



Sapiens Reports 16.5% Revenue Growth in Q4 2015

Full-Year Revenue Growth of 13.9% and Diluted Earnings Per Share Growth of 36.2%

Holon, Israel, February 17, 2016 – Sapiens International Corporation, (NASDAQ and TASE: SPNS), a leading global provider of software solutions for the insurance industry, with an emerging focus on the broader financial services sector, and a member of the Formula Group (NASDAQ: FORTY and TASE: FORT), today announced its financial results for the fourth quarter and year ended December 31, 2015.

Fourth Quarter Highlights:

- Non-GAAP revenue of \$48.7 million, up 16.5% compared to \$41.8 million in the fourth quarter of 2014.
- Non-GAAP operating profit increased by 48.4% and totaled \$7.4 million (15.1% operating margin), compared to \$5.0 million (11.9% operating margin) in the fourth quarter of 2014.
- Non-GAAP net income attributable to Sapiens' shareholders totaled \$6.3 million or \$0.13 per diluted share, an increase of 28.0% compared to \$4.9 million or \$0.10 per diluted share in the fourth quarter last year.
- Cash, cash equivalents and securities investments as of December 31, 2015 was \$94.0 million and the company has no debt.

Full Year Financial Highlights:

- Non-GAAP revenue increased by 13.9% to \$179.3 million from \$157.5 million in the same period of 2014. Excluding the impact of foreign currency exchange rates, revenue growth exceeded 20%.
- Non-GAAP operating profit was \$26.5 million (14.8% operating margin), compared to \$17.0 million (10.8% operating margin) in 2014, an increase of 56.0%.
- Non-GAAP net income attributable to Sapiens' shareholders reached \$22.1 million, or \$0.45 per diluted share compared to \$16.0 million, or \$0.33 per diluted share in the year ago period, an increase of 36.2%.

“We again delivered double-digit growth and improved performance across all of our offerings, from all geographies, and from both new and existing customers due to continued strong demand for our award-winning products and services,” said Roni Al-Dor, President and CEO of Sapiens. “Our efforts to more efficiently leverage our operations and improve our operating margins enabled us to grow our bottom line, and we are well positioned to continue our revenue and profitability growth into 2016 and beyond.”

Mr. Al-Dor continued. “Our strategic acquisitions of IBEXI in India and Insseco in Poland are clearly paying off, allowing us to increase our presence and support customers through new regional delivery and development centers in those markets. We expect to continue our acquisition strategy in 2016 to expand our geographic footprint and to enhance our product offerings. With new recent business wins across all our product lines, including our recently announced \$30 million business expansion with a leading North American insurance company, we are confident for continued double-digit growth in 2016.”

Mr. Al-Dor concluded: “Longer term, our expanded global presence and increasingly comprehensive suite of solutions will drive continued growth, and we remain enthusiastic about the near-term and long-term prospects for our markets and our strategic position as an innovative provider of advanced, industry-leading software solutions.”

2016 Business Outlook

Management indicated it expects 2016 full year revenues of \$207 to \$211 million, a growth of 15.4%-17.7%.

The company also expects full-year 2016 Non-GAAP operating margins in the range of 15.0% - 15.5%.

Quarterly Results Conference Call

Management will host a conference call and webcast today, February 17, 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): + 1-866-860-9642; International: +972-3-918-0664; UK: 0-800-917-9141

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

<http://www.sapiens.com/investors/presentations-and-webcast/>

If you are unable to join live, a replay of the call will be accessible until February 27, 2016, as follows:

North America: 1-888-782-4291; International: +972-3-925-5901

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.

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.

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. In order 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.

In addition, the Company adjusted revenues and expenses, recorded under US GAAP, of pre-acquisition date in respect of acquired business from its ultimate parent company. As this transaction

is between companies under common control, under US GAAP, it was accounted for under the pooling of interest method. For non-GAAP measurement purposes, the Company excludes the pre-acquisition date revenues and expenses.

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 stock-based compensation expense, depreciation and amortization, capitalized internal-use software development costs, amortization of internal-use software development costs interest expense, compensation expenses related to acquisition, pre-acquisition revenues and expenses accounted under pooling of interest method, 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 reflect 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.

