



 **Formula Systems**

March 2019



Safe Harbor Statement

- Certain statements and other information included in this presentation may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934 and the United States Private Securities Litigation Reform Act of 1995. Words such as "will," "expects," "believes" and similar expressions are sometimes used to identify these forward-looking statements (although not all forward-looking statements include such words). These forward-looking statements, which may include, without limitation, projections regarding our future performance and financial condition, are made on the basis of management's current views and assumptions with respect to future events. Any forward-looking statement is not a guarantee of future performance and actual results could differ materially from those reflected in the forward-looking statement.
- The statements and information in the presentation speak only as of the date they are being made, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We operate in a changing environment. New risks emerge from time to time and it is not possible for us to predict all risks that may affect us. For more information regarding these risks and uncertainties as well as certain additional risks that we face, you should refer to the Risk Factors detailed in Item 3.D of our Annual Report on Form 20-F for the year ended December 31, 2016 and subsequent reports and registration statements filed or furnished by our company from time to time with the U.S. Securities and Exchange Commission.
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Strategy



Holding company



Solid, proven and **clear investment strategy** in global IT and software companies



Focusing on a **controlling interest in Investees**



Providing added value to investees - strategic insight, operational support and global relationships



Conservative financial management relying on diverse sources of credit - capital market, financial institutions and banks



We believe that **Transparency Pays** – High Corporate transparency through public traded investments, clear and detailed reporting (TASE, SEC), IPOs



Mature businesses with strong customer base, significant revenue and profitable operation



Talented and **highly motivated management** with personal share interest

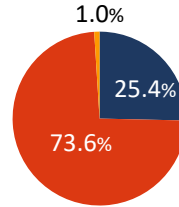


Strong, stable and **sustainable cash-flow**



Solid growth potential based on tangible growth engines

Risk Profile



● Asseco ● Israel ● Foreign



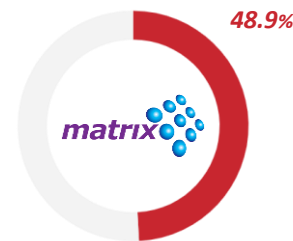
- Formula is dual-listed on TASE (99%) and NASDAQ (1%)
- 41.6%⁽¹⁾ held by over ~7 ISR Financial Institutions – Clal (8.3%), Menora (6.7%), Phoenix (5.7%), Meitav(5.4%), Harel (5.0%), Psagot (4.9%) and Yalin (5.6%)
- Investment Portfolio – 3 publicly traded and 3 private
- Formula’s management supervises all the businesses with “Hands-On” involvement in every none ordinary change in the business
- Managements are veteran and experienced in publicly traded companies (youngest member over 10 years with the company)
- Magic and Sapiens are dual-listed on TASE and Nasdaq; both provide annual revenue guidance since 2014 and both are based on strong repeated revenues generated by customers with long engagement cycles. Matrix is traded on TASE.
- Private companies are mature and are based on more than 30 years of business relations with their customers
- All companies are being audited by EY while implementing for many years all requirements such as SOX, internal auditing etc. with clean opinions
- All companies, managements, directors are with strong financial orientations and very conservative in nature

(1) As of 19.03.2019 based on shareholders over 5% reporting to the SEC

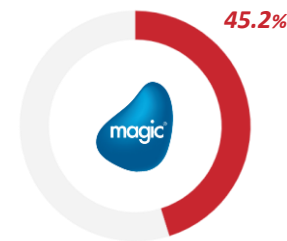
Companies Portfolio



A leading global provider of software solutions for the insurance and financial industry



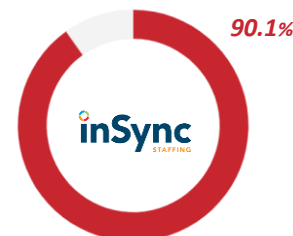
A leading Israeli service Integrator



A global provider of software technology and services for digital transformation



A provider of proprietary payroll software solution for processing traditional payroll stubs and consulting services



