

IVC-Meitar 2017

High-Tech Exit Report

Total exits of \$23 billion, including two exceptional deals of over \$1 billion each

Highlights

- In 2017, total transaction value for exits of Israeli companies reached \$23 billion. Two mega-exits exceeding \$1 billion accounted for almost 72% of the total value. When excluding the two outliers, the total transaction value was \$6.6 billion, an increase of 19% from 2016, yet still lower than 2014 and 2015.
- The number of exit transactions of all types – IPOs, strategic M&A and private-equity buyout deals – amounted to 112, which represents a decline for the fourth year in a row; down by 7% from 2016.
- While the number of M&A deals was stable during 2014-2016, the number decreased by 13% in 2017 - 92 deals.
- 13 IPOs were carried out in 2017, although the vast majority of these transactions were of low amounts in alternative capital markets.
- Acquisitions by Israeli companies of Israeli targets totaled \$393 million.

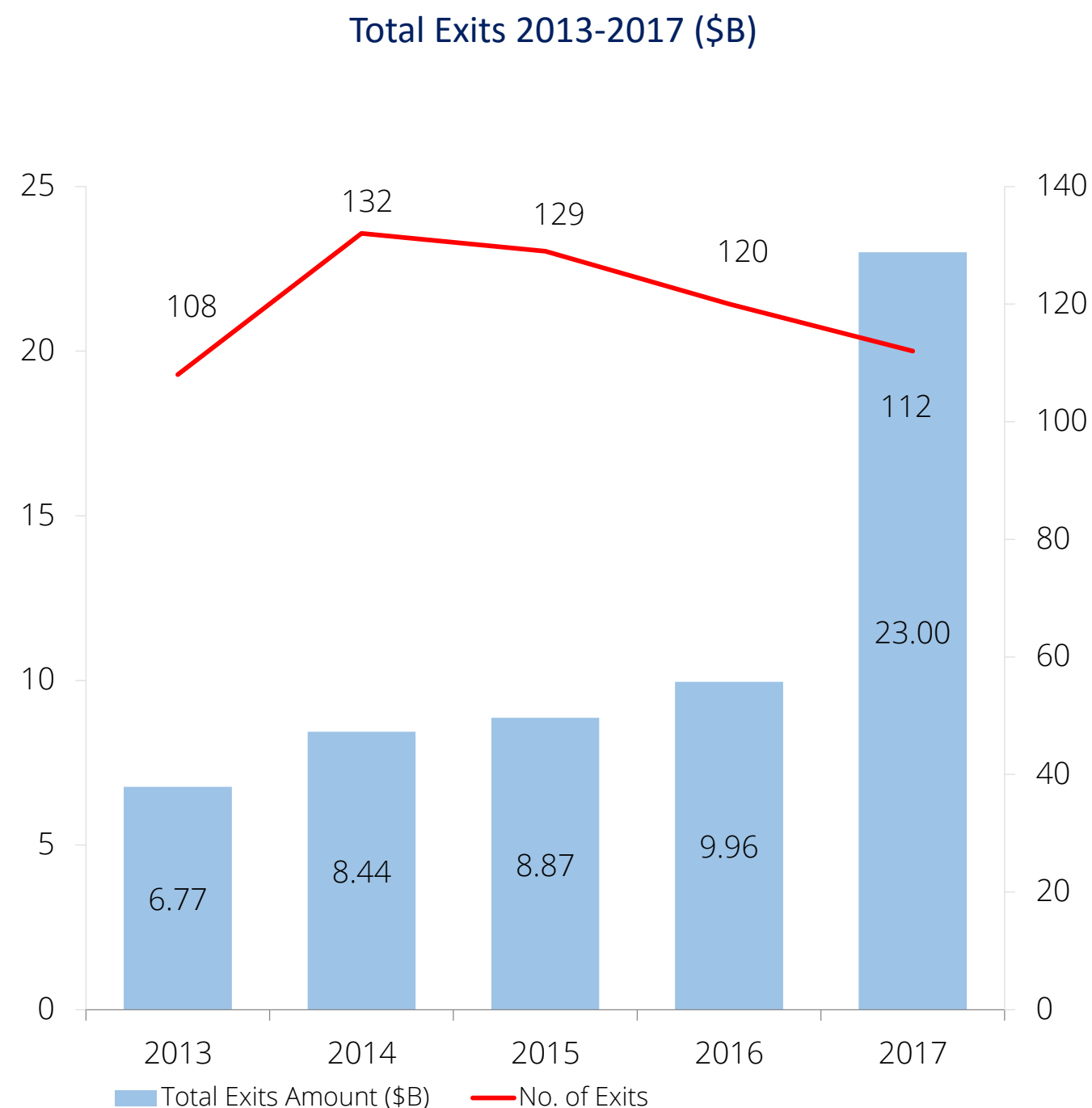
Exits 2013 – 2017 (including mega-deals)

Total transaction value in 2017 peaked at \$23 billion, mostly due to two mega-deals of over \$1 billion each:

- Mobileye was acquired by Intel for \$15.3 billion
- Neuroderm was acquired by Mitsubishi Tanabe Pharma for \$1.1 billion

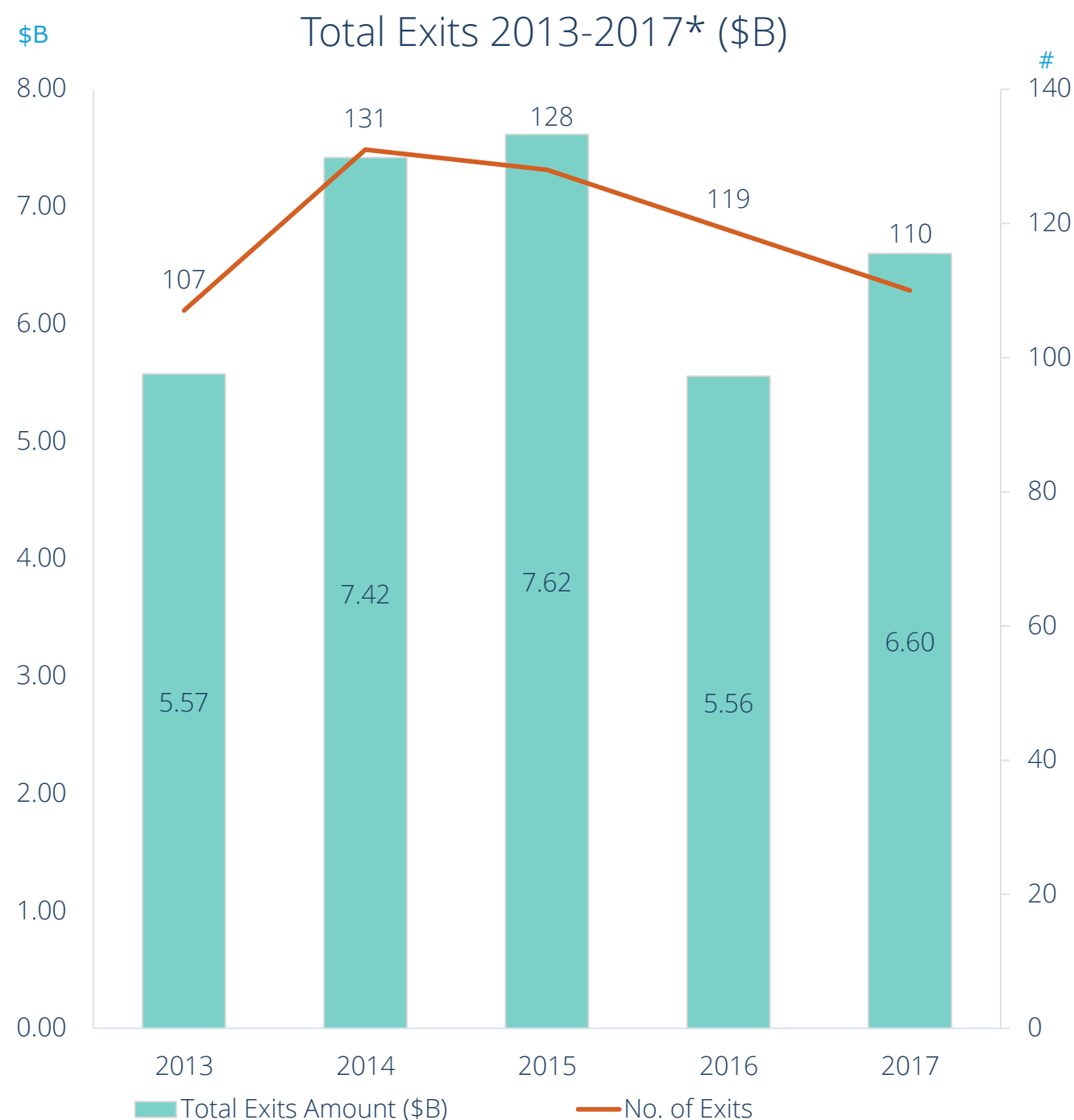
Total transaction value has grown steadily from \$6.77 billion in 2013, to \$23 billion in 2017.

The number of exits, however, decreased to 112 in 2017, close to the figure for 2013.



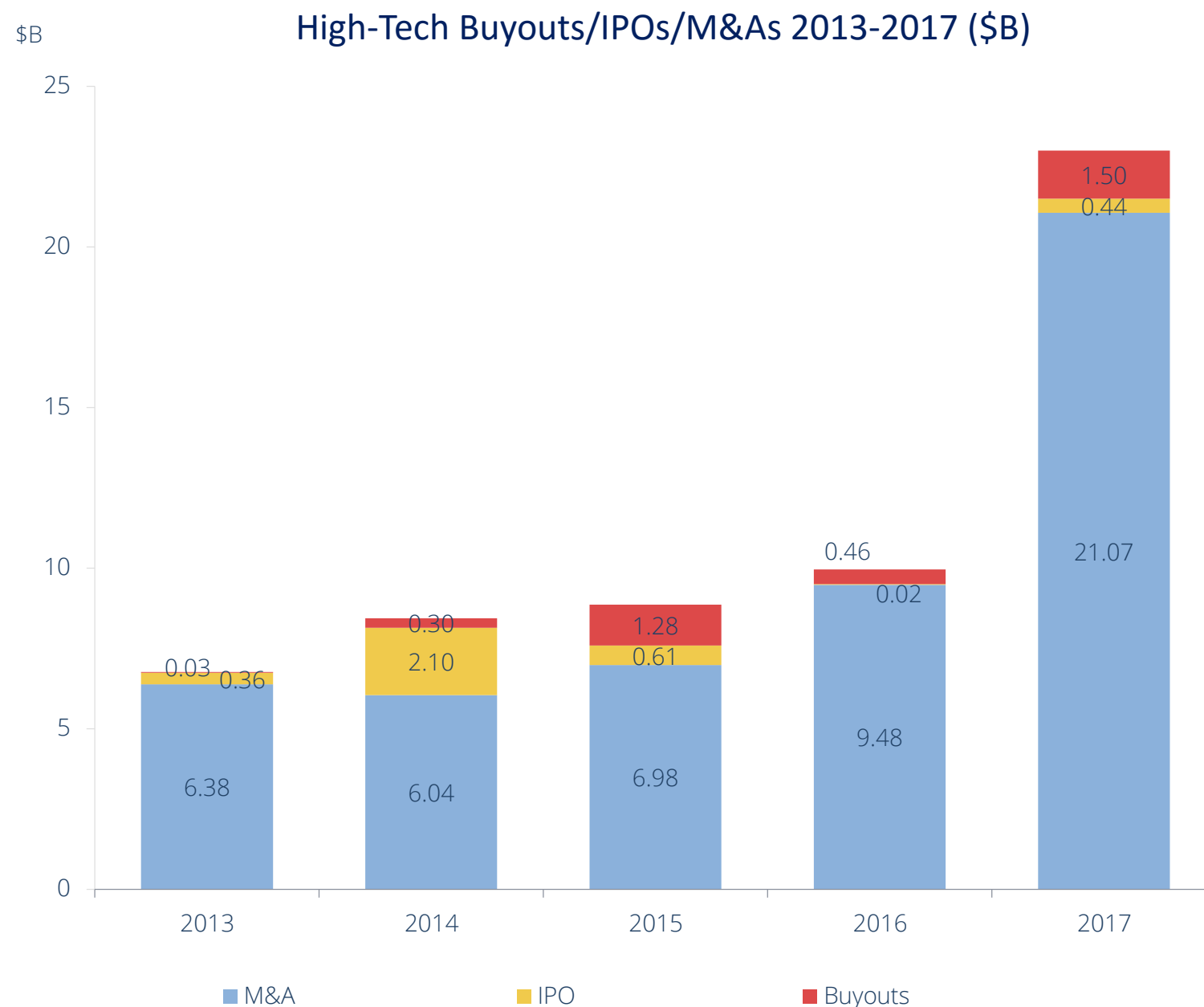
Exits 2013 – 2017 (excluding mega deals)

- In 2017, transaction value increased by 19% over 2016.
- The number of transactions has consistently declined since 2014.



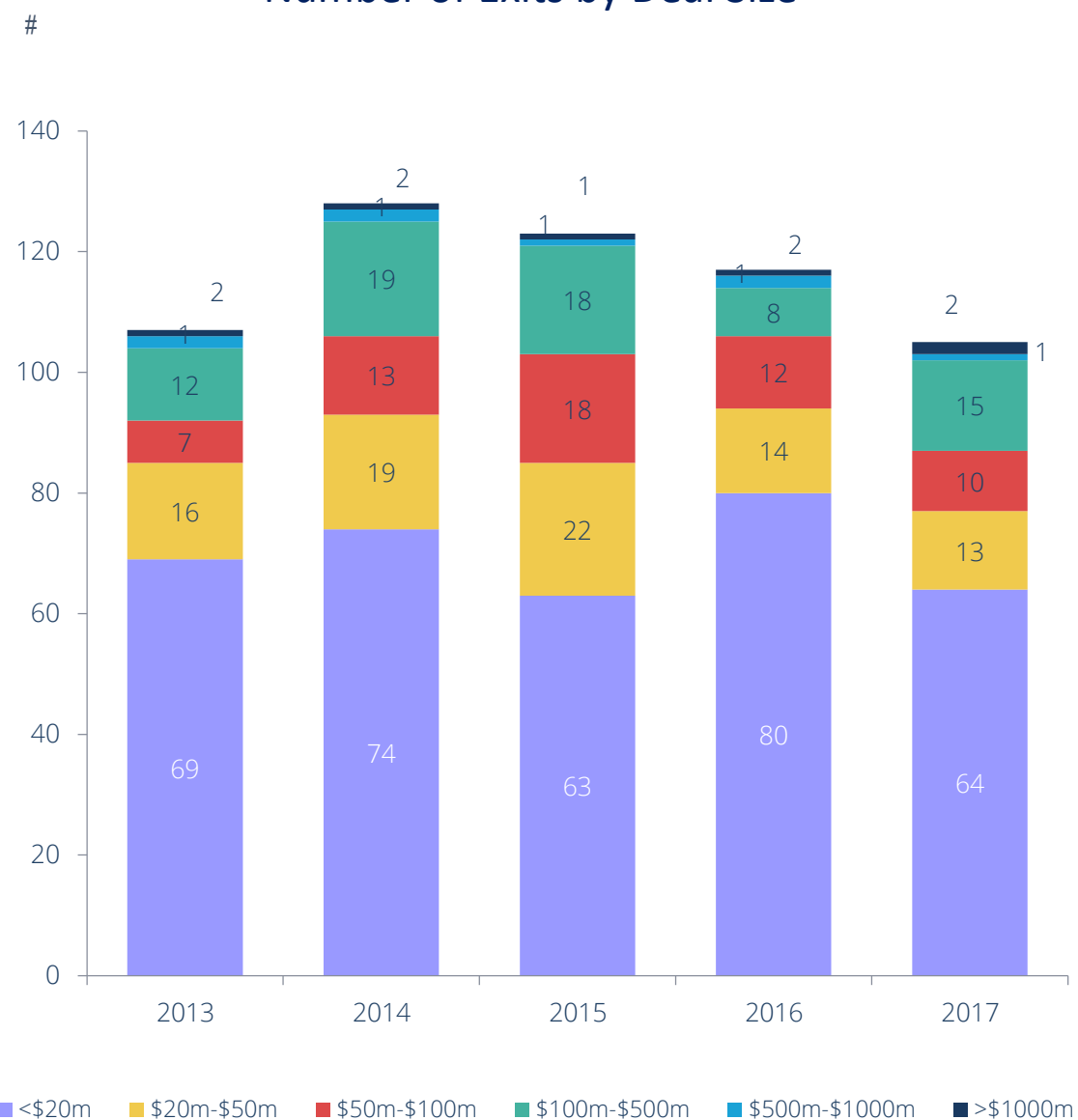
Transactions: IPOs, M&As and Buyouts 2013-2017 (\$B)

- Seven buyouts totaled \$1.5 billion in 2017, a significant increase, compared to \$0.46 billion in 2016.

