



**Matrix announces the results of the second quarter of 2018 and presents continued double-digit growth in all indices in the quarter and in the first half of 2018**

**Matrix's net profit in the second quarter of 2018 surged by over 40% to NIS 34.1M, revenues grew by about 14% to approximately NIS 762.2M**

**Matrix's revenues in the first half of 2018 grew by about 13% to approximately NIS 1.5B. Net profit surged by about 32% to approximately NIS 69.3M over the period**

This morning, Matrix published its results for the second quarter of 2018 and the first half of the year. The company continues to present double-digit growth in all key indices for the quarter and for the six months: revenues, gross profit, operating profit, and net profit.

In the second quarter, the revenues of Matrix amounted to approximately NIS 762.2M, compared with approximately NIS 668.5M in the corresponding quarter of the previous year, an increase of about 14%. The company sales in the first half of 2018 (the period) amounted to approximately NIS 1.539B, an increase of about 12.8% compared with approximately NIS 1.365B in the corresponding quarter of the previous year.

Operating profit in the second quarter of 2018 reached approximately NIS 50.1M, compared with approximately NIS 41M in the corresponding quarter of the previous year, an increase of about 22.1%. Operating profit in the first half of the year amounted to approximately NIS 102.2M, an increase of about 14%, compared with approximately NIS 89.6M in the corresponding period of the previous year.

Net profit in the second quarter reached approximately NIS 34.2M, compared with approximately NIS 24.3M in the corresponding quarter of the previous year, a sharp increase of about 40.5%. Net profit in the first half of 2018 reached approximately NIS 69.3M, compared with approximately NIS 52.6M in the corresponding period of the previous year, an increase of about 31.8%.

Moti Gutman, CEO of Matrix: "**Although in the second quarter there are fewer working days (because of Passover), we are proud to conclude an excellent quarter and half a year with double-digit growth on all major financial indices.** The increase in the revenues of the company in the quarter and in the period stems, among others, from the strategic projects that we have won over the past year, such as the project to establish a credit database for the Bank of Israel and strategic deals in the area of cyber. In the US, we are beginning to reap the benefits of our recent investments in the ongoing acquisition of companies, as well as from organic growth stemming from the concentration of our sales. In the second quarter, we achieved an increase of



about 30% in revenues and about 66% in operating profit in the US. We see the US market as a strategic market for our continued growth."

"In the Training Division, we continue focusing on activities that generate high profits and on developing new models in the field of employee training, placement, and deployment," said Gutman, adding: "Because of the shortage of thousands of high-tech workers, we emphasize the training and preparation of college graduates for high-tech using a model that allows us to offer companies outstanding graduates who can quickly integrate into positions in the industry. This is a winning model for both sides, and we are confident that we will be able to attract more people to come and study in our training and deployment units, in the retraining courses at John Bryce Training, the largest technological training body in Israel, courses designed according to the boot camp model by Infinity Labs, a subsidiary of Matrix. We see the training of high-quality specialists for the high-tech industry, including integration of sectors that have not participated in the past, as an important national mission."

Gutman added: "The integration and infrastructure solutions sector also continues to demonstrate impressive and consistent growth thanks to the cloud solutions area, which continues to expand and enjoys increased demand. Our cloud solution suite, within the framework of our CloudZone unit, enables our customers to choose the solution that is best suited for them, offered by the largest technology companies in the field, represented by Matrix."



**Summary of reports for the three months and six months ending on June 30, 2018 and 2017 (in NIS thousands)**

	For three months ending on		Change in %	For six months ending on		Change in %
	30.06.18	30.06.17		30.06.18	30.06.17	
<b>Turnover</b>	<b>762,205</b>	<b>668,549</b>	<b>14%+</b>	<b>1,539,861</b>	<b>1,365,216</b>	<b>+12.8%</b>
<b>Cost of sales and services</b>	651,392	573,345		1,319,513	1,167,968	
<b>Gross profit</b>	<b>110,813</b>	<b>95,204</b>	<b>16.4%+</b>	<b>220,348</b>	<b>197,248</b>	<b>+11.7%</b>
<b>%</b>	<b>14.5%</b>	<b>14.2%</b>		<b>14.3%</b>	<b>14.5%</b>	
<b>Sales and marketing expenses</b>	26,150	22,210		51,541	44,276	
<b>Management and general expenses</b>	34,571	31,983		66,627	63,377	
<b>Operating profit</b>	<b>50,092</b>	<b>41,011</b>	<b>22.1%+</b>	<b>102,180</b>	<b>89,595</b>	<b>+14%</b>
<b>%</b>	<b>6.6%</b>	<b>6.1%</b>		<b>6.6%</b>	<b>6.6%</b>	
<b>Financing costs</b>	6,738	8,285		12,165	17,017	
<b>Financing gains</b>	1,563	(227)		1,751	(581)	
<b>The Company's share in the profits (losses) of affiliated companies</b>	(45)	5		(21)	(27)	
<b>Profit before taxes</b>	44,872	32,504		91,745	71,970	
<b>Taxes on income</b>	10,705	8,179		22,436	19,393	
<b>Net profit</b>	<b>34,167</b>	<b>24,325</b>	<b>40.5%+</b>	<b>69,309</b>	<b>52,577</b>	<b>+31.8%</b>
<b>%</b>	<b>4.5%</b>	<b>3.6%</b>		<b>4.5%</b>	<b>3.9%</b>	

**Dividends**

**Matrix continues its policy of distributing dividends every quarter at a rate of up to 75% of the net profit. This morning we announced an additional dividend of NIS 0.40 per share, amounting to NIS 24.M, and a total of NIS 80M since the beginning of 2018.**

**Significant income and profit analysis data by sector**

Matrix operates in five activity sectors: 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 computer infrastructure, and Training and deployment.

