



Hilan Group

Capital Market Presentation • March 2020



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/or 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.

The presentation includes, inter alia, information from various publications as well as data that came into the Company's possession from external sources (specified in the presentation), the contents of which were not independently examined by the Company and hence the Company is not responsible for the correctness thereof.

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.



The spread of the coronavirus

Preface

The implications of the spread of the coronavirus for the Company's business activities

In the estimation of the Company's management and Board, the event involving the spread of the coronavirus (COVID-19) ("the Coronavirus" and the "Event", respectively) have no material impact on the Company or on the companies of the Group.

The Group has organized, and continues to organize itself and to make adjustments to the work format at the Company and the companies of the Group deemed necessary as the virus continues to spread, in order to continue to serve our customers, in accordance with the directives of the Ministry of Health and the relevant authorities.

Naturally, this is a constantly evolving Event beyond the Company's control, which affects the economy, generates uncertainty and which is also liable to have implications for the Group that cannot be estimated at this time.

At the writing of this report, the Company cannot estimate or quantify the impact of the spread of the Coronavirus on the Group's business results in the future.

The Company is constantly monitoring the Event as it unfolds and the guidance of the relevant entities, and will continue to take steps to minimize any negative impact by the Event on the Group.

In the light of the period of uncertainty, management and the Board have decided not to declare distribution of a dividend at this time.

The Company will provide updates about the material implications of the spread of the Coronavirus on the Group's activity, if any.

For the avoidance of doubt it is clarified that the Company's estimates about the possible implications of the spread of the Coronavirus on the Group's activities are uncertain, unforeseeable and/or inestimable in advance and are beyond the Company's control, and therefore constitute forward-looking information.



Profile



A leading technology services group



Specializing in management of the human resource and business solutions



A decade of organic growth and expansion through acquisitions



Strong and consistent economic parameters: profitability, cash flow and distribution of dividends