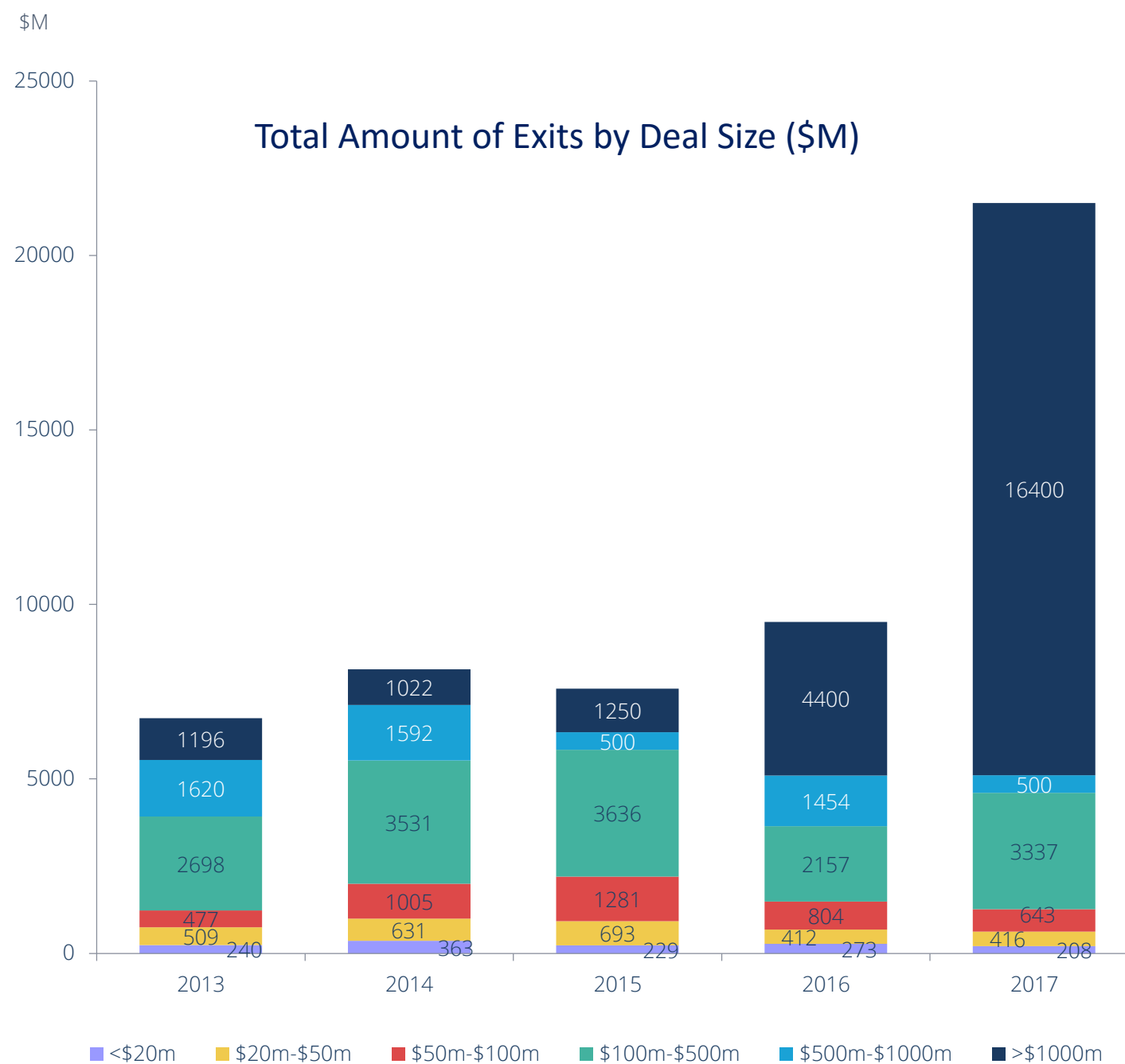


Exits by Deal Size 2013 – 2017 (excluding buyouts)

Number of Exits by Deal Size



Total Amount of Exits by Deal Size (\$M)



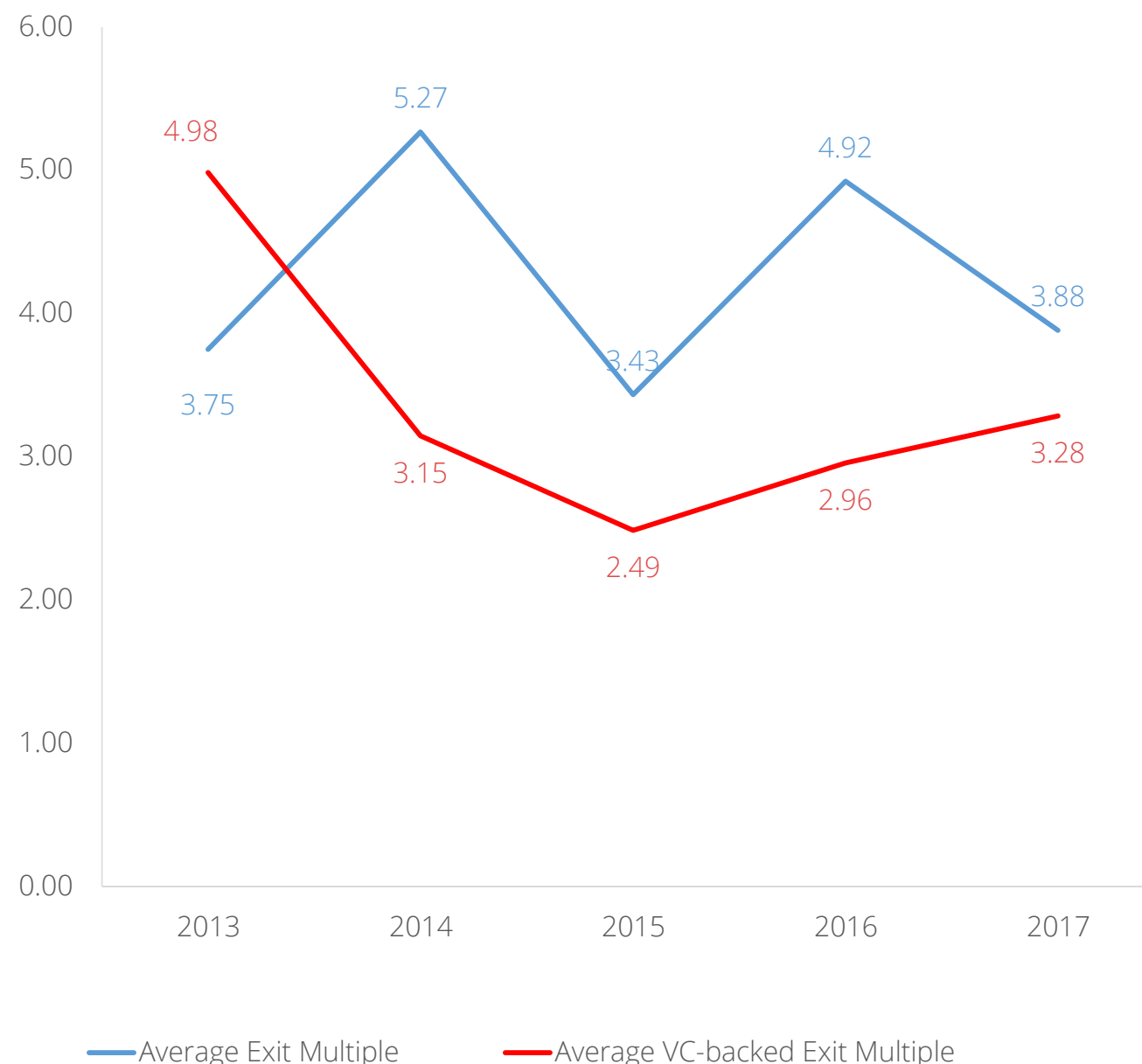
Average exit multiple* 2013-2017

- 2017 was modest in terms of the exit multiple compared with 2016.
- Venture capital funds, however, experienced a slight increase in multiple compared with the previous two years.

* Excluding buyouts & exits above \$1B

Exit multiple is calculated by dividing the total exit value (per year) by the total capital raised by the companies which have carried out exit transactions in each year.

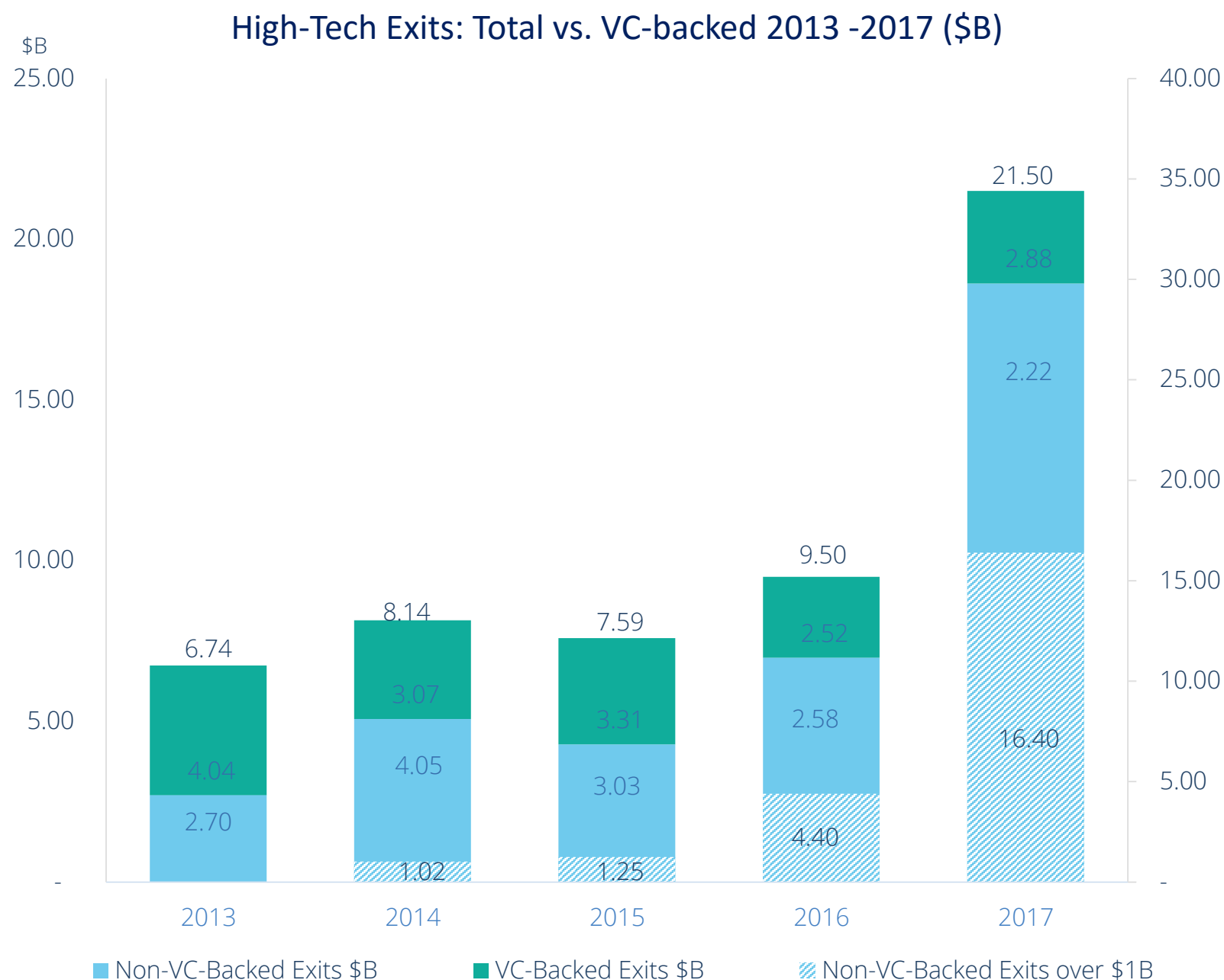
Average exit multiple* 2013-2017



Exits by Type*: VC-backed vs. Non-VC Backed 2013-2017 (\$B)

- VC-backed exits value improved in 2017 when compared with 2016, yet still below the preceding three years.
- This is the fifth year in a row in which mega-deals of over \$1 billion were consummated.

* Excluding buyouts

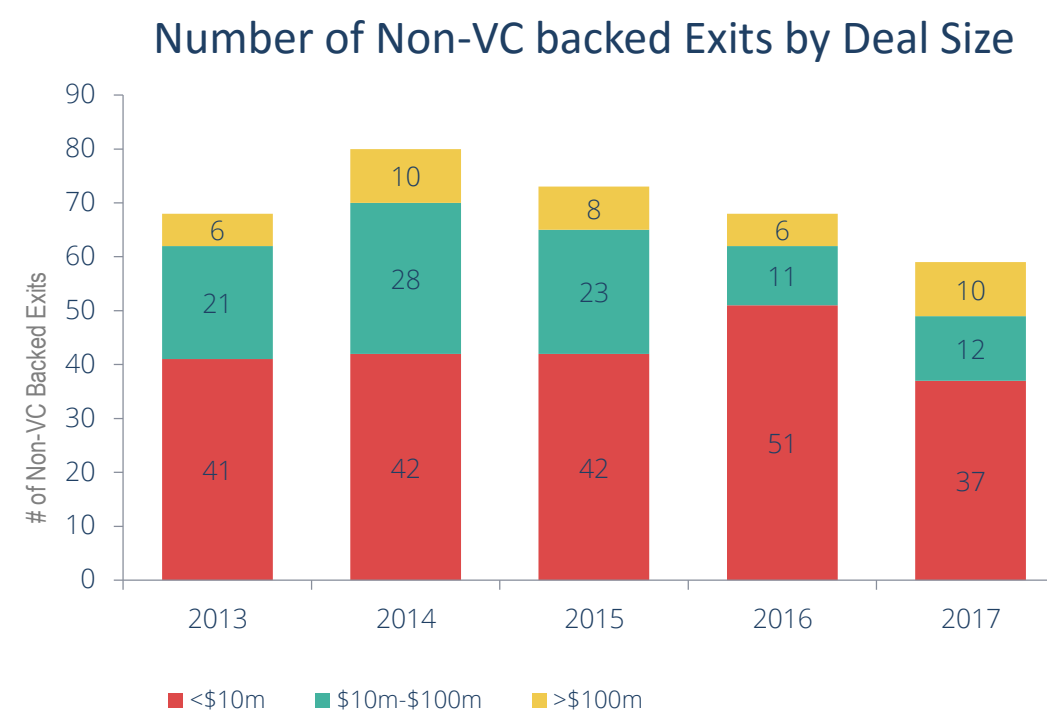
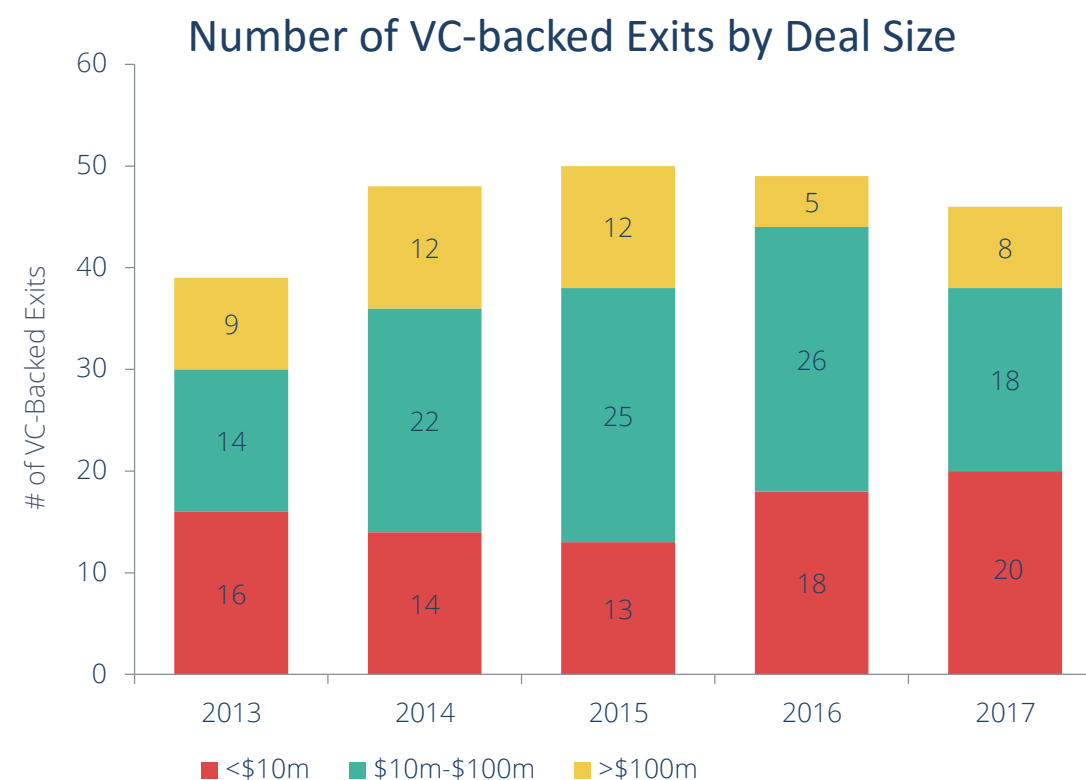


Exits by Deal Size:

VC-Backed vs. Non-VC Backed 2013 - 2017

- The total number of exits over \$100m increased from 11 in 2016 to 18 in 2017, while the total number of exits below \$100m declined from \$106 million to \$87 million.
- The number of VC backed exits in the range of \$10-\$100m decreased in 2017 to 18, from 25 and 26 in 2015- 2016.
- Non VC backed exits demonstrates a similar trend and significant decline in transaction in the range of \$10-\$100m; a decrease from 28 and 23 transactions in 2014-2015 to 11-12 transactions in 2016-2017.

