



Merger Transaction

Entering an MOU for a merger with Magic



The information contained in this Investors presentation constitutes a convenience translation. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.







MERGER TRANSACTION
magic + matrix





The Merger Transaction



- On March 10, 2025, a **Memorandum of Understanding (MOU)** was signed between **Matrix IT Ltd. ("Matrix")** and **Magic Software Enterprises Ltd. ("Magic")** for the purpose of negotiating a binding merger agreement, under which **Matrix will acquire the entire issued and paid-up share capital of Magic** by way of a reverse triangular merger. Upon completion of the transaction, Magic will become a private company wholly owned by Matrix.
- The considerations to Magic shareholders under the transaction will be in shares of Matrix.
- The transaction is defined as a transaction of a controlling shareholder with a personal interest (Formula Systems), and as such Matrix's Board of Directors appointed an independent committee that was authorized to review the transaction, negotiate the terms with Magic's independent committee, approve the transaction, and formulate recommendations to the Board of Directors.
- The committee is advised by the **international investment bank Jefferies LLC, the law firm Herzog Fox Neeman, and the accounting firm KPMG.**

Proposed Merger Structure

- ❖ **100% stock merger** of Matrix IT (Matrix) and Magic Software (Magic) with Matrix as the continuing entity
- ❖ Structured as a Matrix acquisition of Magic with consideration of new Matrix shares issues to Magic shareholders
- ❖ All-stock consideration would allow **shareholders of both companies to share in the value creation upside** while maintaining **significant balance sheet flexibility for future M&A**

Proposed Terms and Valuation

- ❖ MOU Signed with merger consideration in shares of Matrix, for an exchange ratio implying 68.875% / 31.125% pro-forma ownership of Matrix / Magic shareholders in the combined company
- ❖ Combined company would have a market capitalization of c. NIS 7,697m / US\$2,132m⁽¹⁾

Listing Venue & Process

- ❖ Magic to be delisted from the NASDAQ and TASE and become a wholly-owned (100%) subsidiary of Matrix following the merger
- ❖ Combined company to be **listed only on TASE initially with intention to explore a US dual-listing in the future**
- ❖ Transaction is subject to mutual due diligence, agreement of definitive transaction documentation, and final approval by independent committees of Matrix and Magic
- ❖ Expecting general shareholder meeting during Q3'2025 to approve the transaction

A Powerful Combination That Accelerates Growth Opportunities



\$2bn+
FY24 Revenue
(17+% in the US)



10%+
FY24 EBITDA
Margin



14
Platforms and
Software Packages




15,000+
Total Headcount



50+
Countries
Served⁽²⁾



6,000+
Active Clients

- ✓ Increases scale to become Top 10 global Digital IT Services firm in major markets⁽¹⁾
- ✓ Diversified geographic presence outside Israel in higher margin US / Other markets, as well as complementary industries
- ✓ Accretive to Matrix's margins and earnings per share without any synergies
- ✓ Enhances intellectual property and technology platform capabilities
- ✓ Lower leverage of the combined company vs. Matrix standalone
- ✓ Strong cultural fit and a shared vision

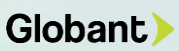
(1) Based on Market Cap. Matrix and Magic Market Cap based on share price as of 03/06/2025 with a USD / ILS exchange rate of 0.28. Analysis includes firms where IT Services is greater than 50% of both revenue and profit.
 (2) Includes countries served by Matrix.



The Combined Company Would Be One Of The Largest Listed IT Services Firms Globally



U.S. Listed IT Services

Rank	Company	Market Cap (\$M)
1	 accenture	\$213,814
2	 Infosys	81,672
3	 cognizant	41,330
4	 wipro	34,342
5	 CGI	23,319
6	 <epam>	11,222
7	 kyndryl	8,249
8	 Globant	6,198
9	 DXC TECHNOLOGY	3,250
10	 matrix +  magic	2,132
11	 Grid Dynamics	1,528
12	 endava	1,353

European Listed IT Services

Rank	Company	Market Cap (\$M)
1	 Capgemini	\$28,936
2	 indra	4,958
3	 sopra steria	3,656
4	 matrix +  magic	2,132
5	 netcompany	2,042
6	 NEURONES Aussi loin que vous voudrez...	1,263
7	 nagarro	1,234
8	 kainos	1,157
9	 Atos	951
10	 aubay	615

Source: S&P Capital IQ as of 03/06/2025.