Results for year ended December 31, 2019

Revenues
1,573.2
NIS million

6.7%
↑
Growth

Gross
356.4
NIS million

12.5%
↑
Growth

**Operating
income**
171.5
NIS million

13.3%
↑
Growth

Net profit
128.9
NIS million

15.9%
↑
Growth

**Operating
income
percentage**
10.9%

10.3%
↑
2018

EBITDA
244.9
NIS million

42.1%
↑
Growth



Results for quarter ended December 31, 2019

Revenues
399.1
NIS million

3%
↓
Decline

Gross profit
103.3
NIS million

11.4%
↑
Growth

**Operating
income**
51.0
NIS million

8.7%
↑
Growth

Net profit
42.8
NIS million

17.5%
↑
Growth

**Operating
income
percentage**
12.8%

11.4%
↑
2018

EBITDA
70.0
NIS million

32.3%
↑
Growth



2019

Highlights and
points of note



Record results
Continued growth in
all sectors of activity



Continuation of
synergistic acquisitions



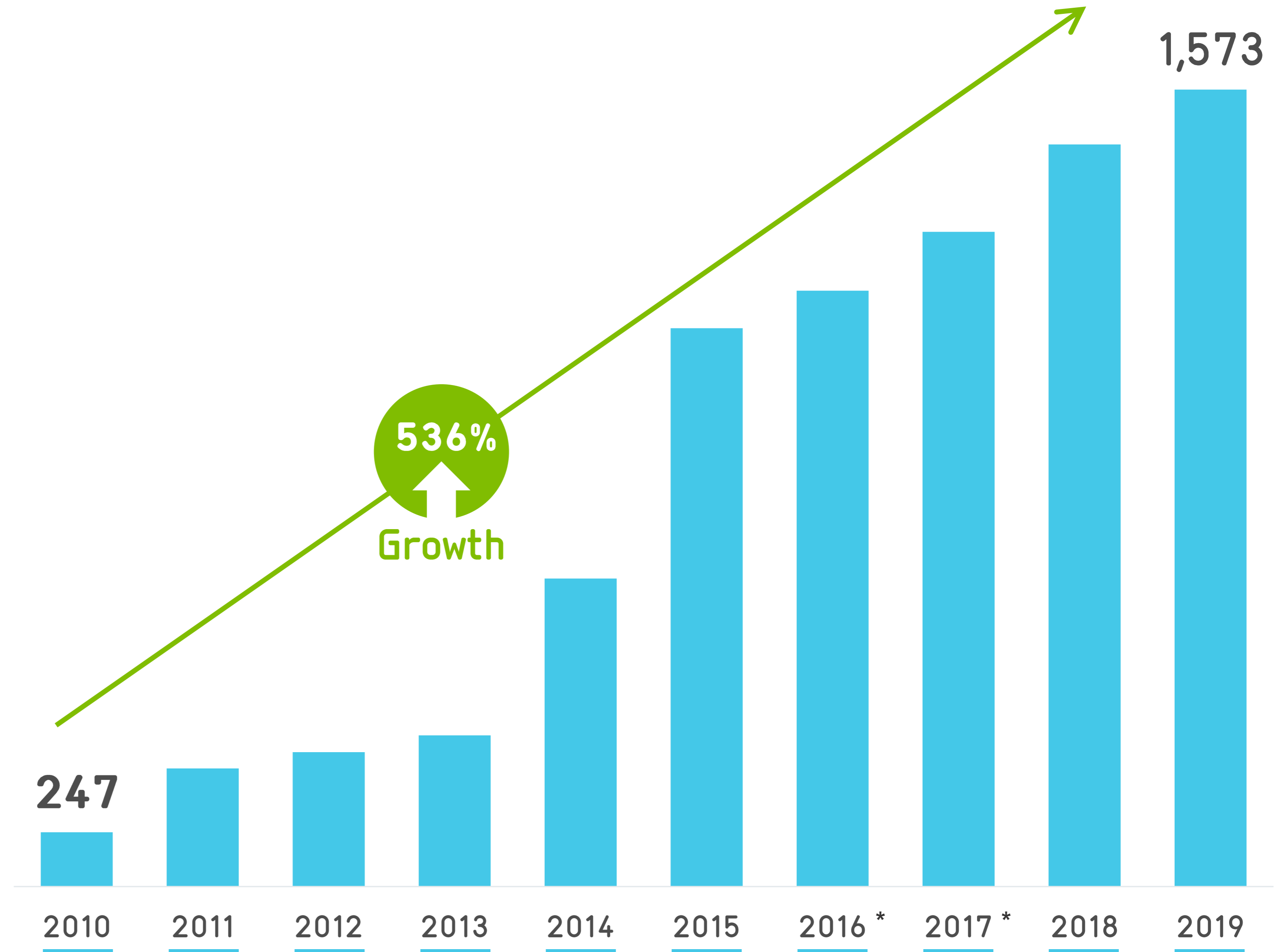
Winning of
strategic tenders



Acquisition of payroll and
human resources services
sector activity in the
United States