U.S. based full-service provider of staffing solutions

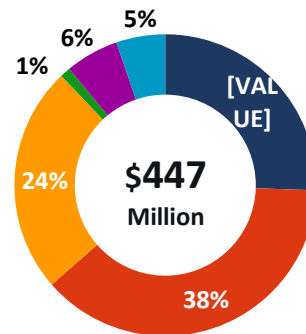


A global provider of C4iSTAR, HLS and cyber solutions

Investment Portfolio



Book Value of Portfolio (December 31, 2018)

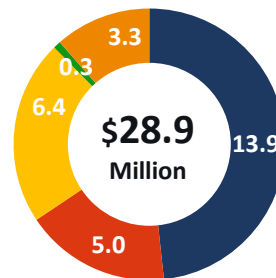


Dividend Policy:









Dividend Yield
6.5% (3.0% Vs Fair Value Portfolio Composition)

Dividends Inflow in 2018

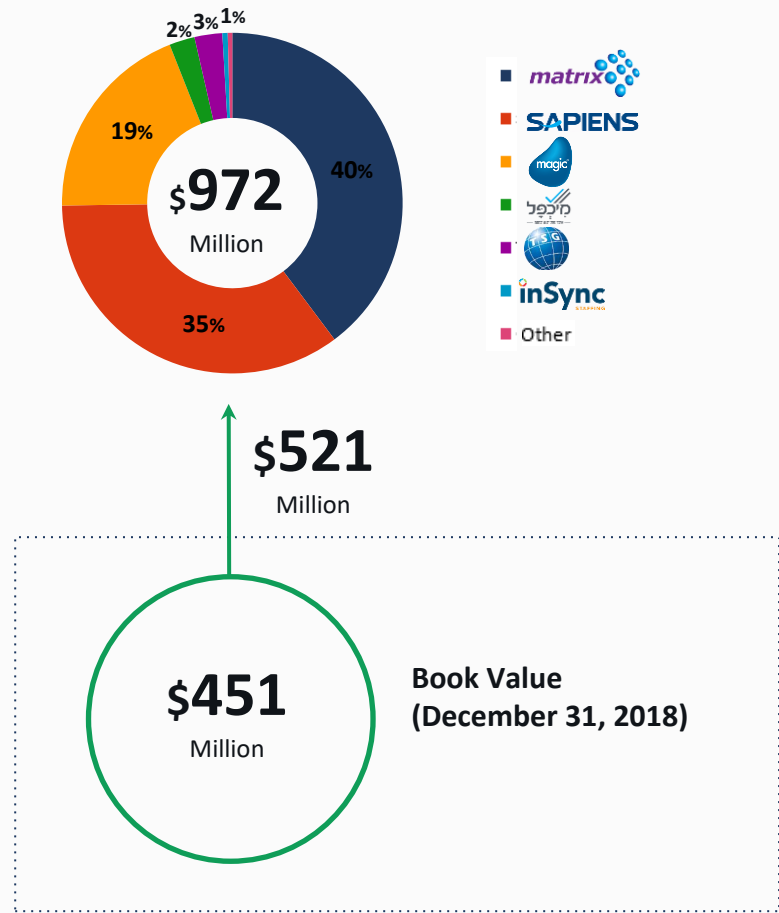


Traded Portfolio

Private Companies

	Book Value December 31, 2018	Fair Value March 19, 2019	
 Matrix	\$114,133	\$386,510	
 Sapiens	\$169,867	\$340,318	
 Magic	\$108,829	\$186,957	
Total Traded	\$392,829	\$913,785	(1)
 Michpal	\$23,485	\$23,485	
 TSG	\$25,625	\$25,625	
 Inysnc	\$4,946	\$4,946	
Total Private	\$54,056	\$54,056	(2)
Total Portfolio	\$446,885	\$967,841	
Other assets	\$4,203	\$4,203	(3)
	\$451,088	\$972,044	
Gross Debt	(\$115,129)	(\$115,129)	(3)
Cash	\$31,411	\$31,411	(3)
Net Debt	(\$83,718)	(\$83,718)	
Net Assets	\$367,370	\$888,326	
Equity per share	\$24.02	\$58.08	(4)
Share price	N/A	\$43.68	(1)
LTV	18.6 %	8.6 %	

