



Hilan Group

Capital Market Presentation • August 2019



Forward- looking information

The presentation includes the Company's forecasts, estimates and plans regarding its activities, which constitute forward-looking information as defined in the Securities Law, 5728-1968, the realization of which are not certain and which may be influenced by factors that cannot be estimated in advance and that are beyond the Company's control. Therefore, the Company cannot be certain that its forecasts and/or estimates and/or plans will be realized, in full or in part, or that they will be realized in a different manner to expectations, inter alia, for reasons beyond the Company's control, changes in market conditions and in the competitive and business environment, or realization of any of the Company's risk factors.

For avoidance of doubt, it is clarified that the Company does not undertake to update and/or change the information contained in this presentation.

This presentation was prepared as a summary and for convenience only, and is not intended as a substitute for the need to review reports published by the Company, including the Company's financial reports.

The information contained in this presentation is not complete, and all that stated therein is subject to that contained in the Company's relevant reports, and it cannot be construed as an exhibit or undertaking, also not as to the completeness or accuracy of the said information.

This presentation is not to be viewed as a proposal or invitation to purchase the Company's securities.



Profile



A leading
technology
services group



Specializing in
management of the
human resource and
business solutions



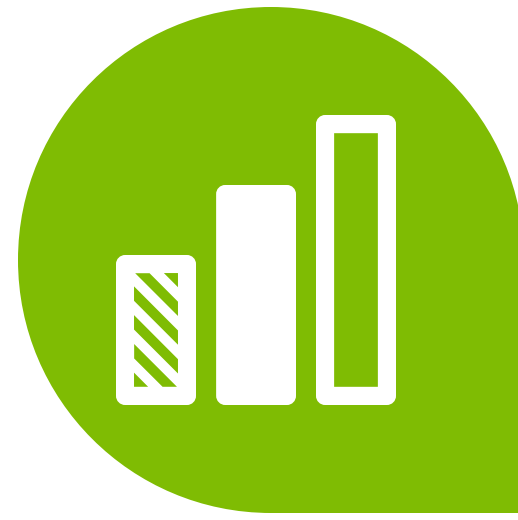
More than a decade
of growth in all the
operational
parameters



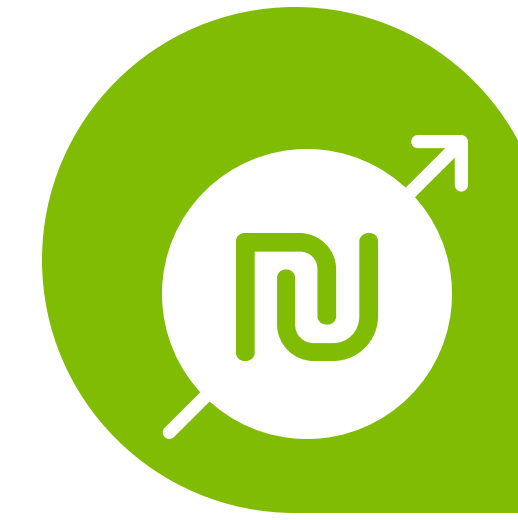
Focus of business
activity



General data Q2 2019



14.6% growth in
operating income



16.3% growth in net
profit



Over 4,000
employed



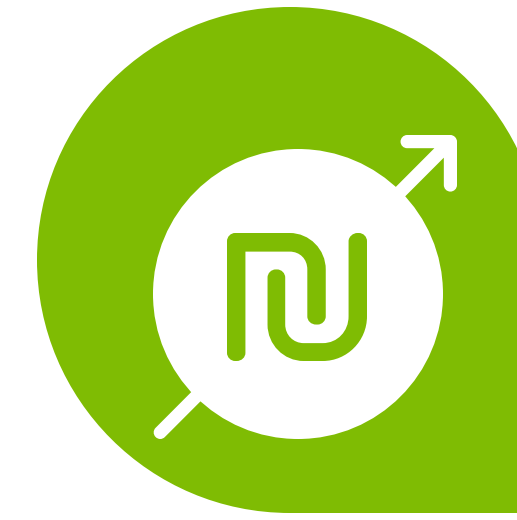
Cash flow from
operating activities
66.8 NIS million



General data H1 2019



9.3% revenue
growth



16.4% growth in
operating income



Growth and increase
in operating income
across all sectors of
activity



19.2% growth in
EBITDA
(W/O the impact of IFRS16
implementation)



Results for
first half of
the year and
the quarter
ended
June 30, 2019

H1 2019

(NIS million)

