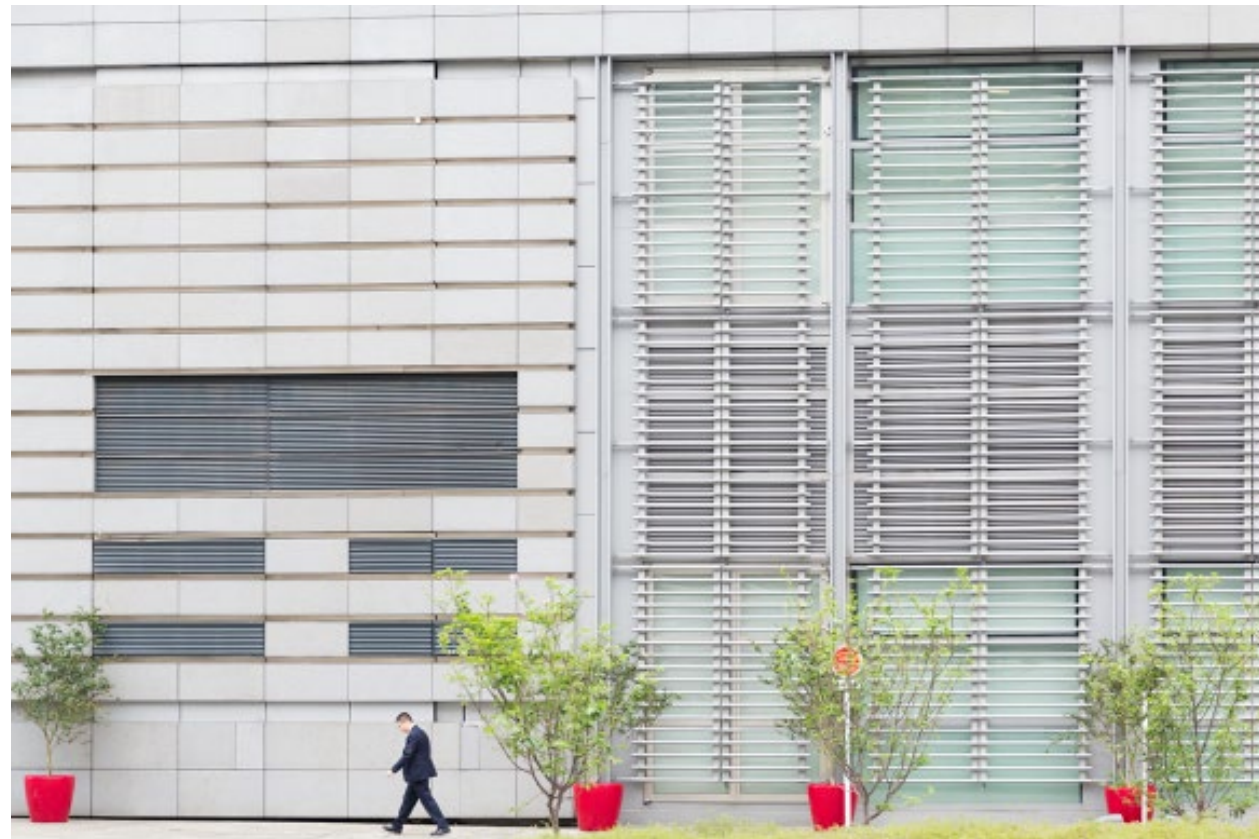


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# *The PwC Israel 2014 Hi-Tech Exit Report*

M&A deals accounted for \$5B; IPOs for \$9.8B





Rubi Suliman,  
Partner, Hi-Tech  
Leader, PwC Israel

**With nearly \$15 billion in exit deals, 2014 is by far an all-time record year for the Israeli hi-tech industry.** The stars seemed to be aligned just perfectly this year for the local industry, and brought about this unprecedented success. To understand what happened in 2014, we need to look at the concurring factors that came together just at the right timing: an opportunity in the US and UK IPO market; maturity of both Israeli tech companies and investors, which was supported by the large exist deals over the last 3 years; highly-liquid investors, along with a lack of alternative investments; and last, but not least, the strength of the Israeli hi-tech that was able to reinvent itself in this ever changing environment.

