



Hilan
Group

Capital Market Presentation
November 2020

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.

General impact on the Israeli economy



GDP in 2020 is expected to shrink by approximately (6.5%)



Uncertainty as to the macro-economic environment following the spread of the second wave of COVID-19



2020 Government deficit is expected to reach 13%



Approximately 20% Unemployment outlook for EOY 2020



Switch to hybrid and remote work



Outlook for limited recovery and growth 2021

Hilan Group

No significant impact on Group business during the reporting period due to the following circumstances:



Payroll and human resources services sector
Reduced exposure to the proportion of unemployed in the market



Diversified business
In the overall group's core business



Limited exposure
To sectors substantially affected by market constraints



Furlough
The vast majority of the Group employees returned to full employment










Company customers
Constant contact in order to support continuation of their business activity



Financial strength
Increased credit facility and low financial leveraging

Calling Card

-  | A leading technology services group
-  | Publicly traded company since 2000
-  | Over 5,000 customers
-  | Approximately 30% revenues from the government sector
-  | Approximately 4,000 employees in the Group
-  | 15 companies in the Group
-  | Consistent financial strength

Sectors of activity



Payroll and human resources services



Business solutions



IT Infrastructures



Marketing of software products

Data summary (NIS million)



90 125

Tel Aviv Tel Aviv



AA-
Stable horizon

S&P (Maalot)



3,435 NIS million

As of November 15, 2020



466.8 NIS million

As of September 30, 2020



1,192.0 NIS million

1-9/2020



124.5 NIS million

1-9/2020



92.1 NIS million

1-9/2020



184.0 NIS million

1-9/2020

Highlights for report period and afterward



Effective coping with the COVID-19 crisis and its implications and made the necessary adjustments including switching to hybrid work mode



In January 2020 the acquisition of a company in the payroll and human resources services sector was completed in the USA



The Company announced and distributed a dividend totaling NIS 22.5 million (NIS 1 per share) during the reported period



Growth of approximately 121.6% in cash flow from operating activities For Q3, 2020



Growth of approximately 10.0% in operating profit in Q3, 2020

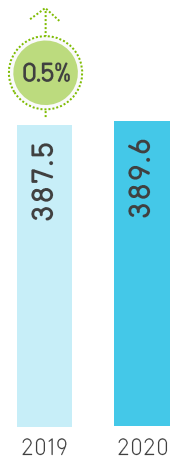


Growth of approximately 10.7% in net profit in Q3, 2020

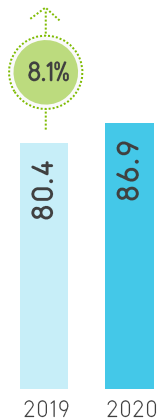
Financial results (NIS million)