Revenues

787

NIS million

Growth



Operating
income

85.1

NIS million

Growth



Operating
income
percentage

10.8%



EBITDA

121.0

NIS million

Growth



Q2 2019

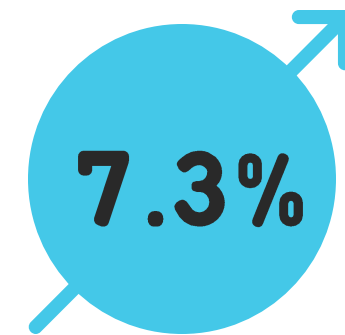
(NIS million)

Revenues

388

NIS million

Growth

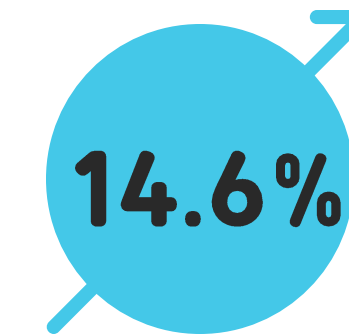


Operating
income

40.3

NIS million

Growth



Operating
income
percentage

10.4%

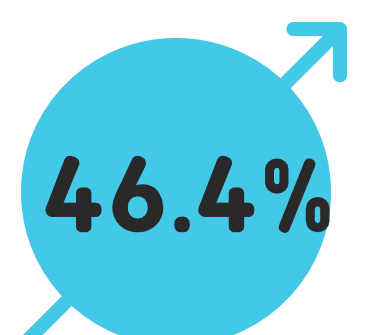


EBITDA

58.6

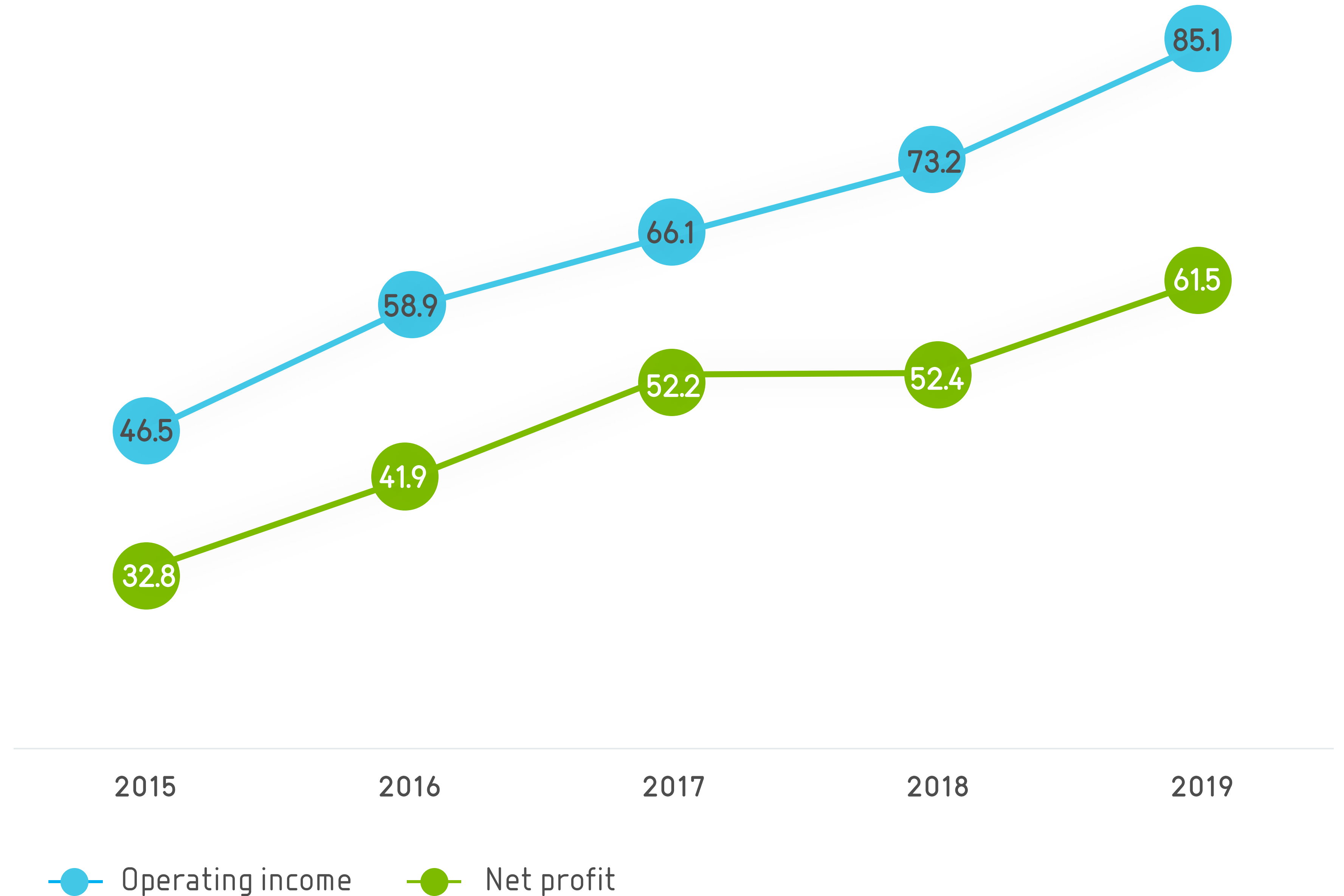
NIS million

Growth





Growth in operating income and net profit First half NIS million





Sectors of activity



Marketing of software products

IT infrastructures