### **IPOs lead the way**

The 18 IPOs totaling \$9.8 billion this year (compared to just \$1.2 billion in 2013) show even to the most skeptic that Israelis want and can build large multi-nationals. This year we saw how mature the industry has become. Companies that would previously tend to get sold to earn investors handsome returns faster decided this time around to go for the IPO options with the vision of growing even further. For this to occur, it is not enough to have an open IPO window on the markets. It takes a combination of entrepreneurs who are up for this complex task, coupled with patient and supportive investors that choose to go all the way. Most of those companies have made at some stage the strategic decision to avoid a quick exit and take the riskier path. In addition, everyone

benefits from this trend because it makes valuations soar higher than it would have through M&As. With 13 IPOs in the US and 5 in the UK (AIM), it seems that both entrepreneurs and investors have already realized that.

### **M&As declining?**

The \$5 billion in 2014, down from \$6.5 a year earlier, might seem to suggest a downward trend. But taking those numbers in conjunction with IPO data suggests that this decline owns to the fact that many mature companies have elected to take the IPO route. Fifty two companies were sold in 2014, compared to 39 in 2013, which means that the number of transactions has actually risen, while the average transaction price tag dropped from \$165 million to \$97 million. It appears, then, that the successful IPOs this year have discouraged many more companies to get sold early.

### **Where are we going from here?**

It's fair to say that the Israeli hi-tech industry will be hard pressed to have another year like this, but we still don't see the end of this current wave of IPOs. There are still many Israeli companies with the ability and appetite to go public and become leaders in their markets. The same can be said about the corporate appetite for M&As, and deals are likely to continue with full force well into 2015.

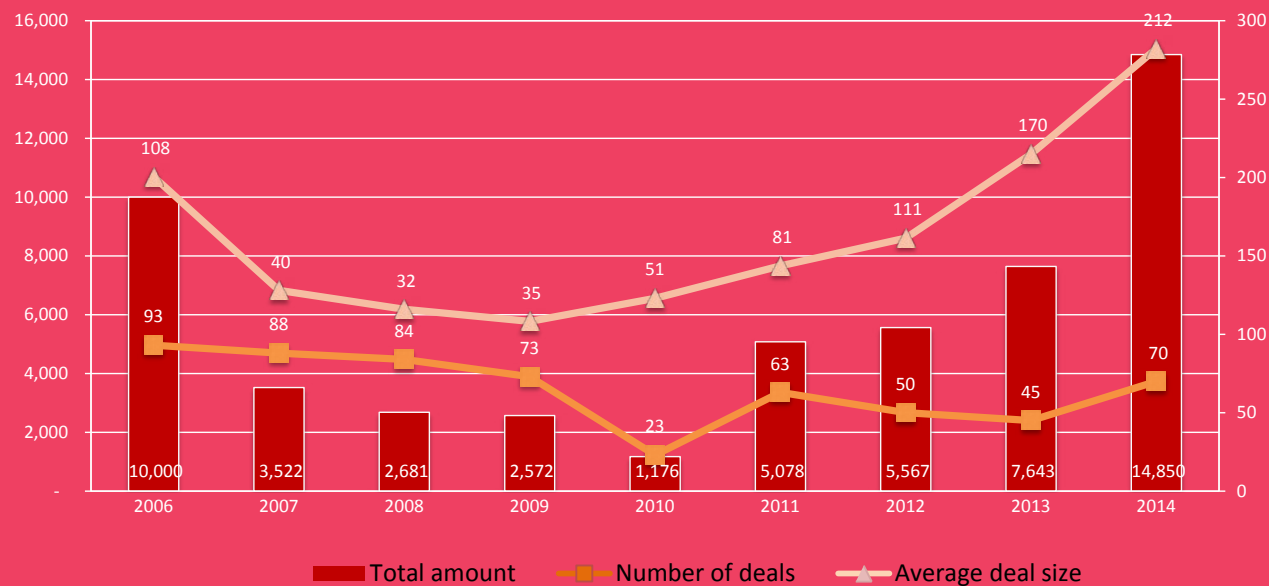
### **Deeper into the future**

The amounts invested in Israeli hi-tech are going up, many funds are raising money and new investors are joining. The 'entrepreneurial bug' is spreading across Israel, and we are thus expected to see ever more startups popping up. In the longer run, however, local startups will face growing competition from East Asia and even from Europe, and more countries will claim their place as hubs of tech innovation. Israel has clear advantage as of now. To maintain this edge over time, Israel needs to catch up and even exceed the rest of the world in terms of investments in education, especially tech-related, to train well the next generations of entrepreneurs and employees of the Israeli tech industry.

