



# Investor's Presentation

Financial reports 31.12.22



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# Matrix - ID



The biggest IT company in Israel.  
Established in 2001, Turnover of 4.7 billion NIS.



Shows high growth rates over the years –

- ❖ CAGR Rev 2018-2022 ~10%
- ❖ CAGR EBIT 2018-2022 ~12%



A public company, listed on the TASE in leading indices - TA 90, Tel-Tech, Tel-Aviv Technology, Tel-Div and more. Fair value of about 5 billion NIS



Employs about 11 thousand employees (of which about 800 abroad).  
56% women.



Credit Rating - Aa3



The company reports on 5 Reporting segments: (1) IT solutions and services, consulting and management in Israel; (2) IT solutions and services in the US; (3) Sales, marketing and support of software products; (4) Cloud and computing infrastructure and (5) Training and implementation.



Leader of the IT services market in Israel for 17 years in a row (STKI survey - May 2022).



Customers from all sectors: Banking, Finance, High-tech, Government, Public sector, Defense, Retail and more.



Controlled by Formula Group which owns 48.5% of the share capital.



# Matrix Positioning



# Leading

Ranked as the leading company in the technology information market for 17 consecutive years, Matrix conducts the largest computing projects using the most advance technology for a client base of Israel's top organizations.



## Analyst Ranking

**Leader of the value-added services market**  
**17 consecutive years**  
May 2022



**Aa3 credit ranking, Stable outlook**  
**14 consecutive years**

March 2022



**Leader of the IT services market**  
**14 consecutive years**

June 2022



## Leading Partners



## 11,200 Professionals

56% Women

**10,260**



**650**



**290**

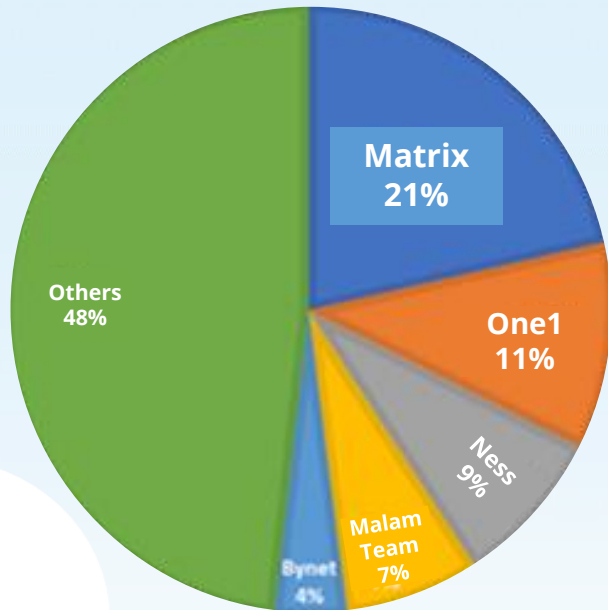


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# Evolution

**Information Technology in Israel**

**Defense Industry**

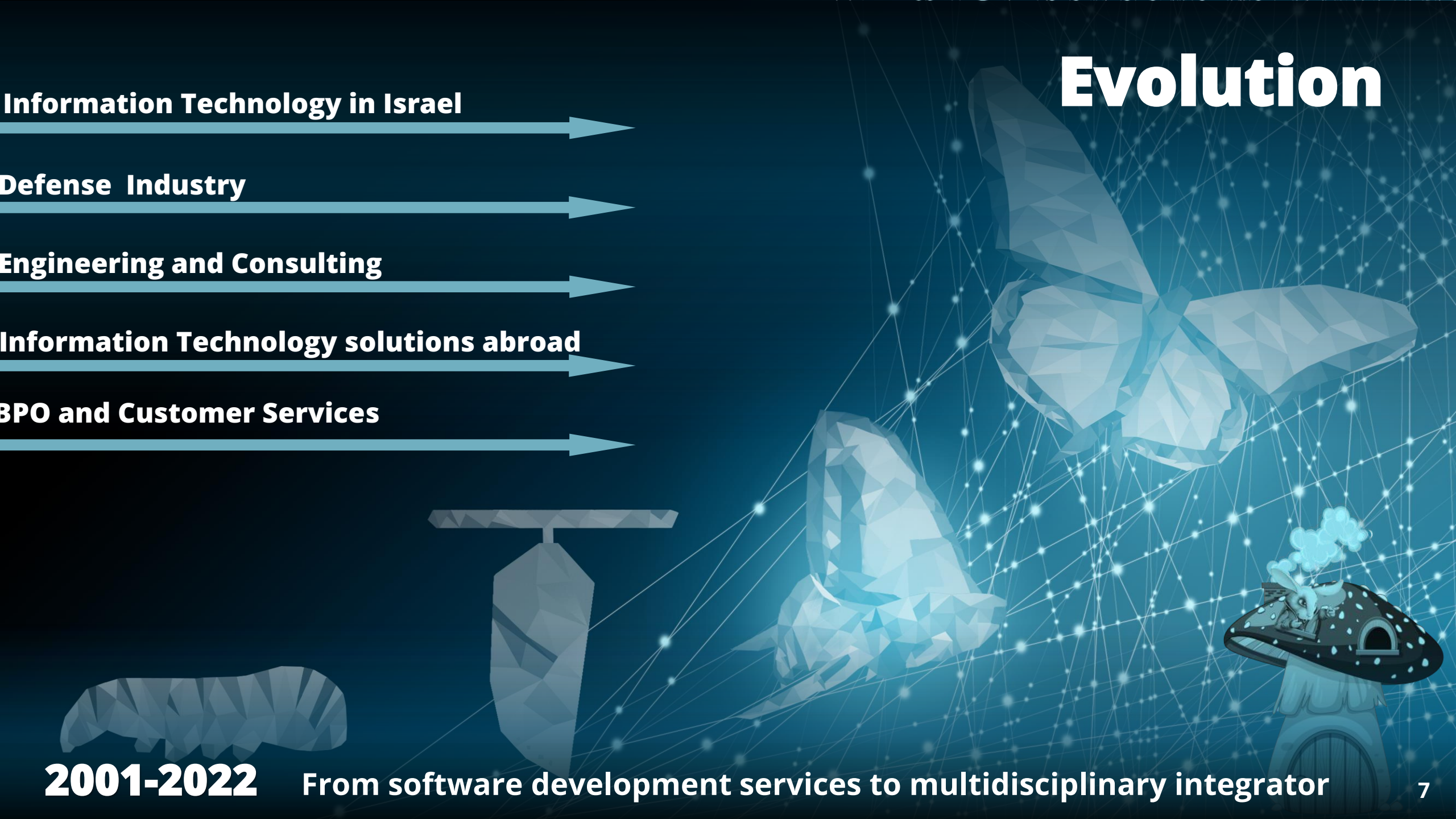
**Engineering and Consulting**

**Information Technology solutions abroad**

**BPO and Customer Services**

**2001-2022**

**From software development services to multidisciplinary integrator**





# 2001-2022 Evolution

**From software development services to multidisciplinary integrator**

## Leaders in Information Technology in Israel

- **Development from Staff Augmentation to execution of turn-key projects, integration, Managed Services through to the execution of mega projects**
- **The preferred business partner on IT Solutions in Israel**
- **Nearshore service model**
- **Marketing of software products, infrastructure, integration, and systems implementation**
- **The widest range of technological and business solutions on the market**
- **D<sup>2</sup>C<sup>3</sup> - Digital transformation, Data & AI, Cloud, Cyber, Core systems**





# 2001-2022 Evolution

**From software development services to multidisciplinary integrators**

A photograph showing a person from behind, wearing a military-style tactical vest and a dark t-shirt, sitting at a desk in a control room. They are looking at several computer monitors displaying various data and maps. The room is dimly lit with blue ambient lighting.

