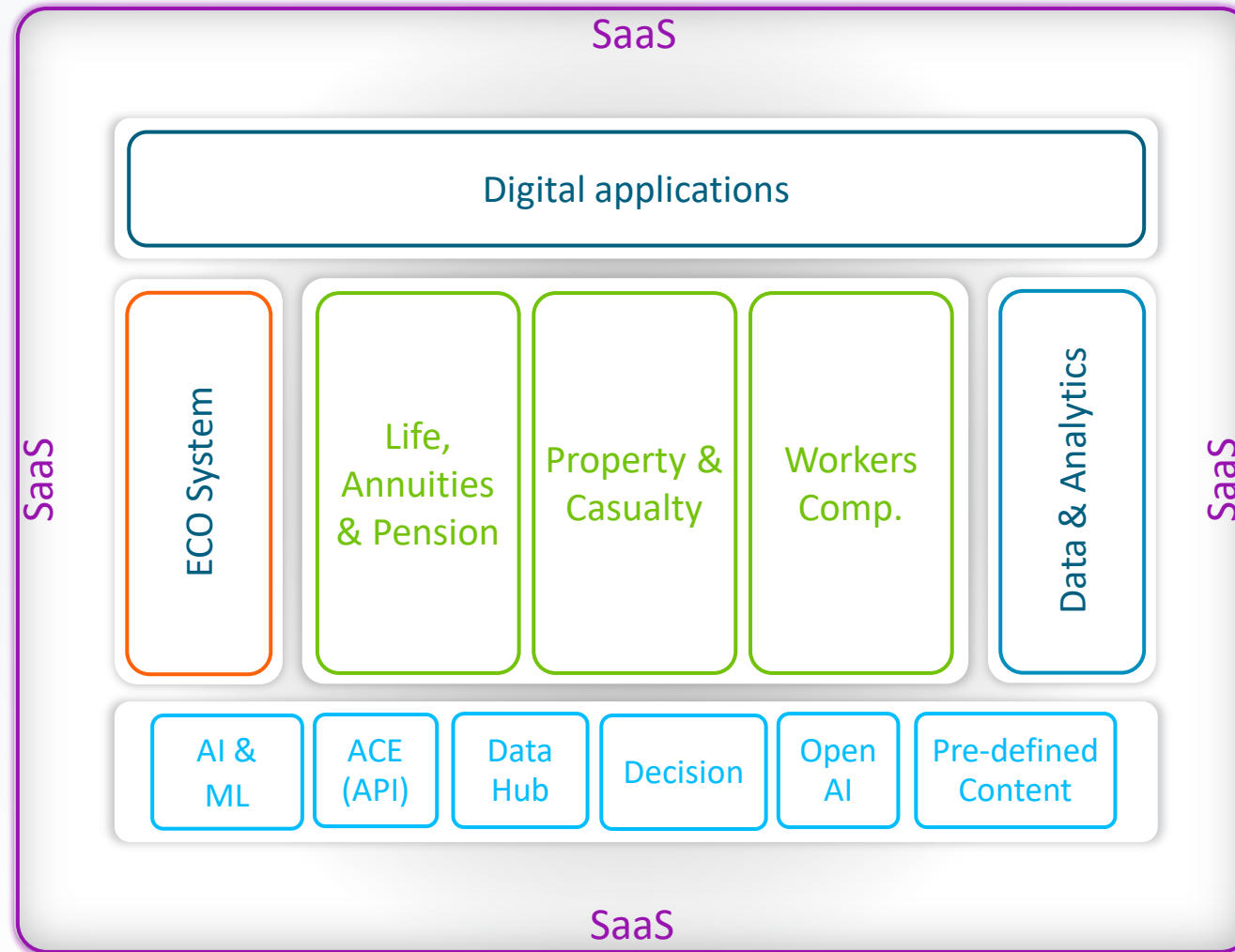


Winning **Product Strategy** in an **ever-changing** market

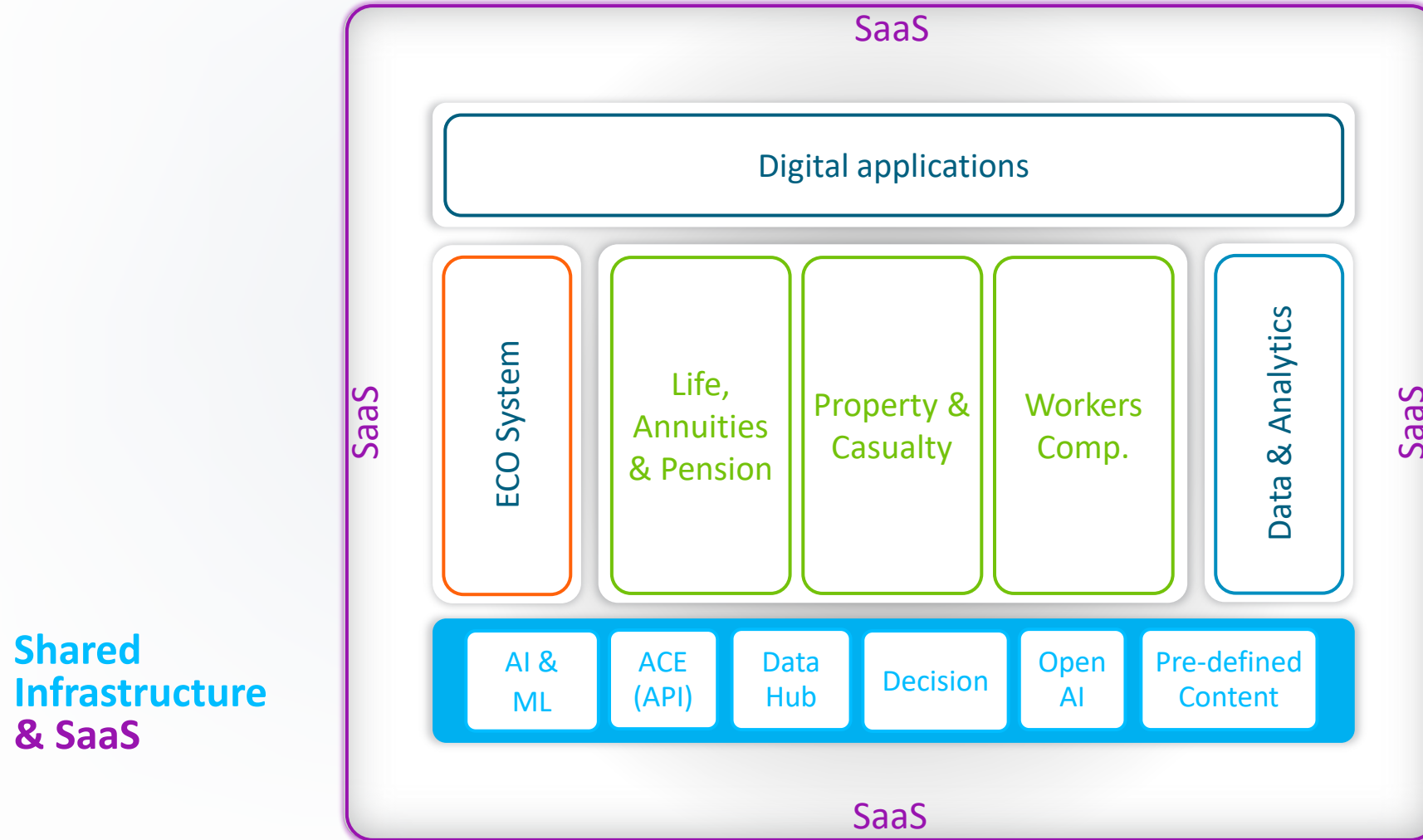
Product & Offering Vision & Roadmap



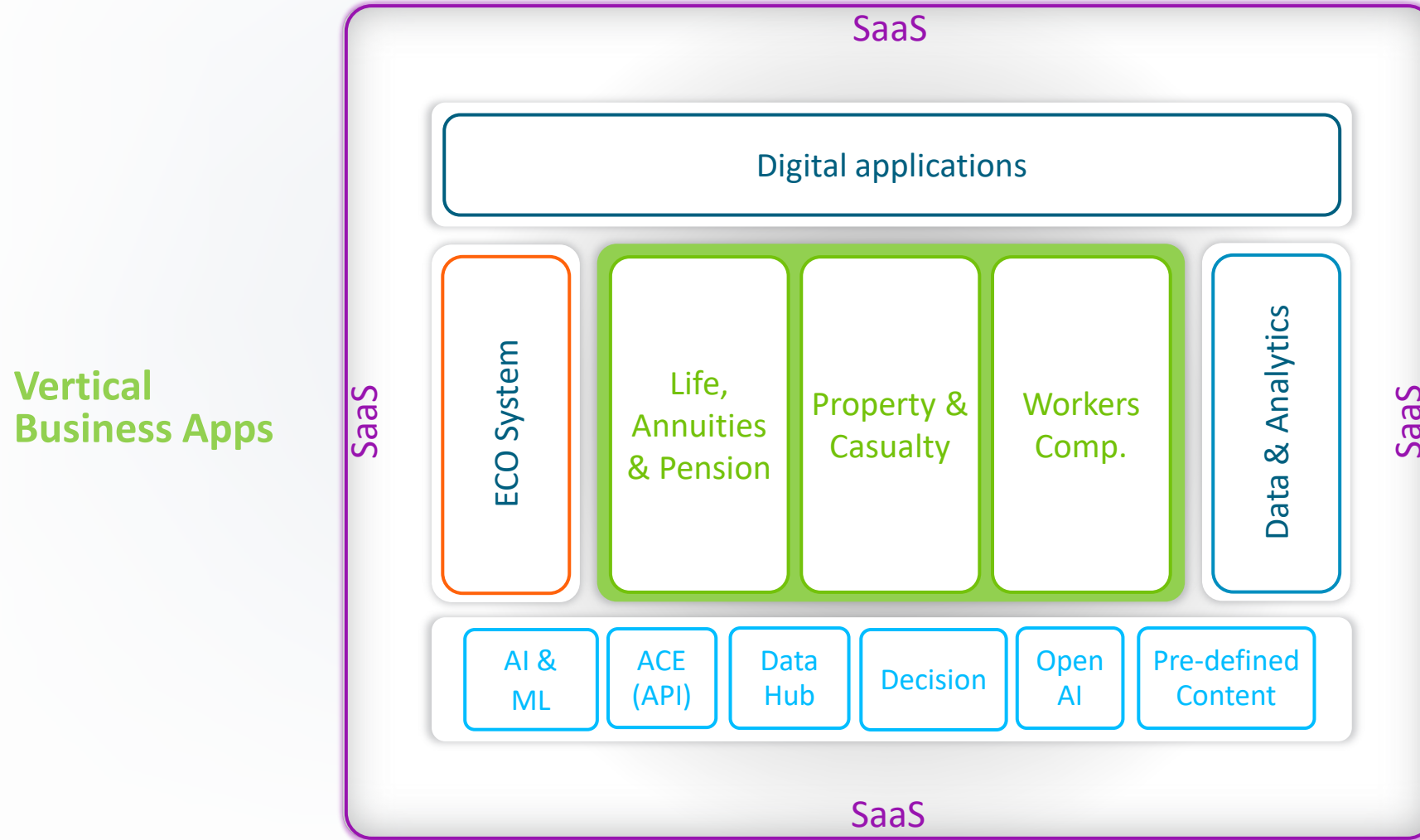
Sapiens Insurance Platform



Sapiens Insurance Platform

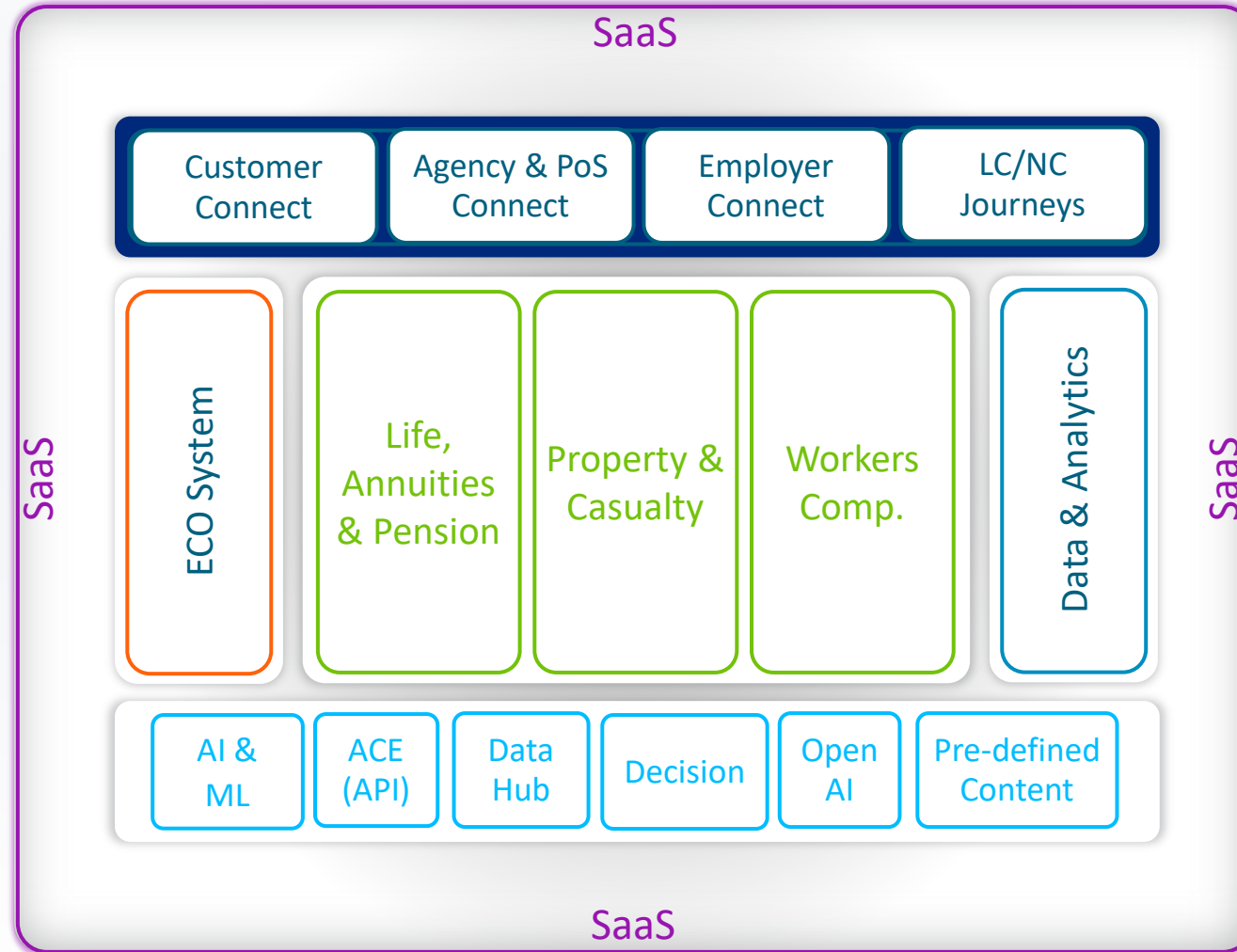


Sapiens Insurance Platform

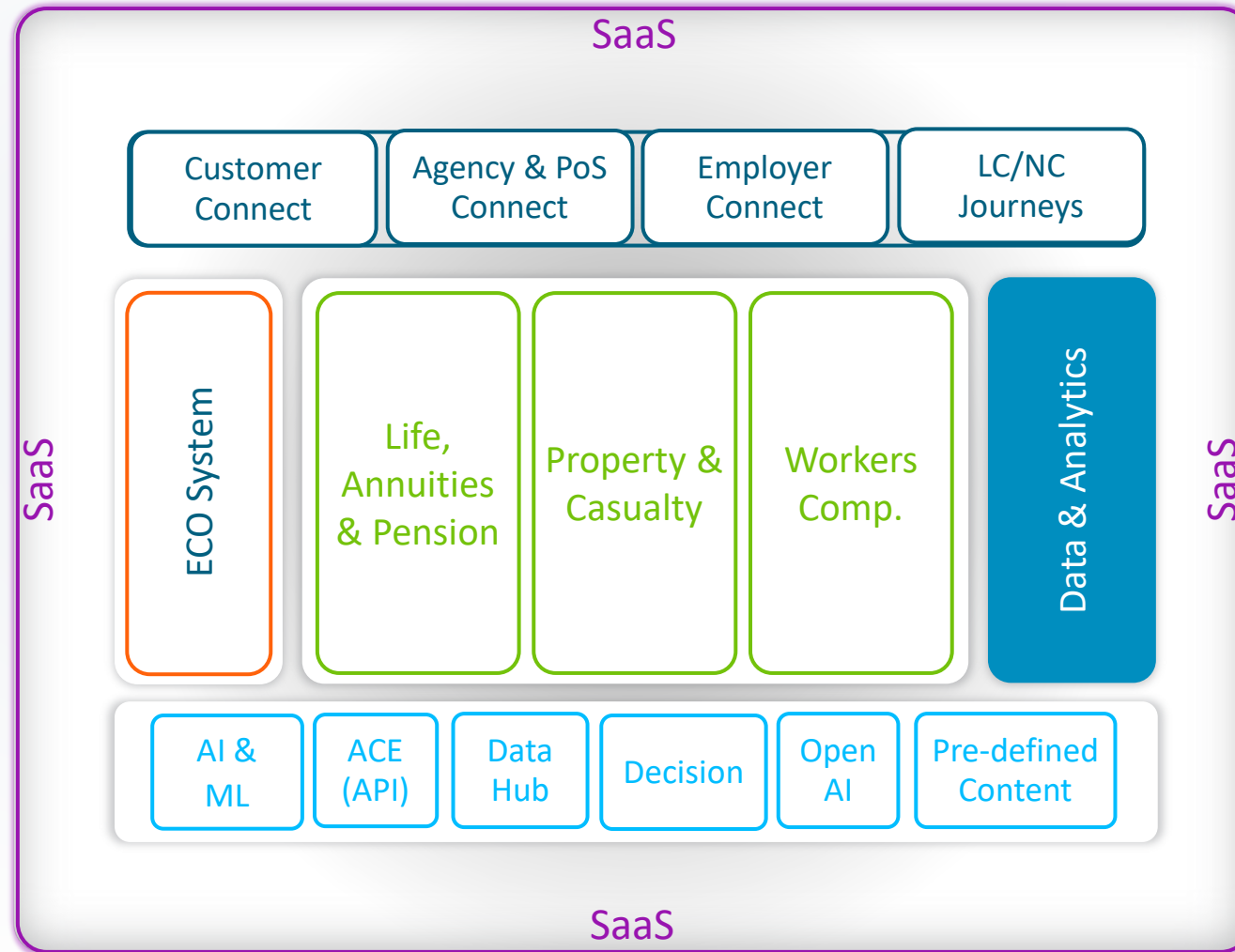


Sapiens Insurance Platform

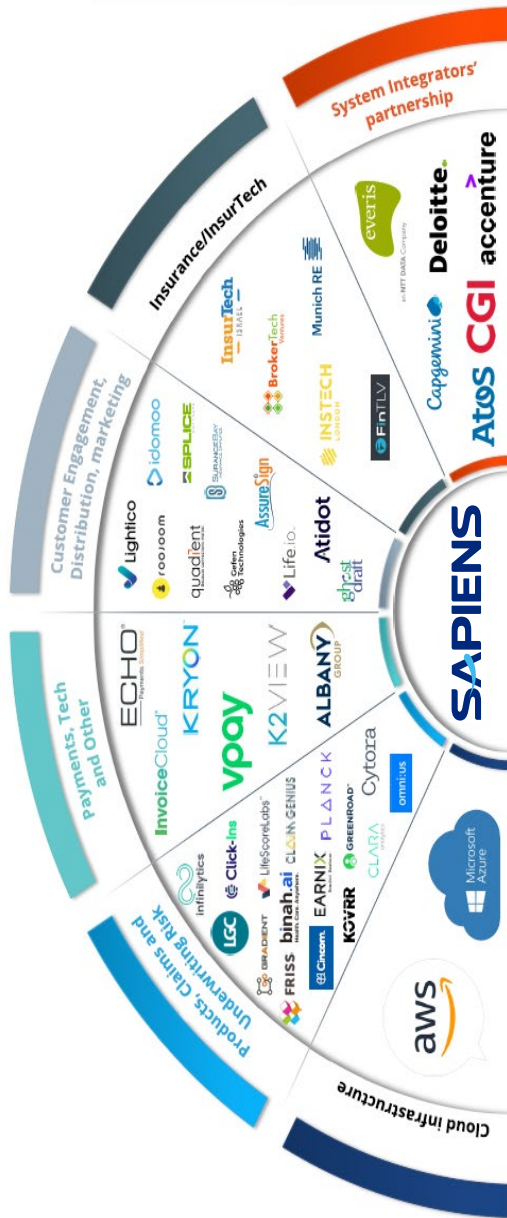
Digital
Engagement



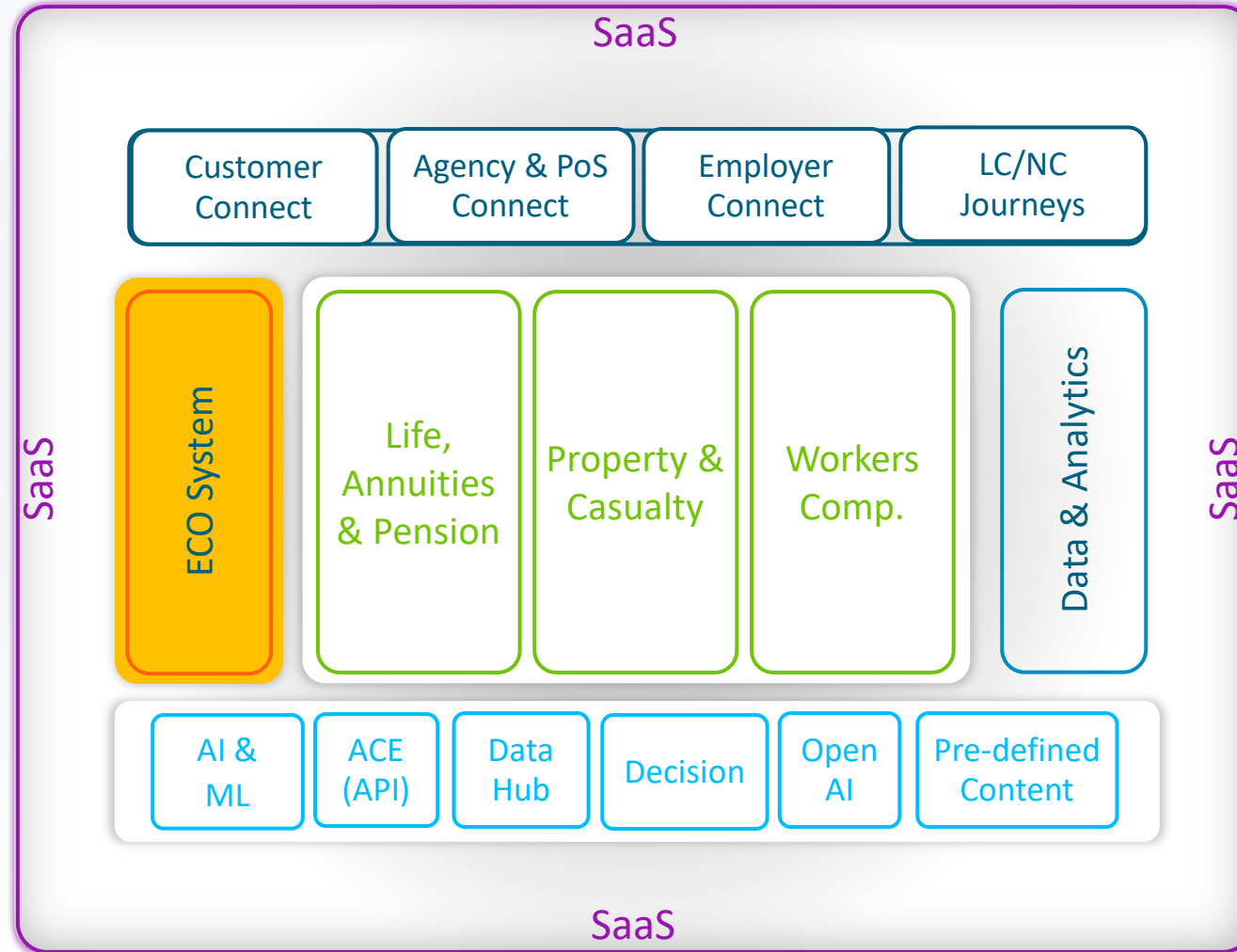
Sapiens Insurance Platform



Sapiens Insurance Platform



SAPIENS

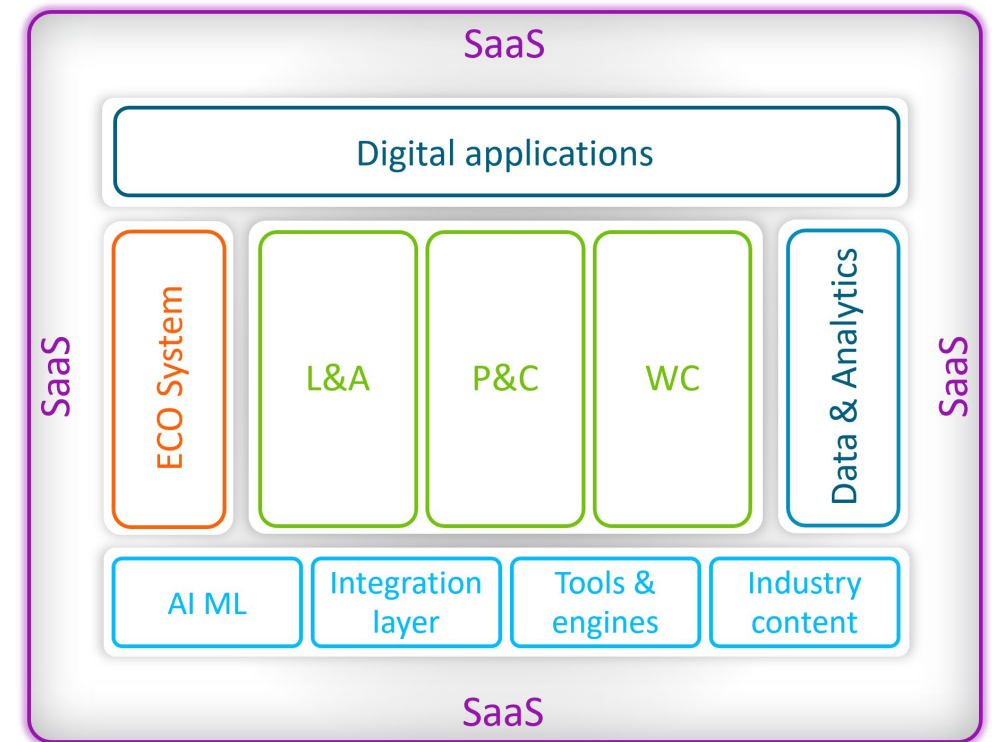


Data & Analytics

Sapiens Insurance Platform Offering

Platform's Value Proposition for Customers

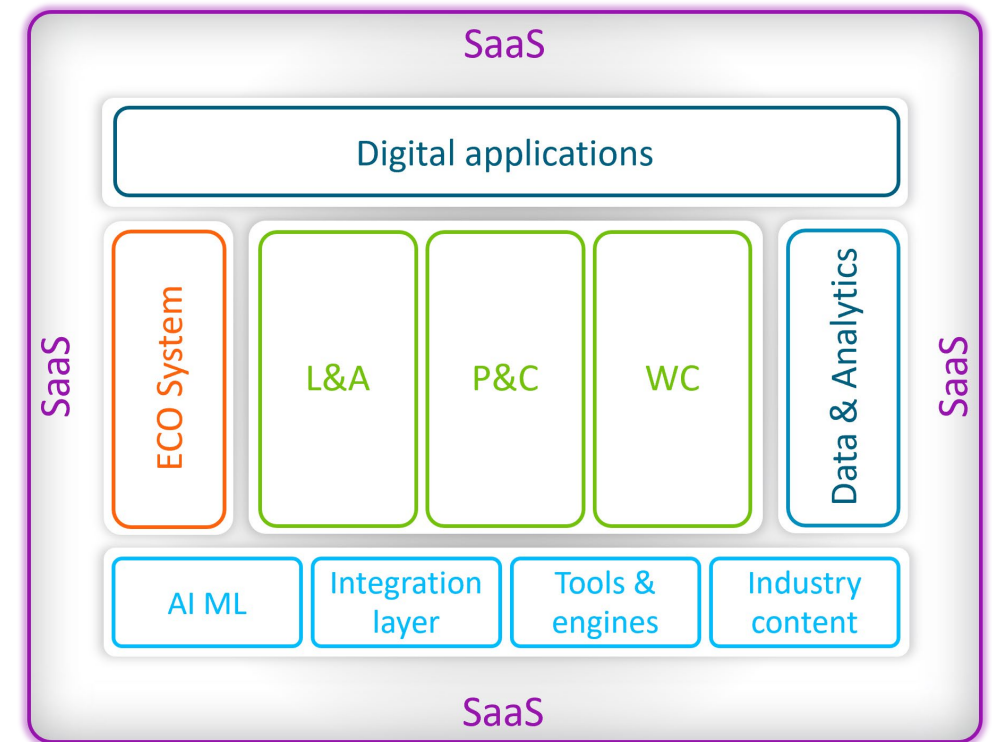
EFFICIENCY	GROWTH	INNOVATION
