



The Exit Decade **2010-2019**

PwC Israel

The 2019 PwC Israel Exit Report

The year of 2019 started with quite a few question marks over the stability of the global economy and the ensuing impact on the Israeli high-tech industry, including on the local exit market. As the year is drawing to a close, it is fair to say that 2019 was outstanding for Israeli tech in terms of both deal numbers and value. Acquisitions and public offerings raked in \$9.9 billion, up 102% YoY. The average amount paid per deal was \$124 million, up from \$81 million in 2018. Deal numbers also soared, with no less than 80 transactions compared to 61 last year. It is important to note that our report excludes follow-on transactions involving companies that have already exited and were featured in previous editions. Had we considered those, they would have led to a total value of exits at \$23 billion.

A show of strength

In many respects, 2019 was an impressive feat and, by any measure, a fitting conclusion to a very successful decade. The household names, including giants like Google, Samsung, Amazon and Palo-Alto, continued to shop for hot opportunities in the Startup Nation. The big tech firms were joined by buyers from diverse verticals, such as McDonald's, SolarWinds, Vimeo, Stryker and many others, which were also on the lookout for deep and complementary technologies. Price tags in some of those cases were undoubtedly impressive: Demisto and Twistlock were purchased by Palo-Alto for \$560 million and \$410 million, respectively; SAMange was acquired for \$350 million by the IT management company SolarWinds; and McDonald's acquired Dynamic Yield, which offered a service customization solution, just to name a few notable examples.

The IPO market has also reacted and rebounded in 2019 after several relatively dry years, with three exceptionally strong IPOs in the US: the cyber firm Tufin, the online marketplace Fiverr and medical equipment maker Inmode. Ten other companies completed registration in various exchanges, some through the channel of an initial public offering, and others through use of listed shells.

This year also delivered in terms of \$1 billion deals. In recent years, we have become quite accustomed to having at least one 10-digit deal in the local market. And indeed, not less than five such deals were reported in 2019. Although not all are included in this report – as those companies have already been acquired or went public in the past – their impact on the local tech scene cannot be underestimated.

Looking back on the last decade

2019 was the grand finale for an amazing decade. The heights we reached are hard to wrap our heads around. Total acquisition value for high-tech companies was over \$70 billion paid for 587 deals. When accounting for follow-on transactions – like Mobileye, Orbotech and others – the last decade provided a whopping \$107.8 billion in deals. The most prominent sectors were semiconductors, IT & Enterprise Software, and life science with 30.5%, 28.5% and 16.7%, respectively.

However, the most interesting story hides behind the numbers. Israel continued in the 2010s to establish itself as a source of innovation, creating deep technologies across industries and verticals. The last decade saw Israel growing into a power in cyber; a vibrant hub for life-science firms; a source of automotive innovation, and a leader in cloud computing, communications systems, data centers and many other areas. Yet, the most significant trend is happening away from public attention. This trend is about how the local tech market has evolved into a sophisticated apparatus in which entrepreneurs support and get supported within a tight professional ecosystem. Among those active in this environment are past entrepreneurs who have grown over the years into seasoned and daring executives of successful global companies. If at the beginning of this decade the Israeli entrepreneur was blamed for selling too quickly, it appears just ten years later that local players are much more self-assured and willing to march longer distances before taking a strategic decision.

What does the future hold?

As I wrote earlier, 2019 is concluding a decade of unprecedented achievements by the Israeli high-tech market. It's no secret though that economy is cyclical. Yet, as we enter a new decade, it does not feel like the boom is about to end. The 2020s are starting with a more supportive ecosystem for entrepreneurs that is stronger than ever. Add to that the evolution of Israeli entrepreneurs into players who are well versed in the global game and are confident in their ability to run long distances.

Beyond the impressive exits of recent years, another evidence of the strength of the local tech market is the growing number of unicorns. The secondary-market deal in which the private equity fund CVC acquired a stake in IronSource and the capital raise by Monday.com during this year are just additional examples that can hint to the enormous untapped potential of the local market.

On the other hand, we must not overlook the fact that the very high valuations of tech firms raise doubts. This is coupled by a trend whose impact is not fully known at this time of a worrying drop in funding raised by early-stage startups. This might be an indication that investors are running to safety due to concern around the fate of the global economy.

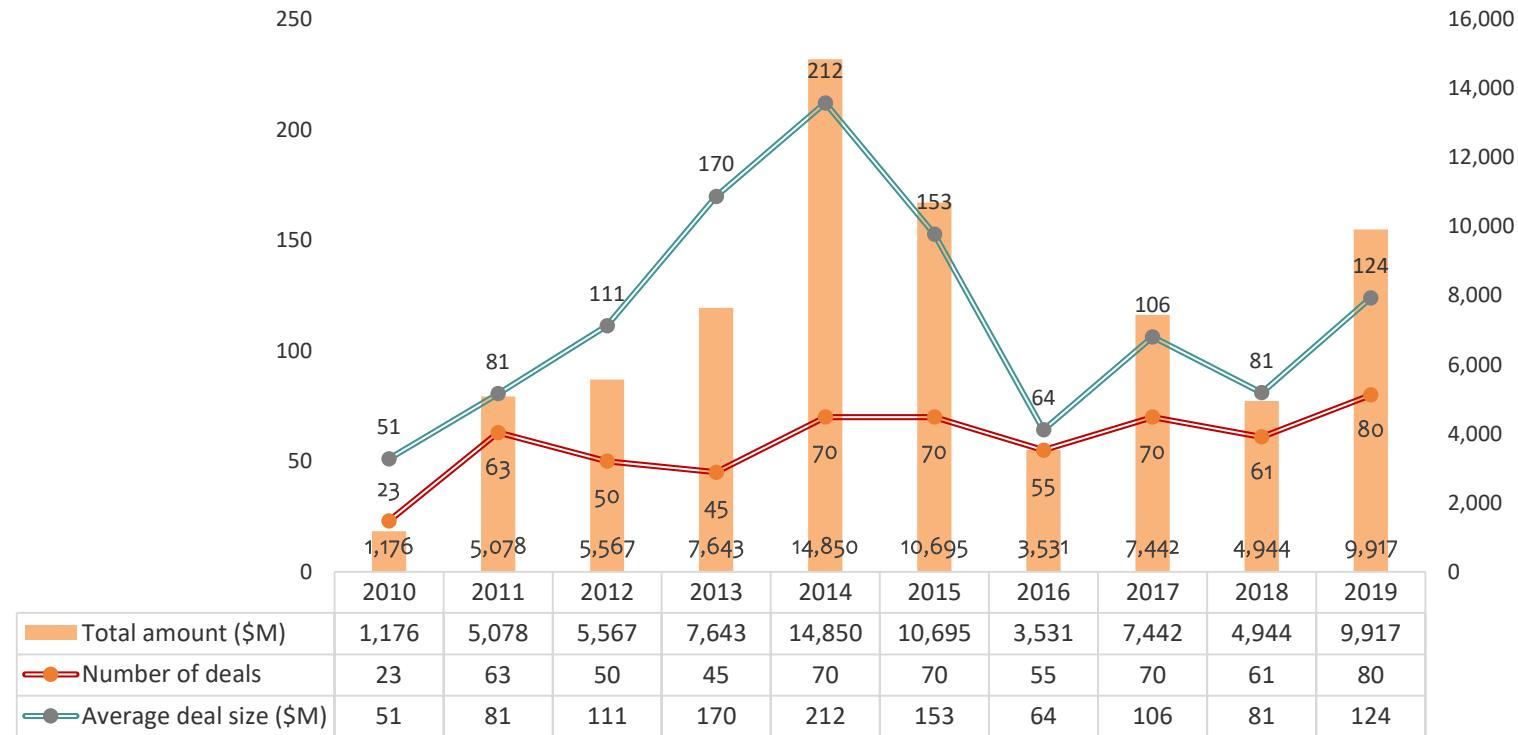
My final thoughts here are that there is no doubt that the Israeli entrepreneurship powerhouse will serve as an important foundation in the coming years. Right now, more than ever, there are Israeli tech unicorns that are ready for an IPO or another form of significant exiting. Israeli tech is entering the third decade of the 21st century full steam ahead, and we hope that it is just going to grow stronger.