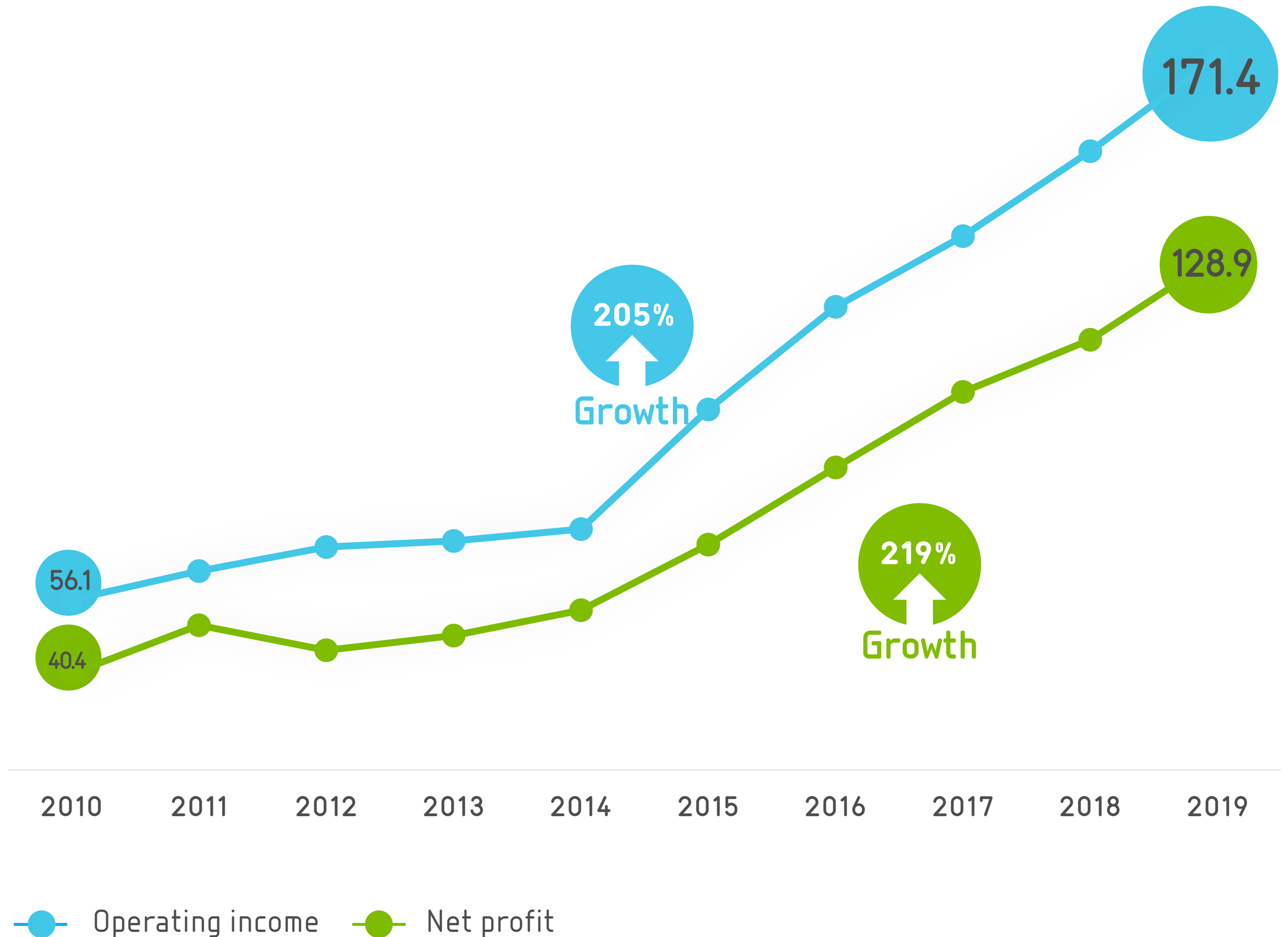
A decade of
revenue
growth
NIS million



* Reclassification



A decade of growth in operating income and net profit
NIS million





Sectors of activity

Qlik   Microsoft

opentext™ 

 **Akamai**
Experience the Edge


WE ANKOR

