

# Formula Systems

Investor Presentation

November 2024

**SAPIENS**

**matrix**



**magic**



**מִיכָפֶל**  
— שכר פנסיה ונוכחות —



**zap group**  
לכל החלטה יש זאפ

**שמרד**  
מערכות בטחון ובקרה מתקדמות

**FEK**  
AERIAL PHOTOGRAPHY

**inSync**  
Staffing

# Forward Looking Statements

- Certain matters discussed in this presentation, that are incorporated herein by reference are forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, and the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, that are based on our beliefs, assumptions and expectations, as well as information currently available to us. Such forward-looking statements may be identified by the use of the words “anticipate,” “believe,” “estimate,” “expect,” “may,” “will,” “plan” and similar expressions. Such statements reflect our current views with respect to future events and are subject to certain risks and uncertainties. There are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from the results, levels of activity, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to: the degree of our success in our plans to leverage our global footprint to grow our sales; the degree of our success in integrating the companies that we have acquired through the implementation of our M&A growth strategy; the lengthy development cycles for our solutions, which may frustrate our ability to realize revenues and/or profits from our potential new solutions; our lengthy and complex sales cycles, which do not always result in the realization of revenues; the degree of our success in retaining our existing customers or competing effectively for greater market share; difficulties in successfully planning and managing changes in the size of our operations; the frequency of the long-term, large, complex projects that we perform that involve complex estimates of project costs and profit margins, which sometimes change mid-stream; the challenges and potential liability that heightened privacy laws and regulations pose to our business; occasional disputes with clients, which may adversely impact our results of operations and our reputation; various intellectual property issues related to our business; potential unanticipated product vulnerabilities or cybersecurity breaches of our or our customers’ systems; risks related to the insurance industry in which our clients operate; risks associated with our global sales and operations, such as changes in regulatory requirements, wide-spread viruses and epidemics like the recent novel coronavirus pandemic, or fluctuations in currency exchange rates; and risks related to our principal location in Israel and our status as a an Israeli company.
- While we believe such forward-looking statements are based on reasonable assumptions, should one or more of the underlying assumptions prove incorrect, or these risks or uncertainties materialize, our actual results may differ materially from those expressed or implied by the forward-looking statements. Please see the risks listed under the heading “Risk Factors” in our most recent Annual Report on Form 20-F for the year ended December 31, 2023, filed with the U.S. Securities and Exchange Commission on May 15, 2024, in order to review conditions that we believe could cause actual results to differ materially from those contemplated by the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this presentation, to conform these statements to actual results or to changes in our expectations.

# Formula Systems – Overview

Focus: IT solutions and software services for key sectors

**Israel's largest IT & Software Services Holding Group**

A member of Asseco Poland S.A (**6<sup>th</sup> largest IT services company in CE**)<sup>(1)</sup>

Over **20,000** highly experienced **IT experts**

Presence in **~40 countries**, a long list of references from blue chip companies from all over the world

Listed on the **NASDAQ and Tel Aviv** Stock Exchange. Also listed: Matrix IT<sup>(2)</sup>, Sapiens<sup>(3)</sup> International ,Magic Software<sup>(4)</sup> and TSG IT Advanced Systems<sup>(5)</sup>

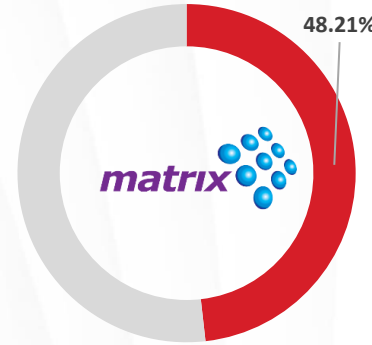
# Formula Systems – Our Portfolio

## 4 Publicly Traded Investees



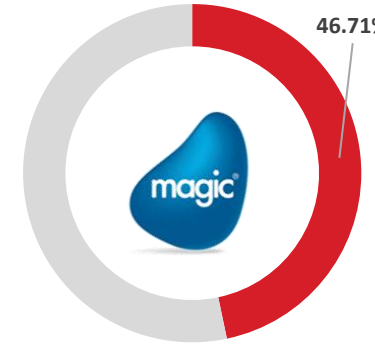
**SAPIENS**  
Partnering for Success

A leading global provider of **software solutions for the insurance industry**  
Duel-listed NASDAQ/TASE (TA-35)



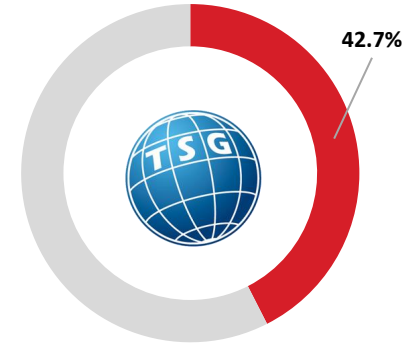
**matrix**

Israel's leading **service integrator**  
TASE (TA-90)



**magic**

global provider of IT consulting services and end-to-end integration and application development platforms solutions  
Duel-listed NASDAQ/TASE (TA-90)



**TSG**

A system integrator of **Command & Control, Communications and Computer solutions**  
TASE (TA-Tech)

## 5 Private Investees



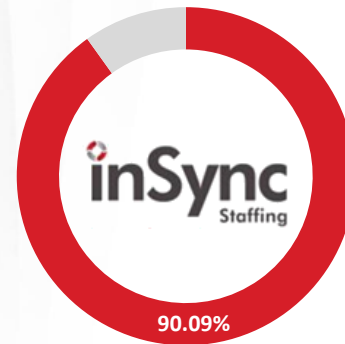
**zap group**  
לכל החליטה יש זאפ

Israel's largest group of **consumer websites provider** of advertising solutions and website promotion



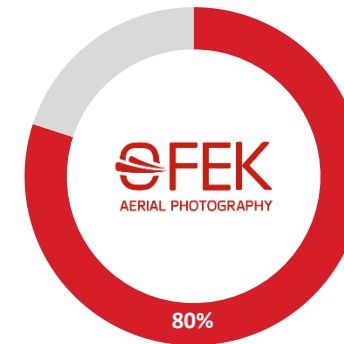
**מיקפּל**  
שכר פנסייה ונוכחות

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



**inSync**  
Staffing

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



**EFek**  
AERIAL PHOTOGRAPHY

A leading service provider in Israel in the fields of **aerial and satellite mapping**, geographic data collection and processing

