



Matrix announces results for the fourth quarter and for the financial year 2016: Continued and consistent growth, achieving all-time record results in all indices

The revenues, operating profit, and net profit of Matrix in 2016 showed double-digit growth, reaching an all-time record high

In 2016, Matrix revenues grew to over NIS 2.5B, annual operating profit grew by 17% to NIS 187.3M, and net profit increased by 15.5% to approximately NIS 114.3M. In the fourth quarter, the company achieved revenues of approximately NIS 684.5M, operating income of approximately NIS 55.1M, and net income of approximately NIS 33.8M.

Today Matrix announces the results of the fourth quarter and of the entire year of 2016. In 2016, Matrix recorded double-digit growth in all key indices: revenue, operating profit, and net profit, achieving all-time record results in all indices.

In 2016, Matrix revenues reached a total of approximately NIS 2.54B, compared with NIS 2.28B in 2015, an increase of about 11.6%. The operating profit of the company surged by about 17%, and reached approximately NIS 187.3M, compared with NIS 160.1M in 2015. Net profit in 2016 came to approximately NIS 114.3M compared with NIS 99M in 2015, an increase of about 15.5%. EBITDA in 2016 amounted to NIS 212.6M, representing about 8.4% of sales, compared with NIS 184M, representing about 8.1% of sales, in 2015, an increase of 15.3%.

The results of the fourth quarter, and of 2016 as a whole include a one-time capital gain from the sale of real estate property rights, of approximately NIS 12.1M gross and approximately NIS 9M net; and from a non-recurring tax expense due to a reduction in a deferred tax asset of NIS 3.5M, having to do with a decrease in the corporate tax rate. Without these, in 2016 operating profit increased by about 9.4% over 2015, and net profit increased by about 10% over 2015. Furthermore, Matrix operations in the fourth quarter of 2016 were affected by the High Holidays, which fell in their entirety on this quarter.

Matrix continues to distribute dividends to its shareholders on a quarterly basis in the amount of up to 75% of annual net profits. With the release of financial results, the company announced a dividend distribution in the amount of approximately NIS 24.3M (40 agorot per share). In 2016, Matrix paid dividends in the total amount of approximately NIS 84.3M. The dividend yield of the company stands at about 5.2%.

Recently Matrix celebrated its 15th anniversary. The market value of the company is estimated today at over NIS 1.9B, after the distribution of approximately NIS 680M in dividends, a 15-fold increase in comparison to the company's worth at the time of its establishment.



**Summary of consolidated profit statements for three months and nine months ending
on Dec 31 of 2016 and 2015 (in NIS millions)**

	For three months ending on		Change in %	For the year ending on		Change in %
	31.12.16	31.12.15		31.12.16	31.12.15	
Turnover	684,513	586,549	16.7%+	2,544,553	2,280,150	+11.6%
Cost of sales and services	579,532	482,259		2,152,084	1,915,509	
Gross profit	104,981	104,290	0.7%+	392,469	364,641	+7.7%
% of sales	15.3%	17.8%		15.4%	16%	
Sales and marketing expenses	25,165	23,634		86,904	80,208	
Management and general expenses	24,724	33,097		118,288	124,327	
Operating profit	55,092	47,559	15.8%+	187,277	160,106	+17%
% of sales	8%	8.1%		7.4%	7%	
Financing costs	6,803	*4,887		25,367	*24,405	
Financing gains	241	656		521	478	
Profit before taxes	48,530	43,328		162,431	136,179	
Taxes on income	14,717	10,177		48,137	37,193	
Net profit	33,813		2%+	114,294	98,986	+15.5%
EBITDA	62,883	54,571	15.9%+	212,293	183,989	+15.6%
%	9.2%	9.3%		8.4%	8.1%	

