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# Hi Tech Exit Report 2022

PwC Israel

*"And the illfavored and leanfleshed cows ate up the seven wellfavored and fat cows"*  
(Genesis 41:4)

Since the dawn of history, our world's economy has experienced cycles of highs and lows. And now, after a long stretch of continuous climbing up – led by the local high-tech market, with numerous deals and ever-rising valuations – the last year was characterized by a significant slowing down, which did not leave out Israeli tech. In 2022, a total of 72 M&A deals were closed, compared to 171 in 2021, a 58% drop. Total deal value this year was \$16.9 billion, about a fifth of the same figure last year, with \$82.5 billion. The average deal value also fell 51% over this year, and was \$235 million, from \$482 million a year before. The IPO market is also significantly cooler, with 13 offerings with a value of \$10.7 billion, compared to 72 and \$71 billion, respectively, last year. When excluding Pagaya and Alpha Tau – which at the time of writing these lines are traded at a combined value lower than \$1 billion, all IPOs in 2022 amounted to \$1.2 billion.

### A process of reckoning

Inspecting the progression of deals across the year on a quarterly basis provides some more insight into the process that unfolded over the past 12 months, and how the market is most likely going to look like in the near term. In the first, second and third quarters of the year, the number of deals was 33, 17 and 17, respectively, while in the fourth quarter, this figure sank deeper down to only 5 deals. The rampant inflation, the growing uncertainty and the rising interest rates brought back to the fore some economic terms that were not around for a quite a while, and left investors and sellers waiting by the sidelines. The markets were fast to react, violently hitting tech companies, and reminding everyone that the higher you go, the farther you fall. In a world where cash is becoming an asset of choice, the incentive for making deals is greatly diminished. Understandably, sellers now want to avoid a transaction that represents a lower-than-expected value. On the other side, given the uncertain reality, buyers are hesitant to close deals at prices that can turn out to be overblown, and this is also understandable. The result of both is one: the markets went into a standby mode, which – as always happens in the cyclical economy – was eventually followed by a moment of reckoning. After years in which the markets were a step away from euphoria, the market went back to the basics of classic economy. Profits, budget constraints, and positive cash flows are once again on the minds and lips of investors, directors and top executives. The Israeli tech market has been reacting to adjust itself to the twists and turns and the new challenges. This process will take time, but the necessary accommodations will be made, either in valuation or in practices, and eventually, sellers and buyers will adapt to the new situation.

### The silver lining

It is important, even in a year like this one, to stop and look at some positive trends that may provide some telltale signs for the future, when the present uncertainty is over. Firstly, the share of deals closed by Israeli buyers is growing, a trend we have noted last year. In 2022, not fewer than 23 deals were all-Israeli, representing 32% of the total deal count. This is a testament of the robustness of the local industry, which remains vibrant even now. Secondly, we should not overlook a handful of especially impressive deals that can serve as an indicator that the Israeli industry is still relevant, interesting and important. The acquisition of Elmo Motion Control by Bosch Rexroth for \$700 million, is a prime example, as well as the acquisition of Granulate by Intel for \$650 million and of CredoRax by Shift4 Payments for \$575 million. All those prove that there is still a need and willing to close deals even in turbulent times. Yet, the third trend is, in our minds, the most intriguing. This report does not cover follow-on deals – i.e. those already covered in past editions, when the original deal or IPO took place. However, one should not ignore the fact that 2022 saw not fewer than 15 such deals, with a total value of \$30 billion, the highest amount in more than ten years. The most prominent are the merger of the two giants, in which IronSource was merged into Unity for \$4.4 billion, the acquisition of TowerJazz by Intel for \$5.8 billion, and of course, the return of Mobileye to Wall Street as an independent entity and the leader of the autonomous vehicle market, which as of writing this has a market cap of \$27.1 billion, representing a value appreciation of 61% relative to the IPO date.

Those and other events have more than once attracted the attention of the global business community, and demonstrated the resilience and maturity of the local industry. They were led by experienced and determined entrepreneurs and managements that continued to implement their visions even while sailing on troubled waters. It is important to remember then that, at the end of the day, this is not all doom and gloom. In fact, this year brought us all back to the pre-pandemic world. Assuming that the deals earlier in the year were still a product of inertia from last year, the likely scenario is that we will witness multiple smaller-scale deals, which will reflect the right-sizing of pricing and the ability to take advantage of new opportunities.

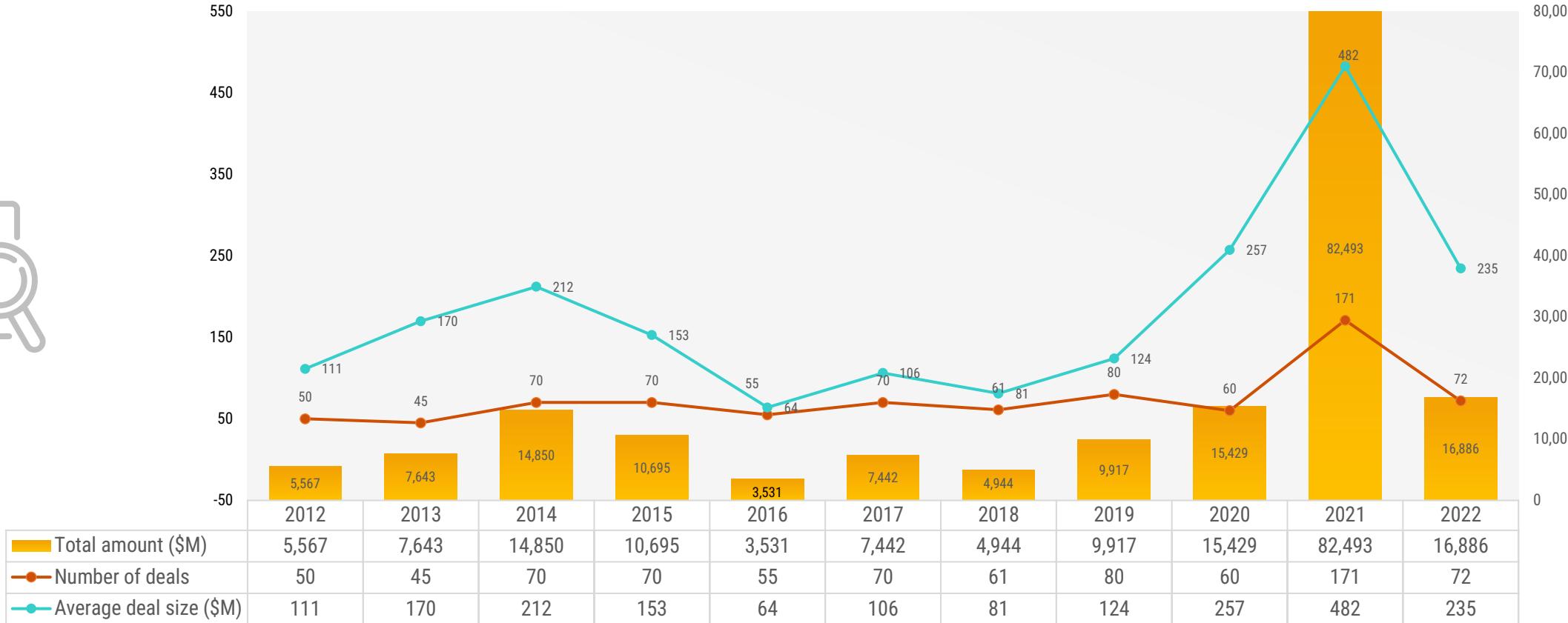
Indeed, the local industry will have to get accustomed to this transformation into a more selective, cautious and even modest market. Nevertheless, given its deep foundations, the industry will persevere and live to tell the tale. It is still not clear what's over the horizon, but those three trends are certainly a cause for hope.



