

PwC Israel

High-Tech Exit Report

2020

Exit Report 2020

This time last year, we reflected back on an amazing decade full of achievements for the Israeli tech industry. However, in none of our scenarios or working assumptions did we even imagine what was to come in the first year of the new decade. The COVID pandemic brought wild swings in economic metrics and social sentiment that were unprecedented in recent history and very much unpredictable. This was also a once-in-a-century test of resilience for the local tech market.

Although this year had far fewer deals (60 vs. 80 last year), their cumulative value soared to a whopping \$15.4 billion, from \$9.9 billion in 2019, which was then a record year since the first publication of this report.

As always in our PwC Israel Exit Report, we try this year too to look beyond the headline figures and drill down into the data and give you some insights about the driving forces, to help see the trees from the forest.

A bridge over troubled water

COVID was a stark reminder to all of how much the global economy is fragile and exposed. Lockdowns, restrictions on movement, virtually no international travel and disparate policies among governments worldwide, often intensified this sense of insecurity and lack of confidence throughout this year. We are just now starting to see the first steps towards mass vaccination. However, in the face of all that hardship, global and local tech companies seemed to have natural immunity.

While we were used in recent years to see a diverse mix of multiple verticals seeking to acquire Israeli technology companies, most went to the sidelines in 2020, again leaving the field for tech giants. The testing times underscored the need for deeper and more advanced technologies and solutions, and combined with more seasoned entrepreneurs and management teams, the eventual outcome was impressive by any standard.

Despite the 25% fall in the number of deals, taking a more granular view highlights even further the remarkable ability of the local tech industry to recover, with the number of deals going from 26 in H1 to 34 in H2, including 16 IPOs (vs. only 3 in the preceding half-year).

Another interesting piece of data is the fact that the number of over-\$100M deals remained the same as last year, at 24, with an average value per such deal rising from \$124 million last year to \$257 million in 2020. Yet, the biggest story this year is without a doubt the comeback of tech companies in the IPO market, which is further discussed in the next paragraph.

IPOs come to the forefront

The end of 2020 would probably have been different without the surge in the number and value of IPOs by Israeli tech companies in the US and Israel. Not less than 19 IPOs took place this year, up from 13 in 2019, with the share of IPOs in the total value of deals surging to \$9.3 billion (or 60% of total deal value), from \$2.2 billion in 2019 (or 22% of total deal value). The average value per deal also shot up from \$169 million last year to \$489 million in 2020, mainly led by Lemonade, JFrog and Nanox in the US, and Ecoppia and Aquarius Engines in Israel.

The resurgence of tech companies in the equity market has several reasons. Low interest rate, a larger monetary base, more government incentives and other capital directed to tech companies, and even a psychological shift in the Israeli capital market that make investors gravitate more towards tech are all plausible factors that may have generated this friendly environment for IPOs and value creation. Clearly, Israeli entrepreneurs did not miss out on that opportunity. The great results that stemmed from all the above probably accelerated processes that in normal times would have taken a far longer period to mature.

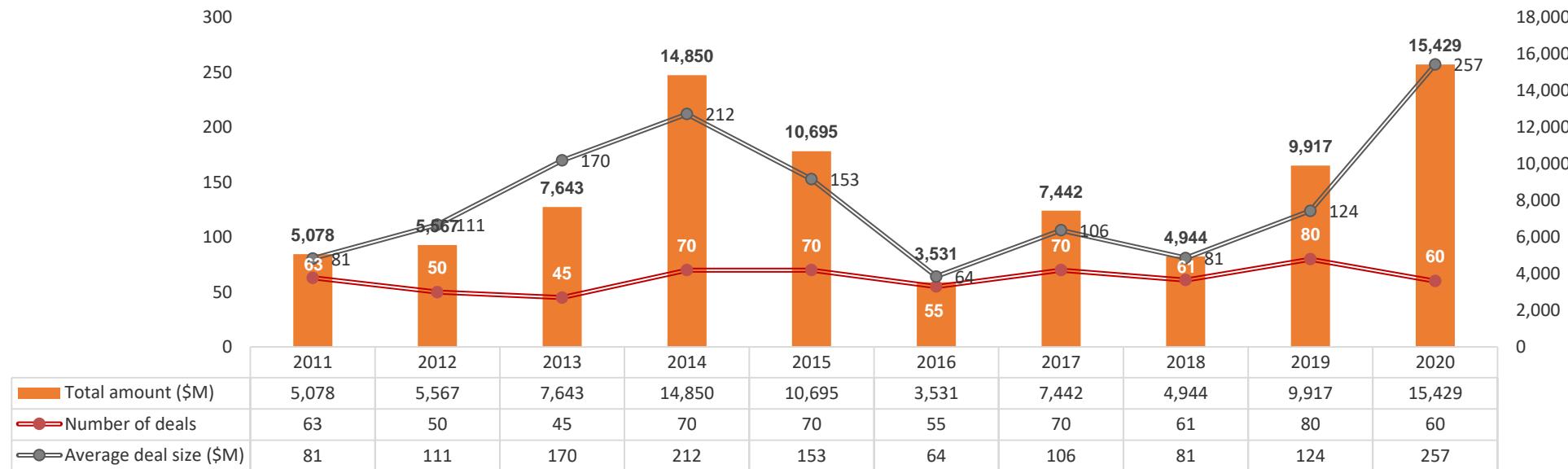
What does the future hold?

It is too early to talk about the end of the crisis and many tech companies are actually experiencing challenges, but it may be possible to start, with due caution, hoping COVID might be soon behind us. The impact of the pandemic is likely to linger for quite a few years, and some are here to stay and be a new normal. But whatever turns out, one thing is beyond debate, and it is that technology and its different derivatives are vital and will only be enhanced. On top of that, Israel continues to grow as a fertile breeding ground for vast research and development, supported by a vibrant entrepreneurial culture. Several notable companies have been added to the list of unicorns, like Armis (acquired by Insight) and Checkmarx (acquired by Hellman & Friedman), each for about \$1.1 billion. They joined a long list, including IronSource and Monday.com, which we talked about last year following especially strong capital raises. The confluence of the ever-growing need for technological solutions; robust markets that are willing to handsomely price tech companies; eager entrepreneurs looking to build independent, high-value companies all represent an excellent mix for this positive trend going forward. We believe that the revival of the Tel Aviv Stock Exchange, the expected significant IPOs by Israeli companies in the US during 2021, coupled with increased use of SPACs, will continue to drive great performance in the coming year as well. Most of all, this may be a reflection of a new and important developmental phase for the local ecosystem, opening up of alternative financing and liquidity to allow companies stay independent for the longer run.



Yaron Weizenbluth
Head of Hi-Tech Cluster
PwC Israel

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



The value of M&As and listings in 2020 was \$15.4 billion, up 55% from \$9.9 billion in 2019. This is the highest yearly total value since this report was first published and surpasses the previous record set in 2014 (the year of the Mobileye IPO).