Yaron Weizenbluth
Hi-Tech Partner
PwC Israel



Total exits (M&As and IPOs) in the last decade (million US\$)



The value of M&As and IPOs in 2019 was \$9.9 billion, up 102% from \$4.9 billion in 2018. A total of 80 deals took place, compared to 61 last year. Also, deal size was also on the rise, with about 53% growth YoY.

The passing year saw a number of follow-on deals that were excluded from the analysis in this report. The reason for this is that some of those companies have already been featured in past reports (when they went public or acquired). Including them again in this report would have distorted our ability to make year-over-year comparative analysis.

However, analysis of those follow-on transactions have been presented in previous years, and they are featured this year too in a dedicated section.

* This report refers only to exits valued more than \$5 million.

Follow-on deals that are excluded from this report:

- Mellanox had an IPO on NASDAQ in 2007.
- ClickSoftware went public on NASDAQ in 2000, and was sold in 2014 to Francisco Partners.
- NSO Group Technologies was sold in 2013 to Francisco Partners.
- Lumenis was listed on NASDAQ in 2014, and is being acquired for the third time.
- SafeCharge became public on London Stock Exchange in 2014.
- ZoomInfo was sold in 2017 to Great Hill Partners.
- Attunity was listed on NASDAQ in 2003.
- Aeronautics went public in 2017 on Tel Aviv Stock Exchange.
- Pointer Telecation had an IPO in 1997 on NASDAQ.
- Telit Automotive was listed in 2005 on London Stock Exchange.

The total value of follow-on deals is \$13 billion.

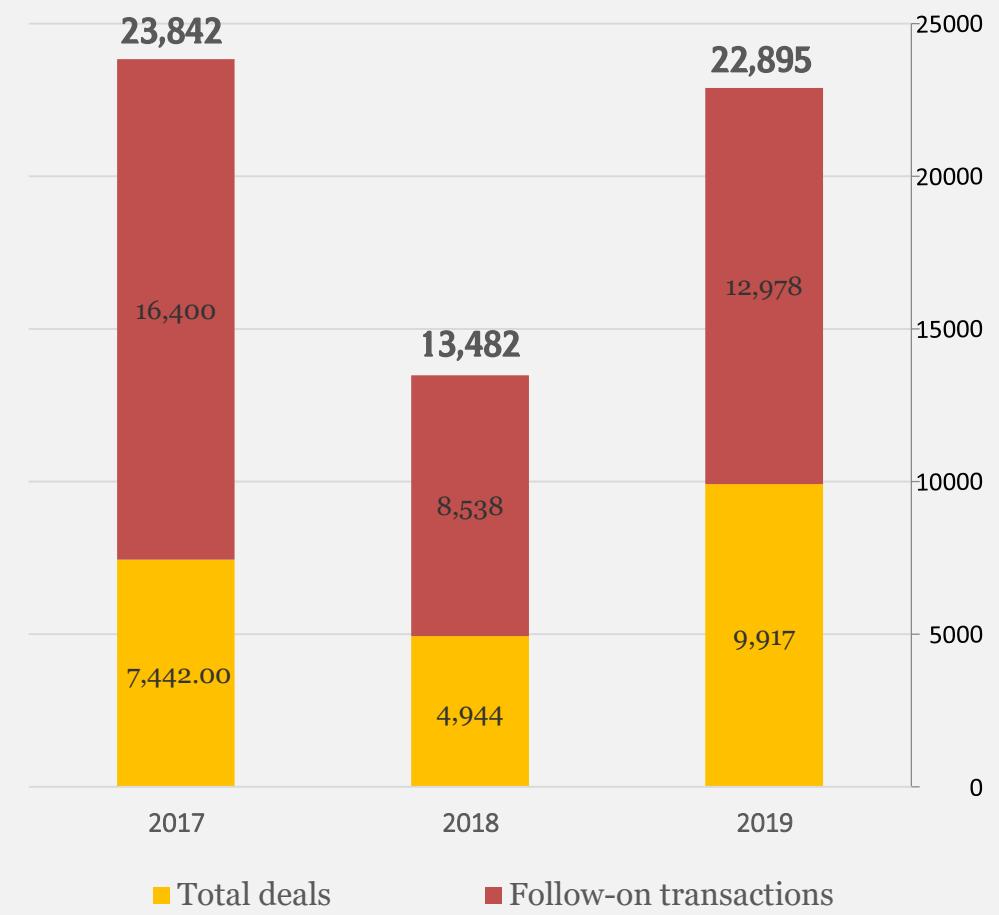
Overall analysis of follow-on deals

One exit in 2019 broke through the billion-dollar mark. If taking in follow-on deals – which are excluded from this report because they have been featured in earlier reports when they exited initially – there were actually five deals of over \$1 billion in value.

 Mellanox [®] TECHNOLOGIES	\$6.9B	
 habana	\$2B	
 Click <small>Actual Intelligence. At Work.</small>	\$1.35B	
 NSO GROUP	\$1B	
 Lumenis [®]	\$1B	

When including follow-on deals, total deal value in 2019 increases to \$23 billion, or up 69% in overall deal value (\$13.5 billion) in 2018, with the notable Orbotech and Imperva deals.