**Yaron Weizenbluth**  
Head of Hi-Tech Cluster  
PwC Israel



# Total Exits - (M&As and IPOs) in 2012-2022 (million US\$)



**M&As and IPOs amounted in 2022 to \$16.9 billion, a fifth of the corresponding \$82.4 billion in 2021.**

Seventy-two deals took place in 2022, compared to last year's 171. This down movement was also observed in the average deal size, at \$235 million, or a 51% drop from last year.

When excluding IPOs, the 59 acquisition deals in 2022 reached a combined value of \$6.2 billion, or an average of \$105 million per deal. By comparison, 2021 saw 99 deals with a value of \$11.5 billion and an average of \$117 million per deal.

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

The analysis in this report excluded 15 follow-on deals, the largest such figure in more than 10 years. The reason is that those companies were featured in previous reports, when those companies were initially sold or listed. Including them again in this edition would have distorted our ability to make a year-over-year comparative analysis. Information about those deals in this and previous years is presented in a dedicated section below.

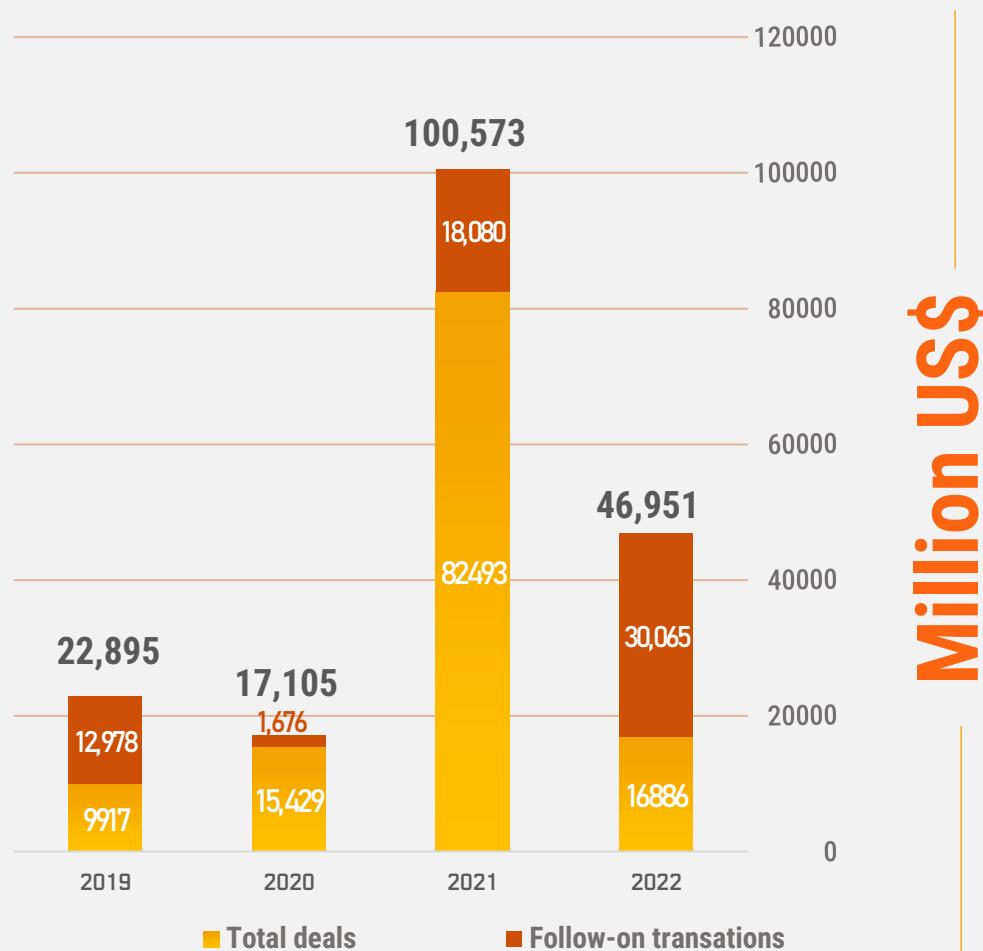
The three largest deals not covered in this report:

- Mobileye (IPO)
- TowerJazz by Intel
- IronSource by Unity

The total value of the excluded follow-on deals is \$30 billion, the highest such figure in the last 10 years.



## IPOs and M&As in 2019-2022 (M\$) (including a follow-on transactions)



Most prominent of the follow-on deals is the \$16.7 billion Mobileye IPO on Nasdaq (current market cap is \$27.1 billion).

## Overall analysis including follow-on transactions



### The \$1 billion threshold

The \$1B mark was crossed twice this year, with IPOs by Pagaya (with a current market cap of \$422 million) and Alpha Tau (with current market cap of \$232 million). This is a lower figure relative to last year, when 21 over-\$1 billion transactions were recorded.



\$8.5B  
\$1B



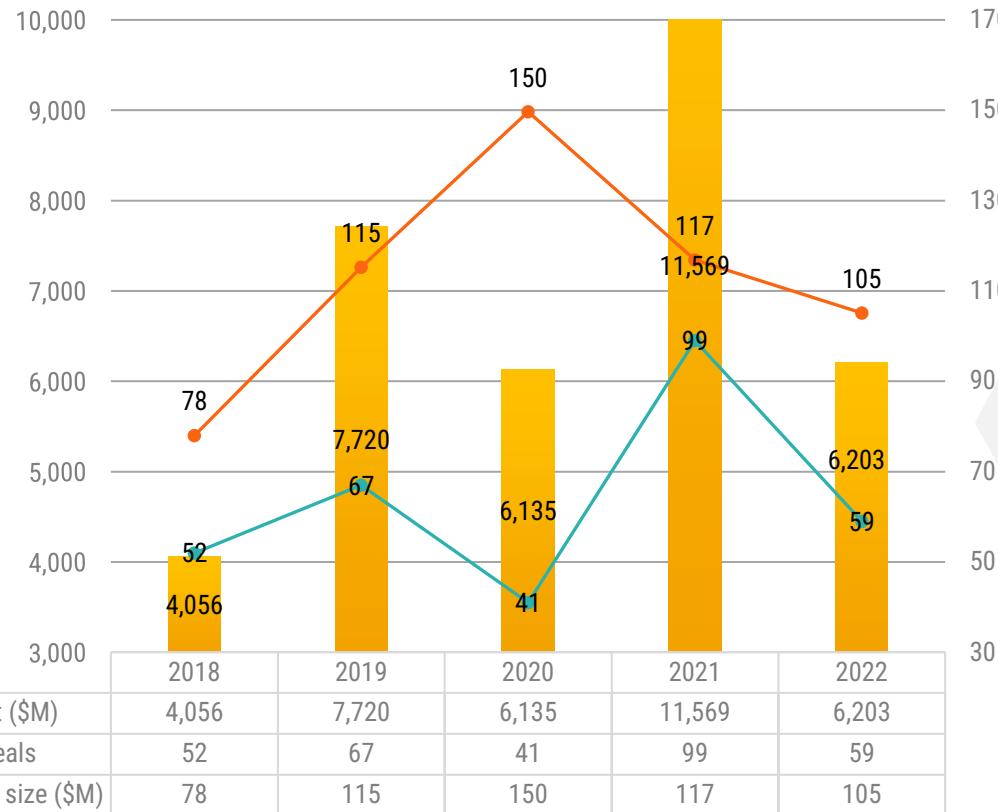
### Total exist value including follow-on transactions

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 deals in 2020 reach a value of \$47 billion.