60 deals took place in 2020, down from 80 last year. Average deal size trended up, with an all-time-high average of \$257 million per deal, or a 207% increase y/y.

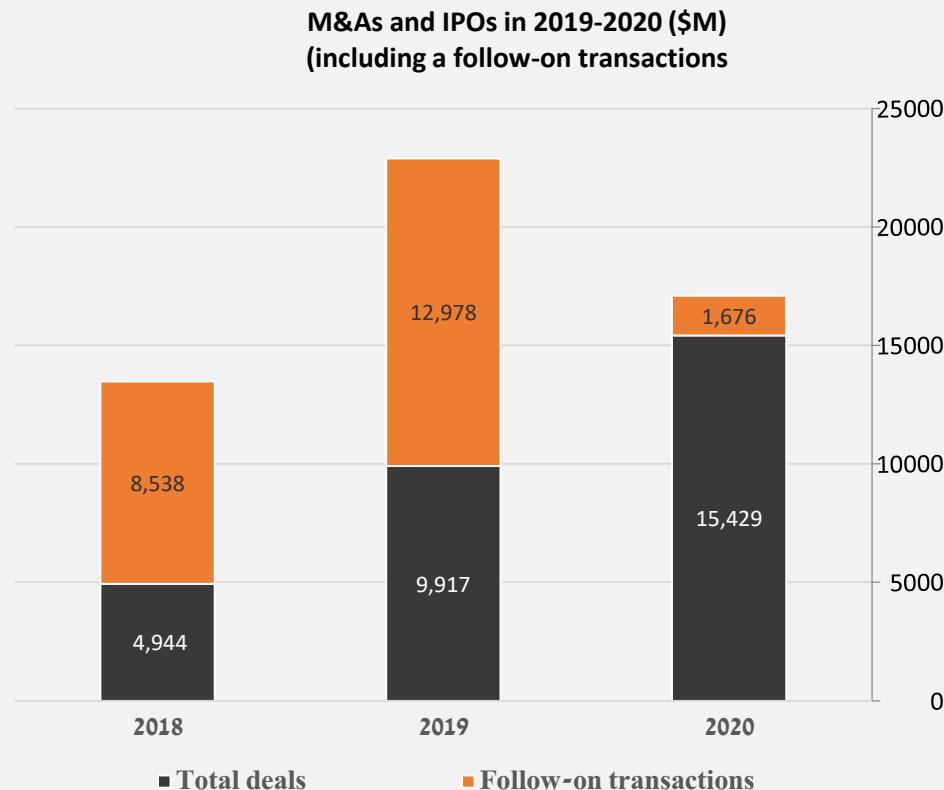
* This report refers only to exits valued more than \$10 million.

Two follow-on deals were excluded from this report, as they were already featured in past editions (when those companies first exited through an IPO or an M&A deal). Including them again in this report would have distorted the ability to make year-over-year comparative analysis (see a separate chapter that analyzes this year's activity including those follow-on transactions).

Follow-on transactions that were excluded from this report are:

Forescount (acquired by Advent)
Taldor (acquired by One1)

The total value of follow-on transactions that were excluded from this report is \$1.6 billion.



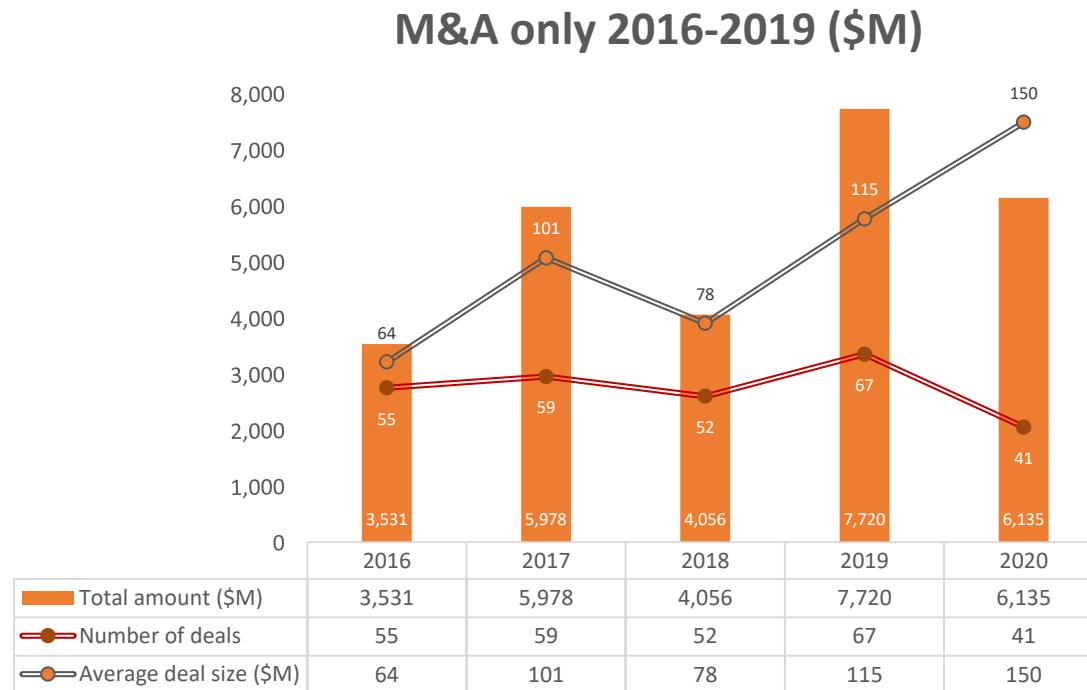
Overall analysis of follow-on deals

The \$1-billion mark was crossed by tech companies five times in 2020, including in two massive IPOs:



When follow-on transactions are taken into account, total deal value in 2020 is \$17.1 billion. Although lower by 26% relative to 2019 (\$22.8 billion), this figure is still higher than that in previous years.

