



Hilan Group

Capital Market Presentation • May 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.

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The implications of the spread of the Coronavirus (COVID-19) for the Company's business activities

- ❖ Despite a slight slowdown in Group activity due the Coronavirus (COVID-19) crisis, this development has **no significant impact** on the Company or on the Group companies. This is due to:
 - ❖ The characteristics and mix of customers in the payroll sector
 - ❖ The diversity of the overall Group's business
 - ❖ Limited exposure of the customers of the companies in the Group to sectors which have been substantially impacted by the economic lockdown
- ❖ Adjustments that have been made to cope with the imposed restrictions:
 - ❖ Switch to working remotely
 - ❖ Placing employees on furlough following requests from customers of the companies in the Group
 - ❖ Increased credit facility
 - ❖ Constant contact with the Company's customers in order to support continuation of their business activity
- ❖ Based on the knowledge accumulated in the Company so far as a result of the spread of the COVID-19 virus, the Company continues to evaluate the way it prepares itself for continued coping with the virus. This includes a scenario in which there will be a further escalation of the virus spread.



Profile



A leading technology services group



Specializing in management of the human resource and business solutions



Organic growth and expansion through acquisitions



Strong and consistent economic parameters: profitability, positive cash flow from ongoing activity and low leverage



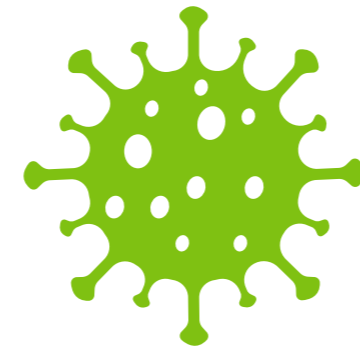
Q1 2020 Highlights and points of note



Continued revenue
growth



Exercising the option to
acquire the remaining 30% of
the share capital in Danel
Financial



Coping with the Coronavirus
(COVID-19) crisis



Completed acquisition of payroll
and human resources services
sector activity in the USA