In 2022, fifteen follow-on transactions were closed with an overall value of \$30 billion, compared to last year with 4 transactions and \$18 billion.

# IPOs vs. M&As

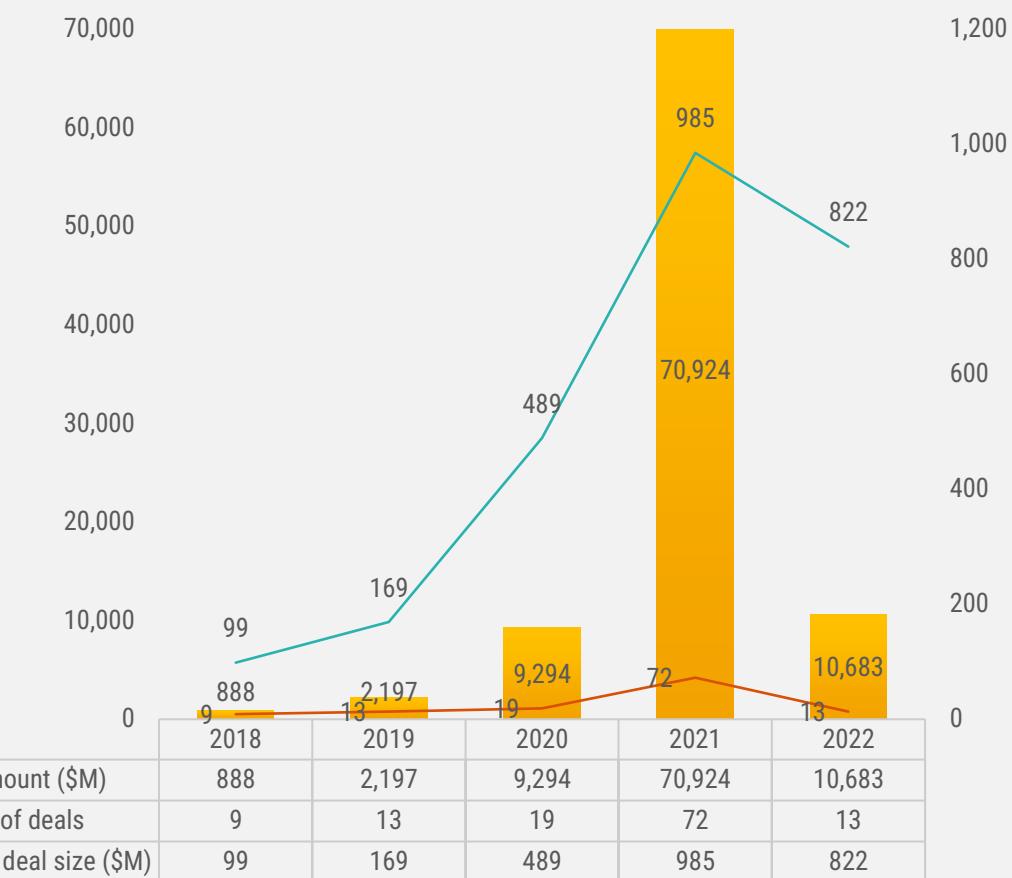
## M&As only in 2018-2022



The total value of deals (excluding IPOs) in 2022 is \$6.2 billion. Compared to last year, this is a 46% drop, from \$11.5 billion.

## IPOs only in 2018-2022

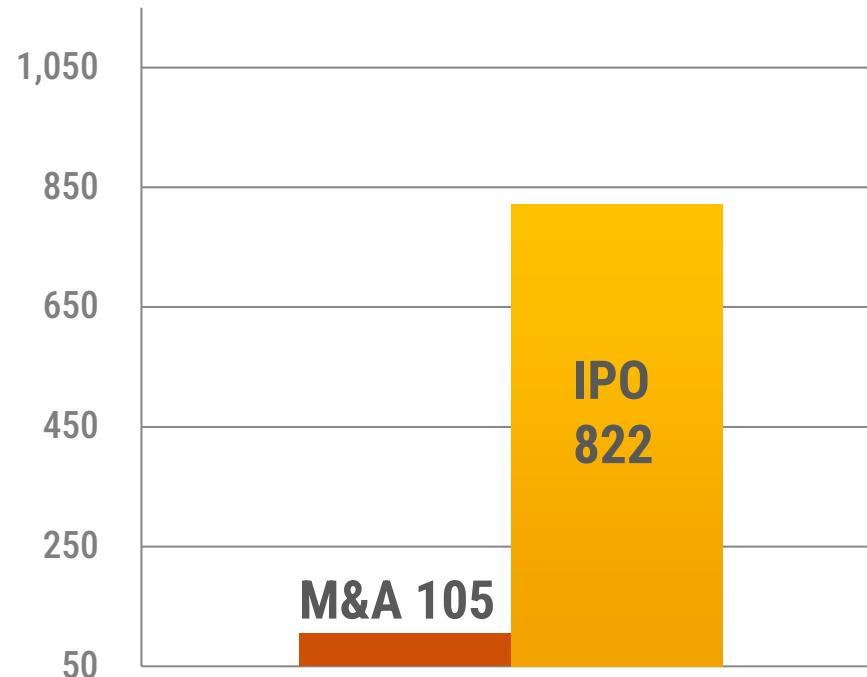
In 2022, thirteen IPOs were completed, headed by the \$8.5 billion Pagaya offering. Five IPOs of those 13 took place on the local exchange and 8 in US exchanges. For comparison, 72 IPOs took place last year, of which 45 were in Israel and the rest in exchanges around the world, mainly in the US.