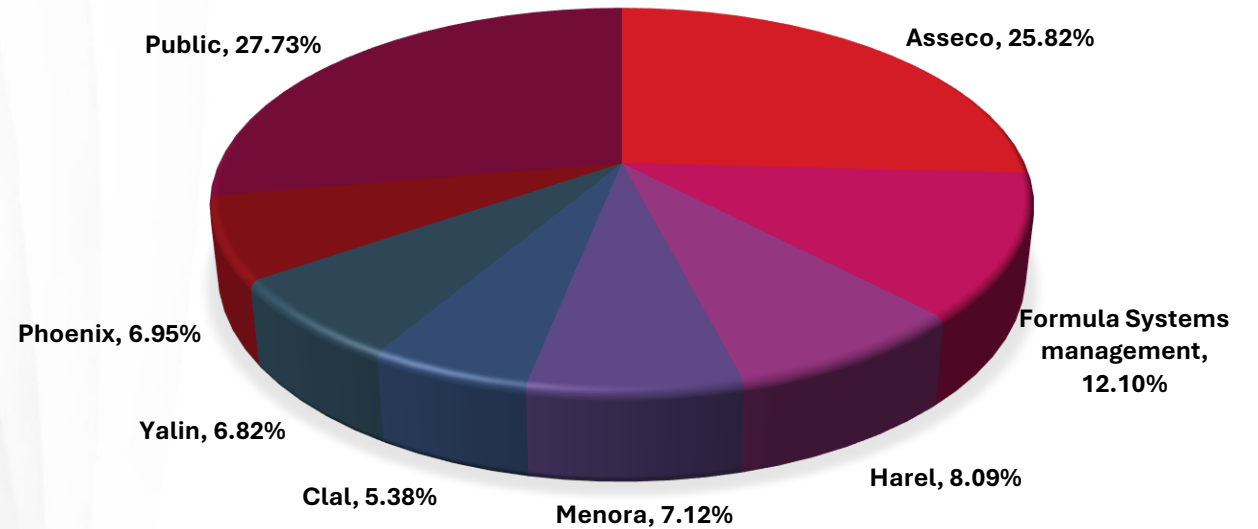


**SHAMRAD**  
Advanced Security & Control Systems

A leading Israeli Integrator, specializing in **advanced security and control solutions**, IT and communications infrastructure, Multimedia, Mass warning and PA systems.

# Formula Systems – Shareholders (as of 30.9.24)

- **Asseco - 26%**
- **Management - 12%**
- **Significant Financial Institutions Holders – 34%**



# Formula Systems – Management

**Our strength lies in people** – highly skilled and experienced entrepreneurs and managers



**Tammy Koll, CTO**  
**Formula**

Joined in March 2023



**Nevo Brenner, CFO**  
**Matrix**

Joined in 2022



**Moti Gutman, CEO**  
**Matrix**

Joined in 2001



**Guy Bernstein, CEO**  
**Formula & Magic Software**

Joined in 1997



**Asaf Bernstein, CFO**  
**Formula & Magic Software**

Joined in 2008



**Roni Al-Dor, CEO**  
**Sapiens**

Joined in 2005



**Roni Giladi, CFO**  
**Sapiens**

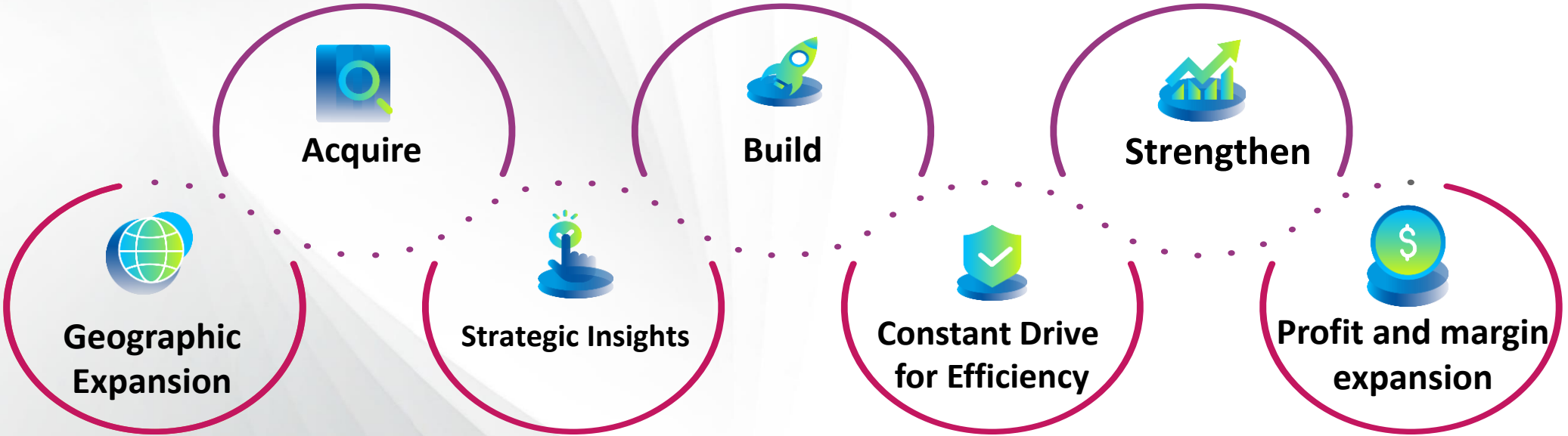
Joined in 2007

## Formula Systems Group leaders

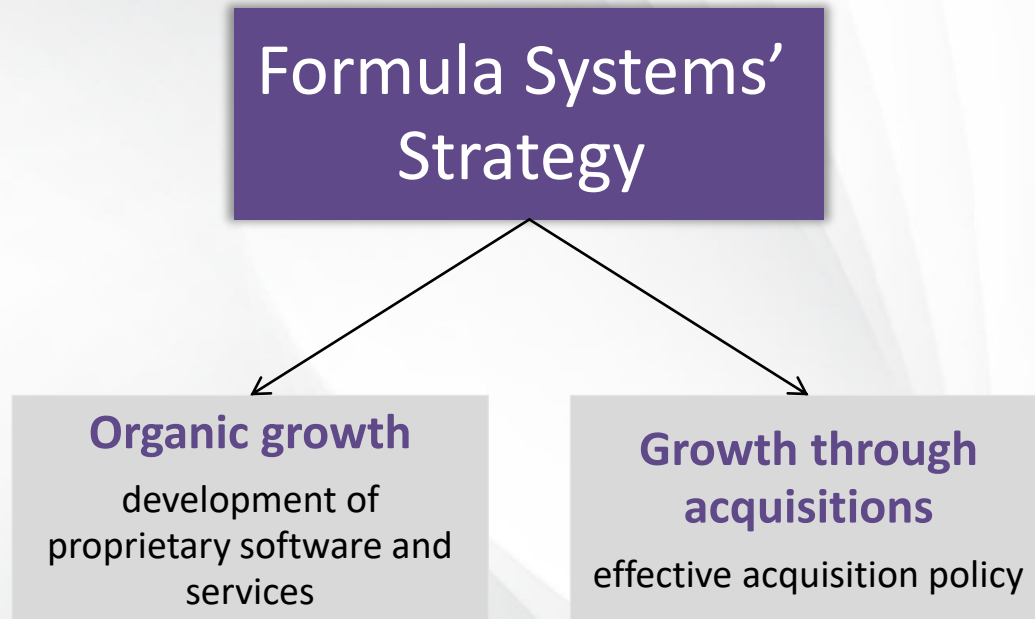
- Strong financial orientation
- Conservative in nature
- Veteran and experienced managements
- Personal share interests
- We supervise all the businesses with “Hands-On” involvement in every none ordinary change in the business

