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IVC-MEITAR HIGH-TECH EXITS 2014 REPORT

ISRAEL'S LEADING INTERNATIONAL LAW FIRM

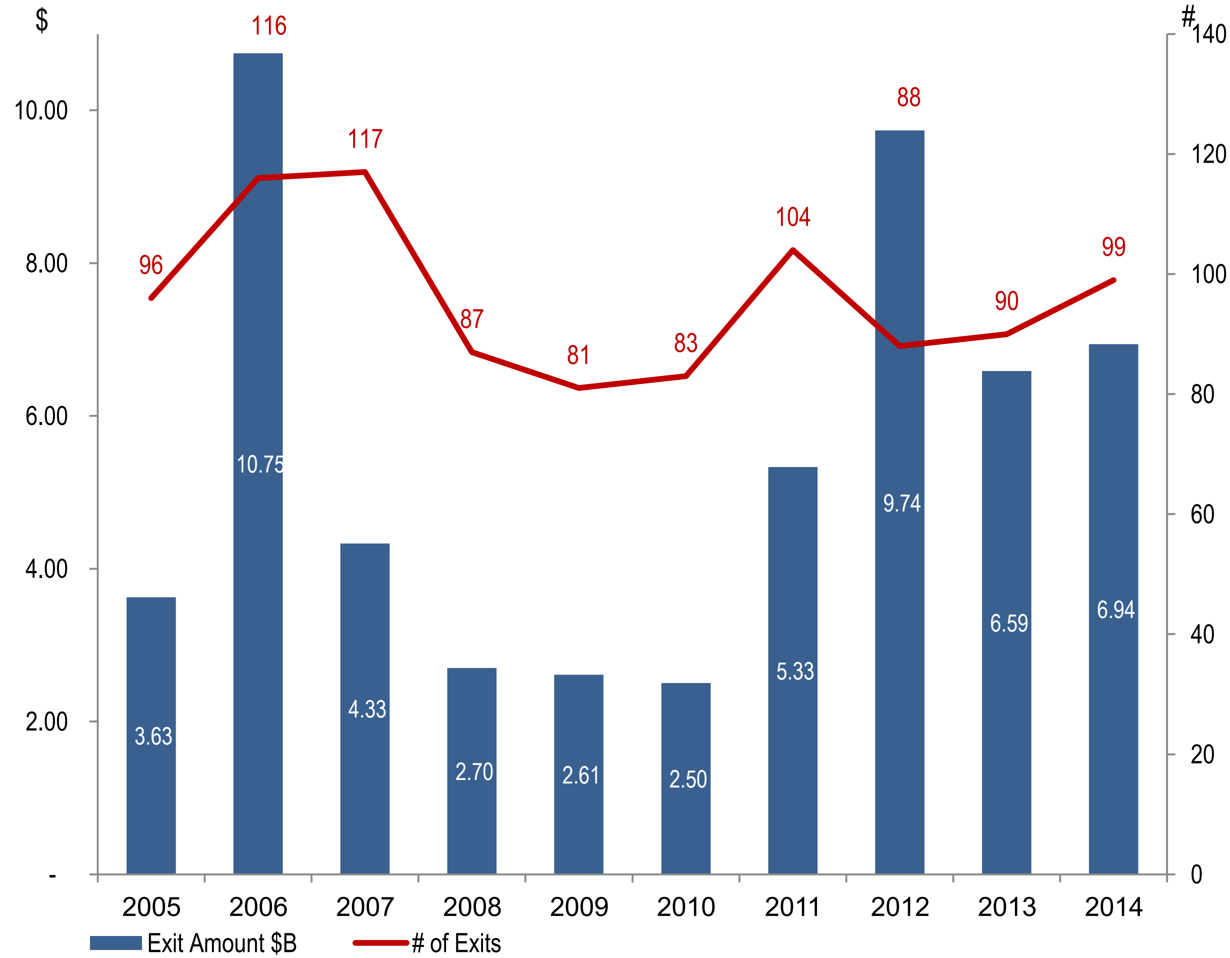
Israeli High-Tech Exit Highlights

- 2014 exits reach $6.94B
- 2014 IPO deals amount to $2.1B – highest in 10 years
- 2014 M&As at $4.84B with interesting trends in deal sizes and averages
- Software exits lead, with semiconductors and communications tying for second
- Average Time to Exit in 2014 at 12 years
- 2014 M&A return on equity ratio exceptionally high at 6.2
- Israeli high-tech companies play an increasing role on the spending side of M&A equation

High-Tech Exits 2005-2014

Israeli high-tech exits in 2014 reached $6.94 billion, up 5% from 2013's $6.59 billion and 29% above the $5.4 billion 10-year average.

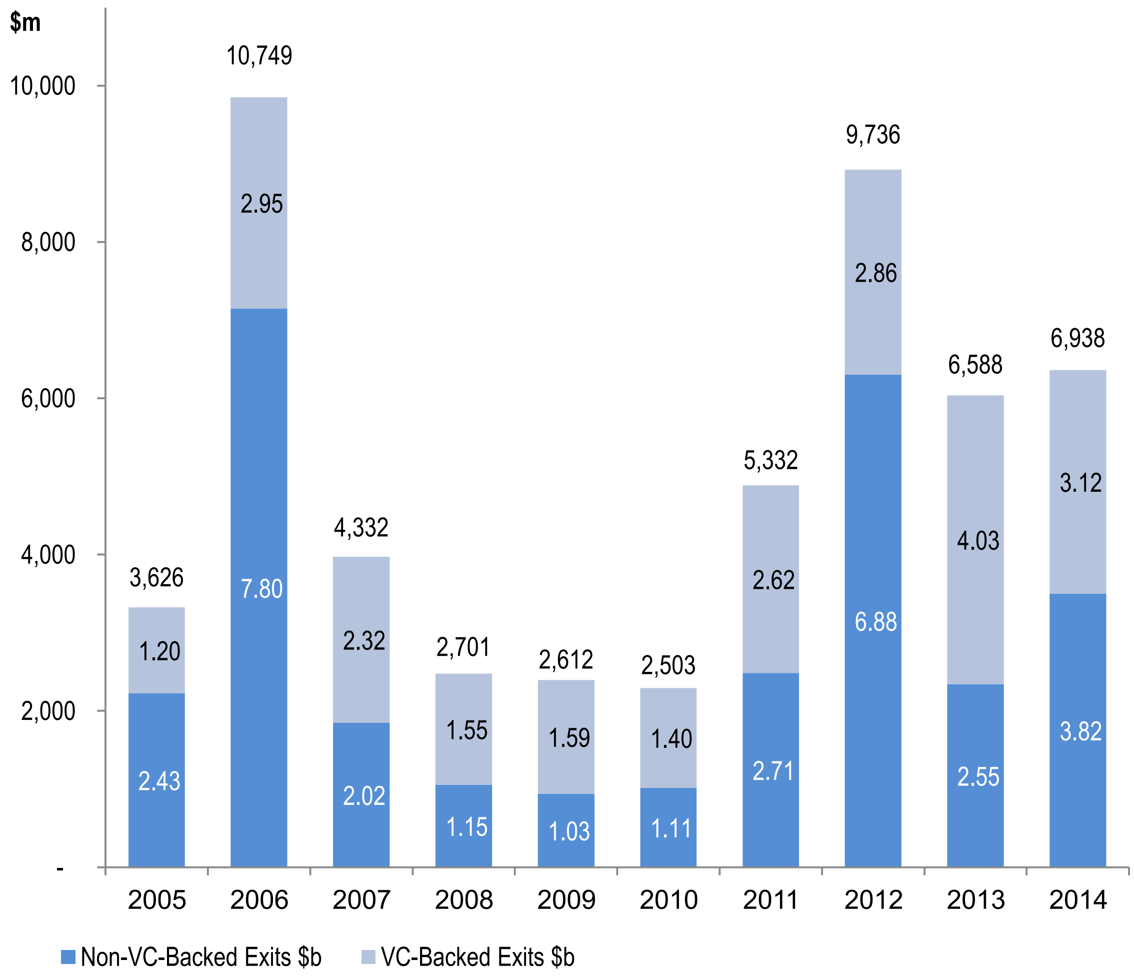
Excluding exits above $1 billion, 2014 was the best year for Israeli exits in a decade, with 98 deals accounting for $5.91 billion. On this basis. 2013 is considered the second best year as 89 deals attracted $5.39 billion.



VC-Backed High-Tech Exits 2005-2014

In 2014 VC-backed exits reached $3.1 billion, a 23% decline from 2013 (the strongest year for VC-backed deals in a decade), yet 31% above the 10-year average of $2.3B.

VC-backed exits accounted for 45% of total dollar proceeds in 2014, down from 61% in 2013. However, the number of VC-backed - 42 deal at 42% of total - surpassed the 35 VC-backed exits (39%) of 2013.