M&As and IPOs in 2018-2019 (\$M) (including a follow-on transactions)



M&As vs. IPOs

M&A only 2016-2019 (\$M)



M&As only in 2016-2019

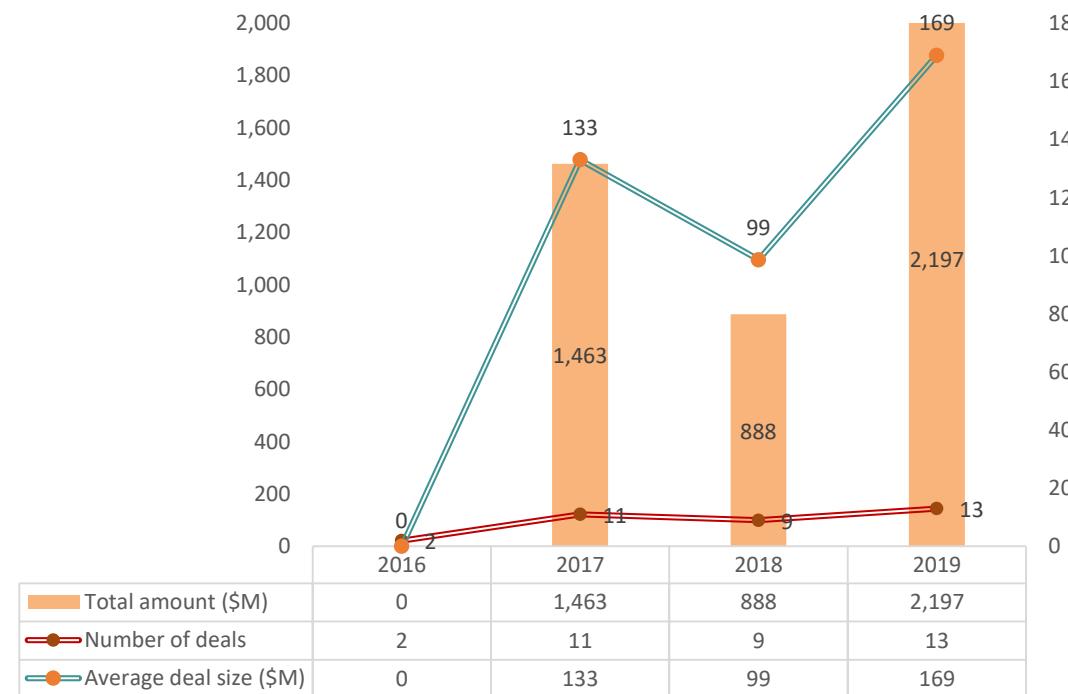
The total deal value (excluding IPOs) in 2019 was \$7.7 billion, a 47% increase over 2018 (\$4 billion). Average deal value was also higher this year, at \$115 million, from \$78 million last year.

IPOs only in 2016-2019

Three exceptionally strong IPOs in US exchanges were prominent in 2019: the cyber firm Tufin, the online marketplace Fiverr and medical equipment maker Inmode.

Additionally, ten other companies completed registration in various exchanges, some through the channel of an initial public offering, and others through use of listed shells. The bottom line is that the number of IPOs in 2019 was moderately up from 2018 (nine IPOs).

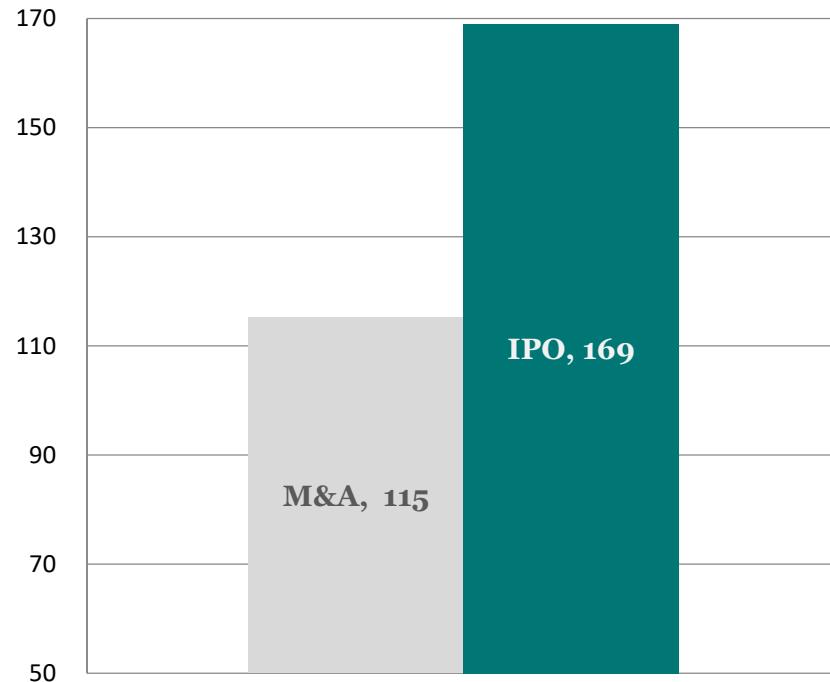
IPO only 2016-2019 (\$M)



** Including initial public offerings and going public through listed shell companies.

M&As vs. IPOs

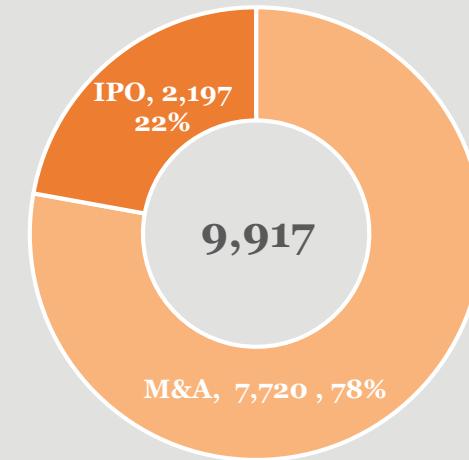
Average deal size (\$M)



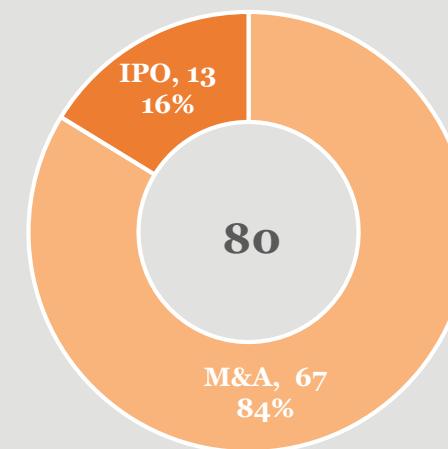
The average IPO value of \$169 million represents a significant growth YoY (\$99 million last year). Evidently, this average was pushed up by the Tufin, Fiverr and Inmode offerings.

M&A average was strongly up as well, rising from \$78 million in 2018 to \$115 million in 2019.

Total amount (\$M)