Third quarter 2020

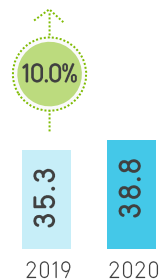
Revenues



Gross profit



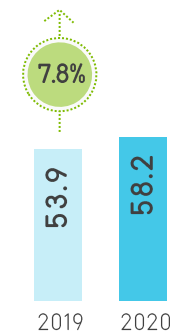
Operating income



Net profit



EBITDA

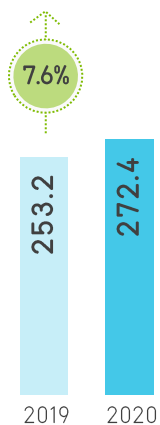


1-9/2020

Revenues



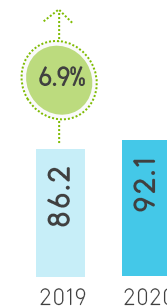
Gross profit



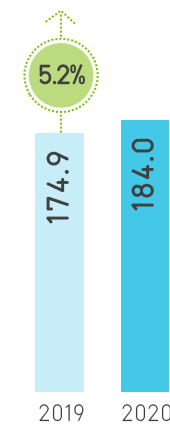
Operating income



Net profit

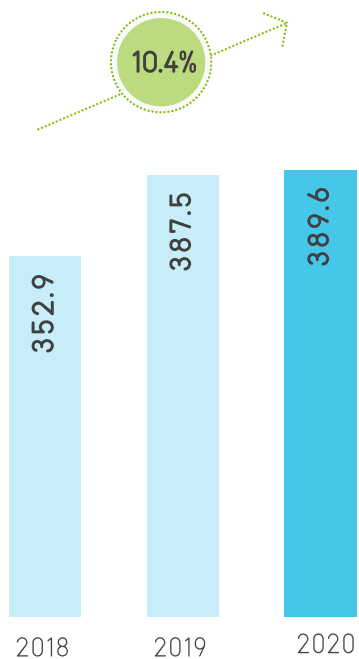


EBITDA

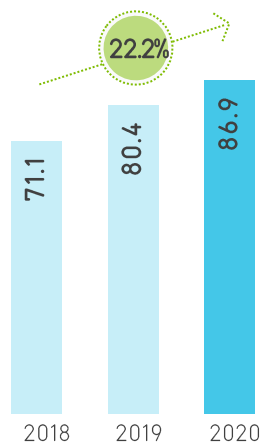


Third quarter 2020

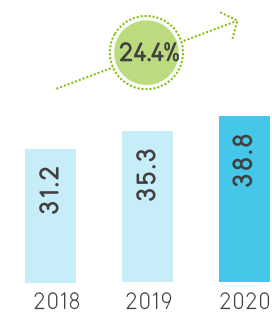
Revenues



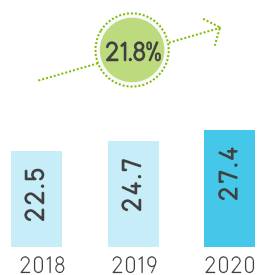
Gross profit



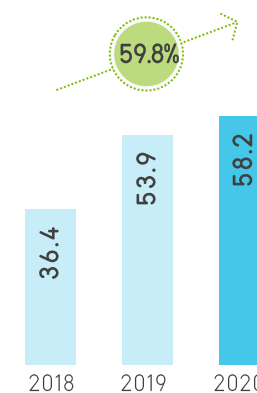
Operating income



Net profit



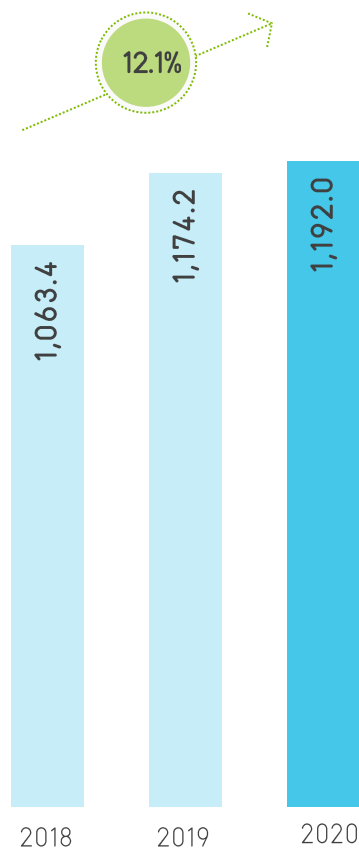
EBITDA



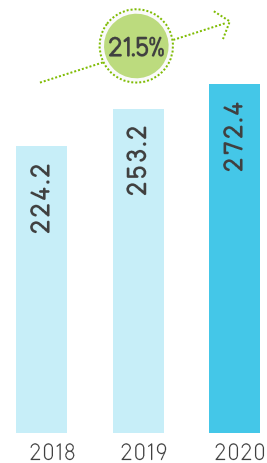
* The IFRS 16 leasing standard was not implemented in 2018