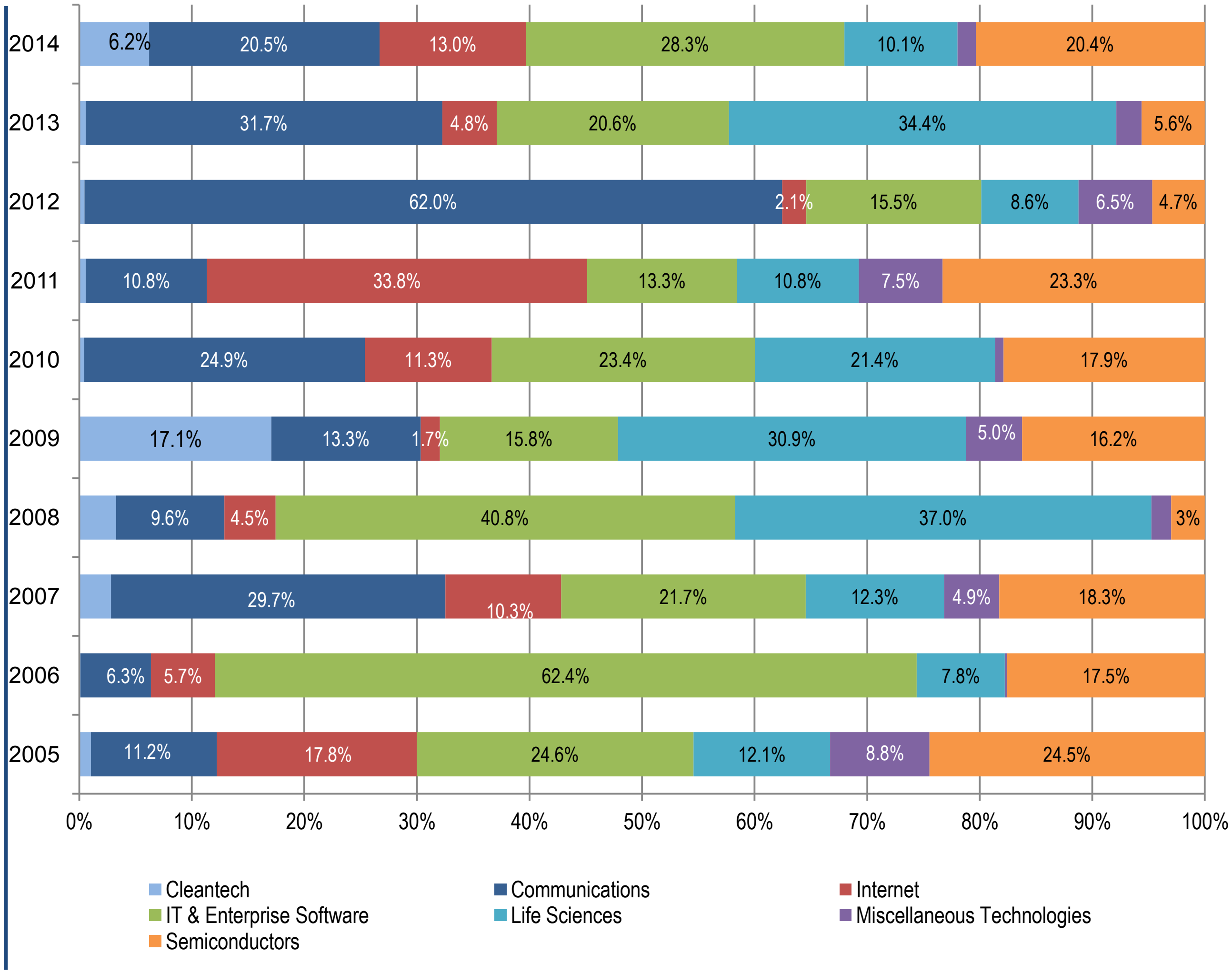
Israeli High-Tech Exits by Sector 2005-2014 (%)

Software exits led all sectors in 2014 with 29 deals and 28.3% of capital. It was the best year for the sector since 2006.

Communications, having been dominant for the two prior years, ranked second with 20.5% of total capital proceeds. The amount was down 32% from 2013 levels and 62% from 2012.

Semiconductors nearly tied, with 20.4% of the total with only three deals, mainly due to the MobilEye IPO.

The Internet sector garnered 13%, twice its 2013 share, while life science deals skidded to 10.1% from an exceptionally high 34.4% in the previous year.



Top Ten Exits in 2014

Mobileye's IPO was not only the first IPO to make the Top Ten exit list since 2006, but was also the largest ever Israeli IPO on the New York Stock Exchange.

The top five deals contributed 44% of total capital proceeds among high-tech exits.

The MobilEye and Wilocity exits were responsible for the exceptional results in the semiconductor sector, while the Viber and Check acquisitions accounted for 89% of communications proceeds, supporting an otherwise relatively weak year for the compared to 2013 activity levels.

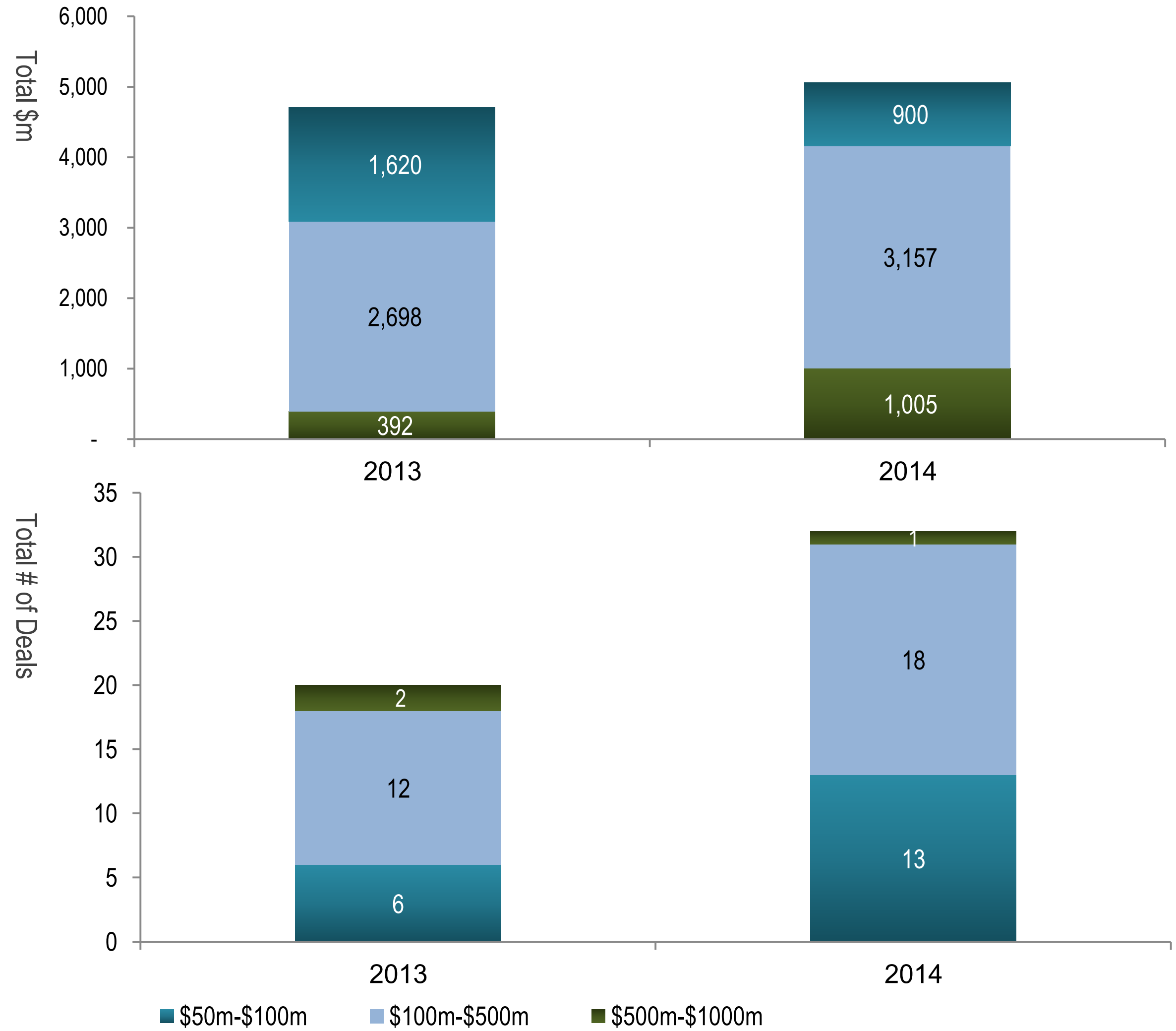
Mobileye (Our Vision. Your Safety.™)	$1.02b	NYSE
Viber	$900m	Rakuten
Wilocity	$390m	Qualcomm
Check	$360m	Intuit
superderivatives	$350m	ICE (Global markets in clear view)
SCR	$250m	Allflex
Aorato	$230m	Microsoft
Cyvera (Cyber Defense Solutions)	$200m	paloalto networks
Coloright	$175m	L'Oréal
Kontera	$156m	SingTel

Semiconductors | Communications | Software | Cleantech | Life Sciences

Israeli High-Tech Exits Proceeds by Deal Range* 2014 vs. 2013

Looking at the top end of exits, with deals above $50 million, it seems IPOs gave a strong boost to 2014 exits (up 156%) in the $50 million to $100 million range. Ten of the 13 IPOs fell within this range and accounted for 58% of its proceeds.

