



Matrix IT Ltd.

Monitoring Report | March 2026

*This credit rating report is a translation of a report that was written in Hebrew for a debt issued in Israel.
The binding version is the one in the original language.*

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Matrix IT Ltd.

Issuer Rating	Aa2.il	Outlook: Stable
Series Rating	Aa2.il	Outlook: Stable
Commercial Paper Rating	P-1.il	-

Midroog upgrades the rating of bonds (Series B2 and C2) and the issuer rating of Matrix IT Ltd. ("Matrix" or the "Company") from Aa3.il to Aa2.il. The rating outlook remains stable. Additionally, Midroog affirms the P-1.il rating of the commercial paper (Series 1) issued by the Company to private investors for a par value of up to NIS 300 million.¹

Outstanding bonds rated by Midroog:

Series	Security No.	Rating	Outlook	Final maturity
B2	1189646	Aa2.il	Stable	01/02/2030
C2	1235969	Aa2.il	Stable	01/02/2031
CP1	4450219	P-1.il	-	*

* The commercial paper (Series 1) is non-tradable and was issued to private investors. It has a value of NIS 300 million and is for a period 365 days with a renewal option every 365 days. It matures in February 2030, and is immediately callable at any time with advance notice of 7 business days.

Summary of Rating Rationale

- The rating upgrade is supported by an improvement in the financial profile, reflected in higher revenues and a consequent improvement in the EBITDA base and coverage ratios following the completion of the merger with Magic in February of this year. The merger expands the Company's geographic presence, primarily in the U.S., facilitates the integration of new services into existing operations and the creation and expansion of synergies with Magic's operations, all of which contribute to the business positioning. On a pro forma basis, the consolidated company² reports revenues of NIS 8.4 billion for 2025, with EBITDA of NIS 1.0 billion. The merged company is expected to operate in 50 countries, to serve approximately 6,000 active customers and to employ over 17,000 employees.
- On February 24, 2026, the Company completed the merger transaction with **Magic Software Enterprises Ltd.** ("**Magic**"), under which it acquired all issued and outstanding share capital of Magic

¹ The commercial paper (CP) rating is based, among other things, on the Company's declaration that throughout the term of the CP it will maintain liquidity reserves and available credit, in favor of the CP, in an amount of no less than NIS 300 million (of which at least NIS 200 million in cash/unused committed facilities), in order to meet an immediate call on the CP within 7 business days as per the CP terms.

² Information from the Matrix board of directors' report for 2025.

through a reverse triangular merger. The transaction did not involve a cash outflow and was executed through an allocation of shares of Matrix to Magic. Upon completion, Magic became a wholly owned subsidiary of the Company and was delisted from Nasdaq and the Tel Aviv Stock Exchange. Magic's results are expected to be consolidated into Matrix's financial statements beginning in the first quarter of 2026.

- The Company's rating reflects a strong business profile, based on its solid positioning in the IT services industry (the "**industry**") in Israel and worldwide, as evidenced by significant market shares in several of its key operating segments, with emphasis on integration solutions, systems and software development, and enterprise software services, complemented by Magic's solutions and services, which include proprietary software products (such as integration and development platforms) as well as implementation, maintenance, outsourcing and project management services. Alongside its core operations, following the merger, the consolidated company is expanding the value proposition in cloud, cybersecurity, data and artificial intelligence domains, while strengthening its positioning with defense, government and financial institutions clients.
- The Company's competitive advantages arise from its broad service offering, diversified customer base and multiple profit centers. Based on these advantages, Matrix has shown steady growth in recent years. Additionally, following the completion of the merger, the Company is expected to expand its customer base and deepen its geographic presence, particularly in the U.S. The merger creates additional opportunities for integrating Magic's services into existing operations, broadening the Company's product offering and integrating them into Magic's activities, as well as generating synergies across various verticals.
- Midroog assesses the IT industry in Israel to be at low risk, supported by stable demand and high entry and switching barriers. The industry has recorded consistent growth in recent years, with growth of 6.1%³ in 2026, according to STKI forecasts (following growth of 2.1% in 2025 and a three-year average of approximately 2.5%).
- In 2025, Matrix (pre-merger) recorded revenue growth of approximately 12% compared to the corresponding period in 2024, driven by expansion in software solutions and services in Israel, as well as growth in the cloud and computing infrastructure segment driven by the continued customer migration to the cloud, alongside organic growth of approximately 10% in these segments (mainly due to increased demand for IT, cloud, data and AI services). The Company reported an

³ STKI – Israel IT Market Study 2025.

improvement in the operating margin (before other income and expenses) to 8.4% in 2025, compared to 8.1% in the corresponding period, mainly driven by the cloud and computing infrastructure segment as well as a slight decrease in general and administrative expenses.