About Sapiens

Sapiens International Corporation (NASDAQ and TASE: SPNS) is a leading global provider of software solutions for the insurance industry, with an emerging focus on the broader financial services sector. We offer core, end-to-end solutions to the global general insurance, property and casualty, life, pension and annuities, and retirement markets, as well as business decision management software. We have a track record of over 30 years in delivering superior software solutions to more than 190 financial services organizations. The Sapiens team of approximately 1,600 professionals operates through our fully-owned subsidiaries in North America, the United Kingdom, EMEA and Asia Pacific. For more information: www.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 for the year ended December 31, 2014, and subsequent reports and registration statements filed from time to time with the Securities and Exchange Commission.

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Summary of Non-GAAP financial Information

U.S. dollars in thousands (except per share amounts)

| | Three months ended December 31, | | | | Year ended December 31, | | | |
|-------------------------------|------------------------------------|-------|---------------------|-------|----------------------------|-------|---------------------|-------|
| | 2015 (unaudited) | | 2014 (unaudited) | | 2015 (unaudited) | | 2014 (unaudited) | |
| Revenues | 48,674 | 100% | 41,773 | 100% | 179,263 | 100% | 157,450 | 100% |
| Gross Profit | 21,515 | 44.2% | 17,478 | 41.8% | 78,472 | 43.8% | 64,193 | 40.8% |
| Operating profit | 7,356 | 15.1% | 4,958 | 11.9% | 26,547 | 14.8% | 17,014 | 10.8% |
| Net income to shareholders | 6,332 | 13.0% | 4,948 | 11.8% | 22,105 | 12.3% | 16,008 | 10.2% |
| Adjusted EBITDA | 7,928 | 16.3% | 5,363 | 12.8% | 28,499 | 15.9% | 18,596 | 11.8% |
| Basic earnings per share | 0.13 | | 0.10 | | 0.46 | | 0.34 | |
| Diluted earnings per share | 0.13 | | 0.10 | | 0.45 | | 0.33 | |

Adjusted EBITDA Calculation

U.S. dollars in thousands

| | Three months ended December 31, | | Year ended December 31, | |
|---|------------------------------------|--------------|----------------------------|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| GAAP operating profit | 6,796 | 4,550 | 24,350 | 14,906 |
| <u>Non GAAP adjustments:</u> | | | | |
| Amortization of capitalized software | 1,323 | 1,194 | 4,875 | 4,926 |
| Amortization of other intangible assets | 392 | 544 | 2,106 | 2,209 |
| Capitalization of software development | (1,641) | (1,556) | (6,032) | (6,094) |
| Compensation related to acquisition | 51 | - | 270 | - |
| Stock-based compensation | 435 | 226 | 1,349 | 1,067 |
| Adjustments of pre-acquisition revenues and expenses accounted under pooling of interest method | - | - | (371) | - |
| Non GAAP operating profit | 7,356 | 4,958 | 26,547 | 17,014 |
| Depreciation | 572 | 405 | 1,952 | 1,582 |
| Adjusted EBITDA | 7,928 | 5,363 | 28,499 | 18,596 |

Non-GAAP revenues by category

U.S. dollars in thousands

| | Three months ended December 31, 2015 | | Year ended December 31, 2015 | |
|--------------------------|---|------------|---------------------------------|------------|
| | Revenues | Percentage | Revenues | Percentage |
| License | 2,820 | 5.8% | 12,300 | 6.9% |
| Services and Maintenance | 45,854 | 94.2% | 166,963 | 93.1% |
| Total | 48,674 | 100.0% | 179,263 | 100.0% |

Non-GAAP revenues by geographic breakdown

U.S. dollars in thousands

| | Three months ended December 31, 2015 | | Year ended December 31, 2015 | |
|---------------|---|------------|---------------------------------|------------|
| | Revenues | Percentage | Revenues | Percentage |
| North America | 16,767 | 34.4% | 61,332 | 34.2% |
| Europe | 26,439 | 54.3% | 97,419 | 54.3% |
| APAC | 5,468 | 11.3% | 20,512 | 11.5% |
| Total | 48,674 | 100% | 179,263 | 100% |

SAPIENS INTERNATIONAL CORPORATION N.V. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

