




EXIT REPORT

2023 PwC Israel





October 7 has changed everything. It is too early to foresee the long-term impact of that day's carnage and the war that followed, which is still ongoing. No one knows yet how this will affect the civil, military and economic character of our country, but it is likely to leave a lasting mark. At any rate, the unfolding events have the potential of dramatically shifting the story of our country going forward, including as the Startup Nation.

In many respects, Israel and its tech industry entered this war when in a suboptimal position. The global economic downturn was already taking its toll. There was also the local judicial crisis with its potentially devastating consequences, putting us at risk of rocking the very foundations of our society.

Looking at the hard numbers, this year produced only 45 deals, compared to 72 in 2022, a 38% decline. Total deal value was \$7.5 billion, which is less than half the corresponding figure for last year, with \$16.9 billion. Compared to 2021 – the all-time-record year – the number of deals dropped by 74% and their value plummeted by not less than 91%. Average deal size this year was also diminished by 29%, down to \$167 million, from \$235 million last year. Just to get a sense of the magnitude of change, the same figure in 2021 was \$482 million. The IPO market has dried up almost completely, with only three companies going public, for \$2.5 billion, compared to 13 and \$10.6 billion last year. Again, this is a far cry from the peak year of 2021, when 72 IPOs raked in \$70.1 billion.

Cyber saved the day

Over the years, cyber companies have had a rather sizable contribution to deal metrics relative to other segments. In 2023, the overall decline in the number of deals made this segment stand out even more, and it actually kept the

market afloat. Out of the 45 deals this year, 19 had some connection to cyber, with a cumulative value of \$3.8 billion, and 51% of the total deal value. Another interesting fact is that among the 12 deals with a value of more than \$200 million, not less than 10 came from that segment. When further excluding the two most significant IPOs this year – i.e. Oddity (IL Makiage) and Freightos – cyber is accounting for 100% of all over-\$200M deals.

We have mentioned more than once in our previous reports the growing activity of Israeli or Israeli-affiliated companies as buyers, and not just targets. This trend continued this year, most prominently by cyber players. The Talon and Dig acquisition late this year by Palo Alto Networks and the acquisition of Perimeter 81 by Check Point exemplify the robustness and leading position of the Israeli tech industry even in these challenging times.

The silver lining

Looking at market trends on a quarterly basis, the point where things turned for the worst most precipitously was the first and second quarters of last year. That was the time when the global downturn became more pronounced and the Russia-Ukraine war began. In Q2 2022, the number of deals sharply declined from 33 to 13, and the IPO market was halted almost completely. This downtrend has continued since then.

It is hard to put a finger on the primary factor that shaped the tech industry and deal market over the past year. However, when attempting to draw conclusions from past occurrences, it seems that this time we are in a different reality. Unlike the ability of Israel to recover from past global crises relatively fast and in a reasonably good shape, it feels differently this time. The internal political upheaval and the war are compounded by the fact that

deal numbers are now back to 2013. It is still difficult and premature to tell where this is all going to go, but there is little doubt that the outcomes of the war and the ensuing political and societal developments will be critical to the future of Israel, in general, and its high-tech industry, in particular. The Israeli tech miracle that brought us to new highs is still fragile and must be guarded and protected.

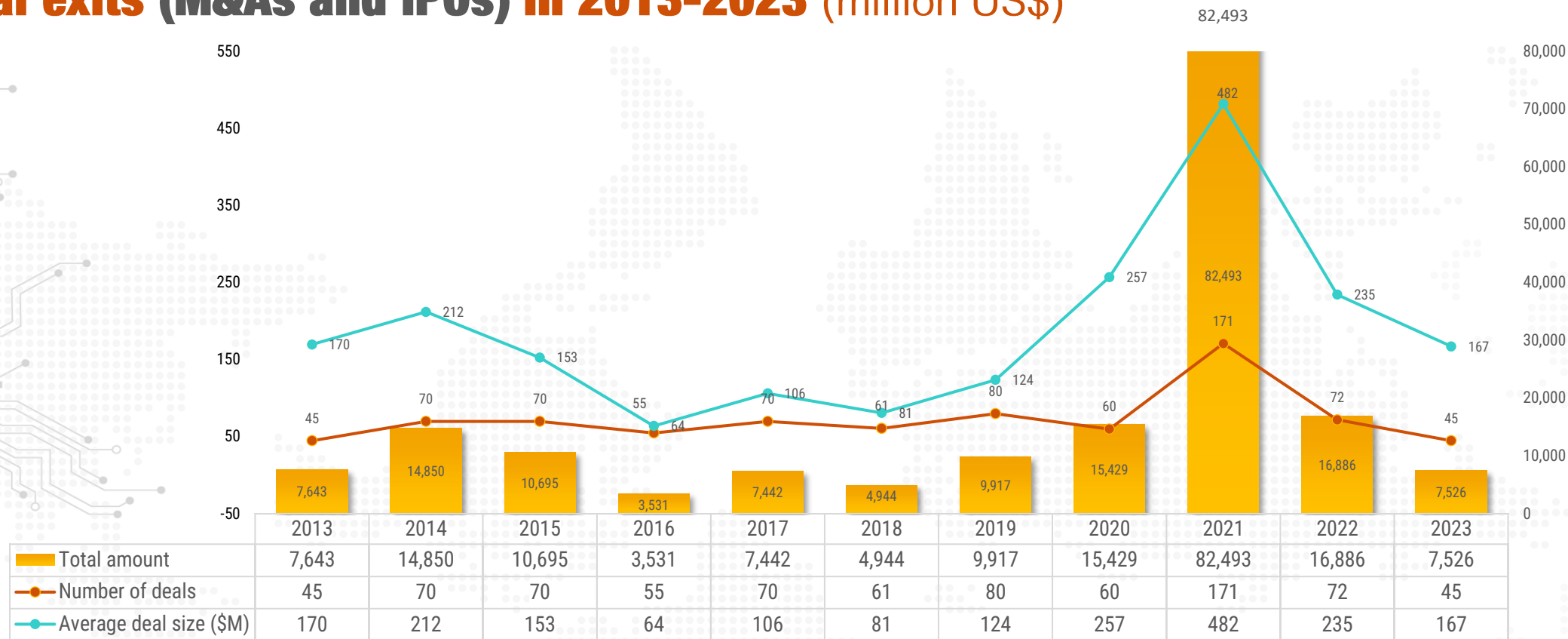
Right now a war is raging, and it is virtually impossible to see deeper into the future. Yet, with all the bad news, this might actually be an opportunity, albeit a painful one. The current hardship also brought to light the unique resilience of our society, which has been the basis for the whole concept of the Startup Nation. A plausible working assumption going forward is that the global economic crisis will eventually and gradually abate, along with the present rampant inflation and interest rates. This is expected to take some of the pressure off the local industry. And, after all, Israel remains a powerhouse for innovative technology and this is as relevant as ever. Large investments are likely to be waiting for the right moment to flow into this country. If we are wise enough to capitalize on our strengths and create an environment that is fertile and stable enough for new companies across multiple segments to flourish, this might end up being a juncture for revitalization and regrowth. In fact, it must be that way, because when it comes to Israel, any other alternative is just not an option.



Yw
Yaron Weizenbluth
Assurance Leader
PwC Israel

Total exits (M&As and IPOs) in 2013-2023 (million US\$)

*This report only refers to exist deals of over \$10 million in value.



M&As and IPOs amounted in 2023 to \$7.5 billion, a 56% drop from \$16.9 billion in 2022. Relative to the record \$82.5 million in 2021, this year's figure represents a 91% fall in deal value.

A total of 45 deals took place in 2023, compared to last year's 72. This slump was also observed in the average deal size, at \$167 million, which represents a 24% decline relative to last year.