<ul style="list-style-type: none">Lower implementation & on-going effortProcess AutomationEffective BAU & change managementCloud efficienciesAligned upgrades	<ul style="list-style-type: none">Digital, Data & AnalyticsSpeed to MarketE2E business-specific Use CasesInsurTechs & Industry valuesGeared for SI partners	<ul style="list-style-type: none">AI, ML & OpenAI embeddedDecision & Model-AIMS-Azure StackThe "3D" PromiseEcosystem readyFuture-Proof & Open Architecture



Sapiens Insurance Platform Offering

Platform's strategic value for Sapiens

- Predictive & repeatable revenue – **ARR**
- Increase **win rate** of new logos
- Increase the **wallet share** of new deals
- Enabling stronger **cross-sell**
- Infrastructure for **Innovation & Future** needs
- Higher **Operational Efficiency**



We are excited by AI and ChatGPT type models

But we see this as an evolutionary step - Sapiens already has 12 out-of-the-box (ML) machine learning models

Our predictive OOB Models

Customer Segmentation	Agent Segmentation	Cross-Sell
Buying Propensity	Customer Lifetime Value	Sentiment Analysis
Customer Retention	Renewal Prediction	
Fraud Prediction	Claim Subrogation	Premium Audit
Claim Triage	Loss Reserving	Claim Litigation
Cat Exposure Analysis	UW Tier Classification	Rate Analysis

Your Business Impact

New Business Growth	Increased Premium Revenue
Improved Renewal Performance	
Reduced Claims Losses & maximised claim recoveries	Better Loss Ratio
More Accurate Underwriting	
Process Efficiency Gains	Improved Expense Ratio
Staff and Team Impact	

Sapiens Generative AI Strategy

Predictive Analytics & ML

Customer Segmentation	Agent Segmentation	Cross-Sell
Buying Propensity	Customer Lifetime Value	Sentiment Analysis
Customer Retention	Renewal Prediction	
Fraud Prediction	Claim Subrogation	Premium Audit
Claim Triage	Loss Reserving	Claim Litigation
Cat Exposure Analysis	UW Tier Classification	Rate Analysis

Using Gen-AI to “operate on steroids”