- Midroog's base case scenario for 2026 is based on the following assumptions:⁴ **(1)** 5%-7% growth in consolidated revenues (in 2025, the growth in consolidated revenues was estimated at 12%), broadly in line with STKI forecasts, supported by increasing demand for IT services, mainly in the cloud, defense, cyber, digital and data domains, along with expectations for accelerated GDP growth in Israel. **(2)** The segment of IT solutions and services and the sale and marketing of software products in Israel, which account for over 60% of the consolidated revenue, will maintain profitability of 7.5%, similar to 2025. **(3)** International activities will account for approximately 18% of consolidated revenues, contributing to higher consolidated profitability, given the higher profitability characteristics of software solutions and services in the U.S. **(4)** Maintenance of operating profitability of 7.0% in the segment of cloud and computing infrastructure. **(5)** The consolidated operating margin will be in the range of 8.5%-9.0% (8.4% in 2025 prior to the consolidation of Magic's operations), following the consolidation of Magic's operations which are characterized by higher operating profitability, alongside a similar payroll cost ratio to prior years and a relatively diversified product mix. **(6)** A high interest-rate environment. **(7)** Maintenance of a high level of liquidity. **(8)** Dividend distribution in conformity with the Company's policy.
- We estimate that consolidated revenues will total NIS 8.7-9.0 billion (compared to approximately NIS 8.4 billion on a pro forma basis for the consolidation of Magic and Matrix in 2025). Midroog expects EBITDA in 2026 to range between NIS 1,000-1,100 million, compared to a consolidated NIS 1,021 million on a pro forma consolidated basis in 2025.
- The combined company's pro forma debt balance is estimated at NIS 1.9 billion (NIS 1.5 billion adjusted financial debt⁵ in Matrix and the balance in Magic). The merger transaction, which, as mentioned, did not involve an outflow of cash, supports the Company's leverage profile, given Magic's relatively low leverage (54% equity-to-assets as of September 30, 2025 on Magic's books), and strengthens Matrix's capital base, which is expected to stand at approximately NIS 2.2 billion on a pro forma basis as of September 30, 2025, improving the equity-to-assets ratio from 27.7% (pre-merger) to 35.4%.

⁴ The merger was implemented on February 24, 2026, and all the base case parameters are after the merger and after consolidation of the companies' results for the forecast years.

⁵ Adjusted financial debt includes debt in respect of bonds, banks, invoice factoring, lease liabilities and minority options.

- Gross financial debt to EBITDA is expected to range between 1.7-1.9 in 2026 (2.1 in 2025 pre-merger). The operating profit to net financing expenses ratio is expected to range between 6.5-7.5, compared to 6.2 in Matrix in 2025 pre-merger.
- The Company maintains high liquidity relative to its debt service needs, also considering future mergers and acquisitions, supported primarily by liquidity balances of NIS 1.2 billion as of December 31, 2025 on a pro forma basis, strong cash flow generation and available credit facilities amounting to NIS 1,235 million (of which NIS 300 million are committed) as of December 31, 2025. At the same time, the Company has a comfortable debt repayment schedule, with current maturities of long-term loans amounting to NIS 114 million and NIS 106 million in 2026 and 2027, respectively.
- As part of additional rating considerations, Midroog assigned a positive rating adjustment based on its business standing and dominance in its areas of activity. This business strength, which is further bolstered by the merger with Magic, contributes to revenue stability over time and provides high cash flow visibility, thereby contributing to reduced credit risk.
- The short-term rating for the commercial paper (CP) is based on the long-term issuer rating and on a 12-month forecast of the Company's sources and uses, together with an assessment of the Company's ability to meet its current obligations. The CP rating is also based on the Company's declaration that throughout the term of the CP it will maintain liquid resources and available credit facilities, for the benefit of the CP, at a 1:1 ratio, in an amount of no less than NIS 300 million (of which at least NIS 200 million in cash and/or unused committed facilities), taking into account the option available under the CP terms for an immediate call on the CP within 7 business days. Midroog's base-case estimate regarding the Company's sources and uses for the 12 months from December 31, 2025 implies a ratio of 1.04, derived from sources amounting to NIS 1,100-1,200 million – including cash and cash equivalents, available credit facilities and funds from operations; against uses amounting to NIS 1,100-1,200 million, which include, inter alia, changes in working capital, long and short-term debt repayments (including repayment of the CP), capital expenditures and an annual dividend distribution in accordance with a policy of distributing 75% of profits to shareholders.