# Formula Systems – Our Way

We **acquire, build, manage** and **strengthen** IT and software businesses enabling them to be **clear leaders within their focused industries**



# Formula Systems – Our strategy focuses on building long-term value



Strong track record of growth organically and through M&A

- Our **mission** is to improve the quality of life by providing solutions for people and technologies for business
- According to the **vision**:
  - Formula Systems wants to be reliable and fast, with the best products and services to support customers around the world in achieving their goals
  - We have been building an international group of technology entities. Our structure allows us to take advantage of local entrepreneurship and market knowledge, while the company's affiliation with the group increases its execution capabilities and credibility among demanding clients



# Formula Systems – M&A Strategy

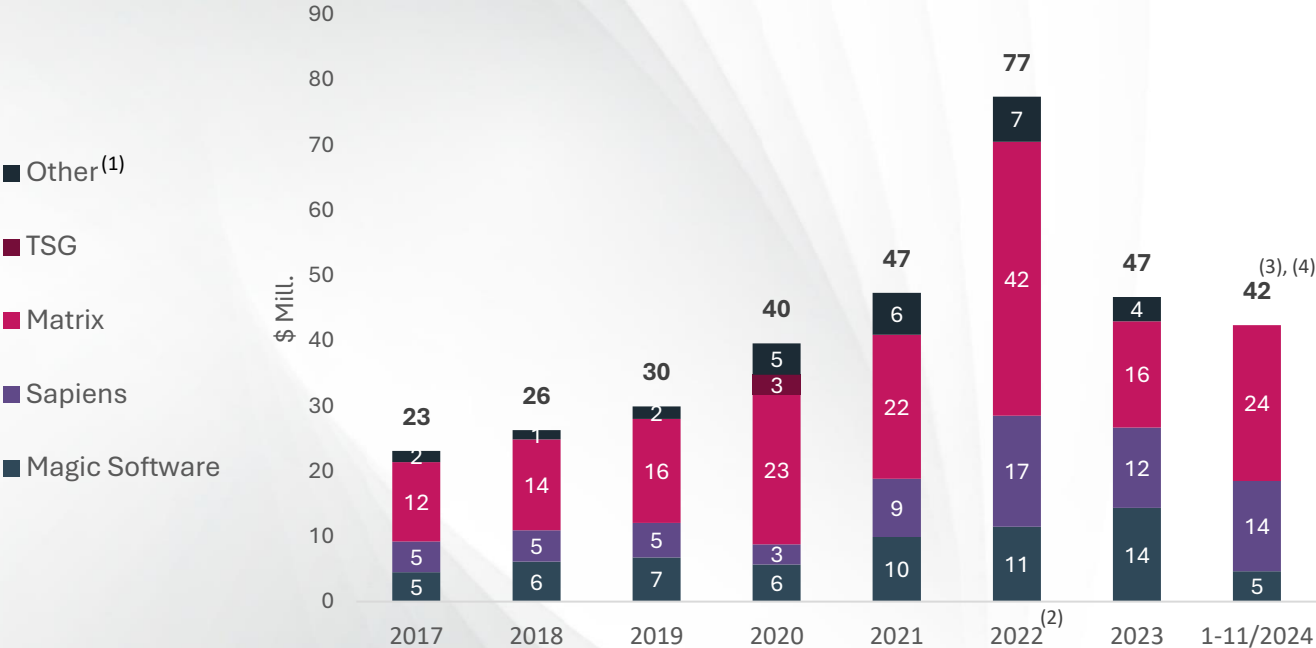
- **Majority of our M&A's are coming from within the business** - We know the business, the owners the management and its DNA
- **We focus in the areas of software solutions and services** to strengthen our existing business or create the core for the establishment of new group
- **We focus on mature and stable business** based on long engagement cycles and "sticky" recurring revenue models
- **We aim to buy more than 50%** of equity to maintain control
- Any acquisition must be a **"good financial deal"**
- **We provide added value to our investees**: strategic insights, operational support, global relationships and synergies
- **We prefer keeping founders and management after the acquisition.** We believe in autonomy for managements by a decentralized business model, while maintaining high-level involvement

We Invest in the areas of **global information technology, software consulting services, computer-based business solutions and proprietary software products**

