



Hi Tech Exit Report 2021

 PwC Israel



PwC Israel | Exit report

This time last year, when writing the previous edition of this report, we looked back on a brilliant decade for the Israeli tech. The quick adaptability and resilience of the local industry were already manifesting themselves in the second half of last year. At the time, the world was facing the height of the pandemic, with grave, once-in-decades economical and societal consequences. To be sure, our forecasts then were quite optimistic, given how robust the local industry was. However, we could not have anticipated the magnitude of success seen this year. The numbers speak for themselves: 171 deals in 2021, a total value of \$82 billion and an average deal size of \$482 million. When also considering follow-on deals, we are now only a tad away from the \$100 billion mark. Compared to last year, this is a five-time increase in overall deal value, and three times the number of deals.

A record year by any measure

What was unfolding in 2021 has many drivers. A seemingly unlimited money supply that flowed into the market like a tsunami wave and the adoption of technology in many sectors have no doubt been fueling an already hot industry. Capital markets and Israeli entrepreneurs clearly did not miss out on the opportunity. Backed by an unprecedented positive sentiment, and pushed forward in the form of SPACs, IPOs accounted for the lion's share of the entire deal value this year. Not fewer than 72 companies were listed in 2021, with a total value at an almost unimaginable amount of \$71 billion. While most of those offerings took place in the US (22 IPOs and \$65 billion), the local exchange was reinvigorated with 45 IPOs and \$5 billion in value, an all-time high.

It is true that 2021 will primarily be remembered for the big comeback of Israeli tech companies to the capital markets. However, zooming in a bit closer, it is evident that this was also a highly successful year for M&As, with a record-shattering 99 deals in 2021 and a total value of \$11.5 billion (more than twice the deal number and almost double the value YoY).

However, we believe the real story hides behind the numbers, and has largely to do with the processes that have been shaping Israeli entrepreneurs and executives over recent years. In the past, the playbook for the Israeli tech founders was to develop, prove and sell. The new Israeli entrepreneur is still a risk-taker, innovator and pioneer, but is now also ready to go farther independently, even outside his or her intuitive comfort zone. Names like ironSource, SentinelOne and monday.com are only a handful of examples of local companies that have embraced long-term strategies in their segments. We believe that this will result over time in more Israeli players with global impact and influence.

More buying local

Another evidence supporting the notion that the local tech market has come of age and become more sophisticated is the fact that Israeli companies were on the buy-side not fewer than 32 times this year. Put differently, almost a third of all M&A deals were domestic. This growing trend allows for a two prong move in which local tech corporations take advantage of their increasing financial valuations, funds raised and stock liquidity, and their intimate local market knowledge. This is no doubt another step forward in the evolution of our ecosystem. The acquisition of Avanan by Check Point, Vdoo by JFrog, Stroke by Fiverr and Medigate by Claroty (\$400 million, a deal that came to fruition after the report was completed, but is worth mentioning due to its size) are a handful of stark examples of how Israeli companies are increasingly adopting a similar mindset and strategy to that of any large global corporation out there, including having a protracted and comprehensive vision.

Where do we go from here?

Quite a lot of speculation is now focusing on global tech valuations, and those of Israeli high tech companies in particular. When observing the trends that have characterized the markets, for better and for worse, it is hard to determine how the next year is going to unfold. We should not forget that while some raise an eyebrow over the surging valuations, enormous amounts keep flowing into the local tech market, even as these words are being written, with its impact on many parts of the economy.

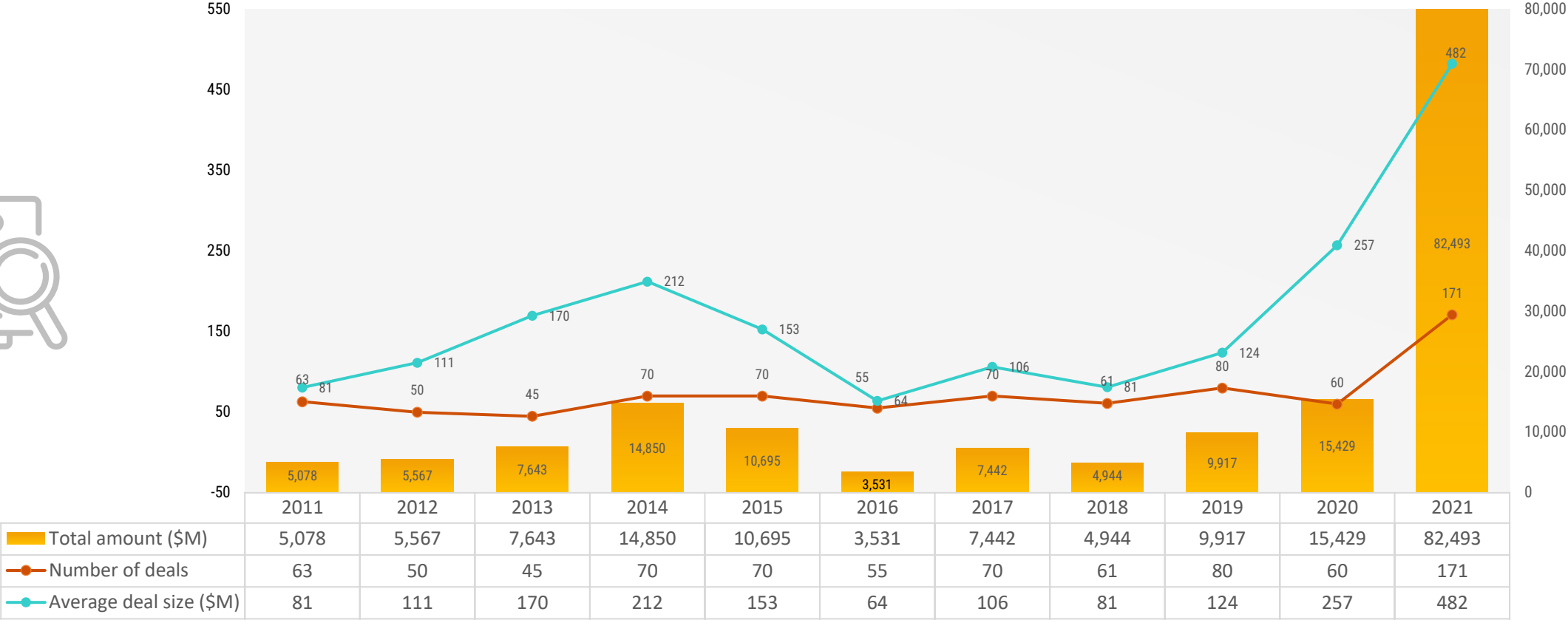
The number of unicorns continues to grow at an impressive rate, and many companies continue to gain momentum and gear up for a long and bold journey ahead. Yet, while it continues to climb up, one should not forget that the industry must also nurture and care for early-stage companies, which are challenged more than ever in their struggle for resources.

To conclude, we believe that different forces will moderate this year's rally going forward. The uncertainty about inflation, combined with capital markets that are not as accommodating for the experimentation in 2021, will ultimately lead to a more selective market in terms of what companies go public and what valuations they will get. However, the general trend here is clear: the Israeli entrepreneurial platform has matured and is now more relevant than ever. Therefore, even if not necessarily in the short term, we are likely to see a continuation to break records.



Yaron Weizenbluth
Head of Hi-Tech Cluster
PwC Israel

Total exits - (M&As and IPOs) in 2011-2021 (million US\$)



In 2021, IPOs and M&As amounted to \$82.4 billion, a whopping 520% increase over \$15.4 billion in 2020.

