

FORMULA SYSTEMS (1985) LTD
Form 6-K
May 23, 2018

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the Month of May 2018

FORMULA SYSTEMS (1985) LTD.

(Translation of Registrant's Name into English)

5 HaPlada st., Or-Yehuda, Israel

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F

Form 20-F

...X...

Form 40-F

.....

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

.....

No

..X..

If "Yes" is marked indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-
.....

Attached to Registrant's Form 6-K for the month of May 2018 and incorporated by reference herein is the Registrant's immediate report dated May 23, 2018.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to signed on its behalf by the undersigned, thereunto duly authorized.

FORMULA SYSTEMS (1985) LTD.

(Registrant)

By:/s/ Guy Bernstein

Guy Bernstein CEO

dated:

May 23, 2018

PRESS RELEASE

Formula Systems Reports Record-Breaking Revenues of \$373 Million for the First Quarter of 2018 with 20% Year over Year Growth

Or Yehuda, Israel, May 23, 2018 Formula Systems (1985) Ltd. (NASDAQ: FORTY), a global information technology holding company engaged, through its subsidiaries and affiliates, in providing software consulting services and computer-based business solutions and developing proprietary software products, today announced its results for the first quarter ended March 31, 2018, in accordance with International Financial Reporting Standards (IFRS).

Financial Highlights for the First Quarter Ended March 31, 2018

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Consolidated revenues for the first quarter increased by 20.1% to a record-breaking \$373.4 million, compared to \$310.9 million in the same period last year.

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Consolidated operating income for the first quarter, increased by 59% to \$25.8 million, compared to \$16.2 million in the same period last year.

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Consolidated net income attributable to Formula's shareholders for the first quarter was \$7.2 million, or \$0.48 per fully diluted share, compared to \$0.5 million, or \$0.04 per fully diluted share, in the same period last year.

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As of March 31, 2018, Formula held 49.18%, 48.12%, 47.12%, 100%, 50% and 90.09% of the outstanding ordinary shares of Matrix IT Ltd., Sapiens International Corporation N.V, Magic Software Enterprises Ltd., Michpal Micro Computers (1983) Ltd., TSG IT Advanced Systems Ltd. and Insync Staffing Solutions, Inc., respectively.

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Consolidated cash, short-term investments in marketable securities and bank deposits totaled to approximately \$269.0 million as of March 31, 2018.

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Total consolidated equity as of March 31, 2018, was \$782.3 million (representing 48.9% of the total balance sheet).

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As of March 31, 2018, Formula was in compliance with all of its financial covenants under the debentures issued by Formula and under loans granted from other financial institutions.

Comments of Management

Commenting on the results, Guy Bernstein, CEO of Formula Systems, said, "We are very pleased to report a record-breaking quarter with double-digit growth across all our key financial indicators.

"In the first quarter of 2018, Matrix achieved significant growth across all its key financial indicators, including revenues, gross profit, operating income and net profit. Matrix reports these increases, in spite of the competition in the sector in which Matrix operates the frequent changes and the challenges in recruiting technology experts. Matrix reported record-breaking revenues of NIS 777.7 million in the first quarter of 2018, reflecting an increase of 11.6% year over year. Operating income increased to NIS 52.1 million, reflecting an increase of 7.2% year over year and net income attributable to Matrix shareholders soared to NIS 4.2 million, reflecting an increase of 21.9% year over year."

Matrix has zeroed in on the U.S. market as its next strategic market and is currently in the process of merging a number of U.S. companies that it has acquired over the past two years. At the same time, Matrix continues to acquire companies and activities in Israel to expand its value propositions to its customers in the areas of analytics and big data, cyber, cloud computing, digital and mobile, regulation and compliance, training and deployment. Matrix continues to be recognized as a leading company in Israel, including being ranked among the top 50 companies and the first among all the software services companies in Israel.

Magic continued the forward momentum of the very strong 2017 and reported record-breaking results for the first quarter of 2018 powered by the continued high demand for its products and professional services across all of its regions and markets. Magic's fiscal year 2018 is off to an excellent start with revenues at an all-time high of \$69.7 million, operating income of \$7.6 million and non-GAAP operating income¹ of \$9.7 million, up 15%, 19% and 16% respectively year over year, driven almost exclusively by organic growth."

In keeping with its successful strategic direction, Magic remains focused on expanding its customer base as it continues to evolve its portfolio with powerful and innovative technologies in the fields of software application development, mobile, cloud, big data, and especially in integration, which I believe will account for the majority of an organization's digital transformation efforts."

The results of the first quarter of 2018 reflect that Sapiens is back on track with the execution of its long-term strategy to be a leading global provider of insurance software solutions and services. Now that Sapiens has completed the integration of its recent acquisitions including Stone River, Adaptik and KnowledgePrice, it is able to realize deal synergies while maximizing its acquired talent. The first quarter non-GAAP² operating margin was 12.5% and Sapiens remains on track to improve operating margins throughout 2018 and reiterate the 2018 non-GAAP operating margin guidance of 12% to 13% with revenue in the range of \$280-\$285 million (on a non-GAAP basis)."

Lastly, since its launch in January 2018, we are pleased with the positive adoption rate of Michpal's new product and new service line "Michpal Pension" and "Michpal PensionPlus" by its existing customer base. This new business line is the first step in our business strategy to expand Michpal's offerings.

About Formula

Formula Systems (1985) Ltd. is a global information technology company engaged, through its subsidiaries and affiliates, in providing software consulting services and computer-based business solutions and developing proprietary software products.

For more information, visit www.formulasystems.com.

Press Contact:

Formula Systems (1985) Ltd.