## Matrix Defense was defined in 2021 as a "defense industry"

In 2021, the Ministry of Defense, by virtue of his authority of the law, signed an order directing to define Matrix Defense, as a "Defense Industry", having a significant volume of activity in the defense sector and involvement in important projects for the defense industry.

Rendering techno-operational consulting, and software development to MOD, Aerospace & Defense companies and costumers abroad.

# 2001-2022 Evolution

**From software development services to multidisciplinary integrators**



## Engineering and Consulting

The acquisition of the companies "Aviv", "Programa" and "Dana Engineering" formed the basis for the establishment of Matrix Engineering and Consulting Group:

- ❖ Projects, consulting and Managed Services to governmental industrial, Utility companies, government organizations in the fields of Construction, Energy, Transportation and Aviation, Health, Environment and more.
- ❖ Supervision of mega-projects in the field of civil engineering and national infrastructure.
- ❖ Projects and Consulting in the areas of logistics and supply chains in Israel and abroad.

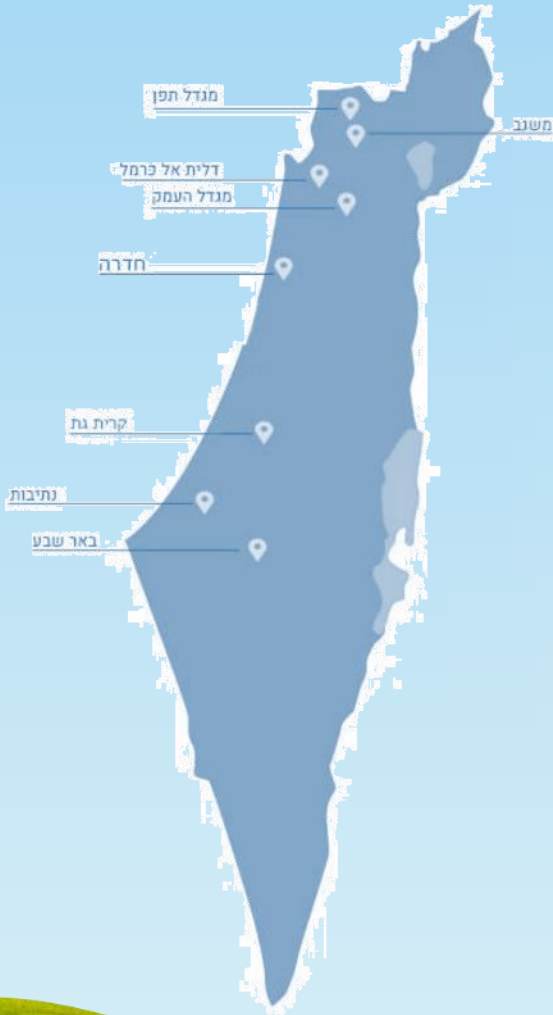
# 2001 – 2022 Evolution

From software development services to  
multidisciplinary integrators



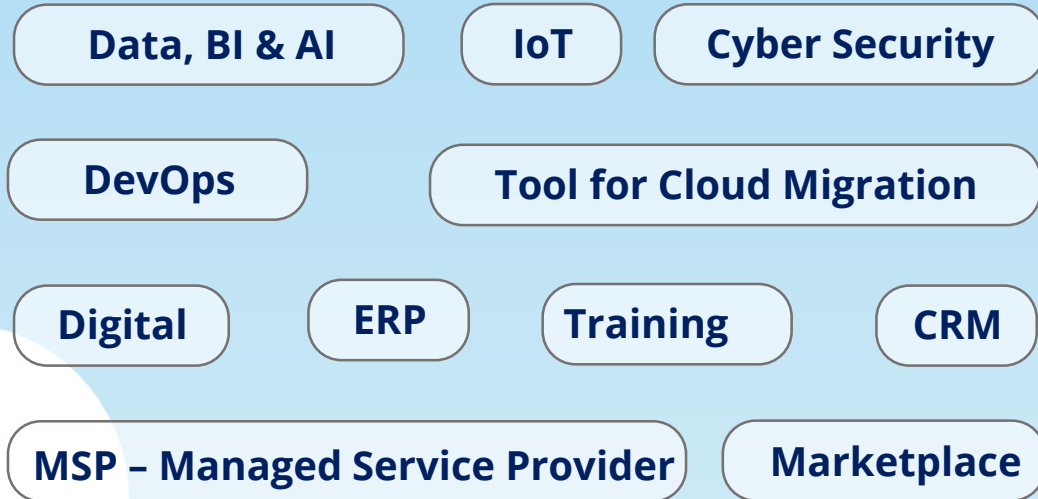
## BPO and Customer Service Systems

- Babcom – the second largest call Center in Israel, with thousands of representatives.
- Customer Technical assistance services.
- Operational outsourcing of Back-Office services.
- Database establishment ,Improvement and recovery services.
- ML / AI tagging - video and text.