When excluding IPOs, the 42 acquisition deals in 2023 reached a combined value of \$5 billion, or an average of \$119 million per deal. By comparison, 2022 had 59 deals with a value of \$6.2 billion, while the record-shuttering year of 2021 boasted 99 M&A deals with a total value of \$11.5 billion.

The analysis in this report excluded 11 follow-on deals. The reason is that those companies have already been featured in previous reports, when they 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 two largest follow-on deals not covered in this report:

- Impreva by Thales
- Neogames by Aristocrat



The total value of the excluded follow-on deals is \$5.6 billion, an 82% drop y/y. Note that Mobileye was listed last year.

Overall analysis including follow-on transactions



The \$1 billion threshold

The \$1B mark was crossed this year only once (excluding follow-on deals), with the \$1.9 billion IPO by Oddity. For the sake of comparison, there were 2 and 21 over-\$1 billion deals in 2022 and 2021, respectively, all of which happened in the US.



Total value of follow-on transactions

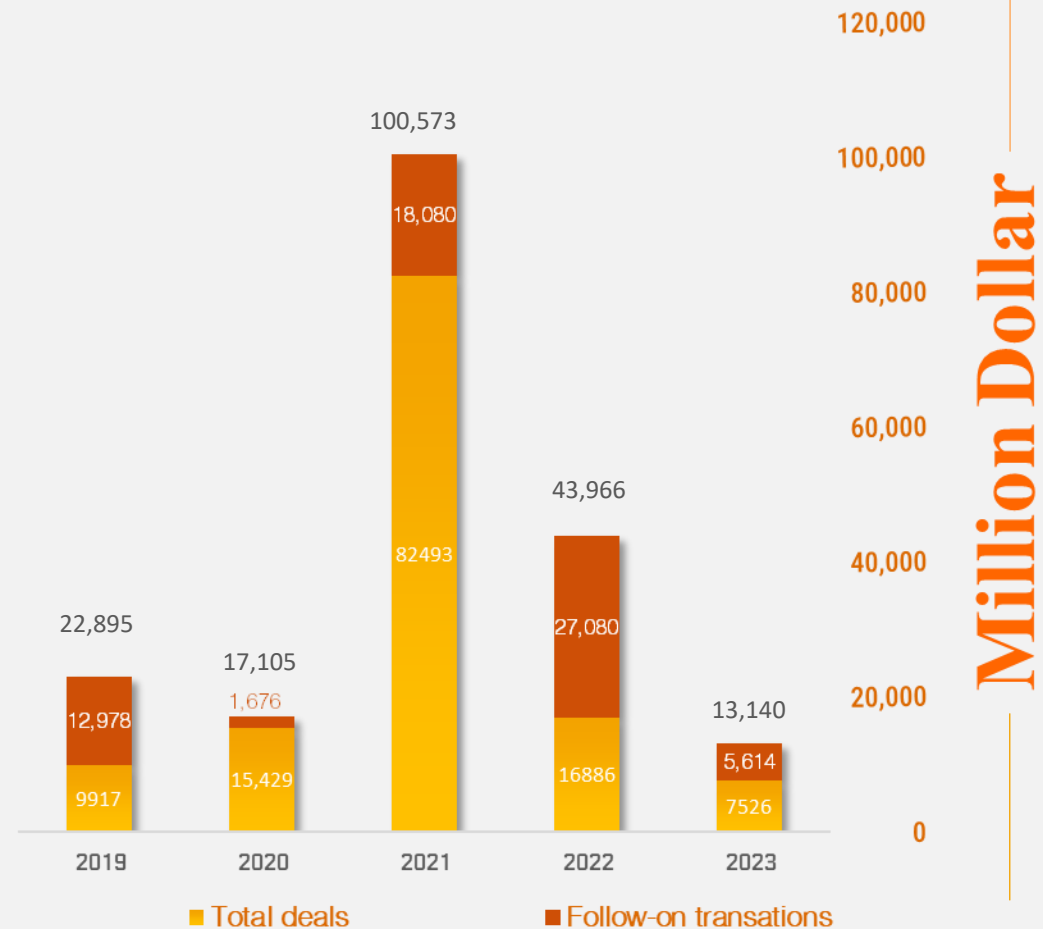
When taking follow-on deals into account (which, as indicated above, are excluded

from our primary analysis, as they were included in previous reports), total deal value in 2023 is reaching \$13.1 billion.

In 2023, eleven follow-on transactions were closed with an overall value of \$5.6 billion, compared to 15 transactions and \$30 billion in 2022.



Total exists (IPOs and M&As) including follow-on deals 2019-2023

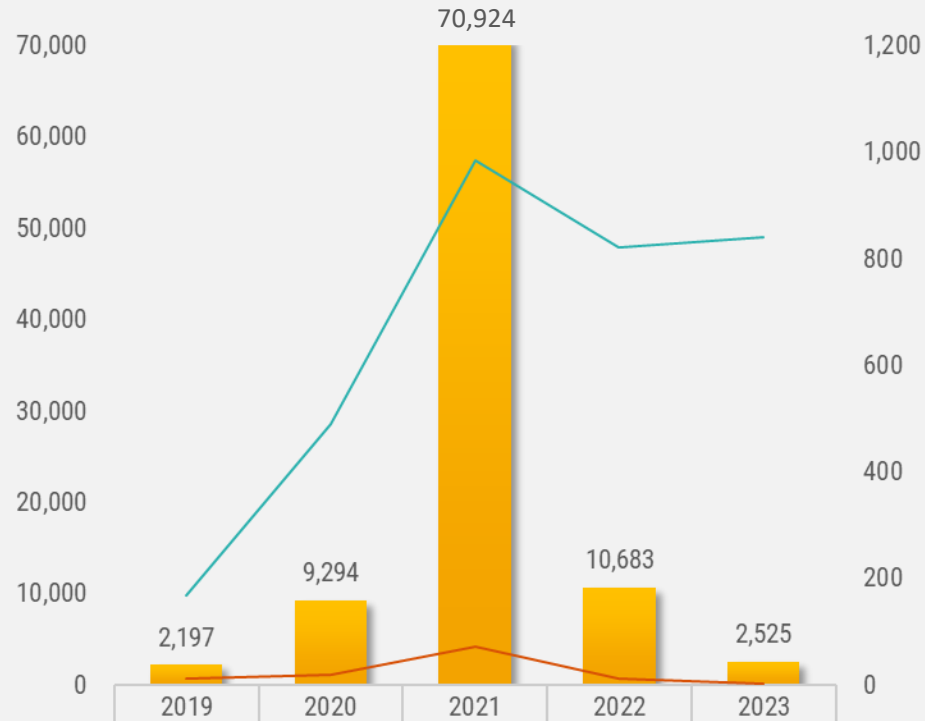


Some of the prominent follow-on transactions are the acquisition of Impreva by Thales for \$3.6 billion (representing a 70% appreciation relative to the previous acquisition) and of Neogames by Aristocrat for \$1.2 billion (\$800 million higher than the value in the IPO).