We believe that this report serves as proof that this investment may be one of the best the government can make.

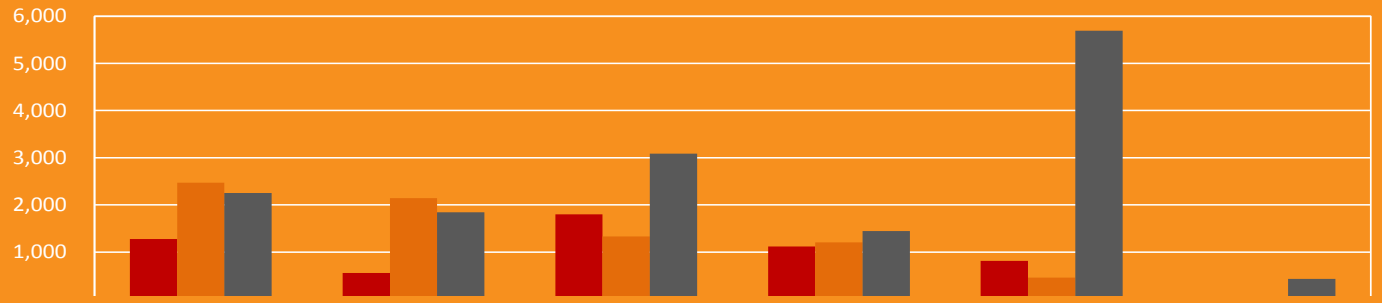
I wish you all a happy and successful new exit year,  
Yours,  
Rubi Suliman, Partner, Hi-Tech Leader,  
PwC Israel