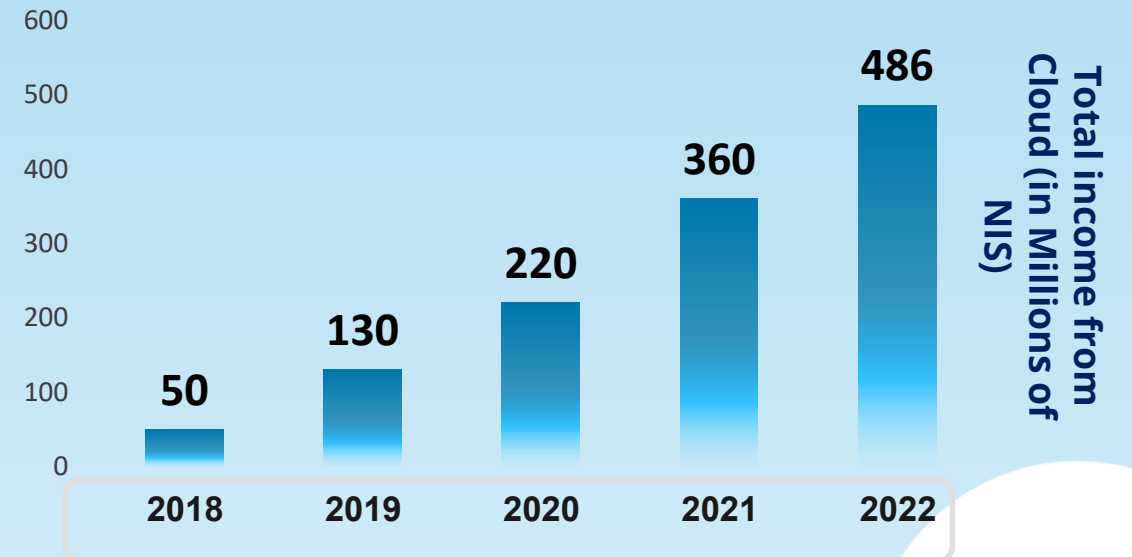




## Matrix Cloud Ecosystem



## Matrix growth in the cloud



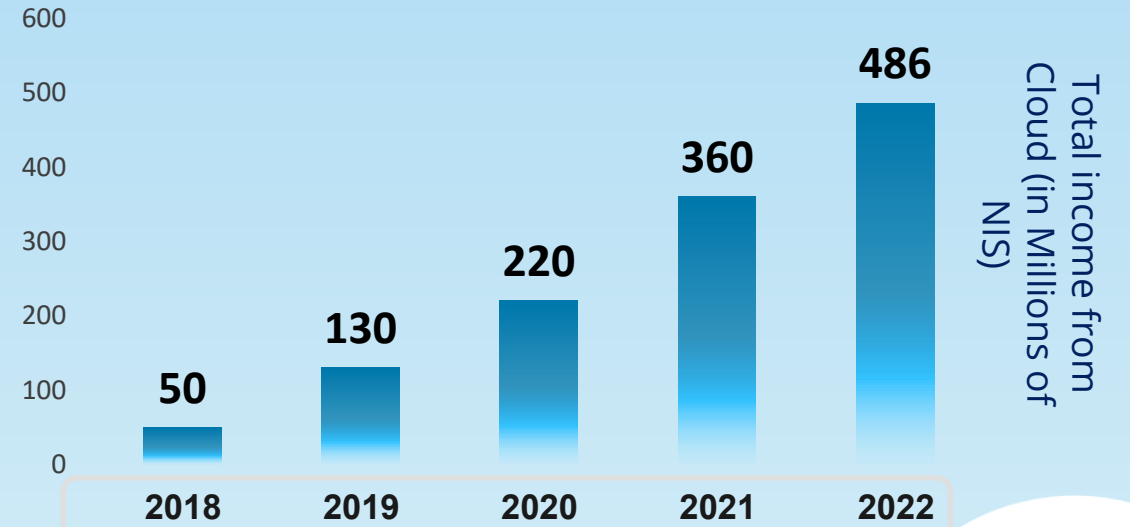
**Table 1. Worldwide Public Cloud Services End-User Spending Forecast (Millions of U.S. Dollars)**

	2021	2022	2023
Cloud Business Process Services (BPaaS)	51,410	55,598	60,619
Cloud Application Infrastructure Services (PaaS)	86,943	109,623	136,404
Cloud Application Services (SaaS)	152,184	176,622	208,080
Cloud Management and Security Services	26,665	30,471	35,218
Cloud System Infrastructure Services (IaaS)	91,642	119,717	156,276
Desktop as a Service (DaaS)	2,072	2,623	3,244
<b>Total Market</b>	<b>410,915</b>	<b>494,654</b>	<b>599,840</b>

BPaaS = business process as a service; IaaS = infrastructure as a service; PaaS = platform as a service; SaaS = software as a service. Note: Totals may not add up due to rounding.

Source: Gartner (April 2022)

## Matrix growth in the cloud





# NIMBUS



The Nimbus project is an important turning point, because it makes possible working in the cloud ,while keeping the data locally in Israel. This removes the barrier that stopped migration to Cloud of government and security systems, based on databases ,that cannot be transferred to servers outside the country.

- **The basic tender for the Nimbus project was won by Amazon and Google, both business partners of Matrix.**
- In a follow-up tender, in which Matrix **won in all categories**, the government arranged rapid procurement processes for the projects.
- Winning the tenders gives Matrix the right to serve as an expert provider for government institutions and help migrate their systems to the cloud.



# 2001 – 2022 Evolution



**From software development services to multidisciplinary integrators**

## Information technology Abroad

### USA

- ❖ Projects, Consulting services and Marketing of software products to clients in the US ,in a wide range of technologies and business sectors
  - ❖ Expertise in Financial sector – Anti-Money-Laundering, Fraud, Prevention and Detection and Financial Compliance
  - ❖ Expertise in Healthcare – IT and support services, Migration to Cloud
- 
- Offshore service from Eastern Europe (Bulgaria / Macedonia) to Israeli customers, and from India for the US market
  - Marketing local software products and providing managed services around them
  - D<sup>2</sup>C<sup>3</sup> – Projects from Israel for the international market

# US Activity

The US activity of Matrix relies on 600+ software professionals employed in North America, on Matrix's broad portfolio of technological capabilities in Israel, on Matrix development centers worldwide (Eastern Europe, India, Israel), and on the company's relationships with the world's leading product suppliers as a distributor.

## Prominent market segments

- Government
- Financial
- Health
- Transportation

## Marketing of software products

- Software products for the security and government sector
- Add-ons for Microsoft CRM systems
- Representation of Israeli software companies in the US
- Product sales to government

## Projects & consulting regarding:

- AML, Fraud, Risk, GRC, Cyber
- Infrastructure and DB management at computer facilities
- CRM systems
- IT systems for the medical market
- Data/BI/AI
- Digital transformation
- Software development services