"In 2016, we completed a record year in all indices, and throughout the years of our operation, we maintained consistent growth," said Moti Gutman, Matrix CEO. "I am proud that our strategy allows the company to maintain its leadership in the Israeli market and achieve impressive growth in all areas of our activity. Our unique capabilities are recognized by all research and rating firms, which year after year rate us as leaders of the software services market in Israel, and grant us the highest financial ratings in the industry. In February 2017, Midrug confirmed the Aa3 rating of Matrix, attesting to the stability of the company, for the tenth consecutive year. This is the highest rating of companies operating in the field of technology and services. In the rating report, the analysts of Midrug note that the financial and business management of the company has been proven over time as high-quality and conservative, as attested to, among others, by the successful deployment of acquired operations, meeting long-term forecasts, and preserving the relative stability of financial parameters over time. We are pleased that Midrug recognizes the continued growth of Matrix and its potential for growth in various fields, including stability of the company, its liquidity, and financial flexibility. The research firm IDC ranks Matrix as a market leader in software services, and the research firm STKI has been ranking Matrix as No. 1 in software and services in many categories of hardware and software, for the 12th consecutive year.

From our inception to the present day we pursued a strategy of maintaining activity in areas of technology in the highest demand, expanding both through organic growth and through mergers and acquisitions. We continue to emphasize the bottom line and we prepare to lead the market in all areas we



have identified as fastest growing. In recent years, we have established successful operations in the areas of cyber, cloud, mobile, big data, digital, analytical solutions, regulation and compliance, solutions for startup companies, and recently a new activity in the field of IoT. Last year, following the acquisition of the consulting firms Aviv AMCG and Programa Consulting, we expanded significantly our activities in the field of management consulting, consulting in multidisciplinary engineering, and supply chain consulting. We also acquired the US companies NIT, which provides IT services to healthcare organizations in the US, and STONS, which markets software products for business and federal clients in the US. Through the US acquisitions, we will be able to enter new markets, in addition to our existing activities in the US, in the field of software services and GRC (regulation, risk management, and compliance). A strong management infrastructure in Israel and the US constitutes a solid foundation for continued growth through mergers and acquisitions in the future," said Gutman.

"The areas of cloud and big data are examples of our ability to identify in a timely manner a growing field and start operating in it successfully and promptly. We currently represent the three largest companies in the field of cloud computing, and we recorded an increase of over 30% in revenues and profits in this sector in 2016," added Gutman, and noted that: "The training and deployment sector is another example of our ability to streamline and focus on more profitable areas, and renounce areas that contribute less to the profit line. In the last two years, we made a change in this business sector, characterized by low profit margins, and in 2016 we achieved a profit of NIS 14.3M, an increase of about 45%."

Gutman adds: "Following continued growth and winning of bids for strategic projects, we maintain the momentum of hiring in a wide range of activities, including: cyber and information security, development in innovative technologies and experts in cloud computing, big data, digital, and mobile. We offer a dynamic work environment at the cutting edge of technology, and work in a company leading and growing in all areas of its operation."

Financial state, liquidity, and capital resources

Cash flow from operations in 2016 amounted to approximately NIS 114.5M, compared with NIS 99M in 2015, an increase of about 15.8%. The balance of cash and cash equivalents and financial assets amounts to approximately NIS 249.2M. The total equity of Matrix on 31/12/2016 reached approximately NIS 631.2M. The current ratio at the end of 2016 is approximately 1.36.

Activity sectors

Matrix currently operates in five sectors of activity: software solutions and services and added value in Israel; software solutions and services in the US; marketing and support of software products; integration solutions and IT infrastructures; training and deployment. Areas of software and added value in Israel and of software services in the US constitute the core activity of the company, and in 2016 accounted for about 72% of revenues. The field of integration solutions and IT infrastructure, which, among others, benefits from company expansion in the field of cloud, continues to grow and accounts for about 16.5% of total revenues. Training and deployment accounts for approximately 6.3% of total revenues, and the marketing and support of software products for about 5.2% of revenues.



