

FORMULA SYSTEMS (1985) LTD
Form 6-K
June 22, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

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

of the Securities Exchange Act of 1934

For the month of **June 2016**

Commission File Number: 000-29442

FORMULA SYSTEMS (1985) LTD.

(Translation of registrant's name into English)

5 HaPlada Street, Or-Yehuda, Israel

(Address of principal executive offices)

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

Form 20-F x Form 40-F "

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): "

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): "

PRESS RELEASE

Formula Systems Reports First Quarter Results for 2016 According to International Financial Reporting Standards

Or Yehuda, Israel, June 22, 2016 – Formula Systems (1985) Ltd. (NASDAQ: FORTY), a global information technology holding company engaged primarily, through its subsidiaries and affiliates, in providing software consulting services and computer-based business solutions and developing proprietary software, today announced its results for the first quarter of 2016 in accordance with International Financial Reporting Standards (IFRS).

In accordance with Formula's May 2016 announcement that it will report its financial results under IFRS as of January 1, 2016 (date of adoption), the company's Consolidated Statements of Financial Position and Consolidated Statements of Profit or Loss for the first quarter ended March 31, 2016 and the comparative periods of 2015 are also reported under IFRS. Up until the most recent reporting period, Formula's reporting was based on US GAAP.

The main difference between IFRS and US GAAP reporting, as it applies to the Company, relates to the consolidation of the results of operations of subsidiaries. Under US GAAP, companies are evaluated for consolidation purposes based on voting interests, to determine whether the reporting entity controls and therefore consolidates them. Under US GAAP, the majority voting interest holder of a company (i.e., ownership of more than 50% of the outstanding voting shares of an entity) consolidates that company. Upon transitioning to reporting based on IFRS, the Company consolidated the results of operations of Sapiens International Corporation N.V. and Magic Software Enterprises Ltd. over which it has effective control ("de facto control"), as required under IFRS. "De facto control" exists when the Company's rights in such entities are sufficient to give it power to have the practical ability to direct the relevant activities of such entities even where it does not have more than 50% of the voting power therein. The Company believes that consolidating the results of operations of entities over which it has "de facto control" provides more consistency in accounting treatment and financial reporting over future periods, whether or not the Company's interest in these entities exceeds 50% (but provided that, and for as long as, it has "de facto control" over such entities). The concept of "de facto control" does not exist under US GAAP. The Company believes that this change provides shareholders with information that better reflects the Company's operations through the subsidiaries that it effectively controls.

Financial Highlights for the First Quarter of 2016 (in accordance with IFRS)

Consolidated revenues for the first quarter ended March 31, 2016, increased 11% to \$262.2 million, compared to \$237.1 million in the same period last year.

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Consolidated operating income for the first quarter ended March 31, 2016, increased 7% to \$21.5 million, compared to \$20.2 million in the same period last year.

Consolidated net income for the first quarter ended March 31, 2016, was \$4.0 million, or \$0.27 per fully diluted share, compared to \$6.5 million, or \$0.44 per fully diluted share, in the same period last year. Net income was negatively impacted by increased tax expenses recorded in Magic Software and in Sapiens and the appreciation of Formula's debentures nominated in New Israel Shekels as a result of exchange rate fluctuations.

As of March 31, 2016, Formula held 50.0%, 49.0% and 47.3% of the outstanding ordinary shares of Matrix, Sapiens and Magic, respectively.

Consolidated cash and short-term and long-term investments in marketable securities totaled approximately \$325.1 million as of March 31, 2016.

Total consolidated equity as of March 31, 2016, was \$717.1 million (representing 58% of the total balance sheet).

As of March 31, 2016, Formula was in compliance with all of its financial covenants.

Comments of Management

Commenting on the results, Guy Bernstein, CEO of Formula Systems, said, “We are very pleased to report another quarter of excellent results across our entire portfolio. Sapiens' revenues grew by 20.9% to \$49.6 million for the first quarter. In addition, Sapiens launched several products including its new advanced analytics solution, Sapiens INTELLIGENCE, thereby continuing to expand its revenue base and enhance its competitive position. Matrix reported a tremendous first quarter, improving both its top and bottom line. Matrix’s growth is a direct result of having strategically identified future growth engines and executing its growth plan by investing in its offerings and infrastructure to target these high growth segments. Magic reported another quarter with double-digit revenue growth year over year while maintaining operational profitability at a solid 15%. Magic continues to invest in its products, receiving very positive customer feedback and strong uptake for its solutions, including its professional services for cloud and mobility solutions. We are looking forward to adding the results of our 50% stake in TSG – formerly a subsidiary and the military arm of Ness Technologies, which we acquired in equal parts with Israel Aerospace Industries (IAI) during May 2016. Engaged in the fields of command and control systems, intelligence, homeland security and cyber security, TSG adds a valuable fourth leg to our portfolio.”