Rating Outlook

The stable rating outlook is based on our assessment that the Company will maintain its strong business standing over the rating horizon, while maintaining stable financial metrics.

Operation Lion's Roar, which began on February 28th, 2026, has resulted in a series of implications and restrictions, including, inter alia, the partial or full closure of businesses, suspension of civilian air traffic, restrictions on gatherings in workplaces and the education system, as well as the mobilization of reserve forces. These measures have resulted in a reduction in economic activity and other negative effects on the Israeli economy. In Midroog's assessment, this period is characterized by a high degree of uncertainty regarding the development of the war and its economic implications. Accordingly, Midroog may update the base case scenario for the rating in light of future developments.

Factors that could lead to a rating downgrade

- Erosion in the profitability margins over time.
- Increase in the adjusted gross debt to EBITDA ratio above 2.0.

Matrix IT Ltd. – Key Financial Indicators (NIS millions)

	2025	2024	2023	2022
Revenue	6,239	5,580	5,232	4,673
Operating profit margin	8.4%	8.1%	7.5%	7.5%
Equity to total assets	25%	25.5%	27.1%	24.1%
Adjusted gross financial debt to EBITDA*	2.1	2.1	2.1	3.0
Operating profit / net financial expenses	6.2	6.7	5.8	7.6

* Adjusted gross financial debt includes, inter alia, lease liabilities and liabilities for the acquisition of business operations, invoice factoring and minority put options.

Matrix IT Ltd. – Revenue and Operating Profit⁶ by Operating Segments (NIS millions)

	2025	2024	2023	2022
Software solutions and services in Israel*	3,744	3,228	3,029	2,643
	291	250	210	205
Software solutions and services in the U.S.	458	460	478	434
	69	67	76	60
Marketing and support of software products	428	426	294	250
	55	45	36	24
Cloud and computing infrastructure	1,609	1,466	1,431	1,346
	126	106	88	77

⁶ Operating profit before adjustments.

Detailed Rating Considerations

A supportive demand environment is expected to drive strong industry growth in 2026

Midroog assesses the IT industry in Israel as having moderate risk with moderate exposure to economic cycles, alongside high demand in the public sector, which is characterized by anticyclical investments. The software and value-added services market is marked by relatively high entry barriers and switching barriers, particularly in comparison with the hardware sector. Competition in the industry is assessed by Midroog to be high, with several dominant players, due, inter alia, to economies of scale that have led to consolidation processes in the industry, as well as local presence of international software and integration companies, alongside numerous small competitors. High public sector exposure and engagements through tenders add to price pressures and result in relatively low profitability compared to other business service sectors. The industry is characterized by inherent exposure to technological changes, which drive growth through mergers and acquisitions.

In recent years, the industry's growth has outpaced GDP growth, with the industry benefiting from the relative robustness of the Israeli economy, as well as from increased demand arising from an accelerated shift to cloud services, widespread adoption of AI, and expansion of cybersecurity solutions in view of intensifying domestic and global threats. Gartner forecasts global IT industry growth of approximately 10.8%⁷ in 2026, led by significant growth in data centers and in software solutions and services, which are expected to grow by approximately 32% and 15%, respectively. Growth in the industry, particularly in these domains, is primarily driven by accelerated adoption and upgrading of AI technologies, with emphasis on generative AI. In September 2025, Moody's affirmed the positive outlook⁸ for the IT industry, following an upgrade to positive in May 2024.⁹ The positive outlook is supported by the ongoing digitization trend and by continuing investments in cloud infrastructure, while developments in AI contribute to increased demand for computing and storage infrastructure, accompanied by higher capital expenditures (CapEx). Moody's emphasizes that the growth is not uniform across sub-sectors and that the environment remains subject to uncertainty. Additionally, the cybersecurity sector continues to demonstrate stable demand, supported by the tightening of regulatory requirements and persisting threats.

The STKI research firm forecasts growth of approximately 6.1% in Israel's IT industry in 2026, led by software solutions and services, which are expected to grow by approximately 11.7%. Sectors in which