Note: Matrix and Magic Market Cap based on share price as of 03/06/2025 with a USD / ILS exchange rate of 0.28. Analysis includes firms where IT Services is greater than 50% of both revenue and profit.

- A leap for Matrix in **geographic expansion and diversity**, in particular strengthening exposure to the U.S. as a strategic target market.
- The merged company would rank #4 and #10 by market capitalization among European-listed IT Services peers and U.S.-listed IT Services peers, respectively.⁽¹⁾
- **Value creation** driven by cross selling synergies and cross-sharing technological and operational know how of two excellent companies.
- **Significant complementary operations**, particularly in industry focus and services offerings.
- **Significant power multiplier** from combining both companies' operations, specifically in the attractive end markets.
- **Expanding product offerings and strengthening IP-based operations**, which are characterized by **high margins, strong stickiness and an ARR component**.

(1) Please see slide 5 for detailed analysis.

- Significant **improvement in profit margins** – Magic's gross margins are over 28% and operating margins over 11% (effective tax rate is also about 4% lower than Matrix's).
- Magic has a **strong balance sheet** with high net cash balances.
- All stock deal structure **avoids meaningful transaction costs** such as financing.
- Improved attractiveness of the merged company from the perspective of **global investors**, given scale and global reach.
- Potential for inclusion in the TA-35 index (in accordance with current market cap sum expected to be #31), leading to **increased investor base and trading volumes**.
- Adding an excellent and experienced management team, coupled with existing acquaintance between the two companies/management teams, creates a **favorable organizational climate for the merger**.

P&L Statement

Based on FY2024 financials, in ILS 000's



Revenues	5,579,538
Gross Profit	832,994
<i>Gross Margin (%)</i>	<i>14.9%</i>
Operating Income	450,074
<i>Operating Margin (%)</i>	<i>8.1%</i>
Net Income	288,224
<i>Net Income Margin (%)</i>	<i>5.2%</i>

P&L Statement

Based on FY2024 financials, in ILS 000's



Revenues	5,579,538	2,043,771
Gross Profit	832,994	581,401
<i>Gross Margin (%)</i>	14.9%	28.4%
Operating Income	450,074	226,515
<i>Operating Margin (%)</i>	8.1%	11.1%
Net Income	288,224	160,155
<i>Net Income Margin (%)</i>	5.2%	7.8%

P&L Statement

Based on FY2024 financials, in ILS 000's



Revenues	5,579,538	2,043,771	7,623,309
Gross Profit	832,994	581,401	1,414,395
<i>Gross Margin (%)</i>	14.9%	28.4%	18.6%
Operating Income	450,074	226,515	676,589
<i>Operating Margin (%)</i>	8.1%	11.1%	8.9%
Net Income	288,224	160,155	448,379
<i>Net Income Margin (%)</i>	5.2%	7.8%	5.9%

Disclaimer

- The Company's assessments and information contained herein regarding potential benefits that may be derived from the transaction constitute "forward-looking statements" within the meaning of the Securities Law, 5728-1968. Such forward-looking statements are not guarantees 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 the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. The forward-looking statements may not materialize, or may materialize in a manner or timing that differs from the Company's assessments, including circumstances wherein the merger transaction fails to consummate, due to, inter alia, factors beyond the Company's control, including without limitation, failure to execute a definitive agreement, failure to obtain requisite approvals for the consummation of the transaction, changes in capital market conditions and/or the markets in which the Company and Magic operate, or the materialization of one or more of the Company's Risk Factors detailed in the Company's Annual Report.
- For the avoidance of doubt, as of the date of this report, there is no assurance regarding the parties' execution of a definitive agreement, which is contingent upon, inter alia, the satisfactory completion of due diligence by the parties, successful negotiation of the terms and conditions of the definitive agreement, and receipt of all necessary corporate approvals from the authorized organs of the Companies for the transaction. Furthermore, even in the event that the parties execute a definitive agreement as aforementioned, there is no assurance regarding the consummation of the transaction, which shall be subject to, inter alia, the fulfillment of all conditions precedent to closing as shall be stipulated in the definitive agreement.

Thanks!