In Eighteen exits totaling $3.16 billion in proceeds were made within the $100 million to $500 million range – a 50% incline compared to just 12 exits in this segment, valued at $2.7 billion in 2013.



***Deals above $50m**

AVERAGE TIME TO EXIT

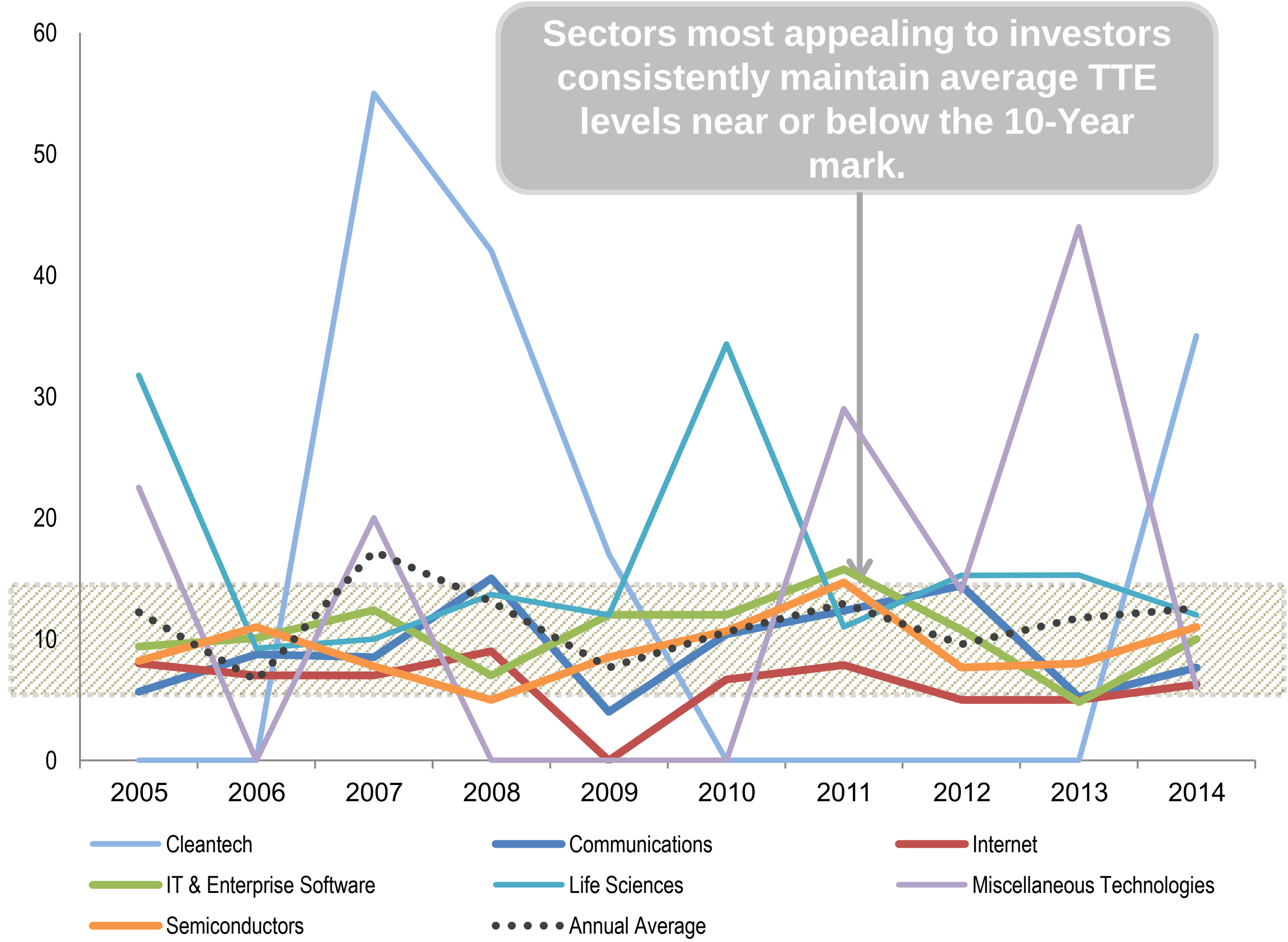
The “10-Year Rule”

Israeli High-Tech Average Time to Exit (TTE) by Sector 2005-2014*

Among exits above $50 million, companies in four sectors – communications, software, Internet and semiconductors – reached their exit in an average of 10 years.

Cleantech and other technologies take considerably longer to reach exit (>15 years) and need relatively large investments. As a result, very few large exits are reached in these sectors.

Life science exits typically fluctuate between 10 and 16 years.



*Deals above $50m * TTE – Time to Exit in years

Time to Exit vs. the Venture Capital Model – Why TTE Matters

Time to Exit: The impact on VC investments

Time to Exit (TTE) is the time it take for a startup to reach exit – or the time span from establishment to exit – calculated in years.

Due to the VC model – see on the right – it is clear why sectors most appealing to VC investors are the ones to consistently maintain average TTE levels near or below the 10-year mark.

Interestingly, VC involvement in life sciences, with its average TTE of 14 years, grew between 2011 and 2014, mostly due to life science dedicated funds, which operate on an adjusted investment model.

With cleantech and other technologies some exits took well over 15 years to reach, which could explain while these sectors attract relatively little VC capital. It is yet to be determined if VC funds can find an appropriate model for investment in these sectors, in light of the considerable returns (see discussion in the ROE section of this report).

The Venture Capital Model

The venture capital model of investment is based on a 10- year lifespan for a typical VC fund, from first capital call (vintage year) to dissolvent. In some cases, the lifespan is expanded to 12 years. Within its lifespan, a VC fund expects to materialize enough of its portfolio in exits, to allow for the full capital to be returned to investors, along with considerable earnings.

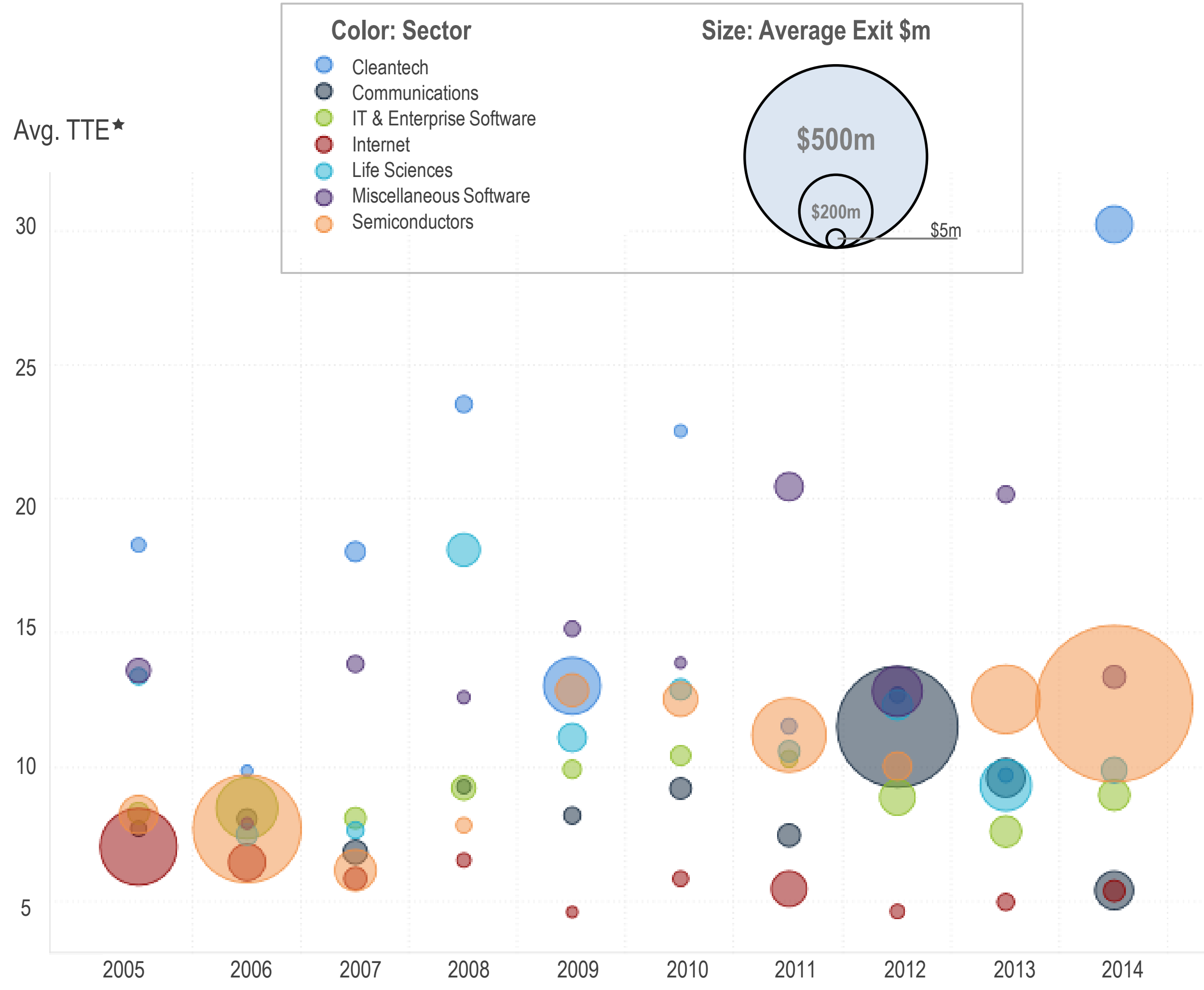
Since funds operate with a 10 to 12 years window of opportunity, they typically prefer to focus on companies they believe can realize the investment within that time frame.