About Formula

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

For more information, visit www.formulasystems.com.

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

| | Three months ended | |
|-----------------------------------------------------------------|--------------------|------------|
| | March 31, | |
| | 2016 | 2015 |
| | Unaudited | |
| Revenues | 262,170 | 237,060 |
| Cost of revenues | 201,397 | 181,214 |
| Gross profit | 60,773 | 55,846 |
| Research and development costs, net | 4,516 | 3,825 |
| Selling, marketing, general and administrative expenses | 34,709 | 31,807 |
| Operating income | 21,548 | 20,214 |
| Financial expenses, net | (3,846) | (1,926) |
| Income before taxes on income | 17,702 | 18,288 |
| Taxes on income | 5,437 | 3,653 |
| Income after taxes | 12,265 | 14,635 |
| Equity in gains of affiliated companies, net | - | 5 |
| Net income | 12,265 | 14,640 |
| Change in redeemable non-controlling interests | 315 | 259 |
| Net income attributable to non-controlling interests | 7,908 | 7,886 |
| Net income attributable to Formula's shareholders | 4,042 | 6,495 |
| Basic Earnings per share | 0.28 | 0.46 |
| Diluted Earnings per share | 0.27 | 0.44 |
| Number of shares used in computing earnings per share (basic) | 14,177,747 | 14,017,356 |
| Number of shares used in computing earnings per share (diluted) | 15,479,736 | 14,603,859 |

FORMULA SYSTEMS (1985) LTD.**CONSOLIDATED CONDENSED BALANCE SHEETS****U.S. dollars in thousands**

| | March 31, 2016 (Unaudited) | December 31, 2015 (Unaudited) |
|--------------------------------------------------------|----------------------------------|----------------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 255,293 | 249,141 |
| Marketable securities | 49,996 | 31,605 |
| Short-term deposits | 3,264 | 2,688 |
| Trade receivables | 250,562 | 257,631 |
| Other accounts receivable and prepaid expenses | 51,756 | 43,112 |
| Inventories | 4,664 | 4,807 |
| Total current assets | 615,535 | 588,984 |
| LONG-TERM INVESTMENTS: | | |
| Marketable securities | 16,542 | 30,875 |
| Deferred Taxes LT | 16,171 | 16,347 |
| Prepaid expenses and other assets LT | 12,838 | 11,506 |
| Total long-Term Investments | 45,551 | 58,728 |
| PROPERTY, PLANTS AND EQUIPMENT, NET | 23,729 | 22,003 |
| NET INTANGIBLE ASSETS AND GOODWILL | 560,540 | 545,677 |
| TOTAL ASSETS | 1,245,355 | 1,215,392 |
| CURRENT LIABILITIES: | | |
| Liabilities to banks and others financial institutions | 71,636 | 59,082 |
| Debentures | 410 | 213 |
| Trade payables | 67,029 | 68,051 |
| Deferred revenues | 51,903 | 39,694 |
| Employees and payroll accrual | 80,034 | 76,653 |
| Other accounts payable | 36,802 | 41,672 |
| Dividend payable | 4,997 | 4 |
| Liability in respect of business combinations ST | 4,768 | 2,866 |
| Redeemable non-controlling interest | 4,668 | 4,673 |
| Total current liabilities | 322,247 | 292,908 |
| LONG-TERM LIABILITIES: | | |