## Total annual exits (IPO & M&A) 2006-2014 (in \$ millions)

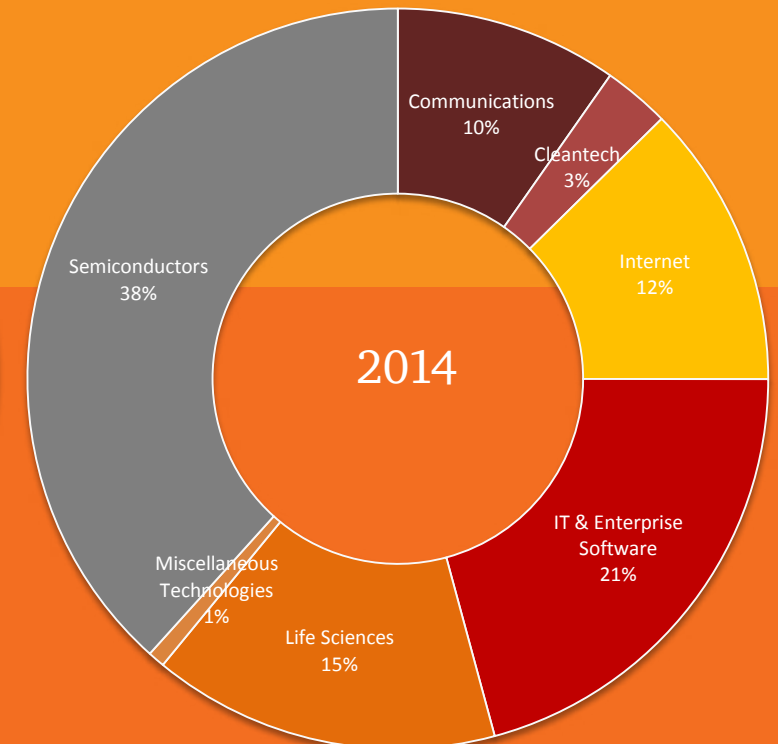
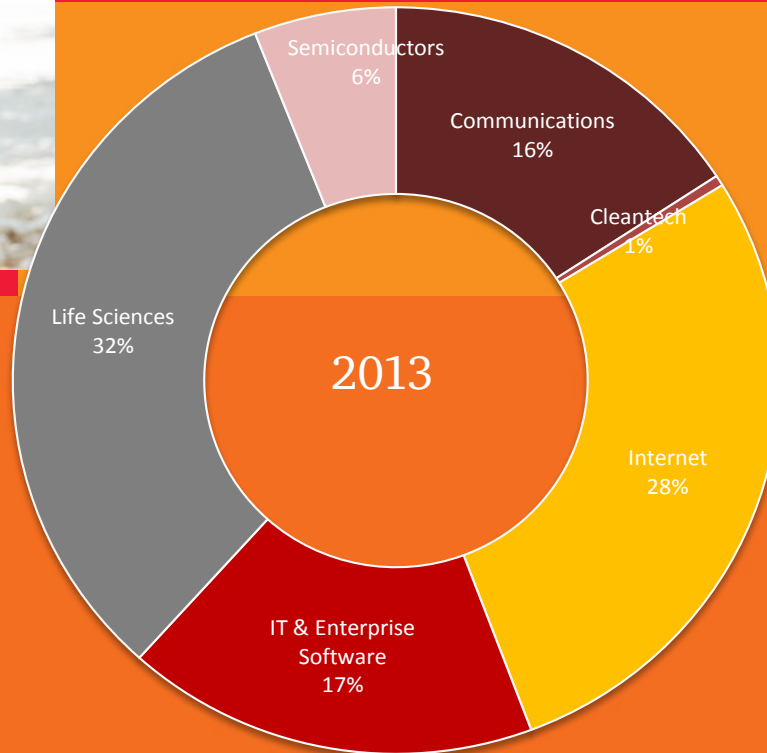


	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Total Amount (\$M)</b>	10,000	3,522	2,681	2,572	1,176	5,078	5,567	7,643	14,850
<b>Number of deals</b>	93	88	84	73	23	63	50	45	70
<b>Average deal size (\$M)</b>	108	40	32	35	51	81	111	170	212

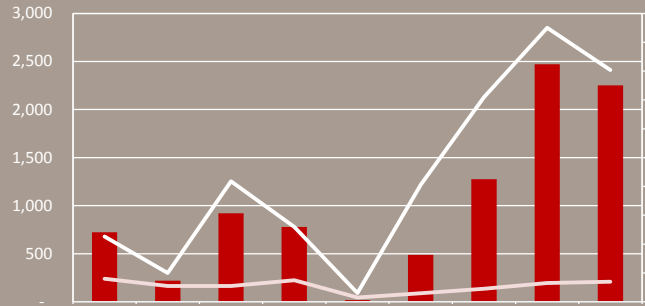
# Total annual exits by sector (in \$ millions)



	Life Sciences	Internet	IT & Enterprise Software	Communications	Semiconductors	Cleantech
2012	1,276	554	1,798	1,116	812	10
2013	2,471	2,142	1,332	1,206	458	35
2014	2,251	1,841	3,084	1,444	5,690	430



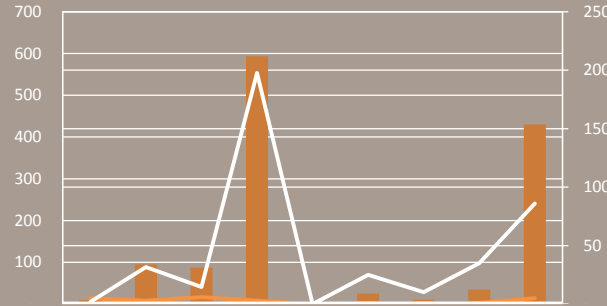
## Life Sciences



Total Amount ■ Number of deals — Average deal size —

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Amount	724	220	920	778	18	488	1276	2471	2251
Number of deals	16	11	11	15	3	6	9	13	14
Average deal size	45	20	84	52	6	81	142	190	161