Gen-AI Chatbot

Document Summary

Doc to config

Gen AI in development & internal usage

Github copilot

Chatbot over knowledge base



- Microsoft OpenAI API – Enterprise solution
- Large, pretrained AI models existing cognitive services
- Custom AI models fine-tuned with your data
- Built-in responsible AI to detect and mitigate harmful use
- Enterprise-grade security with role-based access control (RBAC)
- The data is private, protected and not used to train foundational AI models



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Financial Overview

Roni Giladi, CFO

2023 Results in a Nutshell

Non-GAAP (USD millions)

Revenue

\$514.8M

Operating Profit

\$94.1M

Operating Margin

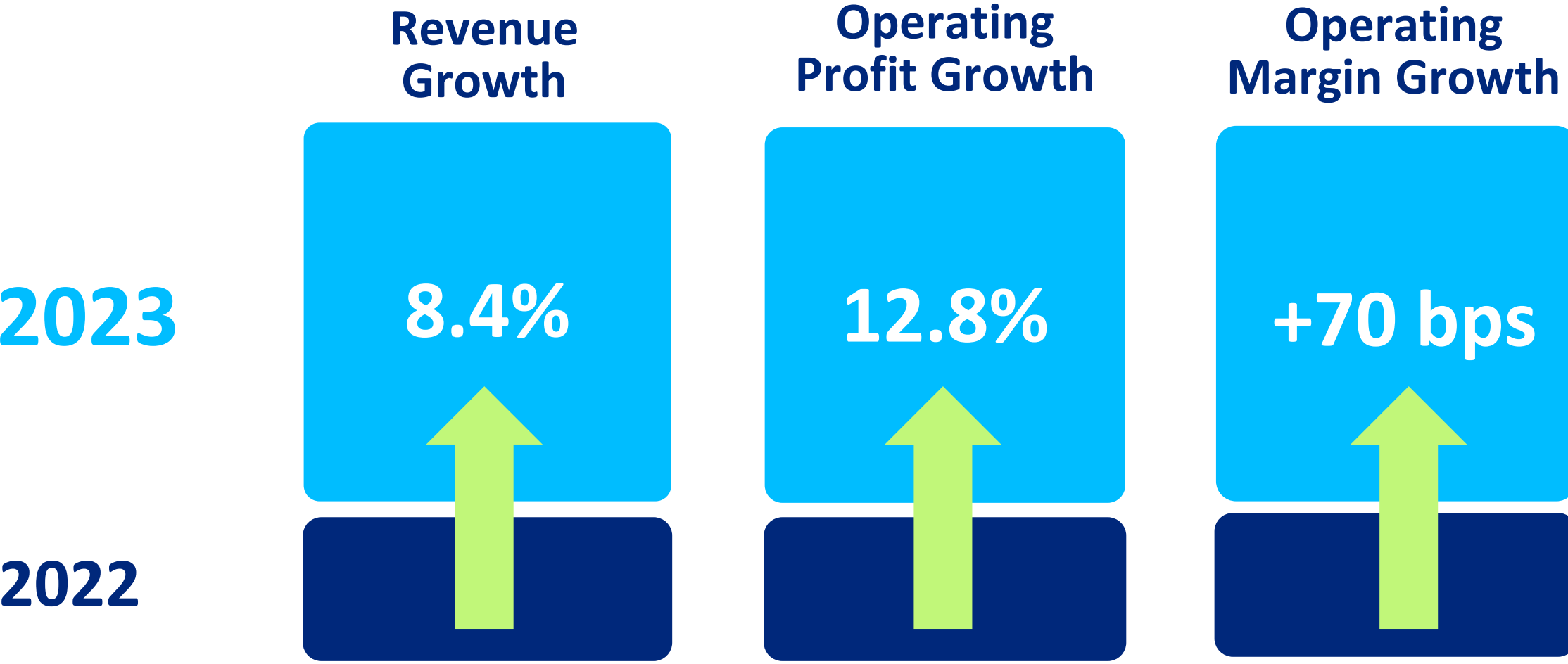
18.3%

Continued Growth Momentum

Non-GAAP (USD millions)

	Revenue	Operating Profit	Operating Margin
2023	\$514.8M	\$94.1M	18.3%
2022	\$474.8M	\$83.5M	17.6%