Looking again at the picture suggested above, it is therefore not surprising most VC funds investing in Israel are focused on the sectors the suggest the highest odds within the VC model – namely, software, communications, semiconductors and Internet.

Israeli High-Tech Average Time to Exit by Sector 2005-2014*

In 2011-2014, the largest exits were by companies operating from 10 to 15 years, a clear shift from 2004-2007 when major exits were by companies with a lifespan of 5 to 10 years.

In 2014, average time to exit the four ICT sectors increased by 30%. In contrast, TTE averages decreased for life sciences and other technology companies, bringing their averages to within the 10-year mark.



*Deals above $50m * TTE – Time to Exit in years

IPO HIGHLIGHTS

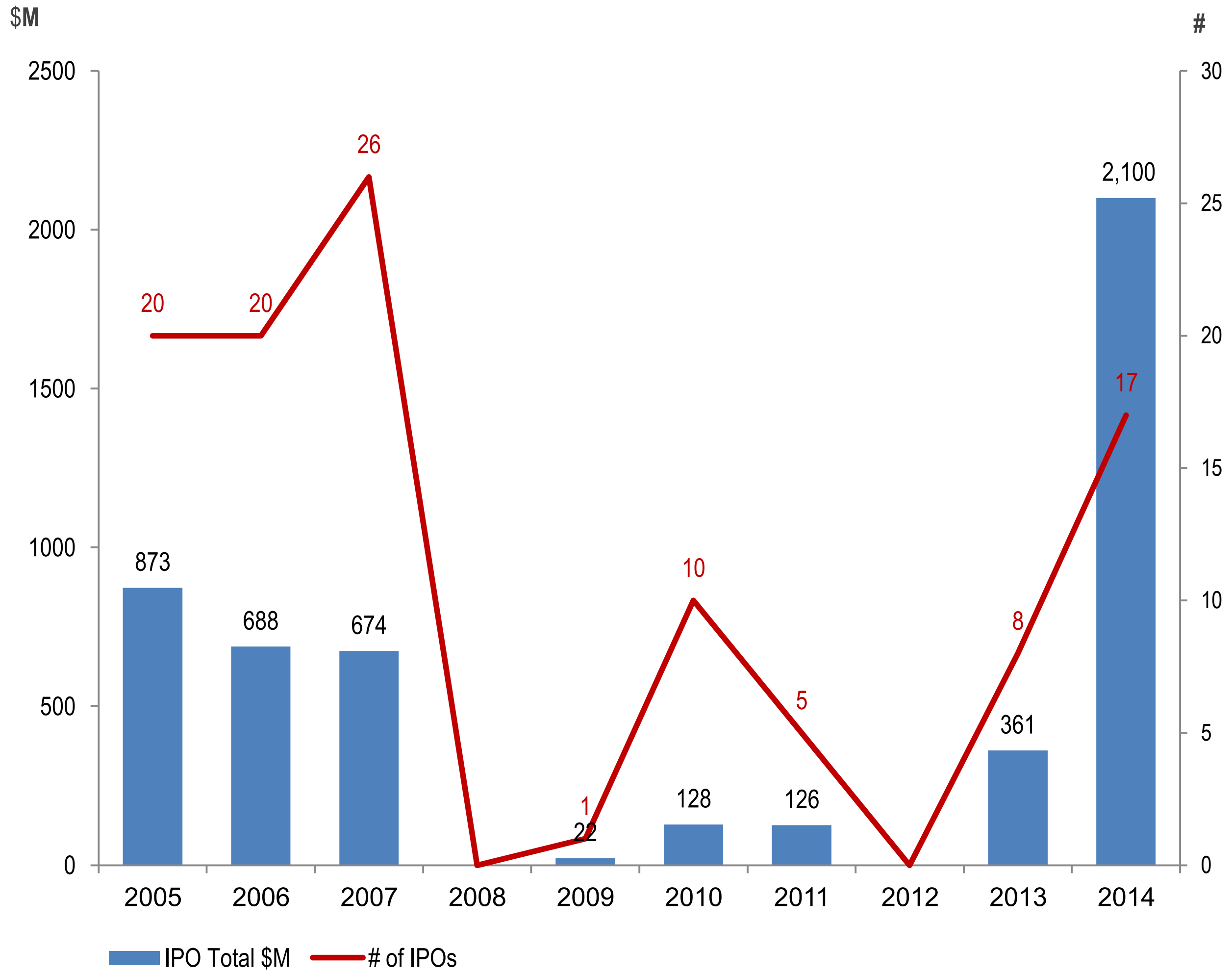
2014 IPO deals amount to $2.1B – highest in 10 years

Israeli High-Tech IPOs 2005-2014

Substantial growth in both the number and value of IPO exits took place in 2014. Seventeen IPOs accounted for $2.1 billion, compared to eight IPOs that totaled only $0.36 billion in 2013.

Capital proceeds exceeded the 2005-2007 average of $745 million, mostly due to the MobilEye offering.

There are currently 25 Israeli companies planning to go public in the 2015-2016 period. Over half of these, are considering NASDAQ their target public market.

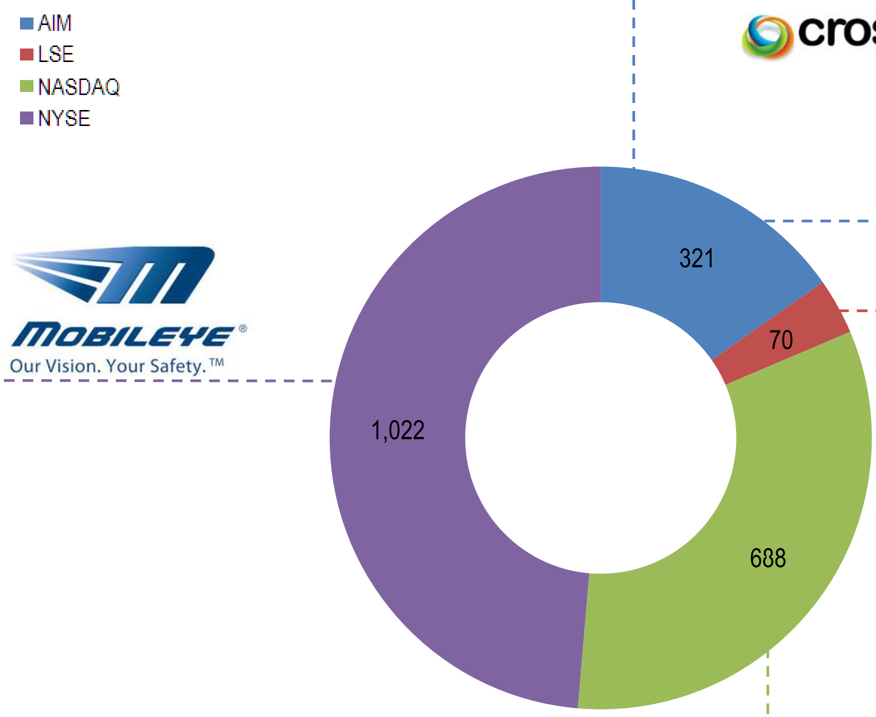


Israeli High-Tech IPOs by Stock Exchange ($m*) - 2014

MobilEye, the largest IPO of 2014 raised slightly over $1 billion and is now trading on NYSE.

Each of the remaining 16 IPOs was under $150 million each, including the second largest - SafeCharge's $126 million IPO on London's AIM in 2014.

NASDAQ was the preferred stock market for Israeli high-tech companies in 2014, as 11 NASDAQ-bound first offerings accounted for 33% of IPO proceeds.