M&As vs. IPOs



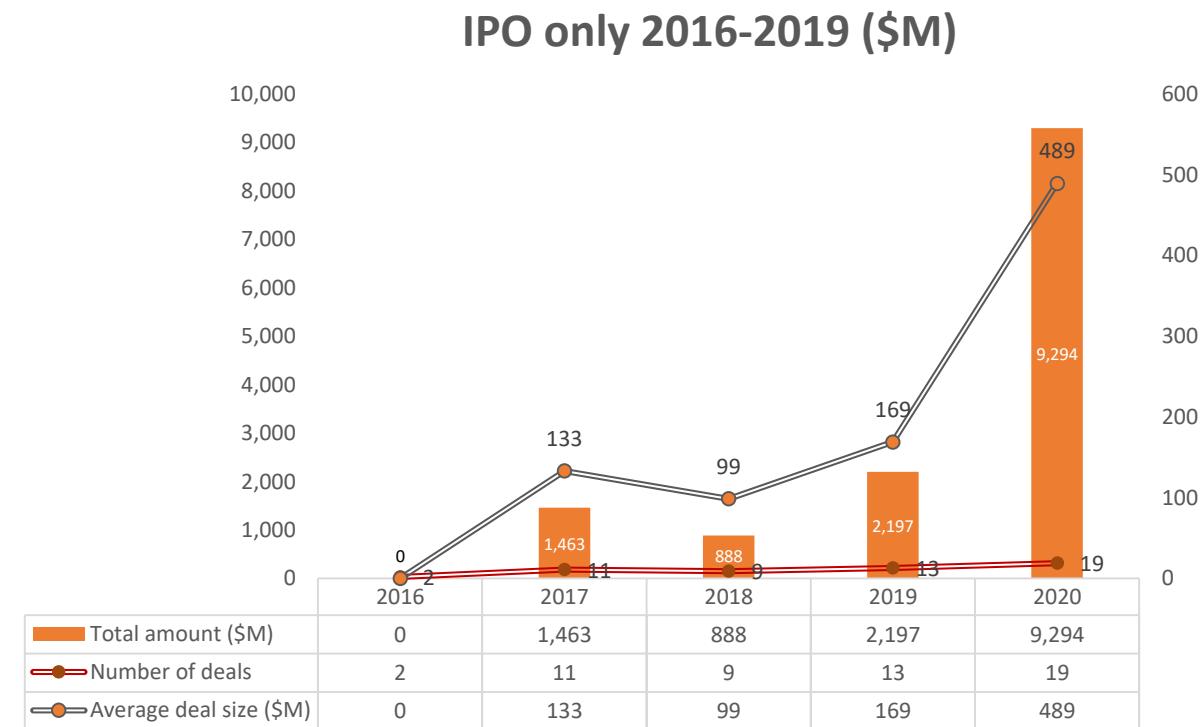
M&A only in 2016-2020

The total value of M&A deals in 2020 (excluding IPOs) was \$6.1 billion, down 21% relative to 2019 (\$7.7 billion). However, the average deal size was up, reaching \$150 million, compared to \$115 million last year.

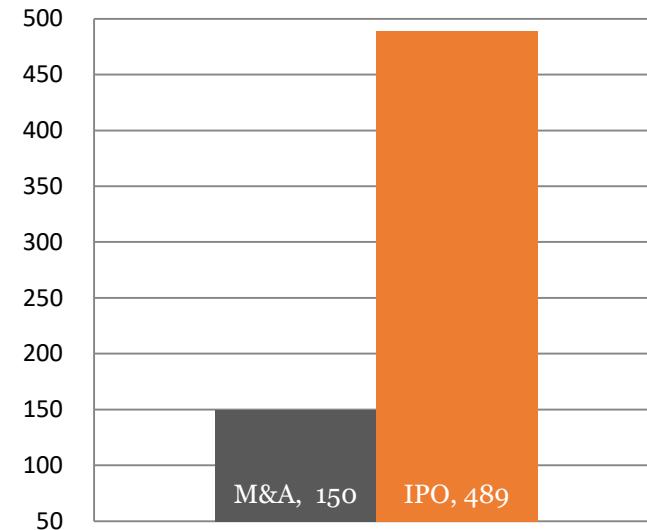
IPOs only in 2016-2020

A record year in terms of IPOs, with not less than 19 in 2020, led by JFrog, Lemonade and Nanox in the US. IPOs on the local stock exchange also gained significant momentum, as nine tech companies did so, led by Ecoppia and Aquarius Engines.

*IPOs by R&D partnerships and SPACs were not included in this report – they will be counted as exits when they invest in target companies.



Average deal size (\$M)

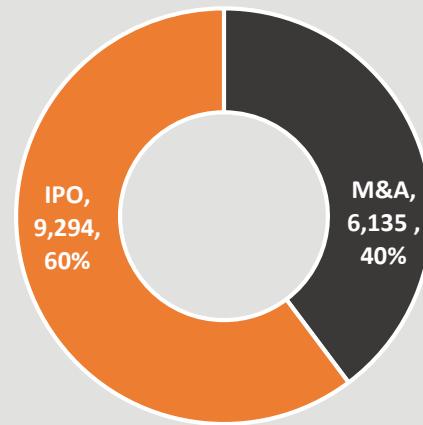


The average IPO size leaped to \$489 million, much higher than last year (\$169 million), mainly thanks to the IPOs by JFrog, Lemonade and Nanox in the US and Ecoppia and Aquarius Engines in Israel.

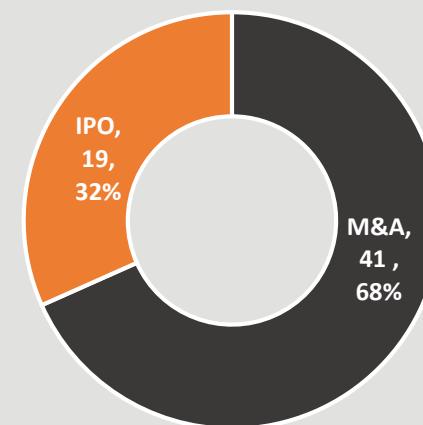
The average size of M&A deals also went up from \$115 million in 2019 to \$150 million in 2020.

M&As vs. IPOs

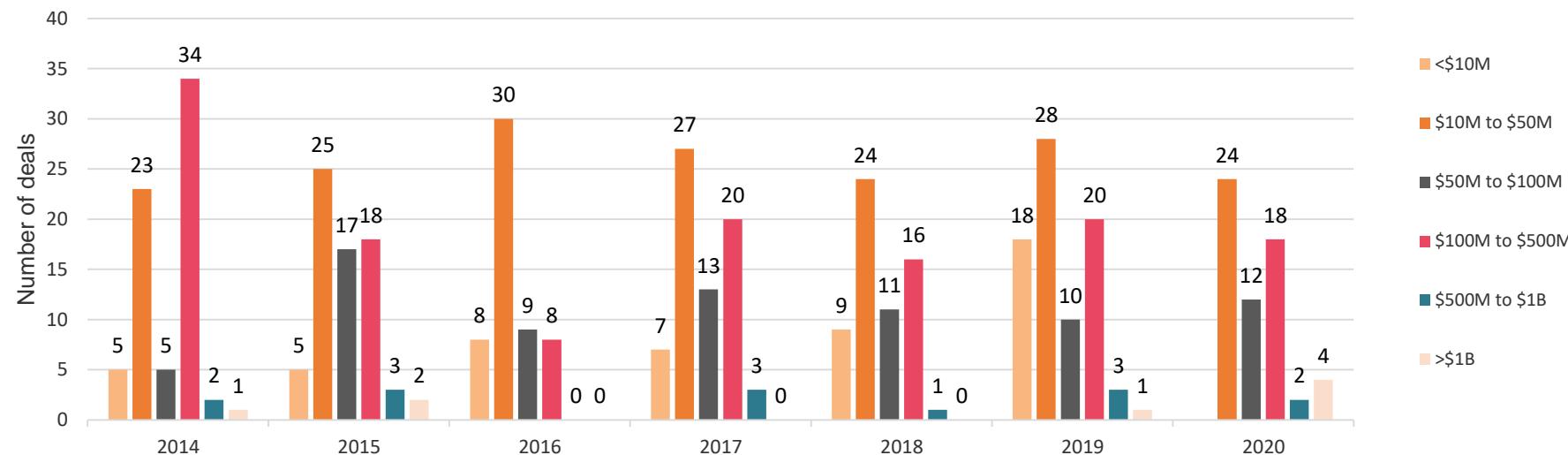
Total amount (\$M)