Operating Margin Expansion

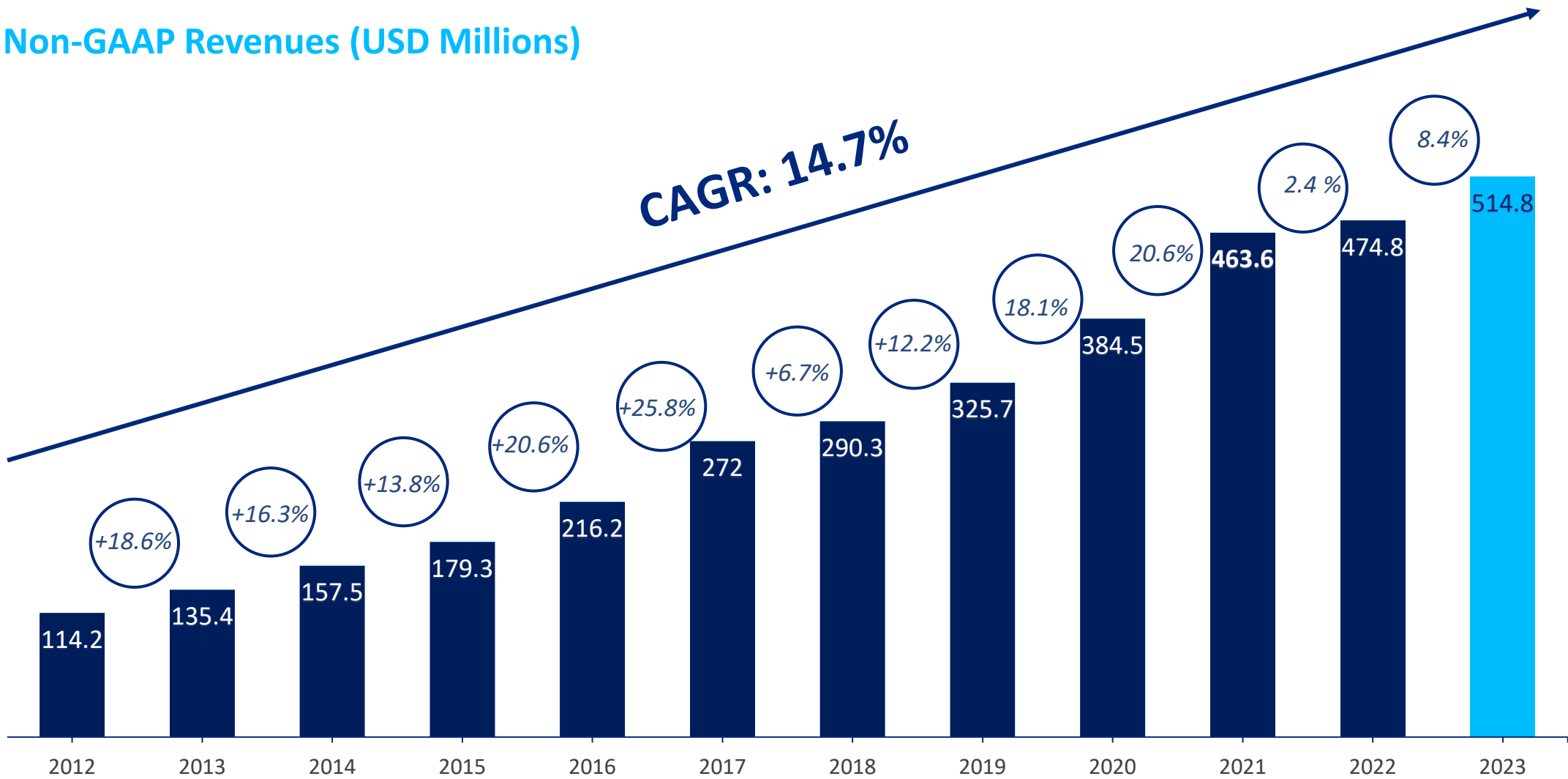




Revenue Growth

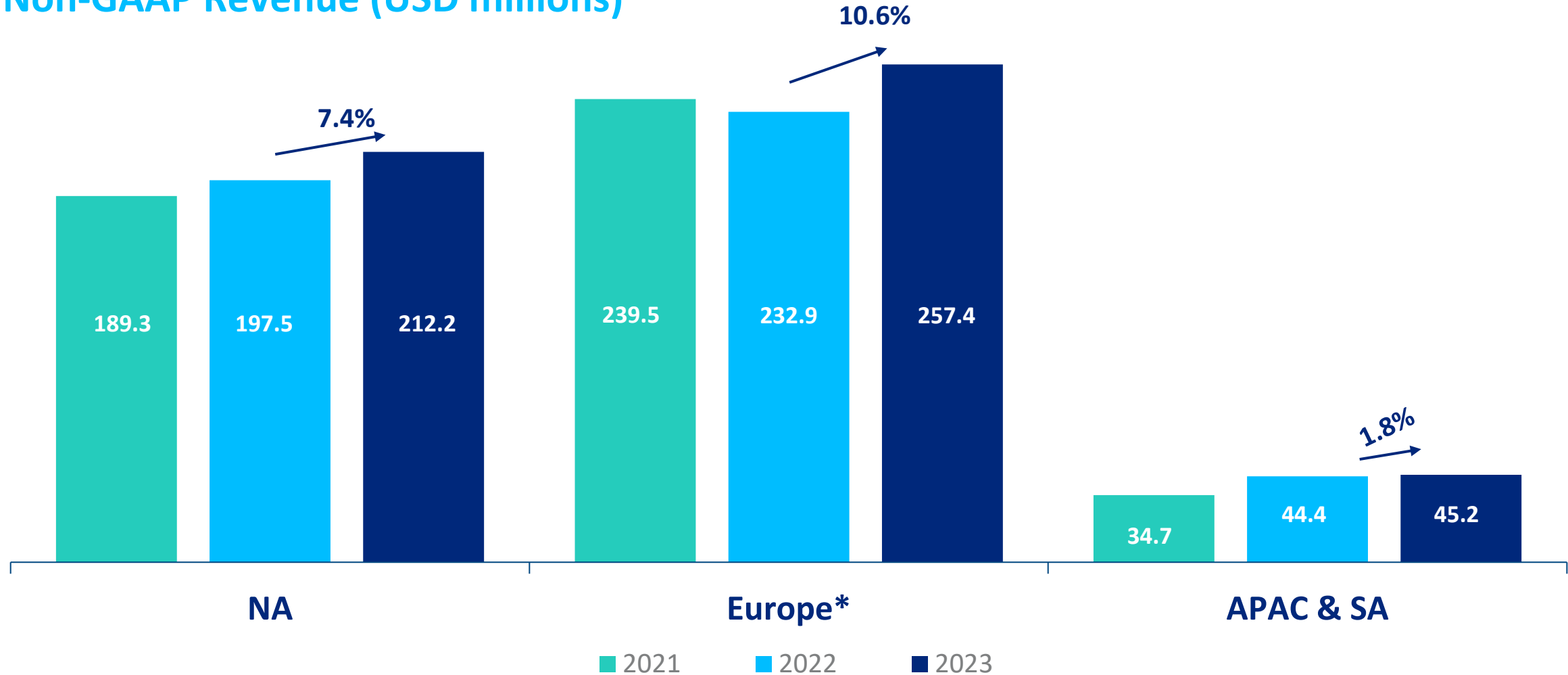
Revenue Growth Achieved Year-Over-Year

Non-GAAP Revenues (USD Millions)



Annual Revenue Growth - by Geography

Non-GAAP Revenue (USD millions)