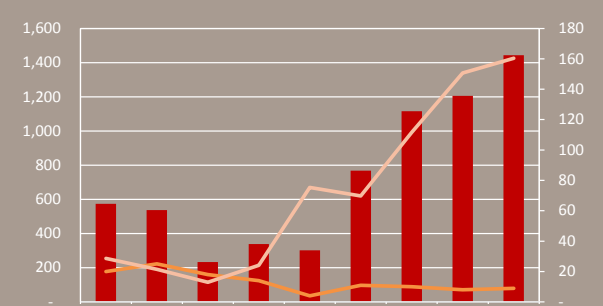
## CleanTech



Total Amount ■ Number of deals — Average deal size —

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Amount	9	95	87	593	0	25	10	35	430
Number of deals	5	3	6	3	0	1	1	1	5
Average deal size	2	32	15	198	0	25	10	35	86

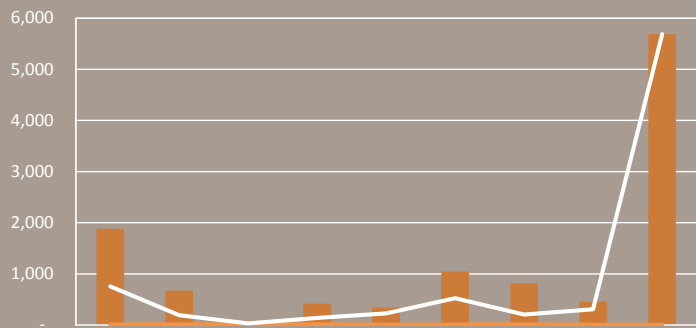
## Communication



Total Amount ■ Number of deals — Average deal size —

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Amount	574	537	234	338	302	768	1116	1206	1444
Number of deals	20	25	18	14	4	11	10	8	9
Average deal size	29	21	13	24	75	70	112	151	160

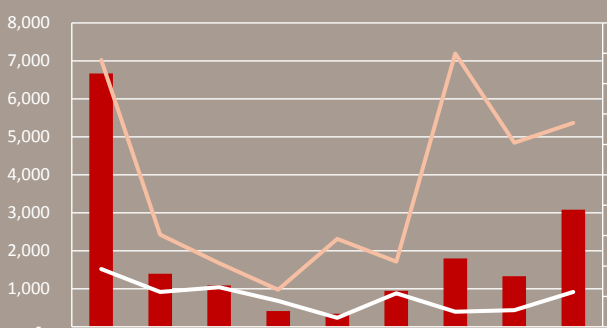
## Semiconductors



Total Amount ■ Number of deals — Average deal size —

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Amount	1883	672	80	419	341	1046	812	458	5690
Number of deals	5	7	5	6	3	4	8	3	2
Average deal size	377	96	16	70	114	261	101	153	2845

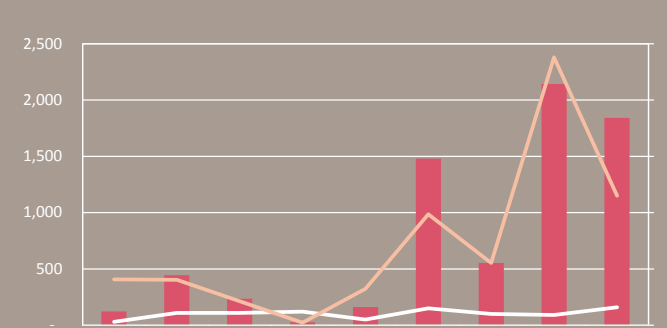
## IT & Enterprise Software



Total Amount ■ Number of deals — Average deal size —

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Amount	6669	1395	1088	416	347	945	1798	1332	3084
Number of deals	38	23	26	17	6	22	10	11	23
Average deal size	175	61	42	24	58	43	180	121	134