Fair Value Composition (March 19, 2019)



(1) Quoted prices in TASE as of March 19, 2019

(2) Privately held companies are conservatively presented at book value as of December 31, 2018

(3) Presented as of December 31, 2018

(4) Based on outstanding ordinary shares as of March 19, 2019: 15,294,267 (as of December 31, 2018: 14,748,782)

Financial Debt Composition Stand Alone

BOND SERIES A (2.8%)

ILS 205.3M Par-Value

As of December 31, 2018

Maalot
S&P Global Ratings iIAA-

Moody's A1.il Moody's

Secured by shares

Average duration as of
March 2019 – 2.7

Last Pmt. July 2024

BOND SERIES B (2.78%)

\$31.2M Par-Value (*)

As of December 31, 2018

Maalot
S&P Global Ratings iIA+

Moody's A1.il Moody's

(*) \$20.5M converted to
shares (NIS147.5 : 1)

Redemption on 26/3/19

LOAN FINANCIAL INST.

ILS 88.4M (*)

As of December 31, 2018

Maalot
S&P Global Ratings iIA+

Moody's A1.il Moody's

(*) ILS 44.2M paid in 7/1/19

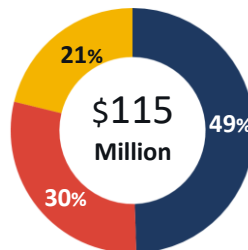
Secured by shares

Average duration 0.58

Last Pmt. January 2020

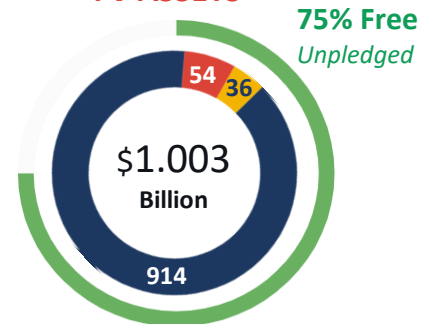
GROSS DEBT

As of 31 December, 2018



● Series A ● Series B ● Financial Institution

FV ASSETS



● Traded ● Private ● Cash and other

Formula at a glance*

YE 2018

Established:

1985

Employees:

~15,000

Market Cap (3/2019):

NIS2.4B

Stand Alone LTV (3/2019):

~8.6%

Total Cash 31/12/2018:

\$298.6M

Revenues:

\$1.5B

Operating Profit:

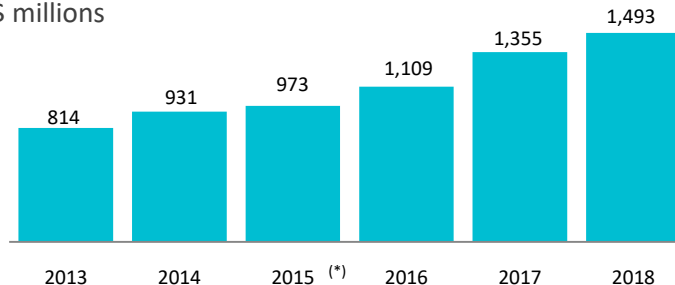
\$109.6M

Net Income Attributable to Equity holders of the Company

2018: \$32.2M

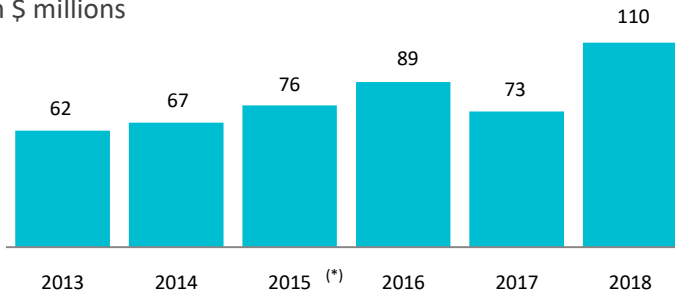
REVENUES GROWTH

In \$ millions



OPERATING PROFIT

In \$ millions



* From 2012 to 2014, data is Based on US GAAP

From 2015 onwards, the company reports its financial statements based on IFRS

Based on consolidated financial statements



Matrix at a glance*

STATS

Founded: 1989

Traded since 1993: MTRX

Dividend policy of 75 % of net income (3.6% yield)