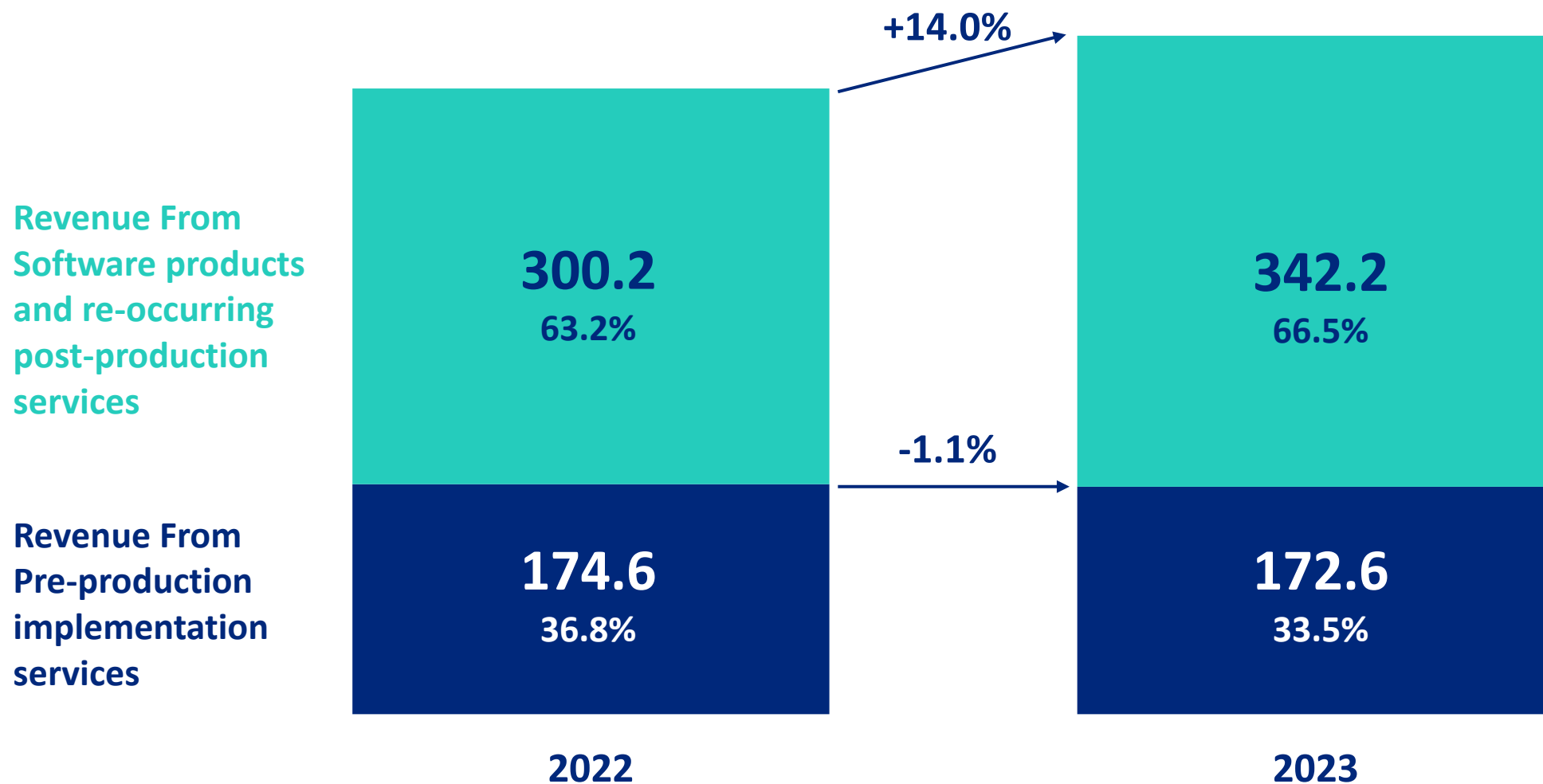


Revenue Growth from 2022 to 2023 – By Territory

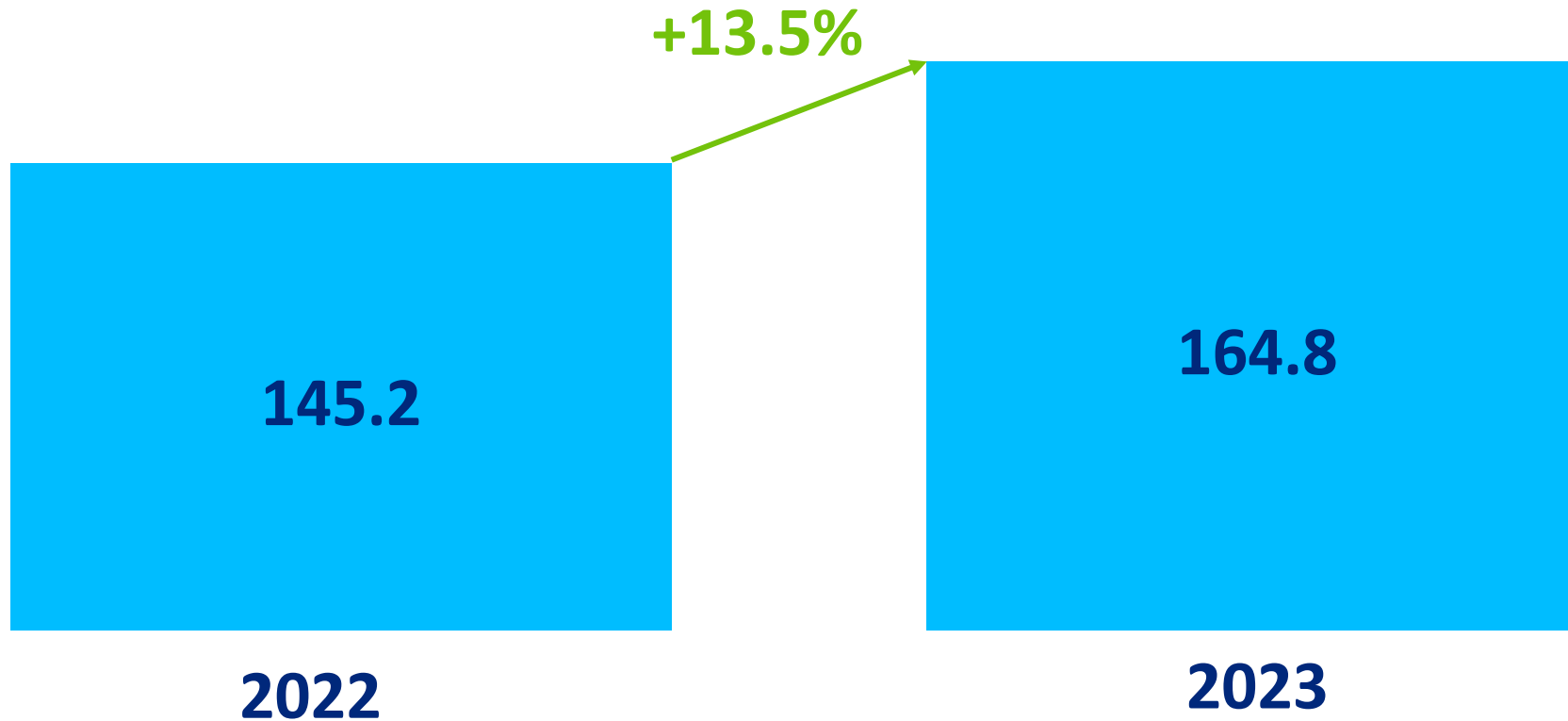
Non- GAAP Revenue (USD millions)



Business Stickiness –Recurring and Re-Occurring



Annualized Recurring Revenue - ARR



- ARR Include Subscription, Term Licenses, Maintenance and cloud solutions
- The Figures Are Q4 Of Each Year Multiplied By 4