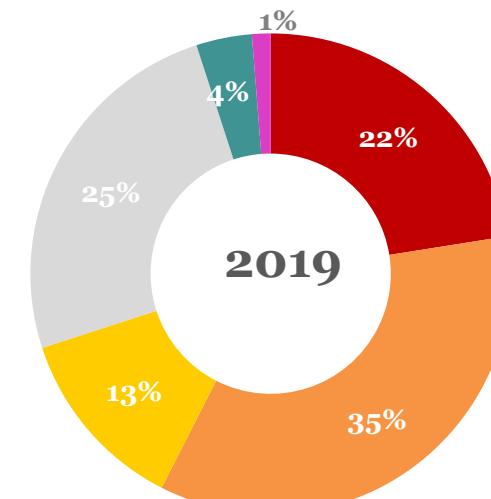
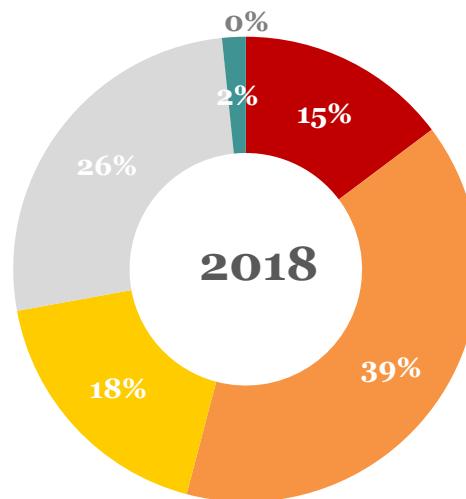
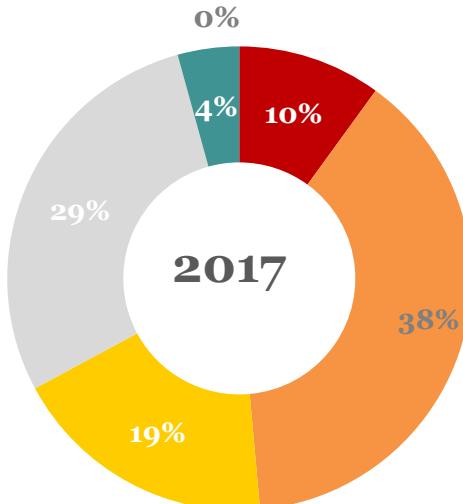
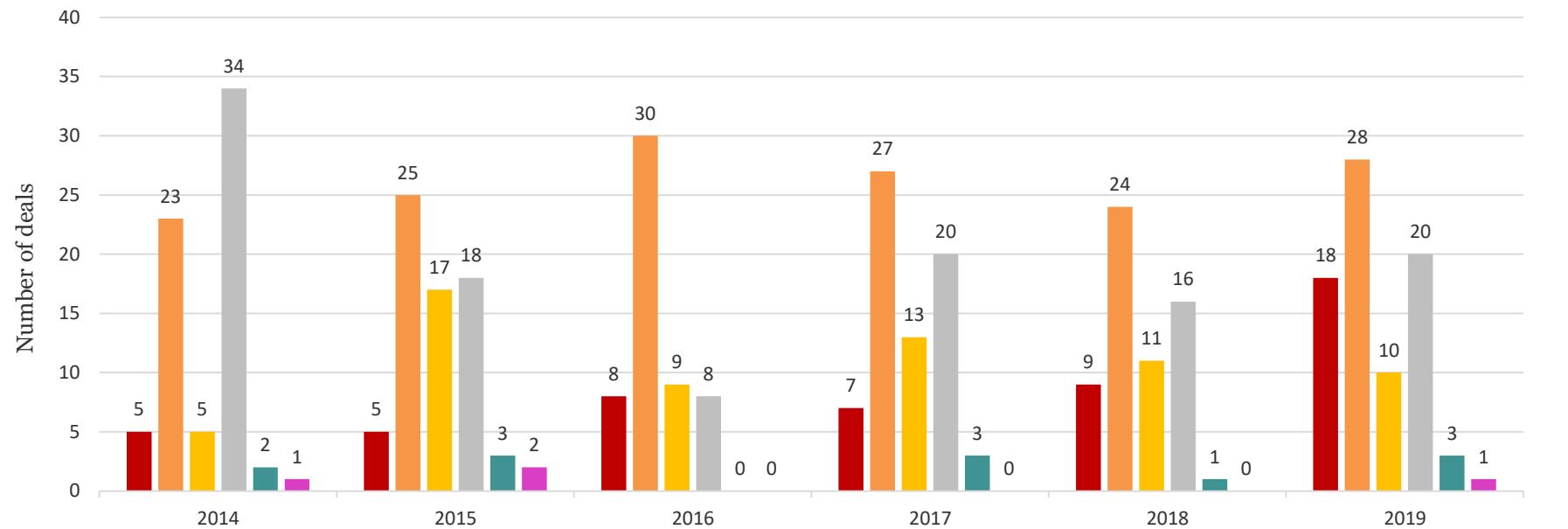
Number of deals



M&As and IPO – Analysis by deal size

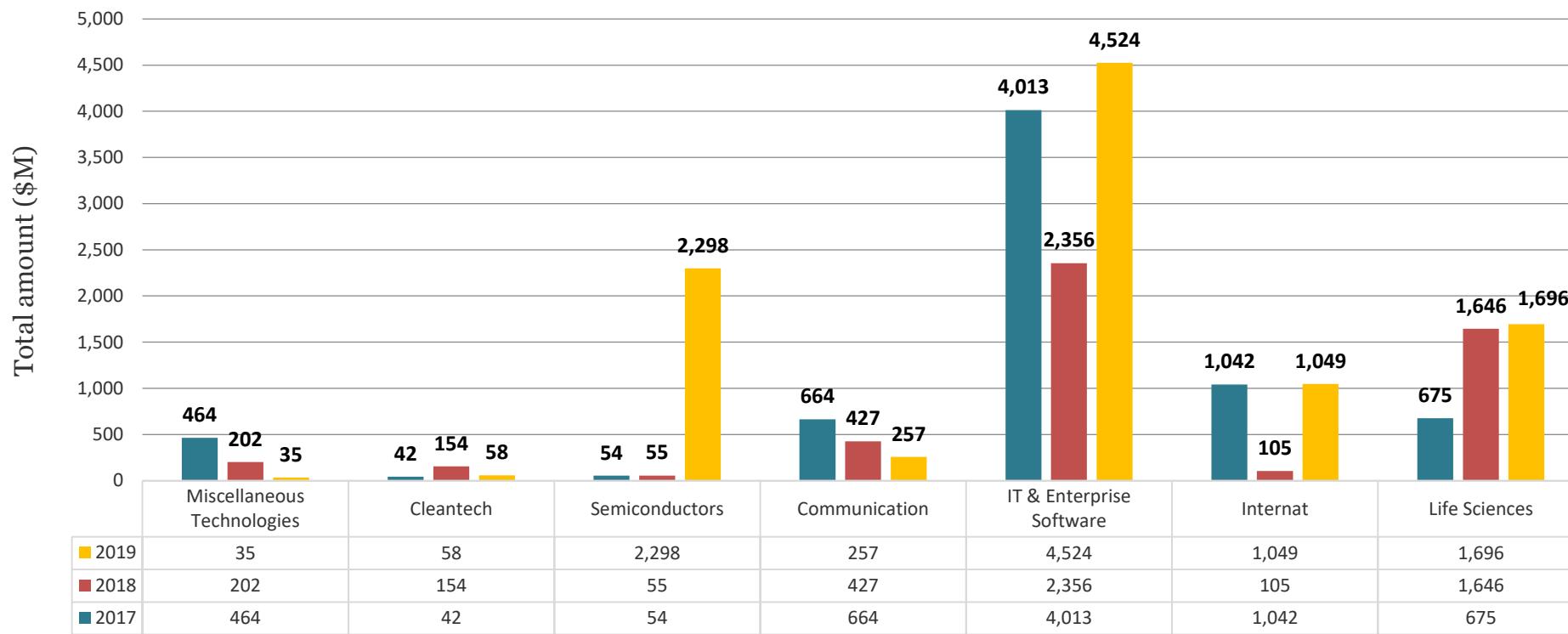
Not less than 24 deals of over \$100 million in value took place in 2019, from 17 such transactions last year. However, the \$10-\$50 million range continues this year too to lead with 35%.

*The chart does not present follow-on deals.