Results for quarter ended March 31, 2020

Revenues

412.7
NIS million



Growth

Gross profit

99.1
NIS million



Growth

Operating
income

44.4
NIS million



Decline

Net profit

33
NIS million



Growth

Operating
income
percentage

10.8%



2019

EBITDA

64.8
NIS million

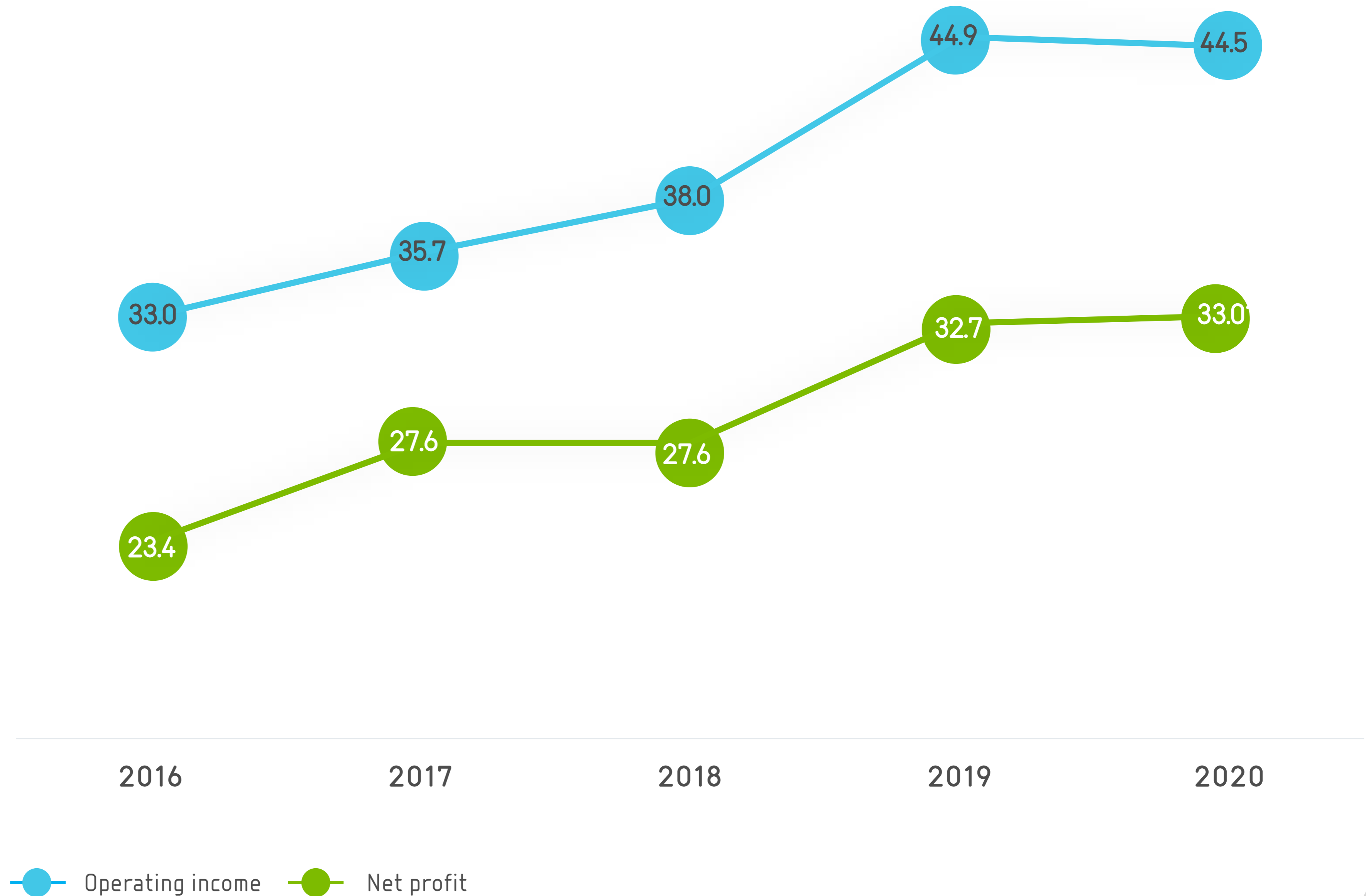


Growth



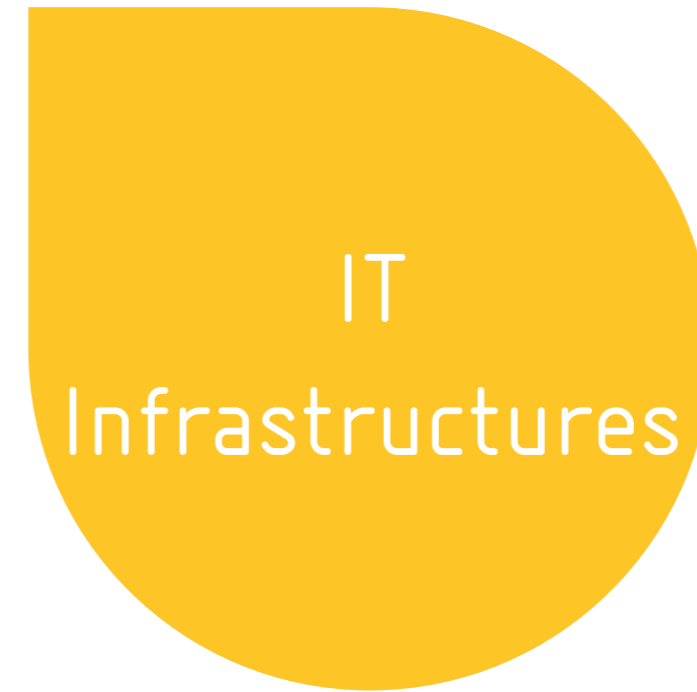
Growth in operating income and net profit Q1