Unique Proposition



600+

Customers Across



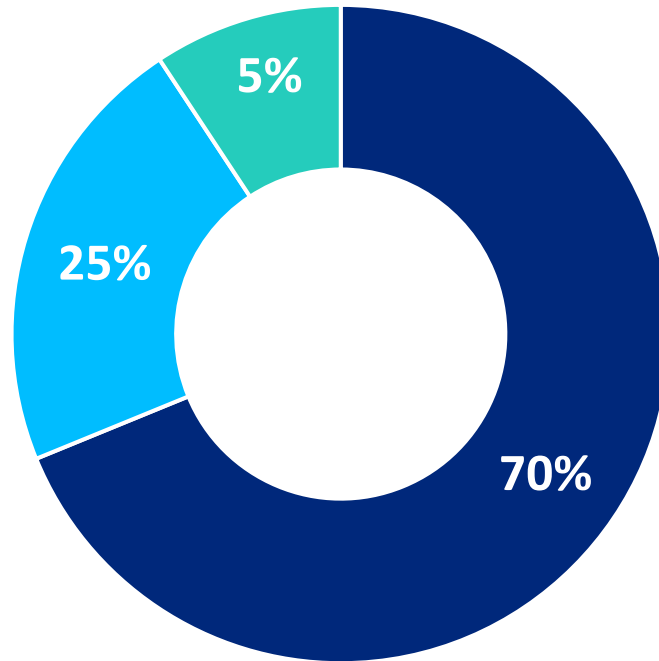
30+

Countries

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Multiple Segments

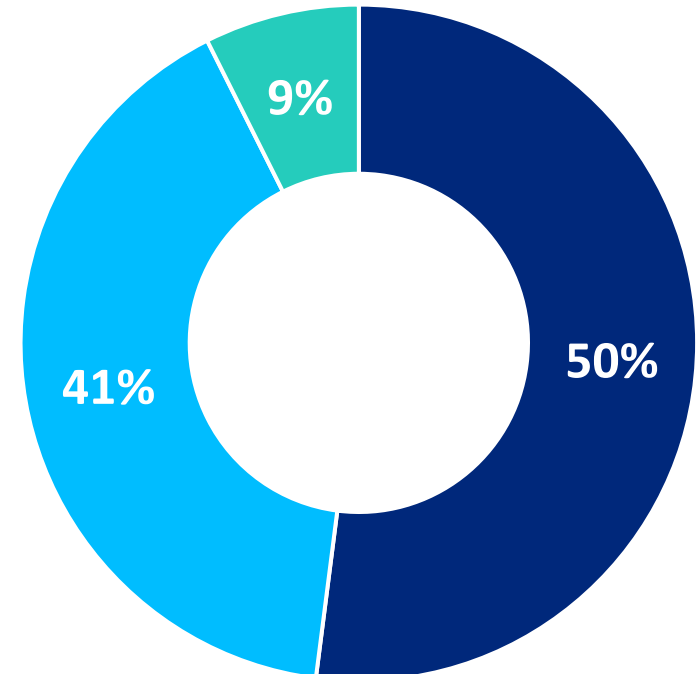
By Market



■ P&C ■ L&A ■ Other

Global Player

By Geography

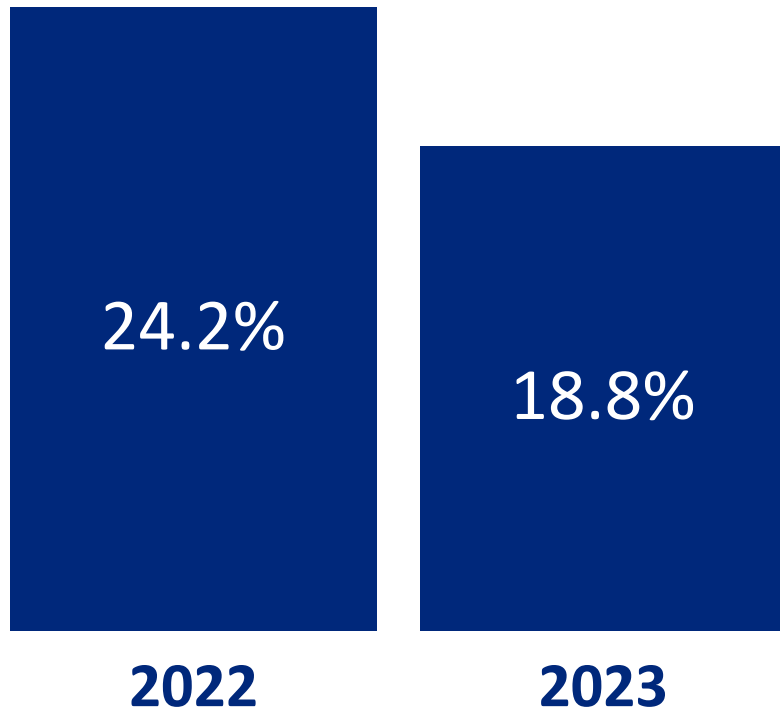


■ EUROPE ■ North America ■ ROW

2023 Revenue - \$514.8 Million

Customers Concentration – 2022 Vs 2023

Top 10 Customers



Largest Customers

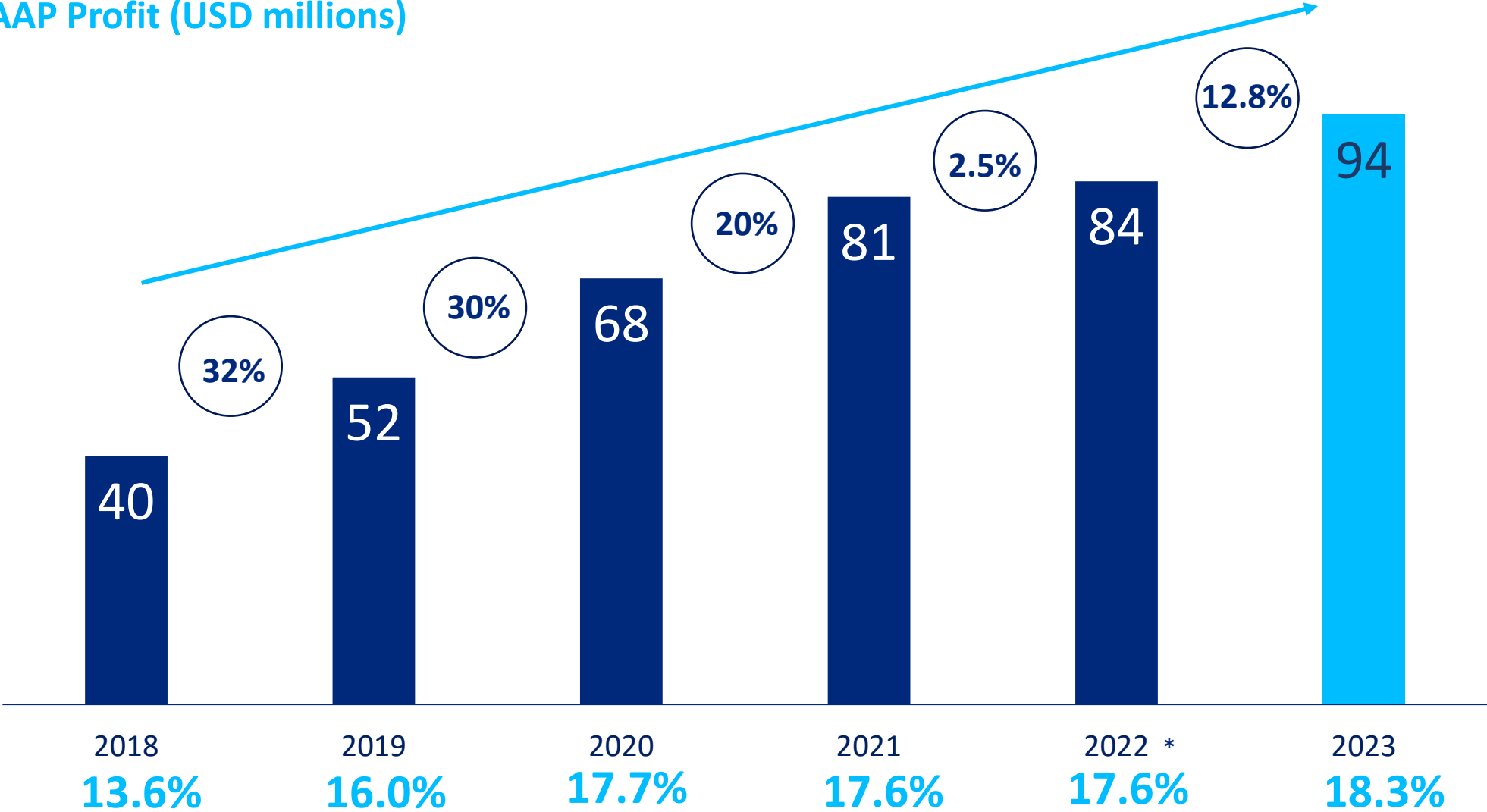




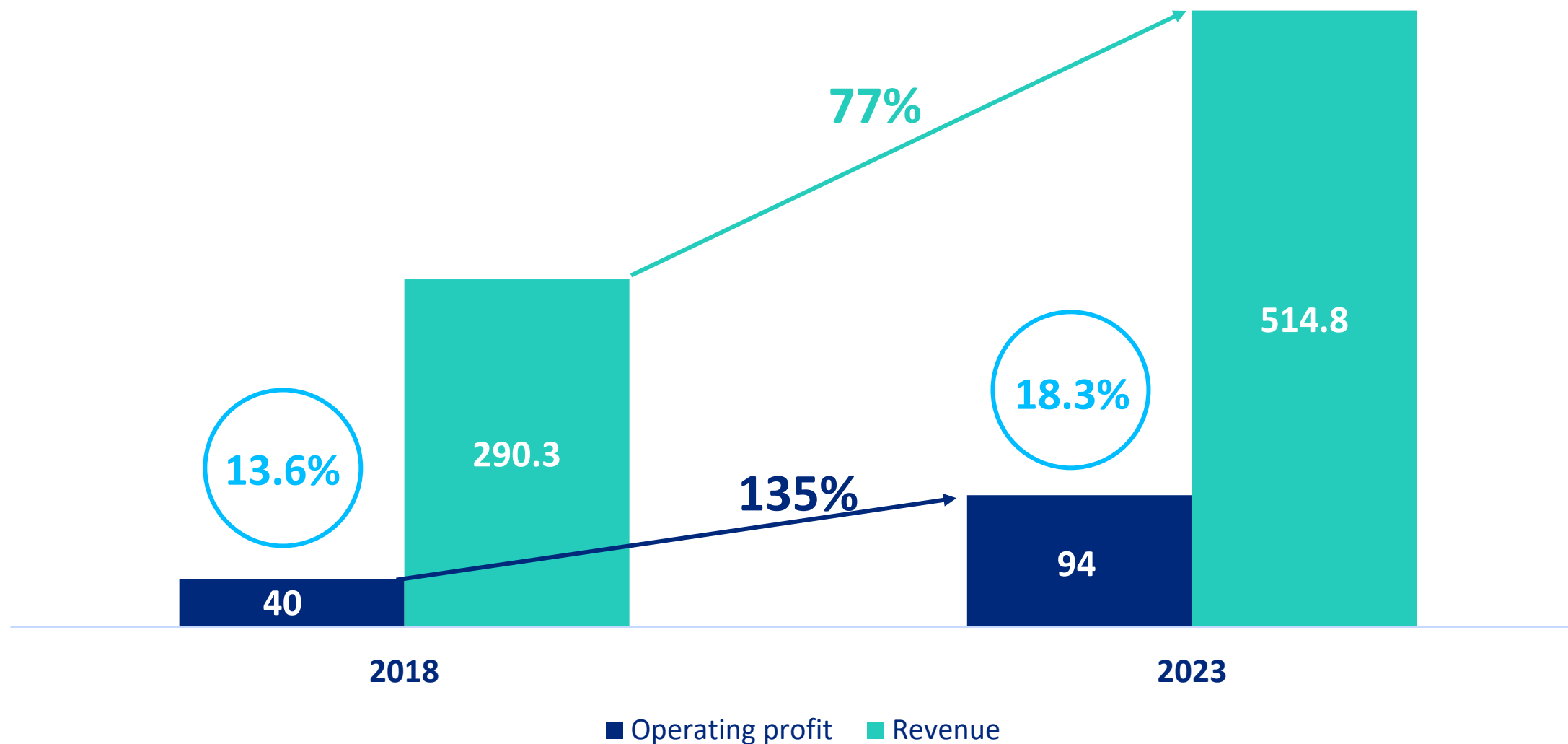
Profitability

Annual Operating Profit Growth

Non-GAAP Profit (USD millions)



Margin Expansion



Cash and Cash Equivalents (December 31, 2023)

USD millions



Cash
Cash and Cash
Investments

Debt
S&P Israel (Mallot): ilAA-/Stable

2020 - \$ 7M (COVID-19)
2021 - \$ 20M
2022 - \$ 39M*
2023 - \$ \$28.1M

Dividend Distribution
Up to 40% of non-GAAP net income
paid twice a year

Adjusted Free Cash Flow

Non-GAAP (USD Thousands)


Free Cash Flow	2021	2022	2023	Average
Cash flow from operating activities	80.5	43.8	79.4	68
Increase in capitalized software development costs	(7.9)	(6.1)	(6.5)	(6.8)
Capital expenditures	(3.8)	(2.7)	(2.5)	(3)
Free cash flow	68.8	35	70.4	58.1
Cash payments attributed to acquisition-related costs (included in cash flow from operating activities)	2.2	1.1	0.3	1.1
Adjusted Free cash flow	71	36.1	70.7	59.2
Non-GAAP Net Income	65.5	67.2	75.0	69.3
Adjusted Free Cash Flow/Non-GAAP Net Income	108%	54%	94%	85%



Guidance

Revenue and Profitability Increase – 2024 Guidance

Non-GAAP (USD millions)

	2023 Actual		2024 Guidance Low	2024 Guidance High		Guidance Mid
Revenue	\$514.8M		\$550M	\$555M		Growth of 7.3%
Operating Profit	\$94.1M		\$99.6M	\$102.7M		Passing \$100M
Operating Margin	18.3%		18.1%	18.5%		Stable