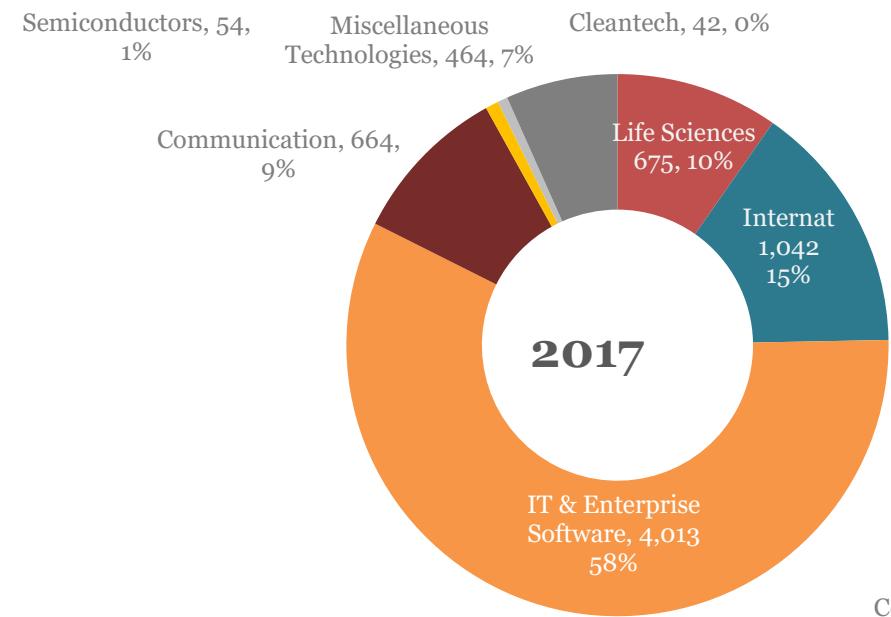
- <\$10M
- \$10M to \$50M
- \$50M to \$100M
- \$100M to \$500M
- \$500M to \$1B
- >\$1B

M&As and IPOs – Analysis by sector

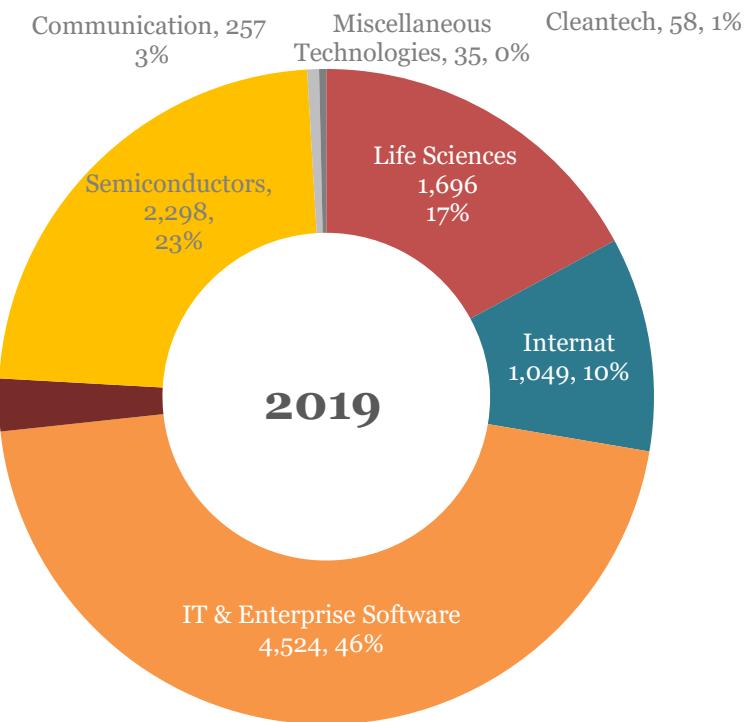
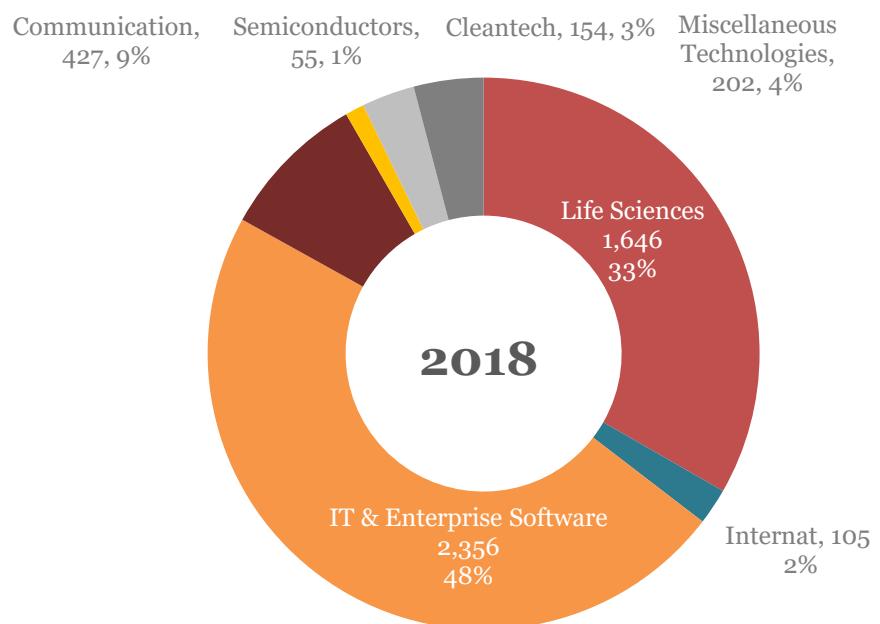


The corporate IT & Enterprise Software segment continues to dominate with the largest share of deal value (\$4.5 billion), as it even grew significantly YoY. From among all activities, this figure was driven primarily by the acquisition of Demisto and Twistlock by Palo-Alto for \$560 million and \$410 million, respectively, and the Tufin IPO. In addition, significant gain was recorded in the web segment, which demonstrated impressive growth, mainly energized by the Fiverr IPO. Meanwhile, the life science segment – the third largest in terms of deal value – remained static relative to the previous year. The semiconductor industry was mainly affected by the Habana deal (acquired by Intel) late this year.