1-9/2020

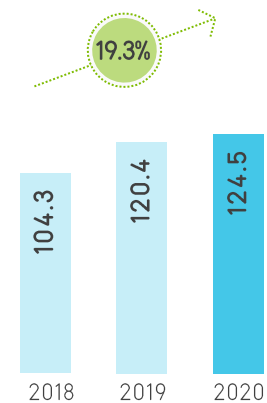
Revenues



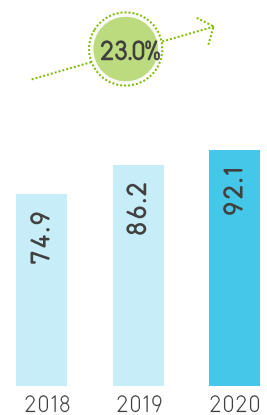
Gross profit



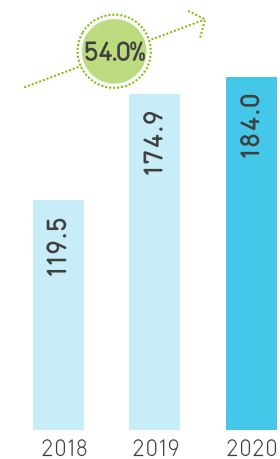
Operating income



Net profit



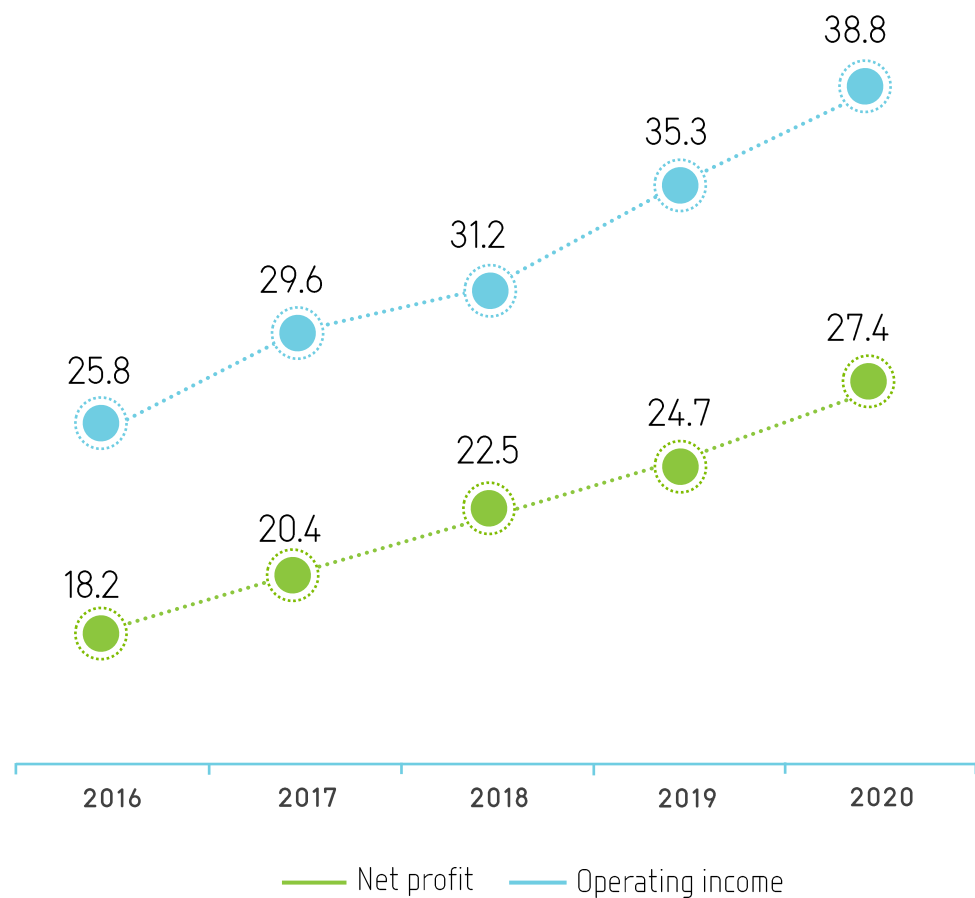
EBITDA



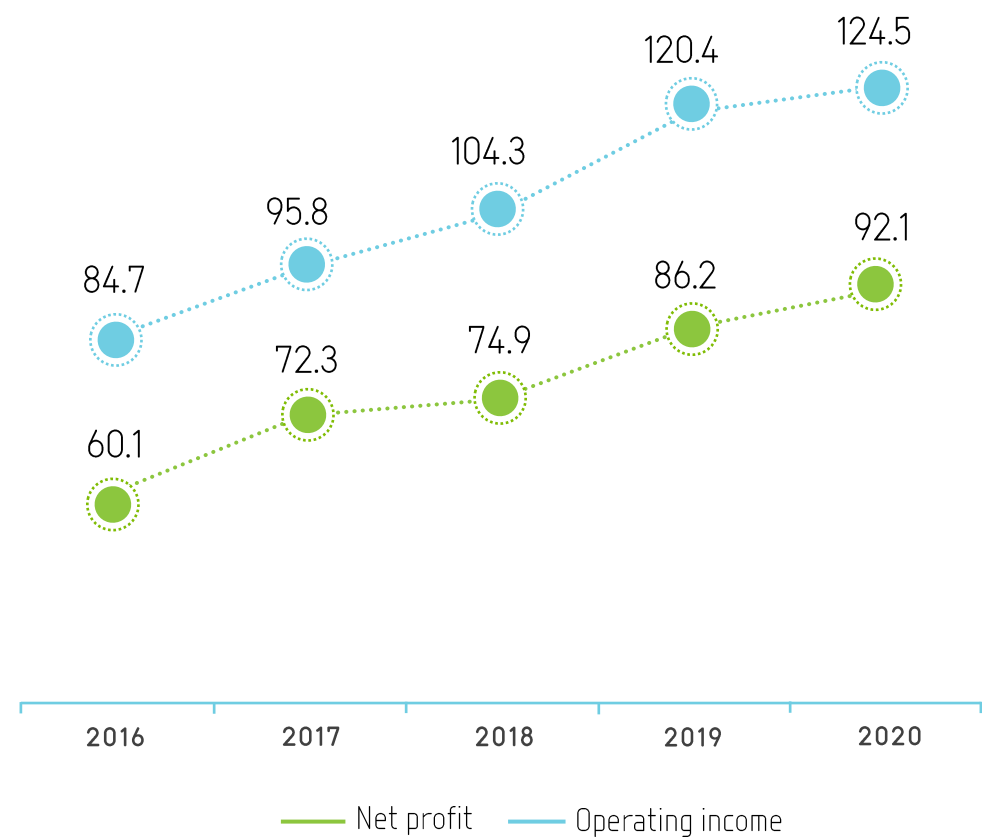
* The IFRS 16 leasing standard was not implemented in 2018

Trendline: Operating and net income (NIS million)

Third quarter 2020



1-9/2020



Holdings structure



* The percentages in this slide reflect Hilan's percentage holding in the respective companies



Payroll and human resources services

- Business process management services in BPO mode
- Professional service center in ASP mode
- Solutions for local software on customer premises
- Payroll Management services
- T&A Management
- Human Resources management
- Pension administration
- Additional added value services



Business solutions