Marketing
of software
products

IT
infrastructures

Payroll and
human
resources
services

Business
solutions

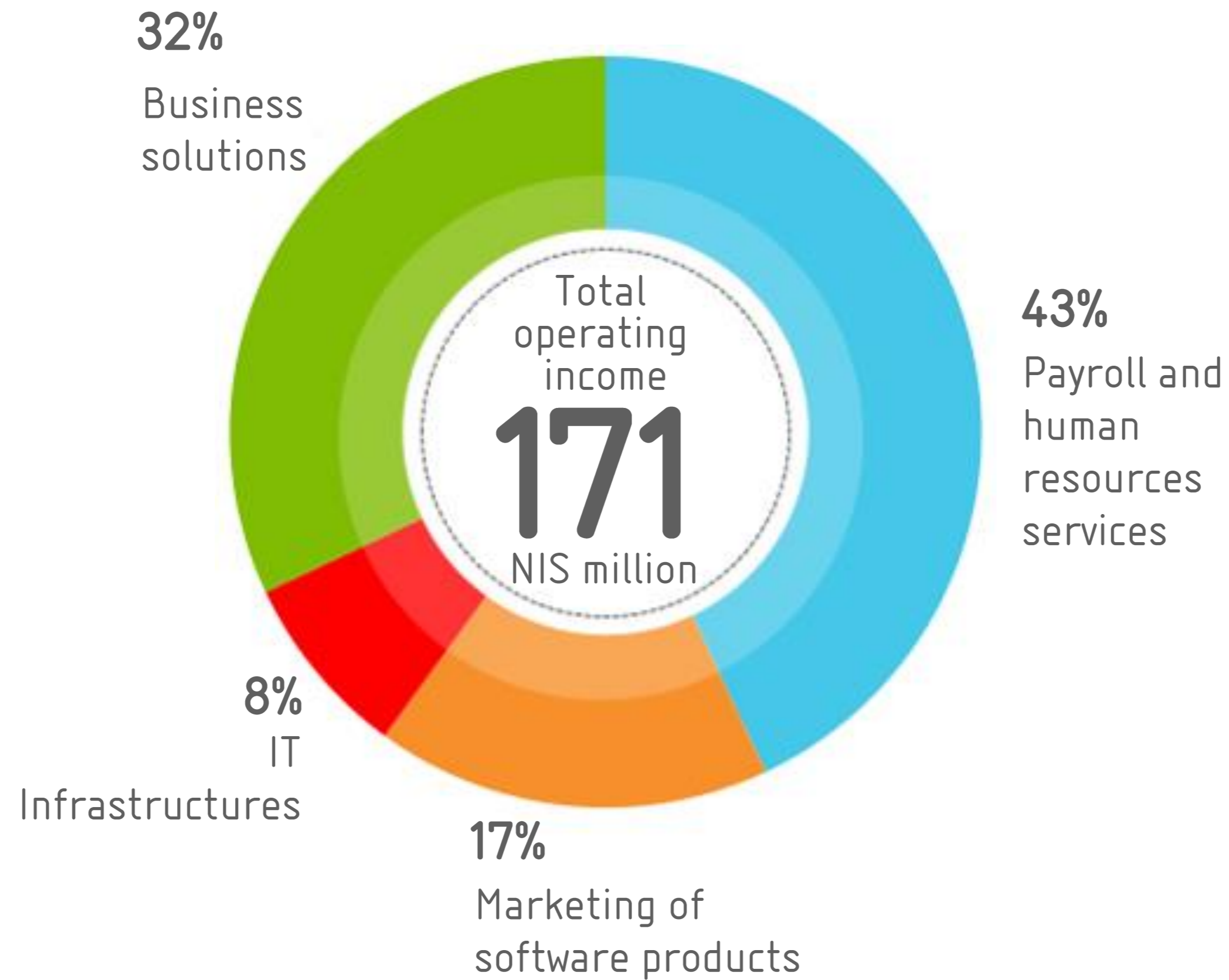
 HILAN חילן

 ESS

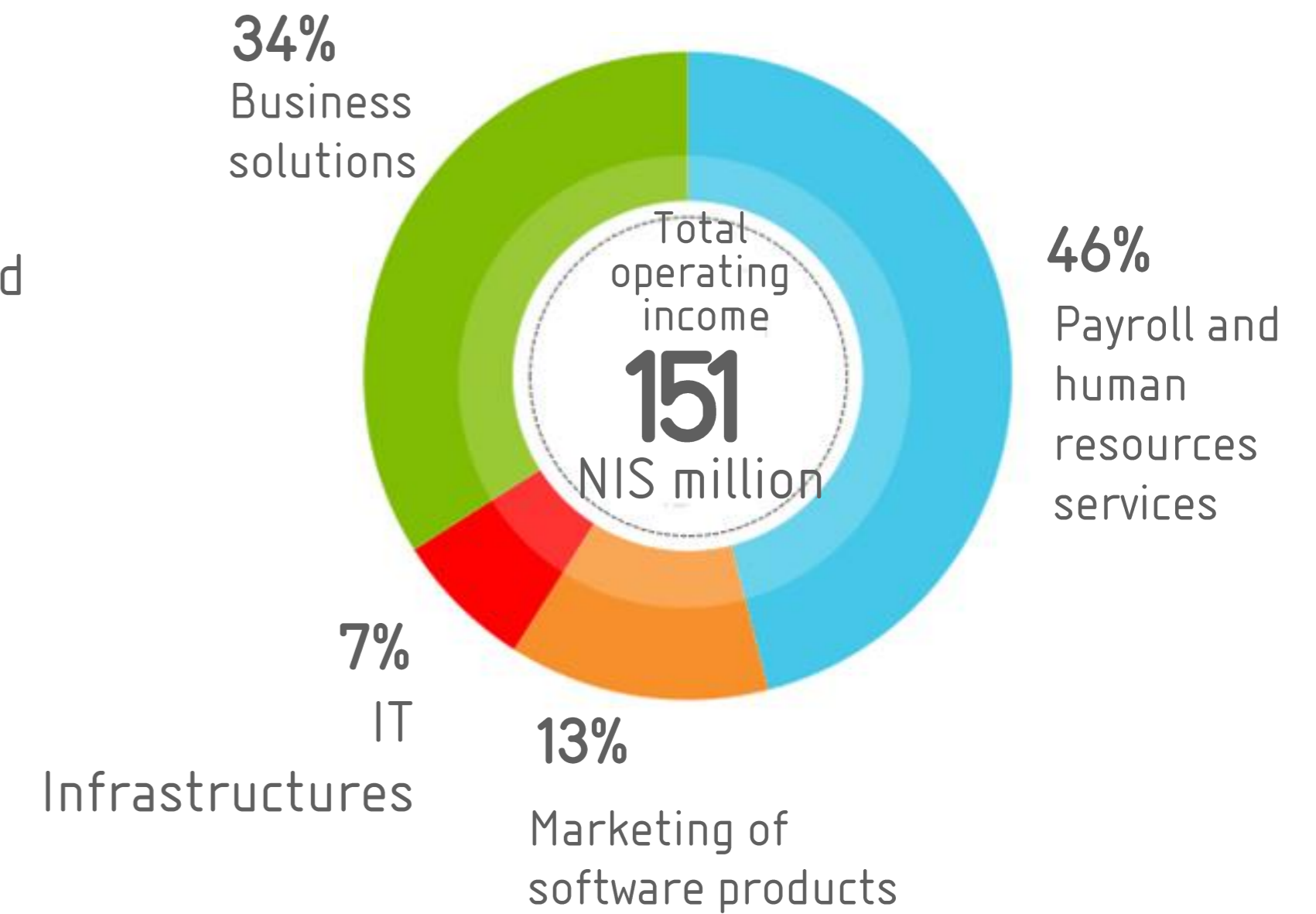


Distribution of operating income by sector of activity 2019