*Please note: while only 10 of 17 IPOs are noted in this slide with a logo, numbers represent all 17 deals

HIGH-TECH MERGERS & ACQUISITIONS

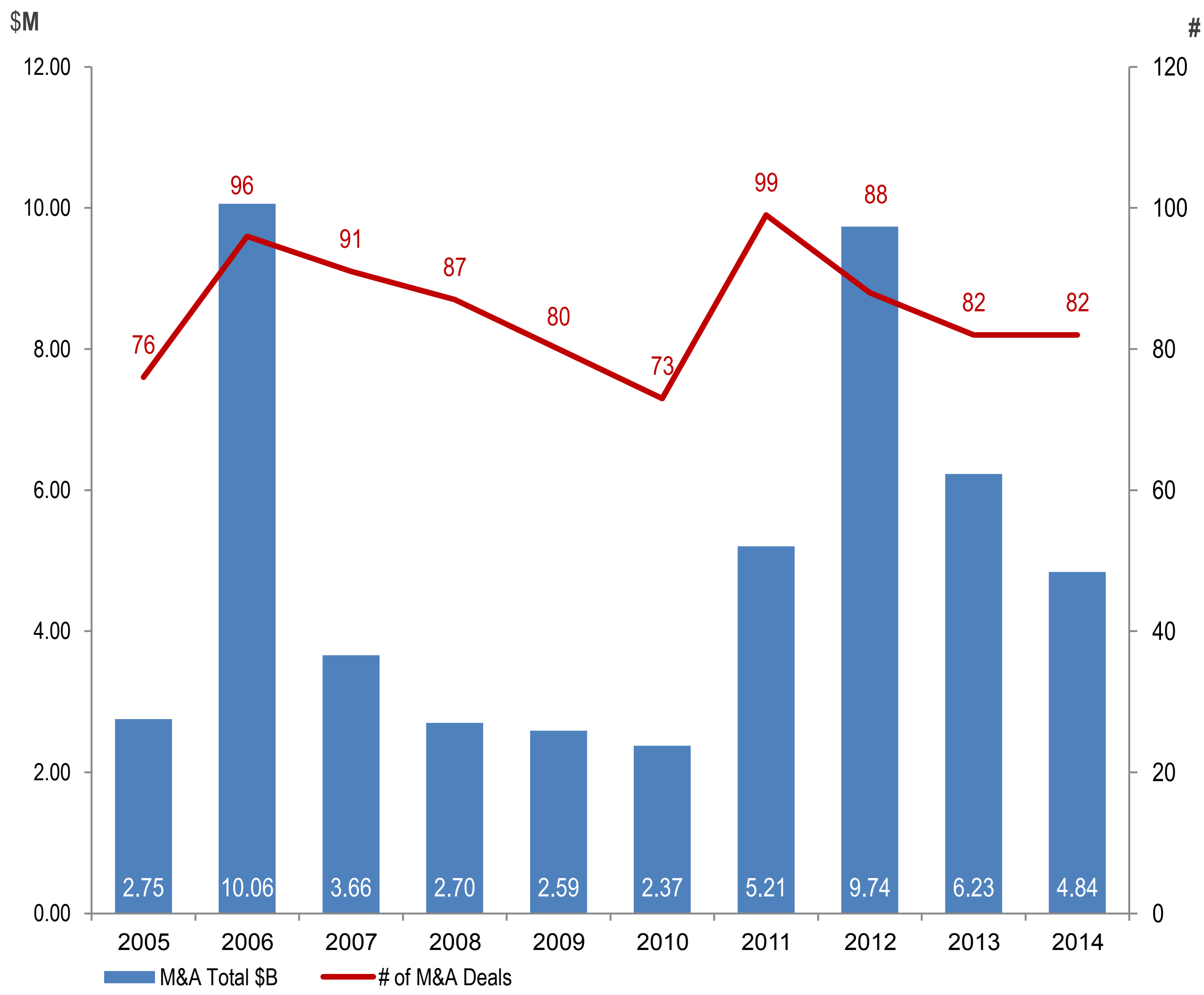
2014 M&As at $4.84B with interesting trends in deal sizes and averages

Israeli High-Tech M&As 2005-2014

While the number of high-tech M&As has remained relatively steady, with an average of 85 deals a year, total dollar proceeds have fluctuated widely.

The changes mainly reflect variances in deal size, namely the few outliers above $1 billion, including the Mercury and M-Systems acquisitions in 2006, the NDS acquisition in 2012, and the Waze acquisition in 2013.

Following is our analysis as to the impact of deal size on total capital proceeds, and the changes in the mix over the past few years.



Total number of M&A deals vs. deal amounts by deal size (2005-2014)

M&A deals in the $100 million to $500 million range accounted for $22 billion or 44 percent of M&A proceeds over the past decade. Four deals in the over $1 billion category were alone responsible for $12.3 billion or almost 25 percent of the total.

4 M&A deals exceeded the $1 billion mark and gained a total of $12.3 billion dollars – nearly 25% of all M&A proceeds in the past 10 years.

While deals below $5 million accounted for less than 1 percent of the proceeds, they constituted the largest number of M&As – 395 (46 percent of 854 deals).

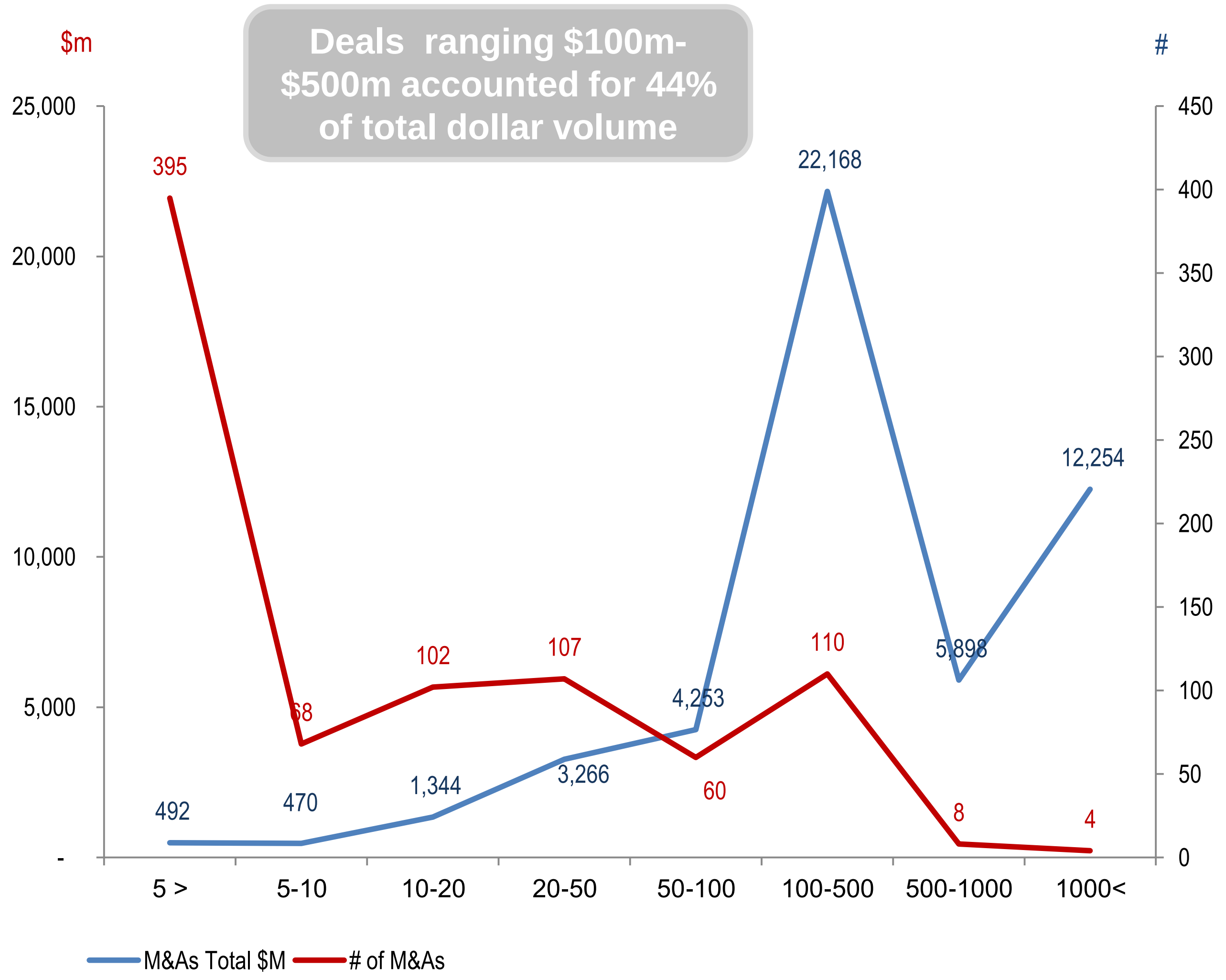


Table: M&A deals by deal size (2005-2014)

Israeli high-tech M&A transactions totaled $50.1 billion in the 2005-2014 period.

80% of the capital was from deals of more than $100 million, which accounted for only 14%of the total number of exits.

43% of all M&A deals were VC-backed exits and 65 percent of those in the $100 million-$500 million range were VC-backed as well.

In other ranges, 37 percent of the deals were backed by VC funds.

