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# ***The PwC Israel 2013 Hi-Tech Exit Report***

*A boom in Israeli hi-tech exits, with \$7.6B in 2013*

*M&A, deals accounted for \$6.45B; IPOs for \$1.2B*





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### **A historically good year for the Israeli hi-tech in 2013**

This year we witnessed \$6.45B in M&A deals, representing a 16% increase over 2012. Mega deals are also a prominent feature of 2013, with the three largest deals accounting for not less than \$2.6B. The per-deal average of \$859M.

The total value of IPOs was \$1.2B, and an average IPO of \$198M. Combined, this year's exits totaled \$7.6B, with an average of \$170M per deal. Breaking down the data into sectors, life sciences are ahead this year with \$2.5B in exits and an average deal of \$190M.

Followed by the internet sector with 2.1B and an average exit of \$238M.

### **The average exit**

The most notable piece of information in this report is the average amount per deal, \$170M, **which is the highest in more than a decade.** This figure is exceptionally higher thanks to the interplay of several factors. First, the deal market is active and competitive. Global tech giants are chasing innovative technology. They do so partly by making huge investments in their own R&D efforts, but more so, by buying innovative technologies. In this current point in time, buyers have the liquidity to make such acquisitions a reality, and most deals are indeed paid for in cash. Historical trends show that the window of opportunity for M&A deals opens and shuts cyclically, given global events that are much larger than anything the Israeli hi-tech industry can have impact on. Since the sentiment in the M&A market is far beyond our control,

the most important factor is that the local industry has an abundance of companies that reached sufficient maturity. Most buyers have a taste for more mature companies, hence more expensive ones, as opposed to buying cheap companies with unproven technologies. Mature companies already have significant sales to show for, and have already proved their abilities. Experience shows that the integration of most immature companies into the buyer is unsuccessful, turning the whole deal sour. Be this maturity technological, or in terms of the number of users, sales or market share, **the Israeli market has learned that patience pays off.** With more and more success stories, entrepreneurs and investors have more appetite to take companies up to much higher value points than in the past.

The high exits allow investors to raise more money for the Israeli hi-tech, bring more investors and facilitate new companies to keep this dynamic market continue going strong, given that today's technology will become old faster than ever before.

### **IPOs... at last**

It's been a while since we have seen tech IPOs. The main reasons for the shift this year are the more favorable times in the global financial markets and especially in the US tech IPO market, together with sufficient levels of maturity of hi-tech companies. In Israel, where the exit culture gets so often under fire, those IPOs may herald a new era. The companies that choose this path will be able to later become the large multinationals that we

have been all looking forward to in recent years. Until this happens, those IPOs probably provide the highest value that those companies can attract. The IPOs give companies a financing boost, and a platform for the continuous financing needed to achieve growth on their way to building that much anticipated large Israeli corporation.

### **Looking ahead**

As 2014 draws near, the Israeli hi-tech has numerous mature and innovative market-leaders. The largest international buyers have R&D outposts in Israel and are scouting for their next acquisition. Finally, quite a few Israeli companies are at various stages of going public on the largest world markets. Given a reasonable economic environment in 2014 and markets remaining receptive to new tech IPOs, we are heading into an exciting new year. Surely, it will be difficult to eclipse the results of 2013, but if the IPO trend continues, even a modest number of IPOs can make 2014 into another peak year.