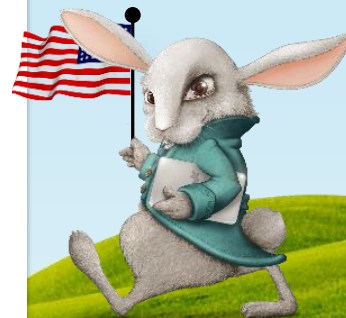




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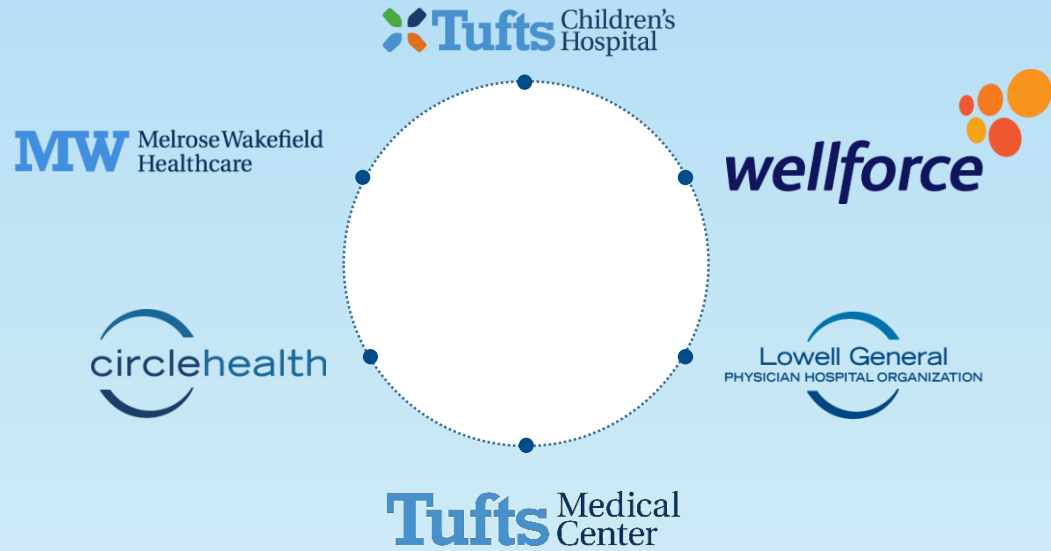
In view of the increase in the use of digital payments and wider exposure to cyber fraud, the financial market continues to invest enormous resources in alert systems to prevent money laundering and fraud

Matrix implements off-the-shelf systems and provides services related to GRC systems, including leading systems from NICE and IBM





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**Consolidation project of Boston hospitals**  
Providing full management of IT services  
(outsourcing)



# USA – SPOT ON



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**In 2022, Brinks chose Matrix to provide global support services in over 50 countries.**



**In 2021, Matrix began providing technical support services to the MTA, and in 2022 expanded into other areas of activity.**



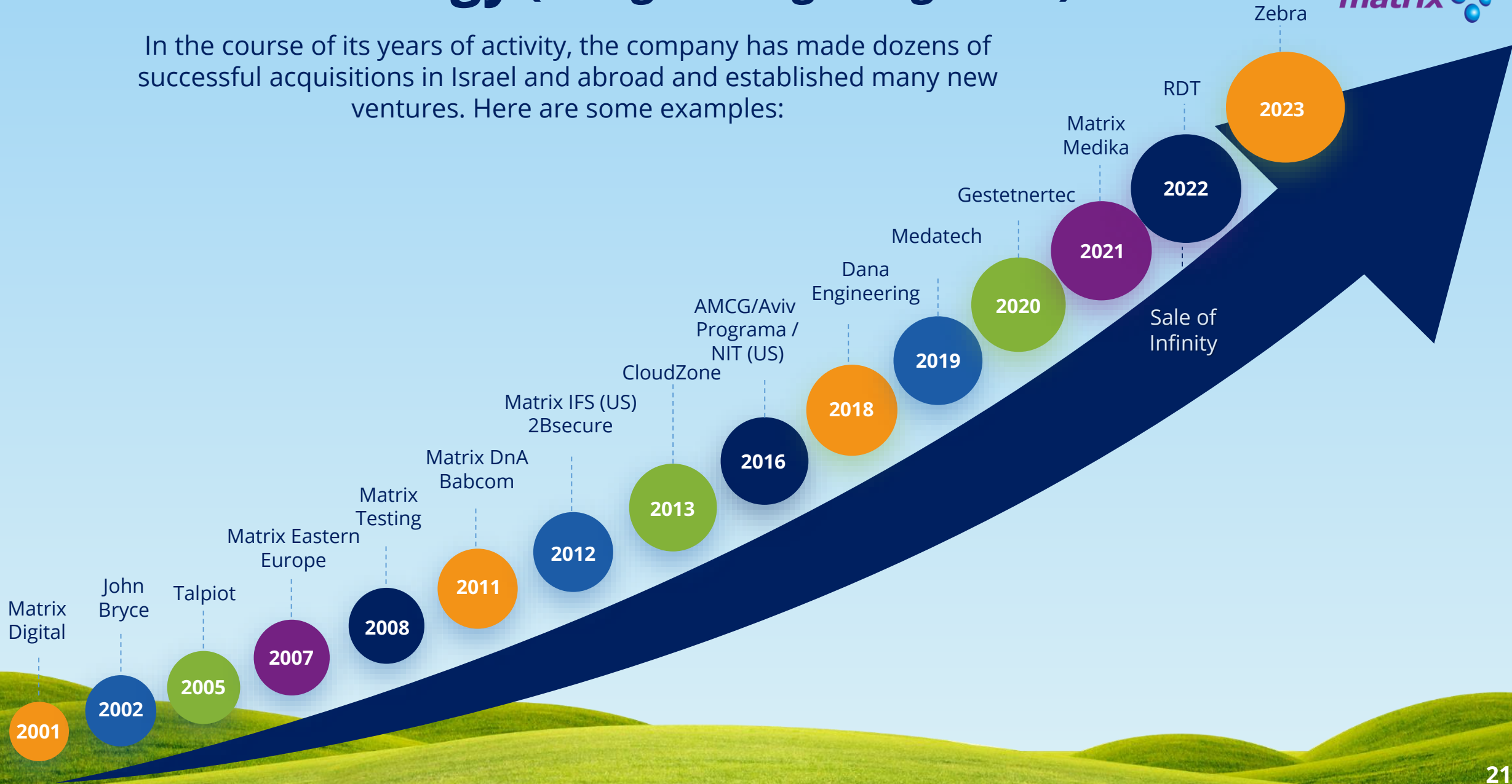
**M&A**



# M&A strategy (alongside organic growth)



In the course of its years of activity, the company has made dozens of successful acquisitions in Israel and abroad and established many new ventures. Here are some examples:





# Financial Reports





# 2022 Accomplishments



Matrix shows consistent improvement in its results and a sets new records in revenues, in gross profit, operating profit, net profit, cash flow, and EBITDA.