M&As and IPOs - Analysis by sectors

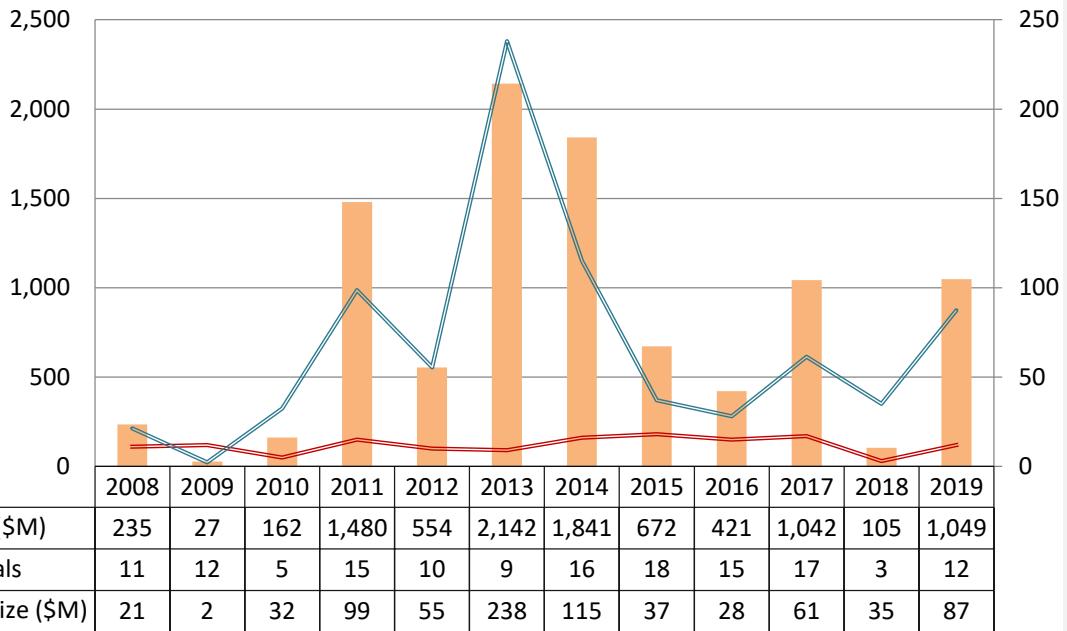


- Life Sciences
- Internat
- IT & Enterprise Software
- Communication
- Semiconductors
- Cleantech
- Miscellaneous Technologies

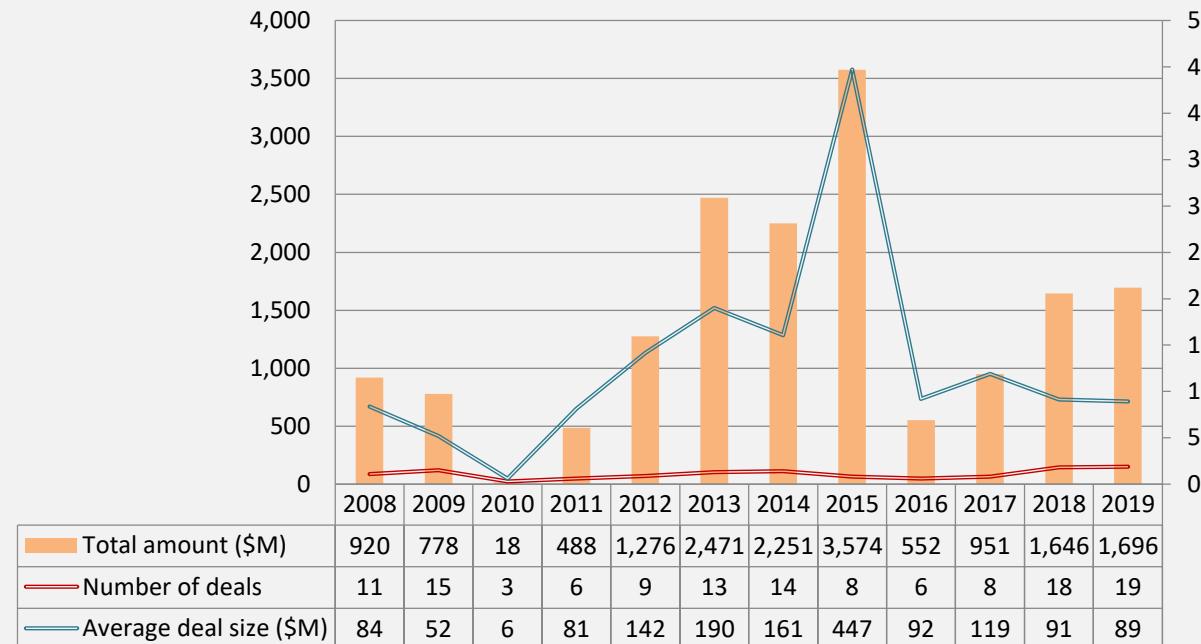


Analysis by segment – life science and Internet

Internet



Life Science

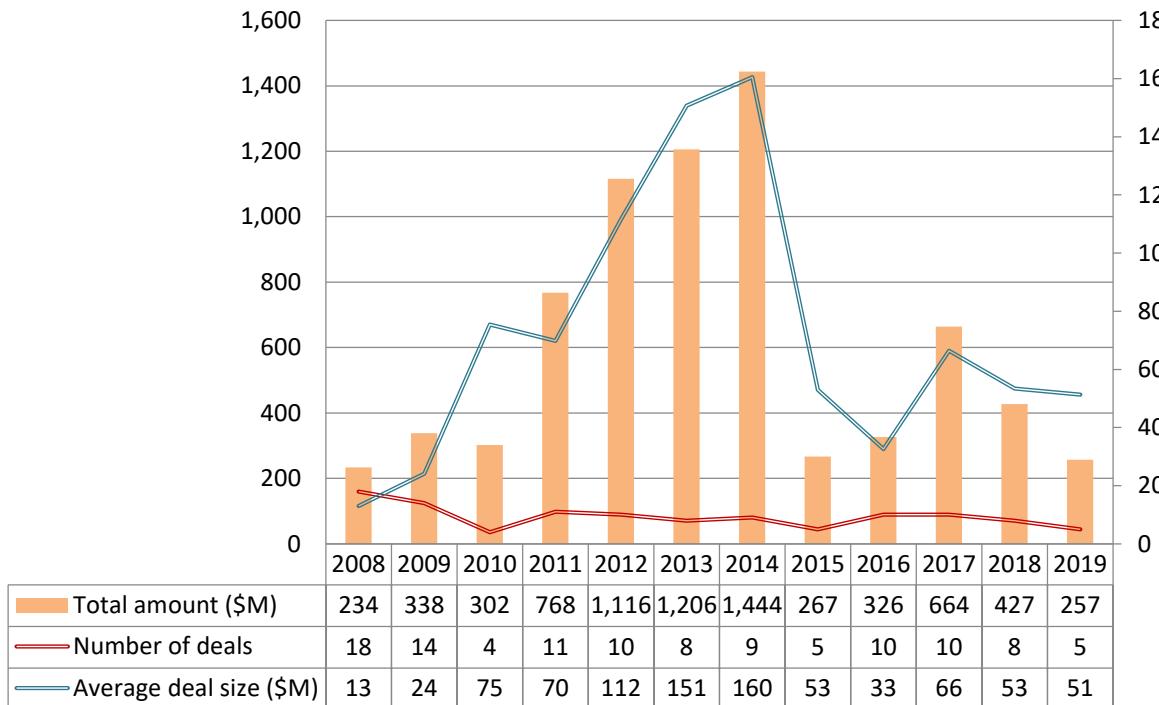


The Internet segment began this year with a significant jump relative to 2018, in terms of both deal numbers (twelve) and value (\$1 billion). The most significant deals were those by Fiverr and selling of Megisto to Vimeo. Three companies in that segment decided to go public this year, after some relatively dry years.