Deal Size Range	Number of Deals		Deal Amount ($m)	
Below $10m	54%	463	2%	962
$10m - $50m	25%	209	9%	4,610
$50m - $100m	7%	60	8%	4,253
$100m - $500m	13%	110	44%	22,168
$500m and above	1%	12	36%	18,152
Total		854		50,155

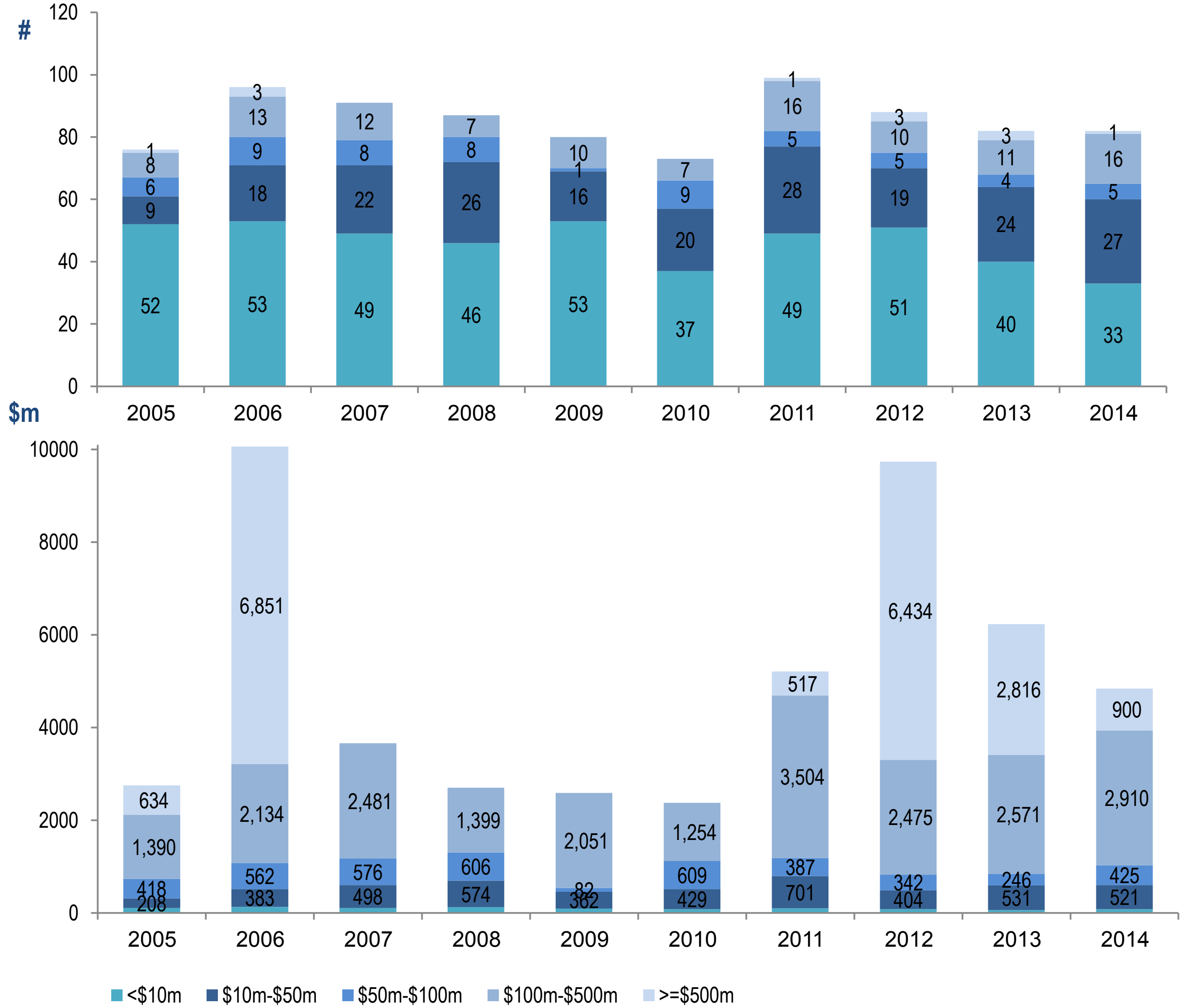
M&A Deals: The Deal Size Mix (# of deals vs. $m)

Since 2011, the deal size mix – or how the various M&A deals break down into groups – has been changing.

We've seen beginning in 2011 the reemergence of M&A deals above $500 million. Such deals are still relatively infrequent, while deals between $100 million and $500 million have become far more common and now represent a large percentage of total M&A proceeds.

In 2014, the number of $100m-$500m deals increased by 45% and total dollar proceeds from this segment increased 13%, from the previous year.

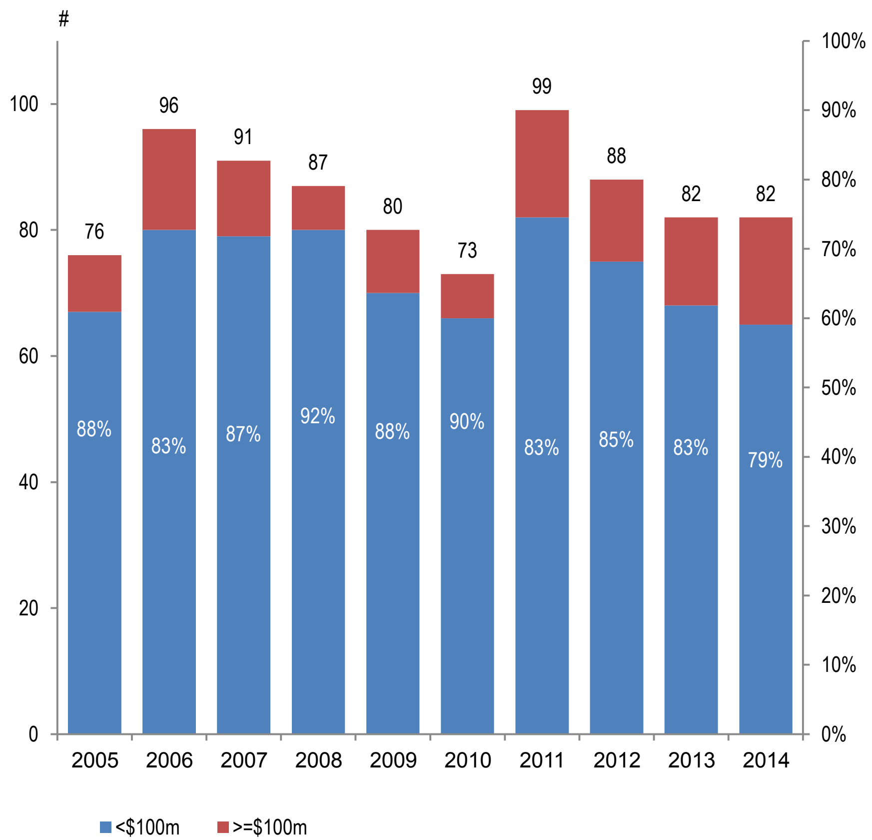
Since 2012, the number of small deals, under $10m has been decreasing, with 33 deals in 2014 comprising only 40% of the number of deals, compared to 48% in 2013 and 58% in 2012.



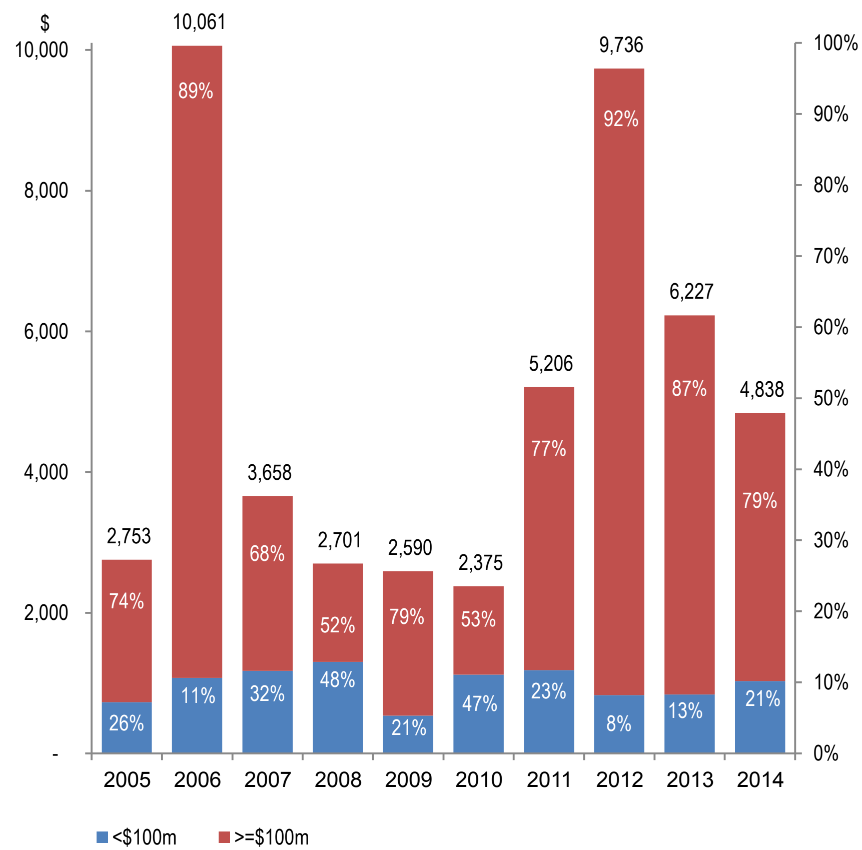
M&A deals above $100 million: More deals less dollars

The changing deal size mix, can also explain why deals above $100m are more prominent, while the total dollar proceeds they bring in seems to be smaller than the previous two years. It is a result of the facts that while there are indeed more deals above $100m, there are less deals on the far extremes. In years where the total share reached ~90%, it was a direct result of the very few deals above $1 billion.

Now account for more than 20% of deals



Bringing under 80% of capital



Average Israeli M&A Deals* 2005 –2014 ($m)

In 2014, the average M&A* deal was $59 million, up 33% from the $44 million 10-year average.

The average deal size climbed markedly since the beginning of 2011, and the past four years averaged $57 million excluding deals above one billion dollars.

Throughout the past 10 years, the average VC-backed M&A was significantly more than the average deal, by about 34%, 2005 being an exception to that rule.

The average VC-backed M&A shows a relatively steady incline since 2008.