- **Double-digit organic growth in operating profit**
- **Growth in the activity in Israel (despite the elimination of the revenues and profits of Infinity Labs)**
- **A jump in revenues and operating profits in the US and a return to pre-Corona profit margins**
- **A jump in ARR in cloud infrastructure activity**
- **Acceleration in the operations of Digital, Data, and Modernization of Core Systems**
- **Continued growth in defense engagements in the cyber and AI operations**
- **Debentures issue: raising NIS 471 million at 4.1% interest**
- **Continuation of the M&A trend: Acquisition of RDT in Q3/22 and of Zebra in Q1/23**



# 2022- A record year in all activity indicators -



Despite the sale of Infinity Labs

**Growth in revenue, gross profit, operating profit, net profit, cash flow, and EBITDA**

**Sales - 7.2% organic growth to NIS 4.67 billion (8.5%+ without neutralizing Infinity Labs and RDT)**

**Operating Profit - organic growth of about 6.4% to NIS 350 million - (11.7% + without neutralizing Infinity Labs and RDT)**

**Net Profit from current operations - growth of approximately 6.5% to NIS 233 million (5% of revenues) and about NIS 354 million including capital gain**

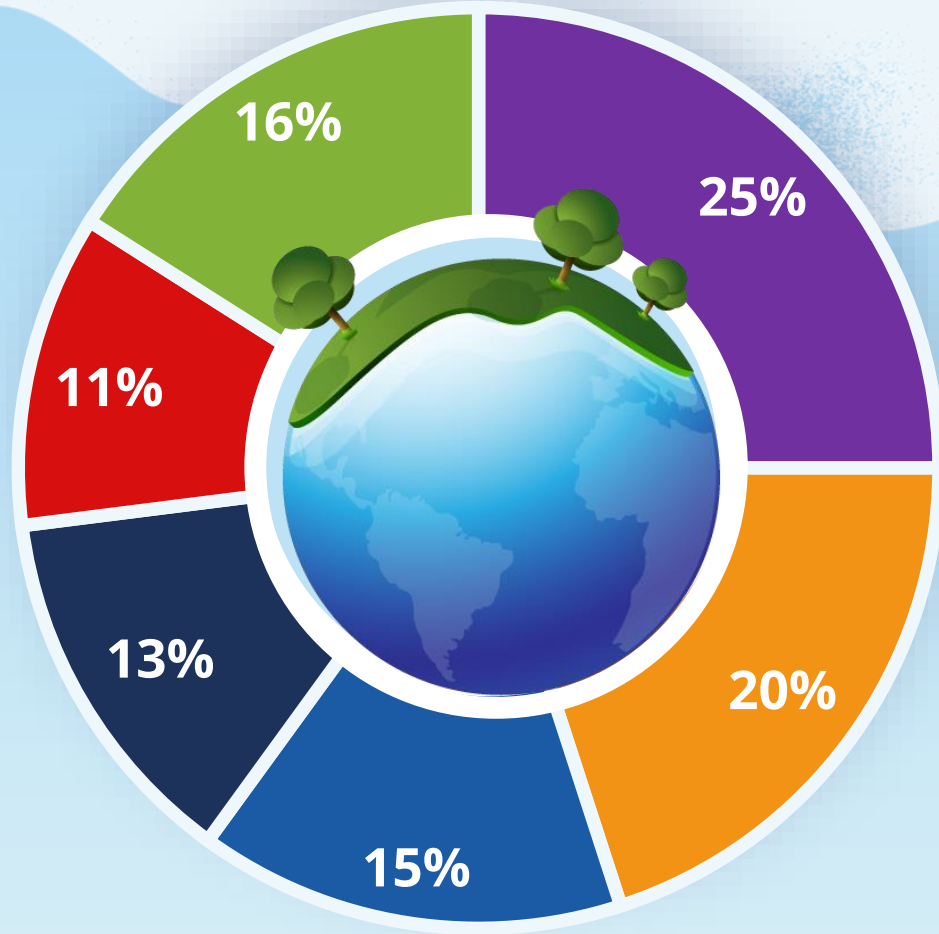
**Adjusted EBITDA (without the impact of IFRS16) - approximately 6% growth to NIS 407 million**

**Cash flow - 77% growth: NIS 387 million compared to NIS 219 million the previous year**





# \* Revenue Segmentation by Activity



- Government & Defense
- Finance
- Hi Tech
- Industry, Communications and Retail
- Healthcare and Transportation
- Other

# Consistent improvement in performance over the years

## Steady growth in revenue, profit, and dividends

	FY/2022	FY/2021	Change in %	Q4/2022	Q4/2021	Change in %
<b>Revenues</b>	4,672	4,360	7.2%	1,218	1,159	5.1%

**Revenue growth:** An increase of 7.2% to approximately NIS 4.67 billion in 2022, and an increase of 5.1% to approximately NIS 1.21 billion in Q4

**Organic revenue growth** (excluding the sale of the holdings in Infinity Labs and the acquisition of RDT): **8.5% for the Year and 6% for the Q4**

As a result of an increase in all segments (excluding a minor decline in the software products segment) and mainly, an increase in the cloud computing infrastructure segment and the US

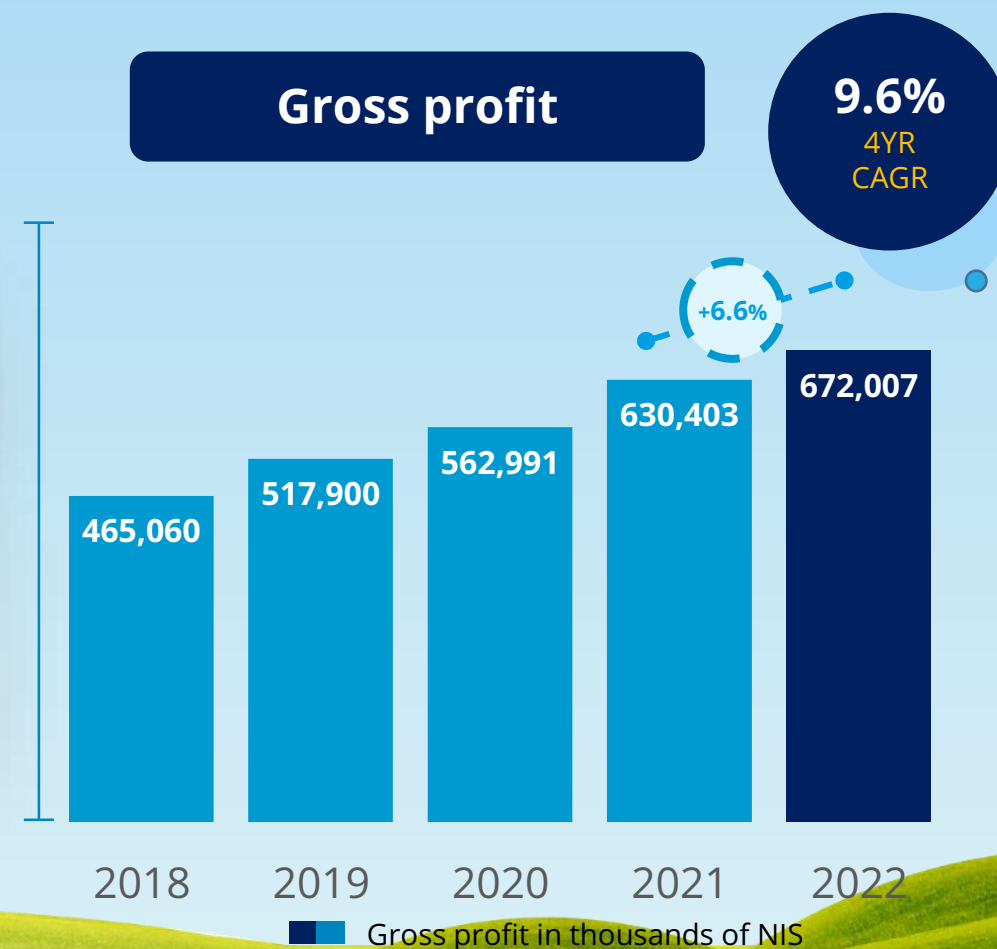


# Consistent improvement in performance over the years

## Steady growth in revenue, profit, and dividends

	FY/2022	FY/2021	Change in %	Q4/2022	Q4/2021	Change in %
<b>Gross profit</b>	672,007	630,403	6.6%	183,217	173,145	5.8%
% of sales	14.4%	14.5%		15%	14.9%	

