

FORMULA SYSTEMS (1985) LTD
Form 6-K
November 10, 2011

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 November 2011

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 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

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 November 2011 and incorporated by reference herein is the Registrant's immediate report dated November 10, 2011.

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: November 10, 2011

FOR IMMEDIATE RELEASE

Formula Systems Reports Third Quarter Results for 2011

Revenues increased 21% Year-Over-Year to \$161.5 million with Net Income of \$29.7 million

Or-Yeuda, Israel – November 10, 2011 – Formula Systems (1985) Ltd. (NASDAQ: FORTY) a leading provider of software consulting services, computer-based business solutions and proprietary software products, today announced its results for the third quarter of 2011.

Financial Highlights for the Third Quarter and Nine-Month Period Ended September 30, 2011

- Third-quarter revenues increased 20.7% to \$161.5 million compared to \$133.8 million in the same period last year.
- Operating income for the third quarter increased 10.2% to \$13 million, compared to \$11.8 million in the same period last year.
- Net income for the third quarter increased 506% to \$29.7 million, compared to \$4.9 million in the same period last year. Net income for the third quarter of 2011 included income of \$25.8 million recorded in connection with the acquisition by Sapiens International Corporation N.V. of two privately held companies (IDIT I.D.I. Technologies Ltd and FIS Software Ltd.), which was completed on August 21, 2011, following which Formula's holdings in Sapiens were reduced below 50%. As of September 30, 2011, Formula held 43.6% of Sapiens' outstanding share capital.
- Revenues for the nine-month period ended September 30, 2011 increased 21.9% to \$483.3 million, compared to \$396.4 million in the same period last year.
- Operating income for the nine-month period ended September 30, 2011 increased 12.9% to \$38.5 million, compared to \$34.1 million in the same period last year.
- Net income for the nine-month period ended September 30, 2011 increased 187.4% to \$38.8 million, compared to \$13.5 million in the same period last year.
- As of September 30, 2011, Formula's consolidated cash and short term and long term investments in marketable securities totaled approximately \$101.7 million, of which Formula's standalone net cash and short term and long term investments totaled \$5.8 million (with no debt).
- As of September 30, 2011, total equity was \$351.2 million, representing 57% of the total balance sheet.

Results

For the third quarter ended September 30, 2011, total revenues were \$161.5 million, with net income of \$29.7 million, or \$2.16 per fully diluted share. This compares with revenues of \$133.8 million and net income of \$4.9 million, or \$0.36 per fully diluted share, for the same period last year.

Operating income for the third quarter ended September 30, 2011, was \$13 million, or \$0.95 per fully diluted share. This compares to operating income of \$11.8 million, or \$0.87 per fully diluted share, for the same period a year ago.

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For the nine month-period ended September 30, 2011, total revenues were \$483.3 million, with net income of \$38.8 million, or \$2.81 per fully diluted share. This compares with revenues of \$396.4 million and net income of \$13.5 million, or \$1 per fully diluted share, for the same period last year.

Operating income for the nine-month period ended September 30, 2011, was \$38.5 million, or \$2.82 per fully diluted share. This compares to operating income of \$34.1 million, or \$2.52 per fully diluted share, for the same period last year.

Guy Bernstein, CEO of Formula Systems, commented: "I am pleased with the group's continued strong performance in the third quarter and throughout this year. We continued to demonstrate growth, reflected in all our operations and driven by strong demand for the products and services offered by our subsidiaries. Our subsidiaries continued to make strategic acquisitions, such as Magic Software Enterprises' recently announced acquisition of BluePhoenix's AppBuilder activity and Sapiens' acquisition of IDIT I.D.I. Technologies Ltd. and FIS Software Ltd., bringing added value to our customers and shareholders."

About Formula

Formula Systems 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.

Statements made in this press release that are not historical facts are forward-looking statements. Such statements involve various risks that may cause actual results to differ materially from such statements. These risks and uncertainties include, but are not limited to: market demand for the company's products, dependence on strategic partners, integration of new businesses, successful implementation of Formula's products, economic and competitive factors, international market conditions, management of growth, technological developments, the ability to finance operations and other factors which are detailed in Formula's filings with the United States Securities and Exchange Commission, including its most recent annual report on Form 20-F.