IPOs vs. M&As

IPOs 2019-2023

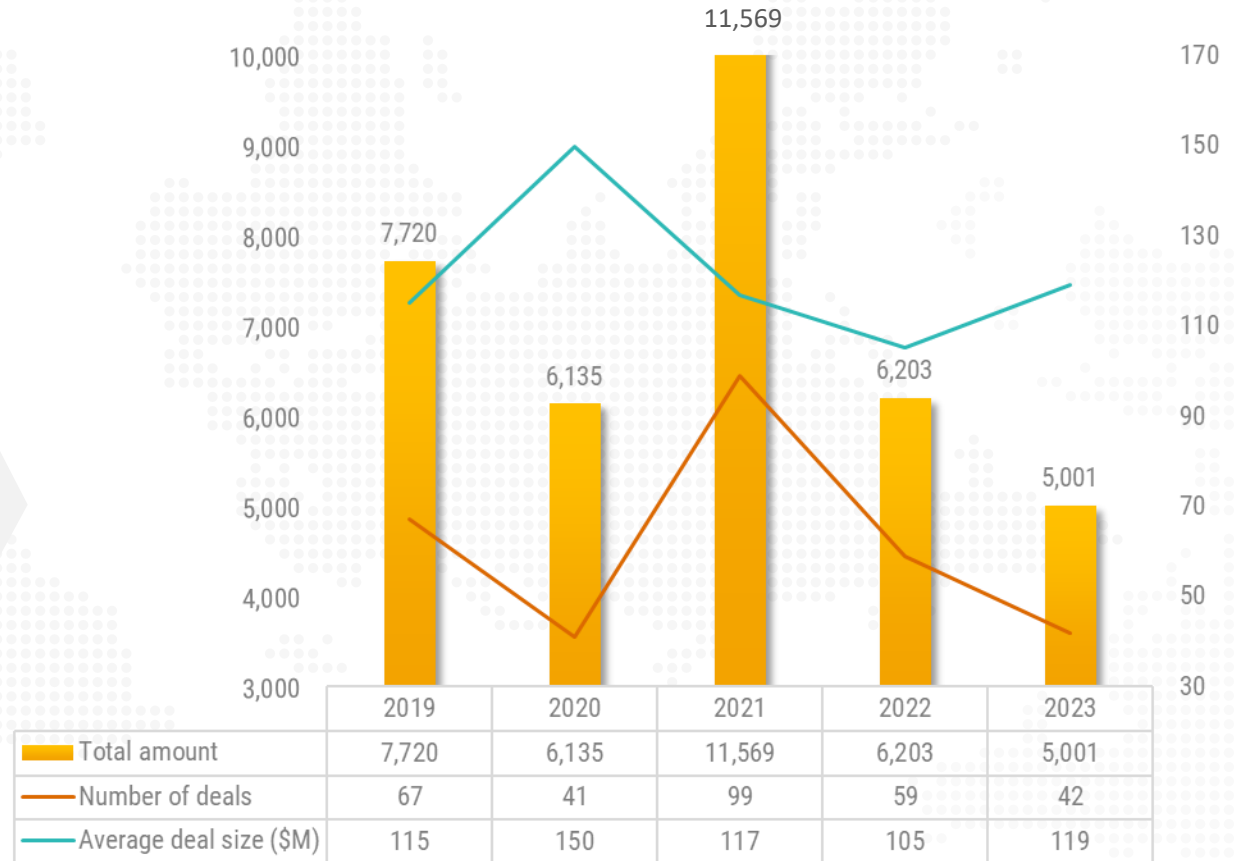
In 2023, three IPOs were completed, headed by the \$1.9 billion Oddity offering. All three IPOs took place on US exchanges. For comparison, 13 IPOs took place last year, of which 8 were in the US (with a total value of \$10 billion) and the rest in the Israeli exchange (total value of \$600 million). The average per IPO was \$842 million, up 2% from \$822 million last year.



Total amount	2,197	9,294	70,924	10,683	2,525
Number of deals	13	19	72	13	3
Average deal size (\$M)	169	489	985	822	842

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

M&As in 2019-2023

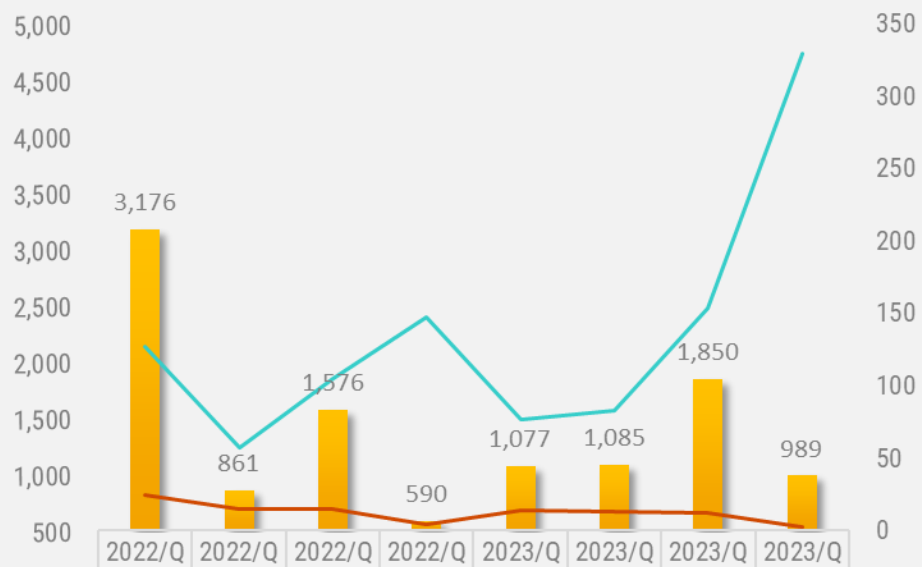


The total value of M&As (excluding IPOs) in 2023 was \$5 billion. This value is 20% less than the corresponding figure last year, when deal value (excluding IPOs) was \$6.2 billion. The figure this year is down 57% compared to the \$11.6 billion in 2021.

Quarterly based analysis

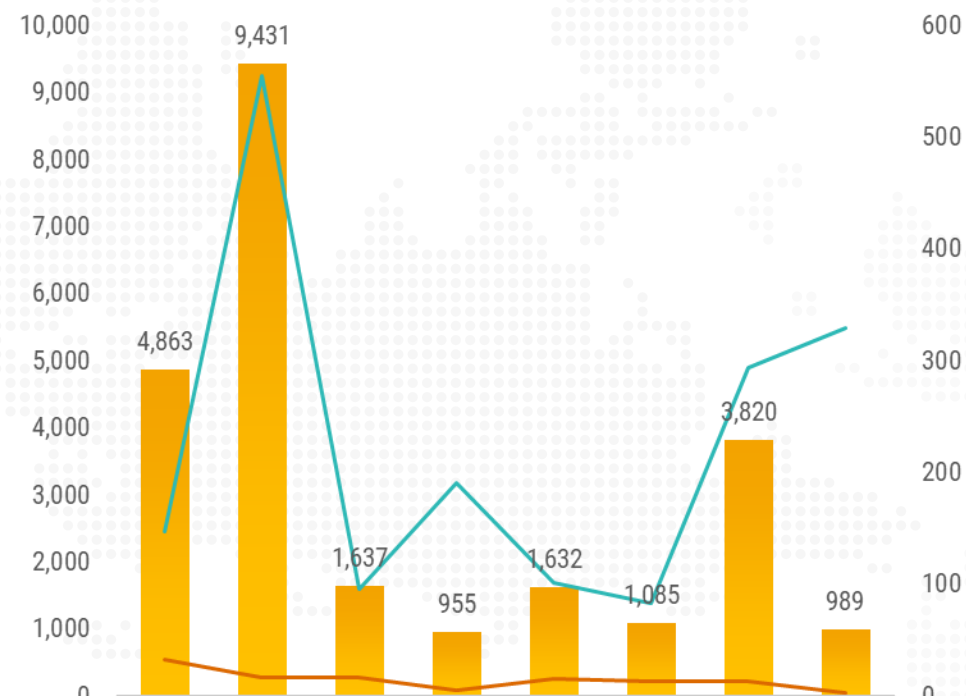
M&As (excluding IPOs) – 2022-2023

The graph below shows that Q1 2022 had 25 deals (excluding IPOs) with a total value of \$3.2 billion. This was followed by a sharp drop in the number of M&As. Note that the Russia-Ukraine war began halfway through Q1 2022, and inflation also began to soar worldwide.