Obviously the highest number ever, it was gained through not less than 171 deals, compared to just 60 last year. This surge is also evident in a record value per deal, at \$482 million, or 190% growth year-over-year. The biggest contributor to this are IPOs on stock exchanges in the US.

Excluding IPOs, there were 99 deals in 2021, totaling \$11.5 billion, or \$117 million per deal. In comparison, the 41 deals in 2020 had a total value of \$6.1 billion and an average of \$150 million per deal.

* The 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 a year-over-year comparative analysis (see a separate chapter that analyzes this year's activity including those follow-on transactions).

- Playtika (IPO)
- DoubleVerify (IPO)
- DSPG by Synaptics
- LiveU by Carlyle

Follow-on deals not included in this report



The total value of follow-on transactions that were excluded from this report is \$18 billion.

Overall analysis including a follow-on transactions



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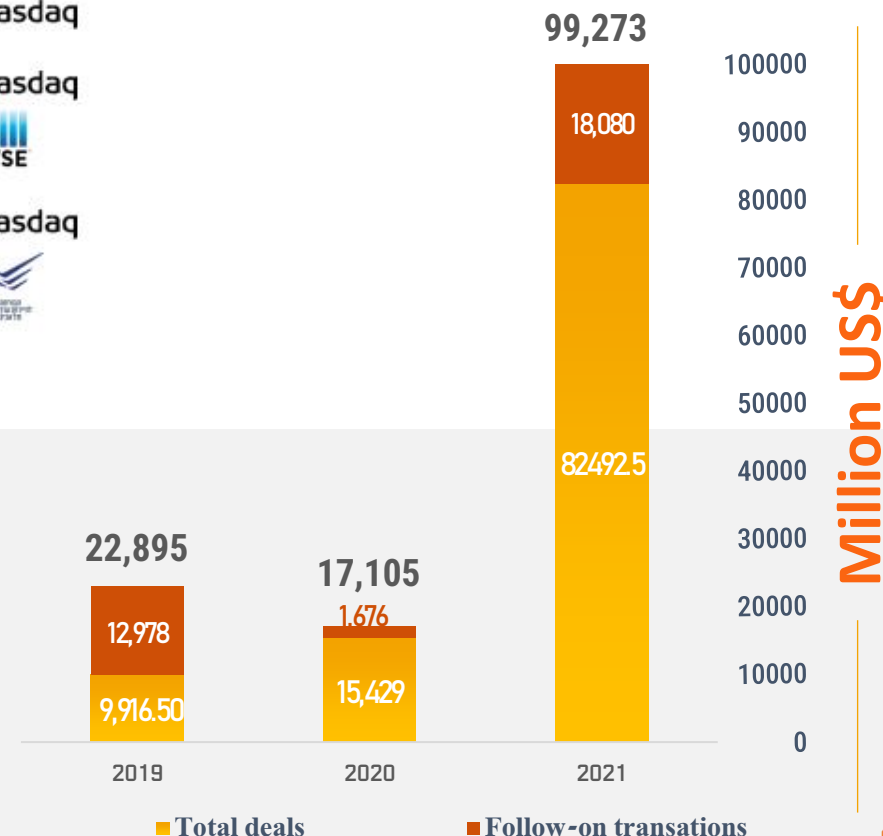
In 2021, the \$1-billion threshold was exceeded 21 times. In all such cases, an IPO was involved and 20 of them took place in the US. The IPO with the highest value is by ironSource.



IPOs and M&As in 2019-2021 (M\$) (including a follow-on transactions)

When taking follow-on deals into account (which, as indicated above, are excluded from our primary analysis, as they were included in previous reports), total transaction value in 2021 is \$99.2 billion(!)