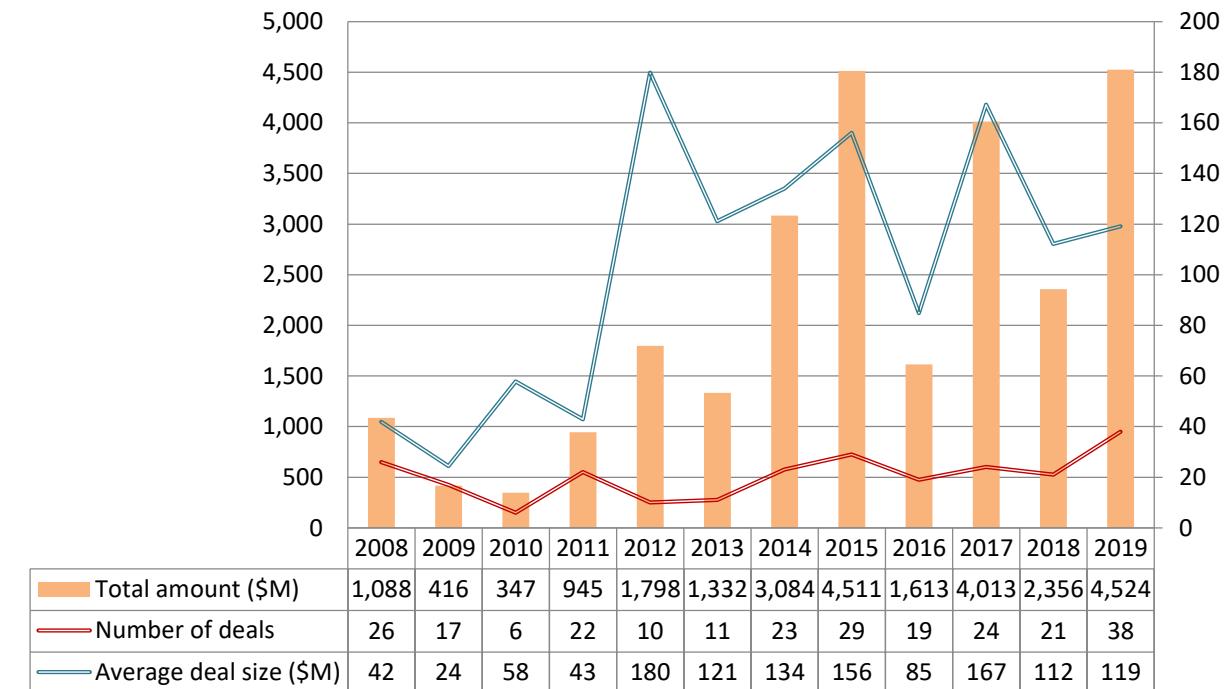
The life science segment recorded a high number of listings (six) in 2019 (two IPOs and four through a listed shell). The segment led the public offering market this year and that thanks to the Inmode IPO and cannabis companies entering different exchanges (Israel, Europe and Canada).

Analysis by segment – Communications and IT & Enterprise Software

Communications



IT & Enterprise Software

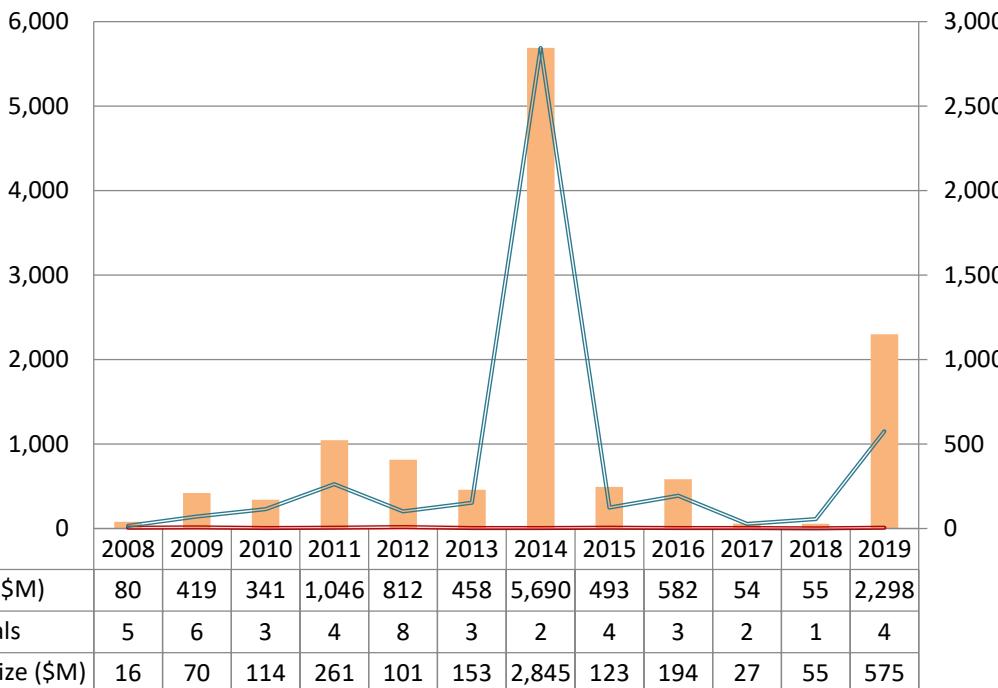


Similarly to 2018, the Communications segment continued to slump in terms of deal numbers (five) and total deal value (\$257 million), losing 39% relative to 2018 (\$427 million). This segment represented a paltry 3% of all deals in 2019.

The IT & Enterprise Software segment kept leading this year with 38 deals, accounting for 46% of the overall deal count. The acquisition of Demisto and Twistlock by Palo-Alto for \$560 million and \$410 million, respectively and the IPO by Tufin were among the contributing factors to the \$4.5 billion overall deal value for the segment, almost twice the amount of last year's figure.

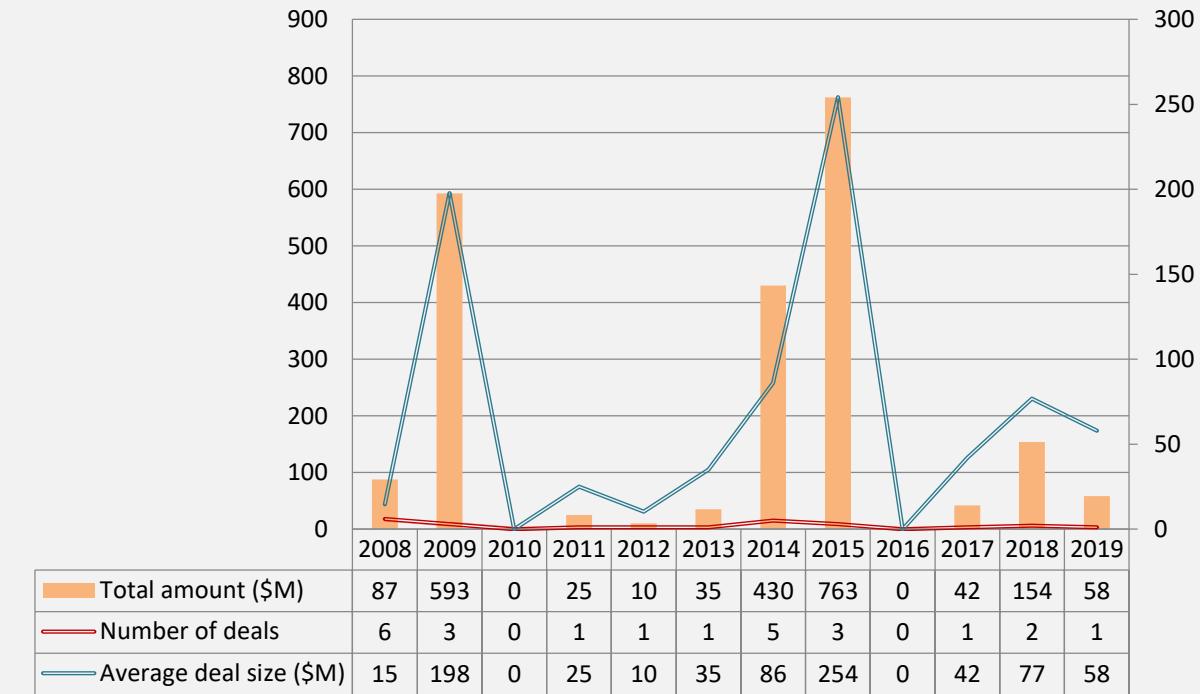
Analysis by segment – Cleantech and semiconductors

