



## Matrix publishes the results of the second quarter and the first half of 2020

**Net profit in the second quarter grew by about 10.6% to approximately NIS 41.6M**

**Net profit for the first half of the year grew by about 11.7% to approximately NIS 84.6M**

**In the first half of the year, Matrix revenues grew by about 5.3% to approximately NIS 1.83B. Matrix revenues in the second quarter decreased by about 3.3% (against the background of seasonality and the effects of the COVID-19) to approximately NIS 856.5M, but a decrease in expenses as a result of the adjustment to remote work led to an increase in operating and net profit in the quarter.**

Matrix released this morning the results of the second quarter and of the first six months of 2020, which are naturally affected by the COVID-19 pandemic.

Matrix **revenues in the first six months** of 2020 reached approximately NIS 1.83B, compared with approximately NIS 1.73B in the corresponding period of the previous year, an **increase of about 5.3%**. Gross profit reached approximately NIS 259.3M, compared with approximately NIS 249.2M in the corresponding period of the previous year, an **increase of about 4.1%**. Operating profit reached approximately NIS 134.2M, compared with approximately NIS 119.3M in the corresponding period of the previous year, an **increase of about 12.4%**. Net income reached approximately NIS 84.6M, compared with approximately NIS 75.8M, an **increase of about 11.7%**. All key indicators—Revenue, Gross Profit, Operating Profit, Net Profit and EBITDA—are at all-time record levels for the first six months of the year.

Matrix revenues in the second quarter of 2020 decreased by about 3.3% to approximately NIS 856M because of seasonality (a smaller number of working days due to Passover), together with the effects of the COVID-19 pandemic. Revenues in the quarter were significantly affected by the decrease in revenues from the Training and Deployment sector (which constitutes about 3.9% of Matrix revenues). Revenues remained almost unchanged, with a slight increase of 0.1% to approximately NIS 126.1M, and **operating profit increased by about 11.5% to approximately NIS 66.1M**, following a decrease in sales and marketing expenses, and general and administrative expenses. **The net profit for the quarter grew by about 10.6% to approximately NIS 41.5M.**

### Financial indices

As of June 30, 2020, Matrix's total cash and cash equivalents are approximately NIS 636.3M, compared with approximately NIS 338.3M the previous year, an increase of about 88%. **The net cash flow from operating activities as of June 30, 2020 reached approximately NIS 224.3M, compared with approximately NIS 27.3M on June 30, 2019.** The total capital on June 30, 2020 stands at approximately NIS 758.2M, compared with approximately NIS 711.9M on June 30, 2019. The current ratio as of June 30, 2020 is about 1.33, compared to about 1.07 in 2019. About 88% of the company's credit is long term.



## Dividend

Matrix continues its policy of quarterly distribution of dividends of up approximately to 75% of net profit. With the publication of the reports this morning, Matrix announced the distribution of an additional dividend of NIS 47 per share in the total amount of approximately NIS 29.2M. This dividend is in addition to dividends of approximately NIS 64.7M distributed by Matrix since the beginning of the year. Matrix has distributed in dividends a total of more than NIS 1B since its inception.

## Summary of reports for the three months and six months ending on June 30, 2020 and June 30, 2019 (in NIS thousands)

	For three months ending on		Change in %	For six months ending on		Change in %
	30.06.20	30.06.19		30.06.20	30.06.19	
<b>Turnover</b>	<b>856,486</b>	<b>886,057</b>	<b>-3.3%</b>	<b>1,830,554</b>	<b>1,737,970</b>	<b>+5.3%</b>
<b>Cost of sales and services</b>	<b>730,325</b>	<b>760,083</b>		<b>1,571,178</b>	<b>1,488,718</b>	
<b>Gross profit</b>	<b>126,161</b>	<b>125,974</b>	<b>+0.1%</b>	<b>259,376</b>	<b>249,252</b>	<b>+4.1%</b>
<b>%</b>	<b>14.7%</b>	<b>14.2%</b>		<b>14.2%</b>	<b>14.3%</b>	
<b>Sales and marketing expenses</b>	<b>24,063</b>	<b>29,144</b>		<b>54,953</b>	<b>58,630</b>	
<b>Management and general expenses</b>	<b>35,971</b>	<b>37,500</b>		<b>70,270</b>	<b>71,234</b>	
<b>Operating profit</b>	<b>66,127</b>	<b>59,330</b>	<b>+11.5%</b>	<b>134,153</b>	<b>119,388</b>	<b>+12.4%</b>
<b>%</b>	<b>7.7%</b>	<b>6.7%</b>		<b>7.3%</b>	<b>6.9%</b>	
<b>Financing costs</b>	<b>11,218</b>	<b>11,646</b>		<b>22,234</b>	<b>23,179</b>	
<b>Profit before taxes</b>	<b>54,909</b>	<b>47,684</b>		<b>111,919</b>	<b>96,209</b>	
<b>Taxes on income</b>	<b>13,327</b>	<b>10,082</b>		<b>27,285</b>	<b>20,413</b>	
<b>Net profit</b>	<b>41,582</b>	<b>37,602</b>	<b>+10.6%</b>	<b>84,634</b>	<b>75,796</b>	<b>+11.7%</b>
<b>%</b>	<b>4.9%</b>	<b>4.3%</b>		<b>4.6%</b>	<b>4.4%</b>	
<b>Net profit of:</b>						
<b>Owners of capital rights in the company</b>	<b>38,964</b>	<b>35,619</b>		<b>78,514</b>	<b>72,055</b>	
<b>Minority rights</b>	<b>2,618</b>	<b>1,983</b>		<b>6,120</b>	<b>3,741</b>	
<b>Net profit</b>	<b>41,582</b>	<b>37,602</b>	<b>+10.6%</b>	<b>84,634</b>	<b>75,796</b>	<b>+11.7%</b>
<b>EBITDA</b>	<b>94,818</b>	<b>90,129</b>	<b>+5.2%</b>	<b>192,967</b>	<b>179,983</b>	<b>+7.2%</b>
<b>%</b>	<b>11.1%</b>	<b>10.2%</b>		<b>10.5%</b>	<b>10.3%</b>	