The most notable is the \$13 billion IPO by Playtika

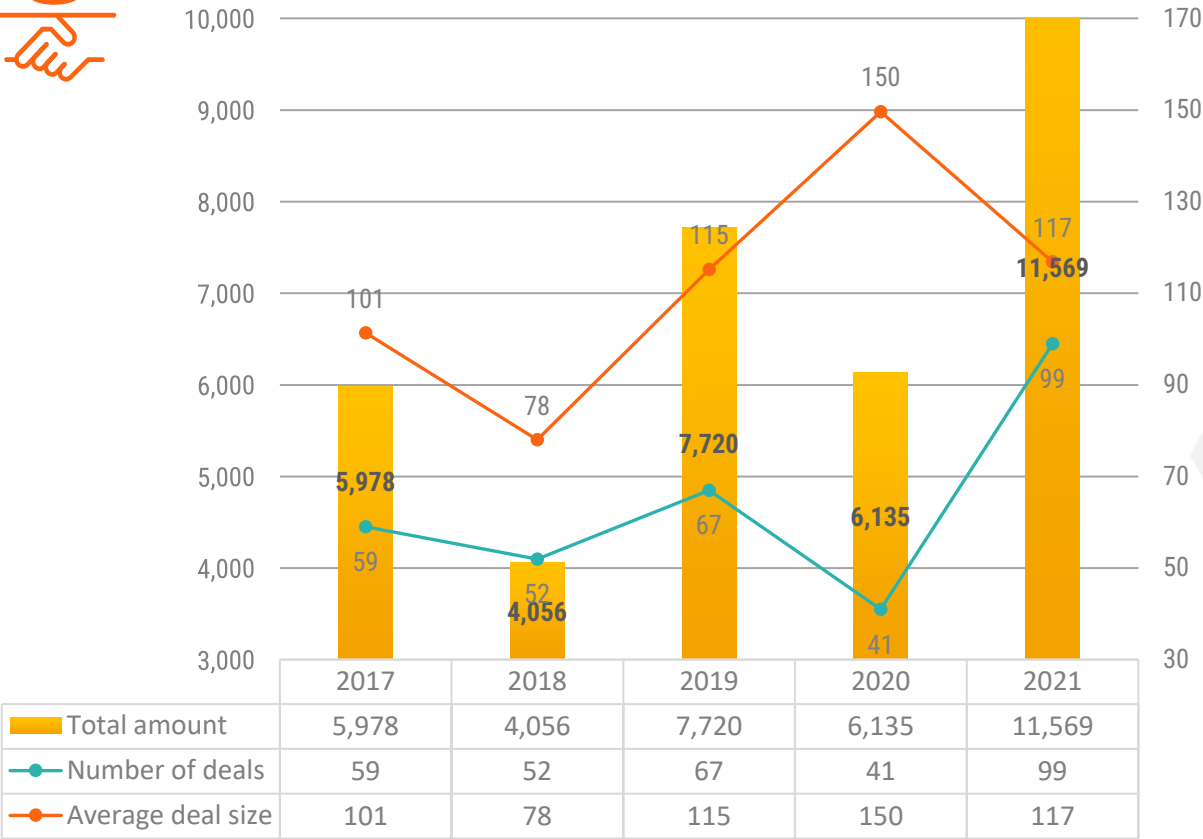


Million US\$

IPOs vs. M&As



M&As only in 2017-2021

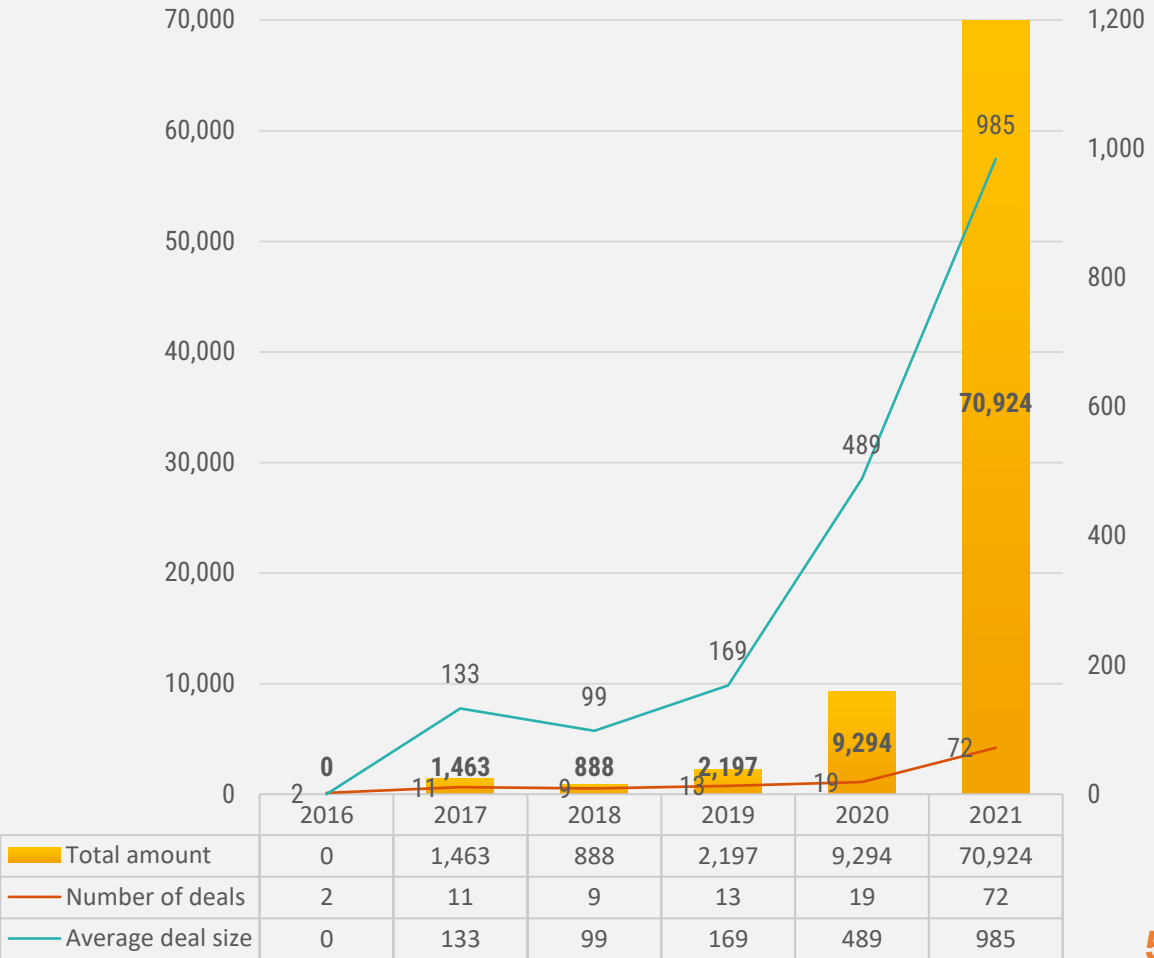


The total value of deals (excluding IPOs) in 2021 was \$11.5 billion – a new record in its own right. This is a sizable 180% jump relative to 2020 (\$6.1 billion). Interestingly, no outlier deal took place this year, which along with the growth in deal numbers led to a drop in the average value per transaction to \$117 million, from \$150 million last year.

IPOs only in 2017-2019

This year has been exceptional, with as many as 72 offerings, led by the IPOs in the US of IronSource, SentinelOne and Monday.com. Another unusual piece of data is the strong increase in the number of IPOs on the local stock exchange to 45 tech companies, the primary of which are Nayax and Glassbox.

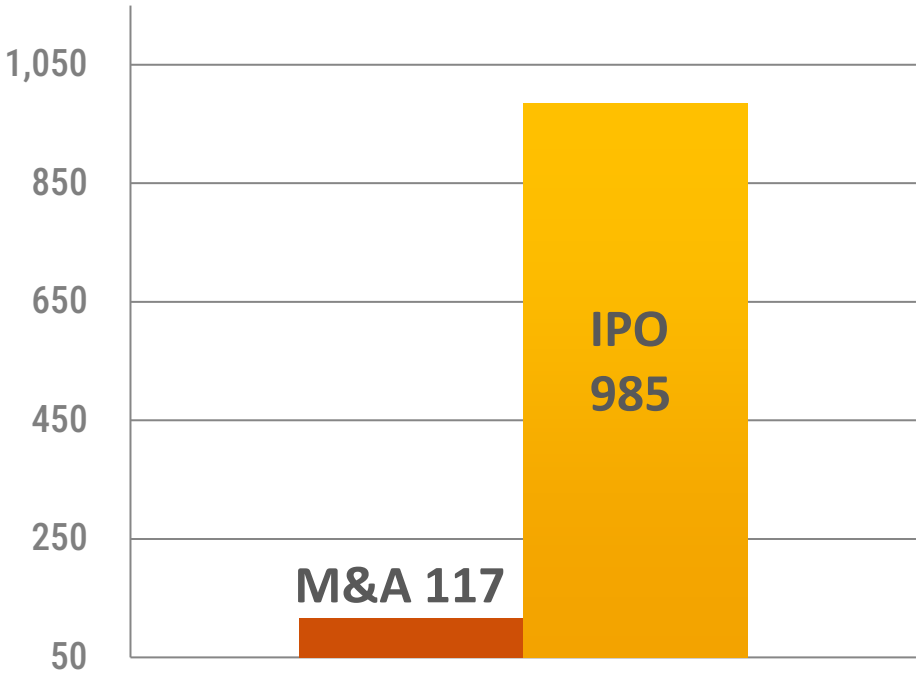
*IPOs by R&D partnerships and SPACs are included in this report when they merge with/invest (De-SPAC) in target companies.



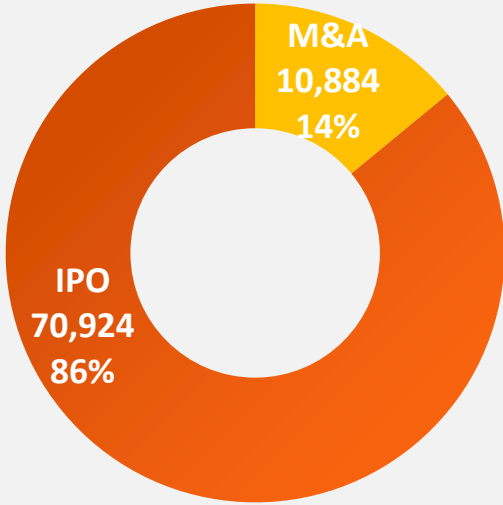
IPOs vs. M&As



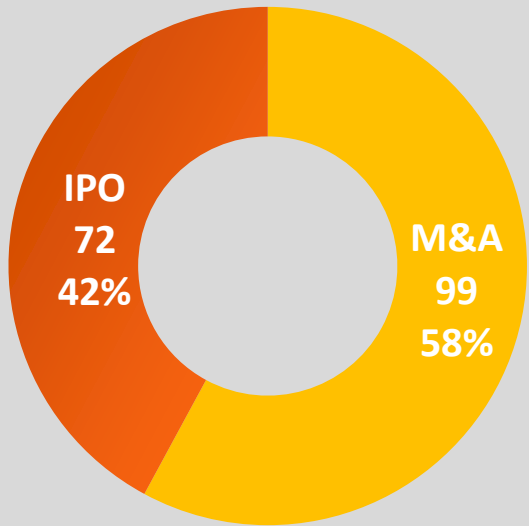
Average deal size (\$M)



In terms of value per deal, the average price per IPO has experienced tremendous growth to \$985 million (compared to \$489 million last year) – mainly thanks to listings in the US – while the corresponding figure for M&As has actually somewhat retracted (as noted earlier).