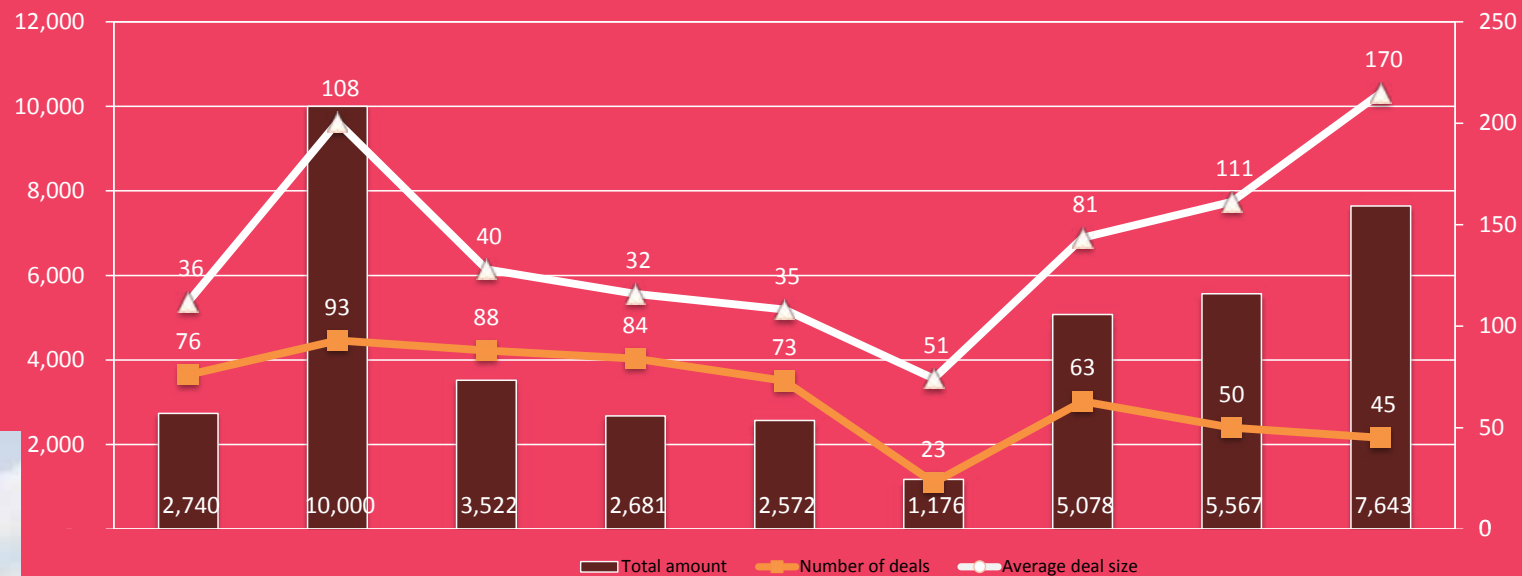
I wish you all a happy and successful new exit year,