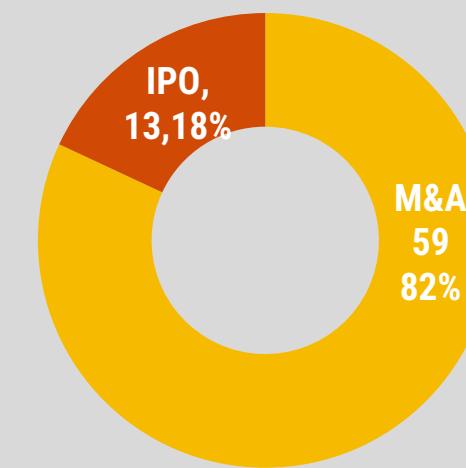
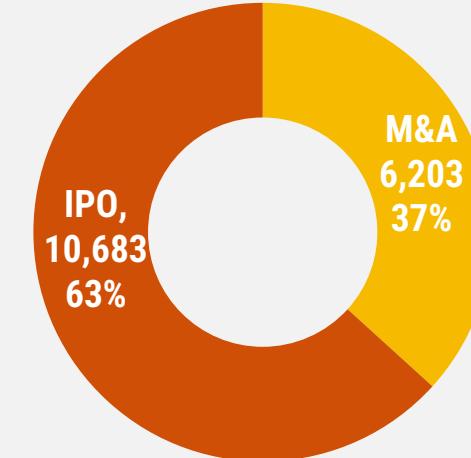
\*IPOs by R&D partnerships and SPACs are included in this report when they merge with/invest (De-SPAC) in target companies.



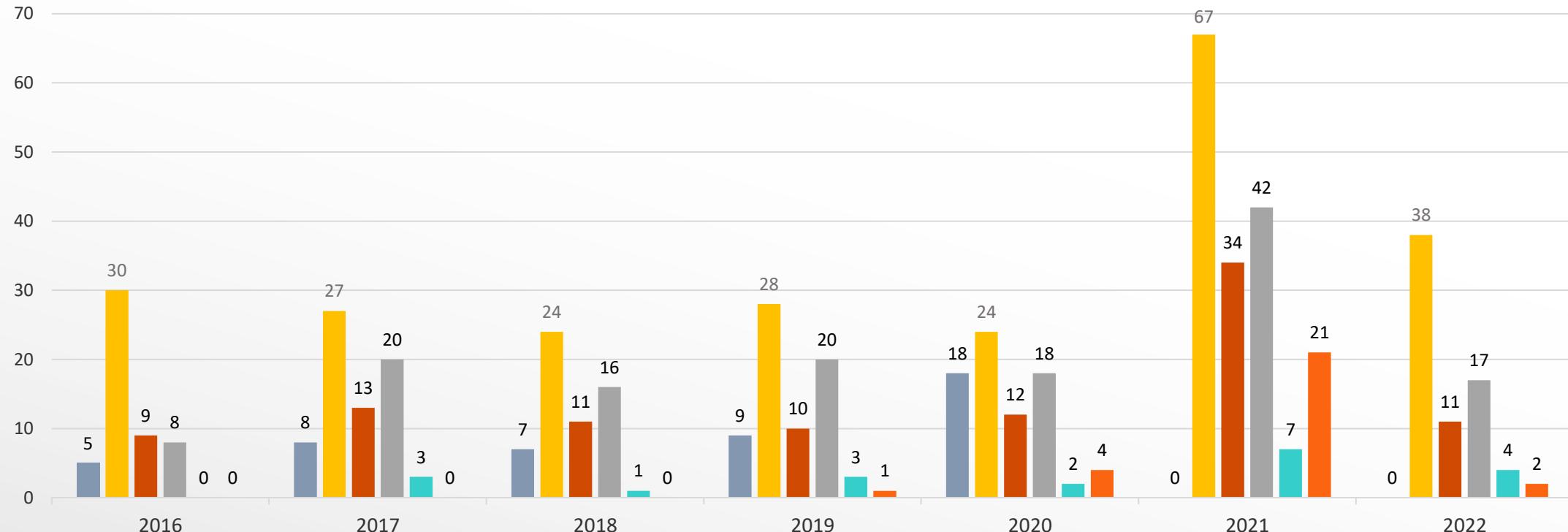
## Average deal size (\$M)



The average value per IPO at \$822 million remained fairly close to last year's figure (\$985 million). The main contributor to this is the Pagaya offering, which is an outlier this year in terms of magnitude. When excluding this IPO, the average value is \$181 million. In addition, the average value per M&A deal declined from \$117 million in 2021 to \$105 million in 2022.