**Gross profit growth: An increase of 6.6% in 2022 to approximately NIS 672 million, and an increase of 5.8% to approximately NIS 183 million in Q4**



# Consistent improvement in performance over the years

## Steady growth in revenue, profit, and dividends

	FY/2022	FY/2021	Change in %	Q4/2022	Q4/2021	Change in %
Sales & marketing expenses	166,246	147,555	12.7%	45,896	40,675	12.8%
General & administrative expenses	155,273	153,456	1.2%	43,269	42,345	2.2%
<b>Operating profit *</b>	<b>350,488</b>	<b>329,392</b>	<b>6.4%</b>	<b>94,052</b>	<b>90,125</b>	<b>4.4%</b>
% of sales	7.5%	7.6%		7.7%	7.8%	

**Operating profit growth:** An increase of 6.4% to approximately NIS 350 million in 2022 and, an increase of 4.4% to approximately NIS 94 million in Q4

**Organic operating profit growth** (excluding the sale of the holdings in Infinity Labs and the acquisition of RDT): **8.5% in 2022 and 6% in Q4**

**SG&A expenses:** a similar rate of total revenue (6.9%), with a decrease in the percentage of G&A and an increase in the percentage of Sales and Marketing expenses.



\* Excluding a capital gain of a total of NIS 150 million from the sale of most of the holdings in Infinity Labs in Q2

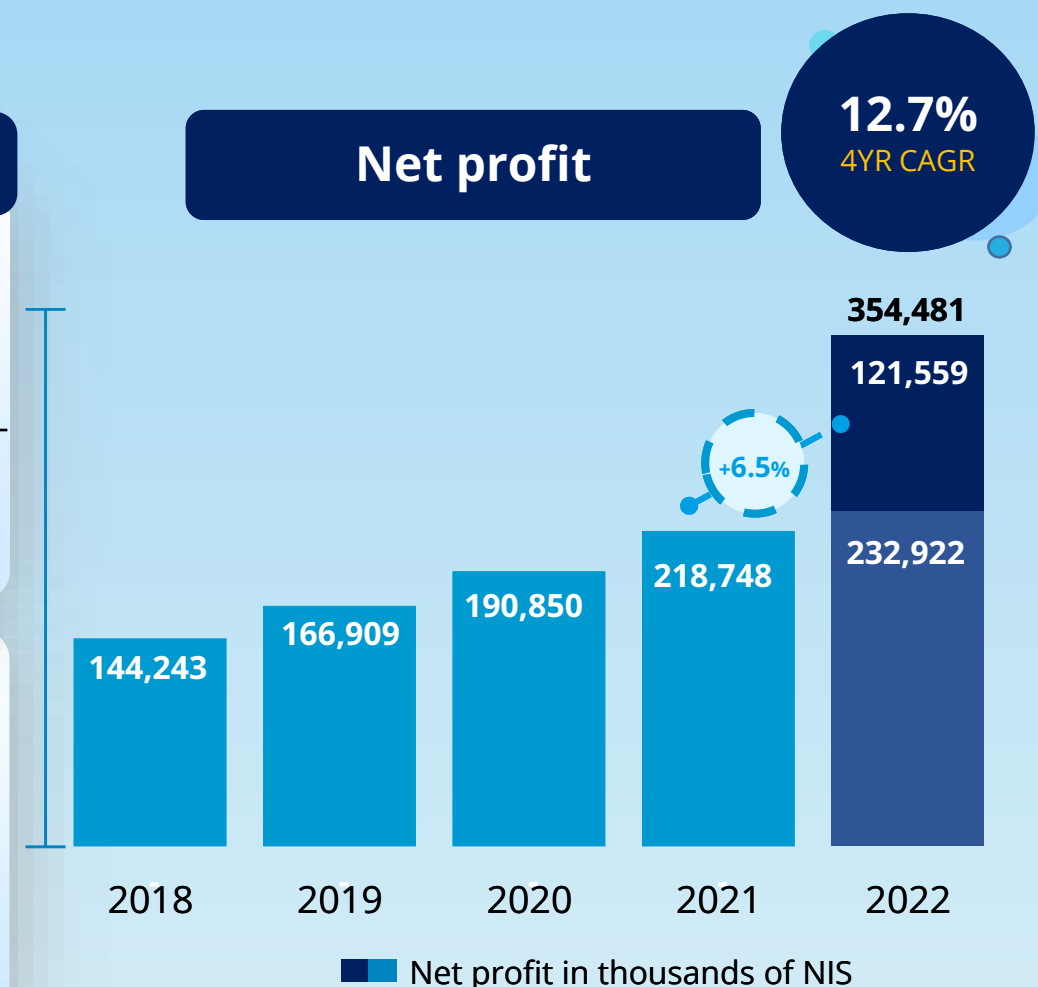
# Consistent improvement in performance over the years

## Steady growth in revenue, profit, and dividends

	FY/2022	FY/2021	Change in %	Q4/2022	Q4/2021	Change in %
Net financing expenses	45,781	45,198	1.3%	23,854	11,862	101.1%
Taxes on revenues	71,785	65,446	9.7%	16,953	17,205	(1.5%)
<b>Net profit (*)</b>	<b>232,922</b>	<b>218,748</b>	<b>6.5%</b>	<b>53,245</b>	<b>61,058</b>	<b>(12.8%)</b>
% of sales	5%	5%		4.4%	5.3%	

	31.12.22	31.12.21
<b>Net financing expenses</b>		
Interest, fees, and misc.	28,975	22,709
Exchange rate differentials	(2,747)	3,276
Financing for leases and minority option revaluation	19,553	19,213
<b>Total financing expenses (net)</b>	<b>45,781</b>	<b>45,198</b>

Represent increase in interest expenses on the company's financial obligations, as a result of an increase of market interest rates, which was partly offset by the currency exchange incomes



\* Excluding a capital gain of NIS 121.5 million recorded in the 2<sup>nd</sup> quarter from the sale of the holdings in Infinity Labs