- Technological added value solutions
- Sale of outsourcing solutions
- IT, Digital and innovation project solutions
- Assimilation and implementation of IT systems
- Consulting and expert services, testing services, software solutions and training
- Solutions for financial asset management for securities portfolios for the financial and business sectors in Israel



IT Infrastructures

- Sale of IT solutions
- Public and private cloud-based managed service solutions
- Advanced information security and cybersecurity solutions.



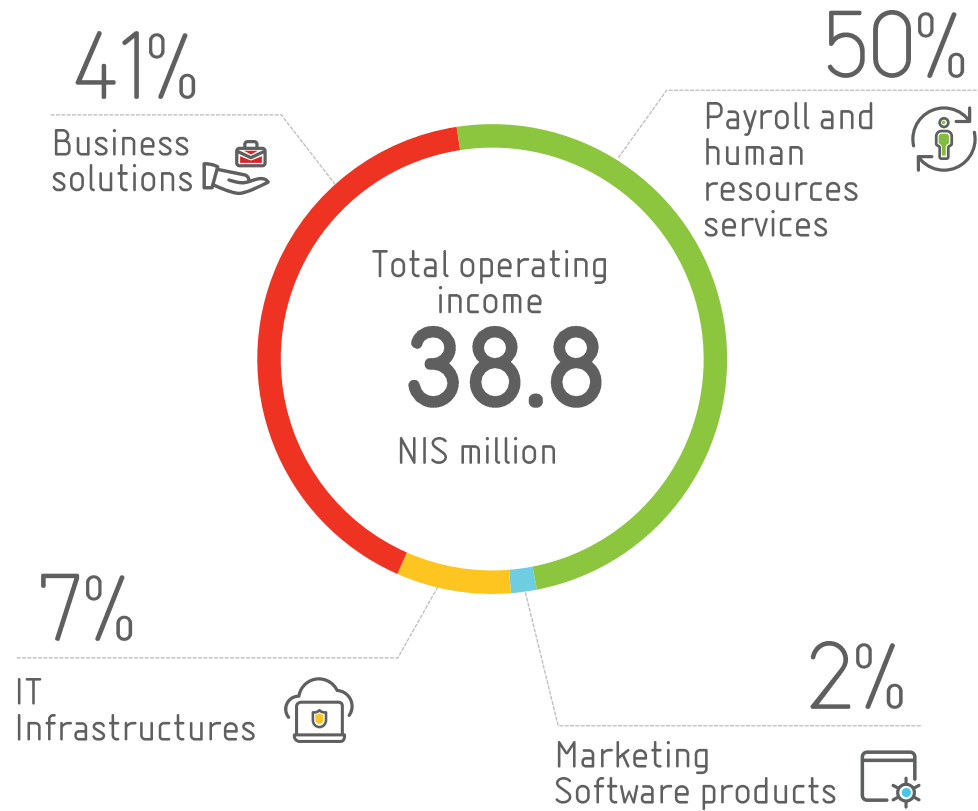
Marketing of software products

- Distribution and assimilation of software products
- Solutions in the field of Command & Control, Data, Analytics and Business Intelligence (BI), IT Infrastructure and Applications
- Document management solutions, content management, information security and cybersecurity