The sector of software solutions and services and added value in Israel (including some activity in Europe) recorded revenues in the amount of approximately NIS 1.6B in 2016, compared with approximately NIS 1.44B in 2015, an increase of about 10.6%. The operating profit in software solutions and services and added value in Israel reached approximately NIS 77.6M, compared with NIS 73.1M in 2015, an increase of about 6.3%.

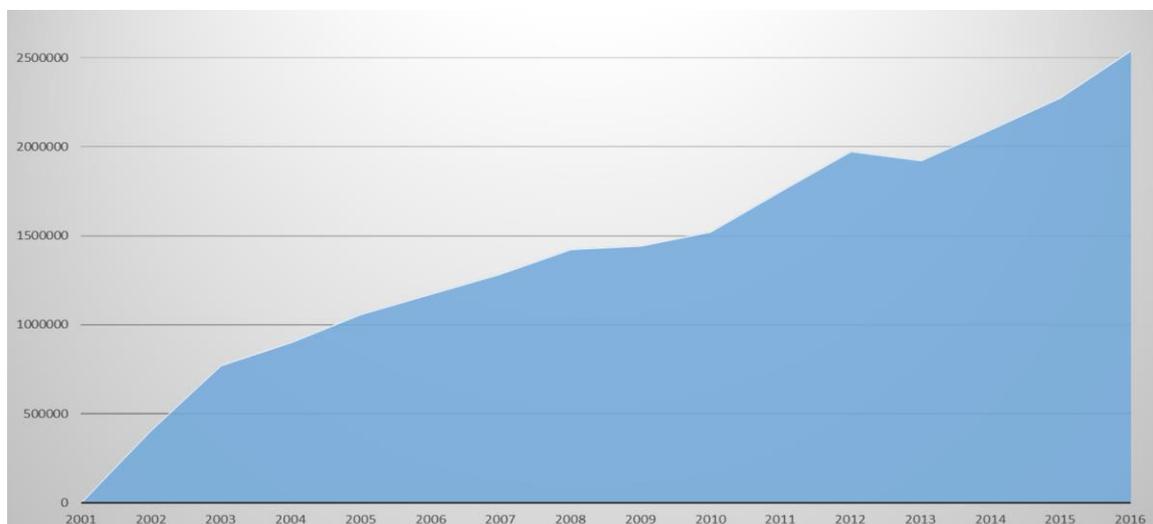
The software solutions and services sector in the US reached a total revenue of approximately NIS 286.4M in 2016, compared with approximately NIS 270M in 2015, an increase of about 6.1%. The operating profit in this sector reached approximately NIS 45.5M compared with approximately NIS 43.6M in 2015, an increase of about 4.2%. Activity in the US accounts for about 12.3% of revenues of the company and for about 27.5% of the profit, because of higher operating/gross profit in the US.

The integration solutions and IT infrastructure sector achieved approximately NIS 434.1M in revenues in 2016, compared with approximately NIS 332.9M in 2015, an increase of about 30.4%. Operating profit in this sector reached approximately NIS 18.2M in 2016, compared with approximately NIS 13.7M in 2015, an increase of about 32.6%.

The marketing and support of software products recorded total revenues in the amount of approximately NIS 136.8M in 2016, compared with approximately NIS 138.3M in 2015. Operating profit in this sector reached approximately NIS 19.5M in 2016, compared with approximately NIS 19.7M in 2015.

The training and deployment sector reached a total revenue of approximately NIS 165.1M in 2016, compared with approximately NIS 144.6M in 2015, an increase of about 14.2%. Operating profit in this sector reached approximately NIS 14.27M in 2016, compared with approximately NIS 9.85M in 2015, an increase of about 44.9%.

Dynamics of revenues from establishment of Matrix 2001-2016





Dynamics of operating and net profit



About Matrix

Matrix, employs some 8,250 IT technology professionals, and has been ranked by research companies as the leader in the software services and technology sector in Israel for over a decade. Matrix is traded on the Tel-Aviv Stock Exchange, and is part of the TA-100 Index. The sales turnover of Matrix reached NIS 2.544M in 2016.