Total amount	3,176	861	1,576	590	1,077	1,085	1,850	989
Number of deals	25	15	15	4	14	13	12	3
Average deal size (\$M)	127	57	105	148	77	83	154	330

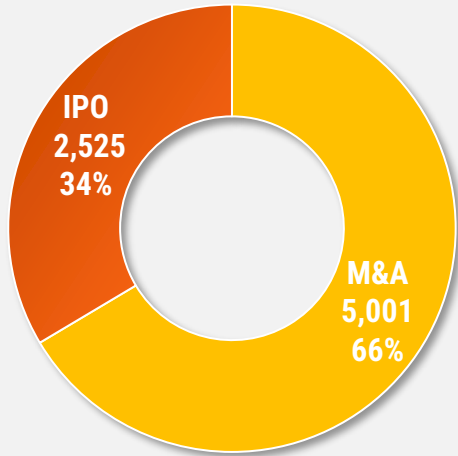
Total deals (including IPOs) – 2022-2023



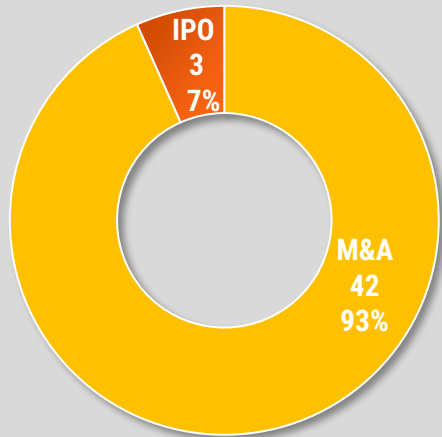
Total amount	4,863	9,431	1,637	955	1,632	1,085	3,820	989
Number of deals	33	17	17	5	16	13	13	3
Average deal size (\$M)	147	555	96	191	102	83	294	330

Two IPOs were performed in Q2 2022, including the \$8.5 billion offering of Pagaya (which as of issuing this report has a market cap of about \$900 million).

IPOs vs. M&As

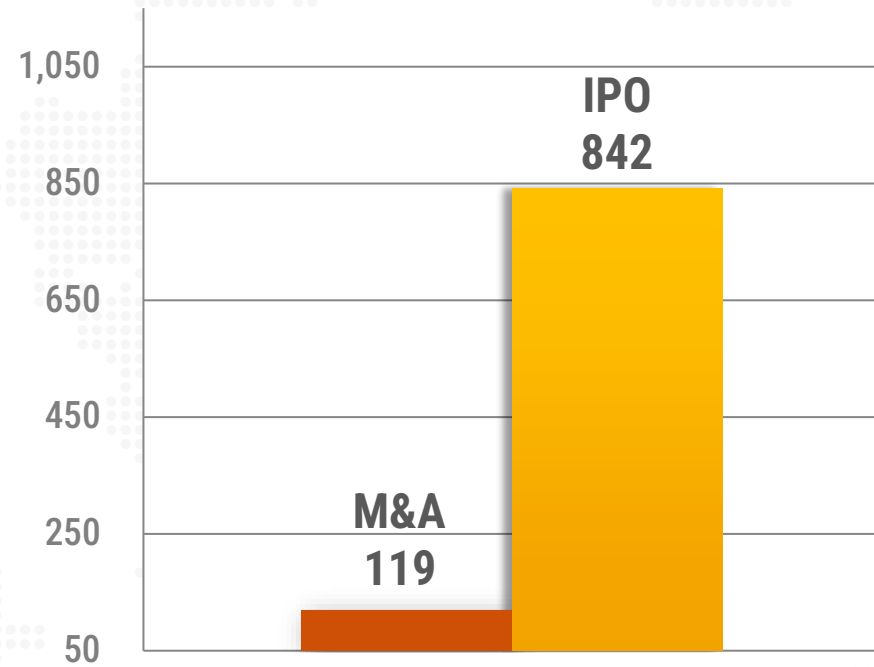



Total deals
(in million \$)




Number of deals

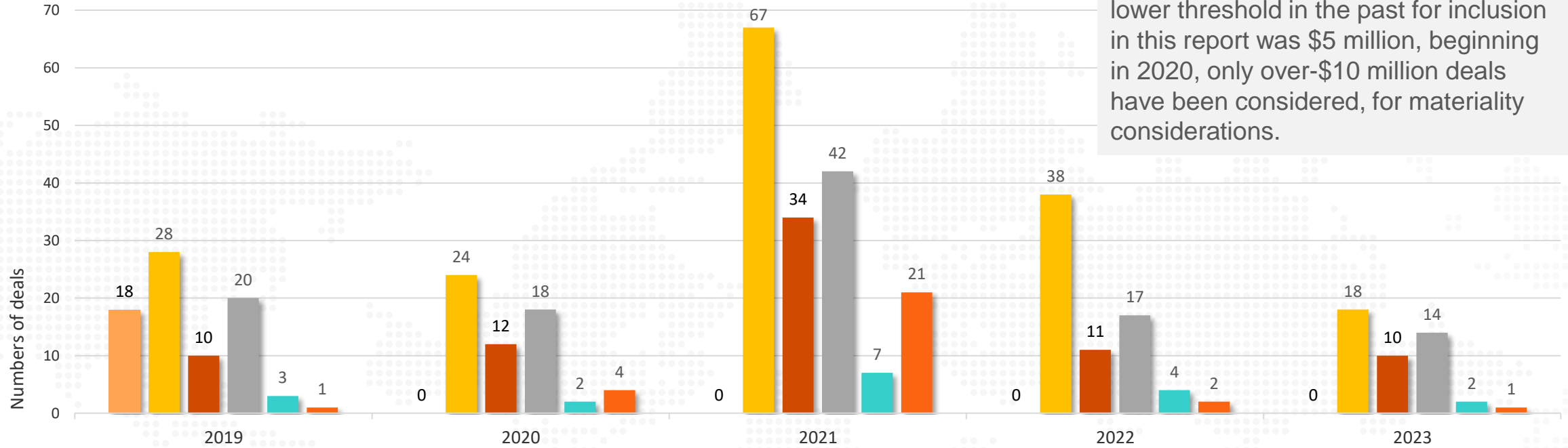
Average per deal (in million \$)



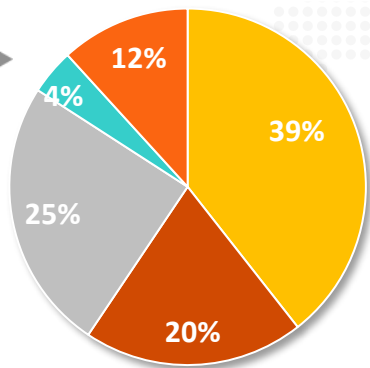
This year's average IPO value is \$842 million, slightly higher than 2022 (\$822 million). This uptick is mainly associated with the Oddity IPO. The average M&A deal size was also up, from \$102 million in 2022 to \$119 million in 2023.

Analysis by deal size (in million \$) – deal numbers

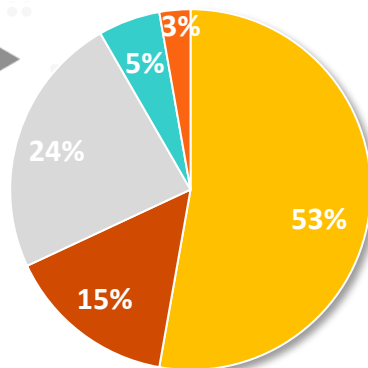
The graphs presented here include IPOs and M&As and do not include follow-on deals. Additionally, while the lower threshold in the past for inclusion in this report was \$5 million, beginning in 2020, only over-\$10 million deals have been considered, for materiality considerations.