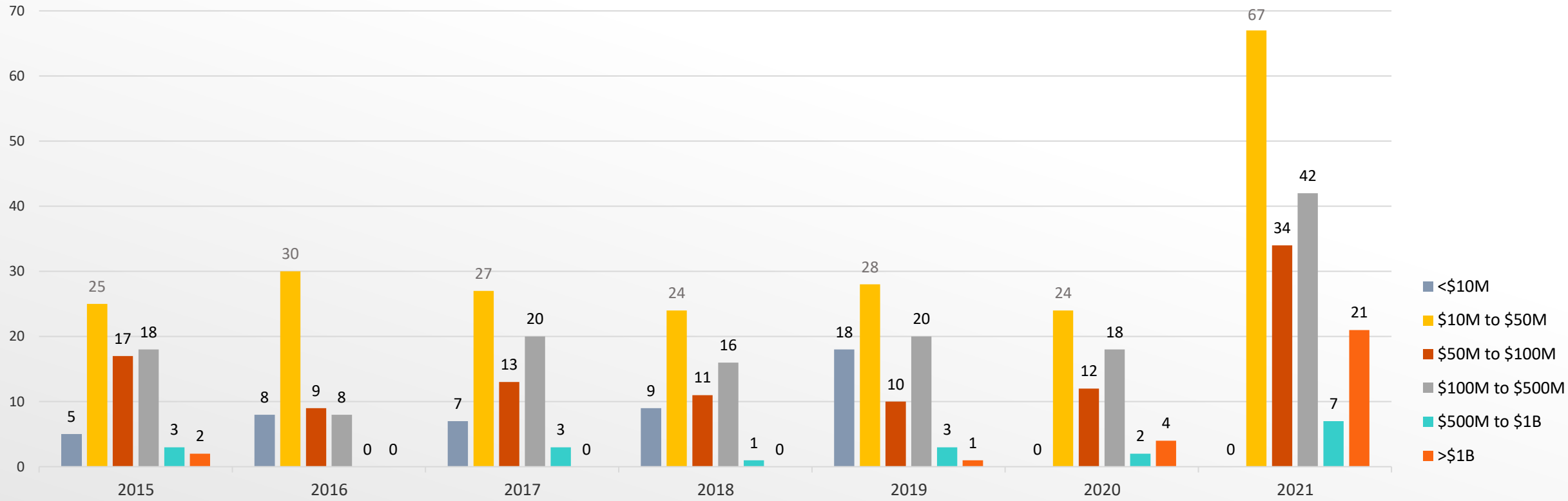


Total amount (\$M)



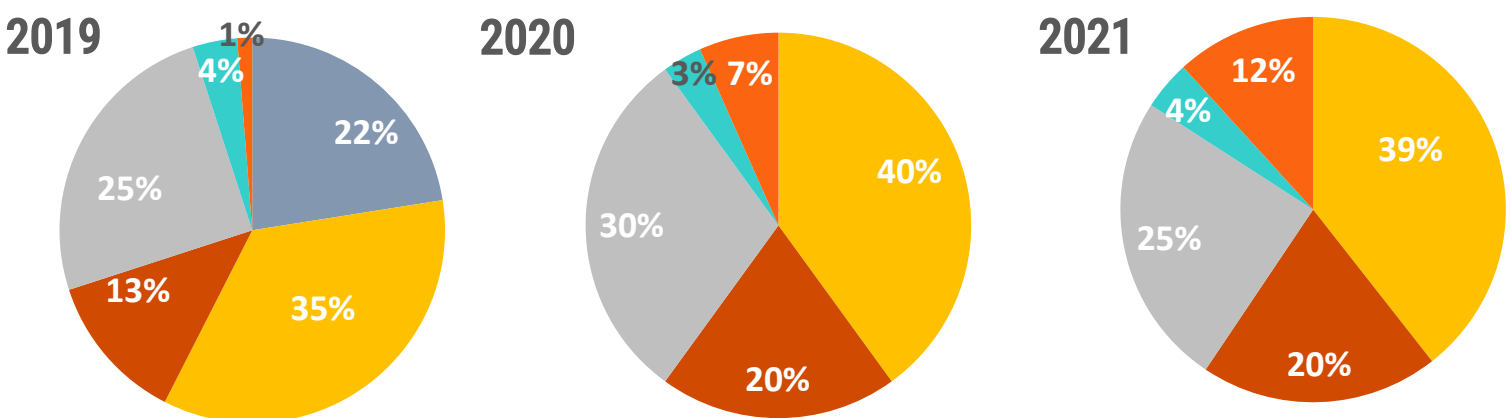
Numbers of deals

IPO and M&As – Analysis by deal size (\$M)

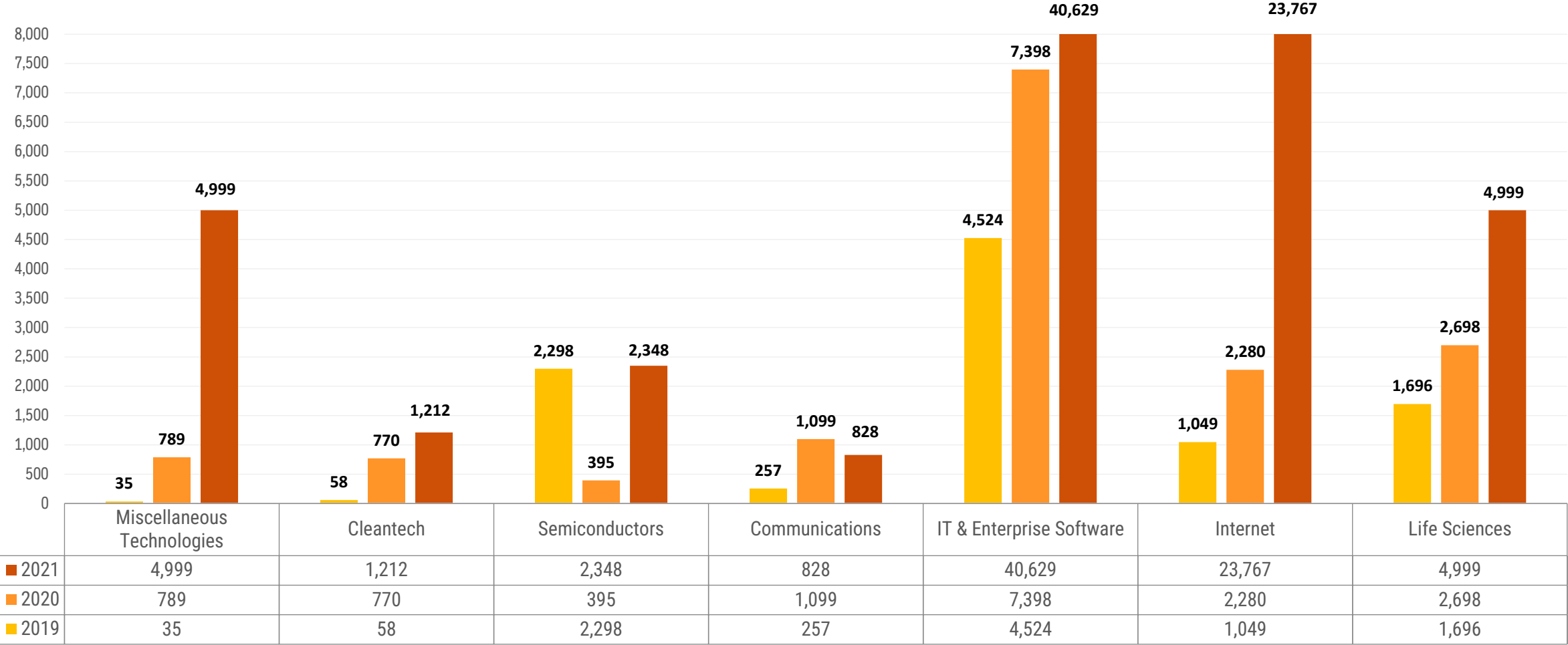


A total of 28 larger deals (i.e. having a price tag of over \$500 million) boast a total value of \$69.7 billion, compared to six such deals last year, with \$9.4 billion in value. The \$10M-\$50M bracket continues to lead this year too, with 39% of the total deal number.