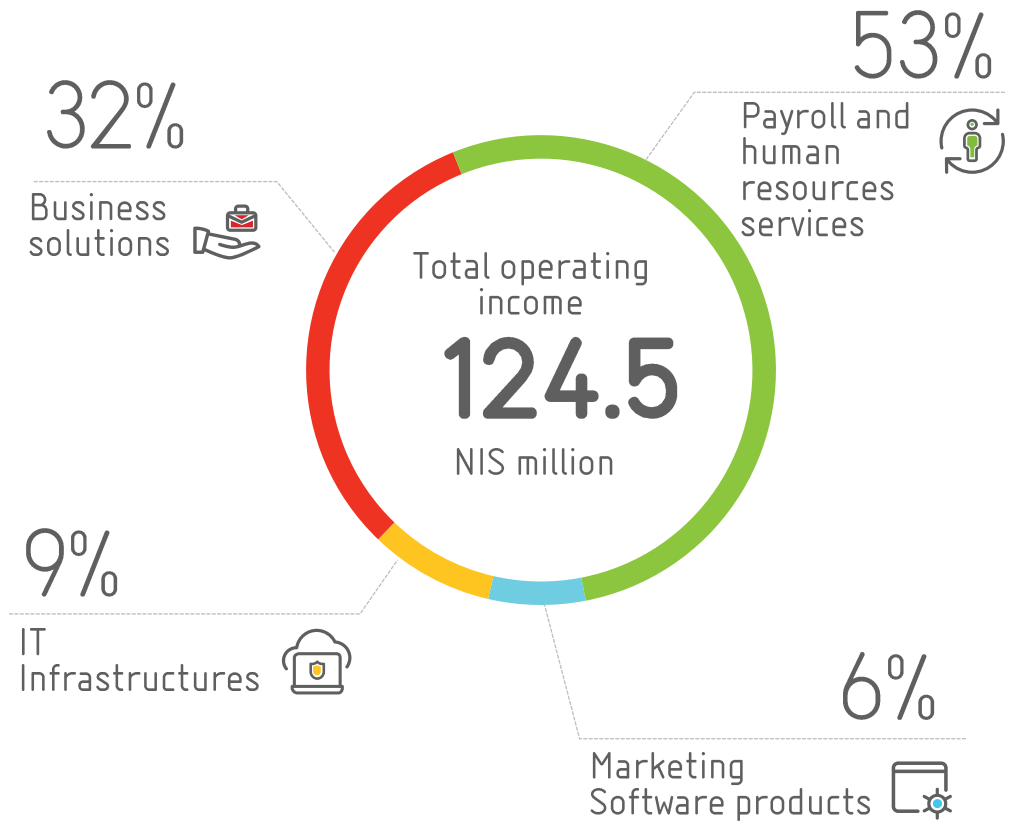


Distribution of operating income by sector of activity

Third quarter 2020



1-9/2020



Main data from the profit and loss statement 2020 Vs 2019 (NIS million)

Third quarter

	Q3.2020	Q3.2019	% Change
Revenues	389.6	387.5	0.5%
Gross profit	86.9	80.4	8.1%
Sales and G&A expenses	48.1	45.1	6.6%
Operating income	38.8	35.3	10.0%
Financing expenses, net	2.7	3.4	(20.4%)
Earnings before tax	36.1	31.9	13.2%
Taxes on revenues	8.8	7.2	21.5%
Net profit	27.4	24.7	10.7%
EBITDA	58.2	53.9	7.8%
Gross profit margin	22.3%	20.7%	
Operating income percentage	10.0%	9.1%	
Net profit margin	7.0%	6.4%	

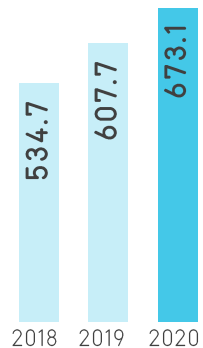
Main data from the profit and loss statement 2020 Vs 2019 (NIS million)