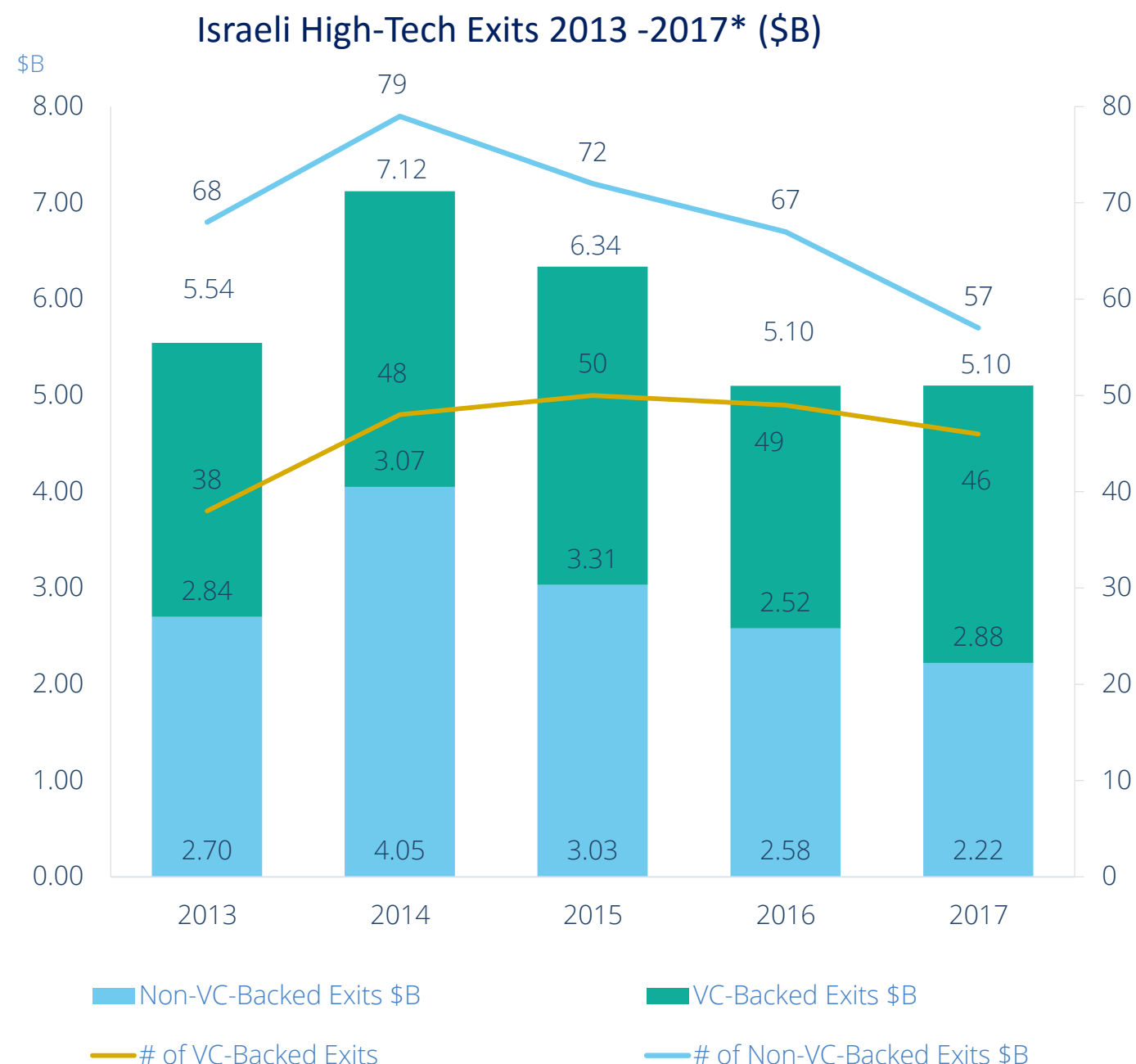
* Excluding buyouts



VC-Backed vs. Non-VC-Backed Exits* 2013-2017 (\$B)

- The number of VC backed deals is constantly declining during the last four years, but the total value is generally stable.
- The number of non-VC backed deals in the last four years is generally stable, but the total value has constantly declined.

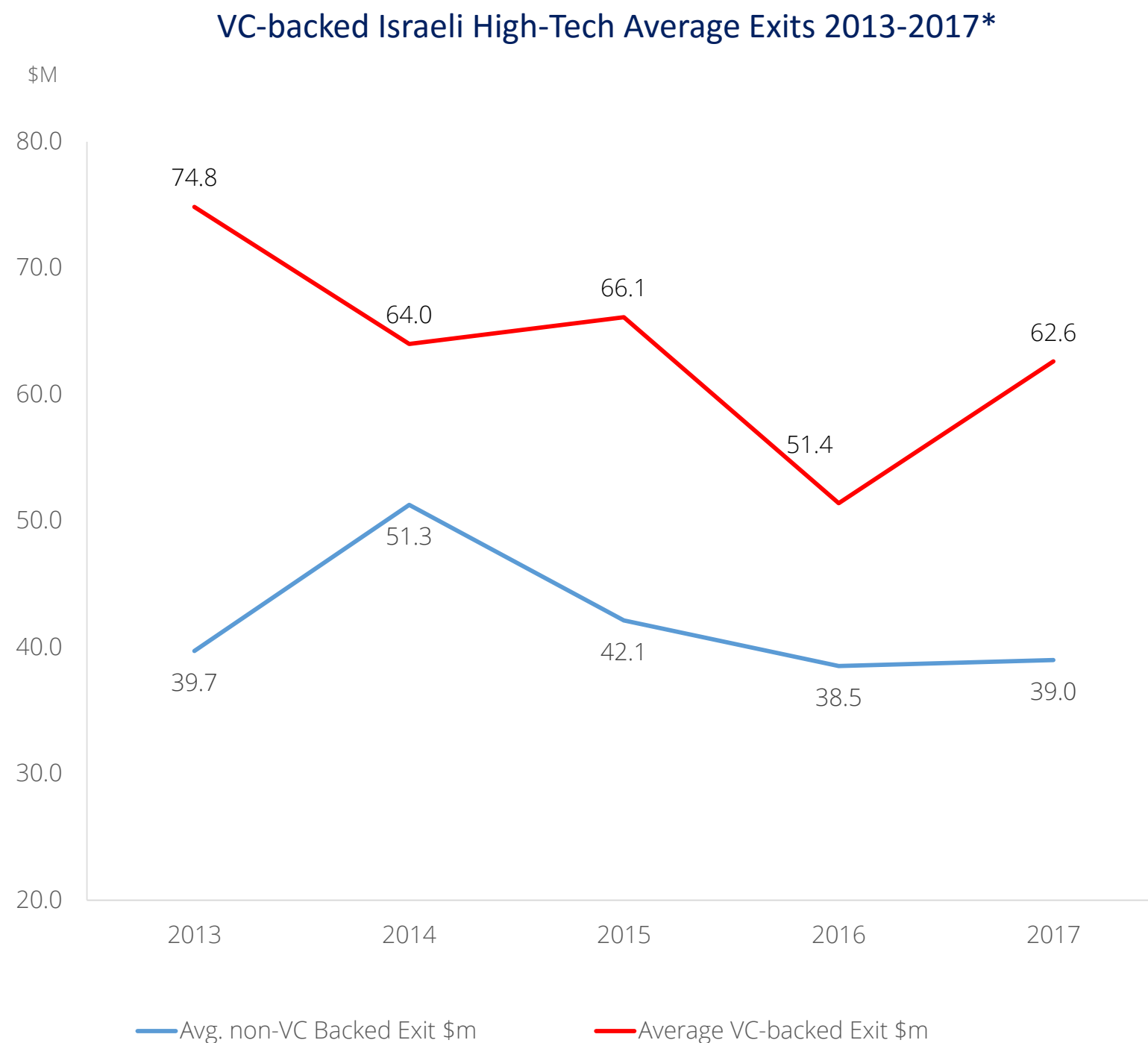
* Excluding buyouts & exits over \$1B



Average Exit: VC-backed vs. Non-VC backed 2013-2017*

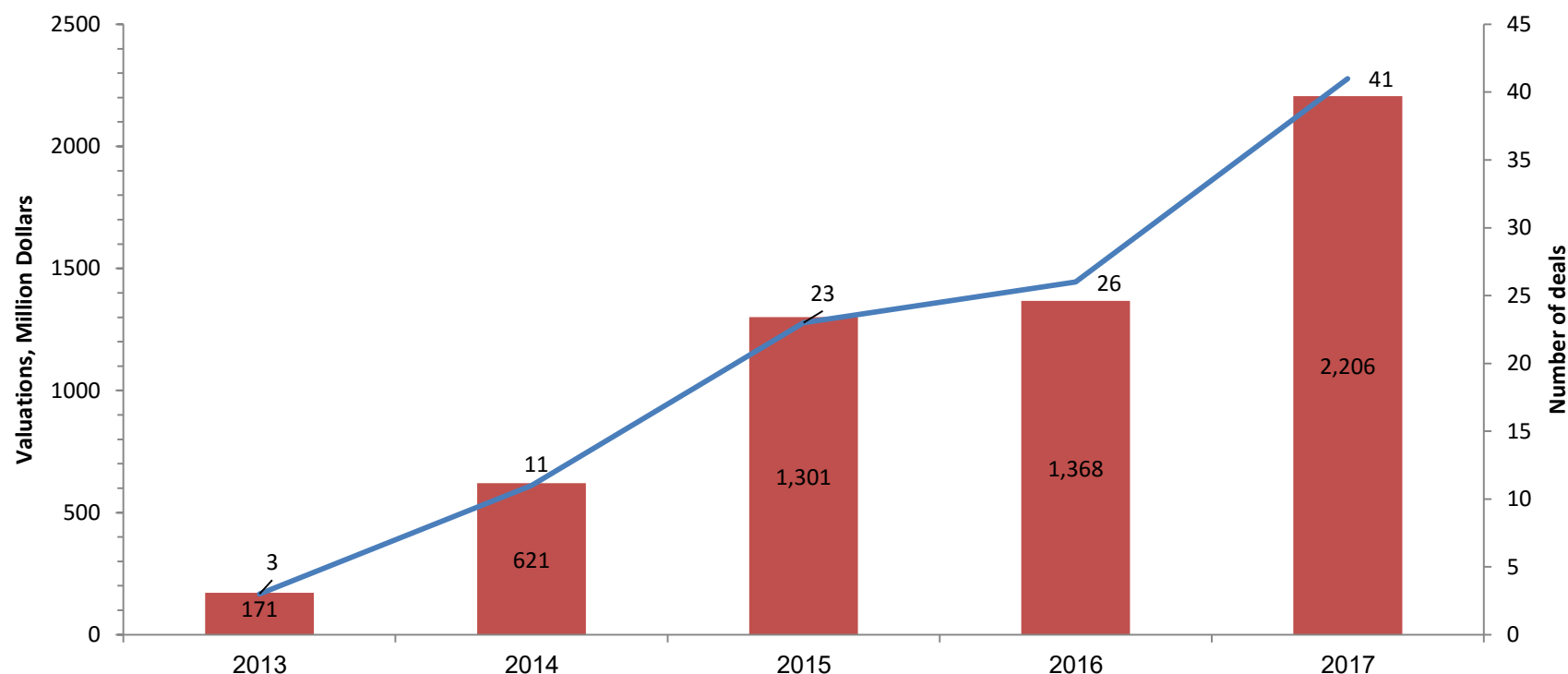
- The VC-backed exit average amount totaled \$62.6 million, an increase over 2016, but still below the figure in the preceding three years.
- Non-VC backed exits were stable set at \$39 million.

* Excluding buyouts & exits over \$1B



Investment Patterns

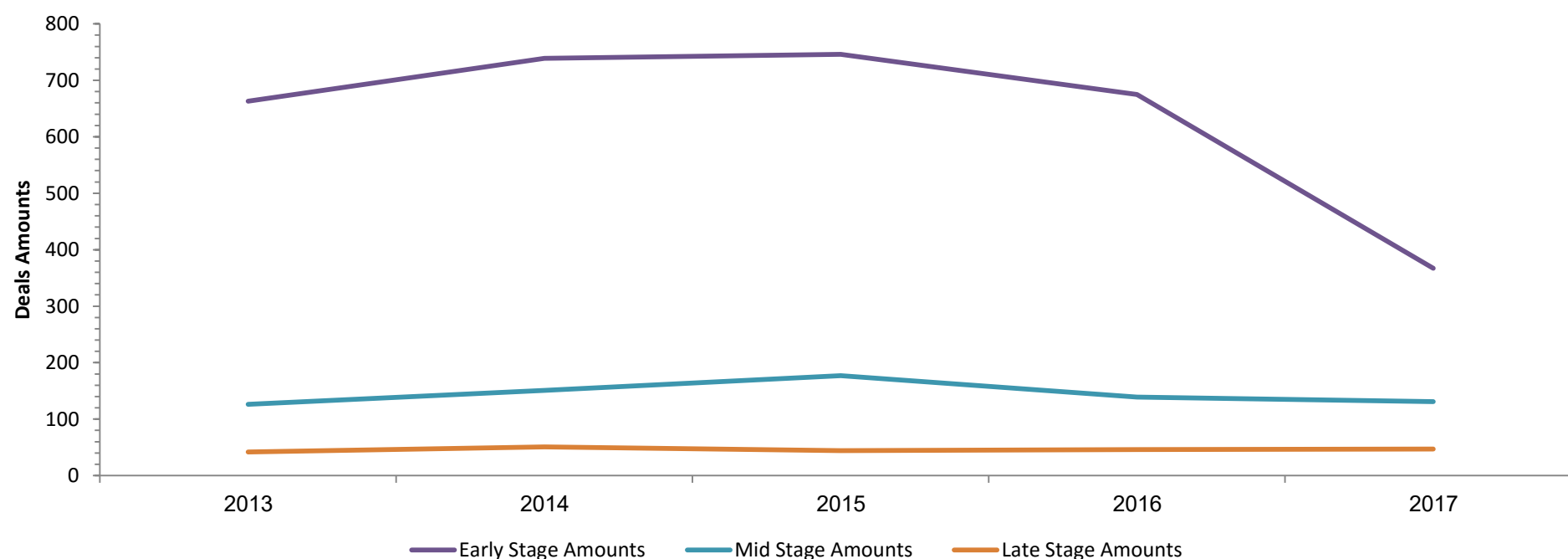
Valuations and numbers of investments above 30 M Dollars



The patterns in the investment activity supplement the inputs from the exit side. Two major patterns became very clear in 2017:

- The number of large investment rounds (above \$30 M) keep growing;
- The number of early stage investments decreased dramatically.