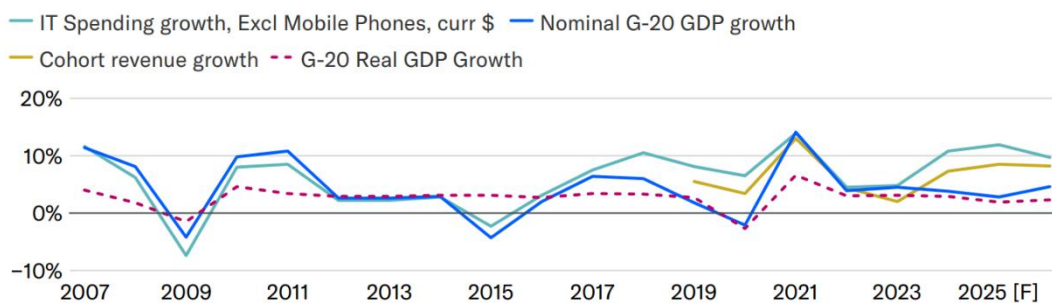
⁷ Gartner – Forecasts Worldwide IT Spending, 21 Jan 2025

⁸ Moody's – Diversified Information Technology – Global, 29 Sep 2025

⁹ Moody's – Diversified Information Technology – Global, 02 May 2024

IT spending is expected to grow significantly include the government (10.2%) and defense (8.7%) sectors.

Chart 1: Rate of Growth in IT Expenses Versus Global GDP Growth¹⁰



[F] Refers to Moody's forecasts for IT spending and proxy group revenue growth for the two years. Cohort refers to 24 companies listed in the Appendix
Source: IDC for historical global IT spending growth excluding mobile phones and Moody's Ratings for all other data

Strong business positioning, broad customer diversification, and some sector concentration

On February 24, 2026, the merger transaction between Matrix IT Ltd. and Magic Software Enterprises Ltd. ("**Magic**") was completed. The transaction was carried out by way of a triangular reverse merger, in which the Company acquired all the issued and outstanding share capital of Magic. The merger with Magic is a significant strategic move within the framework of Matrix's growth policy, which combines organic growth with mergers and acquisitions. The transaction is expected to strengthen the Group's position in the IT services and digital solutions sector, by expanding its suite of technological solutions and enhancing its development, integration, and digital transformation capabilities. Magic brings with it significant activity in the field of enterprise integration platforms, application development solutions and software solutions for organizations. Magic has a significant presence in international markets, primarily in North America and Europe. The integration of this activity into the Group's operations is expected to expand the Group's global reach and strengthen its presence in international markets, alongside its main activity in Israel, thereby contributing to the diversification of the Group's revenue sources and strengthening its business position. In the Company's view, the combination of activities is expected to generate operational synergies, inter alia by expanding cross-selling opportunities between Magic's software solutions and Matrix's IT solutions, combining development and integration capabilities and deepening activity in the cloud, data and artificial intelligence domains.

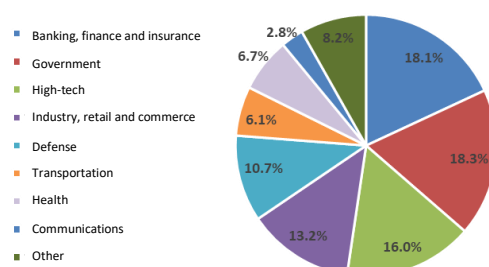
¹⁰ Moody's – Diversified Information Technology – Global, 24 Sep 2024

Matrix is Israel's largest provider of value-added services in the IT sector, with leading market shares in a wide range of areas of activity in the industry over time. It has strong customer relationships, reflected in high customer loyalty, despite the intense competition in the market, which includes numerous competitors, including large international companies.

The Company provides comprehensive computing infrastructure solutions, including the marketing and distribution of hardware, infrastructure setup and maintenance, including cloud-based solutions, outsourcing of business processes and technology support centers. The Company enjoys economies of scale relative to its competitors, which support its business positioning, inter alia, through the provision of a comprehensive value proposition to customers and the ability to carry out large-scale, value-added projects. The Company has a broad project base and a diversified customer base across various sectors of the economy, with anchor customers in the banking, government, high-tech and defense sectors. The wide variety of services and products provided by the Company creates synergies, enabling the Company to offer complementary solutions as part of a comprehensive value proposition, thereby contributing to the enhancement of its business risk profile.

In our assessment, the Company's exposure to the financial and public sectors, which account for one-third of its revenues and are characterized by stable demand driven by regulatory requirements, mitigates exposure to economic cycles and contributes to revenue stability over time. Matrix is the only company in the IT industry that is designated as a defense enterprise, due to the scope and importance of the projects it carries out for defense agencies in Israel. This status gives it a competitive edge and positions it as a significant player in the future growth of the defense sector. In 2025, combined sales (Matrix and Magic) to the defense sector amounted to NIS 1 billion.

Chart 2: Revenue Distribution by Economic Sectors, 2025¹¹



¹¹ Company data, pre-merger transaction.