Total revenues in the **Software solutions and services sector in Israel** in the second quarter of 2018 amounted to approximately NIS 484.2M, representing about 60.8% of revenues, compared with approximately NIS 427M in the corresponding quarter of the previous year, an increase of about 13.4%. Revenues from this sector in the first half of 2018 amounted to approximately NIS 965.4M, or about 60.4% of revenues, compared with approximately NIS 884.7M in the corresponding period of the previous year, an increase of about 9.1%. Operating profit from the Software solutions and services sector in Israel in the second quarter amounted to approximately NIS 20.3M compared with approximately NIS 17.8M in the second quarter of the previous year, an increase of about 14%. Operating profit for the period reached approximately NIS 48.7M, compared with approximately NIS



42.9M in the corresponding period of the previous year, representing an increase of about 13.6%.

In the second quarter of 2018, total revenues from the **Software solutions and services in the US** amounted to approximately NIS 105.8M (\$29.6M) compared with approximately NIS 81.7M (\$22.8M) in the corresponding quarter of the previous year, **a surge of about 30%**, after accounting for the effect of the dollar exchange rate. Revenues for the period from this sector amounted to approximately NIS 201M (\$51.7M), compared with approximately NIS 163.2M (\$44.8M) in the corresponding period of the last year, **an increase of about 27.5%**, after accounting for the effect of the dollar exchange rate. Operating profit from the Software solutions and services sector in the US in the second quarter amounted to approximately NIS 14.6M (\$4.1M), compared with approximately NIS 8.8M (\$2.4M) in the corresponding quarter of the previous year, **a surge of about 70.8%**, after accounting for the effect of the dollar exchange rate. Operating profit from this sector for the period amounted to approximately NIS 25.8M (\$7.3M), compared with approximately NIS 20.7 (\$5.7M) in the corresponding period of the previous year, an increase of about 28.1% after accounting for the effect of the dollar exchange rate.

The increase in revenues, profits, and profit margin is due to an increase in activity and to the initial consolidation of Alius and PVBS.

Total revenues from the **Marketing and support of software products** sector in the second quarter of 2018 amounted to approximately NIS 37.8M, an amount similar to that in the corresponding quarter of the previous year. Revenues for the first half of 2018 from the Marketing and software products sector amounted to approximately NIS 75.2M, compared with NIS 68.6M in the corresponding period of the previous year, an increase of about 9.6%. Operating profit in the Marketing and support of software products for the quarter amounted to approximately NIS 3.8M compared with NIS 5.7M in the corresponding quarter last year. Operating profit for the period amounted to NIS 6.9M, compared with NIS 9M in the corresponding period of the previous year. The increase in revenues for the period accompanied by a decrease in operating profit stems from a transition from perpetual licenses to subscriptions.

Revenues from the **Integration solutions and computer infrastructure** sector in the second quarter of 2018 amounted to approximately NIS 123.3M, compared with approximately NIS 105.5M in the corresponding quarter of the previous year, an increase of about 17%. Revenues from the integration solutions and infrastructure sector for the period amounted to approximately NIS 266.5M, compared with approximately NIS 221.2M in the corresponding period of the previous year, an increase of about 20.5%. Operating profit in the integration solutions and infrastructure sector in the second quarter amounted to approximately NIS 5.4M, compared with approximately NIS 4.2M in the corresponding quarter of the previous year, an increase of 29.6%. Operating profit for the period amounted



to approximately NIS 10.1M, compared with approximately NIS 8.9M in the corresponding period of the previous year, an increase of about 14%. The increase in revenues is due to an increase in activity, especially in the field of cloud solutions.

Revenues in the **Training and deployment** sector in the second quarter of 2018 amounted to approximately NIS 45.2M, compared with NIS 41.3M in the corresponding quarter of the previous year, an increase of about 9.2%. Total revenues in the Training and deployment sector for the period amounted to approximately NIS 90.6M, compared with approximately NIS 82.1M in the corresponding period of the previous year, an increase of about 10.4%. Operating profit in the Training and deployment sector in the second quarter reached approximately NIS 6M, compared with a profit of approximately NIS 4.5M in the corresponding quarter of the previous year, an increase of about 34%. Operating profit in this sector for the period amounted to a total of approximately NIS 10.7M, compared with approximately NIS 8.2M in the corresponding period last year, an increase of about 31.3%. The increase in revenues and operating profit derives mainly from an increase in training, deployment, and placement activities, with a focus on activities with high profit margins.

#### **About Matrix**

Matrix carries out some of the largest integration projects in the industry. It designs and develops innovative technologies and enterprise applications for the Internet and mobile environments, as well as for legacy systems. It represents software solutions and products, local infrastructure solutions, and cloud solutions. It provides outsourcing and offshore services, and engages in software testing, training, and deployment. Matrix employs approximately 8,750 IT professionals. For over 13 years, Matrix has been ranked by research companies as the leader in the field of software and technology services in Israel. Matrix is traded on the Tel-Aviv Stock Exchange and is part of the TA100 index. Company sales in 2017 reached NIS 2.85B, and net profit reached approximately NIS 127M.