Deals Amounts per Stage and Year



Top Exits in 2017



Acquired by Intel
for \$15.3B



Acquired by Mitsubishi
Tanabe
for \$1.1B



Acquired by Aristocrat
for \$500M



Acquired by Continental AG
for \$430M



Acquired by SAP
for \$350M



Acquired by Edwards
Lifesciences
for \$340M



Acquired by Signet Jewellers
for \$328M



Acquired by Symantec
for \$275M



Acquired by Symantec
for \$250M

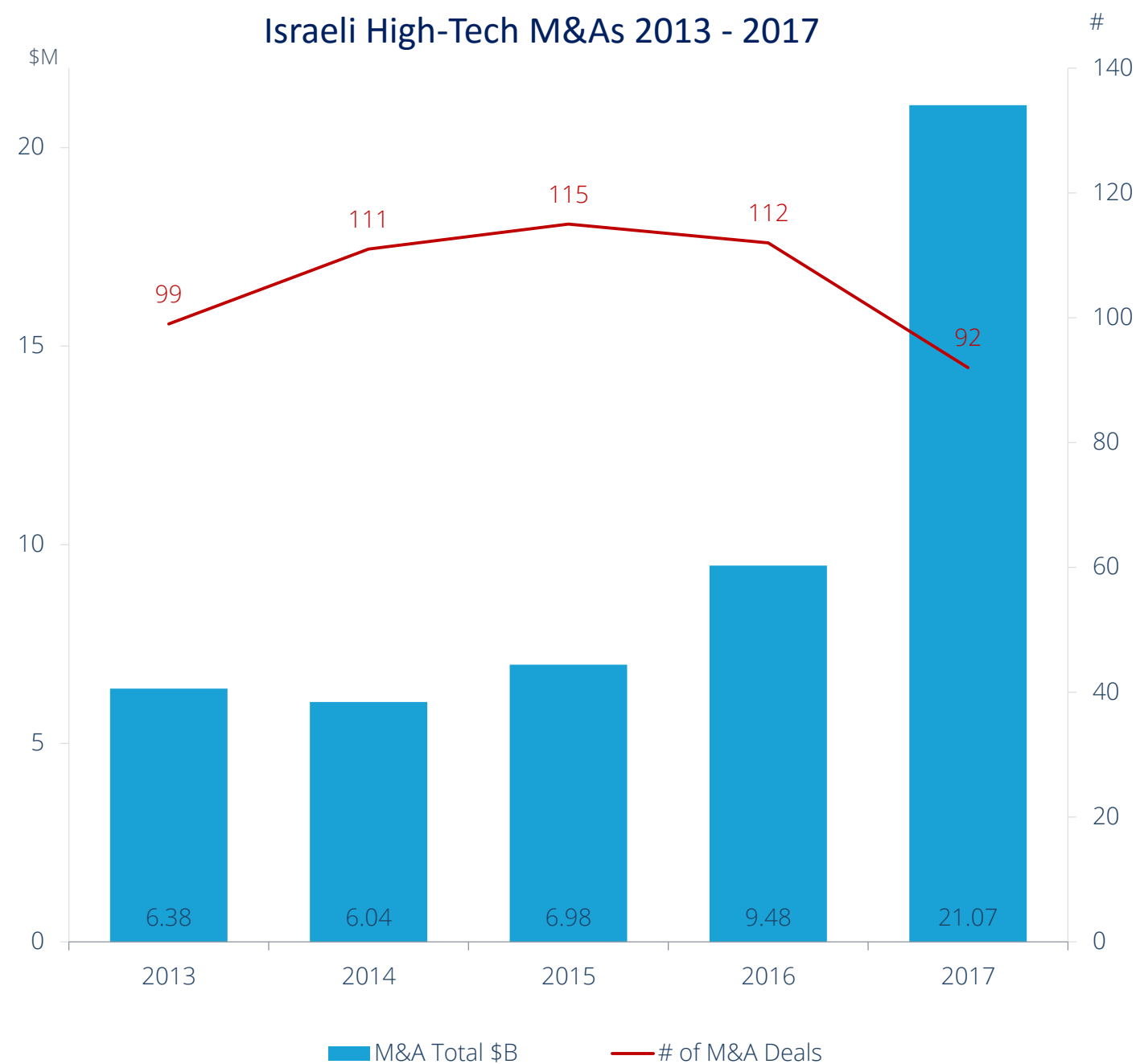
High-Tech Mergers & Acquisitions

2017 saw 92 mergers and acquisitions, totaling
\$21.07 billion

M&As 2013 – 2017*

- In 2017 total exits amounted to \$21.07 billion (including the two mega-exits described above).
- While the number of M&A deals was stable from 2014-2016, the number decreased by 13% in 2017 - 92 deals.

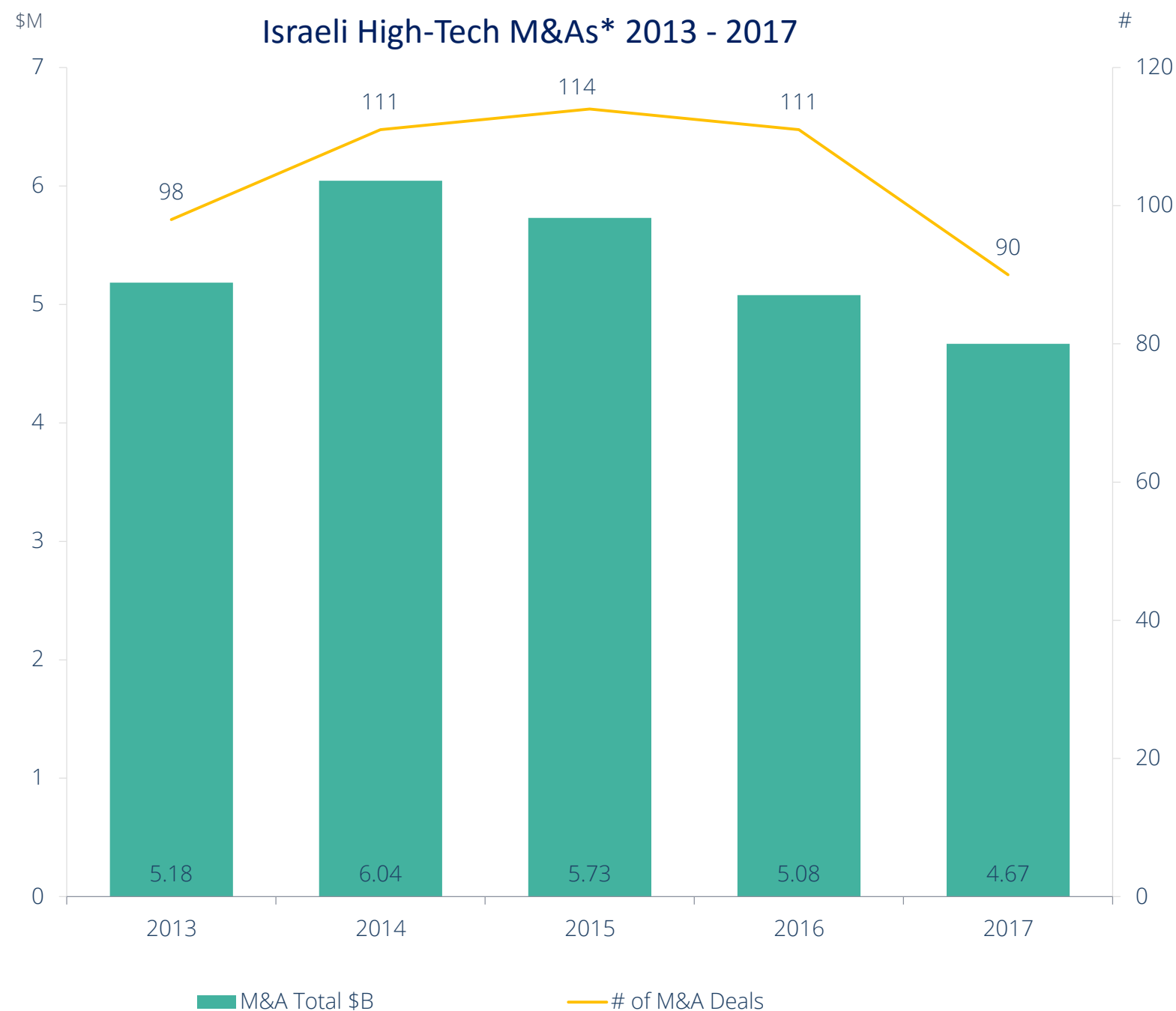
* Excluding buyouts



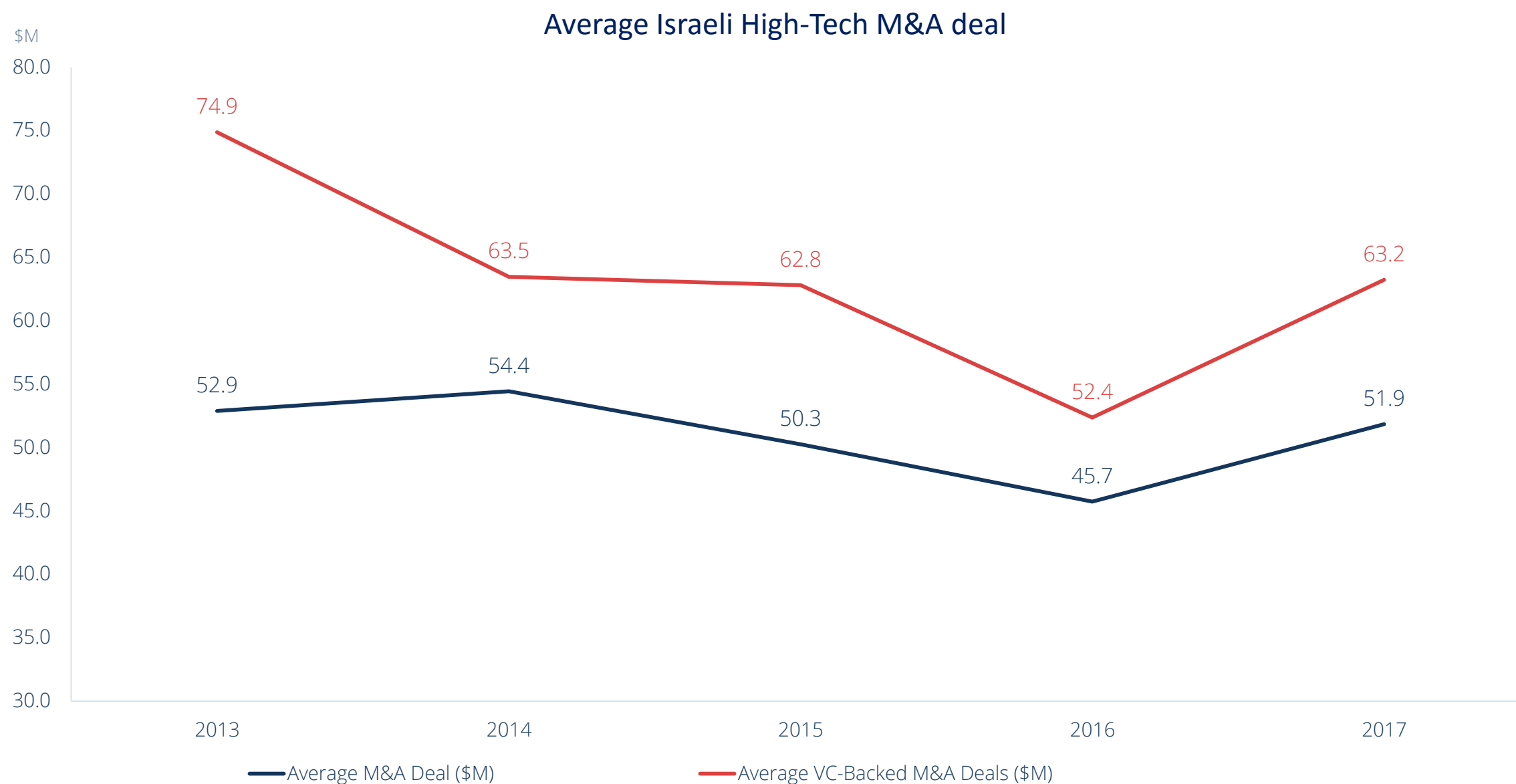
M&As* 2013 - 2017

- When excluding the mega deals the number of M&A transactions has decreased and are the lowest in the past five years.

* Excluding buyouts & exits above \$1B



Average M&As 2013 – 2017 (excluding buyouts & exits above \$1B)