Shift to subscription model

Product

Post-
Production

Pre-
Production



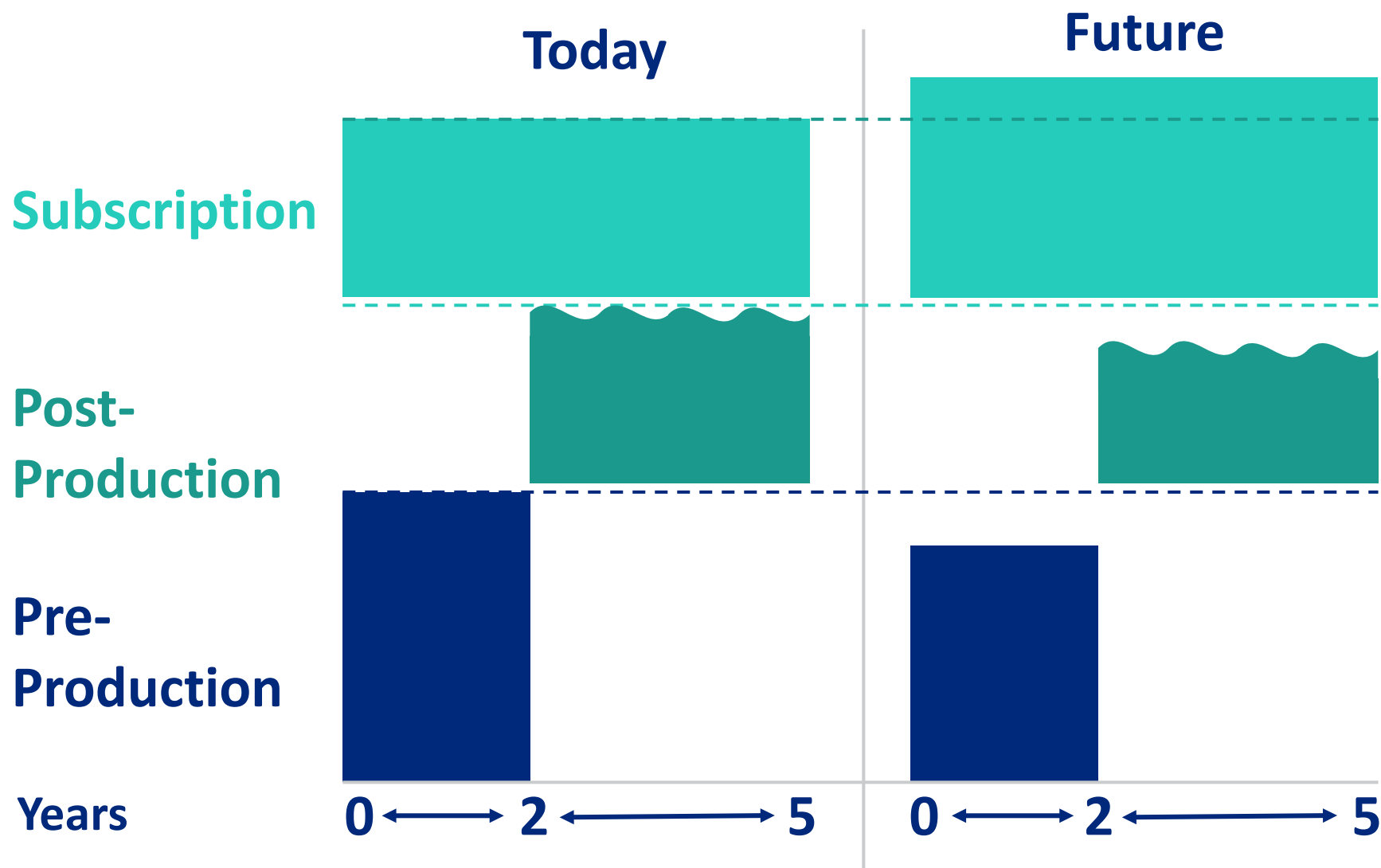
1

Convert post-production services into subscription revenue

2

Shift implementation revenue to subscription revenue over longer period

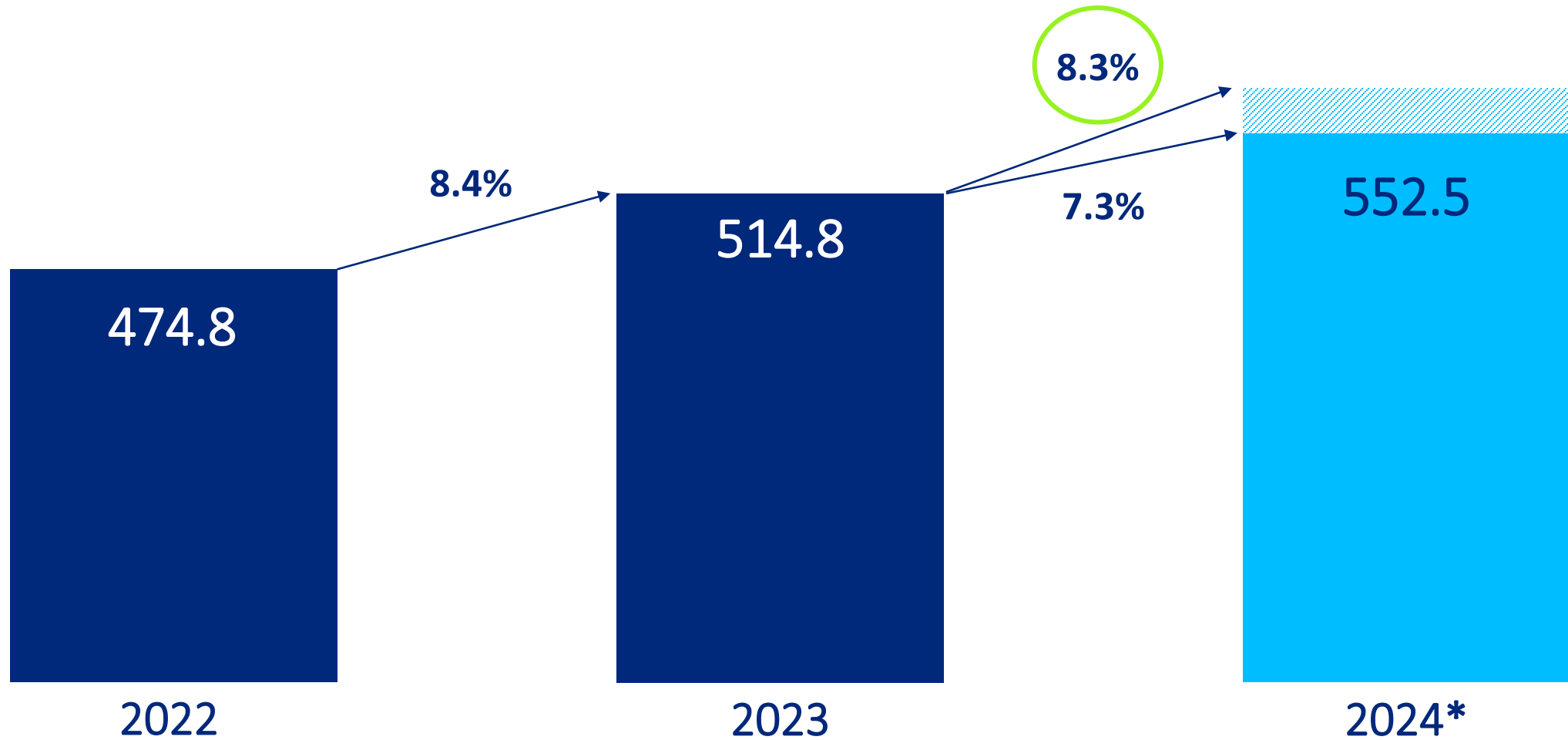
Shift to subscription model



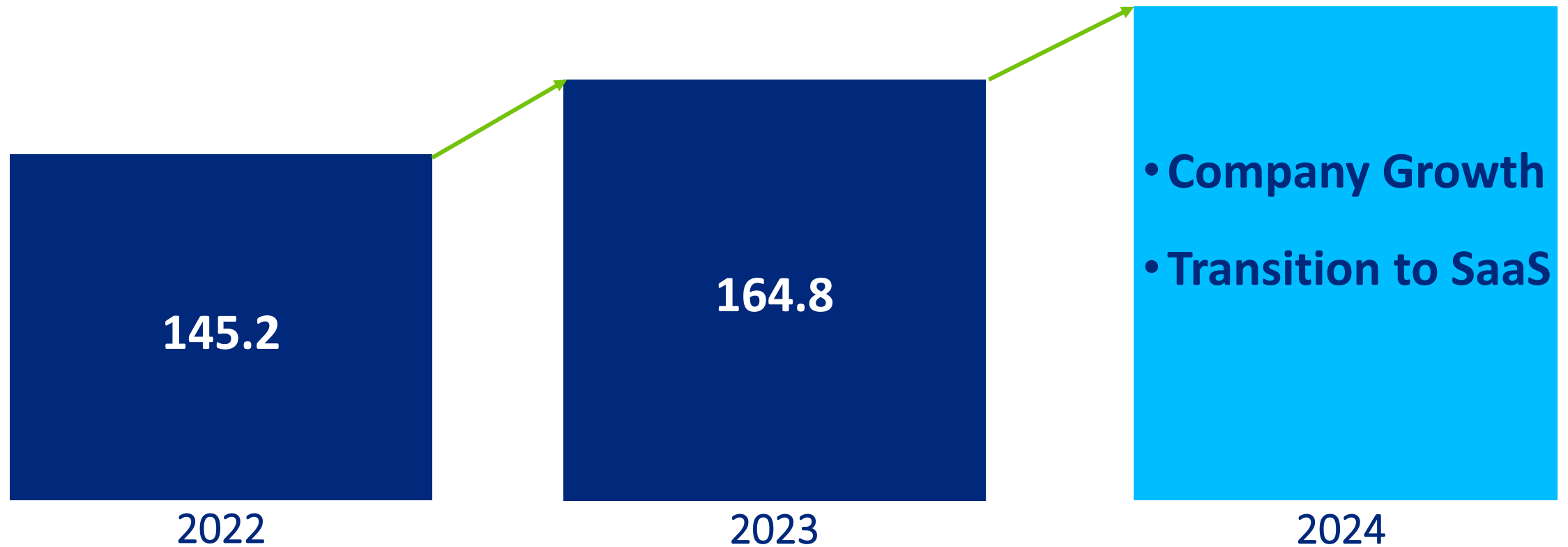
Revenue impact

- Lower revenue growth in first 2 years while increasing revenue in year 3 and onwards
- Higher subscription revenue

Implication on growth



Annualized Recurring Revenue - ARR



Impact on gross margin

Revenue From
Software products
and re-occurring
post-production
services

53.2%

Revenue From
Pre-production
implementation
services

29.4%

Total gross
margin

45.3%

2023

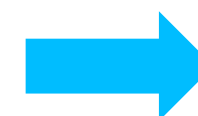
Transition to
SaaS



Operational
efficacy



Gross
margin



2024



Wrapping Up

Growth



Operating Profit

\$550M+



~\$100M+

SAPIENS

Thank you!