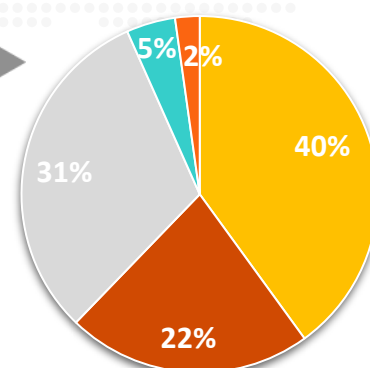
2021 ▶



2022 ▶



2023 ▶



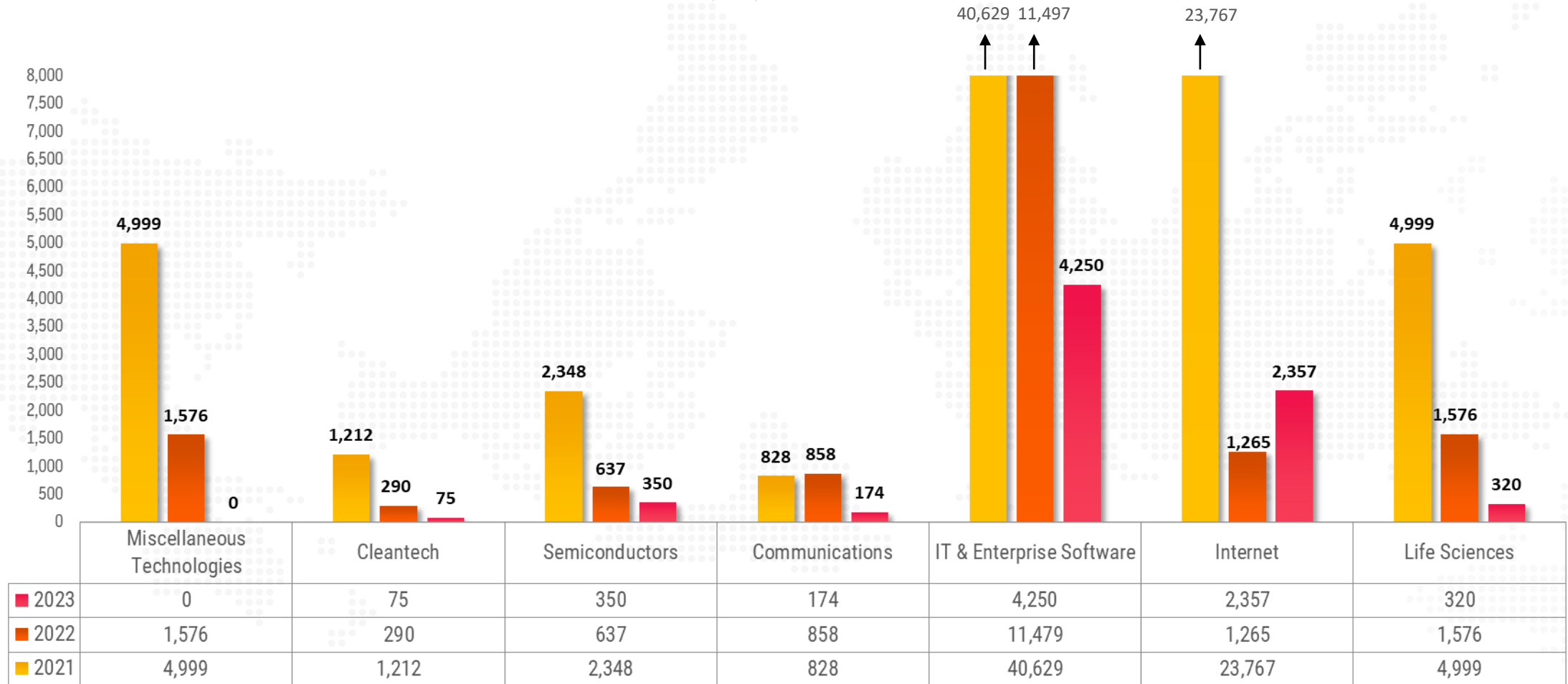
Three significant deals (over \$500 million) were closed in 2023, with a total value of \$3.1 billion, compared to the previous year in which 6 such deals had a value of \$11.9 billion.

There were 14 deals this year in the \$100-\$500 million bracket, with a total value of \$3.4 billion. Nine of those involved cyber companies.

The \$10-\$50 million bracket continues to lead, accounting for 40% of all deals.

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

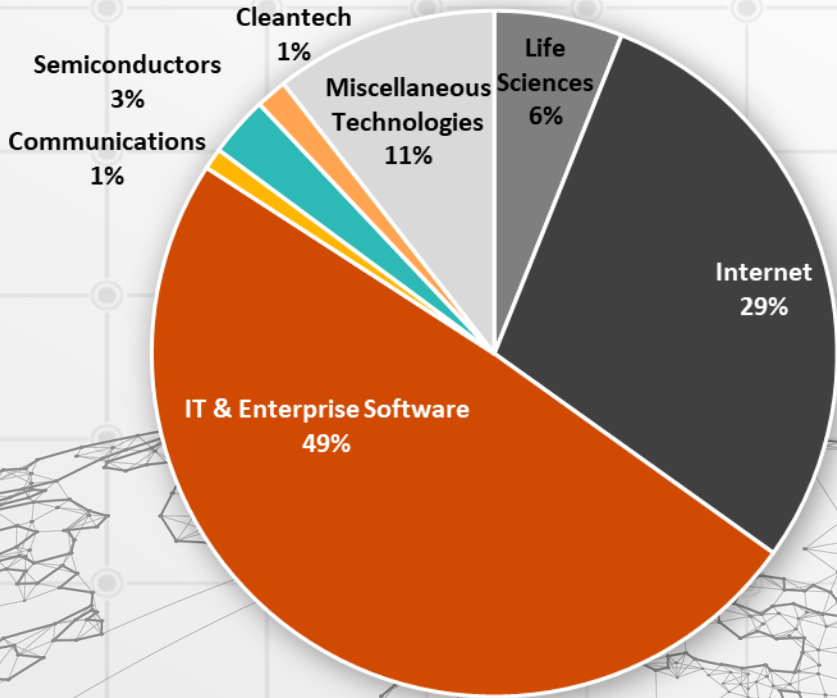
Analysis by sectors (in million \$)



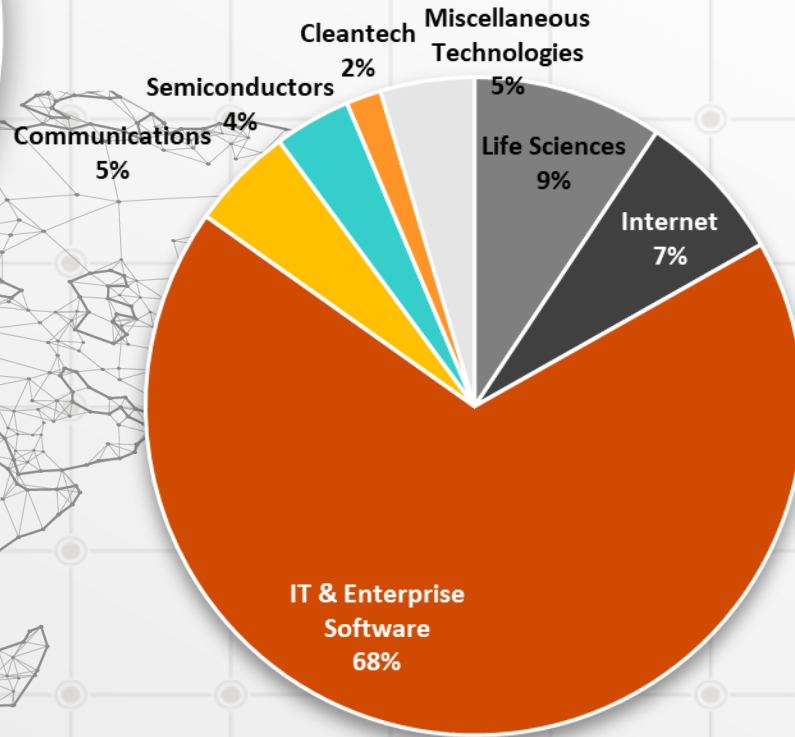
As shown in the graphs, the IT & Enterprise Software segment has continued in 2023 to lead with the highest number of deals (60%) and with a total value of \$4.2 billion. Additionally, in 2023, the Internet segment had six deals totaling \$2.3 billion (of which \$1.9 billion in the Oddity IPO), compared to 2022 with 12 deals and \$1.2 billion.