Formula Systems 48.9%

More than 50% **Free Float** (TASE-TA90)

REVENUE NIS 3.2B	CAGR 2013-2018 10.4%
EBITDA 2018 NIS 251.3M	CAGR 2013-2018 9.9%
EMPLOYEES 9,250	CASH FLOW 2017-2018 ~70%

OFFERING

Software Solutions and Services (US)

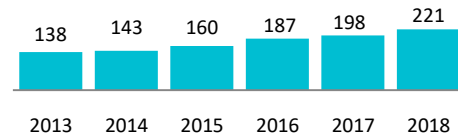
Software Solutions and Services (ISRAEL)

Computer Infrastructure and Integration Solutions

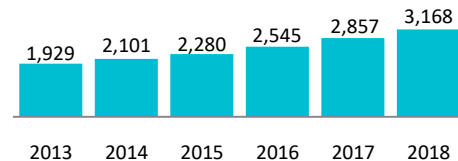
Learning and Integration

Software Product Marketing and Support

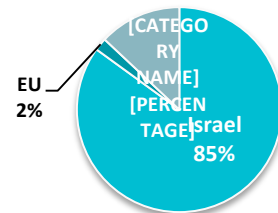
OPERATING PROFIT



REVENUES GROWTH



REVENUES BY GEOGRAPHY



* All figures are in millions of NIS

FUTURE STRATEGY

- Leading the Israeli IT market by identifying and adapting company's offerings to market trends and demands
- Achieving Global leading positions in:
 - GRC, anti-Fraud and AML market
 - SIEM-SOC and Cyber Security solutions
- Rapid International growth via M&A

FINANCIAL HIGHLIGHTS

<i>NIS million</i>	<i>2018</i>	<i>2017</i>	<i>18Vs17</i>	<i>2016</i>	<i>17Vs16</i>
Revenue	3,168.0	2,857.0	11%	2,545.0	12%
Gross Profit	465.1	420.3	11%	392.5	7%
Gross margin	14.7%	14.7%		15.4%	
Operating Income	220.6	198.0	11%	187.3	6%
EBITDA	251.3	222.7	13%	212.3	5%
Operating margin	7.9%	7.8%		8.3%	
Operating Cash Flow	124.6	180.8	(31%)	114.6	58%

Sapiens at a glance*

STATS

Founded: 1982

Traded since 1992: SPNS

Dividends up to 50 % of net income *no dividend policy*

Formula Systems 48.1%

More than 50% Free Float *TASE-TA90; NASDAQ*

New Customers:

95 (2011-2017); 25 (2018)

Foot Print:

36/457 Office/ Customers

REVENUE

USD 290.3

2019 GUIDANCE

\$318M-323M (9.5%-11.3%)