According to Moti Gutman, CEO of Matrix, "We are in the midst of a global crisis with direct and indirect effects on the Israeli economy, and as a result, on Matrix, as the technological partner of companies from all sectors of the economy. We are all following and hoping for a solution to the corona virus, but at this stage the extent and duration of the crisis is unknown.

We are proud of the results of the second quarter of the year, which was entirely marked by the corona crisis and included a prolonged period of closure, Passover, and other holidays. Despite the many challenges in the second quarter, we were able to achieve double-digit growth in operating profit and net profit. While maintaining business continuity and moving



most of our employees to work from home through appropriate infrastructure, we have identified opportunities for growth. To help our customers cope optimally with the challenges of the crisis, we have increased our activity in areas that have shown strong demand, including: software and communications infrastructure, hardware, cloud and information security services. In parallel, we have carried out many new projects in the health, command and control, and digital services fields.”

Gutman noted: "Today, most of the company's employees continue to work following a hybrid model – a combination of work from home and office, in accordance with strict health guidelines, in order to reduce risks and infection. This work format has proven to be effective, and we expect to continue working based on the hybrid model in the long term, to increase efficiency, reduce real estate space, and save on operating costs."

### **The right time to train employees for the high-tech industry**

Gutman added: "Currently, about five months into the crisis, almost all of the company's employees usually work in hybrid mode. Current demand for employees remains high despite the crisis, and the shortage of professionals is still quite noticeable, especially in software development positions.

**Today Matrix has hundreds of open positions in a variety of jobs, awaiting to be filled. At the same time, we offer retraining and vocational training to those who dropped out of the workforce during the COVID-19 period, through our training organizations, John Bryce Training and Infinity Labs.** I have no doubt that out of the tens of thousands of young people who have found themselves without a job there will be many who are suitable for work in high-tech, and this is the most suitable time for their training. I call on the Israeli government to meet the challenge and initiate a national training project that will enable the recruitment of those suitable in the high-tech industry, which sooner or later will keenly demand more professional workforce.”

Gutman concluded: "Matrix has an excellent ability to face the crisis, among others, thanks to financial strength, high cash balances, low leverage, lack of liens, diversification, flexibility to accommodate change, and especially thanks to its experienced management team. We received proof of Matrix's stability in April 2020, with the confirmation by Midroog, which ranked Matrix as Aa3 with a stable outlook, for the 13th time in a row since 2007.

In recent days, we have proudly marked the entry of Matrix into the Tel-Aviv 35 Index, which includes the companies with the highest value on the Tel-Aviv Stock Exchange. This is a significant milestone in the life of the company and a great pride for me, for the 11,000 employees of the company, and the excellent management that has been leading the company for two decades. Matrix made impressive strides since its launch in 2002, with a value of NIS 100M, to the value of the company today. We are pleased that five other companies whose core activity is technology and innovation are joining the Index—the engine that drives the Israeli economy.

At the same time, STKI has ranked Matrix as the market leader in information technology services for the 15th consecutive year. The financial strength of the company allows us to continue with our growth strategy, which includes, among others, growth through mergers and



acquisitions. In the second quarter, we announced the acquisition of 51% of the printing solutions and 3D printing company, Gestetner Tech, for approximately NIS 50M. Gestetner Tech has a customer base of approximately 7,000 customers, and its revenues for 2019 amounted to approximately NIS 105M, with a net profit of approximately NIS 13.1M.

#### *Analysis by sectors of activity*

Matrix operates in five areas of activity: IT Solutions and Consulting Services in Israel, IT Solutions and Services in the US, Marketing and Support of Software Products, Infrastructure and Integration Solutions, and Training and Deployment sectors.

The analysis of the quarterly profit by sector shows that with the exception of the Training and Deployment sector (which contributes about 3.9% of the company revenues), almost all other sectors showed an improvement in profitability. Particularly prominent are the profit growth in the IT Solutions and Consulting Services in Israel sector, with an increase of about 18.8%, and the Infrastructure and Integration Solutions sector, with an increase of about 18.2%.

The analysis of profitability by sector of activity in the first half of the year shows that there was an increase in profitability in all sectors, except for Training and Deployment. The IT Solutions and Consulting Services in Israel division recorded an increase in profit of about 15.9% to approximately NIS 70.3M, the IT Solutions and Services in the US division recorded an increase of about 10.8% to approximately NIS 35.2M, the Marketing and Support of Software Products division recorded an increase of about 25.6% to approximately NIS 12.4M, the Infrastructure and Integration Solutions division recorded an increase of about 34.6% to approximately NIS 15.2M, and in the Training and Deployment division there was a decrease of about 41.2% to approximately NIS 5.1M.