



Matrix IT Ltd.

Special Report – Issuer Comment | March 2025

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Matrix IT Ltd.

In our assessment, the Magic Transaction, if realized, will have a positive impact on the Company's business and financial positioning. Midroog will continue to monitor the Company's leverage level and coverage ratios.

Matrix IT Ltd. ("**Matrix**" or the "**Company**") (Aa3.il, stable outlook) announced on March 11, 2025¹ that it had signed a memorandum of understanding (MOU) for a merger with Magic Software Enterprises Ltd. ("**Magic**"), a public company owned by Formula Systems (1985) Ltd. (46.71%), in a cashless share exchange transaction by way of a triangular reverse merger (the "**Magic Transaction**"). Upon the completion of the transaction, Magic will become a private company wholly owned by Matrix. Completion of the transaction is subject to compliance with several conditions precedent, including regulatory approvals, final and binding approvals of the independent committees of Matrix and Magic, as well approval by the general meeting of shareholders of both companies. The target date for the general meetings has been set for the third quarter of 2025.

In the framework of the transaction, Magic will become a private company, and its shareholders will receive shares of Matrix. The MOU that was signed establishes an allocation ratio of 68.875%/31.125% between the shareholders of Matrix/Magic in the consolidated company, on a fully diluted basis.

Magic, with revenues of NIS 2.043 billion² in 2024, provides software services and designs tools for the development of organizational applications and integration of software systems. The end users of the technology and suite of services offered by Magic include thousands of small and medium-sized enterprises (SME) that have purchased user licenses for products such as the "**Magic.xpa**" development platform as well as the "**Magic.xpi**" integration system, in which Magic owns the proprietary rights.

The merger with Magic is another component of Matrix's strategy to expand through mergers and acquisitions, in order to enlarge its customer portfolio and deepen its geographical presence, mainly in the U.S. The transaction creates additional opportunities for integrating the new services in the existing business and for expanding the array of products of the Company and integrating them in the acquired business. Following the merger,³ the consolidated company, which is expected to present revenues of NIS 7.6 billion, will operate in 50 countries, provide services to 6,000 active customers and employ more than 15,000 workers. Magic has a higher operating profitability than Matrix (11.1% as of 2024), thus the

¹ Immediate report dated March 11, 2025 – Signing of an MOU for a merger transaction with Magic Software Enterprises Ltd.

² According to an average NIS/US\$ exchange rate of 3.6997 in 2024.

³ According to an investor presentation dated March 11, 2025.

consolidated company is expected to present improved profitability of 8.9% and to increase the operating profit basis from NIS 450 million to NIS 677 million. The low leverage characterizing Magic, combined with the fact that the transaction is not expected to involve an increase in debt and is to be executed against an allocation of shares, should contribute to an improvement in Matrix's leverage levels and financial profile following the merger.

The impact of the transaction on Matrix's rating will be examined by Midroog over time, also considering trends which we will assess in relation to coverage ratios, profitability and cash flow of the Company.

Company Profile

Matrix IT Ltd. is a leader in the IT services sector in Israel, employing 11,570 people as of December 31, 2024, and providing diverse IT services to industries across the economy, with emphasis on the public, financial and high-tech sectors. The Company also markets software products of a wide range of manufacturers in Israel and worldwide. The Company's shares are traded on the Tel Aviv Stock Exchange. The controlling shareholder of the Company (48.21%) is Formula Systems (1985) Ltd. (Aa3.il), a public company held (25.82%) by Asseco Poland SA – a public IT services company in Poland. The chairman of the board of directors is Guy Bernstein, and the Company's CEO is Mr. Moti Gutman.

Related Reports

Matrix IT Ltd. – Related Reports

Short-Term Ratings – Methodology Report, December 2019

Non-Financial Corporates Rating – Methodology Report, December 2022

Financial Statement Adjustments and Presentation of Main Financial Measures in Corporate Rating – Methodology Report, December 2024

Guidelines for Reviewing Environmental, Social and Governance Risks in Credit Ratings – Methodology Report, February 2022

Table of Relationships and Holdings

Midroog Rating Scales and Definitions

The reports are published on the Midroog website at www.midroog.co.il

Date of issuer comment: March 24, 2025

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