For a 9-month period

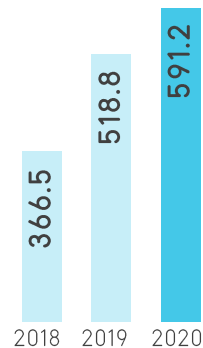
	1-9/2020	1-9/2019	% Change
Revenues	1,192.0	1,174.2	1.5%
Gross profit	272.4	253.2	7.6%
Sales and G&A expenses	147.9	132.7	11.5%
Operating income	124.5	120.4	3.4%
Financing expenses, net	5.0	7.0	(28.2%)
Earnings before tax	119.4	112.9	5.8%
Taxes on revenues	27.3	26.7	2.2%
Net profit	92.1	86.2	6.9%
EBITDA	184.0	174.9	5.2%
Gross profit margin	22.9%	21.6%	
Operating income percentage	10.4%	10.3%	
Net profit margin	7.7%	7.3%	

Selected financial data as at September 30 (NIS million)

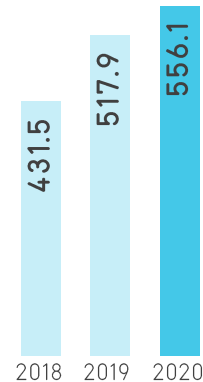
Current assets



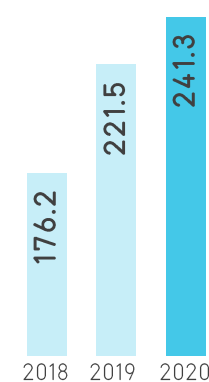
Non-current assets



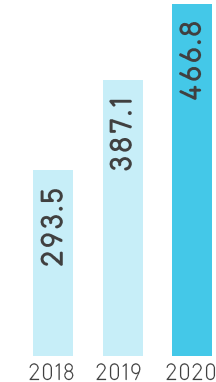
Current liabilities



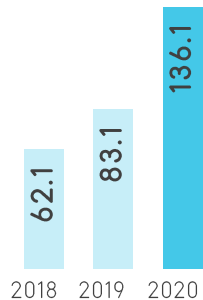
Non-current liabilities



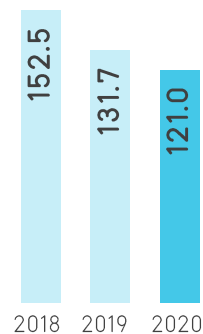
Owner's capital



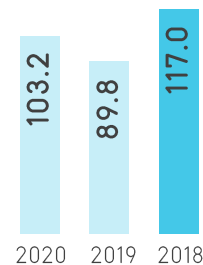
Cash and cash equivalents



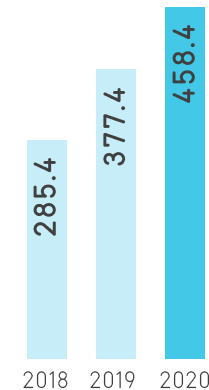
Net financial debt



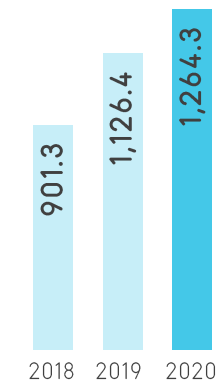
Net working capital



Shareholders' equity



Total assets

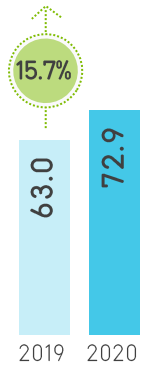


* As of January 2019 the leasing standard (IFRS16) has been implemented which has implications regarding the asset and liability balance in the Company balance sheet.



Payroll and human resources services sector

Third quarter



Revenue
(NIS millions)



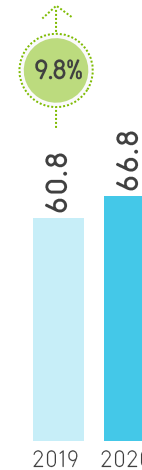
Operating profit
(NIS millions)



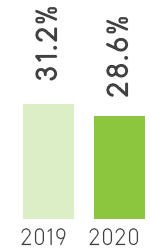
Operating profit
percentages (percent)



Revenue
(NIS millions)



Operating profit
(NIS millions)



Operating profit
percentages
(percent)