Magic Software Enterprises Ltd. ("**Magic**") provides software services and develops tools for enterprise application development and software systems integration. The end users of the technology and service offering of Magic include thousands of small and medium-sized enterprises (SMEs) that have purchased licenses for products such as the "Magic xpa" development platform as well as the "Magic xpi" integration platform, for which Magic holds proprietary rights. Magic's business profile is positively affected by a broad base of longstanding customers geographically diversified across multiple regions and a wide range of sectors: financial, public, healthcare services, defense, logistics, retail and communications. Magic has demonstrated consistent revenue growth in recent years (approximately 5.3% three-year average). Magic's revenues include a recurring component of support and maintenance services that provides a solid and stable revenue base.

Magic's business positioning is reflected in high operating margins in the range of 10%-12% (approximately 10.9% three-year average), driven primarily by high profitability in license sales and maintenance services for software products and enterprise applications, as well as the relatively high profitability characteristics of the North American market, which accounts for approximately half of Magic's activity.

Chart 3: Revenue Distribution by Segments, Pre-Merger Transaction, 2025¹²

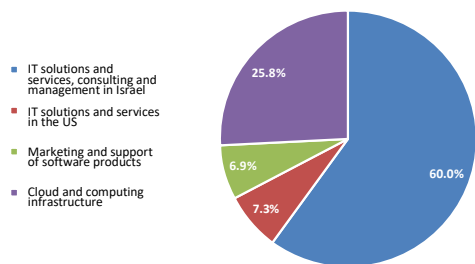
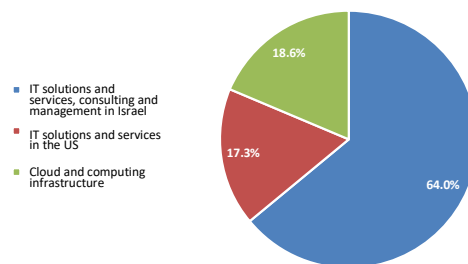


Chart 4: Revenue Distribution by Segments, Pro Forma-Merger Transaction, 2025¹³



¹² Publicly released financial statements and processing by Midroog, pre-merger transaction.

¹³ Publicly released financial statements and processing by Midroog, pro forma-merger transaction.

An increase in revenues and improvement in the revenue mix (in Israel and the U.S.), supporting the Company's growth and a higher EBITDA base

The consolidated company recorded total revenues of NIS 8.4 billion in 2025, compared to NIS 7.6 billion in 2024 (up 10.3%). Excluding the merger, Matrix recorded an increase of 12% in revenues to NIS 6.2 billion in 2025 compared to 2024.

The segment of software solutions and services in Israel (which includes nonmaterial activity in Europe) grew by 16% in 2025, mainly due to organic growth in the areas of core systems, expert services and defense activities, and due as well to the acquisition of Gav Systems and Gav Expert (both consolidated as of the first quarter of 2025). In 2026, Midroog forecasts growth of 6%-7% in this segment, following the completion of the merger.

The segment of software solutions and services in the U.S. of Matrix (which includes insignificant activity in Canada) recorded a marginal decline of 0.5% in revenues in 2025 compared to 2024, mainly due to the effect of exchange rates. In dollar terms, the Company recorded an increase of 6.6% in revenues. In 2026, Midroog forecasts growth of 6%-8% in revenues of the segment, due to the expected contribution of the merger with Magic to revenues of the segment (which has demonstrated average growth of 5.7% in the last three years).

The segment of cloud and computing infrastructure recorded organic growth of 10% in 2025 (10.7% excluding revenue reported on a net basis), mainly due to an increase in EDP cloud transactions from which revenue is presented on a net basis, as well as the contribution of Ortech (which was consolidated as of December 2024) and of Alacer (consolidated as of the fourth quarter of 2024). Under the base case scenario, Midroog forecasts revenue growth of 6.5%-7.5% in 2026 in the segment, due to organic growth and the expected contribution of acquisitions to segment revenues. Activity of the cloud and computing infrastructure segment is attributed to Matrix only.

The segment of marketing and support of software products did not record a significant change in revenues in 2025, after it expanded by 45% in 2024 due to organic growth in the software products business, with emphasis on distribution transactions and an improvement in the results of the subsidiaries in this operating segment.

Midroog's base-case scenario for 2026 is based on growth of 5%-7% in consolidated revenues, in line with STKI forecasts for 2026. Revenue growth is expected to be driven by increasing demand for IT services, mainly in the cloud, cyber, digital and data domains, along with expectations for accelerated GDP growth in Israel. We estimate that total consolidated revenues of the Company in 2026 will range

between NIS 8.7-9.0 billion, compared to NIS 8.4 billion in 2025 and to an average of NIS 7.1 billion in the years 2023-2025 (NIS 5.7 billion excluding the Magic merger).