Yours,

Rubi Suliman, Partner, Hi-Tech Leader,  
PwC Israel

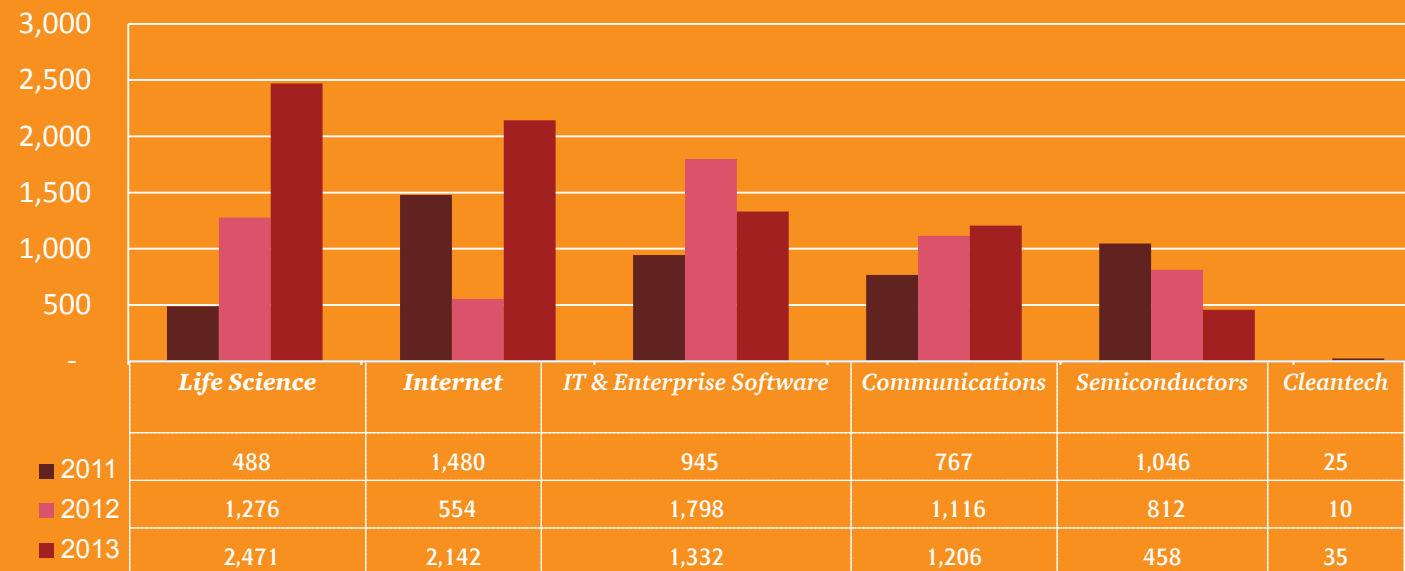


*Total annual exits 2005-2013 (in millions \$)*



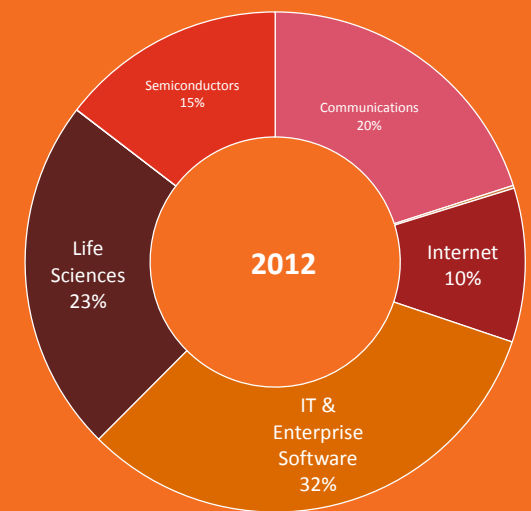
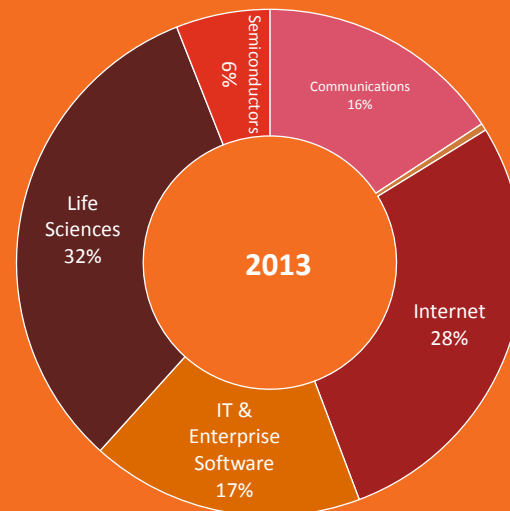
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Total Amount (\$M)</b>	2,740	10,000	3,522	2,681	2,572	1,176	5,078	5,567	7643
<b>Number of deals</b>	76	93	88	84	73	23	63	50	45
<b>Average deal size (\$M)</b>	36	108	40	32	35	51	81	111	170

## Total annual exits by sector (in millions \$)

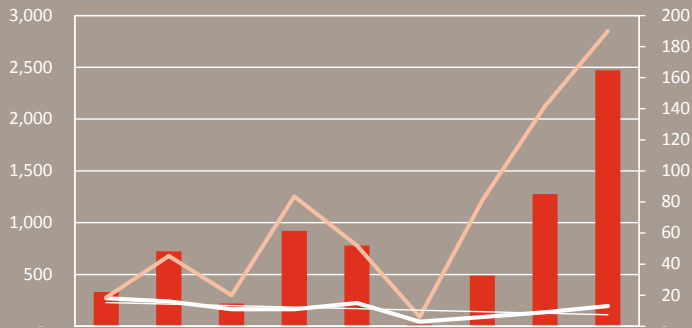


**Claudio Yarza**, Leader of the Life Science practice at PwC Israel commented on the exit results of the Life science segment:

The hot market for life science IPOs is reflected in the record outcomes of the Israeli life sciences industry exits during 2013. An increase in the number of deals, together with a greater average deal size, resulted in the best ever year for the industry in terms of total exit values. The continuation of the current trend though is uncertain, although we see other Israeli companies with interesting pipeline seeking a deal or queuing up for an IPO, this fact is clouded by certain preliminary signs of a cooling down of the life sciences IPO market in the US.