*The graphs shown include IPOs and M&As, and do not include follow-on transactions. Additionally, while this report previously had a threshold of \$5 million, beginning in 2020, any deal below \$10 million in value is excluded for materiality considerations.



IPO and M&As – Analysis by sectors

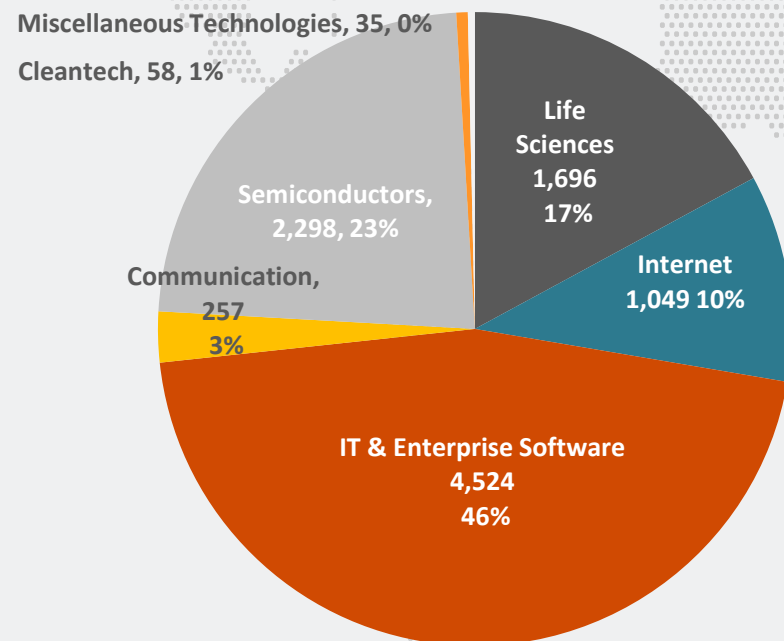


IT & Enterprise software continues to be ahead in 2021 in terms of deal value (\$40.6 billion), growing significantly over 2020. Additionally, the Internet segment has also impressively grown, mainly as a result of the ironSource IPO. While Life Sciences deal value increased to \$5 billion (compared to \$2.7 billion in 2020), its relative deal volume is very much subdued to only 6%, relative to 17% last year.