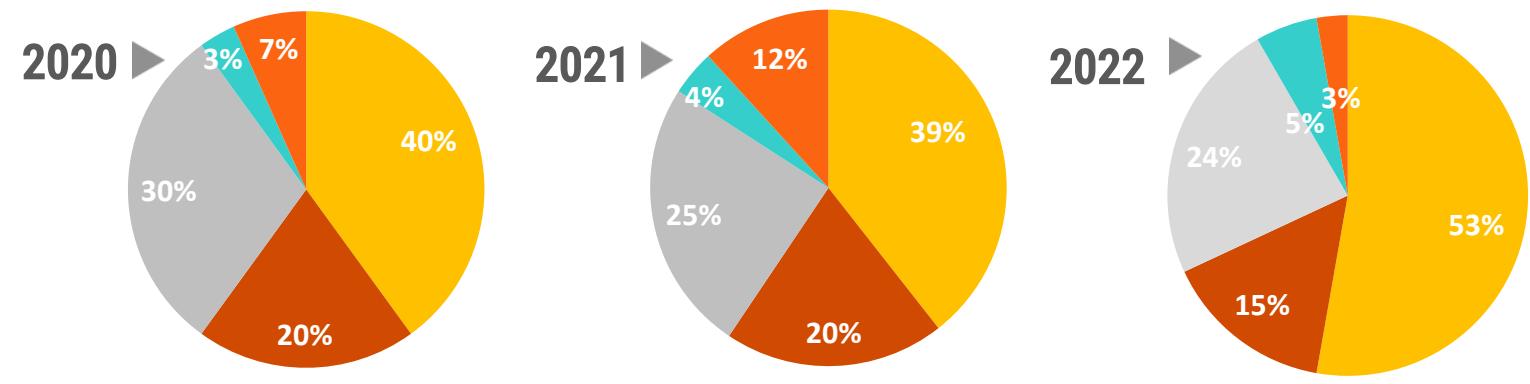


# IPO and M&As – Analysis by Deal Size (\$M) – Number of Deals

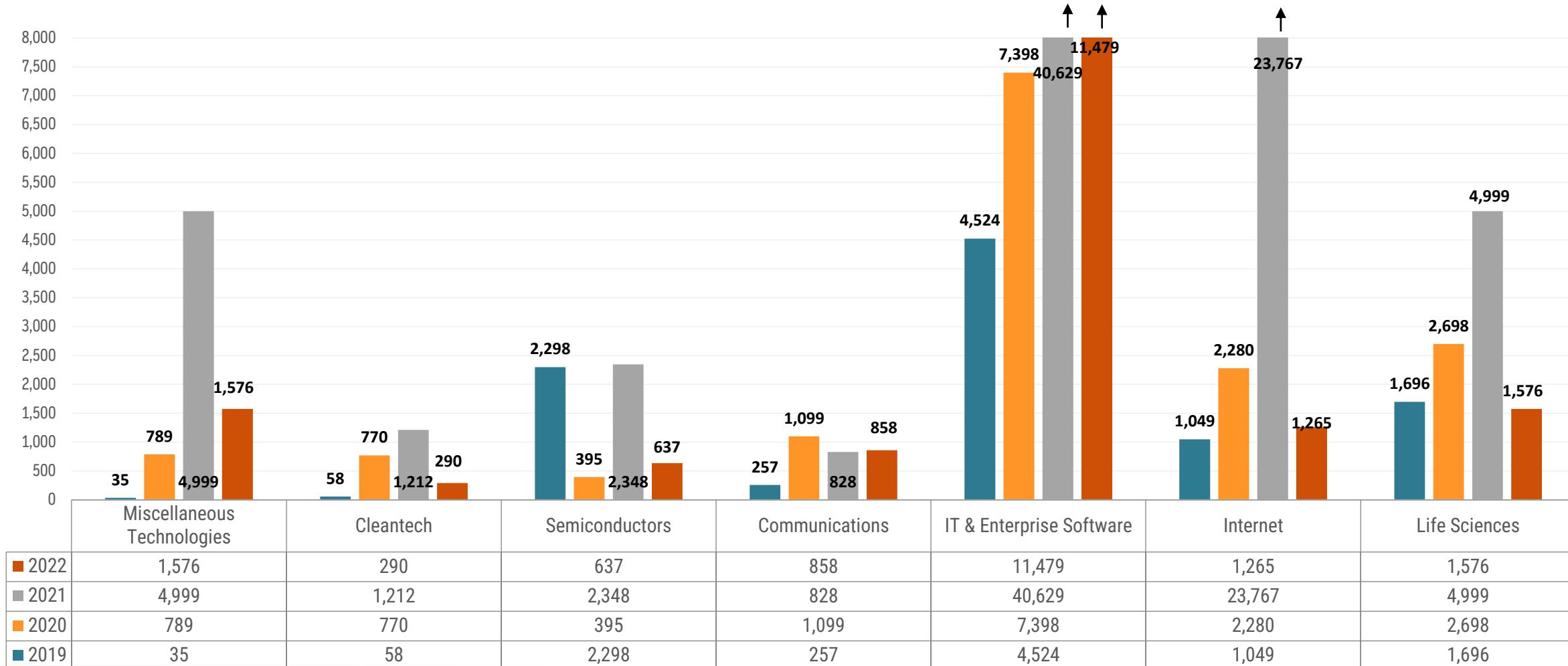


Six significant deals (over \$500 million) were closed in 2022, with a total value of \$11.9 billion, compared to the previous year in which 28 such deals had a value of \$69.7 billion. However, the share of the \$10M-\$50M deal bracket continues to lead this year, with over half (53%) of all deals.

*\*The graphs presented include IPOs and M&As and do not include follow-on deals. Additionally, while the lower threshold in the past for inclusion in this report was \$5 million, beginning in 2020, only over-\$10 million deals have been considered, for materiality considerations.*



# IPO and M&As – Analysis by Sectors



IT & Enterprise Software continues to grow relative to all other sectors (68% of the total deal number), with \$11.4 billion.

An interesting trend appears in the Internet segment, where deal values are slumping to the scale seen before 2021, with the then highlight transactions by ironSource, Global-e, Taboola and more.

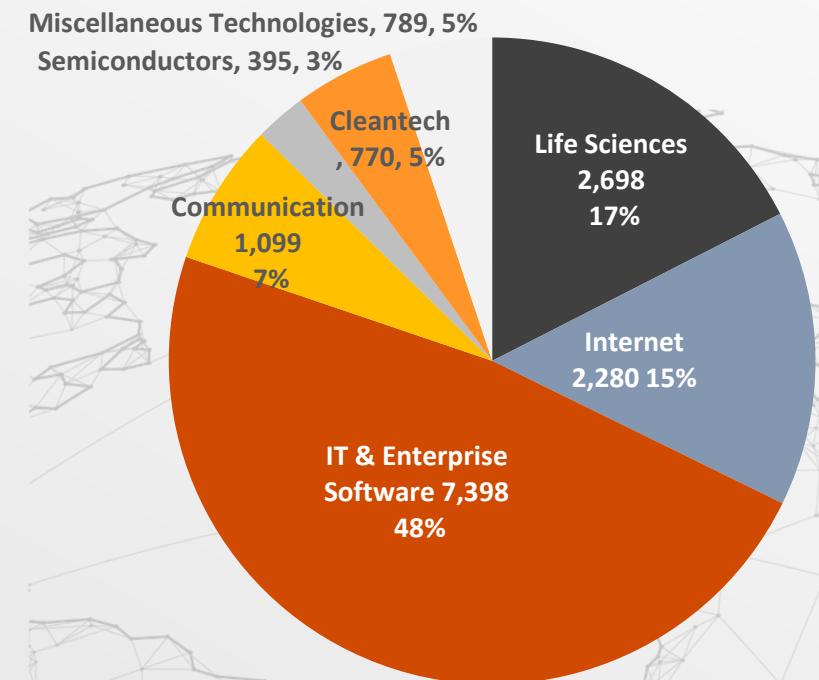


# IPO and M&As – Analysis by Sectors

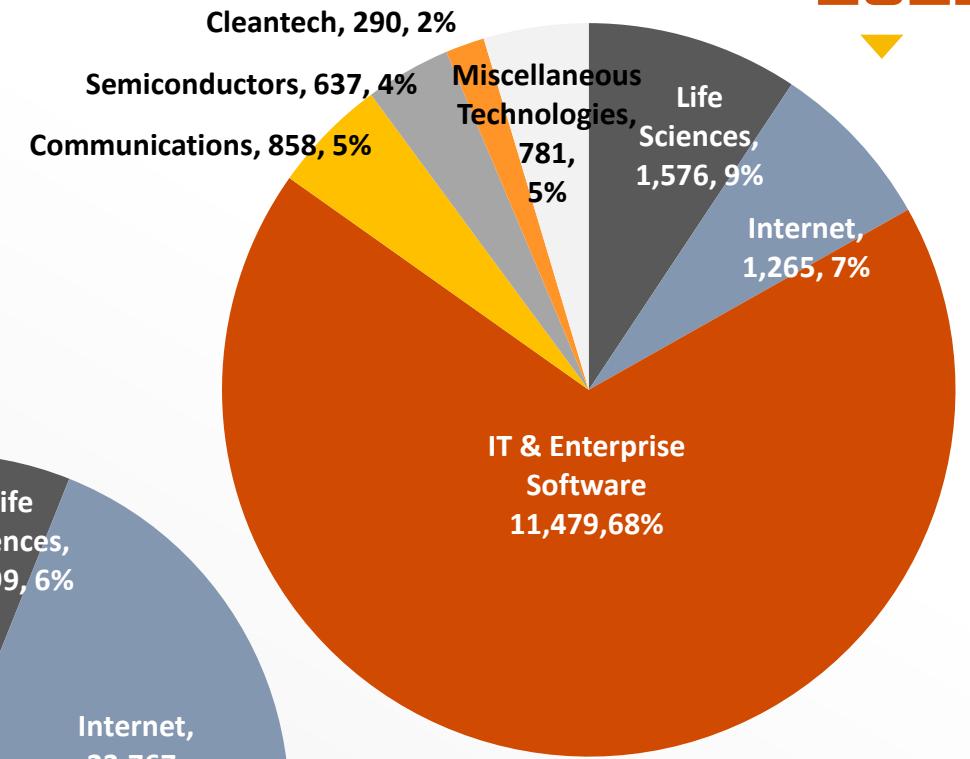
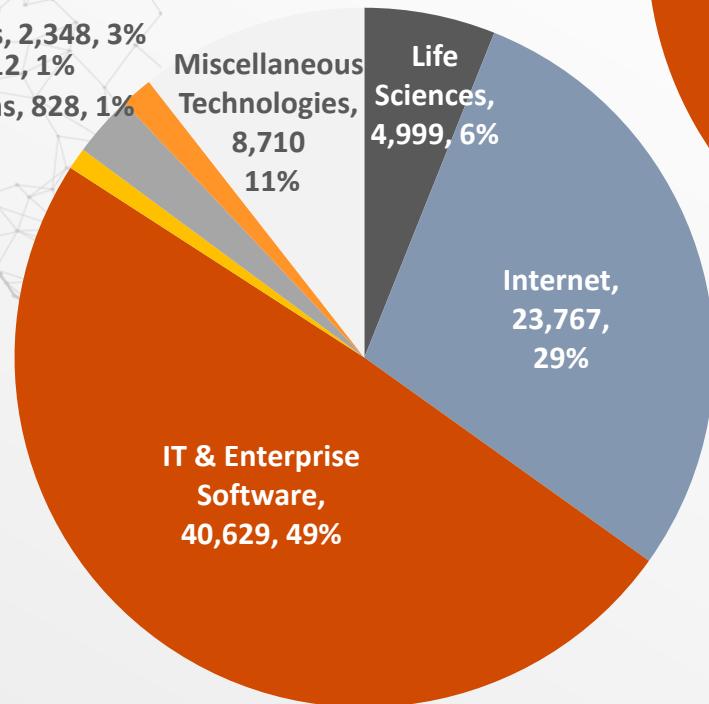