Number of deals

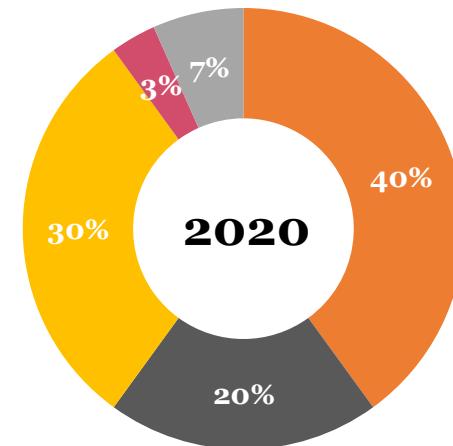
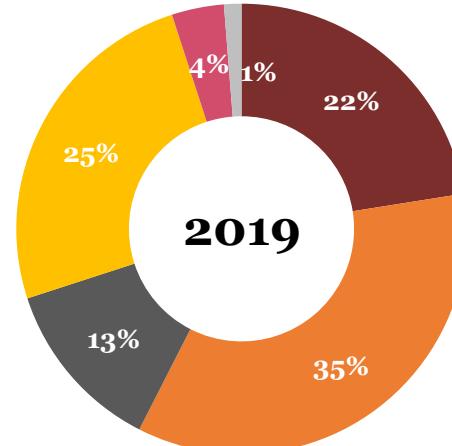
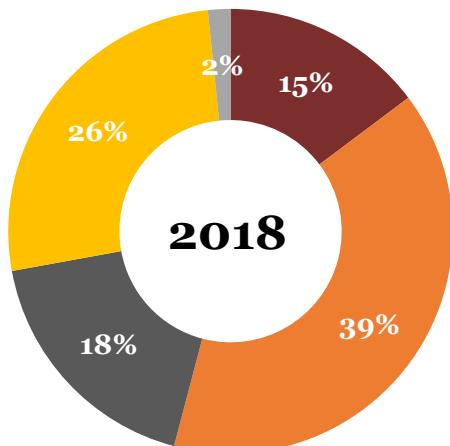


M&As and IPO – Analysis by deal size



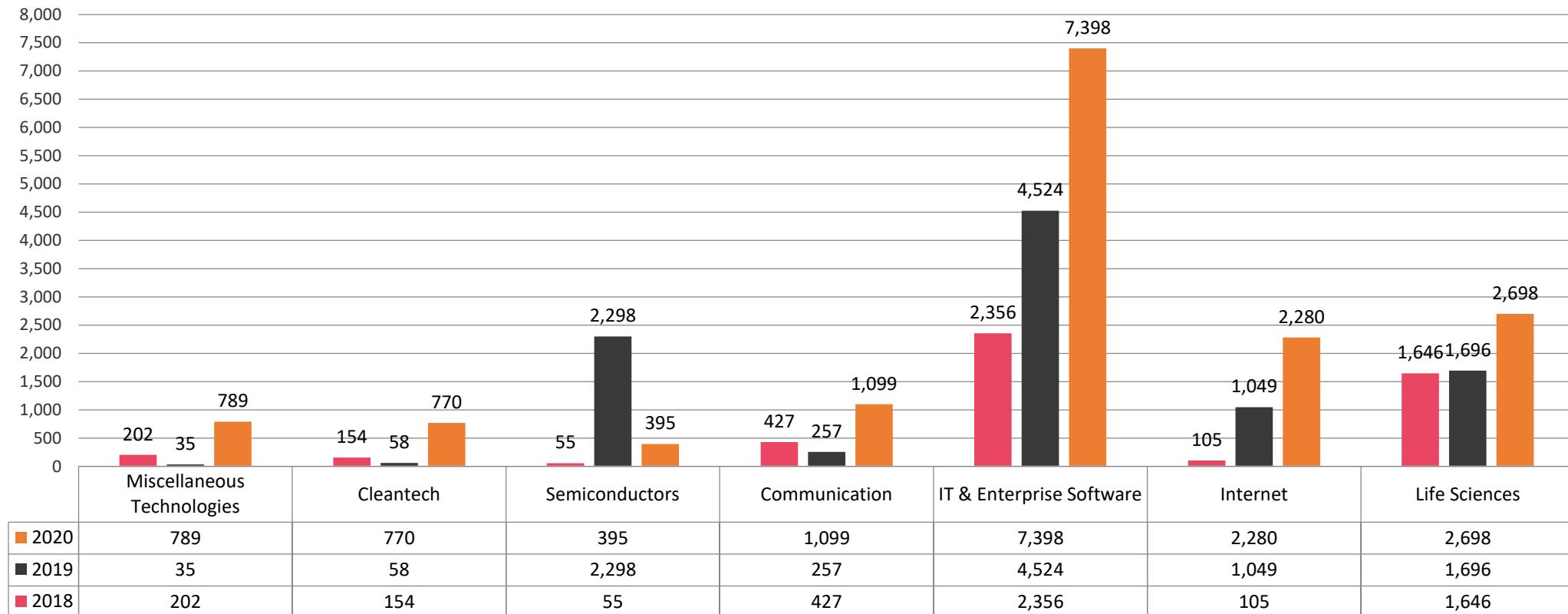
6 significant transactions (> \$500 million) occurred in 2020 with a total value of \$9.4 billion, whereas last year had only 4 such deals with a total value of \$3.7 billion. The \$10M-\$50M range continued to be ahead this year too, accounting for 40% of all transactions.

*The graphs do not include follow-on transactions. Additionally, the threshold for inclusion of transactions in the report was raised from \$5 million to \$10 million this year, for materiality reasons.