CAGR

2013-2018

16.5%

EBITDA 2018

USD 43M

2019 GUIDANCE

AVR Guidance \$53.2m

CAGR

2013-2018

23.1%

EMPLOYEES

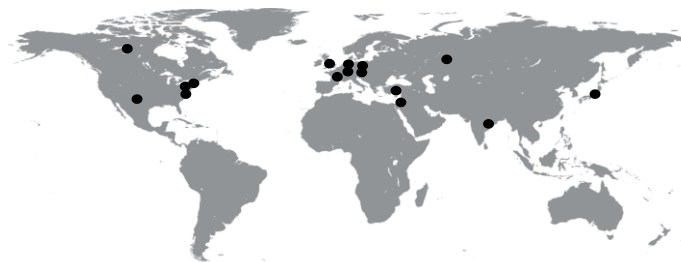
2,400

CASH FLOW

2018

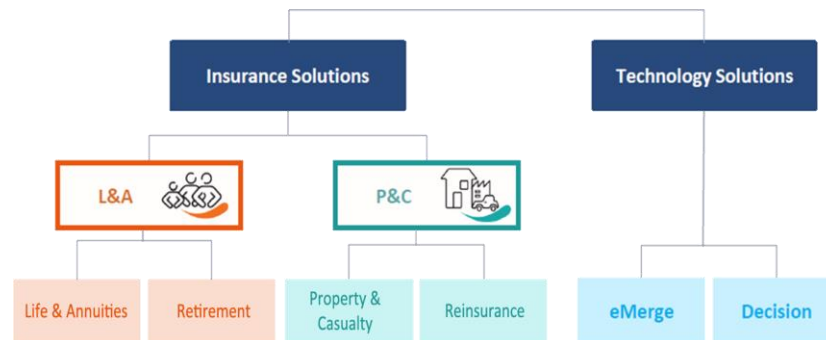
~80%

GLOBAL PRESENCE

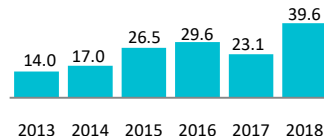


SAPIENS
Partnering for Success

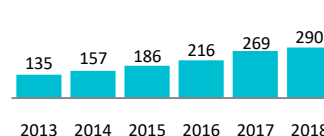
OFFERING



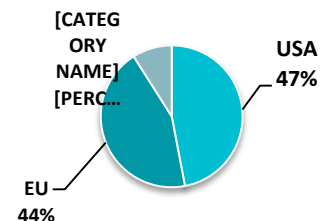
Non-GAAP OPERATING PROFIT



REVENUES GROWTH



REVENUES BY GEOGRAPHY



* All figures are in millions of USD

FUTURE STRATEGY

- Customer Base
- Geographic Expansion
- Complementary Solutions
- Increase footprint in the US P&C market via StoneRiver and Adaptic and continue Global P&C double digit growth
- Moving from decline revenue in L&P to stabilization with positive outlook
- Margin expansion

FINANCIAL HIGHLIGHTS

USD million	2018	2017	18Vs17	2016	17Vs16
Non GAAP Revenue ⁽¹⁾	290.3	272.0	7%	216.2	26%
Non GAAP Gross Profit ⁽¹⁾	122.9	106.7	15%	91.87	16%
Non GAAP Gross Margin ⁽¹⁾	42.3%	39.2%		42.4%	
EBITDA	43.3	26.9	61%	32.5	(17%)
Non GAAP Operating Margin ⁽¹⁾	14.9%	9.9%		15%	
Operating Cash Flow	27.7	9.3	198%	26.0	(64%)

Magic at a glance *



STATS

Founded: 1983

Traded since 1991: MGIC

Dividend policy of 75 %
of net income (~3.6%
yield)

Formula Systems 45.2%

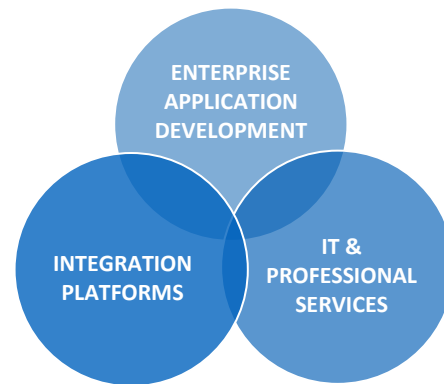
**More than 50% Free
Float** TASE-TA90; NASDAQ

Foot Print:

24/'000 Office/ Customers

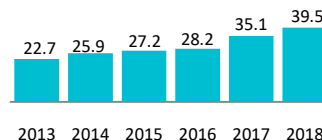
Repeated: 80%

OUR BUSINESS

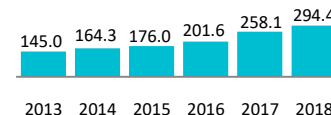


*Robust application
development and
integration platforms
that enable enterprises
and ISVs to go digital*

NON-GAAP OPERATING PROFIT



REVENUES GROWTH



REVENUE

USD 284.4

2019 GUIDANCE

\$313M-319M (10%-12%)