Contact:

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FORMULA SYSTEMS (1985) LTD.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
U.S. dollars in thousands (except per share data)

| | Three months ended | | Nine months ended | |
|---|--------------------|----------|-------------------|----------|
| | September 30, | | September 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| | Unaudited | | Unaudited | |
| Revenues | 161,497 | 133,791 | 483,288 | 396,357 |
| Cost of revenues | 123,409 | 100,282 | 369,147 | 297,330 |
| Gross profit | 38,088 | 33,509 | 114,141 | 99,027 |
| Research and development costs, net | 1,440 | 1,399 | 4,660 | 3,993 |
| Selling, general and administrative expenses | 23,675 | 20,320 | 70,940 | 60,944 |
| Operating income | 12,973 | 11,790 | 38,541 | 34,090 |
| Financial expenses, net | (1,813) | (1,033) | (4,959) | (2,754) |
| | 11,160 | 10,757 | 33,582 | 31,336 |
| Other income, net | 54 | 301 | 231 | 148 |
| Income before taxes on income | 11,214 | 11,058 | 33,813 | 31,484 |
| Taxes on income | 1,917 | 1,718 | 5,778 | 5,089 |
| | 9,297 | 9,340 | 28,035 | 26,395 |
| Gain derived from deconsolidation of subsidiary and equity in gains (losses) of affiliated companies, net | 25,583 | (271) | 25,446 | (649) |
| Net income | 34,880 | 9,069 | 53,481 | 25,746 |
| Net income attributable to non-controlling interests | 5,223 | 4,193 | 14,635 | 12,237 |
| Net income attributable to Formula's shareholders | 29,657 | 4,876 | 38,846 | 13,509 |
| Earnings per share: | | | | |
| Basic | 2.19 | 0.36 | 2.88 | 1.01 |
| Diluted | 2.16 | 0.36 | 2.81 | 1.00 |
| Weighted average number of shares outstanding: | | | | |
| Basic | 13,530 | 13,398 | 13,497 | 13,365 |
| Diluted | 13,674 | 13,530 | 13,666 | 13,522 |

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

| | September 30, 2011 (Unaudited) | December 31, 2010 |
|---|---|-------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 64,827 | 110,508 |
| Marketable securities | 24,315 | 38,170 |
| Short-term deposits | 9,800 | 24 |
| Trade receivables | 140,191 | 154,366 |
| Other accounts receivable | 29,784 | 23,140 |
| Inventories | 3,036 | 5,601 |
| Total current assets | 271,953 | 331,809 |
| LONG-TERM INVESTMENTS: | | |
| Marketable securities | 2,805 | 2,828 |
| Deferred Taxes | 13,509 | 13,135 |
| Investments in affiliated company | 73,156 | 3,209 |
| Prepaid expenses and other assets | 4,409 | 5,493 |
| Total long-Term Investments | 93,879 | 24,665 |
| SEVERANCE PAY FUND | 49,438 | 55,286 |
| PROPERTY, PLANTS AND EQUIPMENT, NET | 19,031 | 12,411 |
| NET INTANGIBLE ASSETS AND GOODWILL | 183,861 | 199,596 |
| TOTAL ASSETS | 618,162 | 623,767 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Liabilities to banks | 5,692 | 6,684 |
| Trade payables | 38,596 | 53,177 |
| Deferred revenues | 20,720 | 26,845 |
| Employees and payroll accrual | 36,838 | 40,704 |
| Other accounts payable | 24,140 | 30,693 |
| Dividend payable to non controlling interests | 511 | - |
| Liability in respect of business combinations | 4,231 | 3,963 |
| Debentures | 16,250 | 15,927 |
| Total current liabilities | 146,978 | 177,993 |
| LONG-TERM LIABILITIES: | | |
| Debentures | 31,309 | 31,854 |
| Deferred taxes | 3,184 | 2,654 |
| Customer advances | 2,588 | 3,520 |

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| | | |
|---|----------------|----------------|
| Liabilities to banks and others | 7,406 | 3,154 |
| Liability in respect of business combinations | 12,157 | 4,758 |
| Accrued severance pay | 63,294 | 65,450 |
| Total long-term liabilities | 119,938 | 111,390 |
| EQUITY | | |
| Formula shareholders' equity | 218,541 | 197,615 |
| Non-controlling interests | 132,705 | 136,769 |
| Total equity | 351,246 | 334,384 |
| TOTAL LIABILITIES AND EQUITY | 618,162 | 623,767 |