NIS million





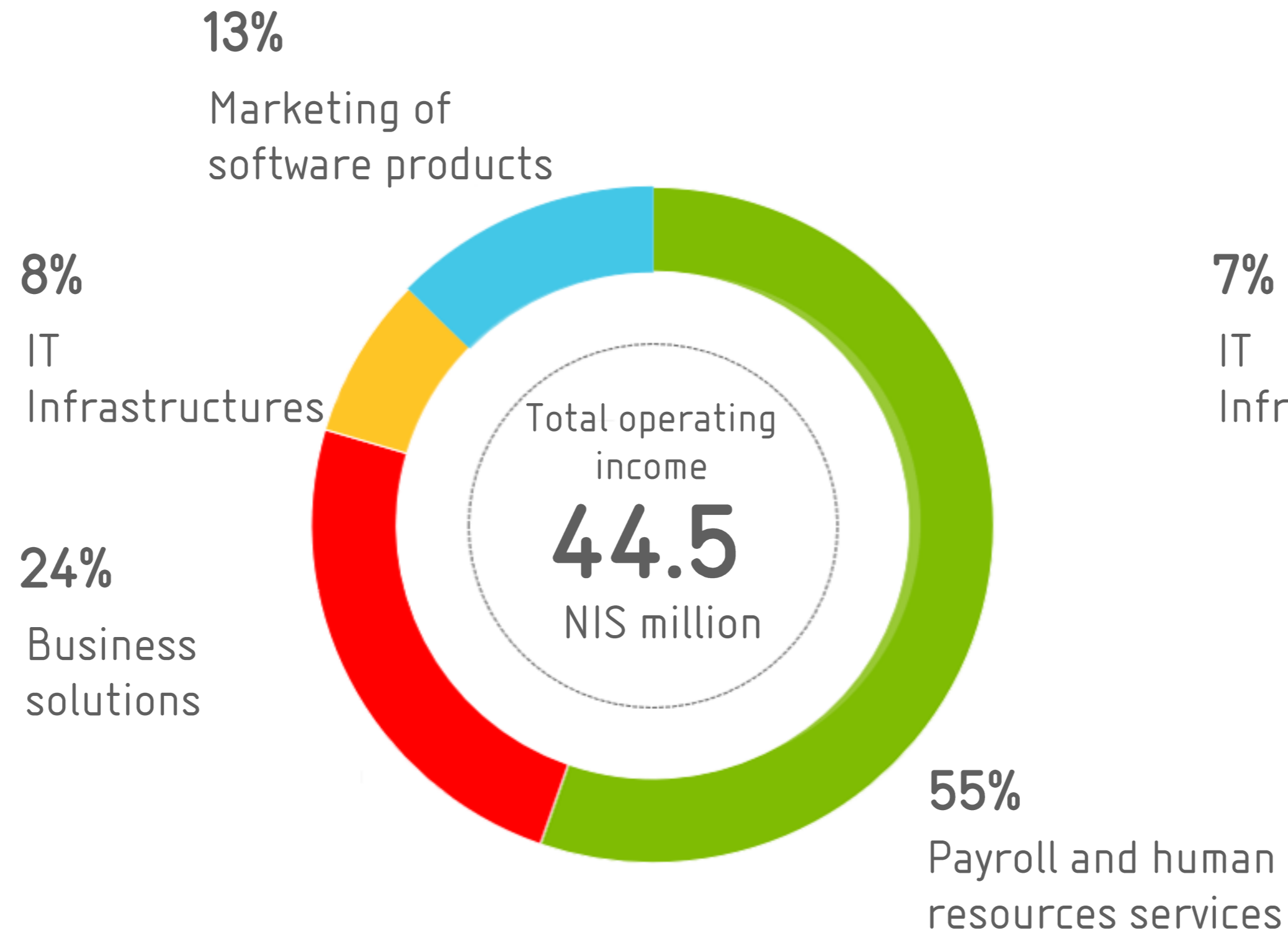
Sectors of activity



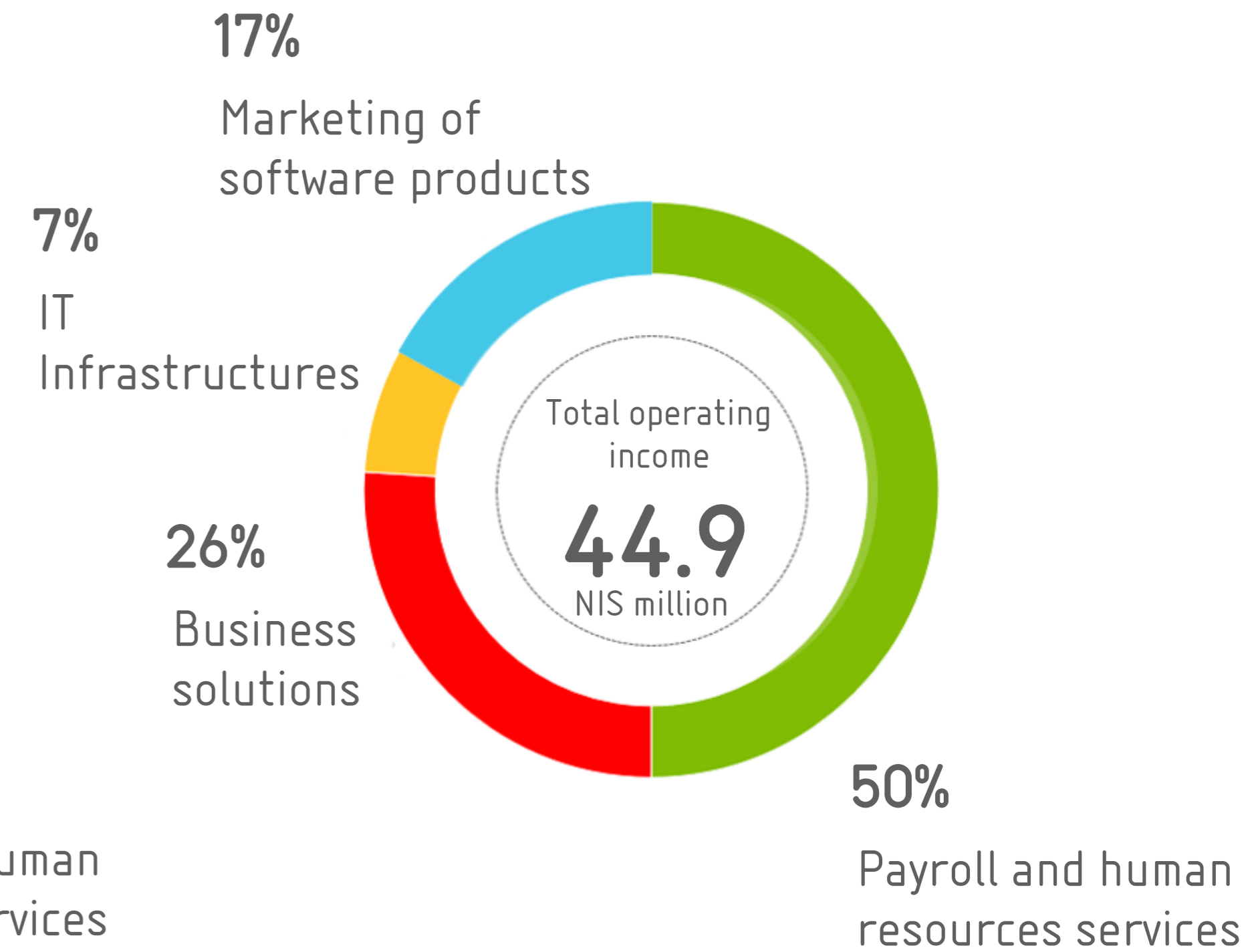


Distribution of operating income by sector of activity Q1.2020

Q1.2020



Q1.2019





Payroll and human resources services sector

Q1.2020

Revenues

84.7
NIS million

25.2%

Growth

Operating
income

24.9
NIS million

8.6%

Growth

Operating