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| | | |
|-------------------------------------------------------------------------|-----------|-----------|
| Liabilities to banks and others financial institutions | 89,544 | 103,808 |
| Other long term liabilities | 8,440 | 7,811 |
| Debentures | 58,359 | 57,128 |
| Deferred taxes Liability LT | 22,924 | 22,667 |
| Customer advances | 5,640 | 4,396 |
| Liability in respect of business combinations | 4,394 | 3,434 |
| Liabilities in respect of capital lease | 272 | 494 |
| Accrued severance pay, net | 3,829 | 3,389 |
| Redeemable non-controlling interest | 12,615 | 9,513 |
| Total long-term liabilities | 206,017 | 212,640 |
| EQUITY | | |
| Total equity attributable to Formula system (1985) shareholders' equity | 335,512 | 331,738 |
| Non-controlling interests | 381,579 | 378,106 |
| Total equity | 717,091 | 709,844 |
| TOTAL LIABILITIES AND EQUITY | 1,245,355 | 1,215,392 |

FORMULA SYSTEMS (1985) LTD.

STANDALONE FINANCIAL DATA HIGHLIGHTS

U.S. dollars in thousands

| | March 31, 2016 (Unaudited) | December 31, 2015 |
|----------------------------------------------------------------------|-------------------------------------|-------------------------|
| Debentures | 58,770 | 57,341 |
| Other financial liabilities | 46,894 | 52,623 |
| Formula shareholders' equity | 335,512 | 331,738 |
| Cash, cash equivalents and short term marketable securities | 66,076 | 78,436 |
| Fair market value of equity holdings in publicly traded subsidiaries | 617,689 | 532,697 |

FORMULA SYSTEMS (1985) LTD.**CONSOLIDATED CONDENSED STATEMENTS OF INCOME - RECONCILIATION OF US GAAP TO IFRS**

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

| | Year ended December 31, 2015 | | |
|------------------------------------------------------------------------------|------------------------------|------------------------------|--------------|
| | US GAAP | Impact of transition to IFRS | IFRS |
| | (Unaudited) | | |
| Revenues | 750,555 | 222,639 | 973,194 |
| Cost of revenues | 601,749 | 139,521 | 741,270 |
| | | 0 | |
| Gross profit | 148,806 | 83,118 | 231,924 |
| Research and development costs, net | 7,488 | 7,635 | 15,123 |
| Selling, marketing, general and administrative expenses | 94,722 | 46,221 | 140,943 |
| Other income (expenses), net | (2 |) 10 | 8 |
| Operating income | 46,594 | 29,272 | 75,866 |
| | | 0 | |
| Financial expenses, net | (8,254 |) (549 |) (8,803 |
| | | 0 | |
| Income before taxes on income | 38,340 | 28,723 | 67,063 |
| Taxes on income | 10,988 | 4,996 | 15,984 |
| | | - | |
| Income after taxes | 27,352 | 23,727 | 51,079 |
| Equity in gains (losses) of affiliated companies, net | 65,096 | (65,091 |) 5 |
| | | 0 | |
| Net income | 92,448 | (41,364 |) 51,084 |
| Change in redeemable non-controlling interests | 255 | 609 | 864 |
| Net income attributable to non-controlling interests | 18,488 | 11,801 | 30,289 |
| | | 0 | |
| Net income attributable to Formula's shareholders system (1985) Shareholders | 73,705 | (53,774 |) 19,931 |
| | | | |
| Basic Earnings per share | 5.24 | (3.83 |) 1.41 |
| Diluted Earnings per share | 5.00 | (3.66 |) 1.34 |
| | | | |
| Number of shares used in computing earnings per share (basic) | 14,070,924 | - | 14,070,924 |
| Number of shares used in computing earnings per share (diluted) | 14,744,027 | (102,867 |) 14,641,160 |