Improved coverage ratios in the forecast period following the merger

The Company reported average operating profitability of 8.0% in the years 2023-2025, with 2025 standing out favorably at 8.4% profitability. The Company's principal segment, software solutions and services in Israel, which continues to be the major contributor to profit (approximately 56% of total operating profit), posted profitability of 7.8% in 2025 (an average of 7.5% in the years 2022-2024). The improvement is mainly due to the expansion of operations in the domestic segment (outsourcing projects and services), while expenses have not grown at the same pace. Activity in the software solutions and services segment in the US, which is focused on GRC, data, cloud and consulting services, showed average profitability of 14.8% in the years 2022-2024 (15.2% in 2025). The Company's overall profitability is also affected by the cloud and computing infrastructure segment, which presented an improvement in profitability to 7.8% in 2025, driven by growth in EDP transactions (which are reported on a net basis) (6.4% average in the years 2022-2024). We note that this segment is characterized by relatively low profit margins due to strong competition in the segment. Accordingly, in 2026 Midroog assumes operating profitability in the range of 8.5%-9.0% on a consolidated basis (8.9% pro forma for 2025). We assume a revenue mix marked by higher profitability in view of the increasing percentage of U.S. operations in the revenue mix, operational streamlining and unchanged profitability of Matrix's traditional operations.

Midroog has taken into account long-term trends in its assessment that negatively impact the Company's profitability, such as ongoing wage pressures in the software sector, alongside a relatively diverse product mix and retention of managed projects and services with higher profitability (such as in the engineering and defense sectors).

Under Midroog's base case scenario, EBITDA in 2026 will be in the range of NIS 1,000-1,100 million, compared to NIS 1,021 million in 2025, while FFO is expected to be in the range of NIS 780-800 million. Capex (including capital investments and lease payments) is expected to be in the range of NIS 240-260 million in 2026, of which NIS 160 million is in respect of the payment of lease liabilities. We assume an increase in working capital in line with the growth in operations in an amount of NIS 60-80 million, and a dividend distribution in the range of NIS 320-370 million in accordance with the Company's policy (75% of net profit to the shareholders). Accordingly, the Company's free cash flow (FCF) will be moderately positive, at approximately NIS 100 million in 2026, compared to NIS 310 million in Matrix prior to the merger in 2025 (which was favorably affected by invoice factoring for a total of NIS 260 million).

In 2025 the Company recorded an increase in the gross financial debt (which includes also lease liabilities, a liability for minority options, invoice factoring and a liability for the acquisition of operations) to NIS 1.53 billion, compared to NIS 1.33 billion as of December 31, 2024. The growth in debt is primarily due to invoice factoring, as mentioned above, following a factoring transaction in 2025, which, in the Company's estimation, will be settled in the first half of 2026. The adjusted gross financial debt to EBITDA ratio in Matrix amounted to 2.1 in 2025, similar to 2024.

The Magic merger contributes to the coverage ratios, given that Magic has a more moderate level of leverage than Matrix and stronger coverage ratios. Therefore, Midroog's base case scenario assumes an adjusted gross financial debt to EBITDA ratio in 2026 in the range of 1.7-1.9 (1.9 in 2025 on a pro forma basis), which is commensurate with the rating level. The operating profit to net financial expenses coverage ratio is projected to be in the range of 6.5-7.5, compared to 6.2 in 2025 in Matrix pre-merger.

The Company's leverage improved following the merger, with equity to total assets standing at 25% as of December 31, 2025 (25.5% as of December 31, 2024) pre-merger, which was negatively impacted by a high component of goodwill and intangible assets. The equity to total assets ratio in the base case scenario for 2026 is projected to be in the range of 32.0%-34.0% (35.4% on a pro forma basis as of September 30, 2025).

A stable financial profile supported by substantial cash reserves

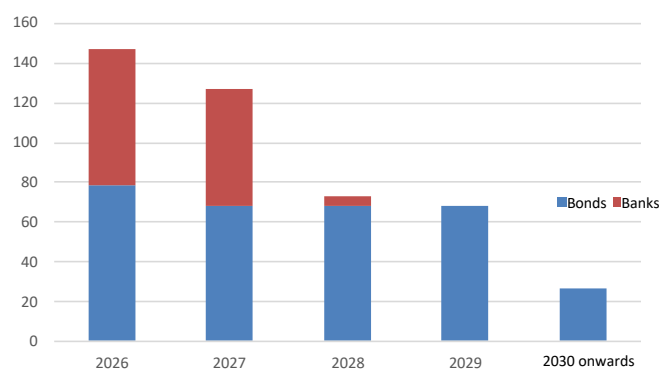
The short-term rating (CP rating) is based on the long-term issuer rating and on a 12-month forecast of the Company's sources and uses.