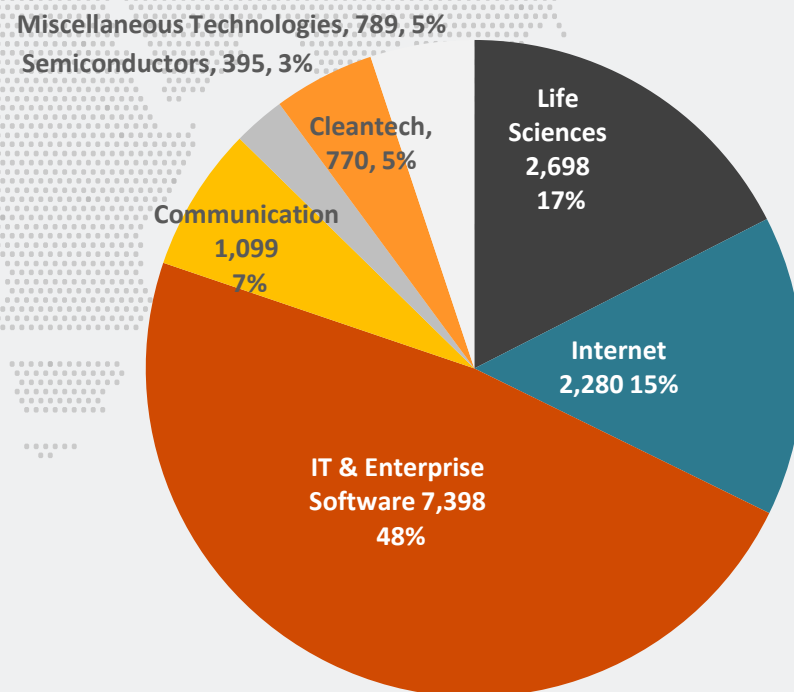
IPO and M&As – Analysis by sectors



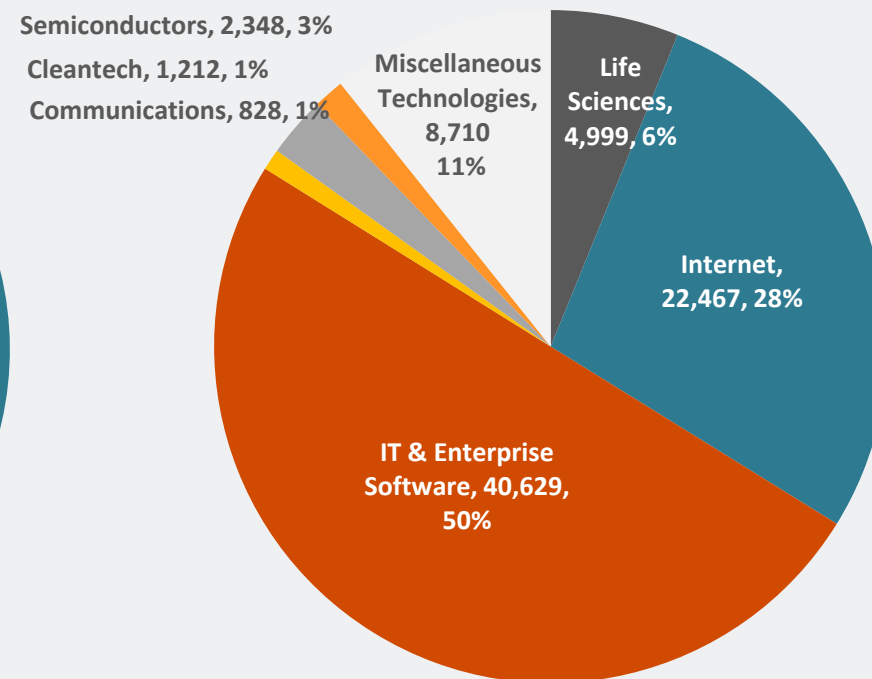
2019



2020

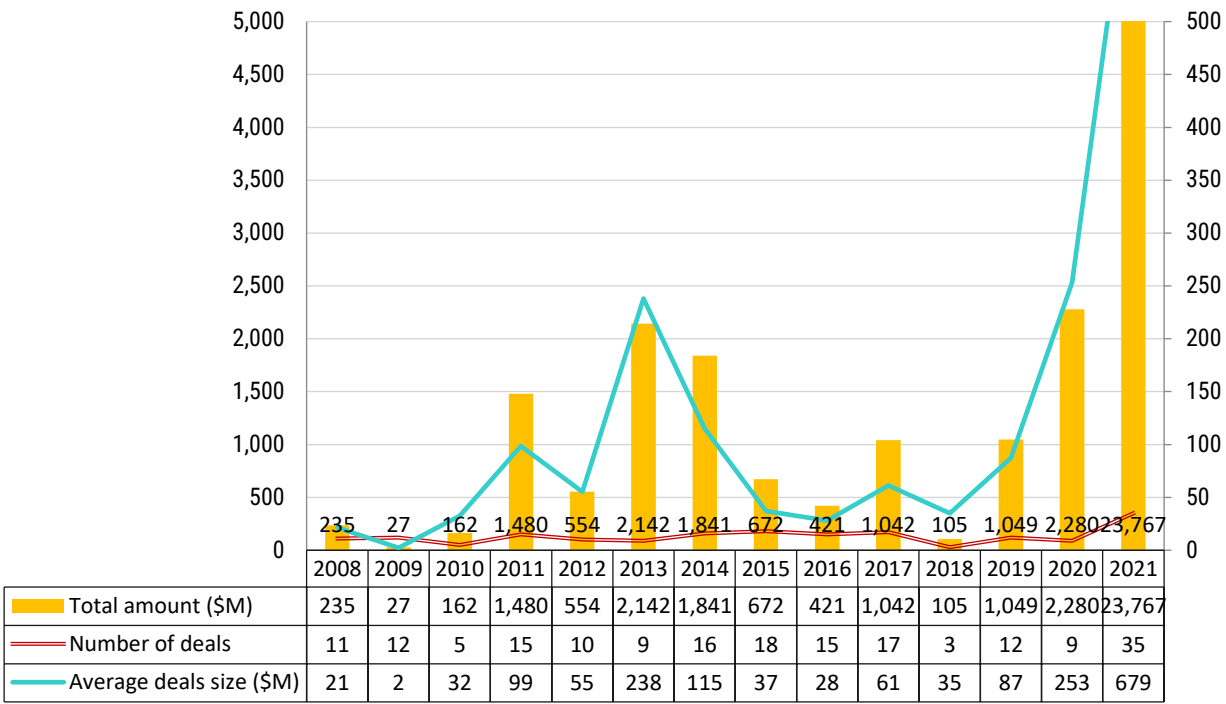


2021





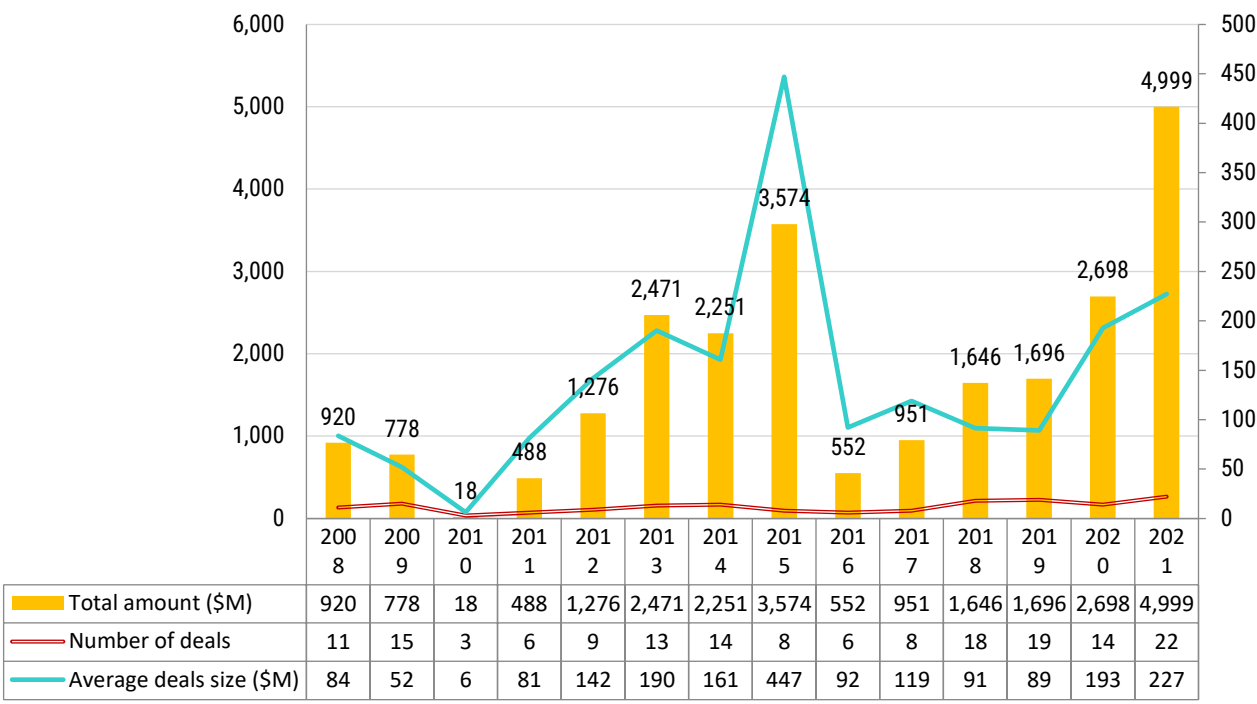
Internet



This has been an all-time record year for the Internet segment, with a total value of \$23.7 billion in 35 deals, most notably the IPOs by ironSource, Kaltura, Outbrain, Taboola and Global-e.



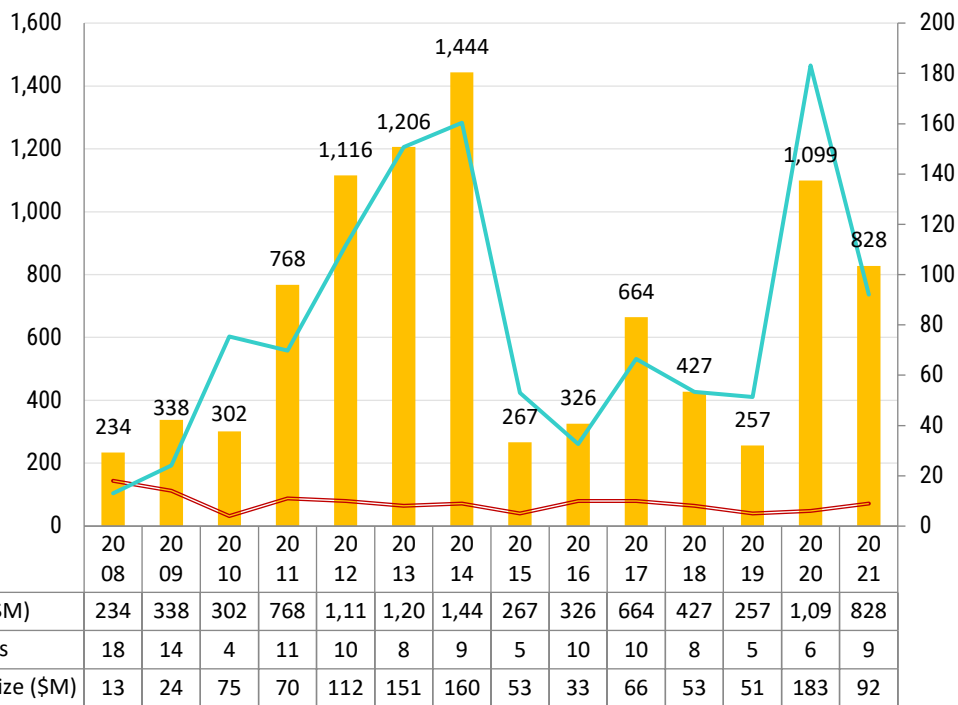
Life Sciences



The Life Sciences segment had \$5 billion in value, with the Talkspace IPO as the notable deal. The average transaction size in that segment increased to \$227 million in 2021 compared to \$224 million in 2020.