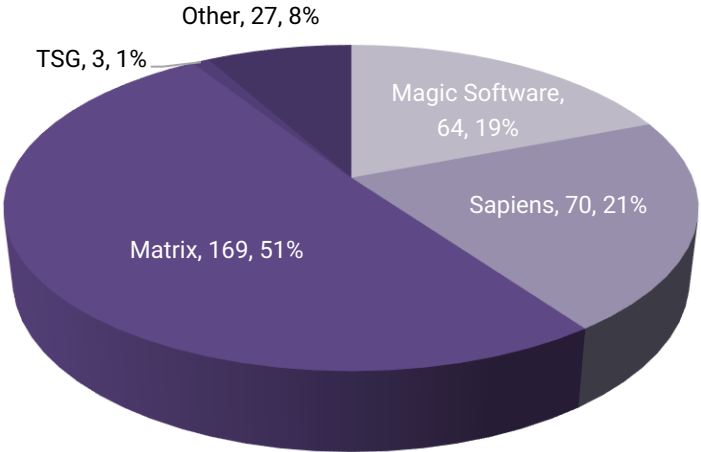


# Formula Systems – Conservative financial cash management, Stable and sustainable cash flow

Dividend receipts

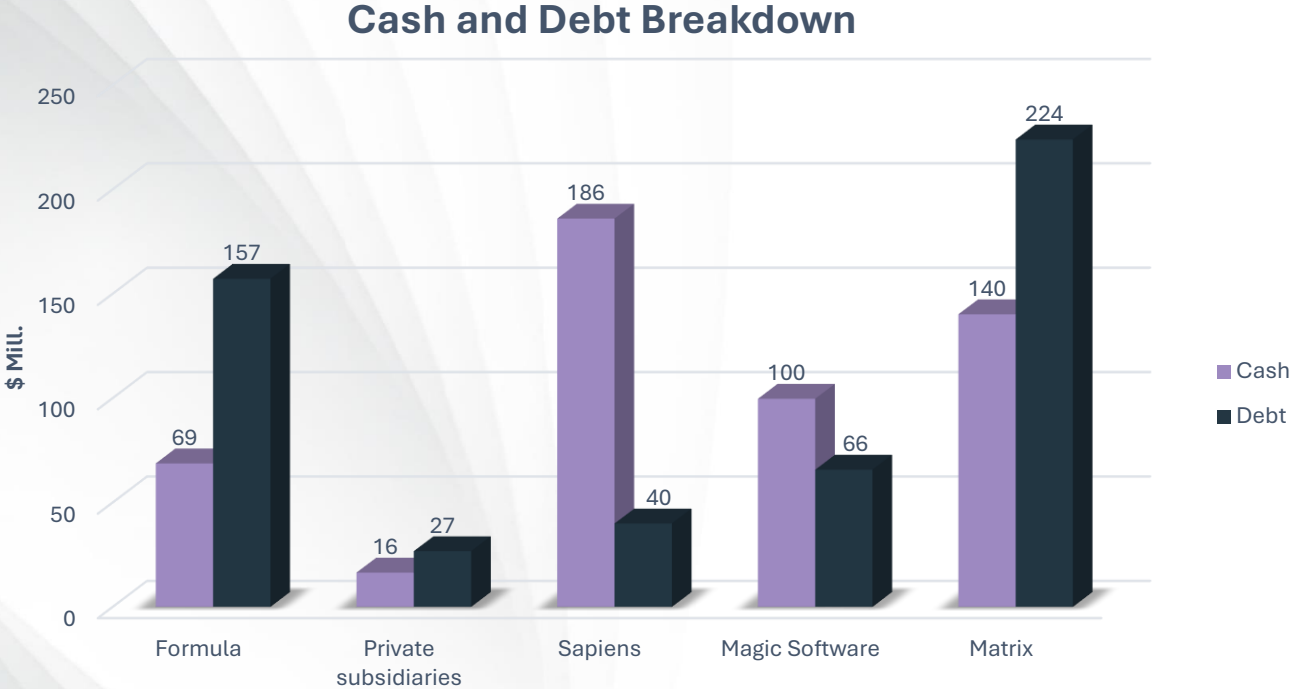


Dividend receipts since 2017, \$ Mill.



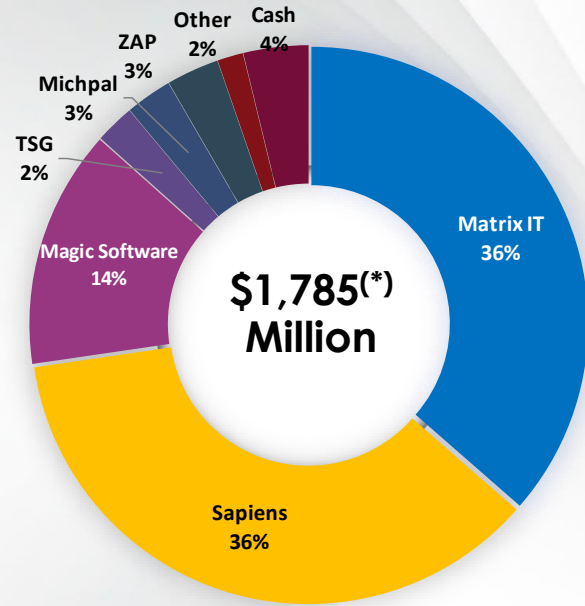
(1) Subsidiaries dividend policy: 75% of net income (Sapiens: 40% of non-GAAP net income).  
 (2) Includes distribution of profit from realization of investment at Matrix  
 (3) Excludes dividend declared by Magic on 18.11.24 (\$0.236 per share) of which \$5.4 million due to Formula on 8.1.2025  
 (4) Excludes dividend declared by Matrix on 14.11.24 (NIS0.76 per share) of which NIS 23.3 million (~\$6.2 million) due to Formula on 6.1.2025

# Formula Systems – Consolidated Cash and Debt Breakdown 30-9-2024



- \$511 million consolidated cash and short-term bank deposits as of September 30, 2024
- \$513 million consolidated financial debt as of September 30, 2024
- \$295 million positive consolidated operating cash flow in 2023

# Fair Value Composition (November 20, 2024)



(\*) **Book Value** as of September 30, 2024  
**\$749 Million**



	Book Value 30-Sep-24	Quoted prices in active markets November 20, 2024	
Matrix IT	157,756	660,214	
Sapiens	260,361	656,804	
Magic Software	134,822	252,155	
TSG	22,278	41,884	
<b>Total Traded</b>	<b>575,217</b>	<b>1,611,057</b>	(1)
Michpal	49,232	49,232	
ZAP	55,586	55,586	
Other	27,323	27,323	
<b>Total Private</b>	<b>132,141</b>	<b>132,141</b>	(2)
<b>Total Portfolio</b>	<b>707,358</b>	<b>1,743,198</b>	
Financial assets	18,461	19,164	(1)
Dividend receivable	7,296	7,296	
Other Assets	15,414	15,414	(3)
<b>Total Assets (without cash)</b>	<b>748,529</b>	<b>1,785,072</b>	
Gross Debt	157,147	157,147	(3)
Cash	68,707	68,707	(3)
<b>Net Debt</b>	<b>88,440</b>	<b>88,440</b>	
<b>Net Assets</b>	<b>660,089</b>	<b>1,696,632</b>	
Num. of shares (1,000)	15,333	15,333	
Equity per share	\$43	\$111	(4)
FORTY Share price as of 20.11.2024	\$82	\$82	(1)
<b>LTV</b>	<b>11.82%</b>	<b>4.95%</b>	

(1) Quoted prices from TASE as of November 20, 2024, based on USD/NIS exchange rate 3.739.  
 (2) Privately held subsidiaries are conservatively presented at book value as of September 30, 2024  
 (3) Presented as of September 30, 2024  
 (4) Based on outstanding ordinary shares as of November 20, 2024:15,332,667

# Formula Systems – Financial Debt Composition Stand Alone

## BOND SERIES C (2.29%)

NIS 412,263,900 Par-Value

- Maalot S&P – iIAA-
- Moody’s – Aa3.il
- Secured by shares
- Average duration as of November 2024 – 1.19
- Last Pmt. December 2026