The Company maintains high liquidity relative to its debt service needs and takes into account future payments related to past acquisitions. The Company's pre-merger liquidity at the end of 2025 is mainly supported by cash balances totaling NIS 903 million (affected, among other things, by a factoring transaction for NIS 260 million executed in the fourth quarter of 2025). In addition, as of December 31, 2025, the Company has unused credit facilities amounting to NIS 1,235 million (of which NIS 300 million are committed and binding), while current maturities of long-term loans amount to NIS 114 million and NIS 106 million in 2026 and 2027, respectively. Midroog assumes that, over time, part of the Company's cash balances will be used for mergers and acquisitions in the medium to long term. The Company has undertaken to maintain, throughout the term of the CP, liquid resources and available credit facilities, for the benefit of the CP, in an amount of no less than NIS 300 million (of which at least NIS 200 million in cash and/or committed facilities).

Midroog's base-case estimate of the Company's sources and uses (consolidated after the merger with Magic) for a 12-month period assumes a ratio of 1.04, derived from sources in the range of NIS 1,100-1,200 million, which include cash balances and cash flows from operations, and uses amounting to NIS 1,100-1,200 million, which include changes in working capital, long- and short-term debt repayments, capital investments and an annual dividend distribution in accordance with a policy of distributing 75% of profits to shareholders.

The Company has demonstrated over time a stable financial policy, good alignment with forecasts and a high level of transparency in its conduct, along with an ability to execute and integrate new acquisitions, maintain solid financial metrics and withstand financial stress scenarios. Midroog considers these characteristics to contribute positively to the Company's rating. Midroog believes the Company has high financial flexibility and strong access to funding sources in view of its business positioning and strong cash flow from operations. On the other hand, the financial policy is adversely affected by a relatively high dividend payout policy that provides for the distribution of 75% of the net profit attributable to shareholders.

Chart 4: Long-Term Liabilities Amortization Schedule (Matrix Pre-Merger), as of December 31, 2025 (NIS million)



Additional Rating Considerations

The Company's rating is a notch above the rating derived from the rating scorecard, following a rating uplift granted by Midroog based on the Company's business standing and market dominance, beyond the relative weight of these factors in the rating scorecard. This business strength, which is even more apparent following the merger with Magic, contributes to revenue stability over time and provides high cash flow visibility, with a resulting reduction in credit risk.

Environmental, Social and Governance (ESG) Considerations

The Company's operations are based on information systems and on digital information of various kinds. Exposure of databases, damage from cyber incidents, cyberattacks, leakage of business information, and other events could disrupt the Company's operations and have material adverse implications for the Company, including its employees, customers and suppliers. In recent years there has been a sharp rise in the frequency and severity of cyber incidents targeting Israeli organizations, and the transition to hybrid work has heightened vulnerability to cyber threats. The Company takes a range of steps to protect its array of information technologies and to minimize information security risks, including the employment of a chief cyber and information security officer, retention of external experts, employee training programs, frequent inspections and penetration tests, purchase of cyber risk insurance, among other measures. In addition, the Company's board of directors includes an independent director with expertise in cybersecurity.

Rating Scorecard

Category	Parameters	As of December 31, 2025(*)		Midroog Forecast	
		Measurement[1]	Score	Measurement	Score
Operating sector	Sector risk	---	A.il	---	A.il
Business profile	Total revenues	NIS 6.2 billion	Aa.il	NIS 8.7-9.0 billion	Aaa.il
	Business position	---	Aa.il	---	Aa.il
Profitability	Operating profit margin	8.4%	Aa.il	8.5%-9.0%	Aa.il-Aaa.il
Financial profile	Equity/total assets	25%	A.il	32.0%-34.0%	A.il-Aa.il
	Adjusted gross debt/EBITDA	2.1	Aa.il	1.7-1.9	Aa.il-Aaa.il
	Operating profit/financial expenses	6.2	Aa.il	6.5-7.5	Aa.il-Aaa.il
	Financial policy	---	A.il	---	A.il
Implied score					Aa3.il
Final score					Aa2.il