2022

2020

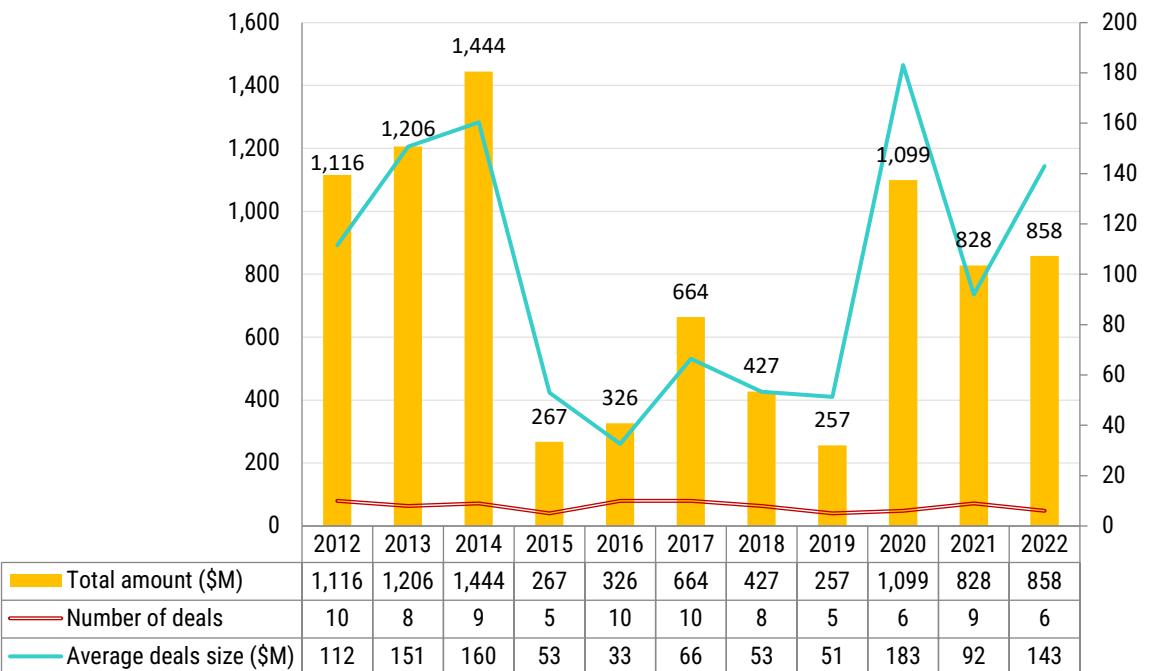


2021



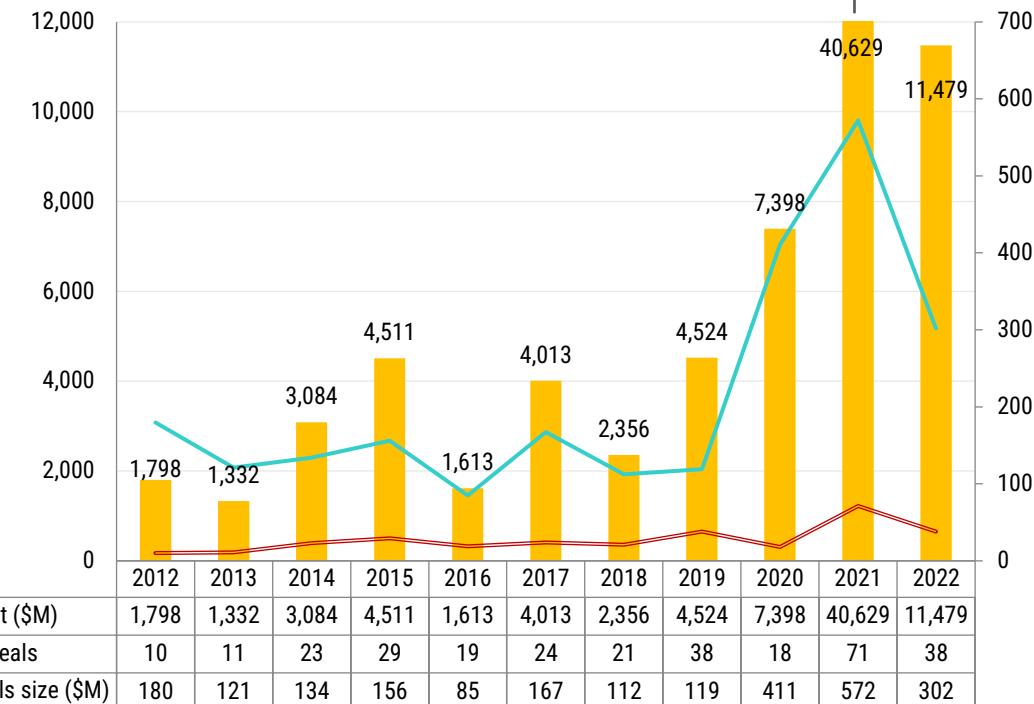
# Analysis by Sector – Communications and IT & Enterprise Software

## Communications



Similarly to previous years, only a handful of deals were closed in the Communications sector, accounting for only 5% of the entire deal number in 2022. The most prominent deal in this sector is the acquisition of Cellwize.

