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Press Release

improving profitability and ,Technologies continues to grow One1 presenting record results in the third quarter and first nine months of :2019

Revenues in the third quarter of 2019 grew by 15% to NIS 377 million; Net profit in the quarter increased by approximately 40% to approximately NIS 21.6 million

The operating profit ratio in the quarter increased to 8.2%, as compared with 6.4% in the corresponding quarter last year

Revenues in the software segment grew during the quarter by 39% to NIS 198 million, with the operating ratio exceeding the 11% level

In the first nine months of 2019, One1 recorded growth of 15% in revenues, to approximately NIS 1.19 billion, along with an improvement in the operating profit ratio in all operating segments

Adi Eyal, CEO of One1: "We are concluding the third quarter of the year with high dual-digit growth of 15% – thanks to organic growth and the successful implementation of our series of acquisitions over the past year. In parallel, we presented significant growth in the Group's operating profit ratio, and exceeded the 8% level in support of synergistic acquisitions and implementation of intra-organizational changes, including changes to the managerial structure and merging existing operations, which allowed us to transfer responsibility and authority from headquarters to the operating divisions, and thereby to successfully address the challenges in the business environment. We are currently continuing to evaluate additional acquisitions and other strategic processes, in order to support an accelerated growth rate in the coming years. while maintaining the trend of improvement in profitability rates."

One1 Technologies, one of Israel's leading IT companies, published its financial results for the third quarter and first nine months of 2019, showing high dual-digit growth in revenues, thanks to organic growth and the successful implementation of recent acquisitions, along with the improvement in the Company's profitability ratios and profit.

Third quarter of 2019:

Revenues in the third quarter of 2019 grew by 15% to NIS 377.3 million, as compared with NIS 327 million in the corresponding quarter last year. The growth in revenue was due to the organic growth of the Company's activity and the acquisition of initially consolidated companies. Presented below is the distribution of revenue by operating segments:

- **Revenues in the software segment** during the quarter grew by 39% to NIS 197.7 million, as compared with NIS 142.4 million in the corresponding quarter last year. The growth in revenue was due to both organic growth and the acquisition of initially consolidated companies.
- **Revenues in the infrastructure segment** during the quarter amounted to NIS 147 million, as compared with NIS 157.1 million in the corresponding quarter last year.
- **Revenues in the managed services segment** during the quarter grew by 21% to NIS 37.3 million, as compared with NIS 30.8 million in the corresponding quarter last year. The growth in revenues was partially due to the acquisition of the balance of shares of ICSC in the second quarter of the year.

Gross profit in the third quarter of 2019 increased by 24% to NIS 70.5 million (approximately 18.7% of revenue), as compared with NIS 56.8 million in the corresponding quarter last year (approximately 17.4% of revenue).

The rate of selling and marketing expenses and general and administrative expenses (Opex) in the third quarter of 2019 decreased to 10.5%, as compared with 10.9% in the corresponding quarter last year.

Operating profit in the third quarter increased by 46% to NIS 30.8 million, as compared with NIS 21 million in the corresponding quarter last year. The increase in operating profit was mostly attributed to the growth in the scopes of activity in the software segment, along with the improvement in the operating profit ratio.

The operating profit ratio in the third quarter of 2019 increased to 8.2%, as compared with 6.6% in the previous quarter, and as compared with 6.4% in the corresponding quarter last year. The improvement in the operating profit ratio, relative to the corresponding quarter last year, was attributable to all of the Company's operating segments. Presented below is the distribution of the operating profit ratio:

- **The operating profit ratio in the software segment** during the quarter increased to 11.2%, as compared with 9.6% in the previous quarter, and 8.7% in the corresponding quarter last year.

- **The operating profit ratio in the infrastructure segment** during the quarter increased to 6.6%, as compared with 5.1% in the previous quarter and 5.6% in the corresponding quarter last year.
- **The operating profit ratio in the managed services segment** during the quarter amounted to 5.0%, as compared with 5.2% in the previous quarter and 4.6% in the corresponding quarter last year.

Net financing expenses in the third quarter of 2019 amounted to NIS 2.9 million, as compared with net financing expenses of NIS 1.8 million in the corresponding quarter last year. The increase in net financing expenses was partially due to the increase in current financing expenses, as a result of the increase in the scope of financial debt for the purpose of acquiring companies, as well as the effects of the adoption of accounting standards.

Net profit in the third quarter of 2019 increased by 40% to NIS 21.6 million (of which, approximately NIS 20.7 million attributable to shareholders), as compared with NIS 15.4 million (of which, approximately NIS 14.6 million attributable to shareholders) in the corresponding quarter last year. The increase in net profit, as stated above, was due to the dual-digit growth in revenue, along with the significant improvement in the operating profit ratio, with an emphasis on the improvement in the software segment.

EBITDA in the third quarter of 2019 increased by 68% to NIS 41.6 million, as compared with NIS 24.8 million in the corresponding quarter last year. The improvement in EBITDA was positively affected by the adoption of IFRS 16, Leases, in the amount of approximately NIS 5.9 million. Accordingly, **EBITDA after neutralizing the impact of IFRS 16** during the quarter increased to NIS 35.7 million (approximately 9.5% of revenue), as compared with NIS 24.8 million (approximately 7.6% of revenue) in the corresponding period last year.

First nine months of 2019:

The Company's **revenues** in the first nine months of 2019 increased by 15% to NIS 1.19 billion, as compared with NIS 1.03 billion in the corresponding period last year. The growth in revenues, as stated above, was due both to organic growth and to company acquisitions. Presented below is the distribution of revenue by operating segments:

- **Revenues in the software segment** during the period grew by 31% to NIS 586.8 million, as compared with NIS 447 million in the corresponding period last year. The growth in revenue was due both to organic growth and company acquisitions.
- **Revenues in the infrastructure segment** during the period grew by 3% to NIS 513.4 million, as compared with NIS 500.2 million in the corresponding quarter last year.
- **Revenues in the managed services segment** during the period grew by 9% to NIS 104.9 million, as compared with NIS 96 million in the corresponding period last year. The growth in revenue, as stated above, was partially due to the acquisition of the balance of shares of ICSC.