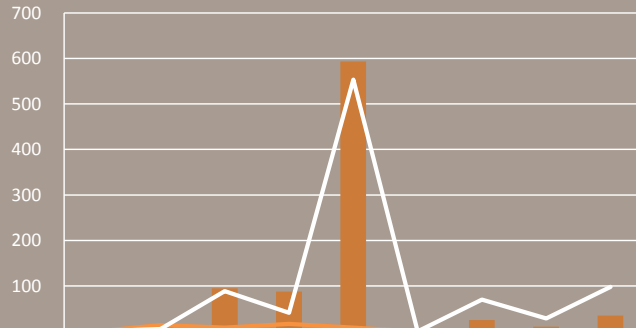
## Life Sciences



Total Amount Number of deals Average deal size

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Amount	332	724	220	920	778	18	488	1276	2471
Number of deals	18	16	11	11	15	3	6	9	13
Average deal size	18	45	20	84	52	6	81	142	190

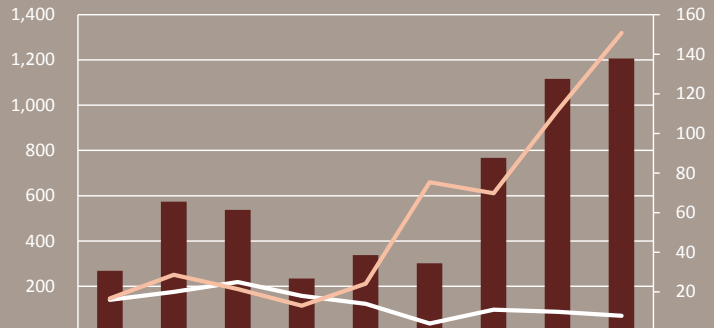
## CleanTech



Total Amount Number of deals Average deal size

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Amount	0	9	95	87	593	0	25	10	35
Number of deals	0	5	3	6	3	0	1	1	1
Average deal size	0	2	32	15	198	0	25	10	35

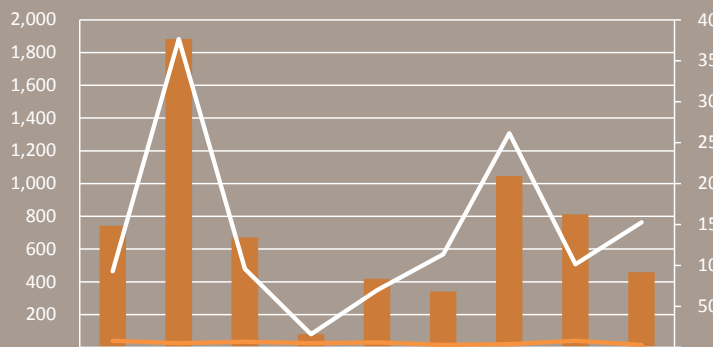
## Communication



Total Amount Number of deals Average deal size

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Amount	268	574	537	234	338	302	768	1116	1206
Number of deals	16	20	25	18	14	4	11	10	8
Average deal size	17	29	21	13	24	75	70	112	151

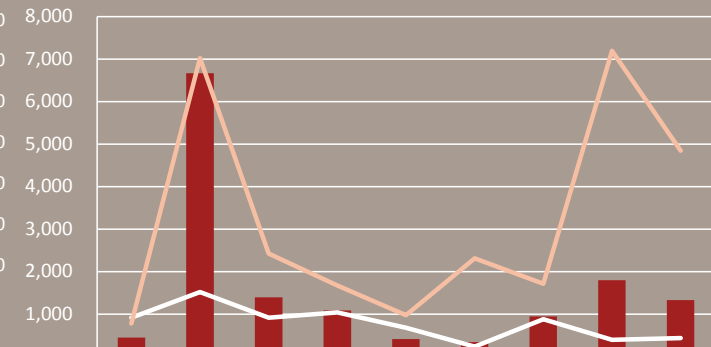
## Semiconductors



Total Amount Number of deals Average deal size

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Amount	742	1883	672	80	419	341	1046	812	458
Number of deals	8	5	7	5	6	3	4	8	3
Average deal size	93	377	96	16	70	114	261	101	153