Analysis by sectors (in million \$)

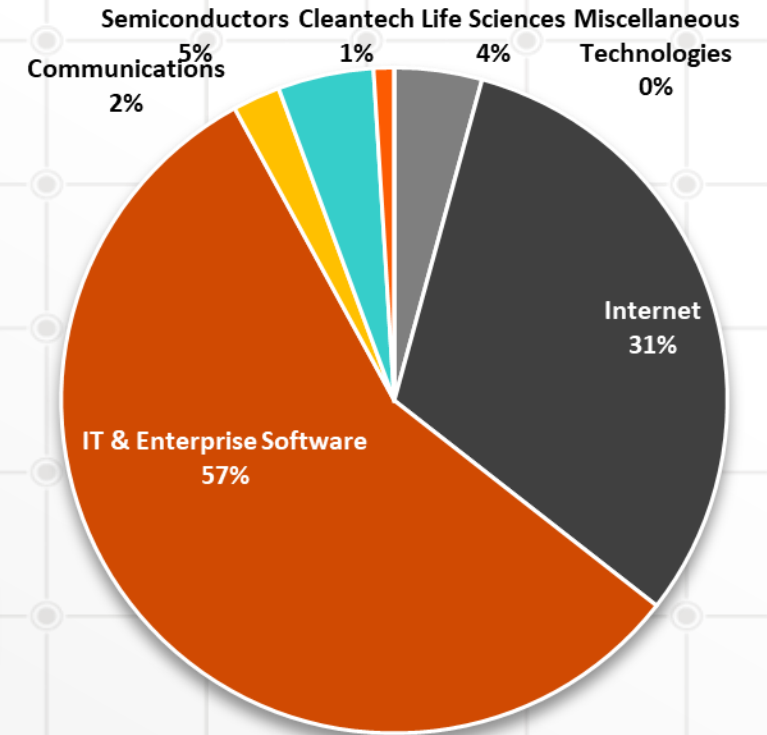
2021



2022

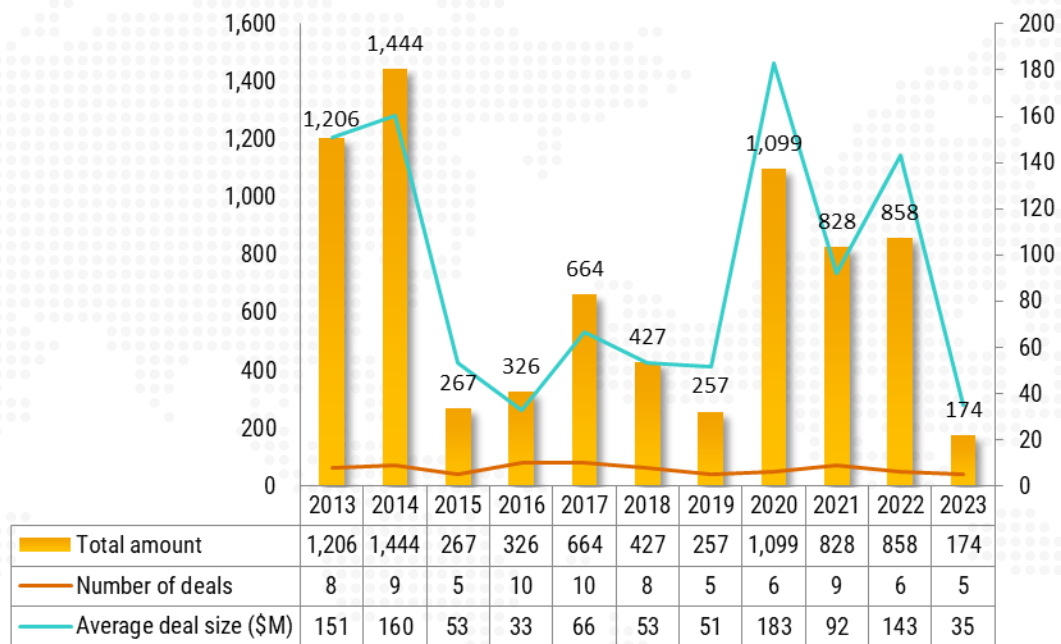


2023



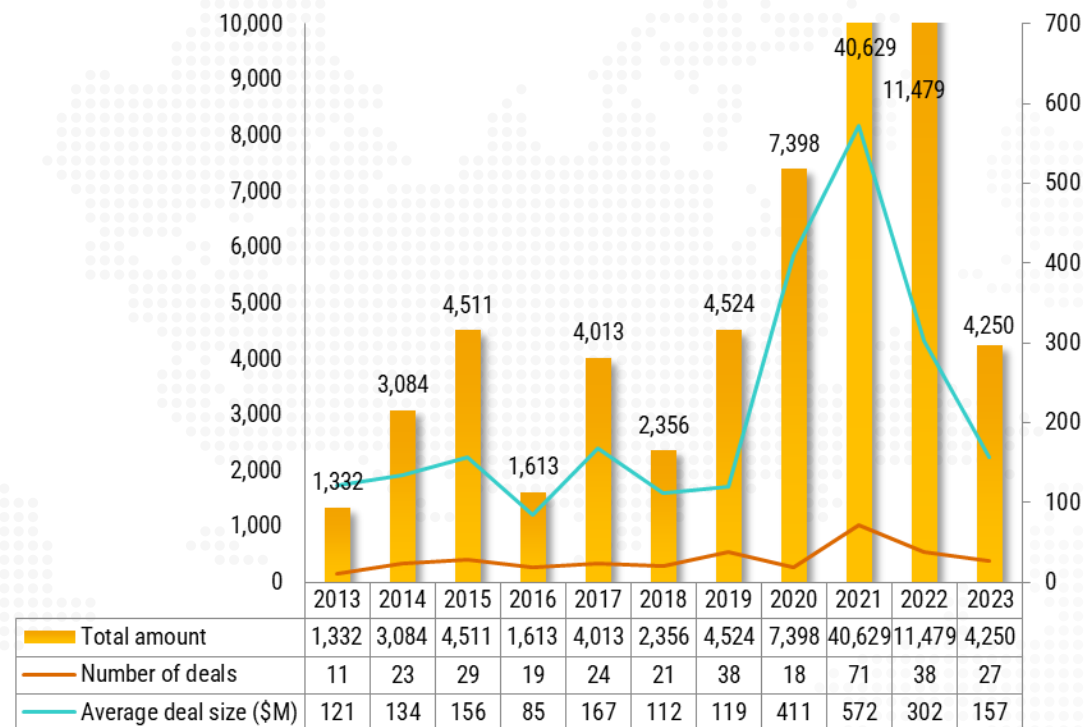
Analysis by sector – IT & Enterprise Software and Communications

Communications



Five deals were recorded in the Communications segment, contributing \$174 million. This is a drop of 80%, from \$858 million in 2022.