CAGR

2013-2018

14.4%

EBITDA 2018

USD 40.7M

CAGR

2013-2018

11.7%

EMPLOYEES

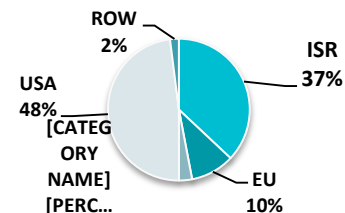
2,200

CASH FLOW

2017-2018

~70%

REVENUES BY GEOGRAPHY



* All figures are in millions of USD

FUTURE STRATEGY

- Improve and Focus on Cross-Selling
- Increase Penetration in our Existing Customer Base with New Technologies
- Acquire New Partners and Customers
- Provide New Solutions to New Ecosystems
- Growth Through Acquisitions

FINANCIAL HIGHLIGHTS

<i>USD million</i>	<i>2018</i>	<i>2017</i>	<i>18Vs17</i>	<i>2016</i>	<i>17Vs16</i>
Non GAAP Revenue ⁽¹⁾	284.4	258.1	10%	201.6	28%
Non GAAP Gross Profit ⁽¹⁾	94.4	89.0	6%	73.6	21%
Non GAAP Gross margin ⁽¹⁾	33.2%	34.5%		36.5%	
EBITDA	40.7	35.9	13%	28.6	26%
Non-GAAP Operating margin ⁽¹⁾	14.3%	13.9%		14.2%	
Operating Cash Flow	24.1	25.5	(5%)	28.0	(9%)



TSG at a glance*

STATS

Founded: 1999 as Ness-TSG; June 2014- TSG

Formula Systems 50.0% (IAI 50%) – Acquired in May 2016

REVENUE 18/17

\$66M / \$67M

EBITDA 18/17

\$6.0M / \$6.6M

EMPLOYEES 18/17

403 / 368

FUTURE STRATEGY

- Increase revenues :
 - More than 50% overseas
 - 50% Organic and 50% from M&A
- Strategic cooperation with IAI & Formula /Asseco
- Improve Sales & Marketing activities

Command & Control

(Data Fusion Systems and Strategic C2 Systems)

Intelligence (VISINT, Active Defense)

Public Safety & Crisis Management and Cyber (HLS & Cyber)

Telecom Systems

OFFERING



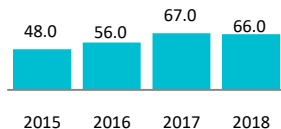
June 2017 - Winners of IMOD's tender for ICT center.

The project considered to be the largest IT tender in the history of the IDF and estimated at hundreds of millions of shekels over the next decade.

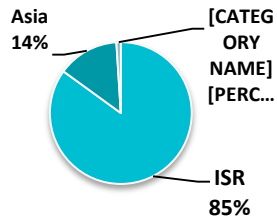
TERMS WITH IAI:

- Leverage IAI sales & marketing
- M&A strategy

REVENUES GROWTH



REVENUES BY GEOGRAPHY



* All figures are in millions of USD

STATS

Over 1m Monthly Pay
Slips

Founded in 1983 - Over
30 years of experience

CUSTOMERS

~8,000

EMPLOYEES

~64

FUTURE STRATEGY

- Unified reporting
- Expend services

SHORT STORY:

- Michpal Micro Computers (1983) Ltd., is a developer of payroll software platform.
- **The company sells perpetual licenses followed by a maintenance agreement**, and developed several modules which are sold to its customers in addition to the standard payroll software for additional fees. In addition, it is currently in a progress stage of developing a cloud based attendance software.
- **Strong and loyal customer base, with approximately 8,000 customers** (no customer concentration), most of which are very senior (61% are with 10 years and more of seniority).
- **Release of a new product and service line – "Michpal Pension" and "Michpal PensionPlus"** enabling employers to digitally report their employees' pension fund payments to their respective pension funds as required by law (this requirement took effect on January 1, 2017 for employers who employ more than 100 employees, on January 1, 2018 for employers who employ more than 20 employees and on January 1, 2019 for employers who employ more than 10 employees).
- **Acquisition in November 2018 of an 80% share interest in Effective Solutions Ltd**, an Israeli company that provides consulting services in the fields of operational cost savings and procurement, as well as salary control and monitoring. **The two companies have launched a new service called "Michpal YEDA"**, which allows clients to consult with team of experienced professionals, including employment attorneys and HR experts, with respect to payroll, labor, pensions, social security and employee income tax matters.