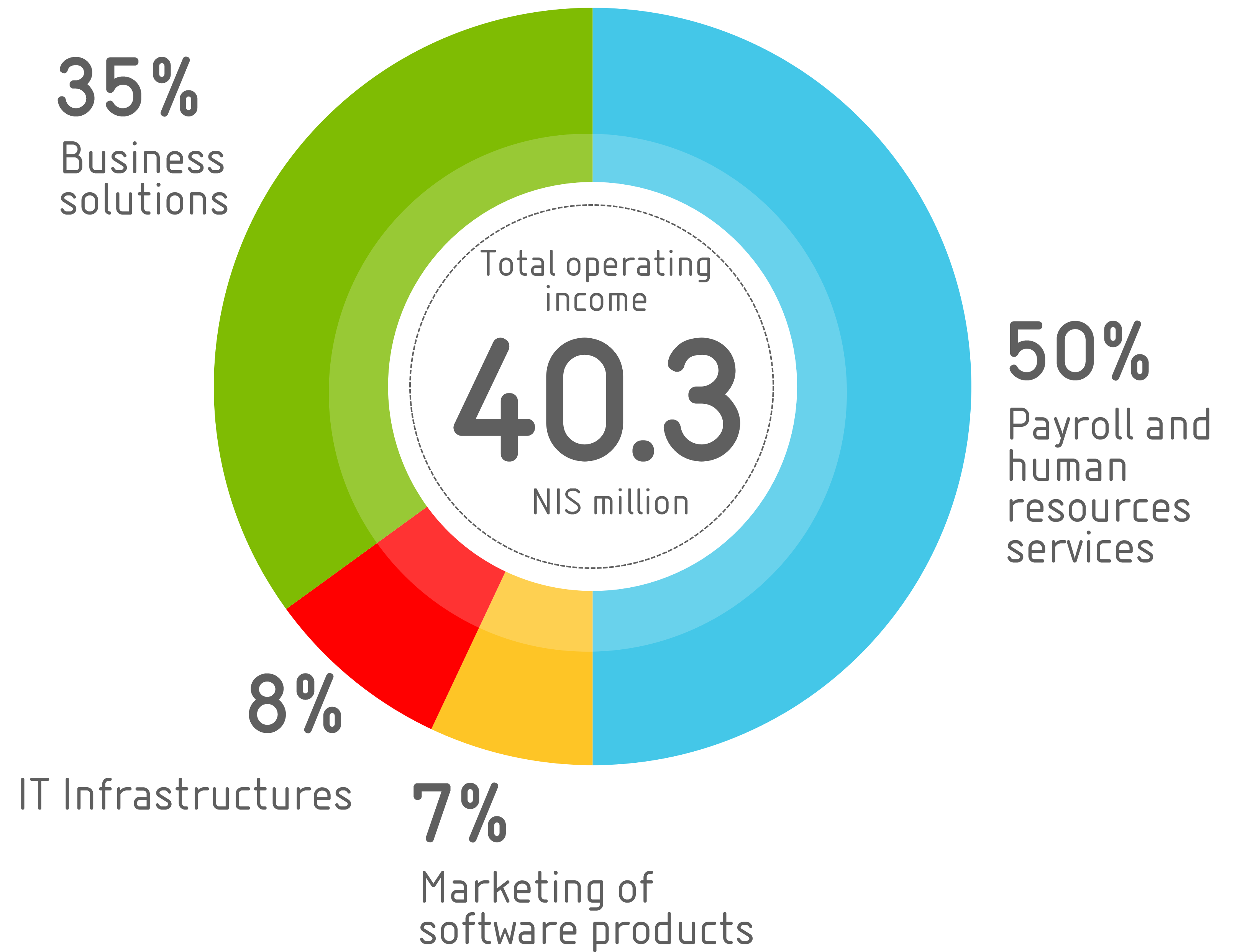
Payroll and human resources services

Business solutions



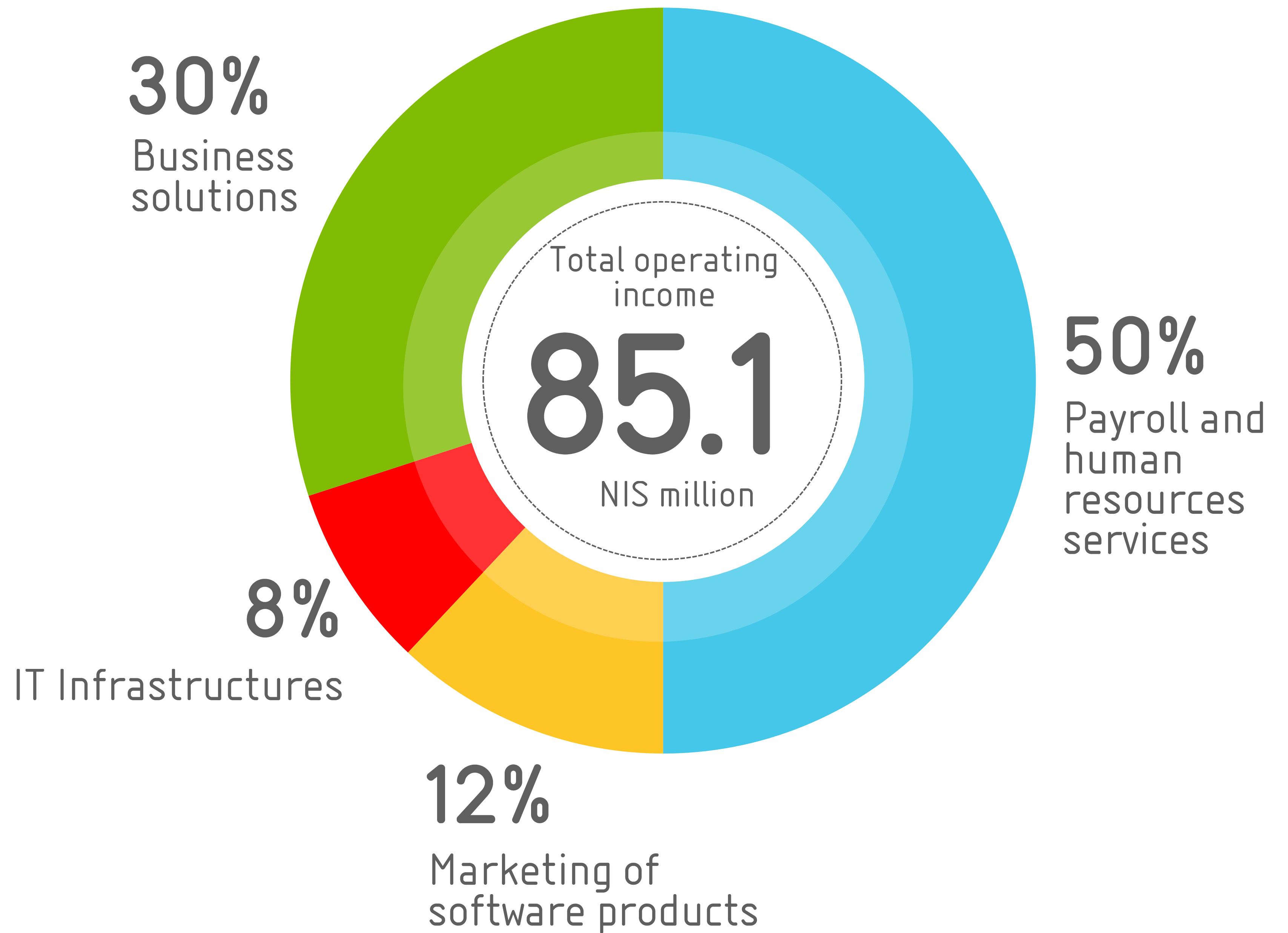


Operating
income
distribution
Sectors of
activity
Q2 2019





Operating
income
distribution
Sectors of
activity
H1 2019





Payroll and human resources services sector

H1 2019
(NIS million)