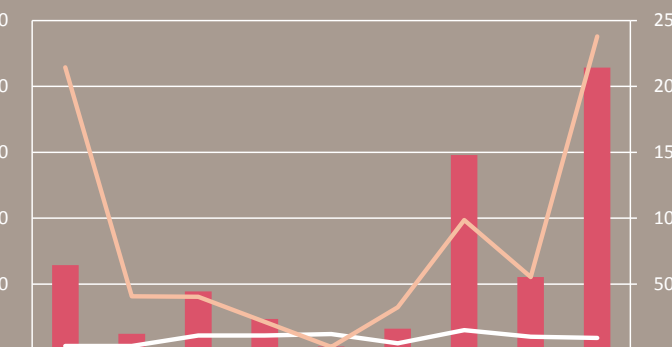
## IT & Enterprise Software



Total Amount Number of deals Average deal size

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Amount	449	6669	1395	1088	416	347	945	1798	1332
Number of deals	23	38	23	26	17	6	22	10	11
Average deal size	20	175	61	42	24	58	43	180	121

## Internet



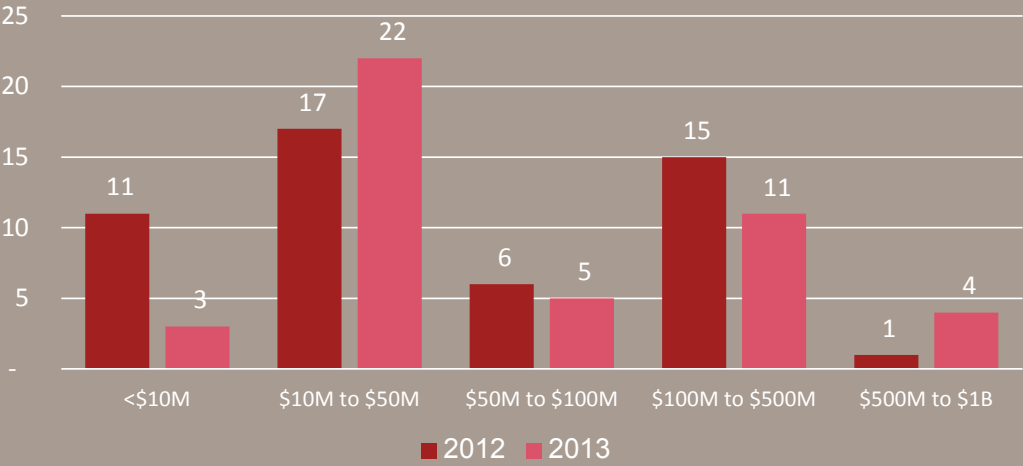
Total Amount Number of deals Average deal size

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Amount	644	122	444	235	27	162	1480	554	2142
Number of deals	3	3	11	11	12	5	15	10	9
Average deal size	215	41	40	21	2	32	99	55	238