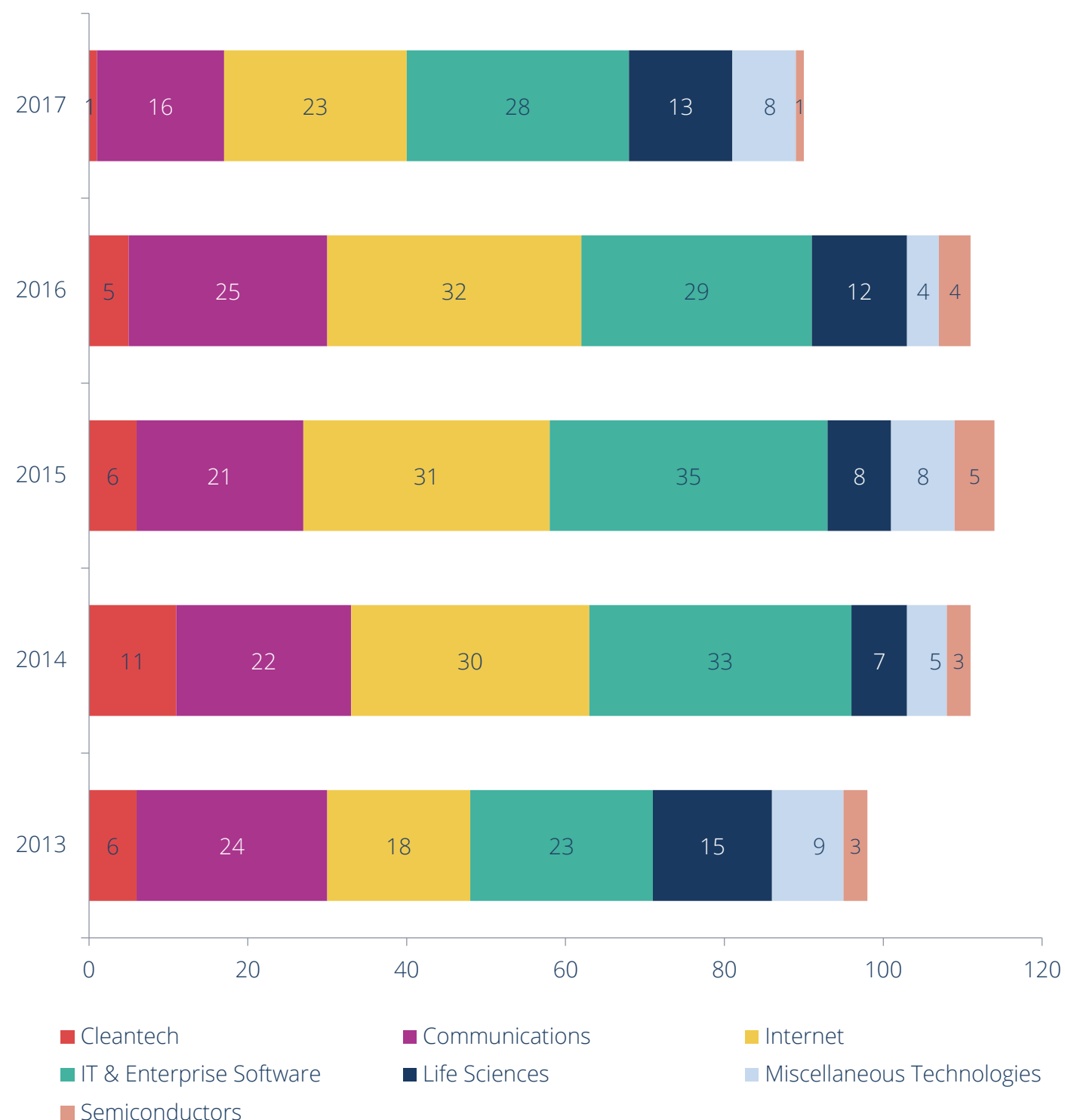


M&As by Sector 2013 - 2017

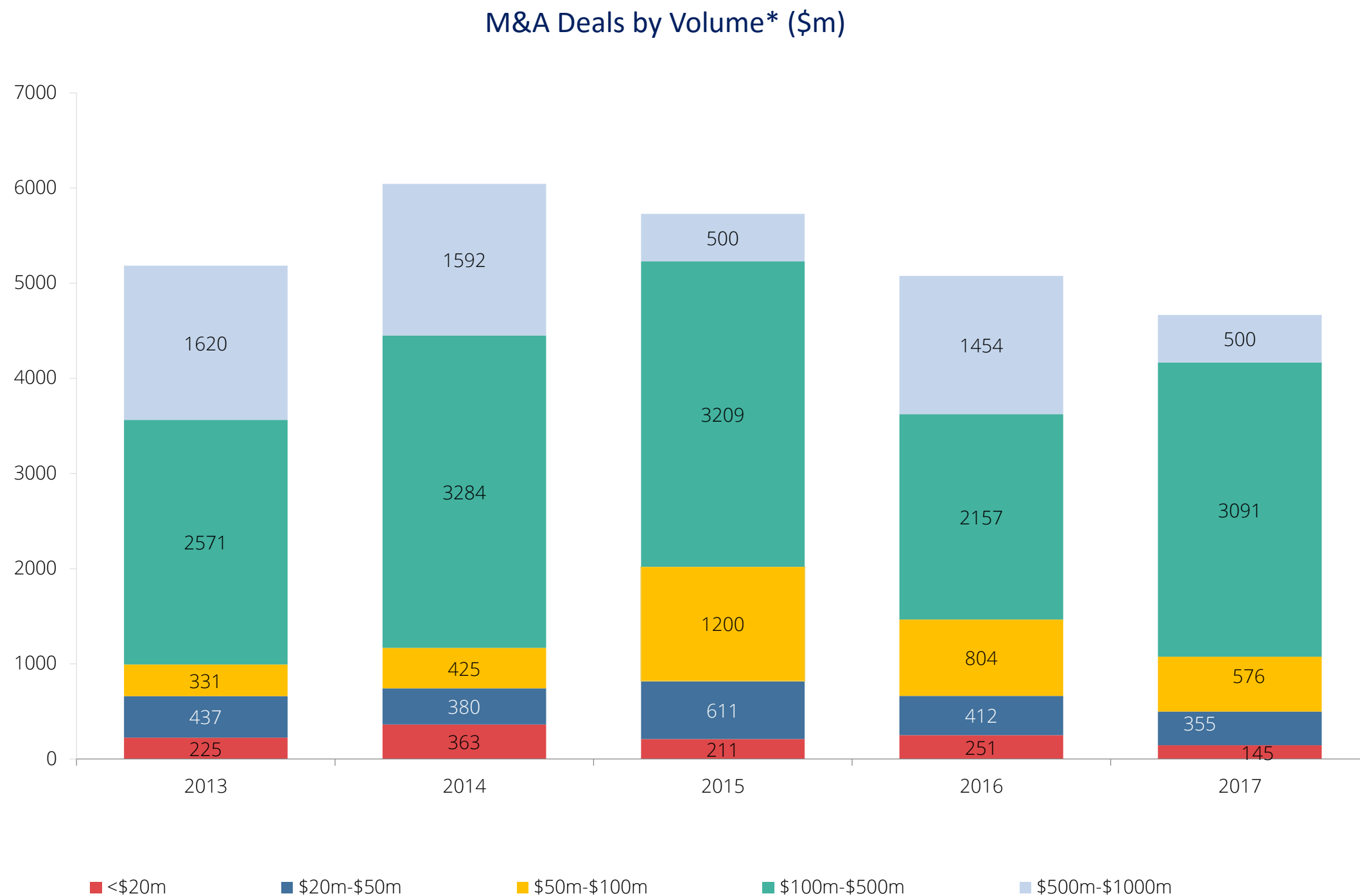
- In 2017, the number of IT & software, Internet and communications M&A deals shrank compared with the three preceding years.
- While Mobileye placed semiconductors first in terms of total M&A capital attracted in 2017, the number of deals in this sector was low, as in previous years.
- 13 Life sciences M&As closed in 2017, almost the same as in the previous year. This number is affected by the number of IPOs.
- In 2017, in terms of total value of M&A transactions, software deals placed first (47 percent), Internet second (23 percent) and life sciences third (13 percent).

* Excluding buyouts & deals over \$1B

Number of Israeli High-Tech M&As by Sector



M&A Deals: Volume of the Deals (\$m) (excluding buyouts & exits above \$1B)



M&As – The Acquirer Side

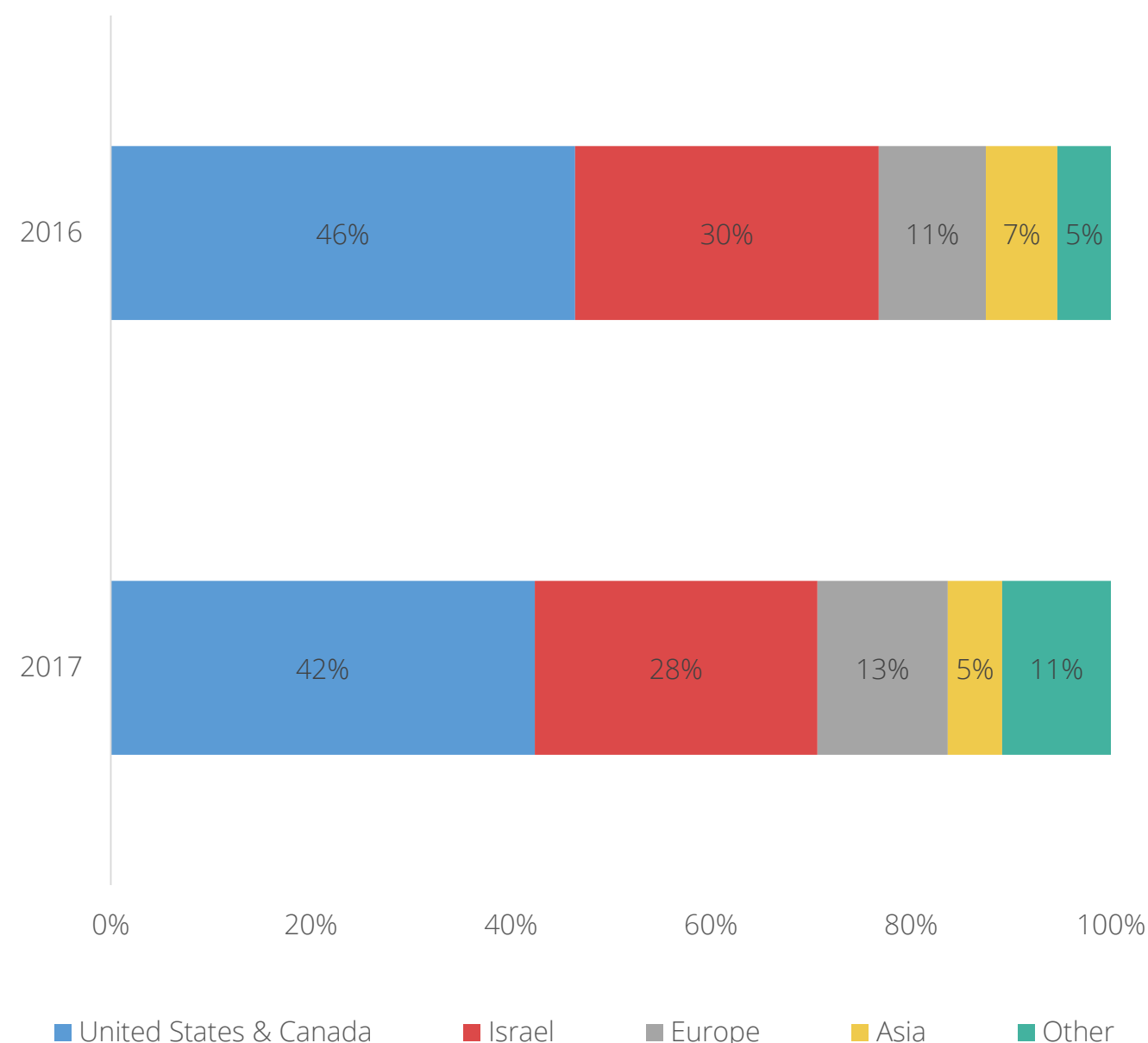
Israeli high-tech acquirer activity accounted for \$1.17 billion in 2017

M&As*: acquirers by country of origin

- In 2017, United States and Canadian corporations acquired 39 Israeli high-tech companies (42%), followed by Israeli buyers (28%).
- European corporations (including UK & Russia) were purchasers in 13% of all M&A deals.
- Three M&As were led by Chinese acquirers - one deal less than in 2016.

* Excluding buyouts

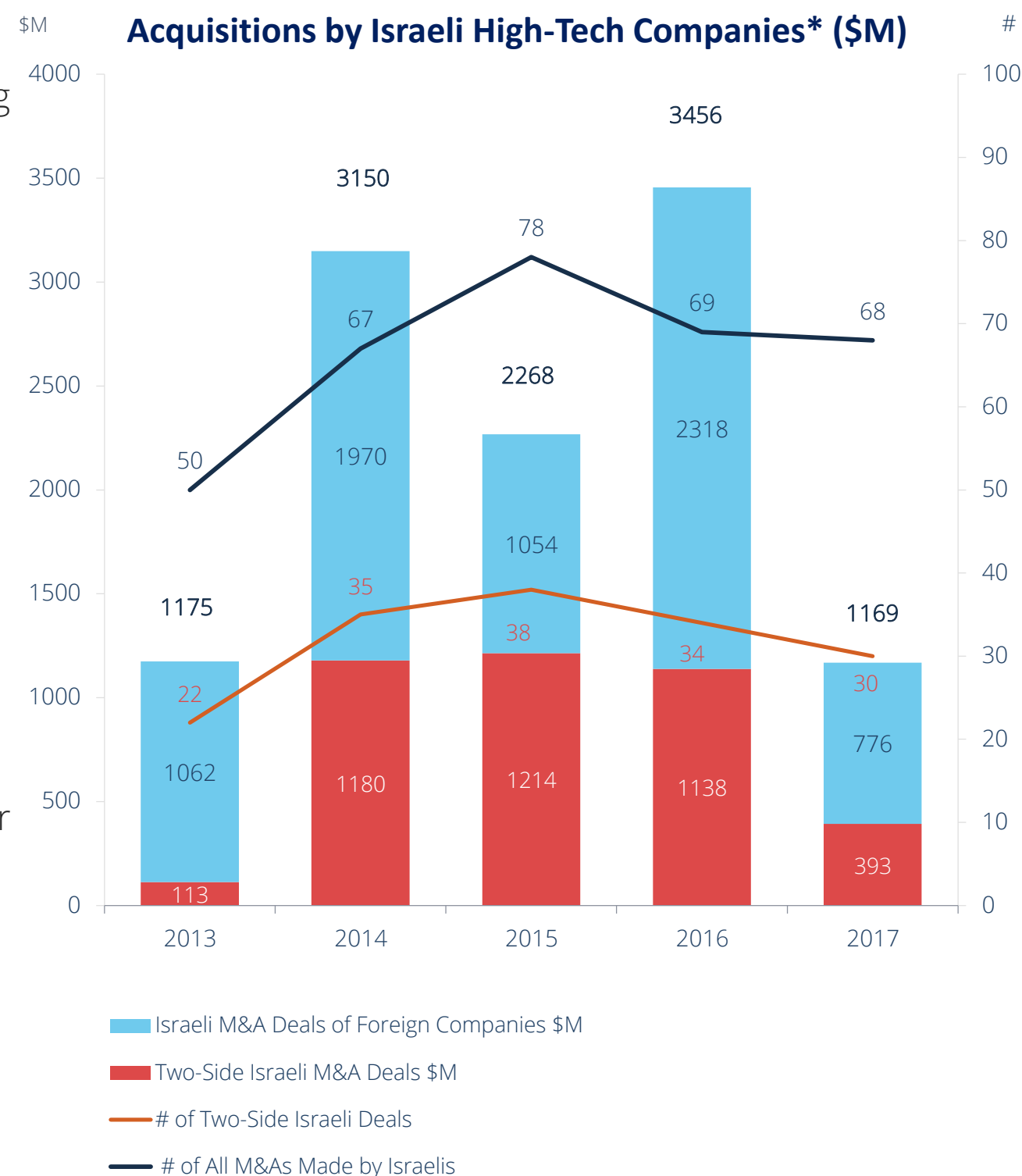
Acquirers by Country of Origin



Acquisitions by Israeli High-Tech Companies* 2013 –2017

- In 2017, 49 Israeli high-tech companies undertook 68 mergers and acquisitions, keeping up with the deal making pace of the past four years. This year, however, was weaker for Israeli buyers, with the total value of such transactions reaching a modest \$1.17 billion, compared with \$3.46 billion in M&As in 2016.
- Two-sided Israeli M&As experienced a noticeable slowdown in 2017. 30 deals accounted for 44% of total deals undertaken by Israeli buyers in 2017, and a mere \$393 million of total capital volume.
- Israeli acquisitions of foreign companies also fell short of the previous years. The three largest deals, of over \$100 million each, were undertaken in 2017. They accounted for 39% of the total M&A capital volume.
- The \$200 million acquisition of Juno Lab by Gett was the largest deal among Israeli buyers in 2017.