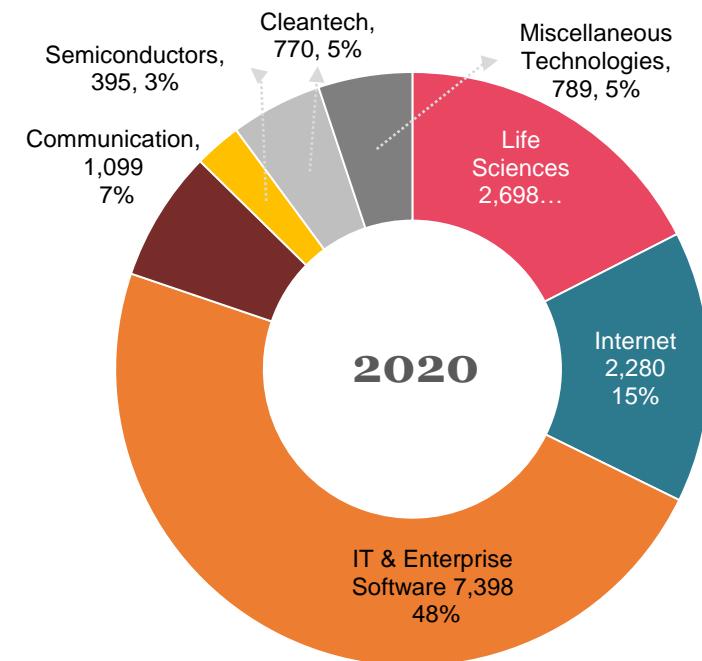
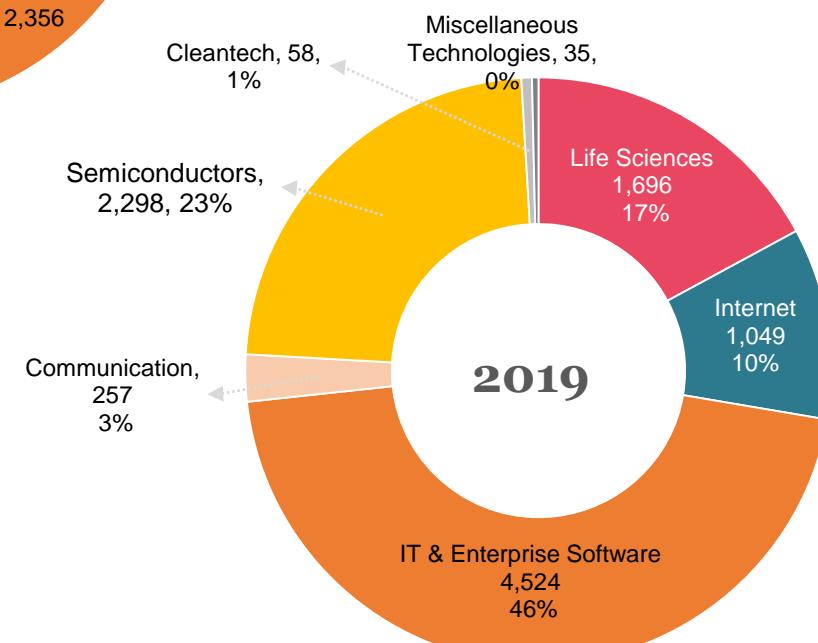
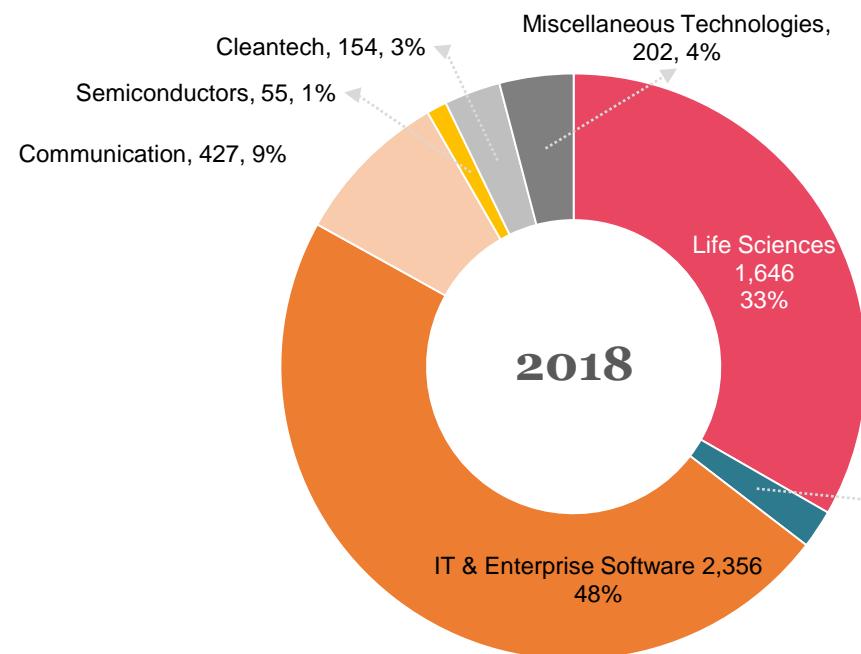
■ <\$10M
 ■ \$10M to \$50M
 ■ \$50M to \$100M
 ■ \$100M to \$500M
 ■ \$500M to \$1B
 ■ >\$1B

M&As and IPOs – Analysis by sector



The IT & Enterprise Software segment continues to dominate in 2020, having the largest share of deal value (\$7.4 billion), growing significantly relative to 2019 and especially thanks to the JFrog IPO. The Internet segment also grew substantially (mainly owing to the Lemonade IPO) and so did Life Sciences. Cleantech exits expanded as well, following the Ecoppia and GenCell IPOs on the local exchange. Semiconductors was significantly down versus 2019, but this was mainly due to the Habana deal last year (acquired by Intel).