# Consistent improvement in performance over the years

## Steady growth in revenue, profit, and dividends

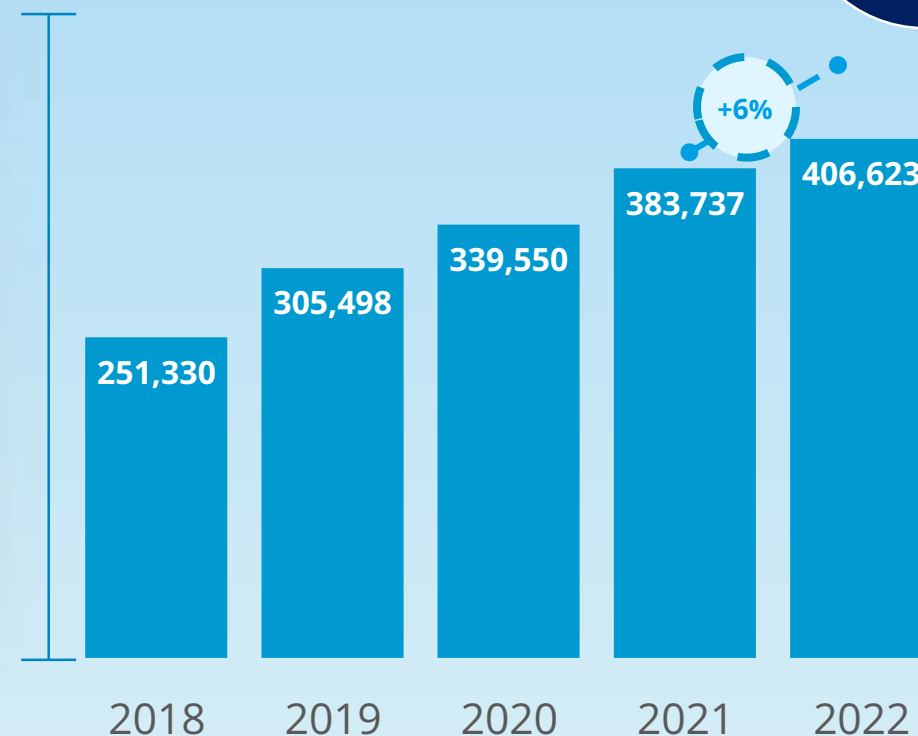
	FY/2022	FY/2021	שינוי ב-%	Q4/2022	Q4/2021	Change in %
<b>Adjusted EBITDA</b>	<b>406,623</b>	<b>383,737</b>	<b>6%</b>	<b>108,442</b>	<b>102,477</b>	<b>5.8%</b>
% of sales	8.7%	8.8%		8.9%	8.8%	

Growth in **EBITDA (adjusted)**: 6% for the period to approximately 406 million NIS, and 5.8% for the quarter to approximately 108 million NIS

Organic growth in EBITDA (adjusted) (excluding the sale of Infinity Labs and the purchase of RDT): 8% for the period and 12.7% for the quarter

### Adjusted EBITDA\*

**12.8%**  
4YR CAGR



Adjusted EBITDA in millions of NIS

\* Profit before financing, taxes, depreciation and amortization, before capital gain from the realization of an investment and neutralizing the effect of IFRS 16, leases (as of its first implementation)

# Operating Segments



# Income in Israel - 1-12/22 \*

(Millions of NIS)

**5.2% increase in Operational Profit in 2022**

**16.2%**  
4YR CAGR



**6.9% increase in Income in 2022**

**11.3%**  
4YR CAGR



\*Including results from activity in Europe (immaterial)



# Activity sectors in Israel - 2022

(Thousands of NIS)



	Income				Operational Profit			
	2022	2021	Difference	%	2022	2021	Difference	%
IT solutions & services, consulting & management in Israel	2,508,477	2,434,298	74,179	3%	180,359	186,776	(6,417)	(3.4%)
							<b>Organic growth</b>	<b>7.4%</b>
Cloud and Computing Infrastructure	1,427,416	1,238,140	189,276	15.3%	76,607	61,727	14,880	24.1%
							<b>Organic growth</b>	<b>18%</b>
Sales, Marketing and support of software products	271,029	271,287	(258)	(0.1%)	24,200	25,316	(1,116)	(4.4%)
Training and implementation	211,958	189,903	22,055	11.6%	24,883	17,870	7,013	39.2%

# Activity in the USA

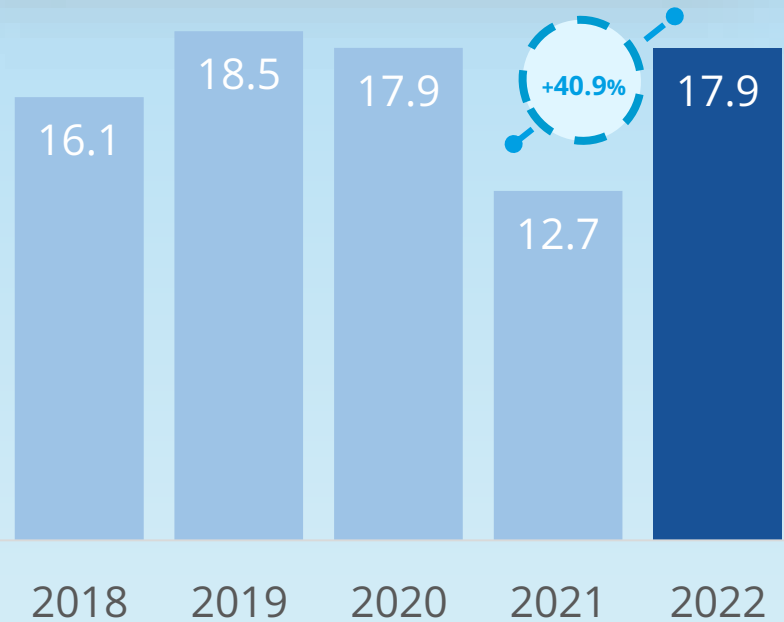


# Activity in the US - 1-12/2022

(in millions of \$)



Operating profit (\$) - 40.9% growth for the period, and increase in the rate of profitability from 11.5% to 13.8%



Record revenue (\$) in the US - \$129M  
17.3% growth for the period





# Financial Indicators



# General trends and their effect on the company



Rise in inflation

No significant influence

- ❖ The company has no CPI-linked financial debt (except for rent)
- ❖ Some of the company's revenues are linked to the CPI

Sharp increase in interest rates

Expected continued rise in financing costs

- ❖ Negative effect on results
- ❖ The effect of the increase in interest rate mitigated by issuing long-term fixed interest debentures (at 4.1%)

Appreciation of \$/NIS currency rate

In General, a positive effect on results

- ❖ Positive impact on the results of the company's operations in the US, as well as sales and marketing activities of software products and cloud and computing infrastructures

Cooling of the labor market

Positive effect

- ❖ Stabilization of the rising salary trend from the last few years
- ❖ Making it easier to recruit and retain employees

# Financial Indicators

(NIS millions)



