



Matrix reports the results of the second quarter showing growth in all indices

In the second quarter of 2023, Matrix sales grew by about 10.4% to approximately NIS 1.29B and operating profit grew by about 16% to approximately NIS 98M.

For the first half of 2023, Matrix shows all-time record results: sales grew by about 11% to approximately NIS 2.58B and operating profit grew by about 13% to approximately NIS 199M.

The main growth engine is Matrix USA: an increase of about 34.2% in revenues and of about 34.8% in profit in the USA, with a profitability rate of about 15%.

Matrix published the financial results for the second quarter and the first half of 2023, showing record results in the first half of 2023 and continued growth of the main business indicators.

Revenues

Matrix revenues in the second quarter of 2023 amounted to approximately NIS 1.29B, compared with approximately NIS 1.16B in the corresponding quarter of the previous year, a growth of about 10.4%. In the first half of 2023, revenues reached a record amount of approximately NIS 2.58B, compared with approximately NIS 2.32B in the first half of the previous year, an increase of about 10.9%. The significant increase in the volume of sales was driven by increased activity in all sectors, especially the company activities in the USA and the core activities in Israel, in the field of IT solutions such as data, cyber, and digital.

The organic growth in revenues, neutralizing the effect of the merger with RDT and Zebra for the first time on one hand and the sale of Infiniti last year on the other, was about 6.8% for the quarter and about 9.2% for the period.

Gross profit

The gross profit in the second quarter of 2023 amounted to approximately NIS 185M, compared with approximately NIS 159.6M in the corresponding quarter of the previous year, an increase of about 15.9%. The rate of gross profit from revenues also increased from about 13.7% to about 14.4%.



The gross profit in the first six months of the year reached a record amount of approximately NIS 373.6M, compared with approximately NIS 327.4M in the corresponding period last year, an increase of about 14.1%. The rate of gross profit from revenues in the period grew from about 14.1% to about 14.5%.

Operating profit

The operating profit in the second quarter of 2023 amounted to approximately NIS 97.6M, compared with approximately NIS 84.2M in the corresponding quarter of the previous year (excluding capital gain from the realization of an investment in the second quarter of the previous year), an increase of about 16%. The rate of operating profit from revenues in the second quarter of 2023 grew from about 7.2% to about 7.6%.

The operating profit in the period amounted to a record amount of approximately NIS 199.1M, compared with approximately NIS 176.3M in the corresponding period of the previous year, an increase of about 13%. The rate of operating profit from revenues in the period grew from about 7.4% to about 7.7%.

The organic growth of the operating profit, neutralizing the effect of the merger for the first time with RDT and Zebra on one hand and the sale of Infiniti last year on the other, was about 12.8% in the quarter and about 12.5% in the period.

Net profit

The net profit in the second quarter of 2023 amounted to approximately NIS 62.8M, compared with approximately NIS 61.2M in the corresponding quarter of the previous year (neutralizing the capital gain from the sale of most of Matrix holdings in Infiniti, amounting to approximately NIS 121.5M in 2022, and compared to approximately NIS 182.8M without the neutralization), an increase of about 2.6%. In the first half of this year, the net profit reached a record amount of approximately NIS 128.2M, compared with approximately NIS 129.2M (and compared with about NIS 250.8M without the aforementioned neutralization of the capital gain last year). The net profit in the quarter and period was affected by the increase of interest on financing expenses. Financing expenses totaled approximately NIS 15.4M in the second quarter of 2023, compared with approximately NIS 4.1M in the corresponding quarter last year.



EBITDA

EBITDA reached approximately NIS 147.8M in the second quarter of 2023, compared with approximately NIS 120.2M in the corresponding quarter of the previous year, an increase of about 22.9%. The EBITDA in the first half of the year reached a record amount of approximately NIS 296.5M, compared with approximately NIS 247.8 million in the first half of 2022, an increase of about 19.7%.

Matrix's total equity as of June 30, 2023 is approximately NIS 1.039B, compared with approximately NIS 965M at the end of 2022, about 26% of the total balance.

Dividend

As every quarter, Matrix continues the policy of distributing dividends at a rate of up to 75% of the net profit, subject to distribution tests according to law. By the end of the second quarter of 2023, Matrix distributed dividends in the total amount of approximately NIS 82.5M. With the publication of the reports today, Matrix announced the distribution of an additional quarterly dividend of approximately NIS 43.8M.

Summary of reports on the consolidated profit for the three months and the six months that ended on June 30, 2023 and 2022 (in thousands of shekels)

	For three months ending on		Change in %	For six months ending on		Change in %
	30.06.23	30.06.22 (*)		30.06.23	30.06.22 (*)	
Sales	1,286,742	1,165,672	10.4%	2,577,895	2,323,657	10.9%
Cost of sales and services	1,101,700	1,006,081	9.5%	2,204,235	1,996,270	10.4%
Gross profit	185,042	159,591	15.9%	373,660	327,387	14.1%
% of sales	14.4%	13.7%		14.5%	14.1%	
Sales and marketing expenses	45,261	39,465	14.7%	90,437	79,305	14%
Management and general expenses	42,118	35,928	17.2%	84,095	71,786	17.1%
Operating profit before profit from	97,663	84,198	16%	199,128	176,296	13%