U.S. dollars in thousands (except per share amounts)

| | Three months ended | | Year ended | |
|---|--------------------|-------------|--------------|-------------|
| | December 31, | | December 31, | |
| | 2015 | 2014 | 2015* | 2014 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenue | 48,674 | 41,773 | 185,636 | 157,450 |
| Cost of revenue | 28,633 | 25,731 | 111,192 | 99,095 |
| Gross profit | 20,041 | 16,042 | 74,444 | 58,355 |
| Operating Expenses: | | | | |
| Research and development, net | 2,747 | 2,752 | 10,235 | 11,352 |
| Selling, marketing, general and administrative | 10,498 | 8,740 | 39,859 | 32,097 |
| Total operating expenses | 13,245 | 11,492 | 50,094 | 43,449 |
| Operating income | 6,796 | 4,550 | 24,350 | 14,906 |
| Financial expenses (income), net | (402) | 26 | (163) | (124) |
| Taxes and other expenses (income), net | 1,192 | (88) | 4,213 | 454 |
| Net income | 6,006 | 4,612 | 20,300 | 14,576 |
| Attributable to non-controlling interest | 134 | (12) | 284 | 113 |
| Net income attributable to Sapiens' shareholders | 5,872 | 4,624 | 20,016 | 14,463 |
| Basic earnings per share | 0.12 | 0.10 | 0.42 | 0.31 |
| Diluted earnings per share | 0.12 | 0.09 | 0.41 | 0.30 |
| Weighted average number of shares outstanding used to compute basic earnings per share (in thousands) | 48,758 | 47,655 | 48,121 | 47,210 |
| Weighted average number of shares outstanding used to compute diluted earnings per share (in thousands) | 49,536 | 49,057 | 49,327 | 48,637 |

* Including consolidation of Insseco commencing December 31, 2014.

SAPIENS INTERNATIONAL CORPORATION N.V. AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP RESULTS

U.S. dollars in thousands (except per share amounts)

| | Three months ended | | Year ended | |
|---|--------------------|---------------|----------------|----------------|
| | December 31, | | December 31, | |
| | 2015 | 2014 | 2015* | 2014 |
| GAAP revenue | 48,674 | 41,773 | 185,636 | 157,450 |
| Adjustments of pre-acquisition revenue accounted under pooling of interest method | - | - | (6,373) | - |
| Non-GAAP revenue | <u>48,674</u> | <u>41,773</u> | <u>179,263</u> | <u>157,450</u> |
| GAAP gross profit | 20,041 | 16,042 | 74,444 | 58,355 |
| Revenue adjustment | - | - | (6,373) | - |
| Amortization of capitalized software | 1,323 | 1,194 | 4,875 | 4,926 |
| Amortization of other intangible assets | 151 | 242 | 794 | 912 |
| Adjustments of pre-acquisition cost of revenue accounted under pooling of interest method | - | - | 4,732 | - |
| Non-GAAP gross profit | <u>21,515</u> | <u>17,478</u> | <u>78,472</u> | <u>64,193</u> |
| GAAP operating income | 6,796 | 4,550 | 24,350 | 14,906 |
| Gross profit adjustments | 1,474 | 1,436 | 4,028 | 5,838 |
| Capitalization of software development | (1,641) | (1,556) | (6,032) | (6,094) |
| Amortization of other intangible assets | 241 | 302 | 1,312 | 1,297 |
| Stock-based compensation | 435 | 226 | 1,349 | 1,067 |
| Compensation related to acquisition | 51 | - | 270 | - |
| Adjustments of pre-acquisition operating expenses accounted under pooling of interest method | - | - | 1,270 | - |
| Non-GAAP operating income | <u>7,356</u> | <u>4,958</u> | <u>26,547</u> | <u>17,014</u> |
| GAAP net income attributable to Sapiens' shareholders | 5,872 | 4,624 | 20,016 | 14,463 |
| Operating income adjustments | 560 | 408 | 2,197 | 2,108 |
| Adjustment to redeemable non-controlling interest | 151 | - | 224 | - |
| Adjustments of pre-acquisition financial and tax expenses accounted under pooling of interest method | - | - | 50 | - |
| Other | (251) | (84) | (382) | (563) |
| Non-GAAP net income attributable to Sapiens' shareholders | <u>6,332</u> | <u>4,948</u> | <u>22,105</u> | <u>16,008</u> |
| Non-GAAP basic earnings per share | <u>0.13</u> | <u>0.10</u> | <u>0.46</u> | <u>0.34</u> |
| Non-GAAP diluted earnings per share | <u>0.13</u> | <u>0.10</u> | <u>0.45</u> | <u>0.33</u> |
| Weighted average number of shares outstanding used to compute basic earnings per share (in thousands) | 48,758 | 47,655 | 48,121 | 47,210 |
| Weighted average number of shares outstanding used to compute diluted earnings per share (in thousands) | 49,536 | 49,057 | 49,327 | 48,637 |

* Including consolidation of Insseco commencing the acquisition date, August 18, 2015.