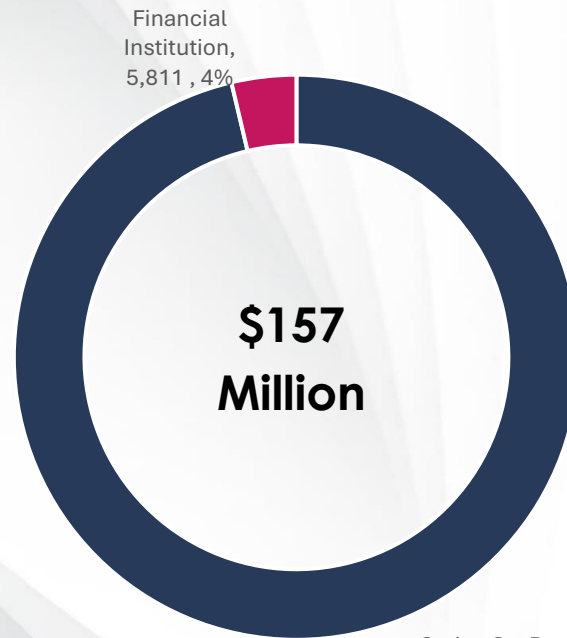
## BOND SERIES D (5.68%)

NIS 150,000,000 Par-Value

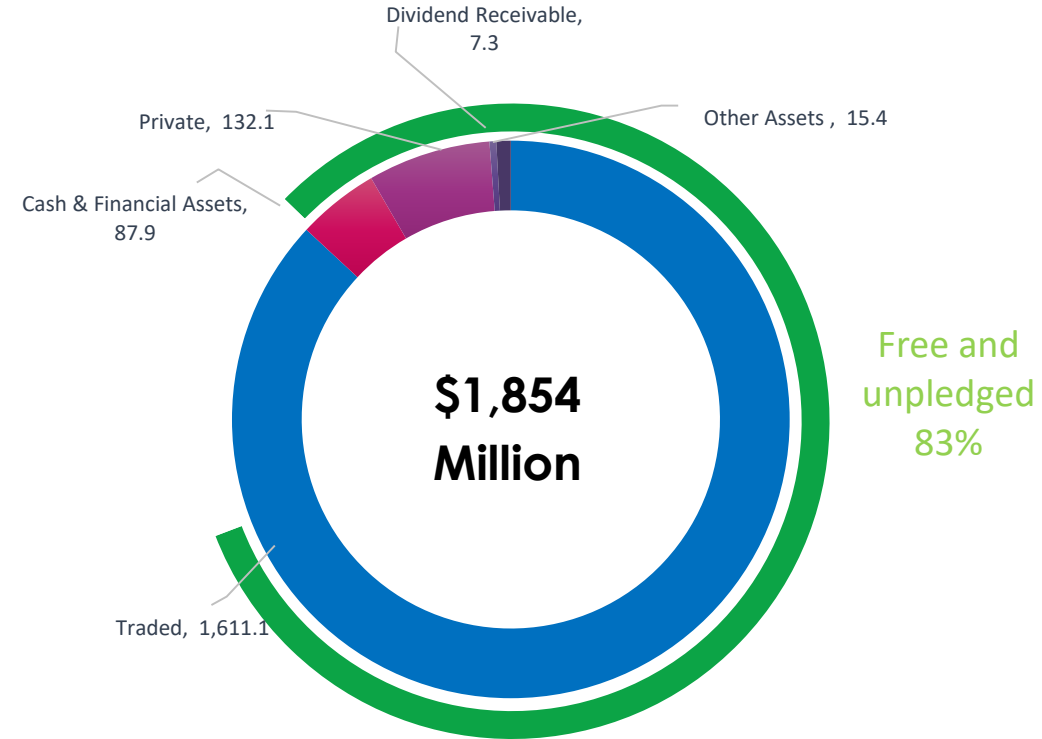
- Maalot S&P – iIAA-
- Moody’s – Aa3.il
- Secured by shares
- Average duration as of November 2024– 5.53
- Last Pmt. December 2034

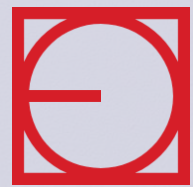
## Stand Alone Gross Debt

As of September 30, 2024



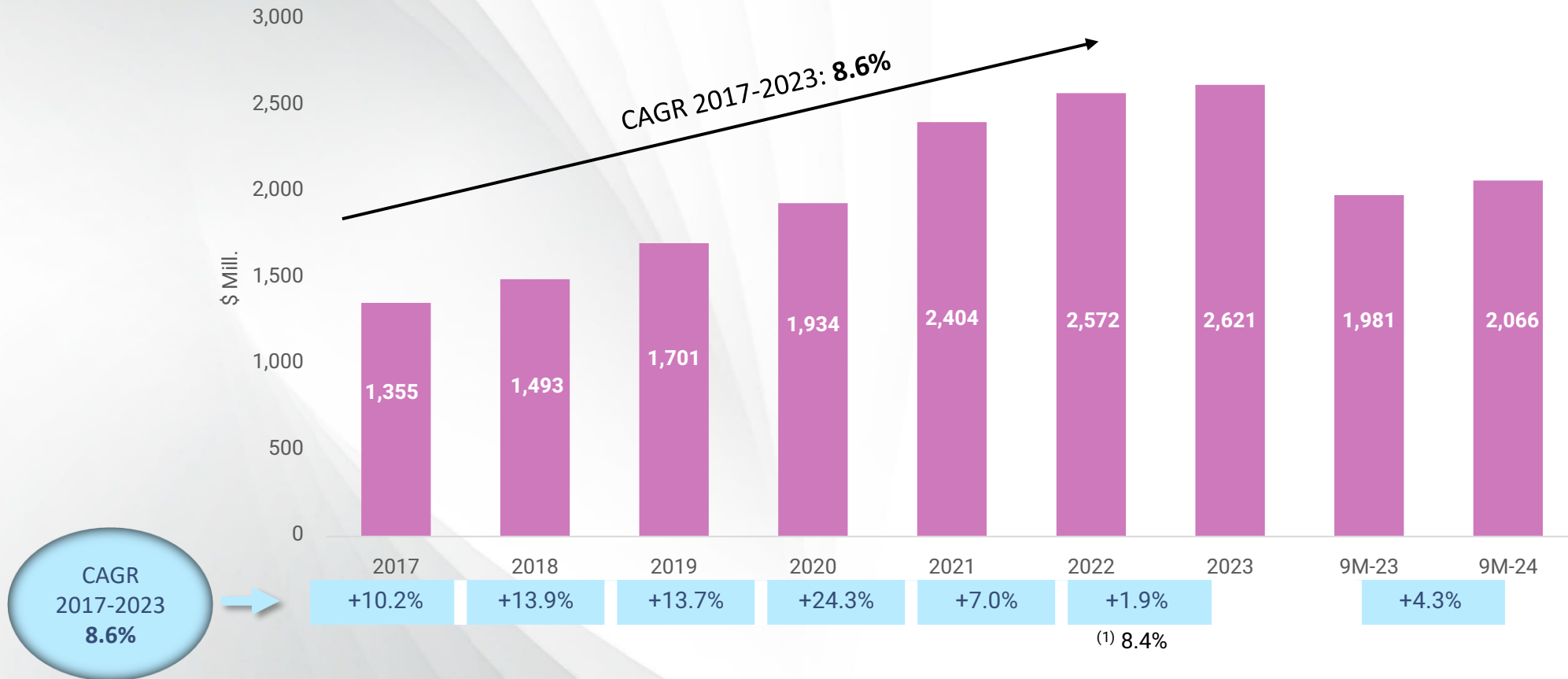
## Fair Value Assets (as of November 20, 2024)