realization of investment						
% of sales	7.6%	7.2%		7.7%	7.4%	
Profit from realization of investment	-	150,059		-	150,059	
Operating profit after profit from realization of investment	97,663	234,257	(58.3%)	199,128	326,355	(39%)
Financing costs (income) netto	15,428	4,076	278.5%	32,318	11,052	192.4%
Profit before taxes on income	82,235	230,181	(64.3%)	166,810	315,303	(47.1%)
Taxes on income	19,413	47,367	(59%)	38,641	64,504	(40.1%)
Net profit	62,822	182,814	(65.6%)	128,169	250,799	(48.9%)
% of sales	4.9%	15.3%		4.9%	10.6%	
Net profit of:						
Owners of capital rights in the company	58,617	178,884	(67.2%)	119,357	238,028	(49.9%)
Minority rights	4,205	3,930	7%	8,812	12,771	(31%)
Net profit	62,822	182,814	(65.6%)	128,169	250,799	(48.9%)
% of sales	4.9%	15.7%		4.9%	10.8%	
EBITDA	147,824	120,271	22.9%	296,587	247,805	19.7%
% of sales	11.5%	10.1%		11.5%	10.5%	

According to **Moti Gutman, CEO of Matrix**, "We continue to consistently present impressive results and an increase in all the main business indices in the second quarter of 2023, as well as in the first half of this year. Both in the quarter and in the mid-year we show double-digit growth in revenues, gross profit, operating profit, and EBITDA, with these business indicators for the mid-year being all-time records. In general, in the second quarter, we show a surge of about 15.9% in gross profit, of



about 16% in operating profit, and of about 22.9% in EBITDA, compared with the corresponding quarter of 2022. This is an achievement by any measure and especially given the geopolitical instability and market upheavals. It should be noted that this year, the credit rating company Midrug, granted an Aa3 rating with a stable horizon to Matrix for the 15th year in a row, further evidence of the financial strength of the company.

In the analysis of activity by sector, Matrix registers revenue growth in our four largest activity sectors, which are responsible for 95% of the revenues: IT services and consulting in Israel, IT services in the USA, integration and infrastructure, and software products.

We see impressive continued organic growth of activity in Israel, with acceleration in the areas of digital, data & AI, cyber, and modernization of core systems. In addition, the results of our activities reflect the continued growth of our defense arm in the fields of cyber and AI. In recent years, Matrix won in succession several massive projects, amounting to tens of millions of dollars, within the framework of which the company develops advanced solutions in the field of defense for foreign countries. Just this week, we have been informed about winning a new mega-project estimated at about 40 million dollars, within the framework of which we will develop and supply an advanced AI system on cloud and cyber infrastructures to a foreign country. The field of cloud services also continues to grow significantly. The Nimbus project has been an important turning point, because the barrier that stopped the migration to the cloud of database-based systems that cannot be taken outside the borders of the State of Israel has been removed. The basic tender for the Nimbus project was won by Amazon and Google, both business partners of Matrix. At the project level of the tender, Matrix won in all categories and received the permit to be an expert supplier to government bodies, to assist in transferring government systems to the cloud. In layer 5, which deals with the marketplace activity, Matrix is active in accelerating products and services that will be provided through the cloud-based marketplace.

Activities in the USA and Canada recorded a sharp and impressive increase of about 34.2% in revenues and of about 35.6% in operating profit in the second quarter, compared with the corresponding quarter last year. The increase in revenues and the significant improvement in profitability in the sector are due mainly to an increase in the scope of activities with emphasis on the GRC solutions branch for the financial sector, and to the effect of the increase in the dollar exchange rate relative to the shekel. The demand for GRC systems is expected to continue to rise following the continuing growth in digital payments and wider exposure to cyber fraud."



For 18 years in a row, Matrix has been ranked by STKI in first place in Israel in the field of computing and technology services. This year we also achieved a record number of 47 technology categories in which we were defined as Tier 1 – a leading company in the category, in areas such as data science, data strategy, machine learning, information and cyber security in the cloud, data migration to the cloud, enterprise cloud, development of web and mobile systems, and SIEM, among others.

Gutman added: "The dramatic developments that have taken place in the last year and a half in the field of GenAI have led us to the brink of a new era. I am proud to point out that Matrix is leading in this aspect as well. We have very strong capabilities at every stage required for working on advanced projects in the field of artificial intelligence, from beginning to end, starting with infrastructure, continuing with data (i.e., mega projects such as the establishment and management of the CBS data lake, development of artificial intelligence models, business applications, customer experience), and all aspects of integration and responsible AI. It is particularly noteworthy that we have gained rich experience working closely with the defense establishment in developing artificial intelligence models for military applications, projects for foreign governments, and recently also civilian applications. This is an experience that has no equivalent in the market."

Gutman concluded his remarks by referring to the high-tech sector: "Following the slowdown in the sector, we are experiencing more ease recruiting and retaining employees, which as we know has been a serious challenge for many companies, including Matrix, in recent years. We continue to recruit, and today Matrix has hundreds of open positions in various fields, from junior to highly experienced, with good conditions as well as mobility and diversity at work. We live in an era when the map of technological professions is in a constant flux, with the rate of change expected to accelerate even more as a result of the GenAI revolution. Against this background, arises the need for upskilling (the development of knowledge and abilities as a result of the development of the profession) and for reskilling (professional retraining). John Bryce, the Training and Deployment division of Matrix, is the largest training body in Israel in the field of high-tech, and we are prepared to respond to the growing demand."