While 2014 figures reflect a slight decline, VC-backed M&As remained 23% above the 10-year average, as well as above the average M&A deal last year.

*Excluding deals above $1 billion

AVERAGE RETURN ON EQUITY

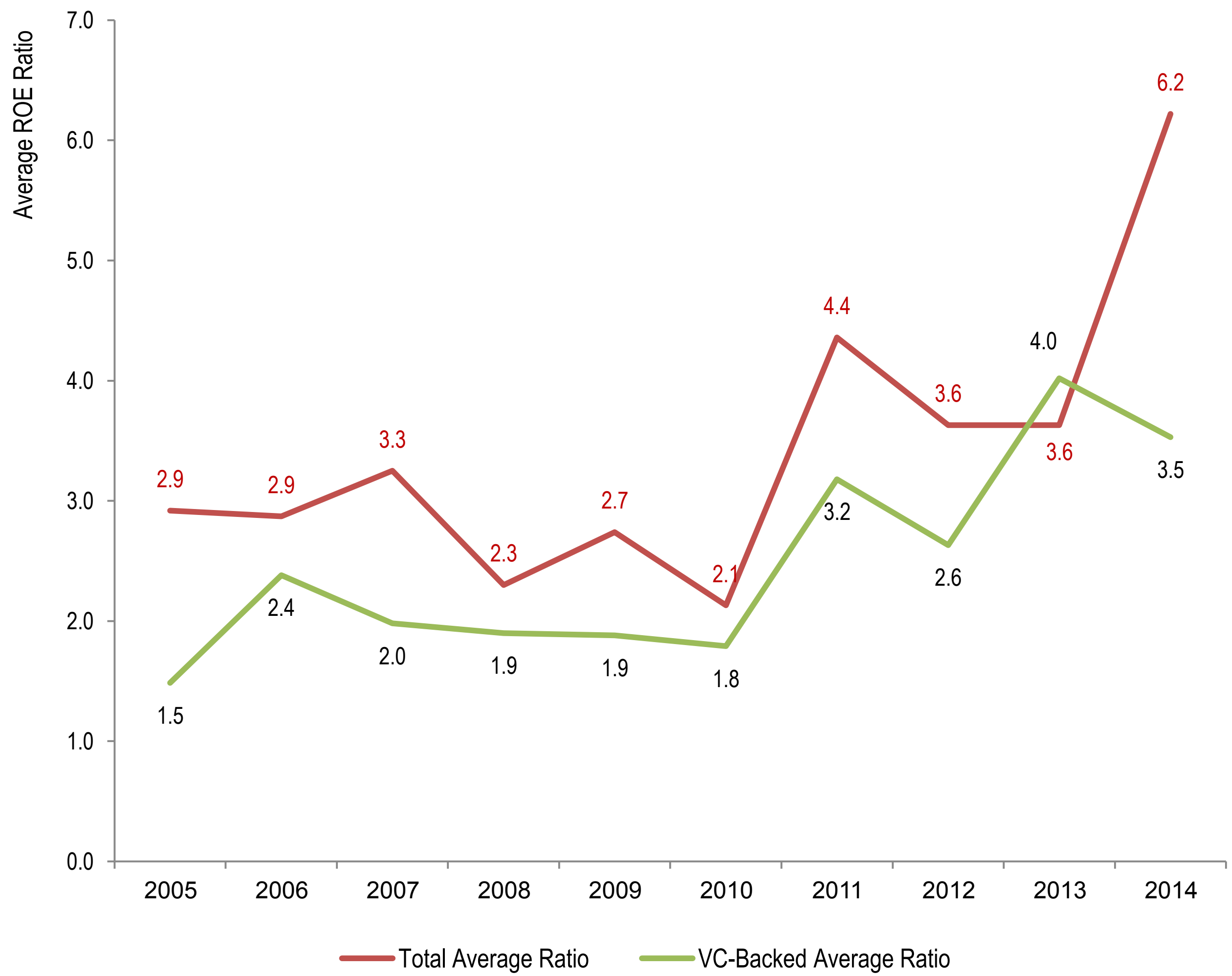
2014 M&A return on equity ratio exceptionally high at 6.2

Average M&A Return on Equity (ROE) Ratio* 2005-2014

Return on Equity (ROE) is calculated as a ratio between capital proceeds from exits and the total capital raised by companies prior to their exit. The measure reflects the relative value received by company investors following a company's exit.

M&A return on equity ratio reached an exceptional average of 6.22 in 2014, a 45% increased from 4.29 in 2013. The number reflect not only the exit proceeds, but also the fact that many of the companies to exit in 2014 raised relatively little capital prior to their exit (less than $10 million, on average),

VC-backed M&A ROE decreased to 3.53, compared to an exceptionally high 4 in 2013 (excluding the Waze acquisition at $1.2B).



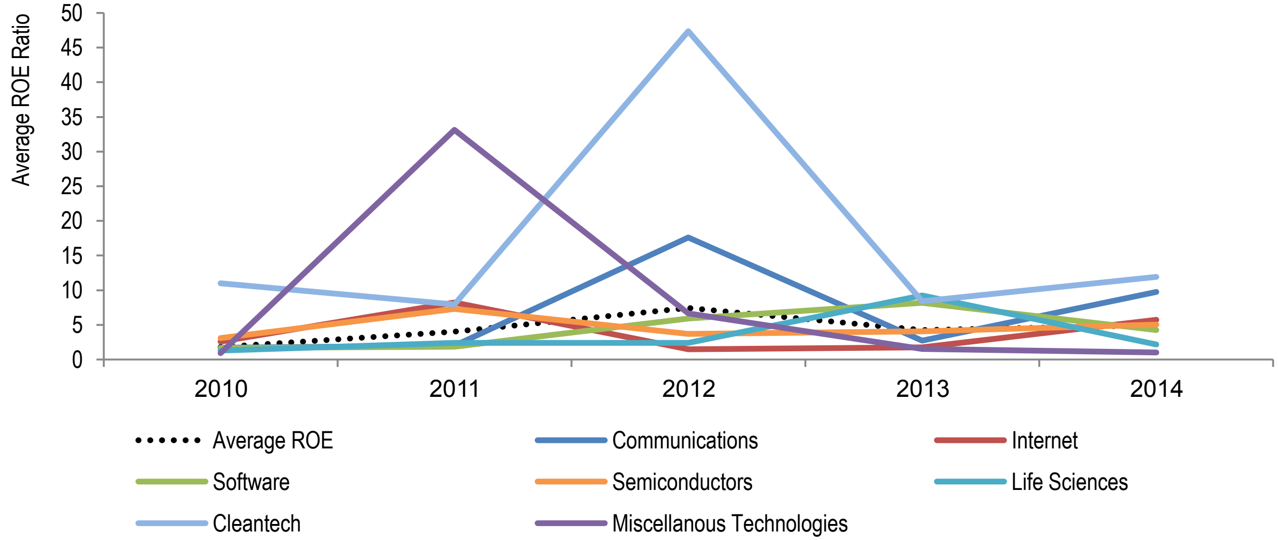
*Excluding deals above $1 billion

High-Tech Exits 2010-2014: Average Return On Equity by Sector

Looking at ROE for all exits, including M&As and IPOs, we see great variance and fluctuations in average ROE ratios in cleantech and miscellaneous technologies – the sectors attract little VC investments because of their problematic time-to-exit life cycle, but can afford exceptionally high returns as well.

Zooming in on the sectors that attract most investments we still find differences over time, and between sectors.

In 2014, three of these sectors managed to reach ROE ratios that exceeded the average ROE, with communications showing the highest returns, despite the relatively low volume of deals. While all five sectors in the table on the right, showed positive returns, life sciences did not perform as well compared to other sectors or to its phenomenal 2013 success.



	2010	2011	2012	2013	2014
Average ROE	1.79	4.04	7.44	4.25	4.95
Communications	1.70	1.98	17.60	2.72	9.76
Internet	2.57	8.25	1.48	1.76	5.73
Software	1.69	1.85	5.90	8.19	4.24
Semiconductors	3.12	7.28	3.72	4.09	5.04
Life Sciences	1.29	2.40	2.40	9.27	2.18

M&As – THE ACQUIRER SIDE

Israeli high-tech companies play an increasing role on the spending side of M&A equation