FORMULA SYSTEMS (1985) LTD.**CONSOLIDATED CONDENSED BALANCE SHEETS - RECONCILIATION OF US GAAP TO IFRS**

U.S. dollars in thousands

| | January 1, 2015 | | | December 31, 2014 | |
|--------------------------------------------------------|------------------|------------------------------------------|------------------|-------------------|------------------|
| | US GAAP | Impact of transition to IFRS | IFRS | US GAAP | IFRS |
| | (Unaudited) | | | (Unaudited) | |
| ASSETS | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | 107,416 | 72,515 | 179,931 | 132,603 | 132,603 |
| Marketable securities | 15,784 | 11,915 | 27,699 | 11,011 | 11,011 |
| Short-term deposits | 6,454 | - | 6,454 | 11 | 11 |
| Trade receivables | 195,287 | 40,365 | 235,652 | 176,665 | 176,665 |
| Other accounts receivable and prepaid expenses | 31,297 | 3,173 | 34,470 | 32,584 | 32,584 |
| Inventories | 2,259 | 178 | 2,437 | 4,610 | 4,610 |
| Total current assets | 358,497 | 128,146 | 486,643 | 357,484 | 357,484 |
| LONG-TERM INVESTMENTS: | | | | | |
| Marketable securities | 33,748 | - | 33,748 | - | - |
| Deferred Taxes LT | 17,901 | (1,918) | 15,983 | 13,164 | 13,164 |
| Investments in affiliated companies | 169,143 | (168,615) | 528 | 451,433 | 451,433 |
| Prepaid expenses and other accounts receivable LT | 10,287 | 2,376 | 12,663 | 8,945 | 8,945 |
| Total long-Term Investments | 231,079 | (168,157) | 62,922 | 473,542 | 473,542 |
| SEVERANCE PAY FUND | 65,322 | (65,322) | - | 54,631 | 54,631 |
| PROPERTY, AND EQUIPMENT, NET | 20,126 | 1,985 | 22,111 | 14,199 | 14,199 |
| NET INTANGIBLE ASSETS AND GOODWILL | 450,100 | 84,119 | 534,219 | 167,093 | 167,093 |
| TOTAL ASSETS | 1,125,124 | (19,229) | 1,105,895 | 1,066,949 | 1,066,949 |
| CURRENT LIABILITIES: | | | | | |
| Liabilities to banks and others financial institutions | 43,190 | 2,853 | 46,043 | 59,069 | 59,069 |
| Debentures | - | - | - | 213 | 213 |
| Trade payables | 52,693 | 3,887 | 56,580 | 58,105 | 58,105 |
| Deferred revenues | 34,556 | 3,430 | 37,986 | 25,335 | 25,335 |
| Employees and payroll accrual | 63,172 | 7,284 | 70,456 | 51,390 | 51,390 |
| Other accounts payable | 23,325 | 10,214 | 33,539 | 16,502 | 16,502 |

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| | | | | | |
|-------------------------------------------------------------------------|------------------|------------------|------------------|------------------|-----------|
| Dividend payable | 7,876 | - | 7,876 | 4 | - |
| Liability in respect of business combinations ST | 1,782 | 420 | 2,202 | 1,193 | 1, |
| Redeemable non-controlling interest | - | 4,266 | 4,266 | - | 4, |
| Total current liabilities | 226,594 | 32,354 | 258,948 | 211,811 | 8 |
| LONG-TERM LIABILITIES: | | | | | |
| Liabilities to banks and others financial institutions | 108,203 | 490 | 108,693 | 102,845 | 90 |
| Other long term liabilities | 6,204 | (3,932) | 2,272 | - | 7, |
| Debentures, net of current maturities | - | - | - | 58,284 | (1 |
| Deferred taxes LT | 32,605 | (10,196) | 22,409 | 67,010 | (4 |
| Customer advances | 4,838 | - | 4,838 | 4,396 | - |
| Liability in respect of business combinations | 825 | 798 | 1,623 | 2,405 | 1, |
| Liabilities in respect of capital lease | 903 | - | 903 | 494 | - |
| Accrued severance pay, net | 77,975 | (74,898) | 3,077 | 67,409 | (6 |
| Redeemable non-controlling interest | - | 6,519 | 6,519 | - | 9, |
| Total long-term liabilities | 231,553 | (81,219) | 150,334 | 302,843 | (9 |
| REDEEMABLE NON-CONTROLLING INTEREST | 10,313 | (10,313) | - | 10,029 | (1 |
| EQUITY | | | | | |
| Total equity attributable to Formula system (1985) shareholders' equity | 389,708 | (63,184) | 326,524 | 451,557 | (1 |
| Non-controlling interests | 266,956 | 103,133 | 370,089 | 90,709 | 28 |
| Total equity | 656,664 | 39,949 | 696,613 | 542,266 | 10 |
| TOTAL LIABILITIES AND EQUITY | 1,125,124 | (19,229) | 1,105,895 | 1,066,949 | 14 |

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

FORMULA SYSTEMS
(1985) LTD.

Date: June 22, 2016 By: /s/ Asaf Berenstin
Asaf Berenstin
Chief Financial Officer