## IT & Enterprise Software

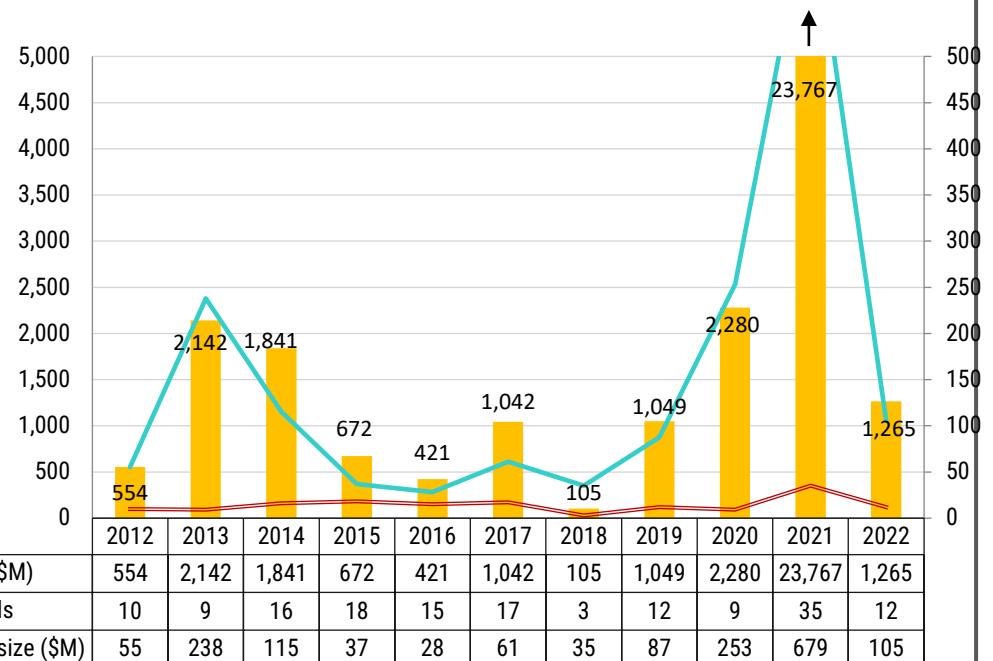


The IT & Enterprise Software sector continues to lead the way, with 38 deals valued at \$11.5 million, representing 68% of all deals. The most notable are Granulate and Siemplify.

# Analysis by Sector – Life Sciences and Internet

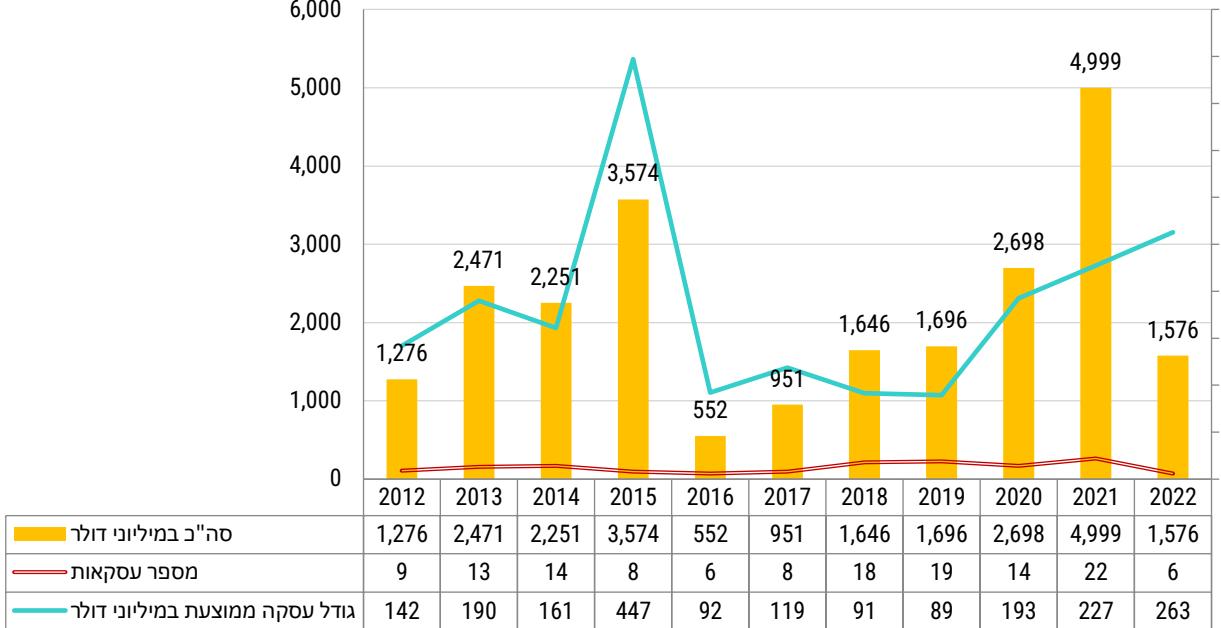


## Internet



The Internet segment has experienced a marked decline in the number of deals (with 12 transactions compared to 35 last year) and in total value (\$1.3 billion compared to \$28.8 billion last year).

## Life Sciences

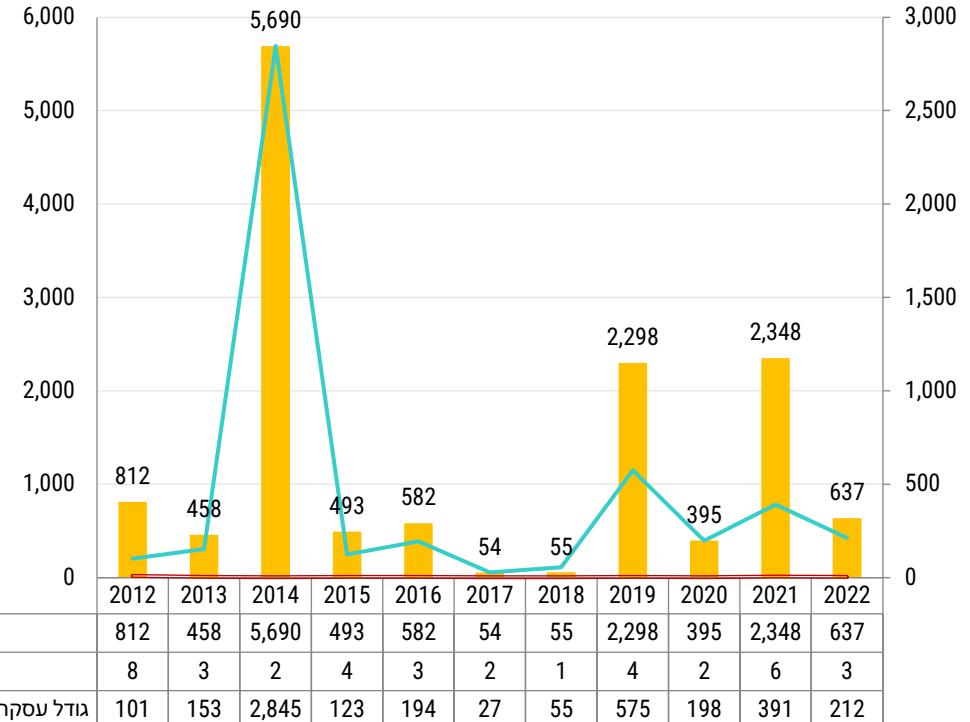
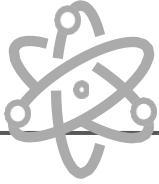


Deal value in the Life Sciences sector was \$1.5 billion, of which the Alpha Tau IPO contributed \$1 billion. The total number of deals was 6, the lowest figure in the last six years.