Semiconductors



Semiconductors have gained some ground with four deals in 2019, up from a single transaction last year. The most notable deal this year is the acquisition of Habana by Intel for \$2 billion.

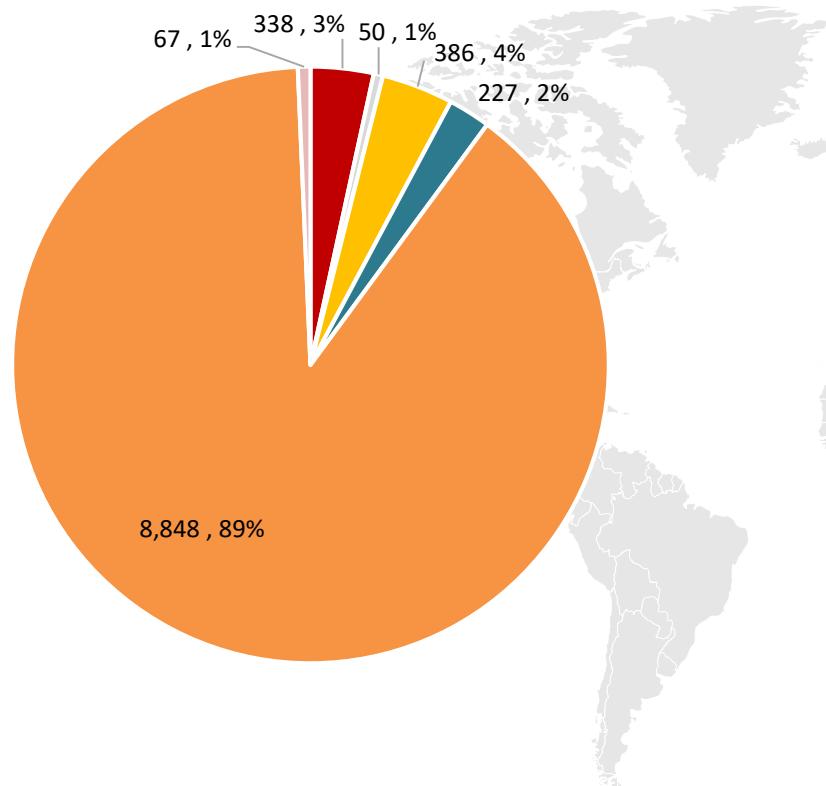
Cleantech



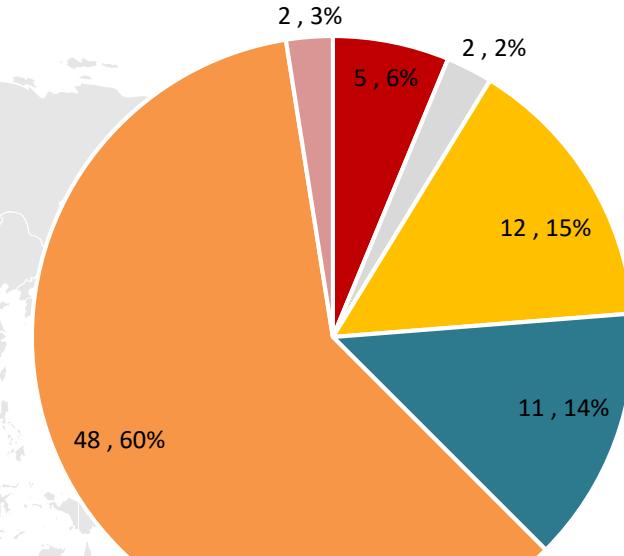
The cleantech segment remained static, as it did last year. Only one deal happened this year- Eco Wave Power. Since the sharp drop of this segment in 2016, it does not seem to change much.

M&As and IPOs – Buyers by geography in 2019

Value (\$M)



Number of Deals



■ Asia ■ Canada ■ EUR ■ Israel ■ US ■ AUS

Top 10 M&A Deals



\$6.9B



Semiconductors



\$2B



Semiconductors



Actual Intelligence. At Work.

\$1.35B



IT & Enterprise Software



\$1B



Life Sciences



\$1B



IT & Enterprise Software

SafeCharge

\$889M



IT & Enterprise Software

zoominfo

\$800M



Communications

ATTUNITY

\$560M



IT & Enterprise Software

DEMISTQ

\$560M



IT & Enterprise Software

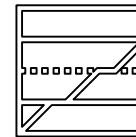
CROSSIX

\$430M

Veeva

IT & Enterprise Software

The last decade in numbers



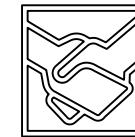
\$70.8 B

total value of deals this decade (excluding follow-on transactions)



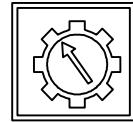
\$107.8 B

total value of deals this decade (including follow-on transactions)



587

the number of deals in the 2010s (excluding follow-on transactions)



\$32.9 B

value of Semiconductors



\$30.8 B

value of IT & Enterprise Software



\$18 B

value of life science deals



\$15.3 B

the deal of the decade

- Follow-on deals are mergers and acquisitions of companies that are already listed or have been acquired in the past.
- The above information excludes follow-on deals (unless otherwise is indicated).
- For calculation of "total deal in the decade including follow-on deals", the value of the later deal was taken, while excluding the previous one.

Notes to the report:

- The report covers both asset acquisition transactions and merger and acquisition deals (i.e. share acquisition) of Israeli companies or companies with significant affiliation to Israel. An exit is defined as closing of a share acquisition deal, asset acquisition deal or activity by a target company for cash or shares of the buyer. An exit is also an initial public offering (IPO) on any stock exchange. Public offering values in this report are based on the value of the listed company at the opening of the trading session.
- The above information excludes follow-on deals by companies that have already been included in our reports in the past (acquisition or IPO).
- There may be significant differences between this report and the PwC Israel M&As Report. This report does not account for figures that are covered by the M&A report, such as overseas acquisitions by Israeli companies, non-tech deals, transactions of less than \$5 million, and deals that have been signed but may not be closed.
- Research data was taken from media publications and Reuters Thomson databases and are updated through December 20,2018.

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