## Internet

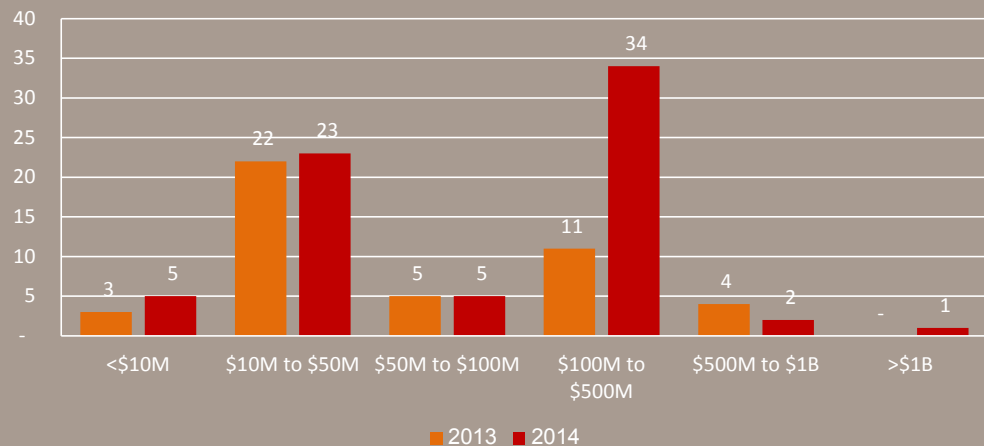


Total Amount ■ Number of deals — Average deal size —

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Amount	122	444	235	27	162	1480	554	2142	1841
Number of deals	3	11	11	12	5	15	10	9	16
Average deal size	41	40	21	2	32	99	55	238	115

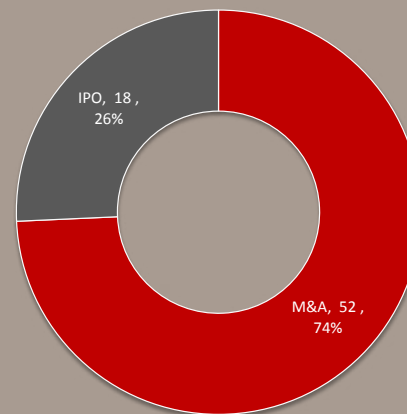
\*Total Amount and Average deal size in \$M

## Number of exits by deal size

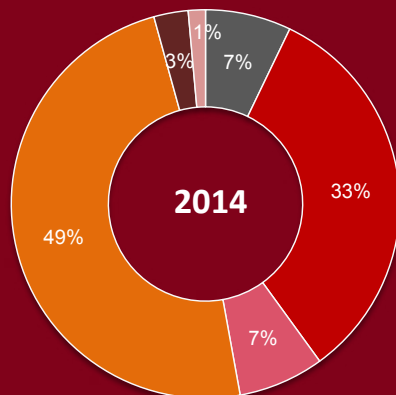
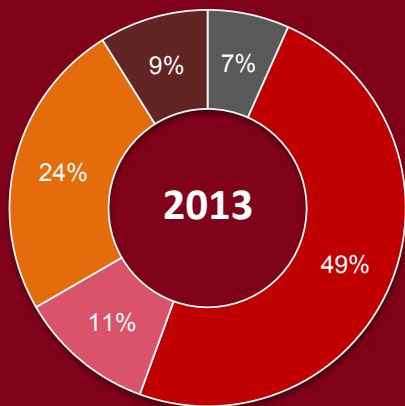
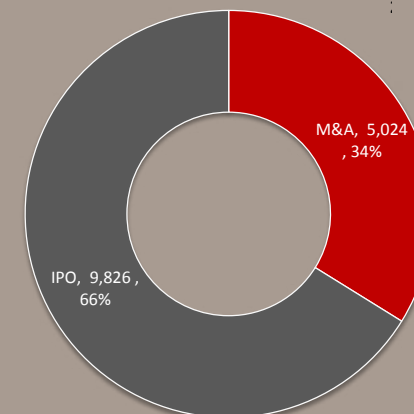