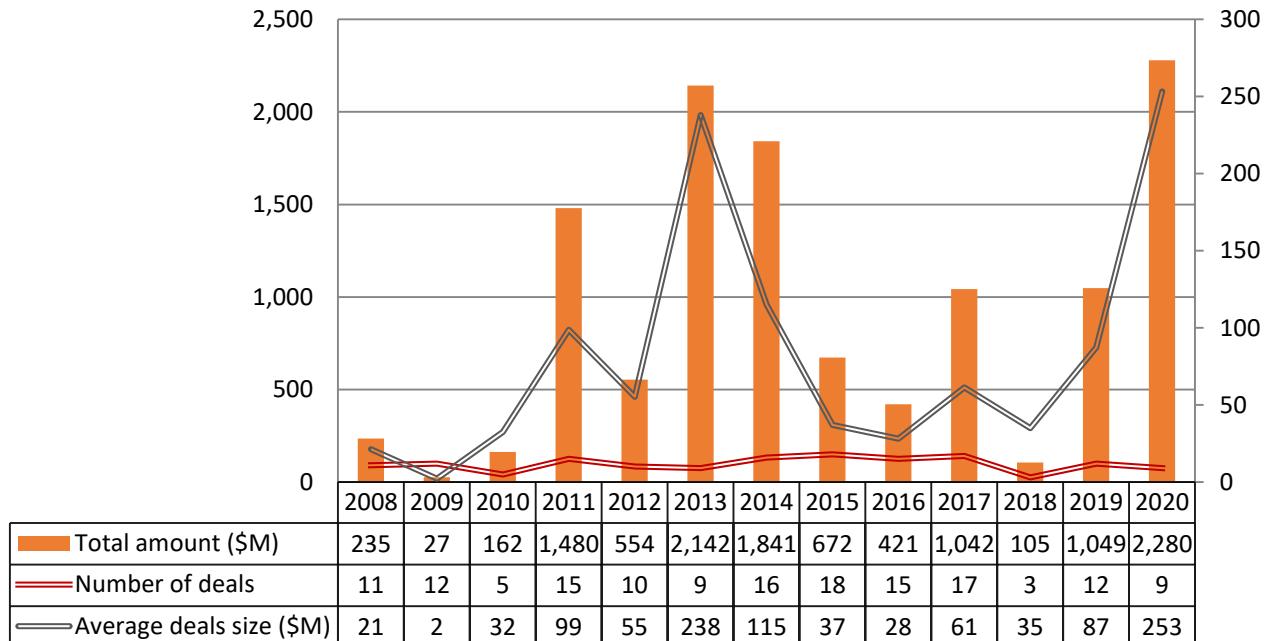
M&As and IPOs - Analysis by sectors



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

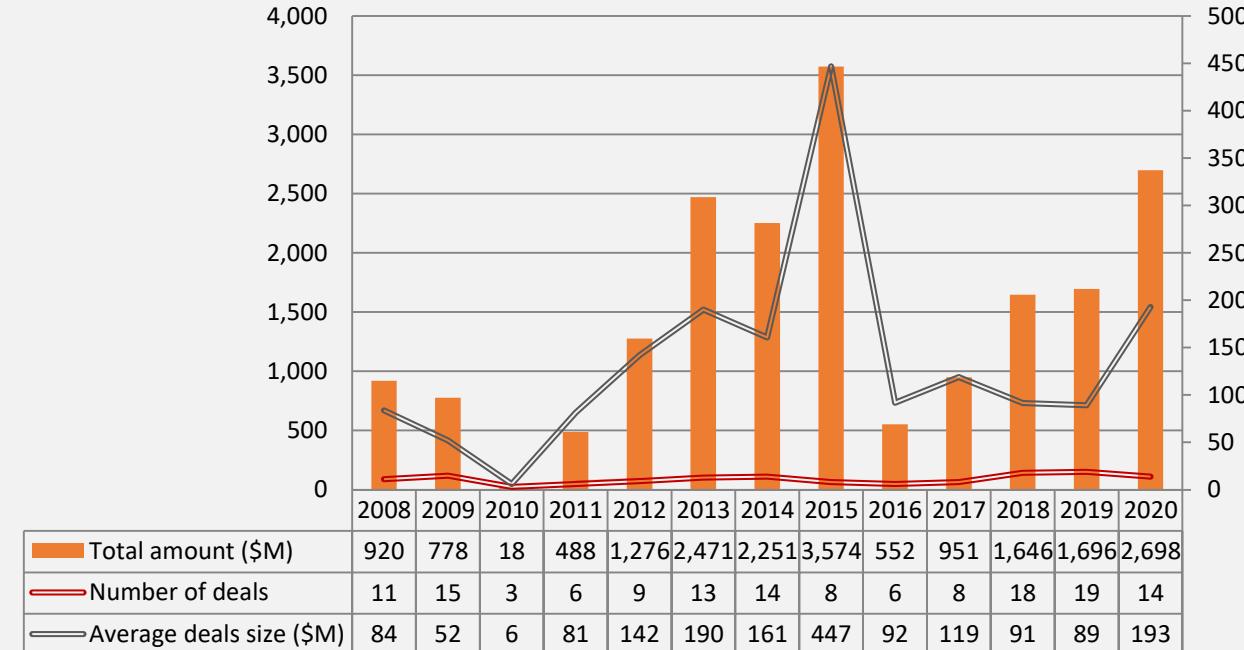
Analysis by segment – Life Science and Internet

Internet



The Internet segment had a record-breaking year. The \$1.6 billion Lemonade IPO on NYSE and the \$420 million NeoGames on Nasdaq accounted for much of the \$2.3 billion tally in that segment, which was achieved in 9 deals overall.

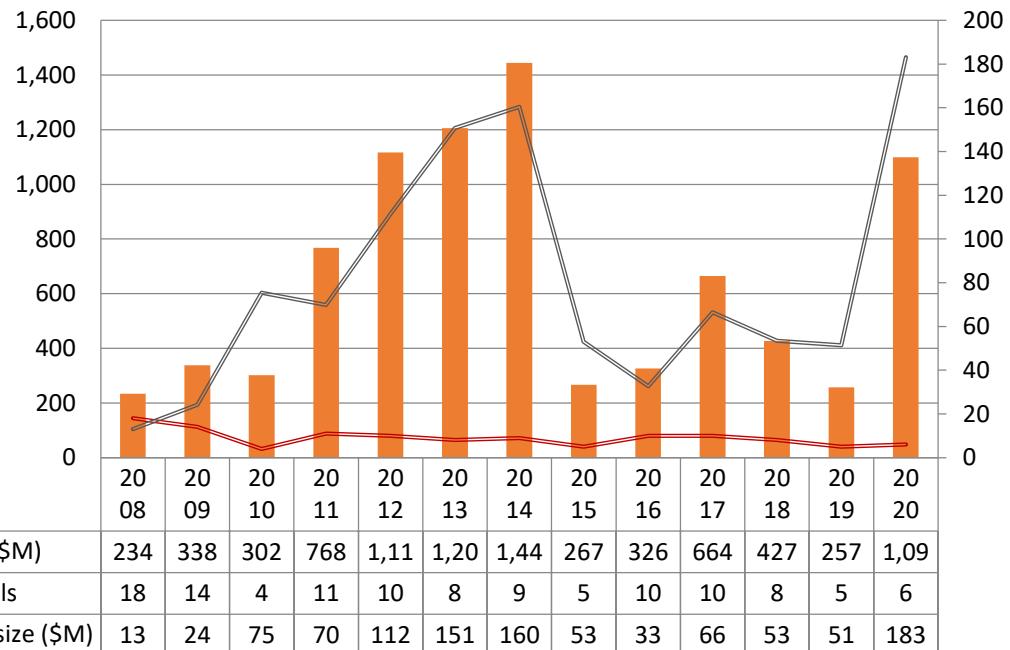
Life Science



Life Sciences had \$2.7 billion in exits, a figure second only to the record-year 2015. Most of that came from seven IPOs, headed by Nanox. Average deal size in that segment went from \$89 million in 2019 to \$193 million in 2020.