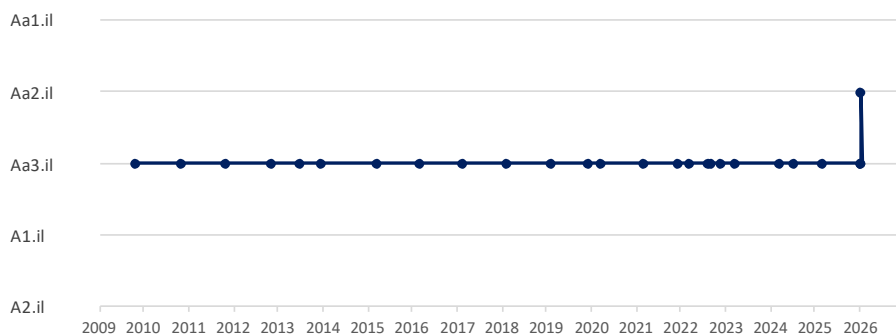
(*) Data as of December 31, 2025 according to the Company's financial statements for 2025 pre-merger transaction.

[1] The metrics shown in the table are after adjustments by Midroog and are not necessarily identical to those presented by the Company. The Midroog forecast includes Midroog's assessments with respect to the issuer as presented in its baseline scenario and forecast, and not the issuer's assessments

Company Profile

Matrix IT Ltd. is a leading company in the IT services sector in Israel, employing approximately 17,000 people as of December 31, 2025 (including approximately 4,070 employees added following the merger with Magic), and providing diverse IT services to customers across all sectors of the economy, with emphasis on the public, financial and high-tech sectors. The Company also markets software products of a wide range of vendors in Israel and worldwide. The Company's shares are traded on the Tel Aviv Stock Exchange. The controlling shareholder of the Company (47.67%) is Formula Systems (1985) Ltd. (Aa3.il), a public company of which 25.82% is held by Asseco Poland S.A., a publicly traded IT services company in Poland. The chairman of the Board of Directors is Mr. Guy Bernstein, and the Company's CEO is Mr. Moti Gutman.

Rating History



Related Reports

Matrix IT Ltd. – Related Reports

Short-Term Ratings – Methodology Report, November 2025

Non-Financial Corporates Rating – Methodology Report, December 2022

Financial Statement Adjustments and Presentation of Main Financial Measures in Corporate Rating – Methodology Report, December 2024

Guidelines for Reviewing Environmental, Social and Governance Risks in Credit Ratings – Methodology Report, February 2022

Table of Relationships and Holdings

Midroog Rating Scales and Definitions

The reports are published on the Midroog website at www.midroog.co.il

General Information

Date of rating report:	March 24, 2026
Date of last revision of the rating:	January 25, 2026
Date of first publication of the rating:	August 8, 2007
Rating commissioned by:	Matrix IT Ltd.
Rating paid for by:	Matrix IT Ltd.

INFORMATION FROM THE ISSUER

Midroog relies in its ratings inter alia on information received from competent personnel at the issuer.

Long-Term Rating Scale

Aaa.il	Issuers or issues rated Aaa.il are those that, in Midroog judgment, have highest creditworthiness relative to other local issuers.
Aa.il	Issuers or issues rated Aa.il are those that, in Midroog judgment, have very strong creditworthiness relative to other local issuers.
A.il	Issuers or issues rated A.il are those that, in Midroog judgment, have relatively high creditworthiness relative to other local issuers.
Baa.il	Issuers or issues rated Baa.il are those that, in Midroog judgment, have relatively moderate credit risk relative to other local issuers, and could involve certain speculative characteristics.
Ba.il	Issuers or issues rated Ba.il are those that, in Midroog judgment, have relatively weak creditworthiness relative to other local issuers, and involve speculative characteristics.
B.il	Issuers or issues rated B.il are those that, in Midroog judgment, have relatively very weak creditworthiness relative to other local issuers, and involve significant speculative characteristics.
Caa.il	Issuers or issues rated Caa.il are those that, in Midroog judgment, have extremely weak creditworthiness relative to other local issuers, and involve very significant speculative characteristics.
Ca.il	Issuers or issues rated Ca.il are those that, in Midroog judgment, have extremely weak creditworthiness and very near default, with some prospect of recovery of principal and interest.
C.il	Issuers or issues rated C are those that, in Midroog judgment, have the weakest creditworthiness and are usually in a situation of default, with little prospect of recovery of principal and interest.

Note: Midroog appends numeric modifiers 1, 2, and 3 to each rating category from Aa.il to Caa.il. The modifier '1' indicates that the obligation ranks in the higher end of its rating category, which is denoted by letters. The modifier '2' indicates that it ranks in the middle of its rating category and the modifier '3' indicates that the obligation ranks in the lower end of that category, denoted by letters.

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