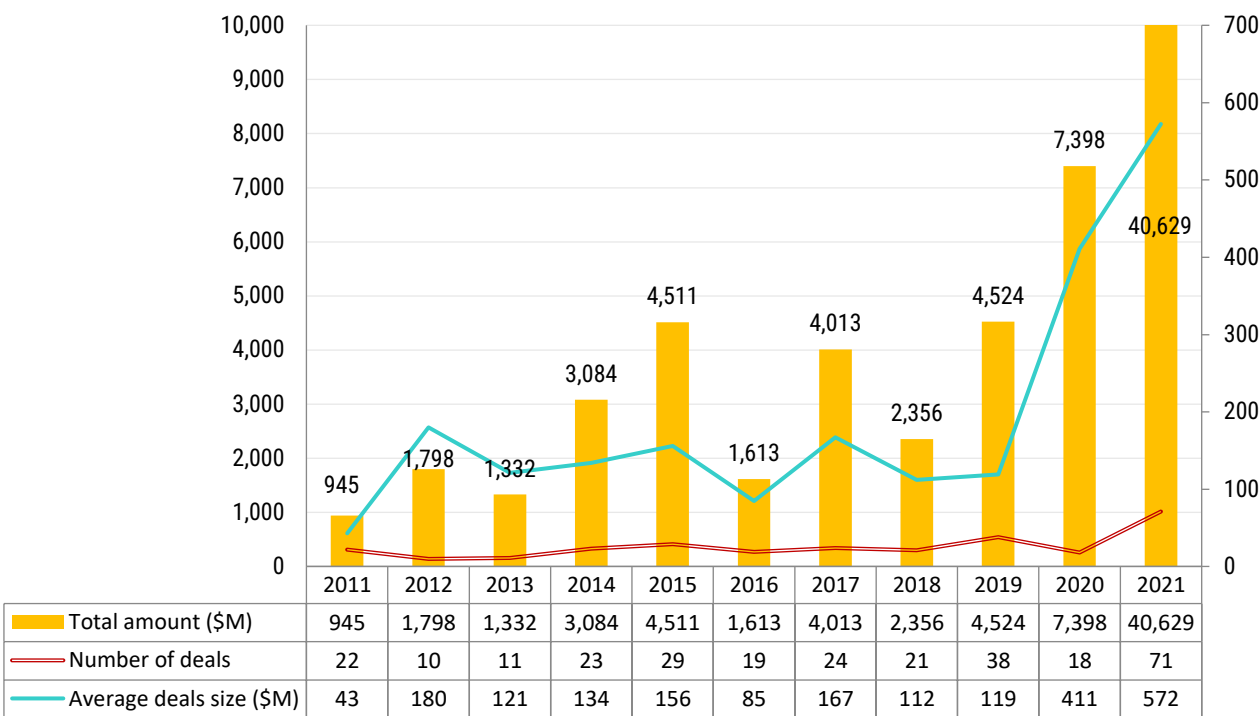
Communications



On the other end of the spectrum, and similarly to previous years, the Communications segment was not marked by many transactions, representing only 1% of the overall number in 2021.

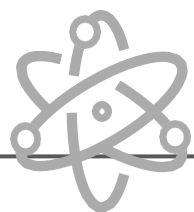


IT & Enterprise Software

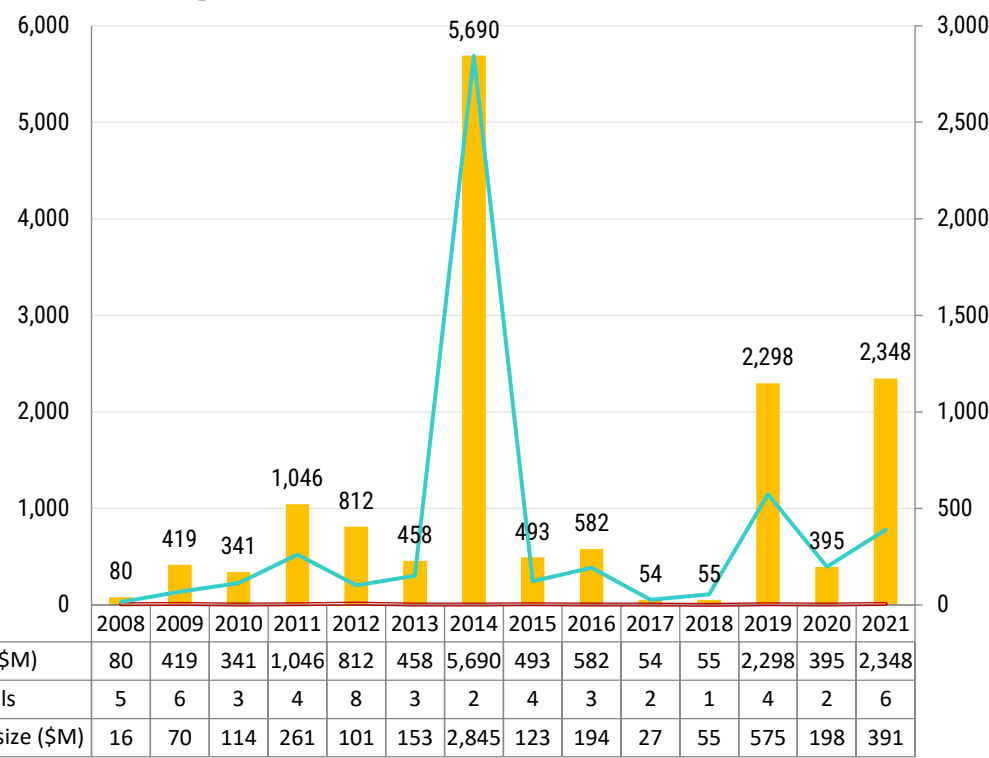


IT & Enterprise Software continues to be a clear leader with 71 deals, representing about 50% of the overall count. The prominent names here are XMcyber and GuardiCore.

Analysis by sector – Cleantech and Semiconductors



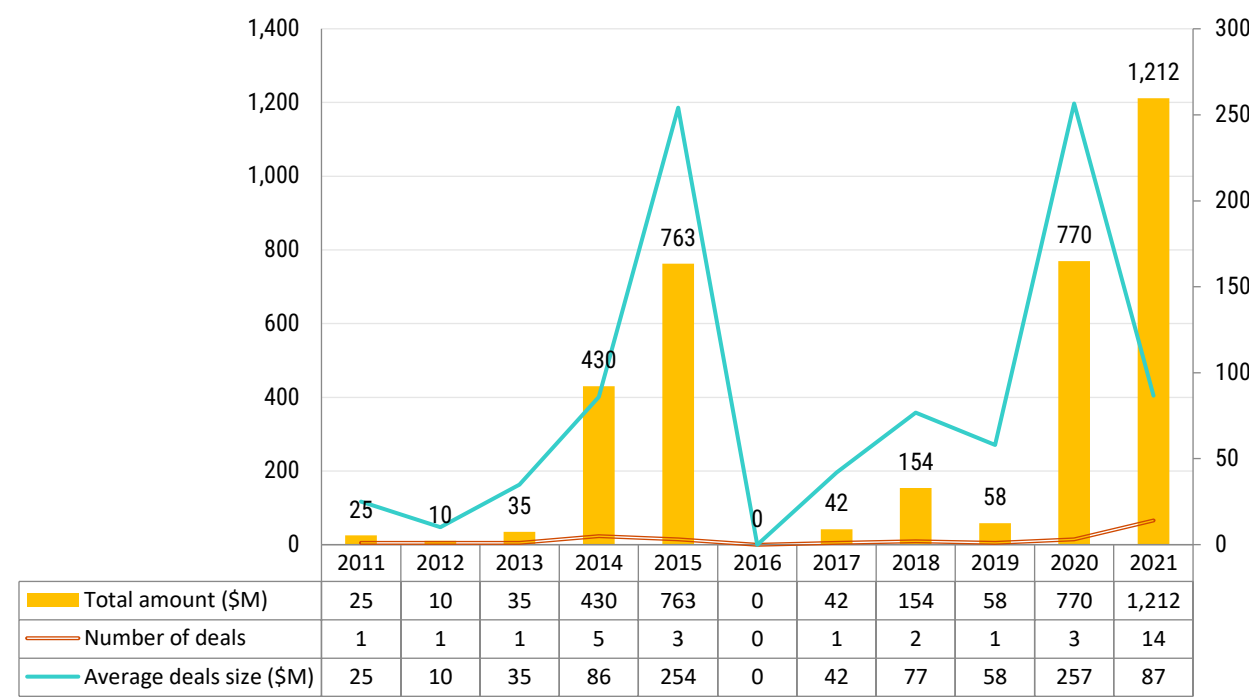
Semiconductors



Five deals were closed in the Semiconductors segment for a total of \$2.3 billion. Of note are the IPOs of Valens and Arbe.