* Excluding buyouts and exits above \$1B

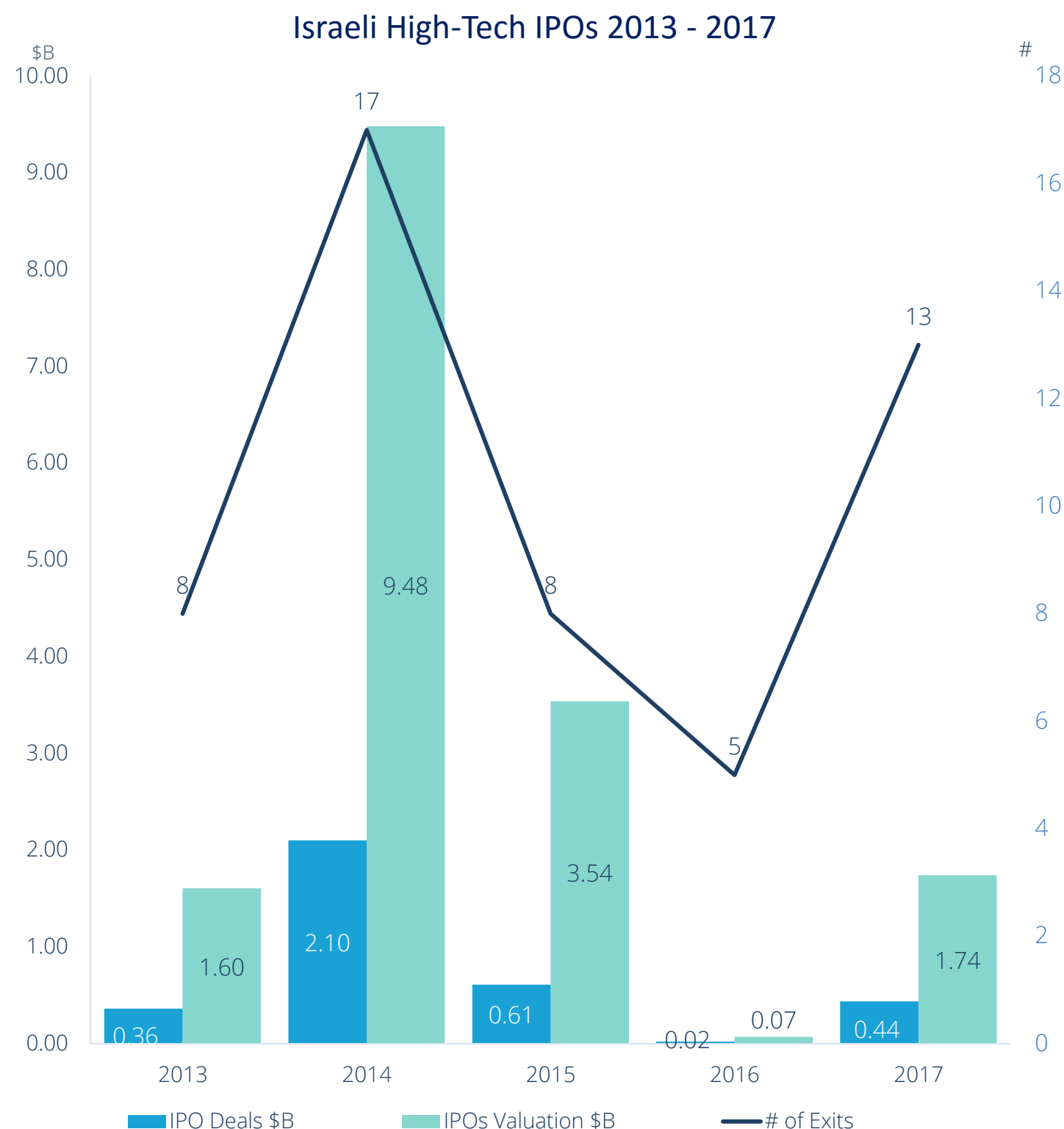


High-Tech IPOs

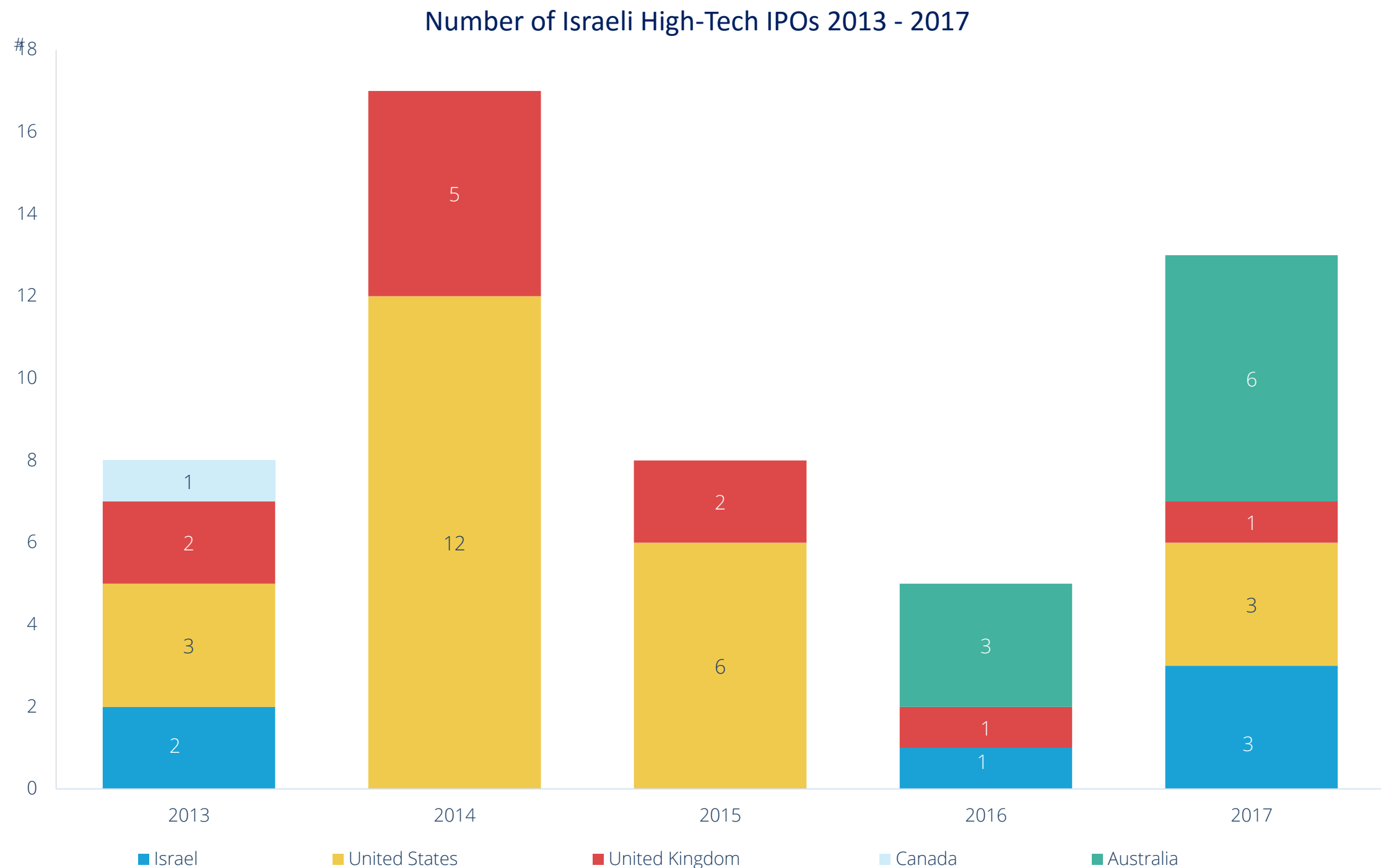
Thirteen Israeli high-tech companies completed IPOs
in 2017, raising \$0.44 billion

IPOs 2013 - 2017

- In 2017, the IPO activity of Israeli high-tech companies increased as compared to 2016, attracting \$0.44 billion in 13 deals.
- Listing on Nasdaq seems somewhat challenging to Israeli companies.
- Companies should consider alternative paths in markets which that are perceived as secondary.
- In 2017, six companies listed in ASX raised an average \$5.2 million.
- Only one company – ForeScout – succeeded to hit the Nasdaq threshold.



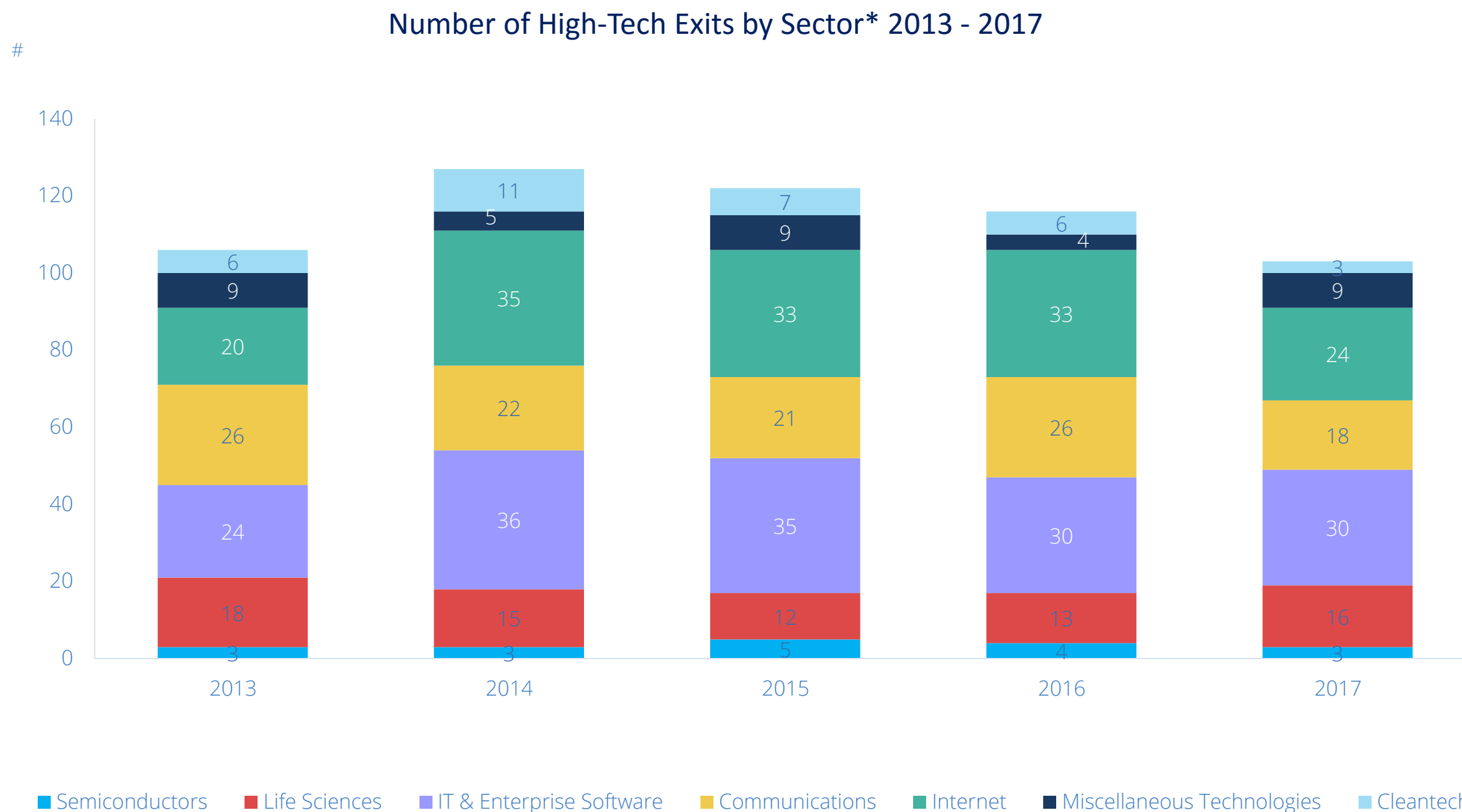
IPOs 2013 - 2017



Sectors – Analysis of Exits by Sector

Israeli software and life sciences exits were on the rise in 2017

Exits by Sector 2013 - 2017 (*excluding exits over \$1B)

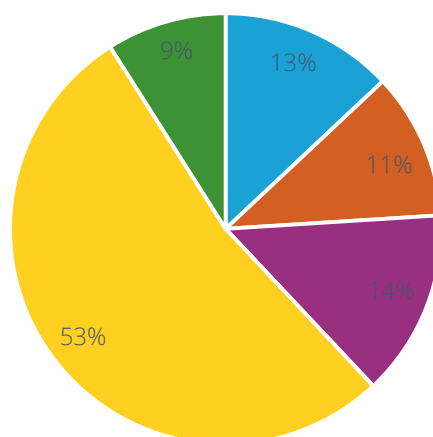


Internet exits 2013-2017

149 Deals

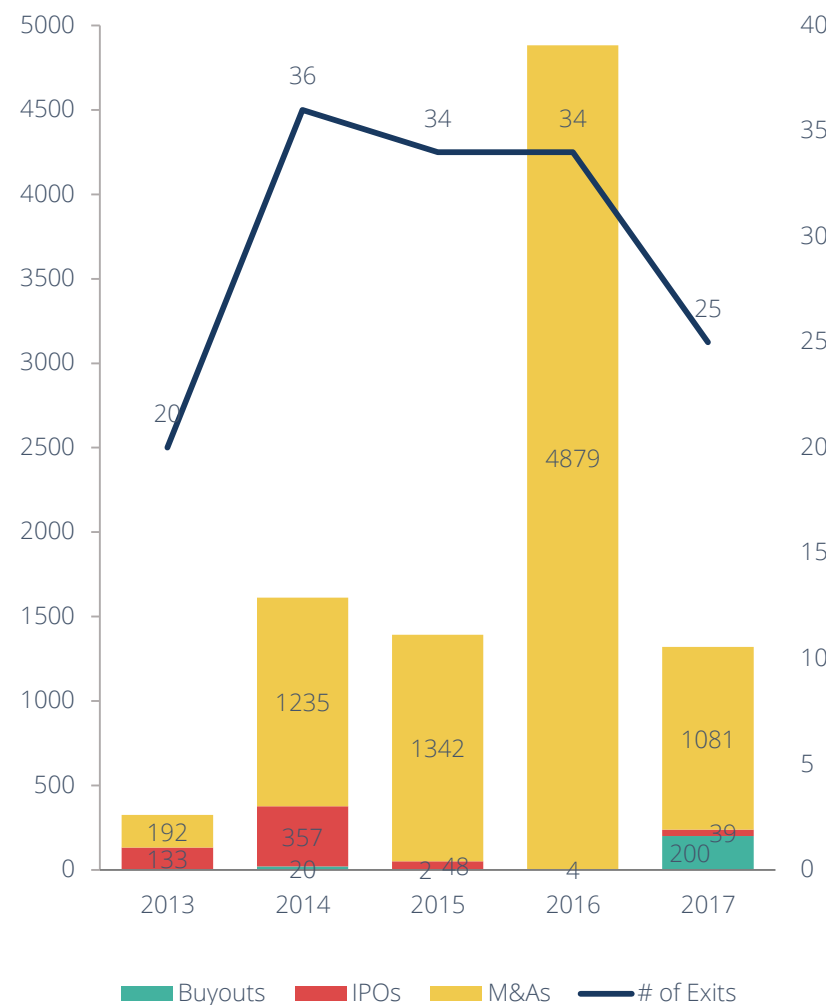
\$9.5B

Internet sub sectors

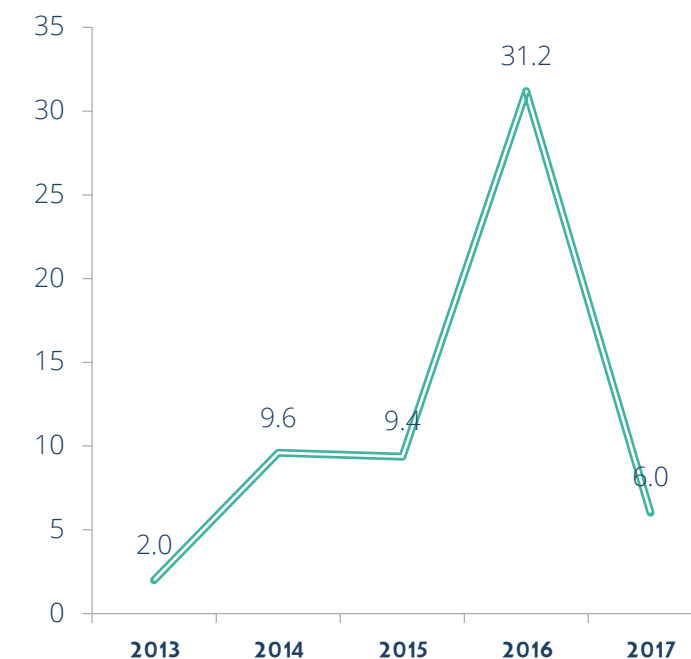


- e-Commerce
- Internet Applications
- Online Advertising
- Online Entertainment
- Other Internet