2019



2018





Payroll and human resources services sector

2019

Revenues

258.3

NIS million

7.5%

Growth

Operating income

74.4

NIS million

6.6%

Growth

Operating income percentage

28.8%

29.1%

2018

Q4 2019

Revenues

63.4

NIS million

9.3%

Growth

Operating income

13.6

NIS million

6.9%

Growth

Operating income percentage

21.5%

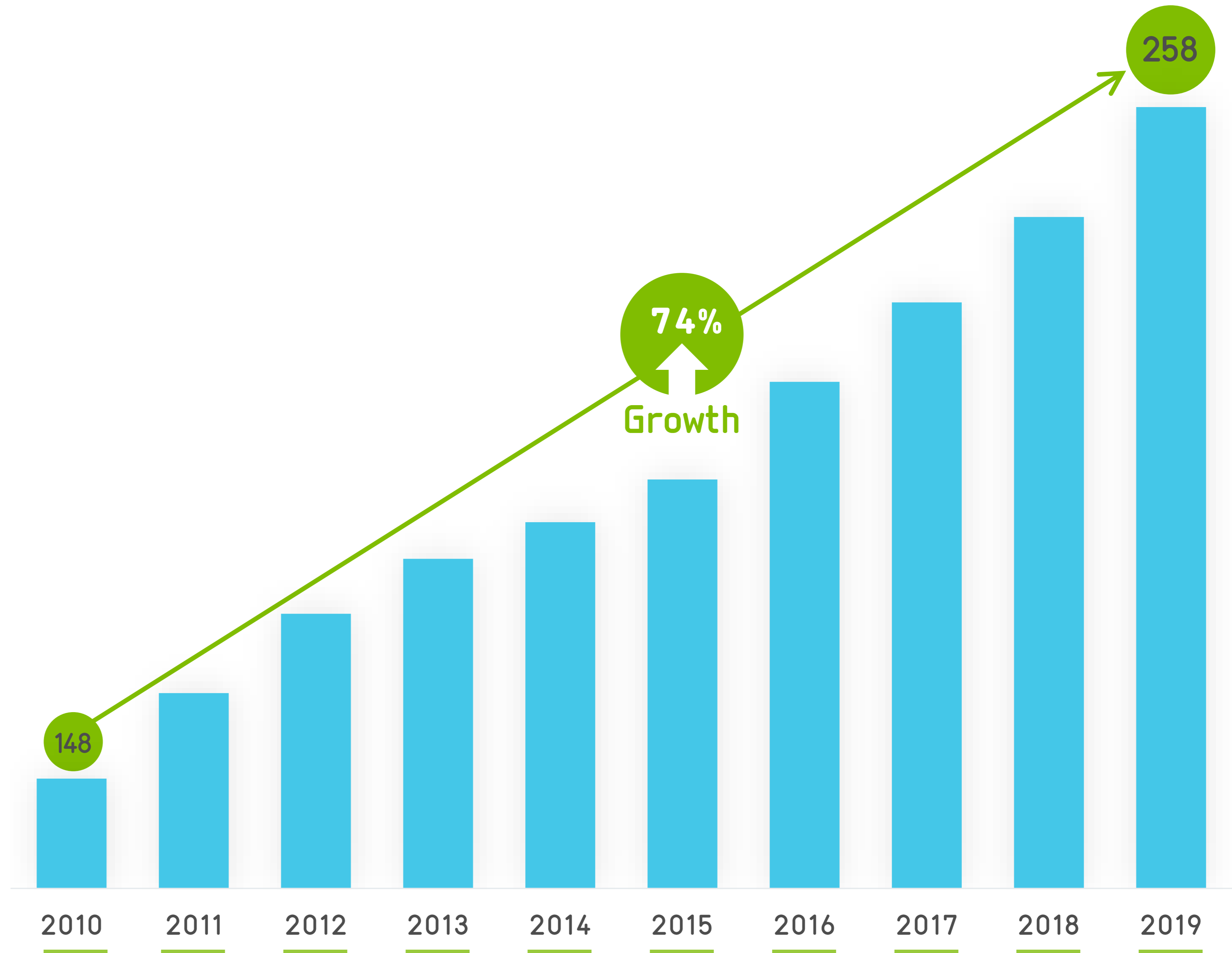
22.0%

Q4
2018

- Growth in the sector's business activity as a result of new customers and expanded use and consumption of additional products