Revenues

131.9
NIS million

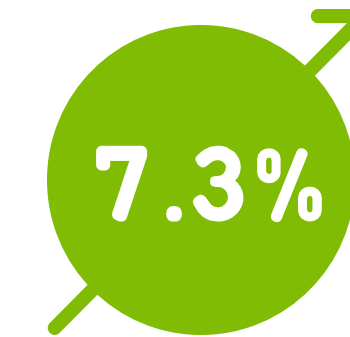
Growth



Operating income

43.2
NIS million

Growth



Operating income percentage

32.7%

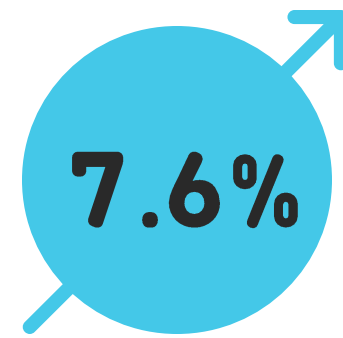


Q2 2019
(NIS million)

Revenues

64.3
NIS million

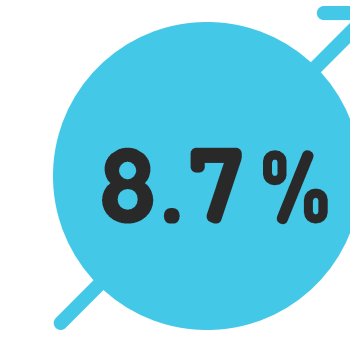
Growth



Operating income

20.3
NIS million

Growth



Operating income percentage

31.5%

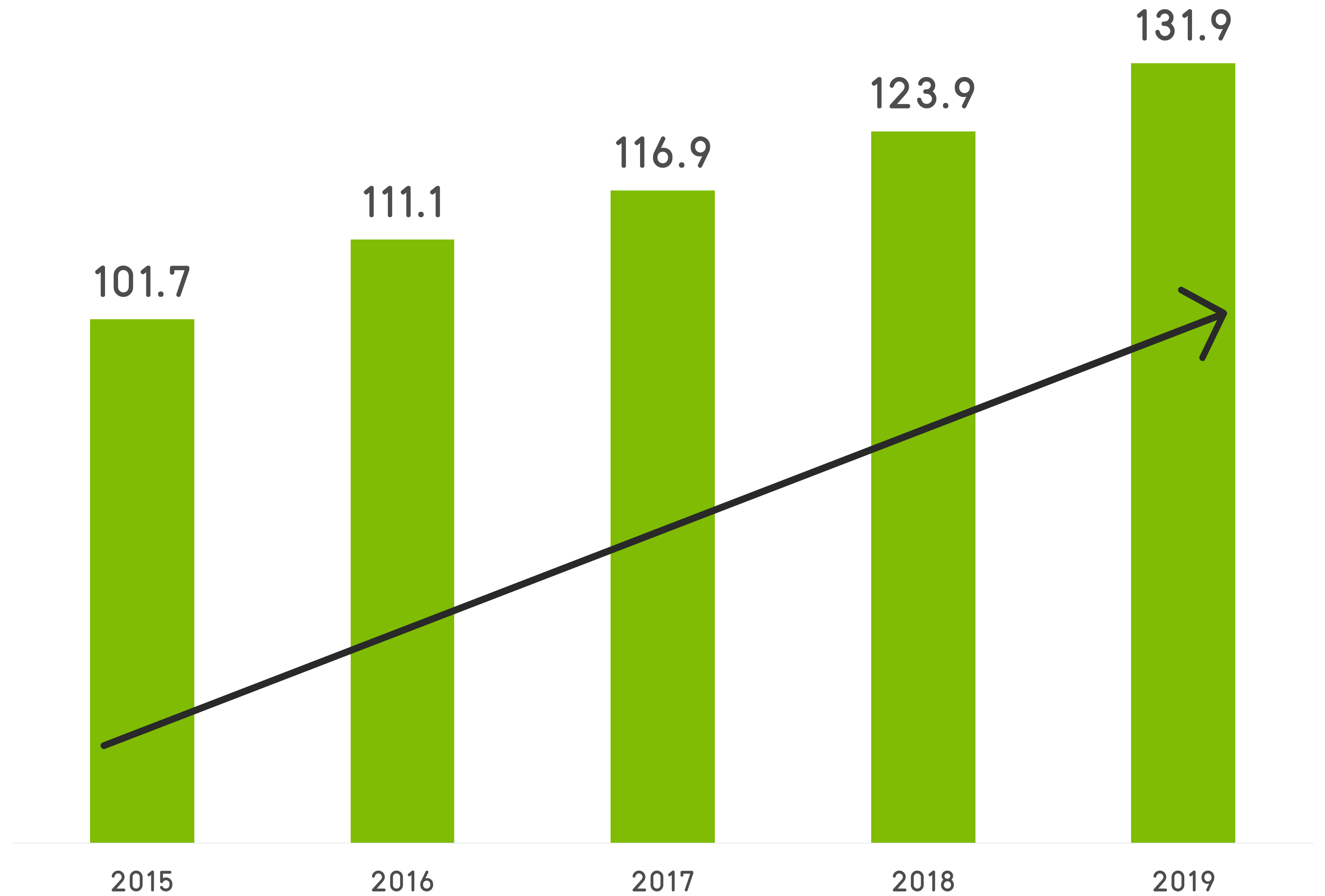


Highlights: ● New customers recruited

● Expansion of value-added services to existing customers



Payroll sector
revenue
growth
First half
NIS million





Business solutions sector

H1 2019
(NIS million)