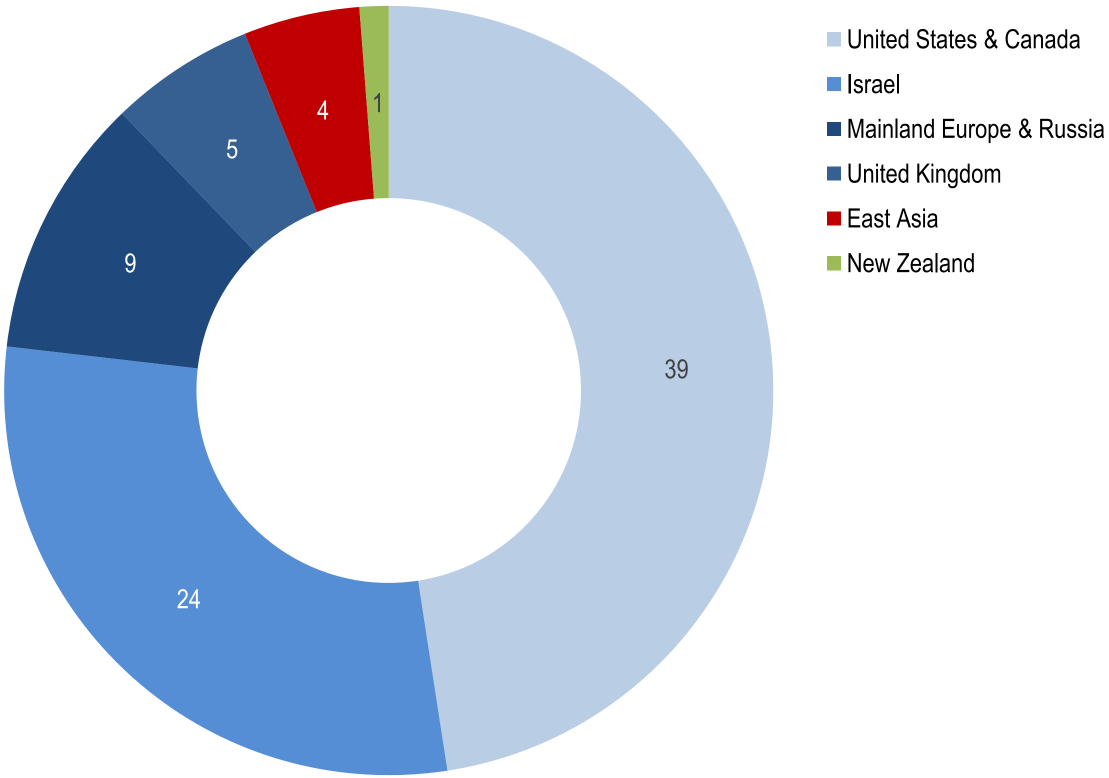
2014 High-Tech M&As: Acquirers by Country of Origin

An analysis of the identity of the acquiring companies – the companies on the other side of the exit deal, revealed that nearly 30% of deals involved a local company as the acquiring company, as well as the acquired.

While the majority of acquirers are North American, mainly from the USA, of 82 Israeli high-tech M&As in 2014, 24 companies were acquired by other Israeli companies, compared to 19 such deals in 2013.

The year's largest deal by an Israeli acquirer was the acquisition of Pilat Media by Sintec.

Imperva, Wix and Somoto each made two acquisitions, as well.

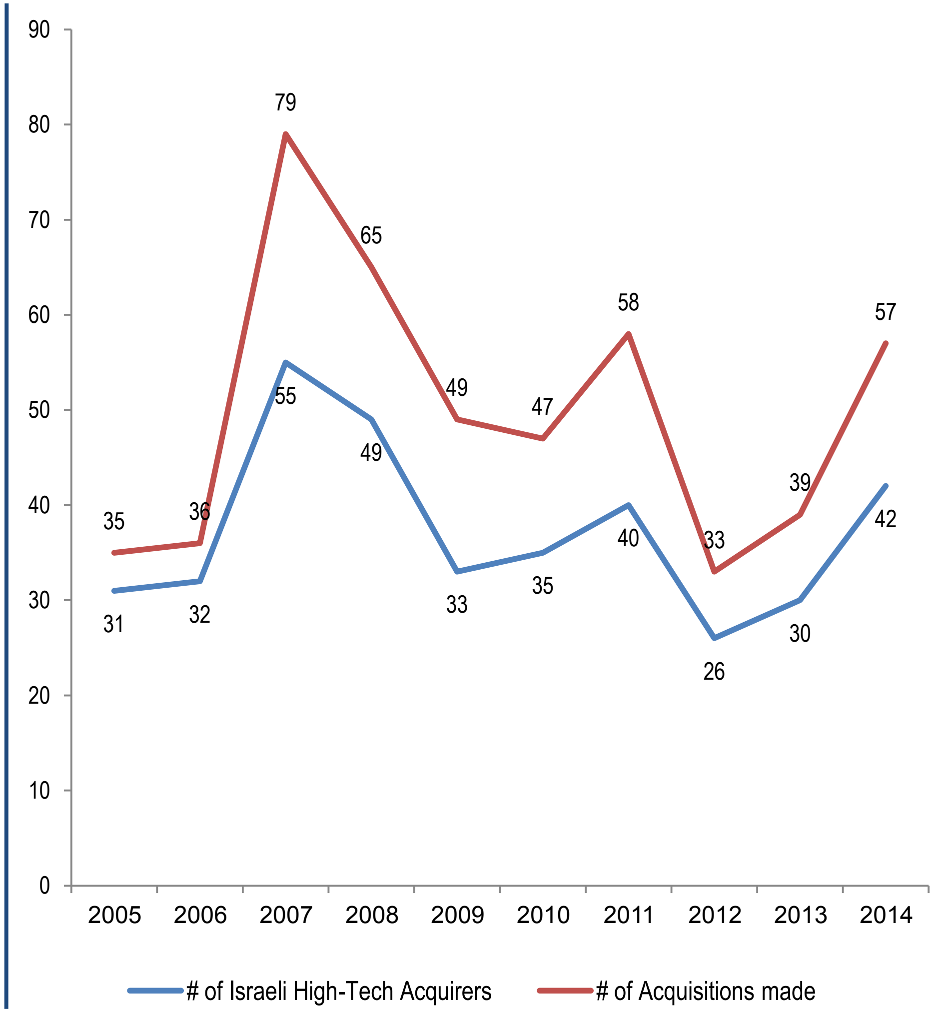


Acquisition Made by Israeli High-Tech Companies 2005-2014

The surprising prominence of acquisition activity involving Israeli companies, led us to look at Israeli high-tech companies as acquirers rather than the acquired. We examined not just acquisition of local high-tech companies, but all M&As where an Israeli high-tech company played the role of the acquirer, regardless of the identity of the acquired.

The year 2014 proved to be more dynamic than the previous two years, as 42 Israeli high-tech companies made at least one acquisition, with 57 acquisitions taking place overall.

This is yet more evidence that Israeli high-tech companies are seeking growth, in this case by choosing non-organic growth strategies, or lateral expansion by acquisition. This approach is diversifying the more conventional strategies applied by companies such as capital raising, developing new products, expanding markets, jobs and sales.



About this report:

- This report contains information derived from the *IVC-Online Database*
- The report summarizes exits of Israeli high-tech companies in merger & acquisition deals and initial public offerings in 2005-2014
- VC-Backed Deals referred to in this report, represent exit deals where at least one venture capital fund was involved as a pre-exit investor.
- The last section of the report also references M&A deals where Israeli high-tech companies acted as the acquiring party.
- Complete information on M&As and public offerings will be published in IVC High-Tech Yearbook 2015 due April 2015.

About Meitar Liquornik Geva Leshem Tal:

Meitar Liquornik Geva Leshem Tal is Israel's largest law firm and an undisputed leader in the technology sector. The firm's Technology Group numbers over 90 seasoned professionals who specialize in representing technology companies, cooperating with attorneys from complementary practice areas, such as taxation, intellectual property and labor law, and dozens of attorneys from other practice areas.

Meitar has played a significant role in the majority of the largest and most prominent transactions recorded in the Israeli technology sector, including mergers and acquisitions and public offerings on foreign stock exchanges.

Meitar is uniquely qualified in the entire corporate "life cycle". Meitar advises clients from their initial establishment through raising seed capital to successful exit.

Alongside emerging companies, Meitar represents high growth companies, and has represented the majority of the Israeli technology companies that have carried out initial public offerings in the US, as well as a diverse range of multinational companies from the US, China and Europe.

The firm represents most of the major venture capital funds active in the Israeli technology sector, and played an active role in formation of some of the most successful and well-known funds in the industry.

Meitar is unique among Israel's largest law firms in the number of partners who have worked for major international law firms in the US and elsewhere. The firm maintains close working relationships with leading firms from around the world to provide our international and Israeli clients with the highest level of service and quality – in line with the finest law firms from across the globe.

About IVC Research Center

IVC Research Center is the leading online provider of data and analyses on Israel's high-tech, venture capital and private equity industries.

IVC owns and operates the *IVC-Online Database* which showcases over 12,000 Israeli technology startups, and includes information on private companies, investors, venture capital and private equity funds, angel groups, incubators, accelerators, investment firms, professional service providers, investments, financings, exits, acquisitions, founders, key executives and R&D centers.

Among IVC products and publications are:

- *IVC-KPMG Quarterly Survey*, which for over 15 years has been analyzing capital raising trends by Israeli high-tech companies, and the most comprehensive guide to Israeli high technology and venture capital
- The *IVC High-Tech Yearbook the Israel High-Tech, Venture Capital, Startup and Private Equity Directory*; surveys; research papers and reports; and interactive dashboards.
- *IVC Industry Analytics* – analysis, research and insights into the status, main trends and opportunities related to exits, investments, investors, sectors and stages

IVC products and services are used regularly by high-tech companies, venture capital funds, private investors, financial investors and institutions, as well as public entities such as the Central Bureau of Statistics, the Bank of Israel and the Office of the Chief Scientist at the Economy Ministry. IVC's information is used by key decision-makers, strategic and financial investors, government agencies and academic and research institutions in and outside of Israel.

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