## M&A versus IPO (2014)

### Number of deals

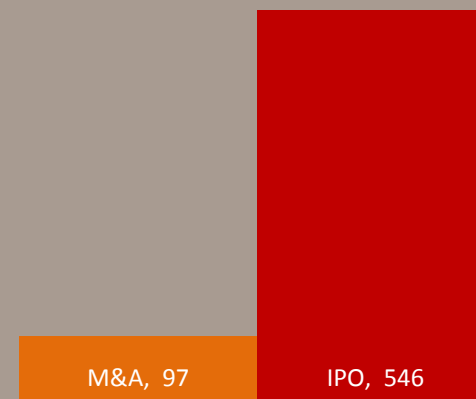


### Total amount



Deal Size	Color
<\$10M	Light Blue
\$10M to \$50M	Light Red
\$50M to \$100M	Light Orange
\$100M to \$500M	Light Green
\$500M to \$1B	Light Purple
>\$1B	Light Yellow

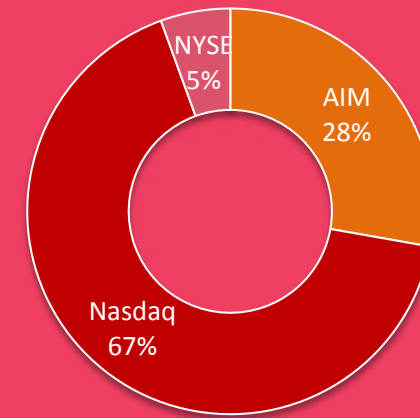
## Average deal size (in \$ millions)



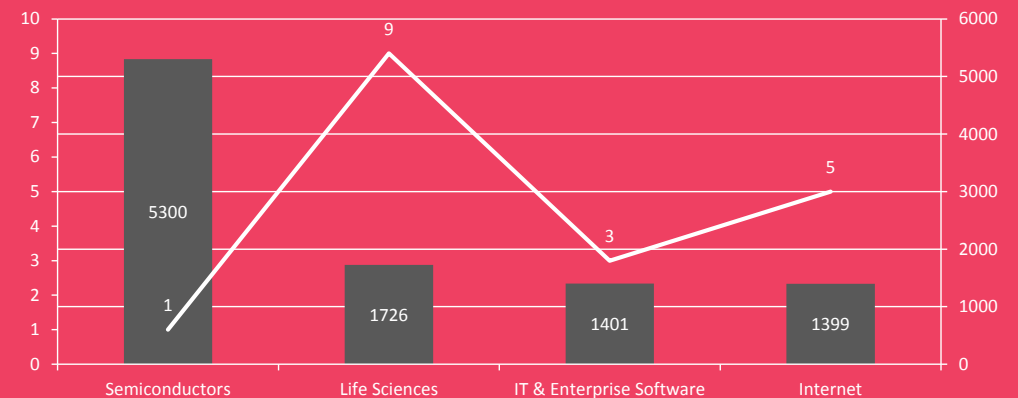
## 2014 IPO by market

### IPO's during 2014

<b>Company Name</b>	<b>Sector</b>	<b>Market</b>
Borderfree	Internet	Nasdaq
Matomy	Internet	AIM
Crossrider	Internet	AIM
Marimedia	Internet	AIM
XLMedia	Internet	AIM
Varonis	IT & Enterprise Software	Nasdaq
CyberArk	IT & Enterprise Software	Nasdaq
SafeCharge	IT & Enterprise Software	AIM
Lumenis	Life Sciences	Nasdaq
MediWound	Life Sciences	Nasdaq
NeuroDerm	Life Sciences	Nasdaq
MacroCure	Life Sciences	Nasdaq
BioBlast	Life Sciences	Nasdaq
Galmed	Life Sciences	Nasdaq
ReWalk	Life Sciences	Nasdaq
Foamix	Life Sciences	Nasdaq
VBL	Life Sciences	Nasdaq
MobilEye	Semiconductors	NYSE



### IPO's by sector



\*The report refers to both Asset purchase and Share Purchase M&A transactions of Israeli companies or companies that have a significant Israeli links.

\*\* The report refers only to exits with a value greater than \$5 million and exits where the exit amount was disclosed.

\*\*\*\*2005-2010 data based on IVC database.

Exit is defined as either closing of an acquisition of the shares, assets or operations of a target company, in consideration for cash or shares of the acquirer. Exit is also, an initial public offering (IPO) at any stock exchange, calculated in this report as the value of the company based on the IPO pricing

***For further information***

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