Revenues

463.7

NIS million

Growth



Operating income

25.9

NIS million

Growth



Operating income percentage

5.6%



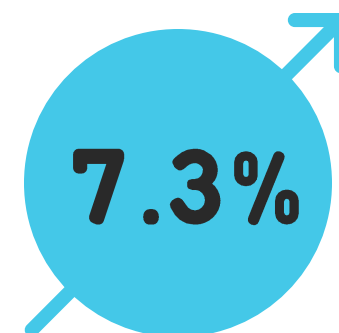
Q2 2019
(NIS million)

Revenues

230.7

NIS million

Growth

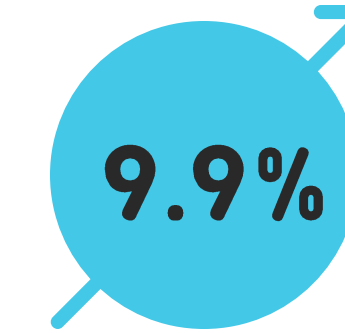


Operating income

14.2

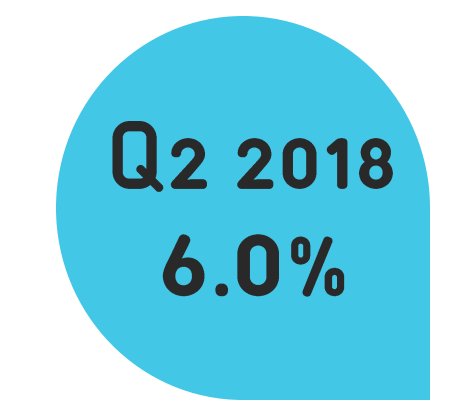
NIS million

Growth



Operating income percentage

6.2%

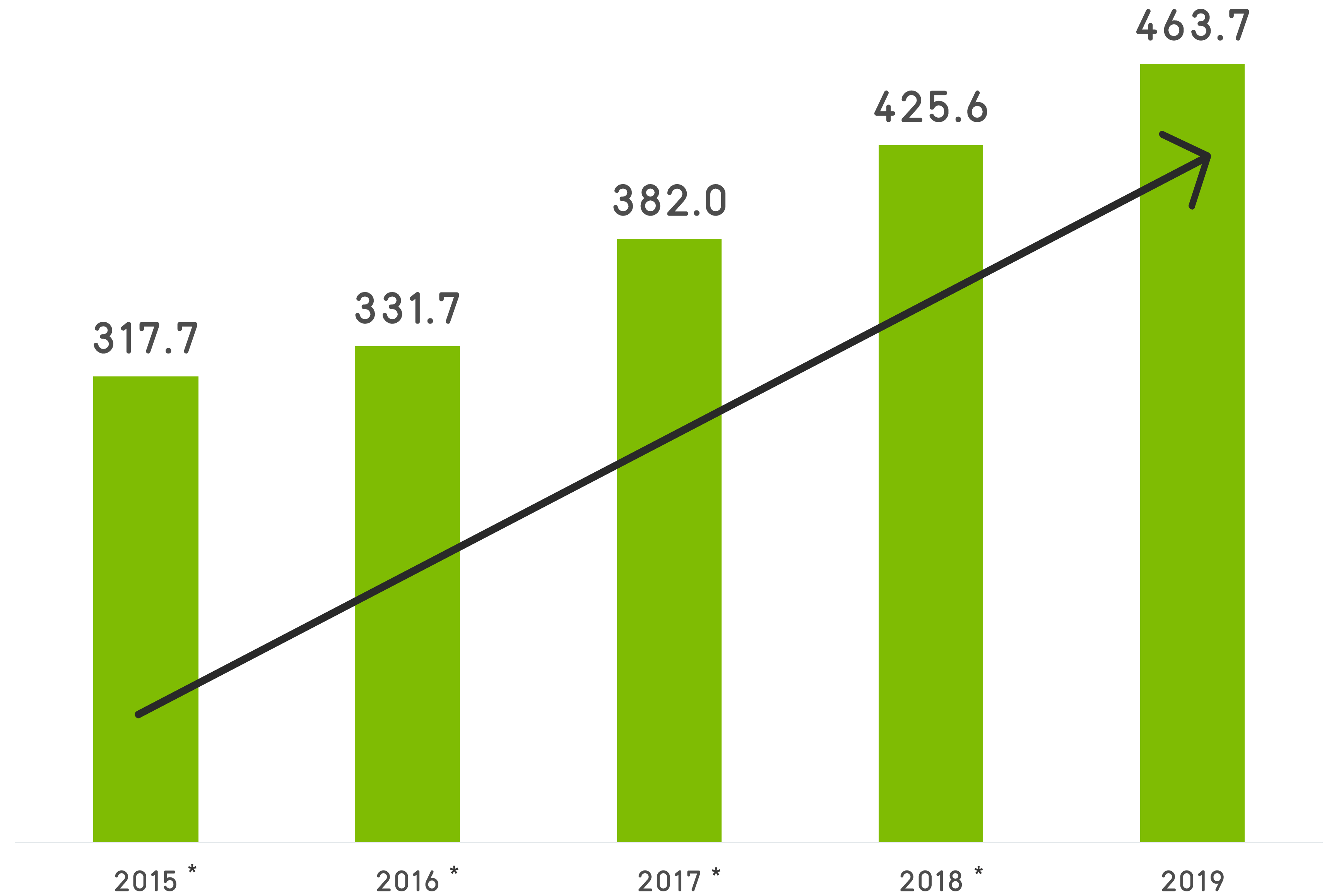


Highlights: ● Growth and increase in the sector's organic activity

● Expansion of business activity to a wider variety of sectors



Revenue
growth
Business
solutions
sector
First half
NIS million



* Reclassification



IT
