



Matrix Concludes 2024 with Record Results and Announces a Giant Deal to Acquire Magic in a Merger Transaction

The consideration for Magic shareholders will be in Matrix shares. Upon completion of the transaction, Magic will be fully owned by Matrix, which is traded on the Tel Aviv Stock Exchange and is expected to be included in the TA-35 index.

The market value of the merged company will place it among the 10 largest publicly traded IT companies in the US and the fourth largest among those traded in Europe.

Record results for 2024: net profit grew by about 16.8% and cash flow from ongoing operations increased by about 24.8%.

Today Matrix publishes its financial statements for 2024, reporting continued growth and record results in sales, gross profit, operating profit, net profit, and cash flow.

At the same time, Matrix announces the signing of a memorandum of understanding for a major acquisition deal in which it will acquire Magic through a merger transaction. Under the deal, Matrix will purchase all of Magic's shares through a reverse triangular merger. Upon completion, Magic will become a private company fully owned by Matrix and will be delisted from Nasdaq. The consideration for Magic shareholders will be in shares of the merged company at an exchange ratio of 68.875% / 31.125% between Matrix and Magic shareholders in the merged company, on a fully diluted basis.

The total market value of the combined company is expected to reach NIS 7.7B, positioning it among the 10 largest publicly traded IT services companies in the U.S. and the fourth largest among those traded in Europe.

Based on the 2024 results of the two companies, had they already been merged in 2024, the combined entity would have reported the following results:

- Revenue: NIS 7.6B
- Gross profit: NIS 1.4B (gross margin: 18.6%)
- Operating profit: NIS 677M (operating margin: 8.9%)
- Net profit: NIS 448M (net margin: 5.9%)

The merged company is expected to operate in approximately 50 countries, providing services to around 6,000 active customers and employing more than 15,000 people.

As this merger involves two companies under the same controlling entity (Formula Group), the Matrix board of directors appointed an independent committee composed solely of external and independent directors to evaluate and determine



the terms of the transaction. The committee is being advised by the international investment bank Jefferies LLC, the accounting firm KPMG, and the law firm Herzog, Fox, & Neeman. The transaction is contingent on the completion of due diligence, the signing of a binding agreement between the parties, shareholder approval of both companies as required by law, and receipt of all necessary regulatory approvals.

Magic Software Enterprises Ltd., part of the Formula Group, is a global company providing advanced IT services worldwide. It specializes in designing, producing, and marketing software development and integration platforms used for creating applications, as well as cloud services, cybersecurity, AI, digital transformation, and vertical software solutions across multiple industries. Magic is listed on both the Tel Aviv Stock Exchange (TASE) and Nasdaq. The company has approximately 4,000 employees, with more than half the workforce based outside Israel. Its 2024 business results are as follows: Revenue: over NIS 2B (about 55% from international operations). Gross profit: approximately NIS 581.4M (about 28.4% gross margin). Operating profit: approximately NIS 226.5M (about 11.1% operating margin). Net profit: approximately NIS 160 million shekels (about 7.8% net margin). Solutions by Magic are used across various industries, including finance, defense, healthcare, manufacturing, and the public sector.

Matrix CEO Moti Gutman stated: "We are excited and proud to announce today the launch of a historic business move—the merger of Magic and Matrix. This is a strategic transaction that marks a 'big bang' moment in Matrix's history. We pursued this deal after recognizing an outstanding business and cultural fit, as well as a shared vision between the companies. We firmly believe that the whole will be greater than the sum of its parts.

This merger represents a significant leap forward for Matrix, transforming it into a truly global company with broad geographic reach, particularly in our strategic target market—the United States. The market valuation of the merged company positions it 10th among IT services companies in the US and 4th among IT services companies in Europe. We see tremendous potential for continued growth through business, technological, and operational synergies between these two outstanding companies, creating a powerful multiplier effect across all key market segments."

We found in Magic an excellent company with an outstanding management team that shares our vision and perspective, and which will be integrated into the Matrix management team. Magic operates in complementary fields to those of Matrix and has high profit margins, which will contribute to company profitability and earnings per share. The strong balance sheet of Magic, together with that of Matrix, will enable the utilization of cash reserves and joint credit facilities to support future acquisitions by the merged company. Magic has significant operations abroad,



accounting for more than half of its revenues, along with a suite of unique IP products, all of which will be incorporated into Matrix's offerings and will strengthen our portfolio of proprietary products.

The consideration in shares will allow the shareholders of both companies to benefit from the added value generated by the merger. The scale of the merged company makes it a natural candidate for inclusion in the leading indices of the Tel Aviv Stock Exchange and attractive to foreign investors. Following the merger, Magic will become part of Matrix. Although the company will initially be delisted from Nasdaq, we intend to explore a future dual listing of the merged company in the US at the optimal time.

From a financial perspective, this is also a unique transaction, as it involves no financing costs or accounting amortizations because of the planned accounting treatment of the merger as pooling, ensuring that the full value of the deal is realized for the shareholders of both companies.

I am confident that once the transaction is completed—following the execution of a binding agreement between the companies, approval by the shareholder meetings of both companies, and the receipt of all necessary regulatory approvals—the combination of the two companies will serve as a true force multiplier, generating significant value for all stakeholders in both companies, including shareholders, customers, employees, and the public at large. We foresee a bright future for the merged company and are excited to embark on this new chapter together.