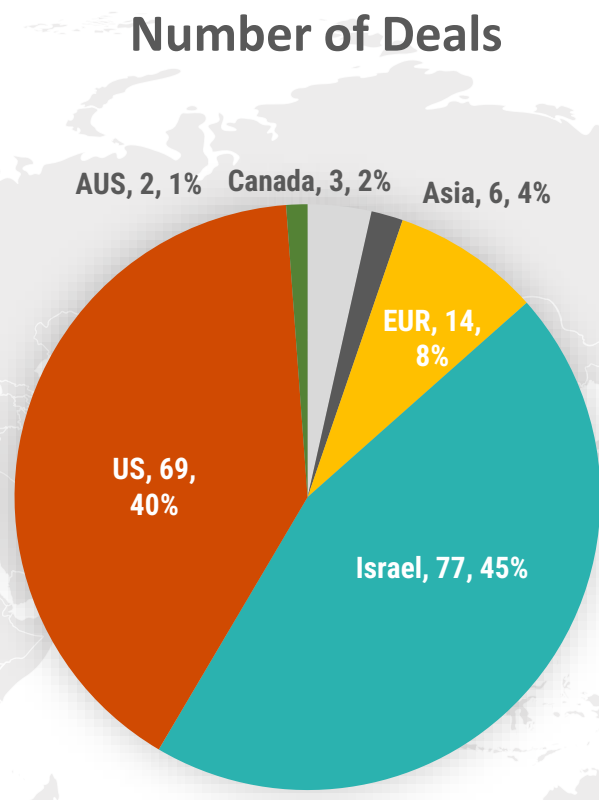
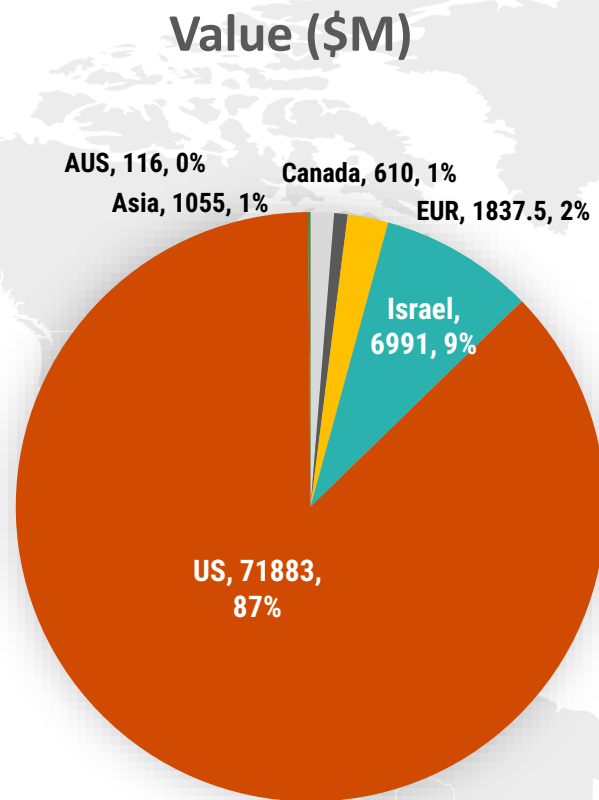


Cleantech



Cleantech contributed 14 deals with a total value of \$1.2 billion, such as the IPO by Phinergy and the acquisition of Prospera by Valmont, among others. This figure is a record for this segment in the last decade.

Geographical division – purchasers and IPO



- Asia
- Canada
- EUR
- Israel
- US
- AUS



The activity by local buyers was significantly ramped up. The 32 within-Israel deals mark a healthy growth from 11 deals in 2020 and 10 deals in 2019. The most notable among those local acquisitions are Avanan (by Check Point) and Vdoo (by JFrog). Additionally, this year saw 45 IPOs on the Tel Aviv Stock Exchange. Yet, it is still evident that the US remains the most significant venue in terms of deal value.

Top 10 Deals

Internet



ironSource

\$11B



Nasdaq

1

IT & Enterprise Software



SentinelOne

\$9B



NYSE

2

IT & Enterprise Software



Payoneer

\$3.3B



Nasdaq

3

IT & Enterprise Software



monday

\$6.8B



Nasdaq

4

Miscellaneous Technologies

R3E

\$3.1B



Nasdaq

5

IT & Enterprise Software



hippo

\$5B

6

Internet

Taboola

\$2.6B



Nasdaq

7

Internet

Global

\$3.6B

8

IT & Enterprise Software

walkme

\$2.56B



Nasdaq

9

IT & Enterprise Software



riskified

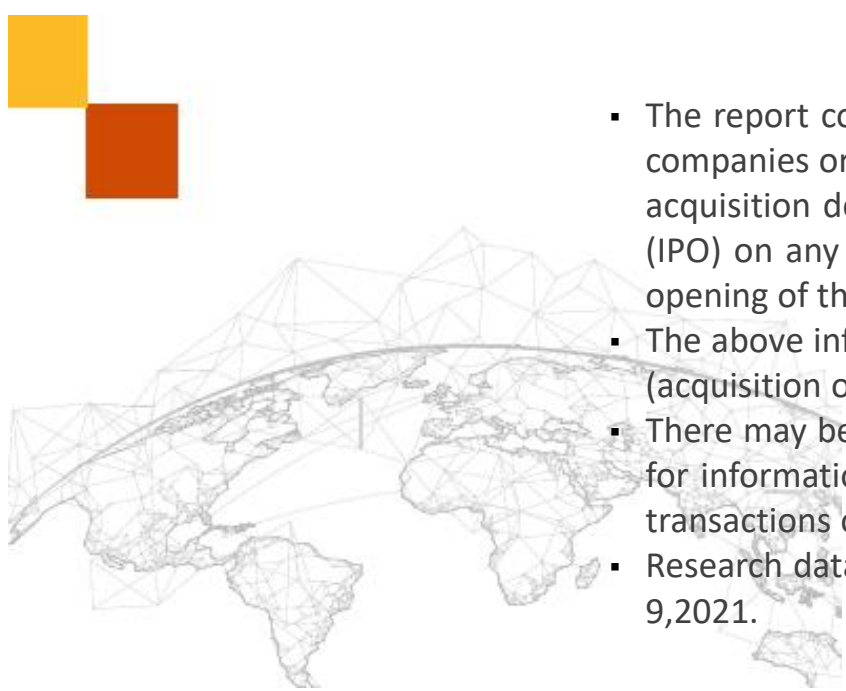
\$3.3B



NYSE

10



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- 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. Initial public offering also refers to SPACs.
 - 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 information that is 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 are not closed.
 - Research data was taken from media publications and Reuters Thomson databases, and are updated through December 9, 2021.

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