FUTURE STRATEGY

Cross-selling

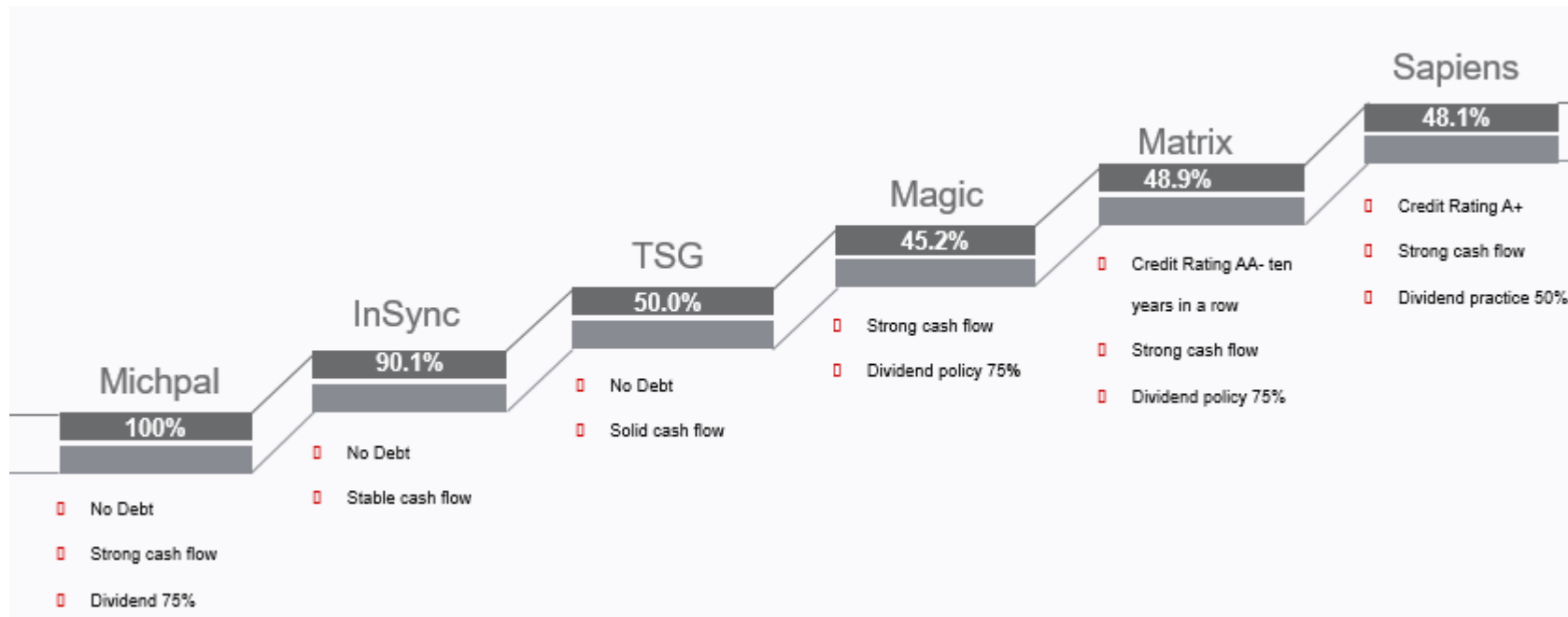
SHORT STORY:

InSync is a U.S. based full-service provider of consulting and staffing solutions for IT, engineering and other professional staff (i.e. accounting and finance, administrative, customer service, healthcare, human resources, manufacturing, marketing/sales, and operations).

InSync currently supports more than 50 VMS program customers with employees in over 40 states.

Formula Systems Portfolio Overview

Market Cap: NIS 2.4B (March 2019); Issuer Credit Rating: iIA+/stable (S&P) and A1.il (Midrug)





Thank You!