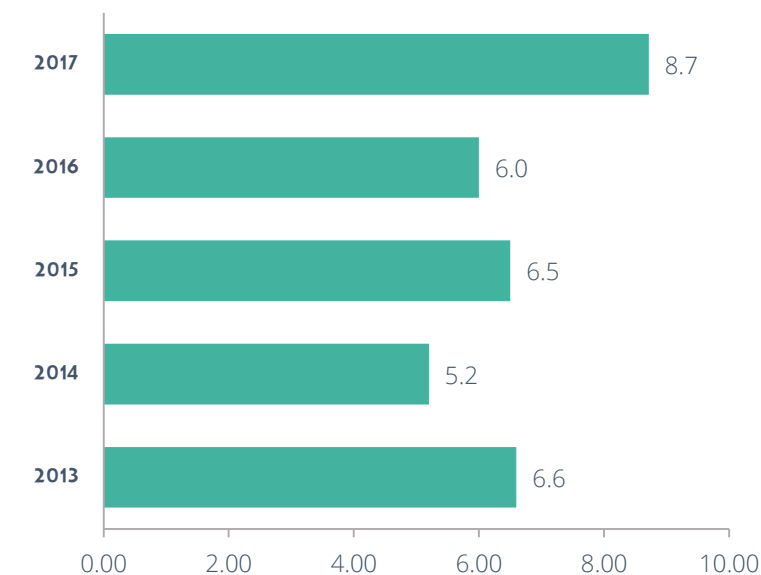
Internet exits 2013-2017



Average exit multiple



Average time to exit

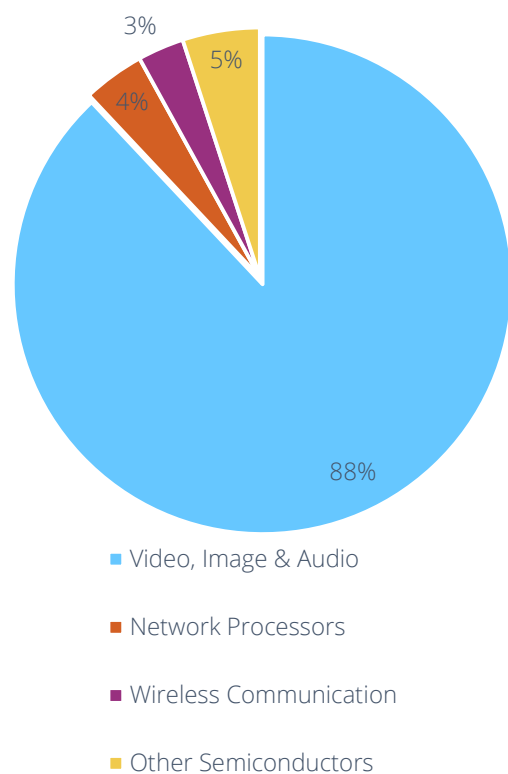


Top 5 Internet exits in 5 years

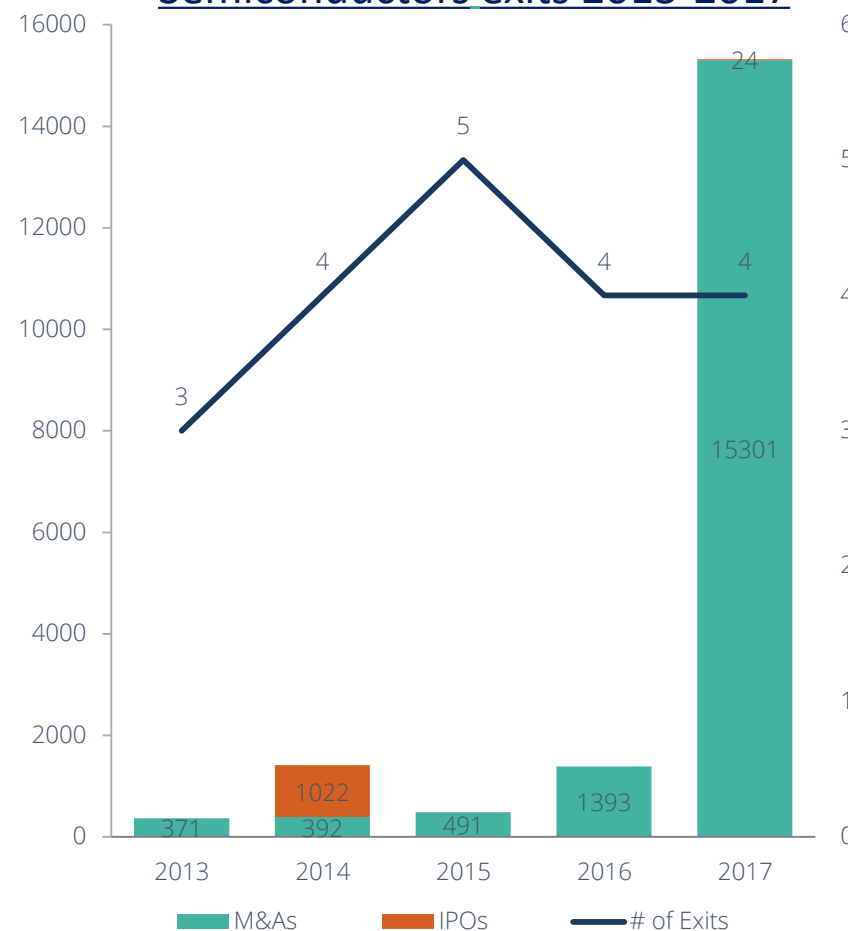


Semiconductors exits 2013-2017

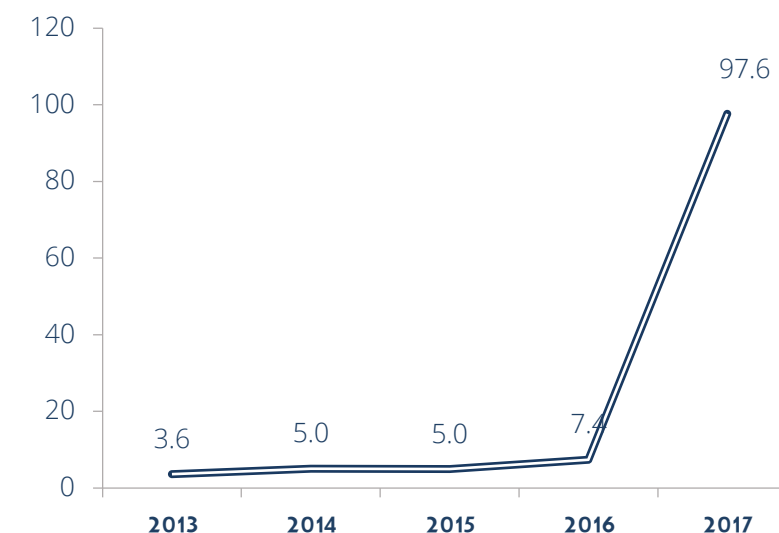
Semiconductors sub sectors



Semiconductors exits 2013-2017



Average exit multiple



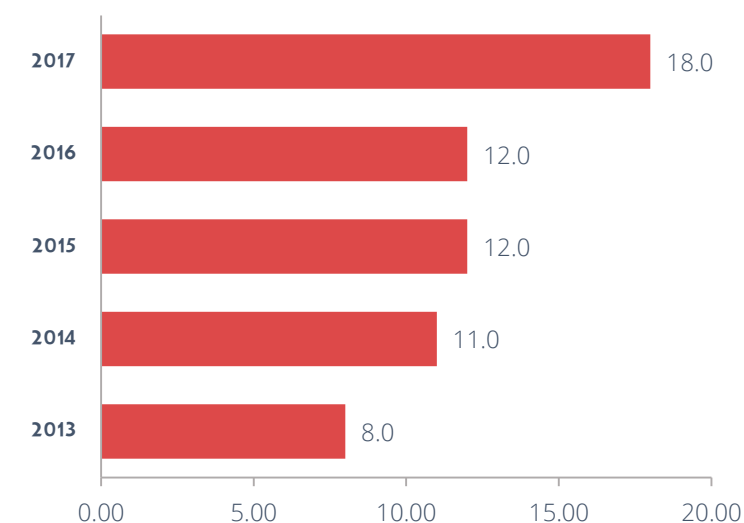
20 Deals

\$19B

Top 5 Semiconductors exits in 5 years



Average time to exit

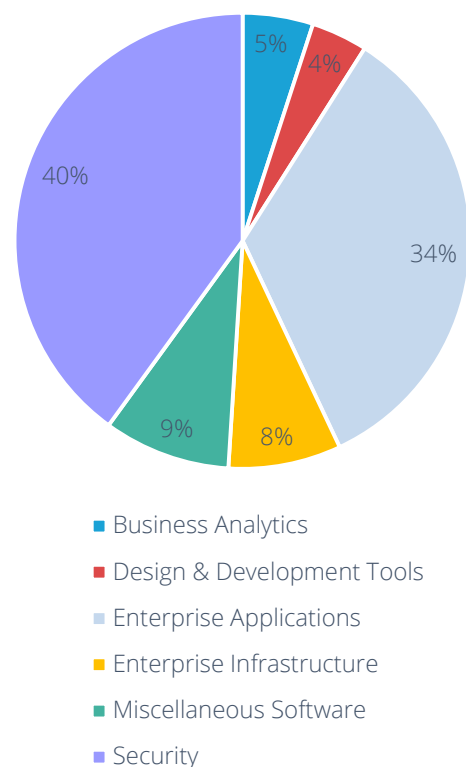


Software exits 2013-2017

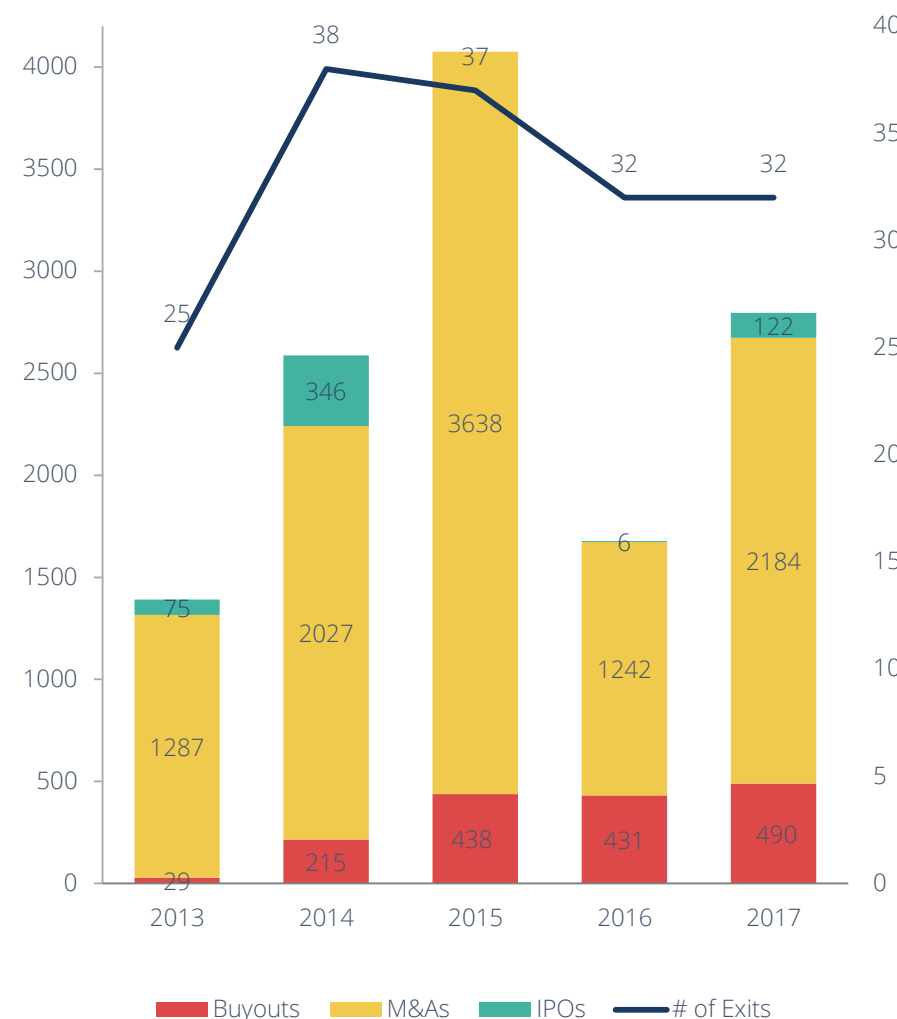
164 Deals

\$12.5B

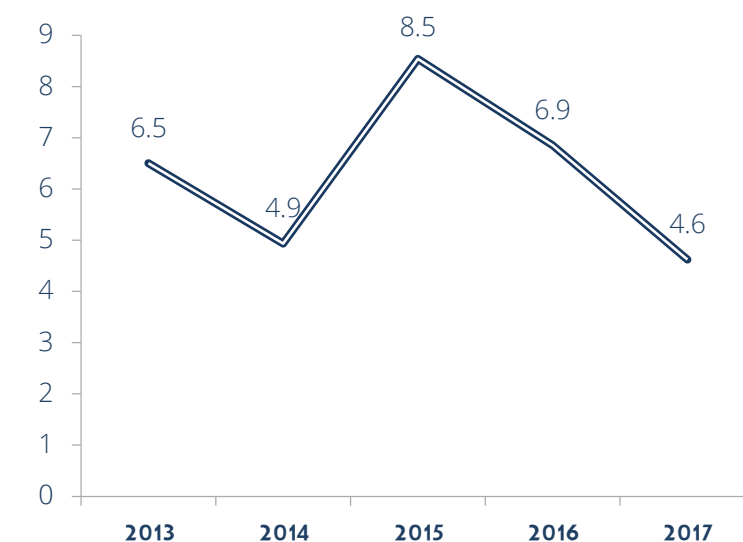
Software sub sectors



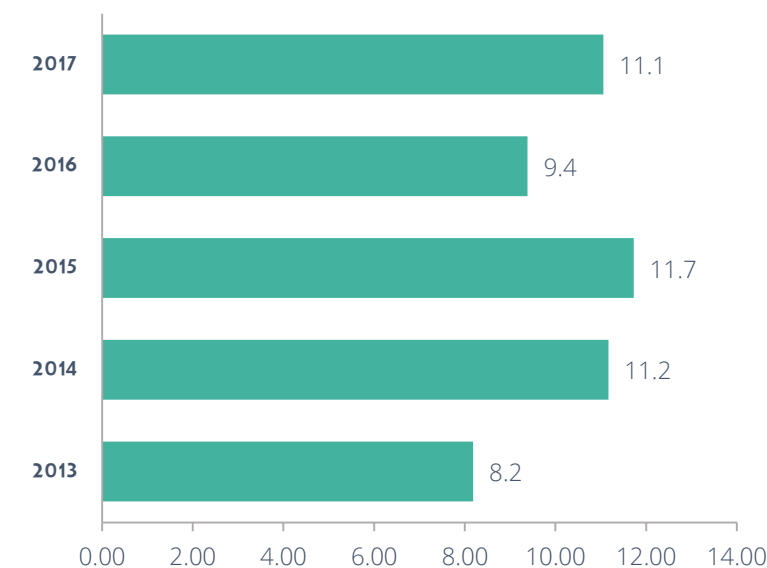
Software exits 2013-2017



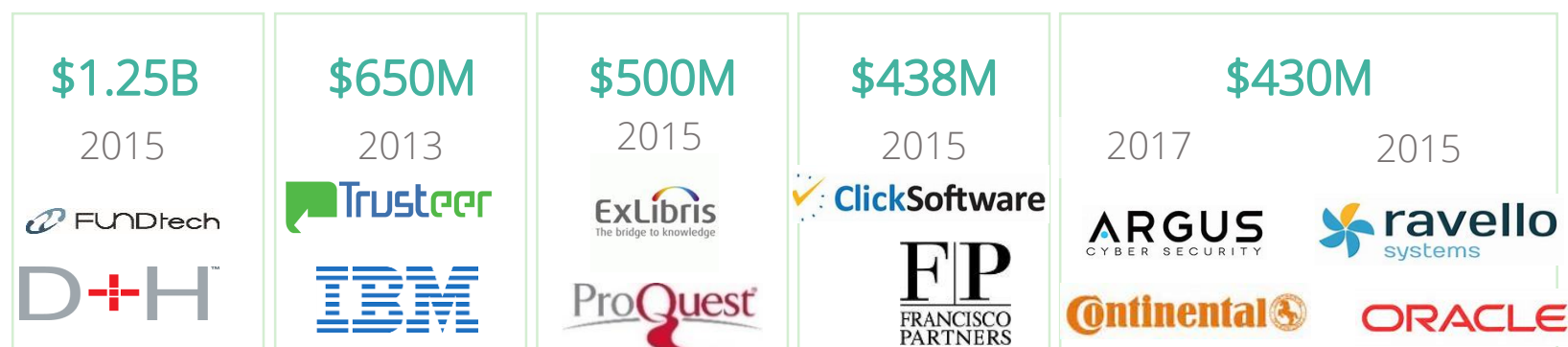
Average exit multiple



Average time to exit

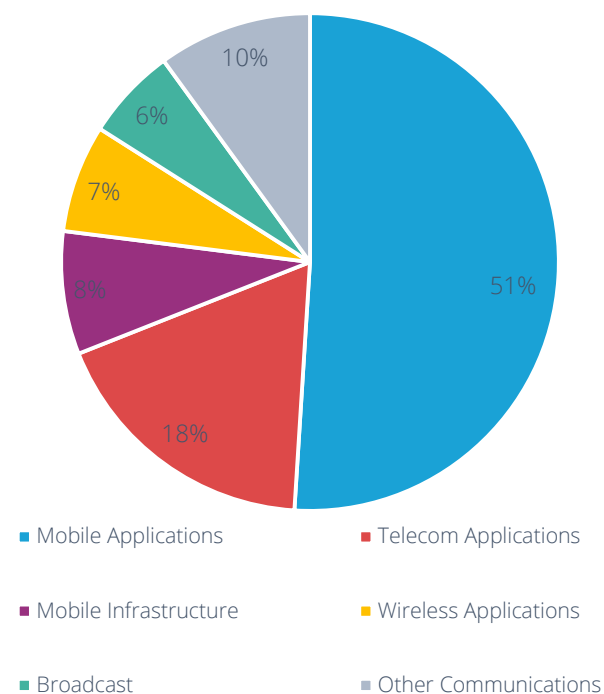