income
percentage

29.4%

33.9%

2019

- Consolidation of Payday for the first time, which was acquired in the USA
- New customers joining and growth in the delivery of value-added services (VAS) in Israel
- Recording of one-time expenses due to the completion of the acquisition of Payday in the USA
- Massive provision of support and assistance to the sector's customers during the Coronavirus crisis



Payroll and human resources services

In the USA



Completion of the Payday acquisition as of the beginning of the year



Provision of support and assistance to the customers following the Coronavirus (COVID-19) crisis



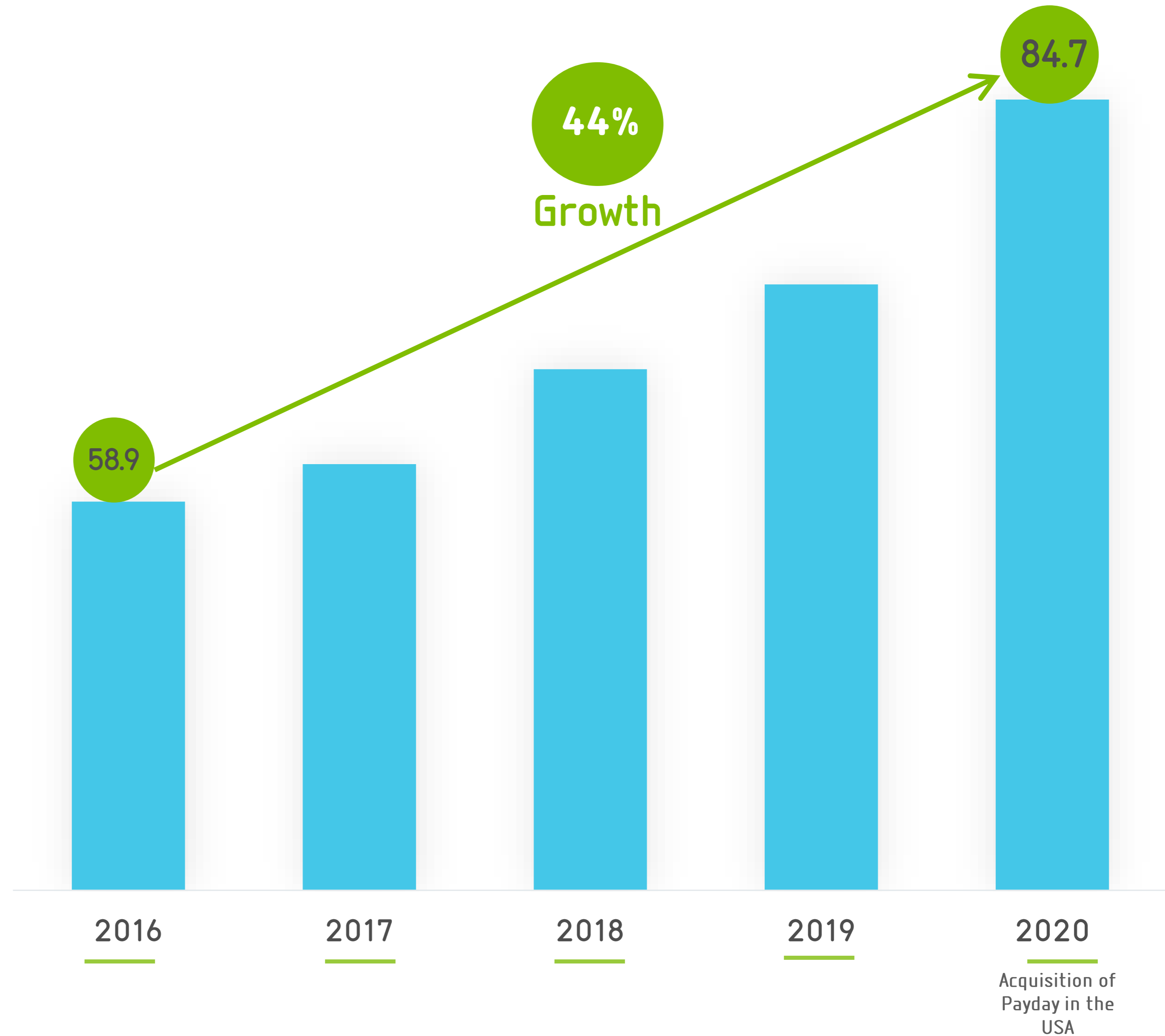
Completion of synergy processes in the acquiree company