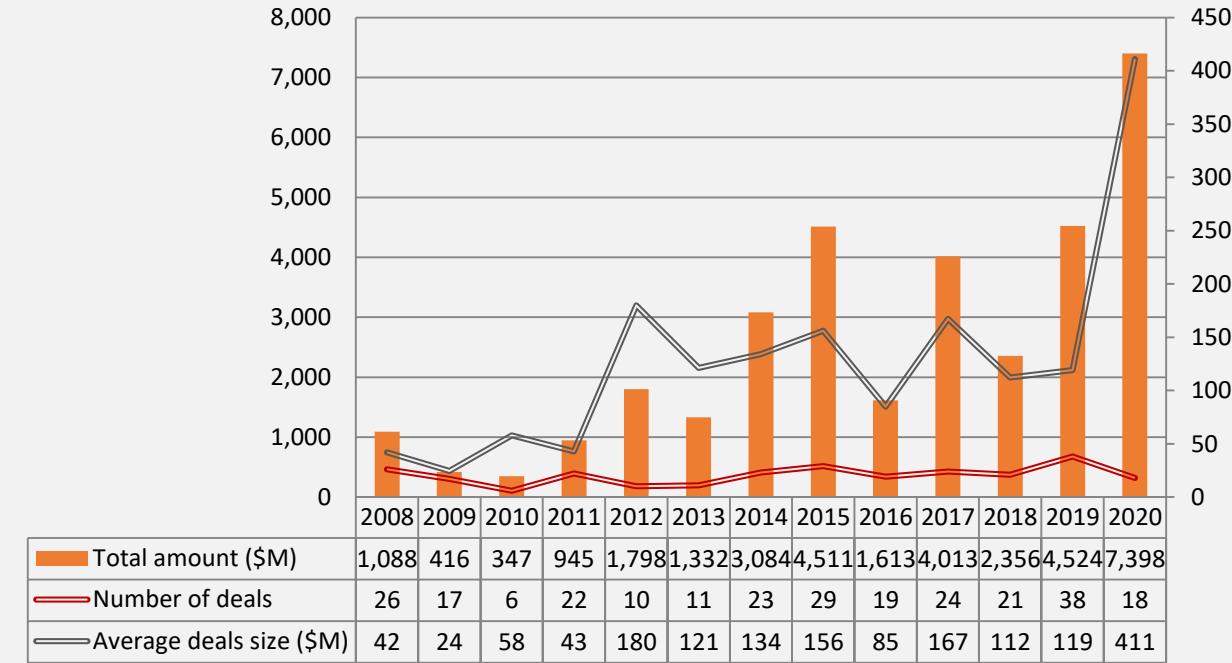
Analysis by segment – Communications and IT & Enterprise Software

Communications



As in previous years, there were not many deals in this segment. However, like in all other segments, Communications also experienced a strong increase in total value, mainly pushed forward by the acquisition of Moovit by Intel for \$900 million.

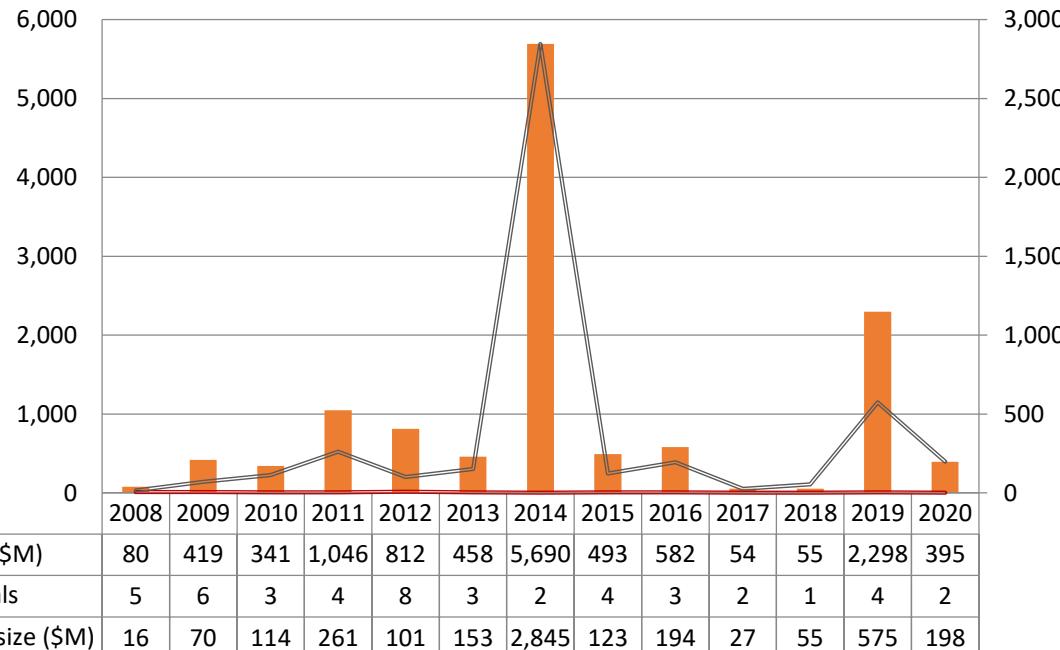
IT & Enterprise Software



The IT & Enterprise Software segment stayed on top in terms of deal number, at 18, accounting for about 46% of the overall individual deals. The \$3.9 billion IPO by JFrog along with the Checkmarx and Armis deals (\$1.1 billion each) were major factors in bringing total value for the segment to \$7.4 billion. Average deal size (\$411 million) is three-times higher than last year.

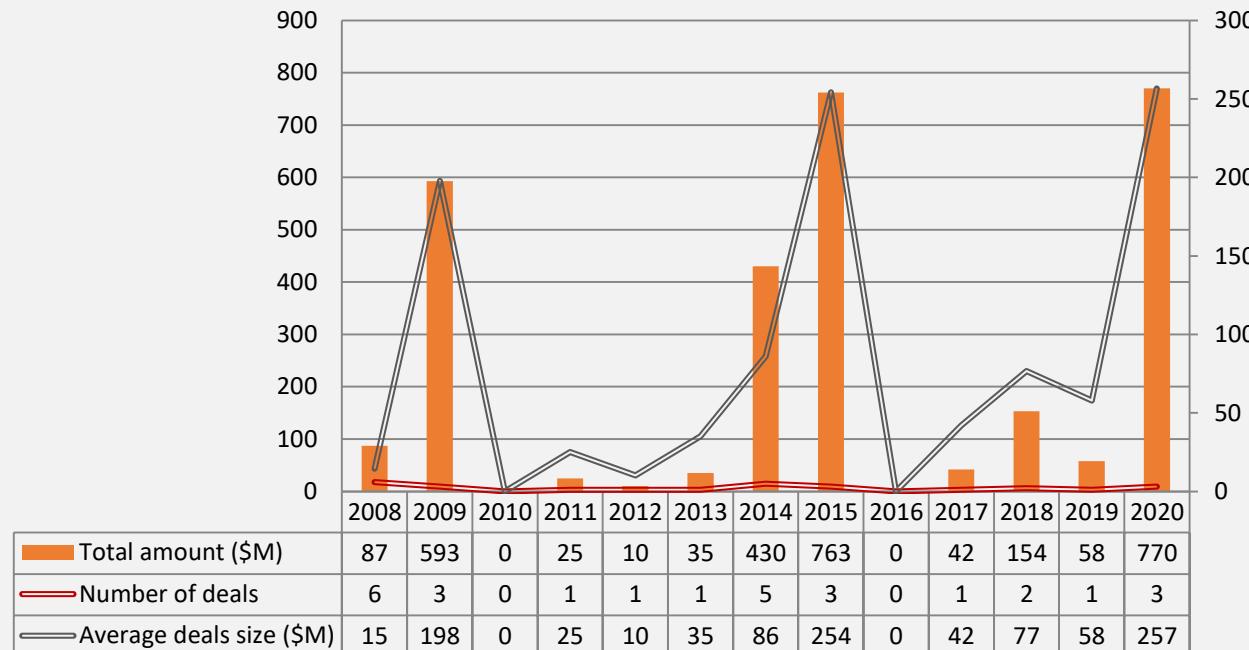
Analysis by segment – Cleantech and semiconductors