infrastructure
sector

H1 2019

(NIS million)

Revenues

93.9

NIS million

Decrease

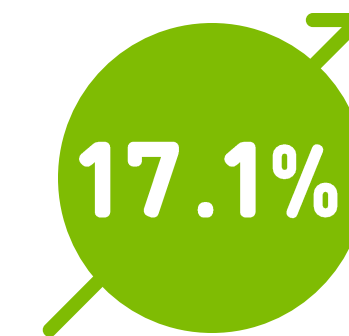


Operating
income

6.6

NIS million

Growth



Operating
income
percentage

7.1%



Q2 2019

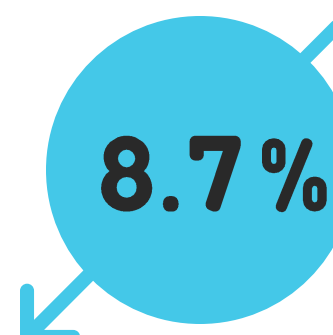
(NIS million)

Revenues

45.8

NIS million

Decrease

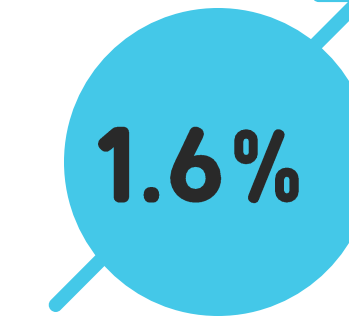


Operating
income

3.3

NIS million

Growth



Operating
income
percentage

7.2%



Highlights:  Growth and increase in operating income and percentage  Focus and change in the sector's revenue mix



Software products marketing sector

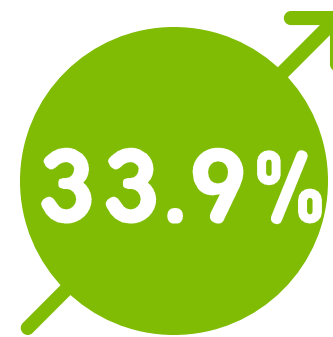
H1 2019
(NIS million)