Payroll and human resources services sector revenue growth
NIS million





Business solutions sector

2019

Revenues

921.7

NIS million

4.9%

Growth

Operating income

55.0

NIS million

4.5%

Growth

Operating income percentage

6.0%

6.0%

2018

Q4 2019

Revenues

222.0

NIS million

6.5%

Decline

Operating income

14.7

NIS million

17.4%

Decline

Operating income percentage

6.6%

7.5%

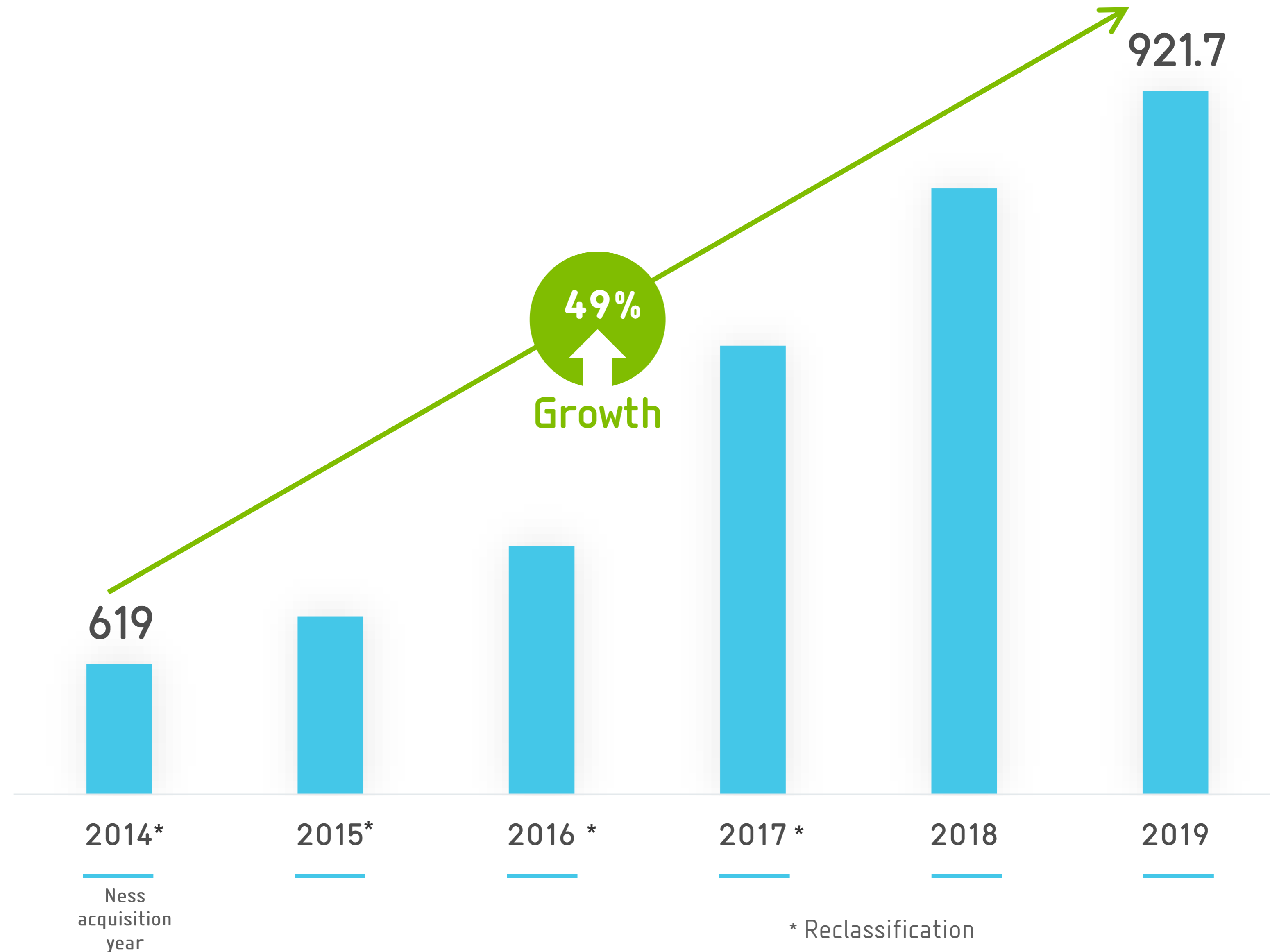
Q4
2018

- Q4 2019 had 6 fewer workdays than Q4 2018 due to the timing of the Tishrei holidays
- Growth in business activity in 2019 came exclusively from organic growth