SAPIENS INTERNATIONAL CORPORATION N.V. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

U.S. Dollars in thousands

| | <u>December 31,</u> <u>2015</u> <u>(unaudited)</u> | <u>December 31,</u> <u>2014*</u> <u>(unaudited)</u> |
|--|--|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 54,351 | 47,400 |
| Trade receivables, net | 29,761 | 31,832 |
| Other receivables and prepaid expenses | 5,455 | 3,964 |
| Marketable Securities | 8,776 | - |
| Total current assets | <u>98,343</u> | <u>83,196</u> |
| LONG-TERM ASSETS: | | |
| Marketable Securities | 30,875 | 33,098 |
| Property and equipment, net | 5,675 | 5,011 |
| Severance pay fund | 5,551 | 10,735 |
| Other intangible assets, net | 27,540 | 27,905 |
| Other long-term assets | 4,252 | 5,567 |
| Goodwill | 70,035 | 67,698 |
| Total long-term assets | <u>143,928</u> | <u>150,014</u> |
| TOTAL ASSETS | <u><u>242,271</u></u> | <u><u>233,210</u></u> |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Trade payables | 4,721 | 3,310 |
| Accrued expenses and other liabilities | 32,012 | 26,951 |
| Deferred revenue | 10,268 | 9,272 |
| Total current liabilities | <u>47,001</u> | <u>39,533</u> |
| LONG-TERM LIABILITIES: | | |
| Other long-term liabilities | 6,414 | 3,217 |
| Accrued severance pay | 6,662 | 12,008 |
| Total long-term liabilities | <u>13,076</u> | <u>15,225</u> |
| REDEEMABLE NON-CONTROLLING INTEREST | <u>385</u> | <u>159</u> |
| EQUITY | <u>181,809</u> | <u>178,293</u> |
| TOTAL LIABILITIES AND EQUITY | <u><u>242,271</u></u> | <u><u>233,210</u></u> |

* December 31, 2014 Balance Sheet was revised to reflect the acquisition of Insseco, in accordance with the pooling of interest method.

SAPIENS INTERNATIONAL CORPORATION N.V. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW

U.S. dollars in thousands

| | For the year ended December 31 | |
|--|-----------------------------------|----------------------|
| | 2015 (unaudited) | 2014 (unaudited) |
| Cash flows from operating activities: | | |
| Net income | 20,300 | 14,576 |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 9,625 | 8,717 |
| Amortization of premium and accrued interest on marketable securities | (453) | (225) |
| Stock-based compensation related to options issued to employees | 1,349 | 1,067 |
| Decrease (increase) in trade receivables | 1,893 | (6,637) |
| Deferred tax assets | 2,169 | (1,020) |
| Decrease (increase) in other operating assets | (1,229) | 127 |
| Increase (decrease) in trade payables | 1,511 | (3,297) |
| Increase in other operating liabilities | 4,134 | 8,469 |
| Increase (decrease) in deferred revenues | 1,300 | (223) |
| Severance pay | (159) | 7 |
| Net cash provided by operating activities | <u>40,440</u> | <u>21,561</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (2,815) | (1,468) |
| Purchase of marketable securities | (7,678) | (34,906) |
| Proceeds from sales of marketable securities | 1,499 | 1,543 |
| Payments for business acquisition, net of cash acquired | (2,934) | (2,064) |
| Capitalized software development costs | (6,032) | (6,094) |
| Decrease (increase) in restricted Cash | (893) | 239 |
| Net cash used in investing activities | <u>(18,853)</u> | <u>(42,750)</u> |
| Cash flows from financing activities: | | |
| Distribution of dividend | (7,186) | - |
| Proceeds from employee stock options exercised | 1,568 | 1,569 |
| Payment to shareholders in respect of acquisition | (8,482) | - |
| Dividend to non-controlling interest | (77) | (106) |
| Net cash provided by (used in) financing activities | <u>(14,177)</u> | <u>1,463</u> |
| Effect of exchange rate changes on cash and cash equivalents | (459) | (3,187) |
| Increase (decrease) in cash and cash equivalents | 6,951 | (22,913) |
| Cash and cash equivalents at the beginning of period | <u>47,400</u> | <u>70,313</u> |
| Cash and cash equivalents at the end of period | <u>54,351</u> | <u>47,400</u> |