+972-3-5389487

ir@formula.co.il

Except for any historical information contained herein, matters discussed in this press release might include forward-looking statements that involve a number of risks and uncertainties. Regarding any financial statements, actual results might vary significantly based upon a number of factors including, but not limited to, risks in product and technology development, market acceptance of new products and continuing product conditions, both locally and abroad, release and sales of new products by strategic resellers and customers, and other risk factors detailed in Formula's most recent annual report and other filings with the Securities and Exchange Commission. These forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

FORMULA SYSTEMS (1985) LTD.

CONSOLIDATED CONDENSED STATEMENTS OF PROFIT OR LOSS

U.S. dollars in thousands (except per share data)

| | 2018 | Three months ended March 31, Unaudited | 2017 |
|--|----------------|---|----------------|
| Revenues | 373,375 | | 310,878 |
| Cost of revenues | 290,035 | | 244,549 |
| Gross profit | 83,340 | | 66,329 |
| Research and development costs, net | 10,946 | | 7,811 |
| Selling, general and administrative expenses | 46,580 | | 42,280 |
| Operating income | 25,814 | | 16,238 |

| | | |
|---|---------------|------------------|
| Financial income (expenses), net | (1,971) | (7,027) (*) |
| Income before taxes on income | 23,843 | 9,211 (*) |
| Taxes on income | 6,118 | 2,933 |
| Income after taxes | 17,725 | 6,278 (*) |
| Equity in gains (losses) of affiliated companies, net | 70 | 212 |
| Net income | 17,795 | 6,490 (*) |
| Net income attributable to redeemable non-controlling interests | 1,529 | 607 (*) |
| Net income attributable to non-controlling interests | 9,027 | 5,338 (*) |
| Net income attributable to Formula's shareholders | 7,239 | 545 (*) |
| Earnings per share (basic) | 0.49 | 0.04 (*) |
| Earnings per share (diluted) | 0.48 | 0.04 (*) |
| Number of shares used in computing earnings per share (basic) | 14,730,032 | 14,303,051 |
| Number of shares used in computing earnings per share (diluted) | 15,558,711 | 14,707,786 |

*) Adjustment to comparative data

FORMULA SYSTEMS (1985) LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
U.S. dollars in thousands

| | March 31, 2018 | December 31, 2017 |
|---------------------------|---------------------------|------------------------------|
| | (Unaudited) | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 251,621 | 245,936 |
| Marketable securities | 14,043 | 14,138 |
| Short-term deposits | 3,352 | 735 |

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| | | |
|--|------------------|------------------|
| Trade receivables | 374,457 | 385,778 |
| Other accounts receivable and prepaid expenses | 49,834 | 44,915 |
| Inventories | 2,977 | 3,299 |
| Total current assets | 696,284 | 694,801 |
| LONG-TERM ASSETS: | | |
| Deferred Taxes | 14,944 | 15,878 |
| Prepaid expenses and other accounts receivables | 21,707 | 16,581 |
| Total long-Term assets | 36,651 | 32,459 |
| INVESTMENTS IN COMPANIES ACCOUNTED FOR AT EQUITY METHOD | | |
| | 25,393 | 25,315 |
| PROPERTY, PLANTS AND EQUIPMENT, NET | | |
| | 29,741 | 29,807 |
| NET INTANGIBLE ASSETS AND GOODWILL | | |
| | 810,825 | 781,255 |
| TOTAL ASSETS | 1,598,894 | 1,563,637 |
| CURRENT LIABILITIES: | | |
| Liabilities to banks and others | 77,704 | 70,819 |
| Debentures | 54,576 | 4,826 |
| Trade payables | 87,103 | 95,339 |
| Deferred revenue and customer advances | 68,375 | 58,905 |
| Employees and payroll accrual | 104,501 | 111,707 |
| Other accounts payable | 48,790 | 53,145 |
| Liabilities in respect of business combinations | 3,947 | 6,811 |
| Redeemable non-controlling interests | 33,686 | 31,395 |
| Total current liabilities | 478,682 | 432,947 |
| LONG-TERM LIABILITIES: | | |
| Liabilities to banks and others | 116,253 | 135,616 |
| Other long term liabilities | 6,476 | 7,244 |
| Debentures, net of current maturities | 127,756 | 133,739 |
| Deferred taxes | 38,578 | 36,605 |
| Deferred revenues | 8,816 | 9,340 |
| Liabilities in respect of business combinations | 9,209 | 4,711 |
| Redeemable non-controlling interests | 21,793 | 21,481 |
| Employee benefit liabilities | 8,992 | 9,032 |
| Total long-term liabilities | 337,873 | 357,768 |

EQUITY

| | | |
|--|------------------|------------------|
| Equity attributable to Formula Systems (1985) shareholders | 365,919 | 359,202 |
| Non-controlling interests | 416,420 | 413,720 |
| Total equity | 782,339 | 772,922 |
| TOTAL LIABILITIES AND EQUITY | 1,598,894 | 1,563,637 |

FORMULA SYSTEMS (1985) LTD.**STANDALONE FINANCIAL DATA HIGHLIGHTS**

U.S. dollars in thousands

| | March 31, 2018 (Unaudited) | December 31, 2017 |
|--|---|----------------------------------|
| Debentures | 103,371 | 59,503 |
| Other financial liabilities | 25,471 | 38,911 |
| Formula shareholders' equity | 365,919 | 359,202 |
| Cash, cash equivalents and short-term marketable securities | 55,398 | 14,842 |
| Fair market value of equity holdings in publicly traded subsidiaries | 723,950 | 835,400 |

Footnotes

¹ Non-GAAP measures as detailed in Magic Software Enterprises' press release from May 16, 2018

² Non-GAAP measures as detailed in Sapiens' press release from May 7, 2018