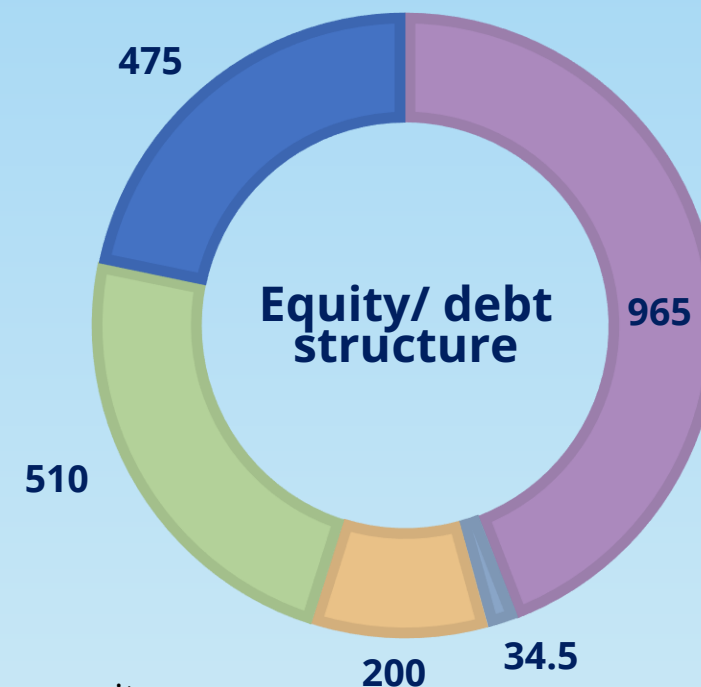
	31.12.2022	31.12.2021
Cash & cash equivalents	839	534
Unused credit facilities	927	684
<b>Total liquid assets</b>	<b>1,766</b>	<b>1,218</b>

## Cash flow from current operations

NIS 387 million for the period, compared to NIS 219 million in the corresponding period

Credit Rating - Aa3

**Issuance of debentures** in the second half of 2022, for a total amount of NIS 471 million, for a period of 7.5 years, at a fixed interest rate of 4.1%



- Company equity
- On-call loans
- Commercial securities - for an optional period until November 2024
- Loans from financial institutions
- Series B debentures



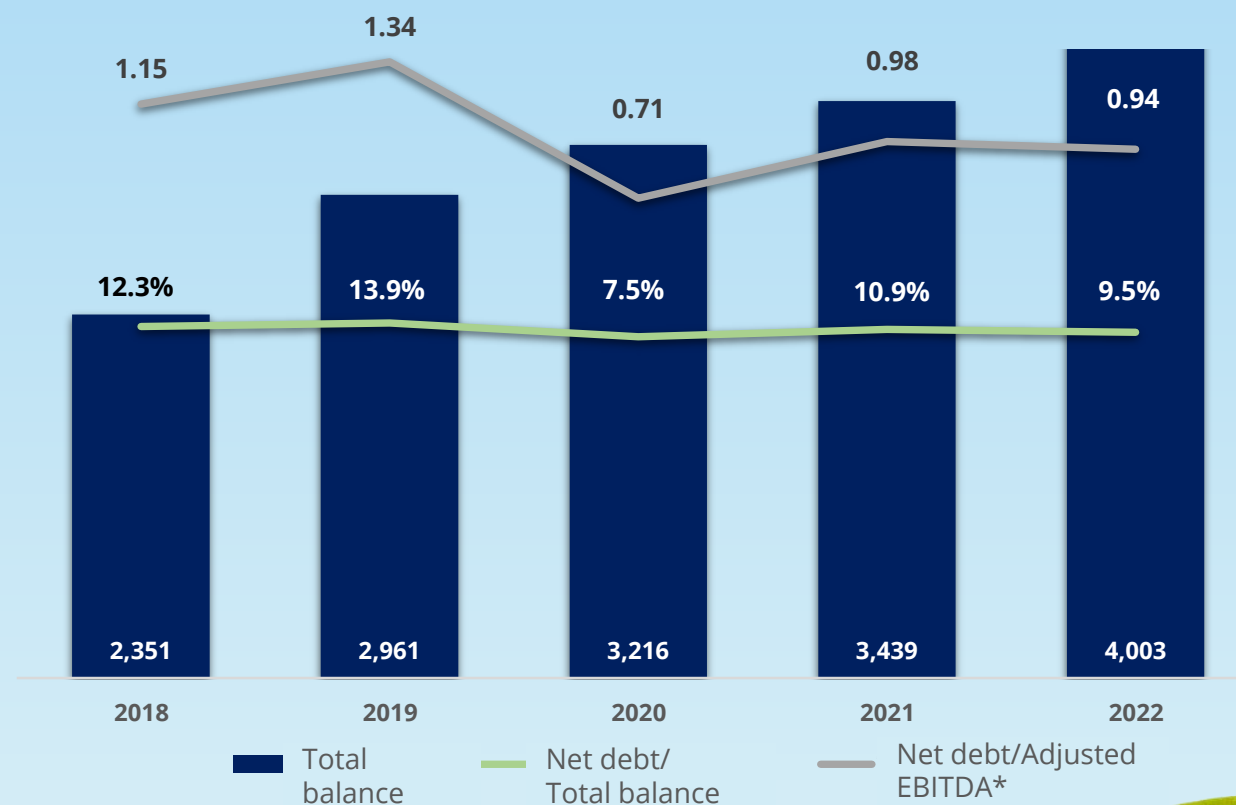
# Financial Indices

(NIS millions)



The company maintains adequate coverage ratios, alongside an increase in activity volumes and making significant investments, (including in company acquisitions - over NIS 250 million in the last 5 years).

	31.12.2022	31.12.2021
Equity	965	878
% of Balance Sheet total	24.2%	25.5%
Current Ratio	1.22	1.14
Net debt to Balance ratio	9.5%	10.9%
Net debt to adjusted EBIDTA Ratio	0.94	0.98



\* Profit before financing, taxes, depreciation, and amortization before capital gain from realization of investment and neutralizing the effect of IFRS 16 on leases (as of its first implementation)

# Backlog

**+7%**  
growth in  
order  
pipeline

**Accumulated backlog totaling NIS  
5.8 billion** (of which NIS 4.4 billion for 2023)

**Compared to the backlog of orders for 2021  
totaling NIS 5.4 billion**






# Dividend distribution

Date of distribution	Dividend per share (agorot)	Amount (NIS millions)
12.4.22	65	40.9
23.6.22	71	44.6
(*) 28.8.22	261	164.2
04.12.22	55	34.6
<b>Total as of 31.12.2022</b>	<b>452</b>	<b>284.3</b>
Total - 31.12.2021	234	146.5
<b>% of change</b>	<b>+93.2%</b>	<b>+94.1%</b>



\* Including a special dividend of NIS 121.5 million for the net capital gain from the sale of the investment in Infinity Labs



**Total dividend of NIS 37.4 million (0.59 ILS per share),  
to be distributed by 16 of April, 2023**



**Thank you!**