# Analysis by Sector – Cleantech and Semiconductors

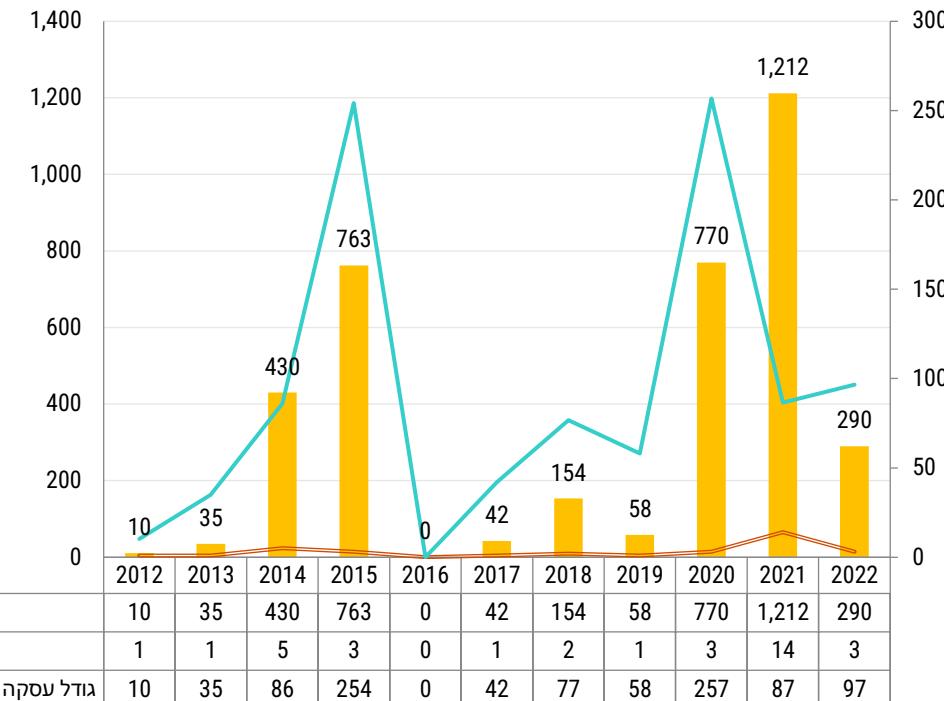


## Semiconductors



Three deals were closed in the Semiconductors sector, with a total value of \$637 million. The deal that especially stands out is the acquisition of Banias Labs.

## Cleantech

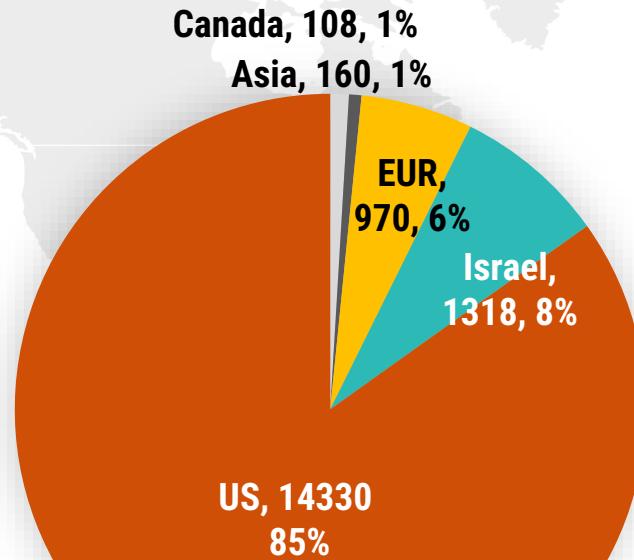


Three Cleantech deals were closed, valued at \$290 million, compared to 14 deals for a total \$1.2 billion last year. However, when excluding 2021, this segment remains stable over time.

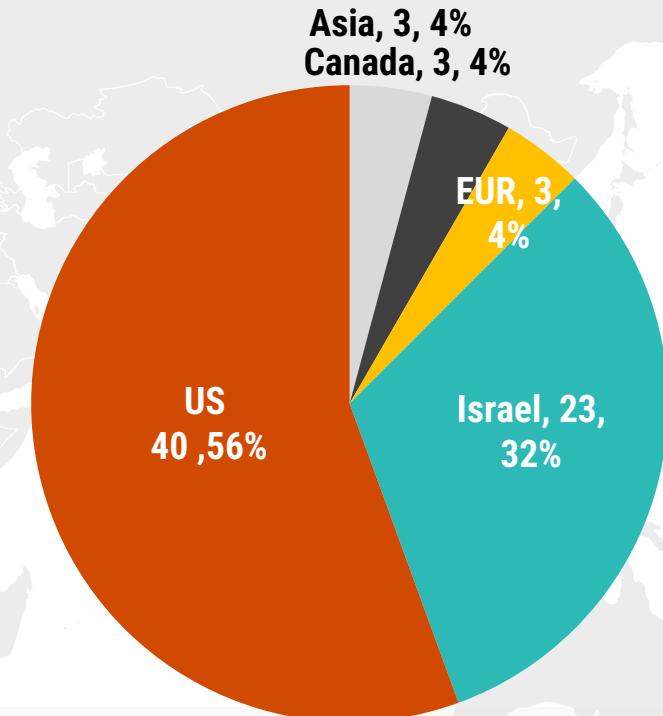
# Geographical Division – Purchasers and IPO



## Value (\$M)



## Number of Deals



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



Twenty-three all-Israeli transactions were closed in 2022 (compared to 77 last year), representing 32% of the total deal count (compared to 45% in 2021). When excluding IPOs, the number of such deals is 18 in 2022 (compared to 32 last year). The US has been, and still is, the most significant player on the buy-side.

# Top 10 Deals

IT & Enterprise Software

**PAGAYA**

\$8.5B

**Nasdaq**

1

Miscellaneous Technologies

**Elmo**  
Motion Control

\$700M

**rexroth**  
A Bosch Company

3

Internet

**finaro**  
Formerly Credorax

\$575M

**SHIFT 4**

5

Communications

**iSi**

\$366M

**TEL AVIV STOCK EXCHANGE**

7

Life Sciences

**CartiHeal**

\$350M

**bioventus**

9

Life Sciences

**AlphaTAU**

\$1B

**Nasdaq**

2

IT & Enterprise Software

**GRANULATE**

\$650M

**intel.**

4

IT & Enterprise Software

**Siemplify**

**G**

6

Semiconductors

**SatixFy**

**NYSE**

8

Communications

**cellwize**

\$350M

**Qualcomm**

10



- 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 in this report also refers to De-SPAC transactions.
- 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 15, 2022.

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