1-9/2020



Consolidation of Payday for the first time since the beginning of 2020, which was acquired in the USA



Continued 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

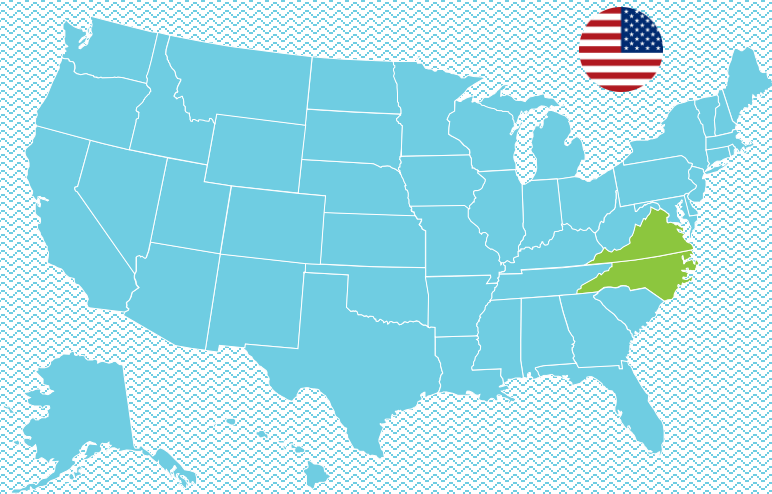


Entry of costs due to allocation of restricted stock to the company CEO



Payroll and human resources services

United States



Revenues of approximately
33.4 NIS million
For the 1-9/2020
timeframe



Revenues of approximately
10.0 NIS million
For Q3, 2020



Approximately
50
Employees



Company with
extensive
experience in
Payroll and Human
Resources



2
Main east-coast
offices

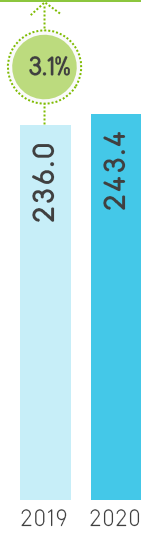


Over
1,500
Customers



Business solutions sector

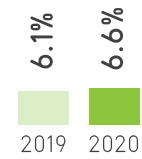
Third quarter



Revenue (NIS millions)



Operating profit (NIS millions)

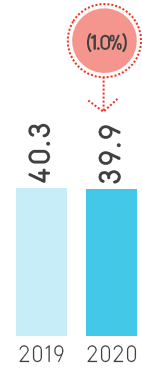


Operating profit percentages (percent)

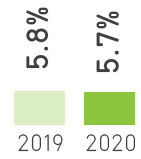
1-9/2020



Revenue (NIS millions)



Operating profit (NIS millions)



Operating profit percentages (percent)



Enacting Streamlining processes and sales and G&A cost-cutting



Support and assistance for the health sector customers through the height of the COVID-19 crisis



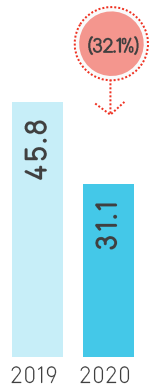
Most of the sector employees that were sent on furlough have returned to full-time work at the Company's customers



Switch to hybrid work including working with customers remotely



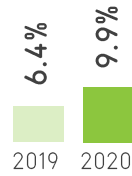
Third quarter



Revenue (NIS millions)

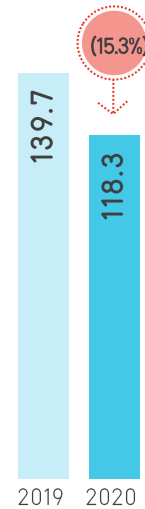


Operating profit (NIS millions)



Operating profit percentages (percent)

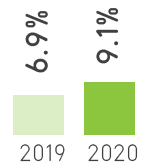
1-9/2020



Revenue (NIS millions)



Operating profit (NIS millions)



Operating profit percentages (percent)



Significant growth in the operating income percentage compared to the same quarter and period last year



Continued trend toward changing revenue mix and transition to cloud-based managed services



Quarter-over-quarter a handful of large-scale transactions have been executed with low profit margins

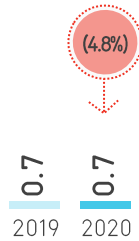


Software products marketing sector

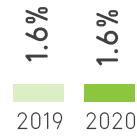
Third quarter



Revenue (NIS millions)



Operating profit (NIS millions)