Revenue growth in the business solutions sector

NIS million





IT infrastructures sector

2019

Revenues

189.3
NIS million



Decline

Operating
income

13.6
NIS million



Growth

Operating
income
percentage

7.2%



2018

Q4 2019

Revenues

49.6
NIS million



Decline

Operating
income

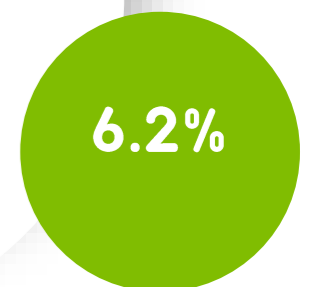
4.0
NIS million



Growth

Operating
income
percentage

8.1%



Q4
2018

- Continued growth in the sector's business activity, including change in the revenue mix and improved profitability rates



Software products marketing sector

2019

Revenues

211.4

NIS million

29.2%

Growth

Operating income

30.5

NIS million

52.9%

Growth

Operating income percentage

14.5%

12.2%

2018

Q4 2019

Revenues

67.4

NIS million

22.6%

Growth

Operating income

19.2

NIS million

47.1%

Growth

Operating income percentage

28.5%

23.8%

Q4

2018

- Growth in operating income is due to consolidation of Itway for the first time as of 1.1.2019, alongside growth in business activity
- Decline in the dollar exchange rate against the shekel in 2019 compared with a rise in the dollar exchange rate against the shekel in 2018



Main data
from the
profit and
loss
statement
for the
year 2019
NIS million

	2019	2018	%
Revenues	1,573.2	1,474.9	6.7%
Gross profit	356.4	316.9	12.5%
Gross profit margins	22.7%	21.5%	
Operating income	171.4	151.2	13.3%
Operating income percentage	10.9%	10.3%	
Net profit	128.9	111.2	15.9%
Net profit margin	8.2%	7.5%	
EBITDA	244.9	172.4	42.1%



Key figures from profit and loss statement for Q4 2019

NIS million

	Q4.19	Q4.18	%
Revenues	399.1	411.5	(3.0%)
Gross profit	103.3	92.7	11.4%
Gross profit margins	25.9%	22.5%	
Operating income	51.0	46.9	8.7%
Operating income percentage	12.8%	11.4%	
Net profit	42.7	36.4	17.5%
Net profit margin	10.7%	8.8%	
EBITDA	70.0	52.9	32.3%

- Q4 2019 had 6 fewer workdays than Q4 2018 due to the timing of the Tishrei holidays



Impact of implementation of IFRS16

NIS million

	For year ended December 31, 2019			For quarter ended December 31, 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	108.2	-	108.2	108.2	-	108.2
	Lease liability	(109.4)	-	(109.4)	(109.4)	-	(109.4)
Profit and loss statement	Operating income	171.4	170.1	1.3	51.0	50.7	0.3
	Financing expenses, net	10.0	7.5	2.5	3.0	2.5	0.5
	Equity profits	7.0	7.0	-	7.5	7.5	-
	Taxes	39.5	39.7	(0.2)	12.8	12.8	-
	Net profit	128.9	129.9	(1.0)	42.8	42.9	(0.1)
	EBITDA	244.9	198.5	46.4	70.0	58.1	11.9
Cash flow	Cash flow used in operating activities	163.7	120.0	43.7	101.6	89.6	12.0
	Net Cash flow from (used in) financing activities	(73.0)	(29.3)	(43.7)	(64.3)	(52.3)	(12.0)



Selected
financial
data for
the year
2019
NIS million



129.9
Cash and cash equivalents



423.5
Shareholders' equity



30.7
Net financial debt



163.7
Cash flow from operating
activities



1,200.2
Total assets



Summary

Conclusion of a successful year of continued growth in business activity, primarily organic, in all sectors of the Group's activities, with a focus on the core business and expansion of the variety of products and services offered to customers



Hilan Group

Thank you