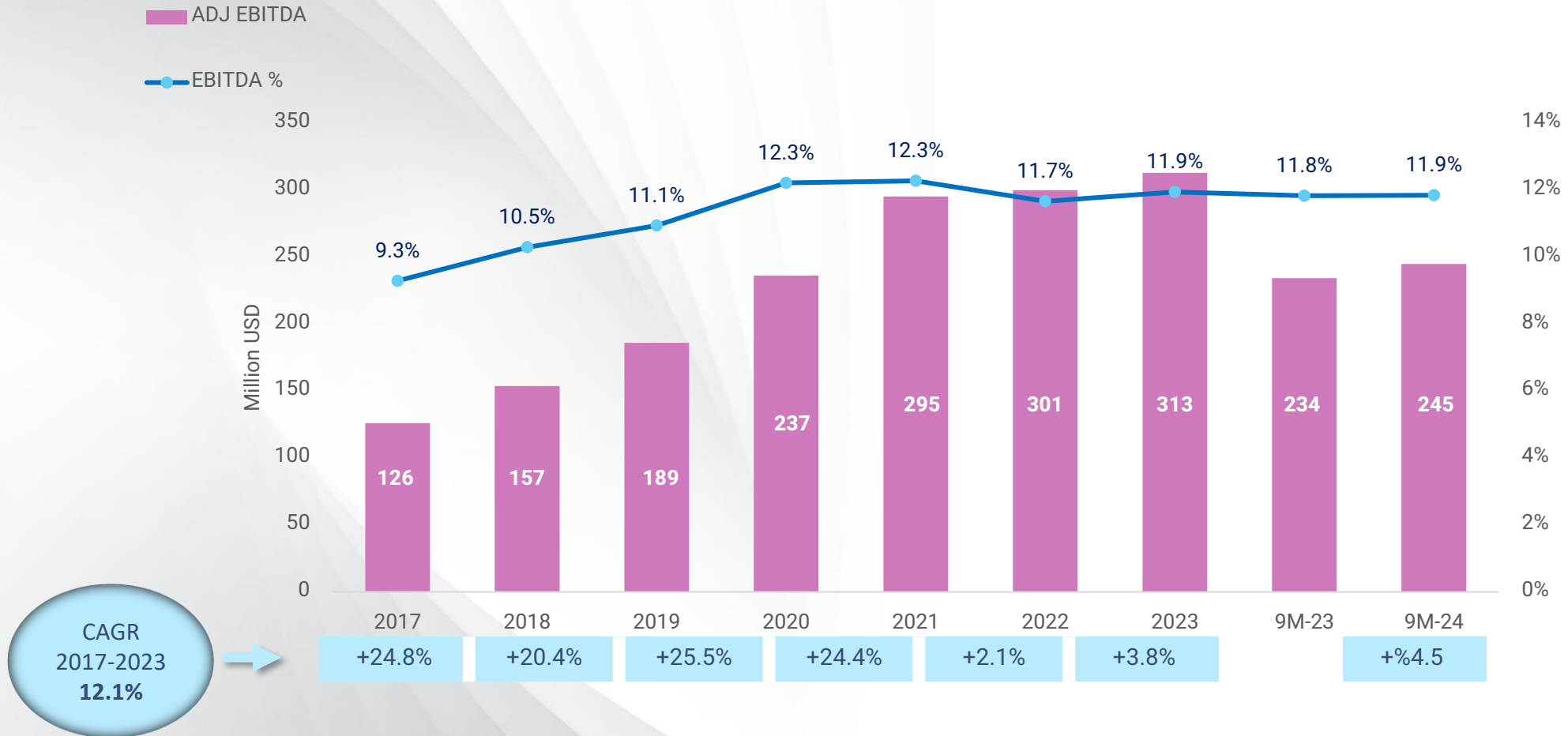
# Financial Highlights

# Formula at a Glance – Annual Consolidated Revenues

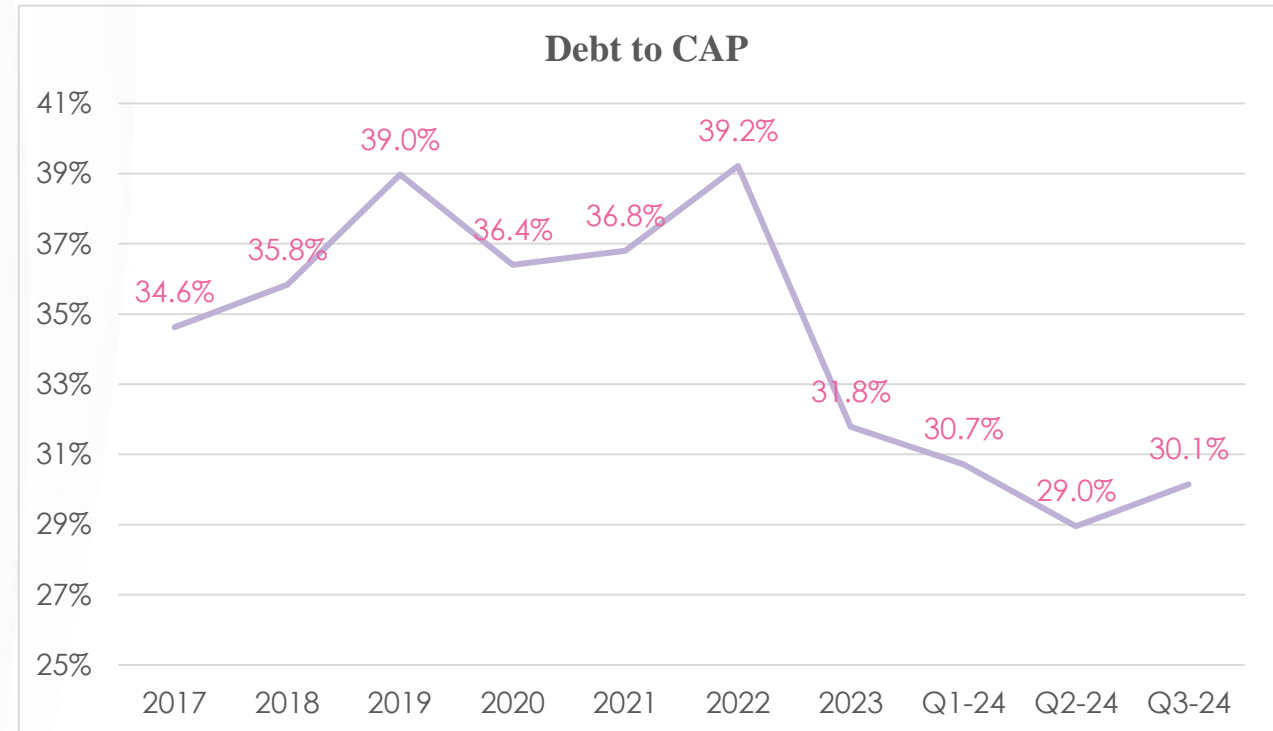
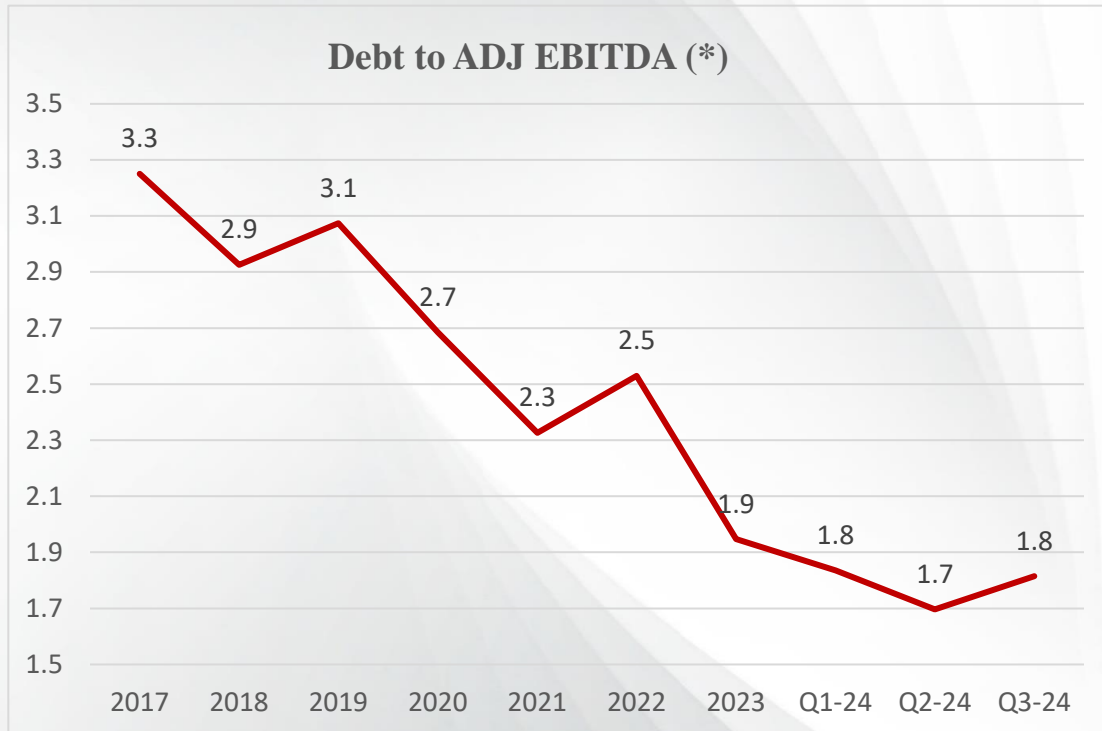




# Formula at a Glance – Annual Consolidated ADJ EBITDA<sup>(\*)</sup>



# DSCR and Financial Leverage, Consolidated





# Formula Systems Group

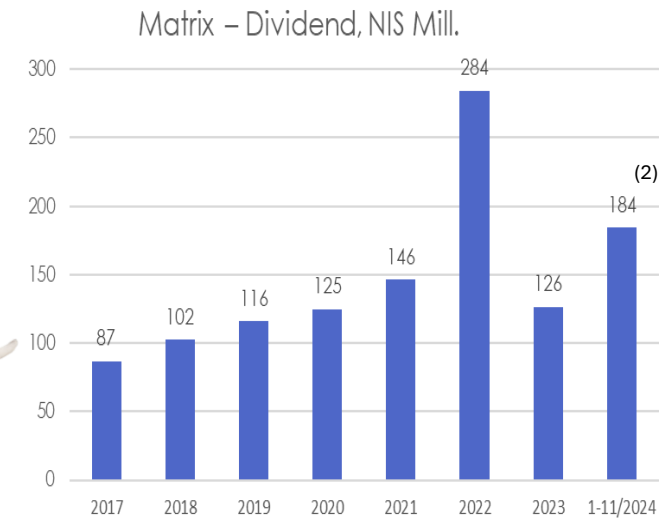
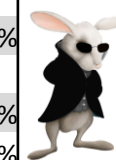
Main Pillars

# Matrix IT Largest and leading IT company in Israel in the last decade



- For 18 consecutive years, Matrix has been leading the information technology market, carrying out the most advanced computing projects in Israel, with the latest technologies for the leading customers in the market.
- Thousands of customers across various sectors offering wide variety of services and solutions.
- Consistent organic growth as well as expansion into complementary fields of activity through dozens of successful acquisitions