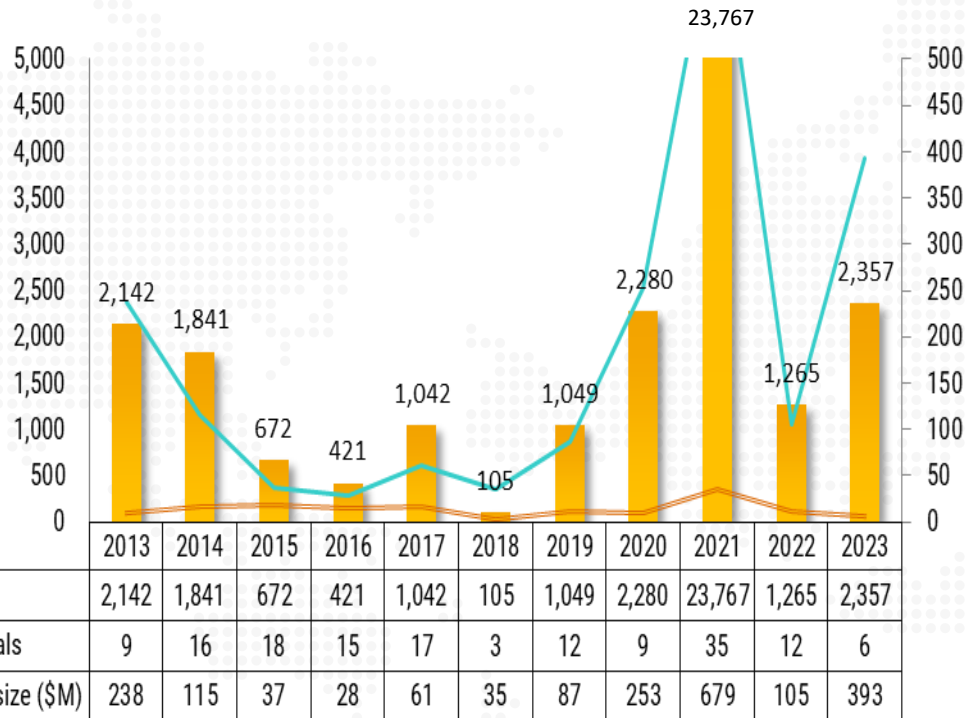
IT & Enterprise Software



The IT & Enterprise Software sector continues to lead this year too, with 27 deals and \$4.2 billion in total, representing 60% of all deals. The most notable transactions are Talon (acquired by Axis), Palo Alto (acquired by HPE) and Perimeter81 (acquired by Checkpoint). All the above are cyber deals.

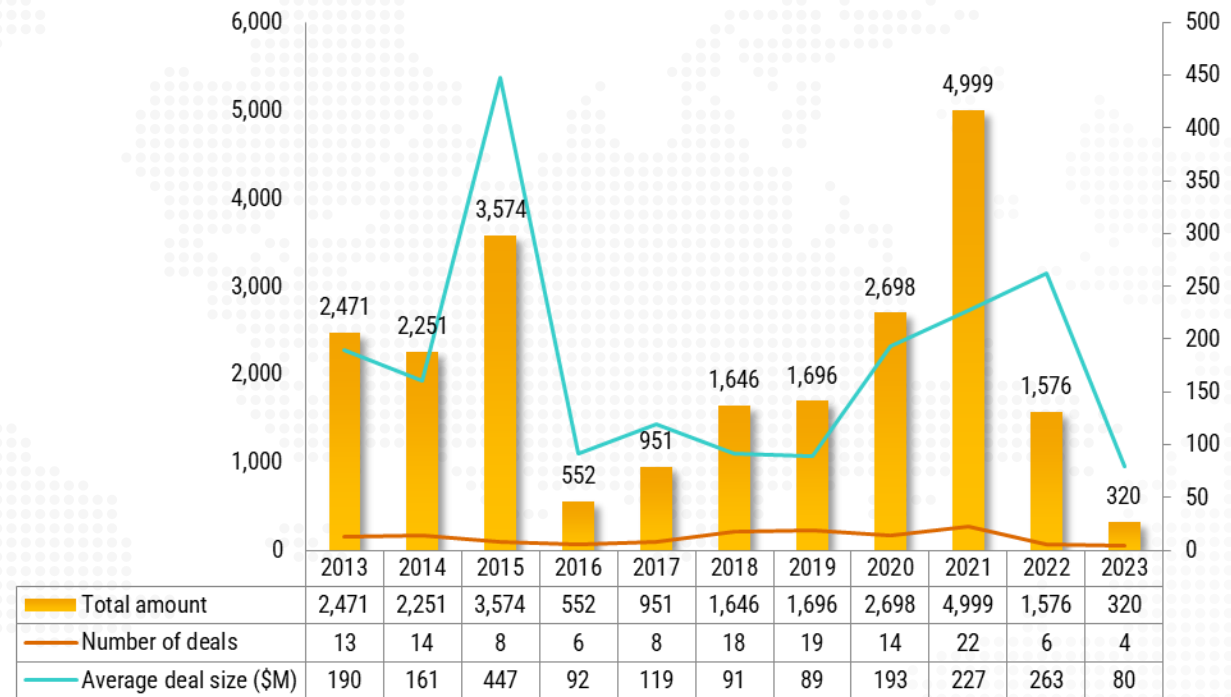
Analysis by sector – Life sciences and Internet

Internet



The Internet segment has continued to experience a decline in the number of deals, with 6 transactions compared to 12 last year. However, total value is \$2.3 billion, up 91% relative to \$1.2 billion in 2022.

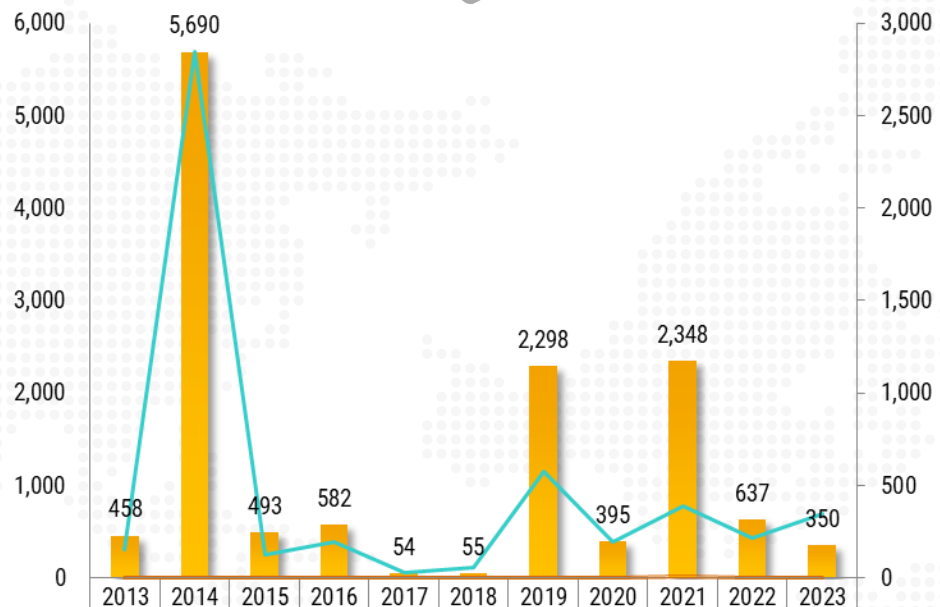
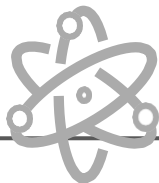
Life sciences



Deal value in the Life sciences sector was \$320 million. The total number of deals was 4, the lowest figure in the last 10 years.