Semiconductors



Semiconductors had only a couple of deals, for a combined sum of only \$395 million, or a paltry 3% of all deal value in 2020. The most notable deal here is the acquisition of Optimal Plus by National Instruments.

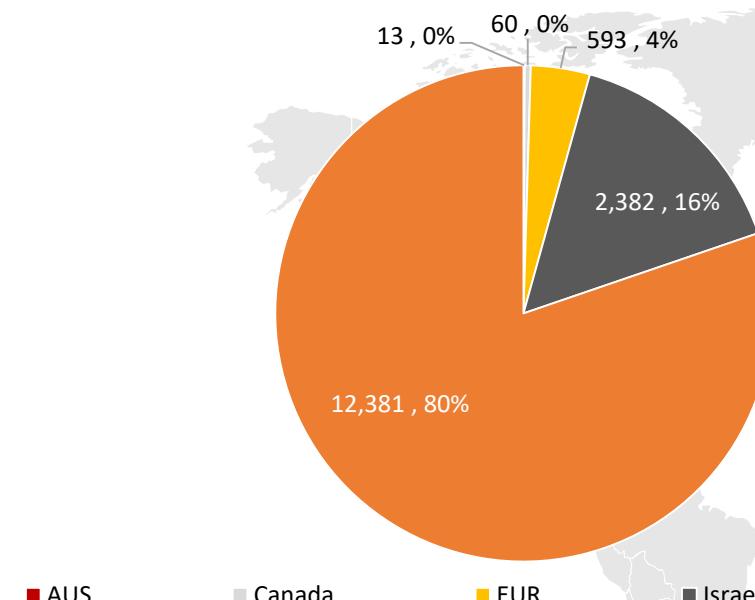
Cleantech



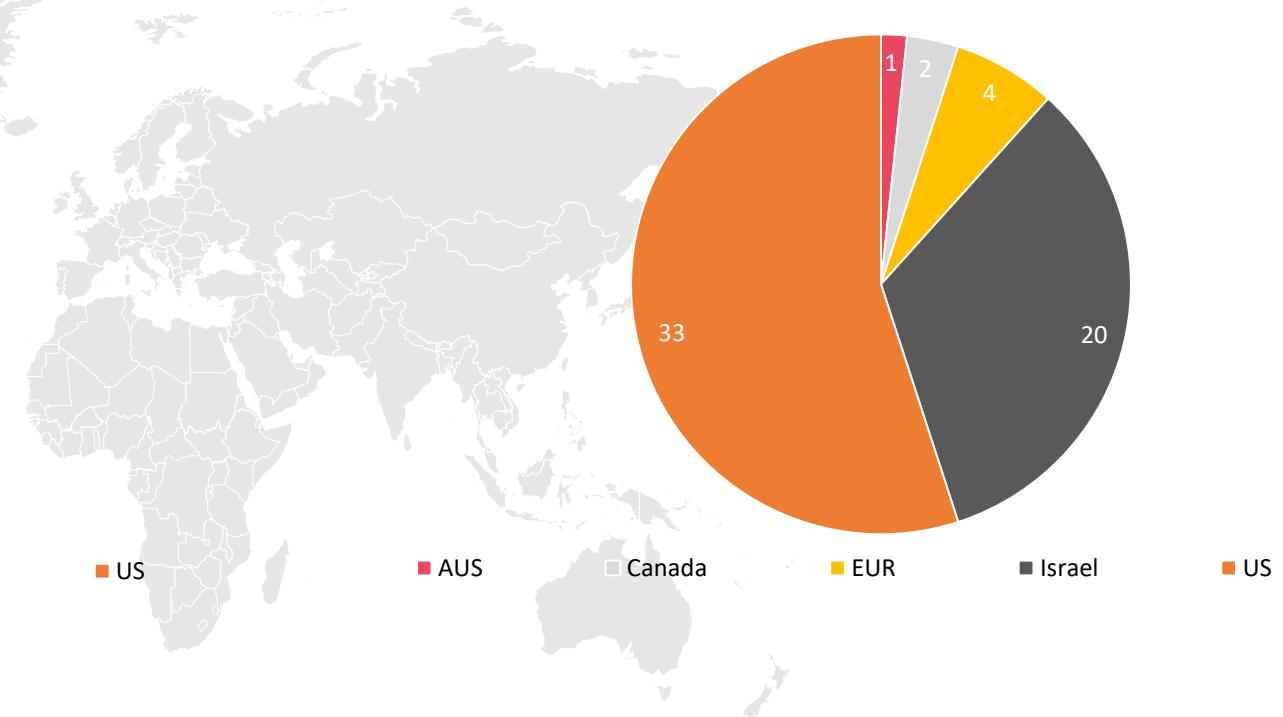
Cleantech had, all in all, 3 deals with a total value of \$770 million: the local IPOs by Ecoppia and GenCell and the acquisition of ARI by MAT Holding Group. The figure is the highest since we started publishing this report, and slightly above the previous record from 2015.

M&As and IPOs – Buyers by geography

Value (\$M)



Number of Deals



Israel as a venue for local tech exits has gained ground relative to previous years. Nine IPOs on the Tel Aviv Stock Exchange raised \$1.6 billion. The portion of deals from regions other than the US or Israel (i.e. Europe, Asia, Canada and Australia) has greatly declined.

Top 10 Deals

IPO



\$3.9B



IT & Enterprise Software

IPO

Lemonade

\$1.6B



Internet



CHECKMARX

\$1.1B

H&F

IT & Enterprise Software



\$1.1B



IT & Enterprise Software



moovit

\$900M



Communications

IPO

ΝΑΝΟΣ

\$800M



Life Sciences

IPO

spotinst

\$450M



IT & Enterprise Software

IPO

neogames®

\$420M



Internet

IPO

Nyxoah

\$420M



Life Sciences

IPO

Ecoppia

Empowering Solar

\$382M



Miscellaneous Technologies

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 \$10 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 20,2020.

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