- Leading Partners: Aws, Microsoft, Google Cloud, IBM, salesforce, cisco, SAP, Red Hat, Dell-EMC, BMC, Oracle, Dynatrace,HP, MongoDB, and more.
- Attractive dividend distribution policy Up to 75% of the annual net income attributable to shareholders (paid on a quarterly basis).
- 11,520 Employees (as of 30.9.2024): 10,682 Israel ; 569 United States ;269 Europe.
- Global Presence (2023) : 89% Israel; 11% North America & Europe.
- Leading credit rating in the IT industry, Aa3 rating 15 years in a row

Matrix IT Ltd. (TASE:MTRX)	2021	2022	2023	23Vs22	9M23	9M24	9M23Vs9M24
NIS Millions							
Revenues	4,360	4,673	5,232	12.0%	3,911	4,205	7.5%
Gross profit	630	672	764	13.7%	561	614	9.5%
Gross margin	14.5%	14.4%	14.6%		14.3%	14.6%	
Operating income	329	350 <sup>(1)</sup>	393	12.2%	292	330	12.9%
Operating margin	7.6%	7.5%	7.5%		7.5%	7.9%	
Net income attributable to Matrix IT's shareholders	195	213 <sup>(1)</sup>	227	6.7%	171	203	18.6%
Cash flow from operating activities	219	387	496	28.1%	163	284	74.0%