Gross profit in the first nine months of 2019 increased by 18% to NIS 204.4 million (approximately 17.1% of revenue), as compared with NIS 173 million (approximately 16.8% of revenue) in the corresponding period last year.

The rate of selling and marketing expenses and general and administrative expenses (Opex) in the first nine months of 2019 decreased to 10.1%, as compared with 10.5% in the corresponding period last year.

Gross profit in the first nine months of 2019 increased by 42% to NIS 91.7 million, as compared with NIS 64.7 million in the corresponding period last year. The increase in operating profit was mostly attributed to the growth in the scopes of activity in the software segment and the improvement in the operating profit ratio in that segment, as well as the recognition of other revenue in the amount of approximately NIS 7.7 million in the second quarter of the year, with respect to profit which was recognized due to the transition to 100% control of ICSC, instead of the value which was determined according to the equity method for the 50% holding in that company.

The operating profit ratio (after neutralizing other revenues) in the first nine months of 2019 increased to 7.0%, as compared with NIS 6.3% million in the corresponding period last year. The improvement in the operating profit ratio was attributable to all of the Company's operating segments. Presented below is the distribution of the operating profit ratio:

- **The operating profit ratio in the software segment** during the period increased to 10.0%, as compared with 9.7% in the corresponding period last year.
- **The operating profit ratio in the infrastructure segment** during the period increased to 5.6%, as compared with 4.4% in the corresponding period last year.
- **The operating profit ratio in the managed services segment** during the period increased to 5.0%, as compared with 4.4% in the corresponding period last year.

Net financing expenses in the first nine months of 2019 amounted to approximately NIS 11.2 million, as compared with net financing expenses in the amount of approximately NIS 5.7 million in the corresponding period last year. The increase in net financing expenses was mostly due to the increase in financing expenses due to the effect of accounting standards, including the adoption of IFRS 16 and the revaluation of liabilities with respect to business combinations, as well as the increase in current financing expenses upon the increase in the scope of financial debt for the purpose of acquiring companies.

Net profit in the first nine months of 2019 increased by 32% to NIS 63.8 million (of which, approximately NIS 60.9 million attributable to shareholders), as compared with NIS 48.3 million (of which, approximately NIS 46.5 million attributable to shareholders) in the corresponding period last year. The increase in net profit, as stated above, was due to the dual-digit growth in revenue, along with the increase of the operating profit ratio in all of the Company's operating segments.

EBITDA in the first nine months of 2019 increased by 59% to NIS 120.8 million, as compared with NIS 76.2 million in the corresponding quarter last year. The improvement in EBITDA was positively affected by the adoption of IFRS 16, Leases, in the amount of NIS 16.3 million. Accordingly, **EBITDA after neutralizing the impact of IFRS 16** in the first nine months of 2019 increased by to NIS 104.5 million (approximately 8.8% of revenue), as compared with NIS 76.2 million (approximately 7.4% of revenue) in the corresponding period last year.

Balance sheet figures as of September 30, 2019:

The scope of cash and cash equivalents amounted to NIS 65.4 million. **Gross financial debt** amounted to NIS 171.1 million. Accordingly, **net financial debt** amounted to NIS 105.7 million.

The Company's equity increased to NIS 320 million, as compared with NIS 299 million at the end of 2018. The increase in equity was due to the aforementioned growth in the Company's profits, after deducting a dividend distribution in a total amount of approximately NIS 39 million.

Major events during and after the reporting period:

In November 2019, in parallel with the approval of the reports, the Company's Board of Directors announced a dividend distribution in the amount of approximately NIS 13.7 million. Since the beginning of the year until now, the Company announced a dividend distribution in the amount of approximately NIS 53 million, in accordance with the dividend distribution policy, which determines a minimum distribution rate of 66% of the net profit.

In June 2019, the transaction involving the acquisition of 70% of the shares of FBC Technologies was closed, in consideration of approximately NIS 21 million. FBC Technologies Ltd. provides services to hundreds of customers, and specializes in the provision of solutions for the implementation, installation, development, support and maintenance of ERP Priority Software, which provides solutions for business and organization management. FBC also provides cloud computing services and supplementary services for the cloud computing segment.

In May 2019, the Company acquired the balance of share capital (50%) of the subsidiary ICSC, in consideration of approximately NIS 4 million. In the second quarter of the year, the Company recognized other revenue in the amount of approximately NIS 7.7 million, with respect to profit which was recognized upon the transfer to full control of the Company.

In April 2019, the Company exercised options to acquire the balance of share capital (49.5%) of Meitar Municipal Services Ltd., and to acquire the balance of share capital (10%) of Xact Soft Ltd.

In January 2019, the transaction involving the acquisition of the entire share capital of Advantech Technologies (IT) Ltd. was closed, in consideration of approximately NIS 24 million. Advantech Ltd. is mostly engaged in the provision of software services for the SAP environment and Oracle environment, and in the sale of infrastructure products and software products.

In January 2019, Mr. Adi Eyal, the controlling shareholder, was appointed as the Company's CEO.

One1 Software Technologies is one of Israel's leading IT companies. The company provides IT solutions to thousands of customers in various market sectors. The Company employs over 3,500 professional employees in Israel and around the world. The Company's stock is included on the Tel Aviv 125 Index. The Company's CEO is Mr. Adi Eyal.

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