Outlook of resumption of business as usual and examination of new business opportunities



Payroll and
human
resources
services
sector
revenue
growth
Q1
NIS million



Q1.2020



Business solutions sector

Revenues

237.9
NIS million

2.1%

Growth

Operating
income

10.9
NIS million

6.5%

Decline

Operating
income
percentage

4.6%

5.0%

2019

- Organic growth of sector revenues
- Support and professional assistance of the health sector, which is among the sector's customers during the Coronavirus crisis
- Delay in receipt of work orders from the Company's customers
- Support and guidance of employees, a small proportion of which have been furloughed

Q1.2020



IT infrastructures sector

Revenues

41.3
NIS million

14.2%

Decline

Operating
income

3.5
NIS million

5.5%

Growth

Operating
income
percentage

8.5%

6.9%

2019

- Increase in operating income despite a decrease in sector income
- Delay in delivery of the products to the Company's customers due to travel restrictions imposed by the Government
- Decrease in income and operating income due to Shekel appreciation against the dollar year-over-year
- Change in the sector's revenue mix



Software products marketing sector

Q1.2020

Revenues

50.5
NIS million

2.7%

Decline

Operating
income

5.7
NIS million

24.7%

Decline

Operating
income
percentage

11.3%

14.6%

2019

- Decrease in income and operating income due to Shekel appreciation against the dollar quarter-over-quarter
- Slight erosion of sector profitability levels
- Allocation of resources toward migrating customers to cloud-based solutions and a Subscription licensing model



Main data
from the
profit and
loss
statement
Q1.2020
NIS million

	Q1.2020	Q1.2019	Change in %
Revenues	412.7	399	3.4%
Gross profit	99.1	89.5	10.7%
Sales and general and administrative expenses	54.7	44.7	22.4%
Operating income	44.4	44.8	(0.9%)
Financing expenses, net	1.5	1.6	(11.3%)
The company's part in the Company's losses is included	–	0.2	–
Taxes on revenues	9.9	10.4	(4.0%)
Net profit	33	32.6	1.1%
Net stockholder profit	31	30.4	1.8%
Net income attributable to the minority interest	2	2.2	(8.2%)
EBITDA	64.8	62.4	4.0%
Gross profit margin	24.0%	22.4%	
Operating income percentage	10.8%	11.2%	
Net profit margin	8.0%	8.2%	



Selected
financial
data
as of March
31, 2020
NIS million



88.1

Cash and cash equivalents



426.4

Shareholders' equity



159.5

Net financial debt



20.8

Cash flow generated by
operating activities



1,319.9

Total assets

Growth in net financial debt:

The growth is a consequence of the Payday acquisition, which includes a liability contingent upon the success of the expansion of the activity and a future liability, which will take effect in approximately 5 years, to acquire the remaining 30% of the company's stock



Summary

- Hilan Group is stable and continues to maintain financial resiliency with low levels of leverage.
- We are continuing with our strategic focus on implementing the business plans.
- Organic growth based on development of growth engines within the core fields.
- Evaluation and taking advantage of opportunities to acquire companies as a result of the crisis.



Hilan Group

Thank you