



Matrix announces the results for the first quarter of 2019 and presents continued growth in all indices

Revenues in the first quarter grew to approximately NIS 851.9M, operating profit increased by about 15.3% to approximately NIS 60M, and net profit to approximately NIS 38.2M

Today Matrix announced the results of the first quarter of 2019, showing continuous growth in all key indices. This is the Company's best first quarter ever, which is reflected in record results in all parameters: income, gross profit, operating profit, net profit, EBITDA, and cash flow from operating activities.

In the first quarter of 2019, company revenues grew by about 9.5% to approximately NIS 851.9M, compared with approximately NIS 777.6M in the corresponding quarter of the previous year. The increase in sales is due to an increase in operations in Israel and the US, as well as to the initial consolidation of newly acquired companies.

Gross profit in the first quarter increased by about 12.5%, to approximately NIS 123.3M, compared with approximately NIS 109.5M in the corresponding quarter of the previous year, owing to an increase in the gross profit margin from about 14.1% to about 14.5%. The increase in gross profit stems from the increase in revenues, especially from the increase in activity in the US, where gross profit rates are higher.

Operating profit for the quarter grew by about 15.3%, to approximately NIS 60M, compared with approximately NIS 52M in the corresponding quarter of the previous year, with an increase in operating profit from about 6.7% to about 7.0%. EBITDA for the quarter amounted to approximately NIS 90M.

Net profit for the quarter increased by about 8.7%, to approximately NIS 38.2M, compared with approximately NIS 35.1M in the corresponding quarter of the previous year. The increase in net profit stems mainly from an increase in operating profit and from a decrease in tax expenses, which were offset by an increase in financing expenses (most of the increase was in financing expenses, in accordance with accounting standards).

Moti Gutman, CEO of Matrix: "Matrix continues to grow consistently, both in organic growth and in growth based on the mergers and acquisitions strategy of the company. Since the beginning of 2018, we have made several strategic acquisitions in Israel and the US, the most prominent of them being **Medatech**, which markets Priority, the popular ERP software. The acquisition of Medatech is one of most significant acquisitions by Matrix for leading the ERP market, by offering a high-quality solution to a broad customer base, with excellent and experienced management. Matrix is going to offer the Priority system to the leading companies and large enterprises in the market. I am certain that our customers can significantly reduce the huge costs of maintaining the expensive international systems purchased years ago, and replace them with a much more functional, innovative, flexible, Israeli system that is much more economical to maintain. The US market is also contributing to the growth of Matrix, and the investments we made in 2018 in consolidating US operations are proving themselves. Profit margins in the US are large compared to Israel, and at present US operations contribute **about a quarter** of Matrix's overall operating profit."



"We are focused on executing large-scale projects with an emphasis on mega-projects, which combine several areas of Matrix expertise. One of the strategic projects we are especially proud of is the project to establish the credit database for Bank of Israel, which was completed and launched at the beginning of 2019, with exemplary stability, within the limits of a challenging budget and schedule," said Gutman. "This is the largest computerization project carried out in the civil sector in Israel, and one of the most complex with respect to its processes, interfaces, channels, infrastructures, and information security. The project involved the participation of experts from a large number of business units in Matrix, who worked in full harmony to complete the task and launch the system, with all its capabilities, on the scheduled date."

Gutman added: "Despite increasing competition, Matrix has been leading the IT market in Israel and maintaining financial stability for many years." STKI has ranked Matrix as the leader in the IT services market for the 14th consecutive year. Midrug, the credit ranking company, gave Matrix the highest ranking for Israeli IT companies—Aa3 with a stable outlook—for the 12th consecutive year, since 2007. In addition, in the yearly ranking of the best places of employment, carried out by The Marker and CofaceBdi, Matrix was again named first among IT companies."

Dividends

Matrix continues its policy of quarterly distribution of dividends at a rate of up to 75% of net profit. On March 28, 2019, a dividend of 50 agorot per share was distributed in the amount of about NIS 31M. This morning, together with the announcement of the financial statements for the first quarter, Matrix announced a dividend distribution of 44 agorot per share, amounting to NIS 27.3M.



Summary of reports for the three months ending on March 31, 2019 and 2018 (in NIS thousands)

	For three months ending on		
	31.03.19	31.03.18	Change in %
Turnover	851,913	777,656	+9.5%
Cost of sales and services	728,635	668,121	
Gross profit	123,278	109,535	+12.5%
% of sales	14.5%	14.1%	
Sales and marketing expenses	29,486	25,391	
Management and general expenses	33,734	32,056	
Operating profit	60,058	52,088	+15.3%
% of sales	7%	6.7%	
Financing costs	11,533	5,239	
The Company's share in the profits (losses) of affiliated companies	--	24	
Profit before taxes	48,525	46,873	
Taxes on income	10,331	11,731	
Net profit	38,194	35,142	+8.7%
% of sales	4.5%	4.5%	
Net profit of:			
Owners of capital rights in the company	36,436	34,202	
Minority rights	1,758	940	
Net profit	38,194	35,142	+8.7%
EBITDA	89,854	58,997	+52.3%
%	10.5%	7.6%	



Financial status and liquidity

As of March 31, 2019, Matrix's cash and cash equivalents amounted to approximately NIS 403.2M, compared with approximately NIS 219.5M at the end of the corresponding quarter of 2018, an increase of about 83.7%. Cash flow from operating activities in the quarter amounted to approximately NIS 63M, an all-time record. Shareholders' equity in Matrix at the end of first quarter of 2019 amounted to approximately NIS 705.4M, compared with approximately NIS 664.2M in the same period of the previous year.