Alongside the announcement of this significant and exciting transaction, it is also important to pay full attention to the record-breaking results presented in our financial report summarizing 2024 and the fourth quarter of the year. **Matrix is reporting record results in revenues, gross profit, operating profit, net profit, and cash flow for both Q4 2024 and the entire year, with double-digit growth across all parameters—almost entirely from organic growth.** In Q4 2024, we recorded an impressive increase in net profit of about **19.5%** to a record approximately NIS 74M, and for the entire year 2024, a rise of about 16.8% in net profit to a record approximately NIS 28M. Over the past five years, we have shown consistent growth and distributed approximately NIS 915M in dividends to our shareholders. These outstanding business results, achieved during a period of security, economic, and geopolitical upheavals, demonstrate the business flexibility, resilience, and stability of Matrix, as well as its professional leadership in the Israeli IT market."

Breakdown of 2024 results

Matrix **revenues** for 2024 stand at approximately NIS 5.6B, compared to approximately NIS 5.2B in 2023, an **increase of about 6.6%**. Excluding accounting



effects related to the increase in revenue recognized on a net basis, the company recorded **double-digit revenue growth of 10%**. Revenues of Matrix in the fourth quarter reached approximately NIS 1.37B, compared to approximately NIS 1.32B in Q4 2023, **an increase of about 4.1%**. Excluding accounting effects related to the increase in revenue recognized on a net basis, the company recorded **double-digit growth of about 10.2%**.

Operating profit for 2024 amounted to approximately NIS 450M, compared to approximately NIS 393M in 2023, **an increase of about 14.4%**, the vast majority of which resulted from organic growth. Operating profit in Q4 2024 reached approximately NIS 120M, compared to approximately NIS 101M in Q4 2023, **an increase of about 18.8%**.

Net profit for 2024 amounted to approximately NIS 288.2M, compared to approximately NIS 246.8M in 2023, **an increase of about 16.8%**. Net profit for the quarter reached approximately NIS 74M, compared to approximately NIS 62M in the corresponding quarter last year, **an increase of about 19.5%**.

Net profit attributable to shareholders for 2024 amounted to approximately NIS 272.4M, compared to approximately NIS 227.3M in 2023, **an increase of about 19.8%**. Net profit attributable to shareholders for the quarter amounted to approximately NIS 69.9M, compared to approximately NIS 56.5M in the corresponding quarter last year, **an increase of about 23.6%**.

The company **EBITDA** in 2024 amounted to approximately NIS 636.9M, compared to approximately NIS 597M in 2023, **a growth of about 6.7%**. EBITDA for Q4 stood at approximately NIS 168.9M, compared to approximately NIS 155M in 2023, **an increase of about 9%**.

In 2024, the company presented a record-high **positive cash flow from ongoing operation** of approximately NIS 619.2M, compared to approximately NIS 496.2M in the corresponding period last year, reflecting a **growth of about 24.8%**.

Dividend: With the release of the financial statements, Matrix announced a dividend distribution in accordance with the company's dividend policy (up to 75% of net profit attributable to shareholders) for the Q4 2024 earnings, **totaling NIS 52.1M (0.82 per share)**.

Summary of consolidated income statements for the years ending December 31, 2024, and December 31, 2023, and for the fourth quarter ending on the same dates (in thousands of NIS).



	For the year ending	For the year ending	Change in %	For 3 months ending	For 3 months ending	Change in %
	31.12.24	31.12.23		31.12.24	31.12.23	
Sales	5,579,538	5,232,105	*6.6%	1,374,283	1,320,690	*4.1%
Cost of sales and services	4,746,544	4,467,925	6.2%	1,155,265	1,117,274	3.4%
Gross profit	832,994	764,180	9%	219,018	203,416	7.7%
% of sales	14.9%	14.6%		15.9%	15.4%	
Sales and marketing expenses	196,231	189,698	3.4%	49,918	51,275	(2.6%)
Management and general expenses	186,689	181,063	3.1%	49,140	51,129	(3.9%)
Operating profit	450,074	393,419	14.4%	119,960	101,012	18.8%
% of income	8.1%	7.5%		8.7%	7.6%	
Financing costs (net)	66,872	68,233	(2.0%)	19,298	18,908	2.1%
Profit before taxes	383,202	325,186	17.8%	100,662	82,104	22.6%
Taxes on income	94,978	78,331	21.3%	26,679	20,183	32.2%
Net profit	288,224	246,855	16.8%	73,983	61,921	19.5%
%	5.2%	4.7%		5.4%	4.7%	
Net profit of:						
Owners of capital rights in the company	272,422	227,333	19.8%	69,885	56,537	23.6%
Minority rights	15,802	19,522	(19.1%)	4,098	5,384	(23.9%)
Net profit	288,224	246,855	16.8%	73,983	61,921	19.5%
%	5.2%	4.7%		5.4%	4.7%	
EBITDA ¹	636,884	597,038	6.7%	168,948	155,020	9%
% of income	11.4%	11.4%		12.3%	11.7%	

* Excluding the increase in revenue recognized on a net basis, revenue growth in 2024 and in the fourth quarter stood at **10%** and **10.2%**, respectively.

¹ Earnings before interest, taxes, depreciation, and amortization.



About Matrix

Matrix, which currently employs over 12,000 workers, is the leading information technology company in the Israeli market, with extensive operations in the US and Europe. Over the years, Matrix has demonstrated consistent growth: it has completed nearly 100 mergers and acquisitions, established new companies and cross-sector activities, and expanded its reach into multiple industries and emerging technological fields. It is a key player in digital, cloud, data and AI, cybersecurity, and information security.

The company plays a significant role in technological and business consulting, large-scale technology projects, national infrastructure mega-projects, and engineering efforts across Israel's leading organizations and institutions. Among its clients are entities from government, defense, high-tech, finance, industry, retail, healthcare, transportation, and more. Matrix is involved in hundreds of projects that have a direct impact on the daily lives of Israeli citizens.

The company is publicly traded on the Tel Aviv Stock Exchange and is part of the TA-125 Index. For 19 consecutive years, the analyst firm STKI has ranked Matrix as the top provider of value-added IT services in Israel.