\*Total Amount and Average deal size in \$M

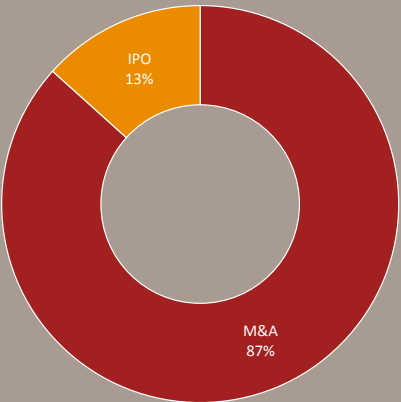


Number of exits by deal size

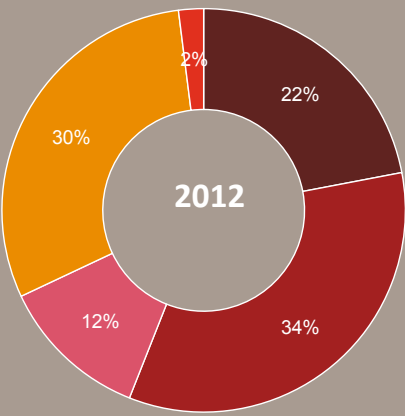
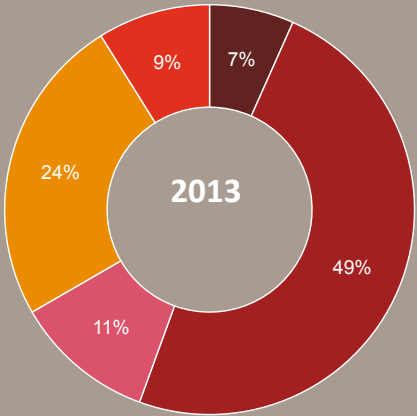
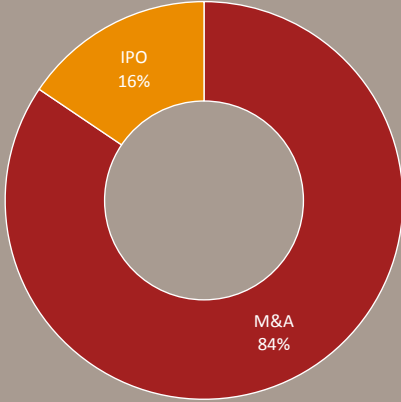


Merger & Acquisition ("M&A") versus IPO (2013)

Number of deals

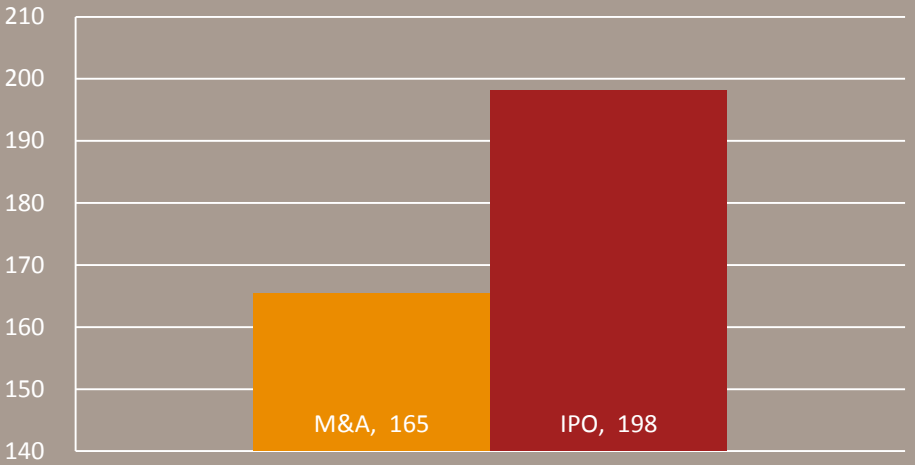


Total amount



Deal Size	
<\$10M	
\$10M to \$50M	
\$50M to \$100M	
\$100M to \$500M	
\$500M to \$1B	

Average deal size (in millions \$)



## *IPO's during 2013*

<b><i>Company Name</i></b>	<b><i>Sector</i></b>	<b><i>Stock Exchange</i></b>
Alcobra Ltd	Life Sciences	NASDAQ
Enzymotec Ltd	Life Sciences	NASDAQ
Galtronics Corporation Ltd	Communications	TMX
Kadimastem Ltd	Life Sciences	TASE
Somoto Ltd	IT & Enterprise Software	TASE
Wix.com Ltd	Internet	NASDAQ

\*The report refers to both Asset purchase and Share Purchase M&A transactions of Israeli companies or companies that have a significant Israeli links.

\*\* Kamada Ltd. IPO in the US is not included in this report since it was a public company in Israel and in order to avoid double counting.

\*\*\* The report refers only to exits with a value greater than \$5 million and exits where the exit amount was disclosed.

\*\*\*\*2005-2010 data based on IVC database.

Exit is defined as either closing of an acquisition of the shares, assets or operations of a target company, in consideration for cash or shares of the acquirer. Exit is also, an initial public offering (IPO) at any stock exchange, included in this report at the value determined in the pricing of the IPO.



***For further information***

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