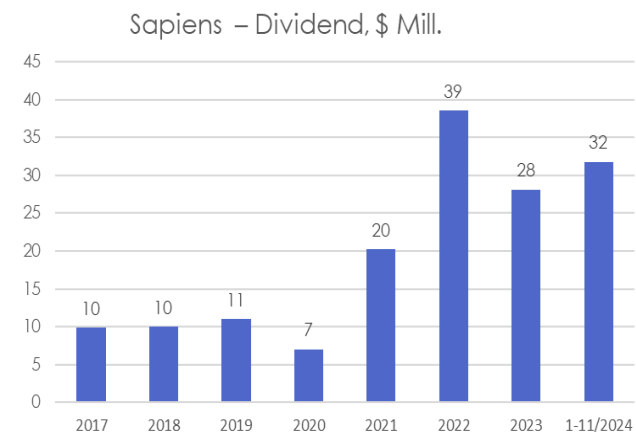


# Sapiens



- **Leading global provider of software solutions for the insurance industry across Property & Casualty (P&C); Reinsurance; Life, Pension & Annuity (L&A) and Workers' Compensation (WC) markets;**
- **38 Countries; + 600 customers (with 66% recurring & re-occurring revenues)** offering Robust, configurable insurance platforms with a full suite of services and decades of experience accelerating digital transformation **Recognized as a Leader** by technology sector analysts.
- **Consistent organic growth** with a **proven track record** of global strategic acquisitions to expand technology offering and capabilities and global presence in high growth markets
- **5,000 Employees** (as of 31.12.2023): 774 Israel ; 593 North America ; 2,424 Asia Pacific (mainly India) and 1,209 Europe.
- **Attractive dividend distribution policy** Up to 40% of the annual non-GAAP net income attributable to shareholders (paid on a semi-annual basis).
- **Leading credit rating** in the IT industry, iIAA-/Stable rating

Sapiens International Corporation N.V. (NASDAQ & TASE: SPNS)	2021	2022	2023	23Vs22	9M23	9M24	9M23Vs9M24
USD Millions							
<b>Revenues</b>	461	475	515	8.4%	384	408	6.3%
<b>Gross profit</b>	188	200	220	9.7%	164	178	8.7%
<b>Gross margin</b>	40.7%	42.2%	42.7%		42.6%	43.6%	
<b>Operating income</b>	57.5	66.5	78.9	18.6%	59	64	9.1%
<b>Operating margin</b>	12.5%	14.0%	15.3%		15.3%	15.7%	
<b>Net income attributable to Sapiens's shareholders</b>	47	53	62	18.7%	45	54	19.4%
<b>Cash flow from operating activities</b>	81	44	79	81.4%	41	40	(1.4)%

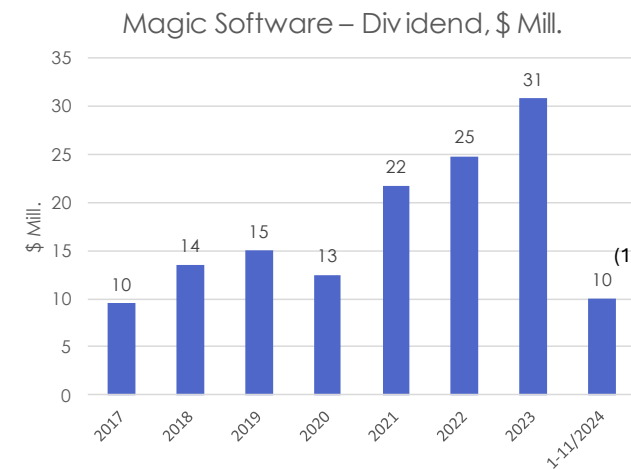


# Magic Software



- **Global provider** of IT software services and proprietary application development and business process integration platforms as well as cloud-based services for end-to-end digital transformation.
- **Thousands of customers** across various sectors offering wide variety of services and solutions with 75% recurring & re-occurring revenues.
- **Consistent organic growth** with a **proven track record** of global strategic acquisitions to expand technology offering ,service capabilities and global presence.
- **3,832 Employees** (as of 30.9.2024): 1,634 Israel ; 1,428 North America ; 239 Asia Pacific (mainly India) and 522 Europe.
- **Global Presence (9/24) : 44% Israel; 42% North America; 14% ROW (mainly Europe)**
- **Experienced** in integrating knowledge of local markets, customer relations and innovative solutions
- **Attractive dividend distribution policy** Up to 75% of the annual net income attributable to shareholders (paid on a semi-annual basis)

Magic Software Enterprises Ltd. (NASDAQ & TASE: MGIC)	2021	2022	2023	23Vs22	9M23	9M24	9M23Vs9M24
USD Millions							
<b>Revenues</b>	480	567	535	(6)%	384	408	6.3%
<b>Gross profit</b>	133	155	153	(2)%	164	178	8.7%
<b>Gross margin</b>	27.7%	27.4%	28.6%		42.6%	43.6%	
<b>Operating income</b>	52	62	57		59	64	9.1%
<b>Operating margin</b>	10.9%	10.9%	10.7%		15.3%	15.7%	
<b>Net income attributable to Magic Software's shareholders</b>	30	40	37	(8)%	45	54	19.4%
<b>Cash flow from operating activities</b>	44	57	69	22%	31	40	30.7%





<b>Description</b>	A global software services Integrator engaged in high-end technical solutions for municipal institutions, defense and homeland security agencies	A leading service provider in Israel in the fields of aerial and satellite mapping, geographic data collection and processing	a US based vendor provides managed services (VMS/MSP) workforce management programs nationally	Israel's largest group of consumer websites, provider of advertising solutions and website promotion	A provider of proprietary payroll software solution for processing traditional payroll stubs and consulting services	A provider of integration and installation of computer communication infrastructures, announcement and alarm systems and electronic security systems.
<b>Geographical Areas of Activity</b>	Operates mainly in Israel	Operates mainly in Israel	Operates in North America	Operates in Israel	Operates in Israel	Operates in Israel
<b>Products</b>	Command and Control, Communication Systems and ERP solutions for municipal institutions	Consulting services	Professionals' requirements and staffing	Websites & advertising	Payroll & book-keeping software solutions	Infrastructures
<b>Revenue (2023)</b>	~\$80M	~\$9M	~\$53M	~\$45M	~\$39M	~\$14M
<b>EBITDA <sup>(1)</sup></b>	~\$10.5M	~\$1.6M	~\$1.4M	~\$3.7M	~\$10.7M	~\$1.6M
<b>Employees (2023)</b>	~564	~90	~950	~200	~300	~40
<b>Share Interest 30.9.2024</b>	42.71%	80%	91%	100%	100%	100%

(1) Based on 2023 annual financial statements



# Thank You

**SAPIENS**