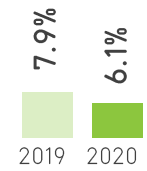
Operating profit percentages (percent)



Revenue (NIS millions)



Operating profit (NIS millions)



Operating profit percentages (percent)

1-9/2020



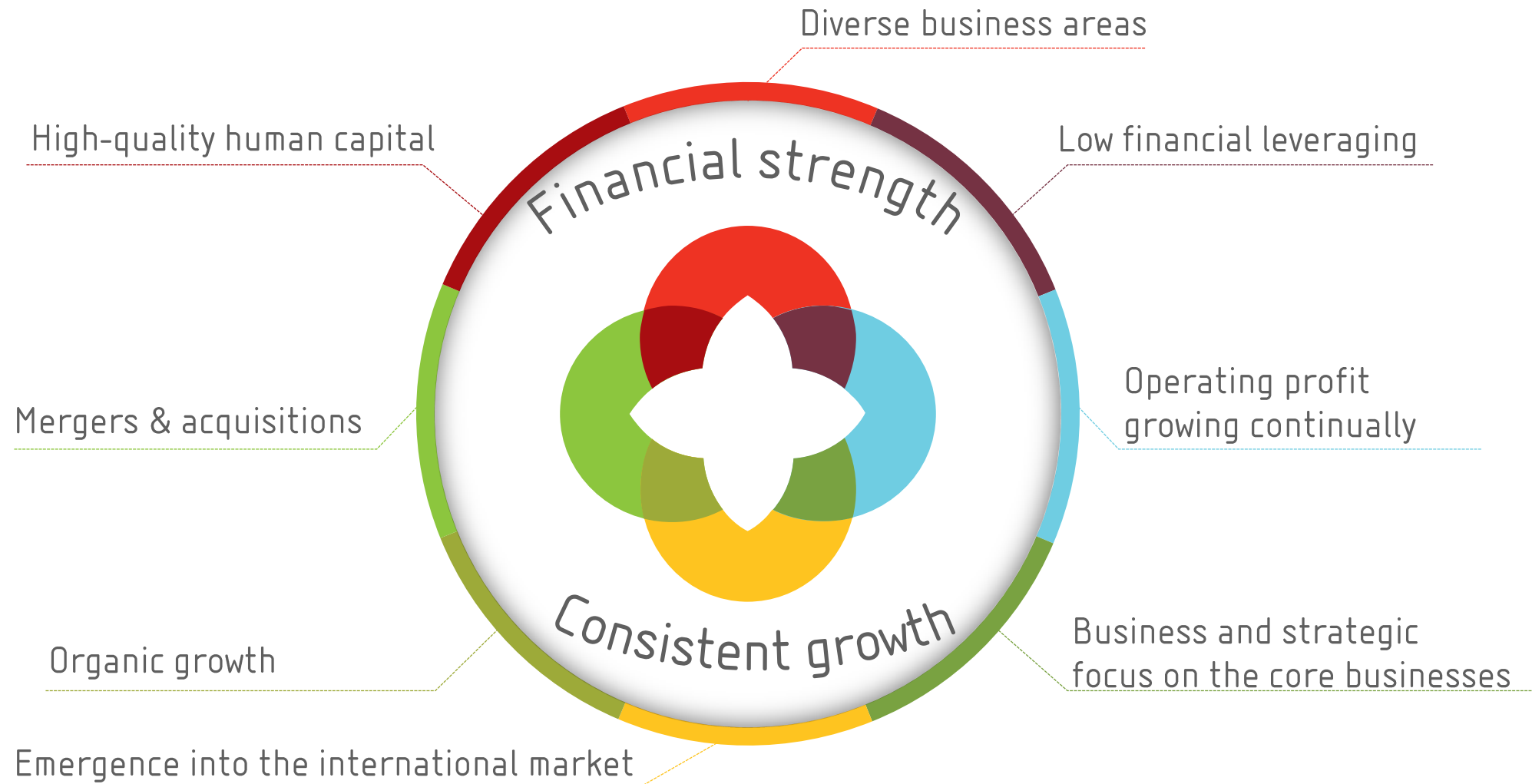
Decrease in income and operating income due to Shekel appreciation against the dollar quarter-over-quarter and compared with the same period last year



Allocation of resources toward migrating customers to cloud-based solutions and transition to a Subscription-based licensing model



Postponement of new deals due to the COVID-19 Pandemic and challenges due to the uncertainty over the Government budget





Hilan
Group

Thank you