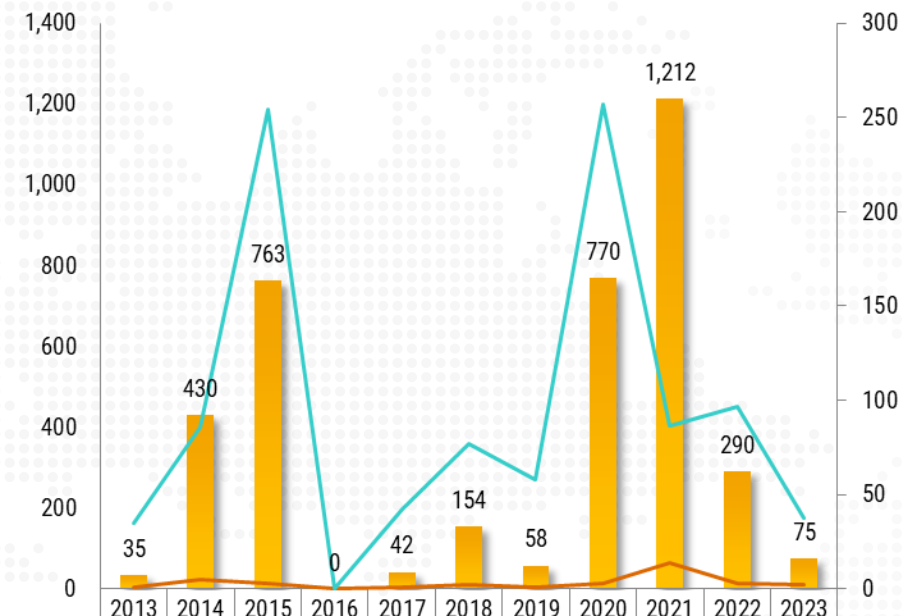
Analysis by sector – Cleantech and Semiconductors

Semiconductors



Total amount	458	5,690	493	582	54	55	2,298	395	2,348	637	350
Number of deals	3	2	4	3	2	1	4	2	6	3	1
Average deal size (\$M)	153	2,845	123	194	27	55	575	198	391	212	350

Cleantech



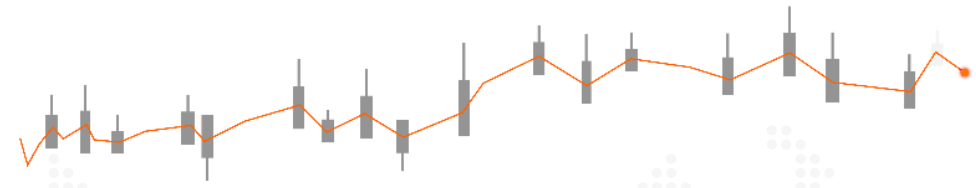
Total amount	35	430	763	0	42	154	58	770	1,212	290	75
Number of deals	1	5	3	0	1	2	1	3	14	3	2
Average deal size (\$M)	35	86	254	0	42	77	58	257	87	97	38

A single deal was closed in the Semiconductors sector – the sale of Autotalks to Qualcomm for \$350 million.

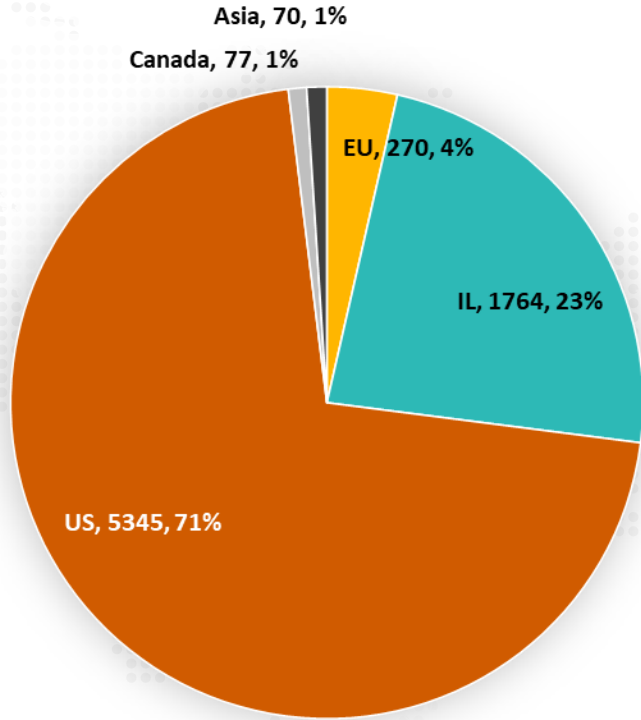
Two Cleantech deals were closed, valued at \$75 million, compared to 3 deals for a total \$290 million last year. Excluding 2021, deal number in this segment remains stable over time.



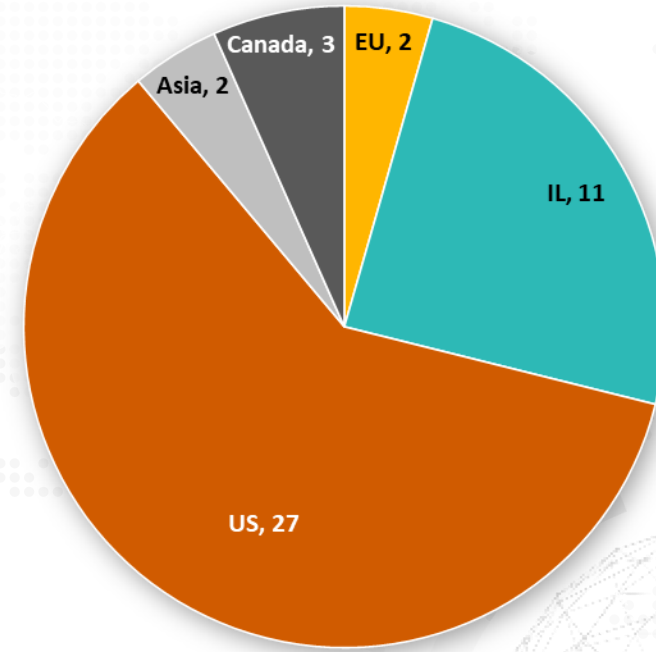
Buyers and IPOs by geography



Deal value (in million \$)



Number of deals



The US has been and still is the most significant player on the buy-side, with 27 deals, representing 60% of the total count (compared with 39 and 54%, respectively, in 2022).

Eleven transactions involved Israeli buyers, or 24% of the overall number of deals (compared to 24 and 33%, respectively, in 2022).

*For the purpose of this analysis by geography, buyers with significant affiliation to Israel were counted as Israeli.

Top 10 Deals

Internet

ODDITY **\$1.9B** Nasdaq **1**

IT & Enterprise Software

TALON **\$625M** paloalto NETWORKS **2**

IT & Enterprise Software

FREIGHTOS **\$500M** Nasdaq **3**

IT & Enterprise Software

perimeter 81 **\$490M** CHECK POINT **4**

IT & Enterprise Software

axis **\$410M** Hewlett Packard Enterprise **5**

Semiconductors

Autotalks **\$350M** Qualcomm **6**

IT & Enterprise Software

BIONIC **\$350M** CROWDSTRIKE **7**

IT & Enterprise Software

Dig Security **\$350M** paloalto NETWORKS **8**

IT & Enterprise Software

ermetic **\$265M** tenable **9**

IT & Enterprise Software

Lightspin **\$225M** CISCO **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 03, 2023.

Yaron Weizenbluth
Head of Assurance
T: +972-3-7954930
M: +972-54-6300504
E: Yaron.Weizenbluth@pwc.com

Amos Avner
Head of Hi-Tech Business Development
T: +972-3-7953887
M: +972-51-2060185
E: Amos.Avner@pwc.com

Itamar Brod
Hi-Tech Business Development
T: +972-3-7954904
M: +972-54-5531597
E: Itamar.Brod@pwc.com



© 2023 Kesselman & Kesselman. All rights reserved.

In this document, "PwC Israel" refers to Kesselman & Kesselman, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity. Please see www.pwc.com/structure for further details.

This document does not constitute professional advice. It does not *take into account* any objectives, financial situation or needs of any recipient. Any recipient should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, Kesselman & Kesselman, and any other member firm of PwC, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it, or for any direct and/or indirect and/or other damage caused as a result of using the publication and/or the information contained in it.