Revenues

99.4

NIS million

Growth

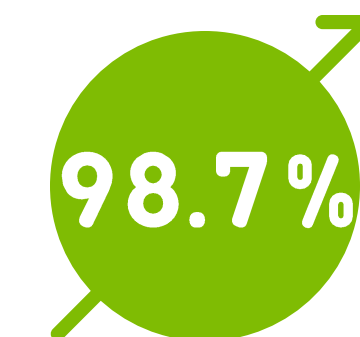


Operating income

10.6

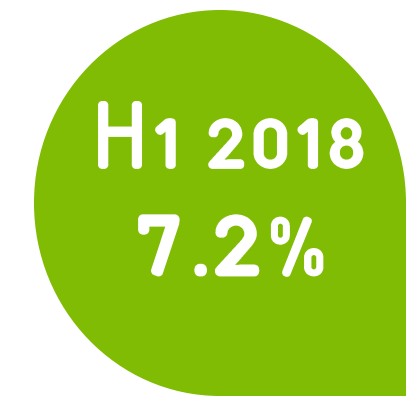
NIS million

Growth



Operating income percentage

10.6%



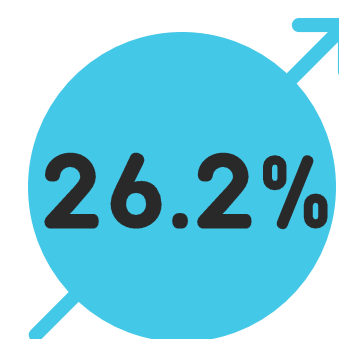
Q2 2019
(NIS million)

Revenues

47.6

NIS million

Growth

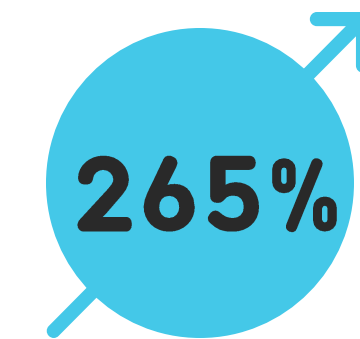


Operating income

3.0

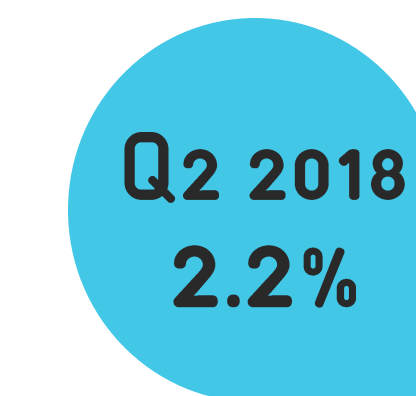
NIS million

Growth



Operating income percentage

6.3%



Highlights: ● Consolidation of ITWAY results from the beginning of 2019

● Growth and increase in sector activity, including improvement in operating income percentages



Main data
from profit
and loss
statement
Q2 2019
NIS thousands

	Q2.2019	Q2.2018	%
Revenues	387,608	* 361,379	7.3%
Gross profit	83,239	75,004	11.0%
Gross profit margins	21.5%	20.8%	
Operating income	40,275	35,129	14.6%
Operating income percentage	10.4%	9.7%	
Net profit	28,821	24,782	16.3%
Net profit margin	7.4%	6.9%	
EBITDA	** 58,629	40,041	46.4%

* Reclassification

** Implementation of IFRS16 increased the EBITDA by 11.2 NIS million



Main data
from the
profit and
loss
statement
H1 2019
NIS thousands

	H1.2019	H1.2018	%
Revenues	786,648	* 719,835	9.3%
Gross profit	172,787	153,081	12.9%
Gross profit margins	22.0%	21.3%	
Operating income	85,140	73,160	16.4%
Operating income percentage	10.8%	10.2%	
Net profit	61,487	52,414	17.3%
Net profit margin	7.8%	7.3%	
EBITDA	** 120,994	83,037	45.7%

* Reclassification

** Implementation of IFRS16 increased the EBITDA by 22 NIS million



Impact of implementation of the IFRS16 lease standard - main data for the period and quarter ended June 30, 2019

		H1.2019			Q2.2019		
Section		W/ IFRS16 implementation	W/O IFRS16 implementation	The change	W/ IFRS16 implementation	W/O IFRS16 implementation	The change
Balance sheet	Right-of-use asset	116,799	-	116,799	116,799	-	116,799
	Lease liability	(117,318)	-	(117,318)	(117,318)	-	(117,318)
Profit and loss statement	Operating income	85,140	84,406	734	40,275	39,991	284
	Financing expenses, net	3,678	2,363	1,315	2,033	1,411	622
	Net profit	61,487	61,949	(462)	28,821	29,081	(260)
	EBITDA	120,994	98,987	22,007	58,629	47,384	11,245
Cash flow	Cash flow used in operating activities	37,359	14,771	22,588	66,816	55,233	11,583
	Cash flow generated (used) by financing activities	5,375	27,418	(22,043)	(48,678)	(37,483)	(11,195)



Selected
financial data
as at
June 30, 2019
NIS thousands



37,359

Cash flow generated by
operating activities



355,867

Shareholders' equity



144,340

Net financial debt



71,682

Cash and cash
equivalents



1,169,504

Total assets



Summary

The results for the first half and second quarter of 2019 reflect continued growth in the Group's business activities, including growth and an increase in operating income and net profit across all sectors of the Group's activity.



Hilan Group

Thank you