Top 5 Software exits in 5 years

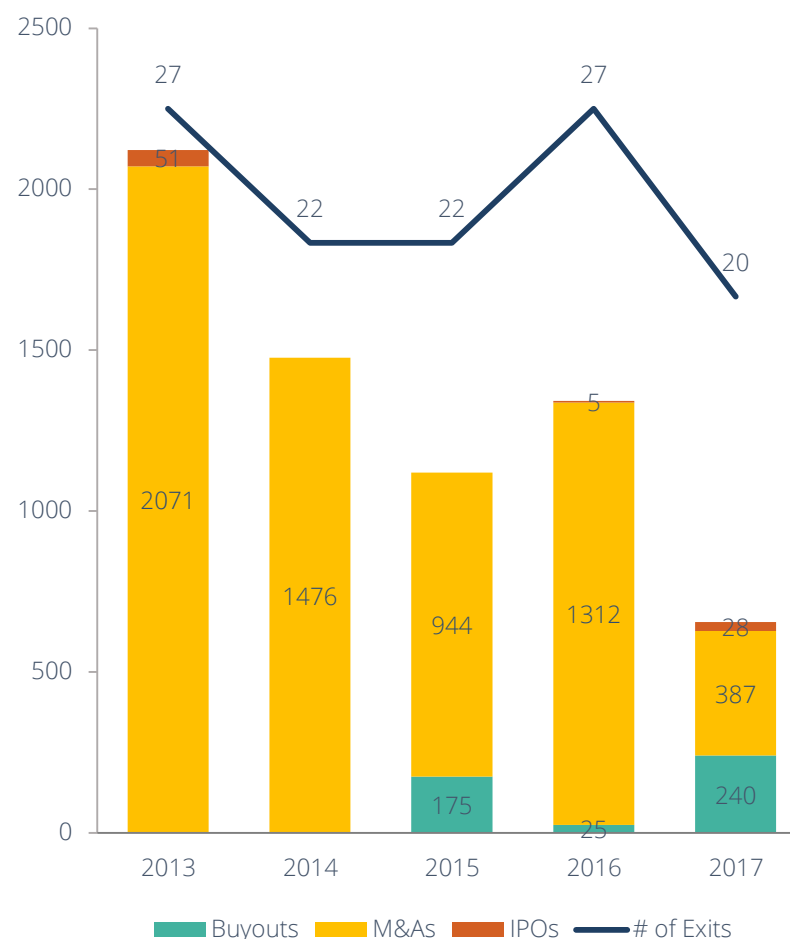


Communications exits 2013-2017

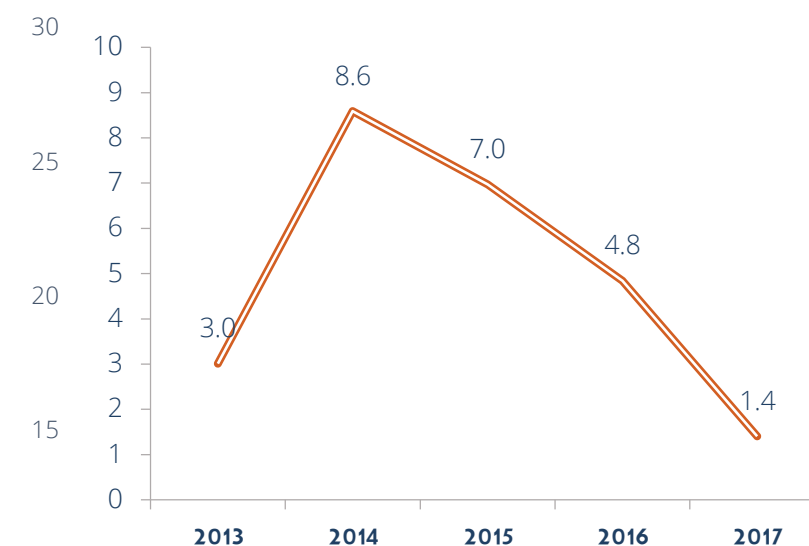
Communications sub sectors



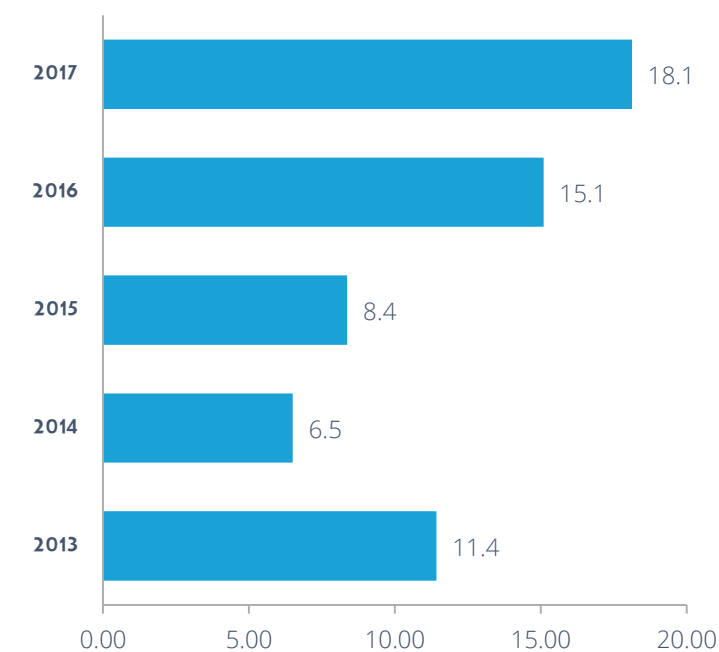
Communications exits 2013-2017



Average exit multiple



Average time to exit



118 Deals

\$6.7B

Top 5 Communications exits in 5 years

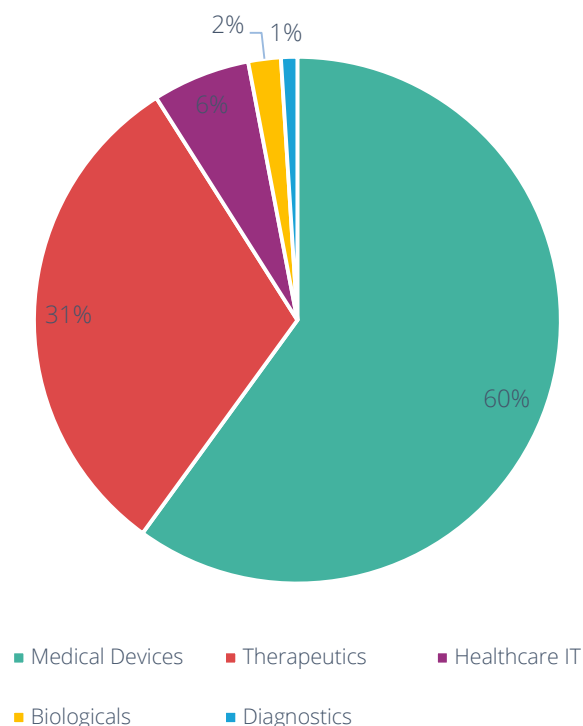


Life sciences exits 2013-2017

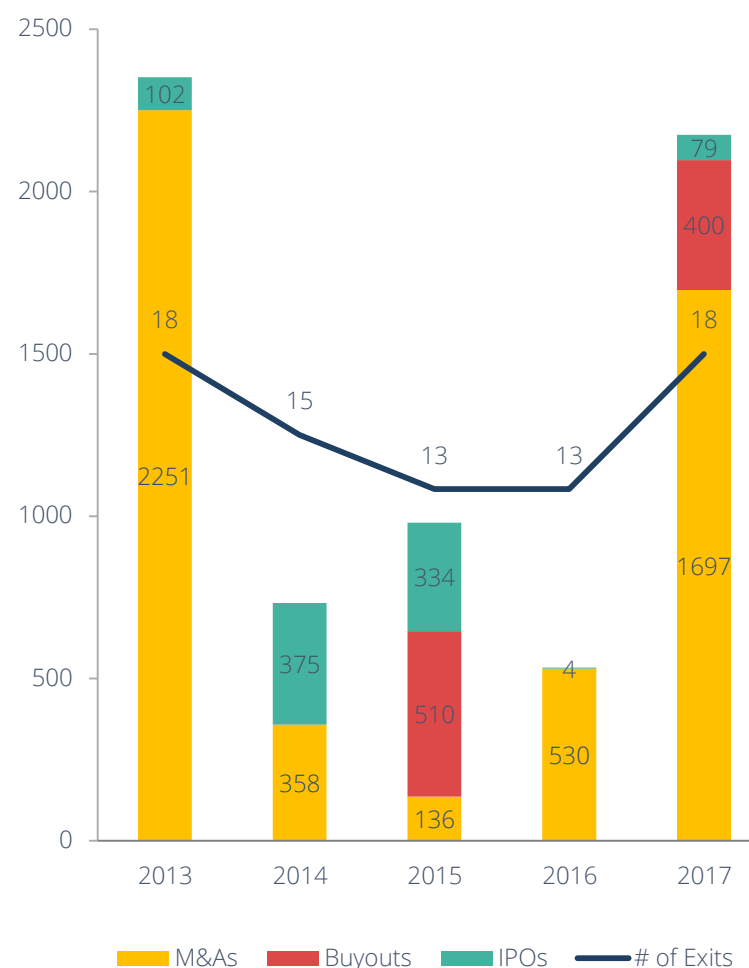
77 Deals

\$6.8B

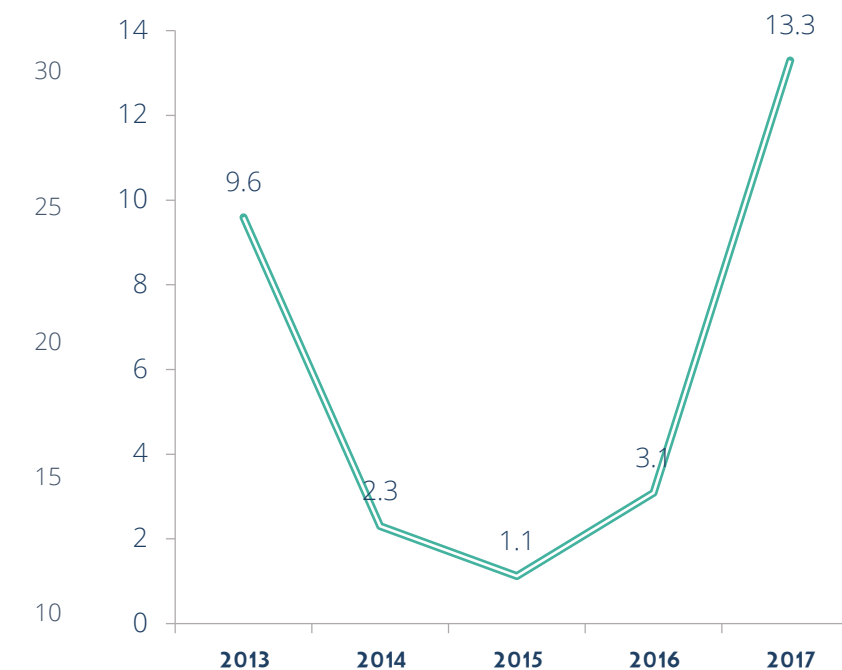
Life sciences sub sectors



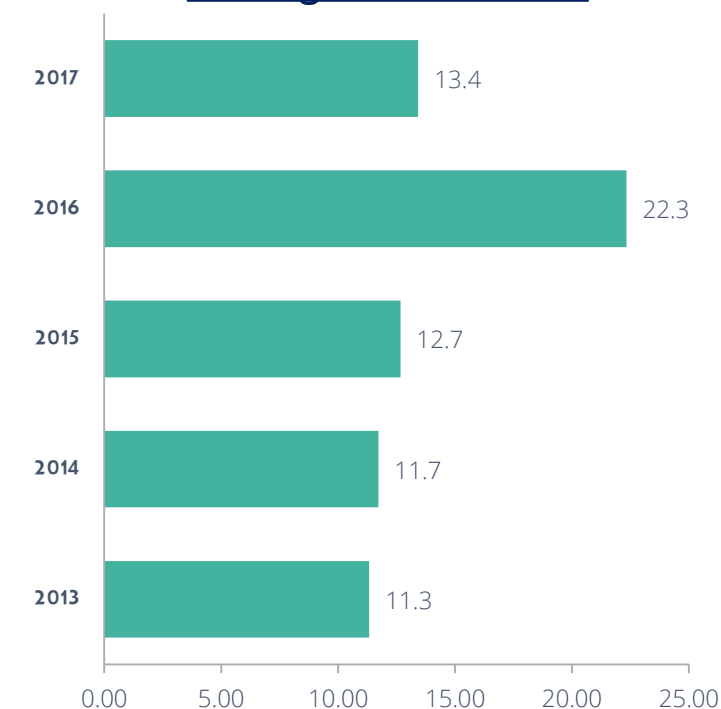
Life sciences exits 2013-2017



Average exit multiple



Average time to exit



Top 5 Life sciences exits in 5 years

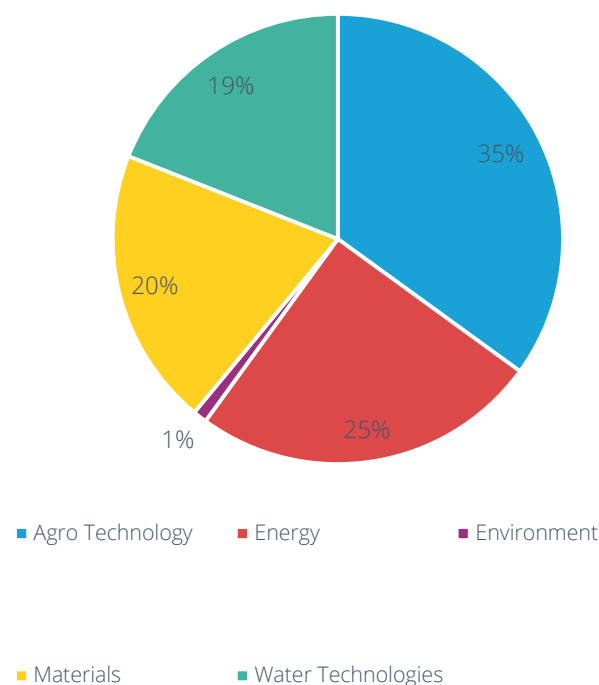


Cleantech exits 2013-2017

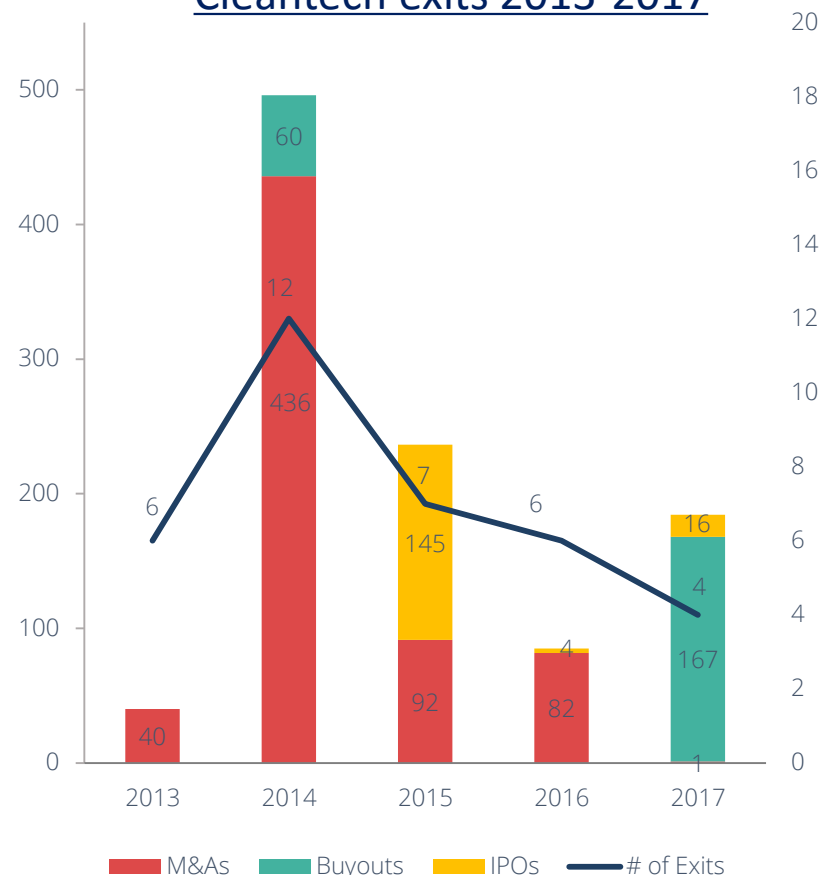
35 Deals

\$1.04B

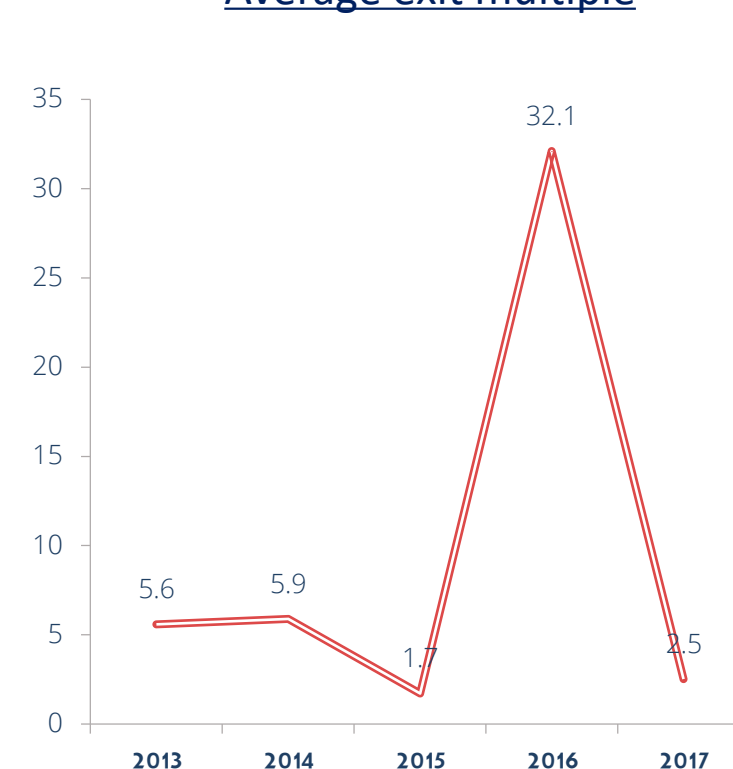
Cleantech sub sectors



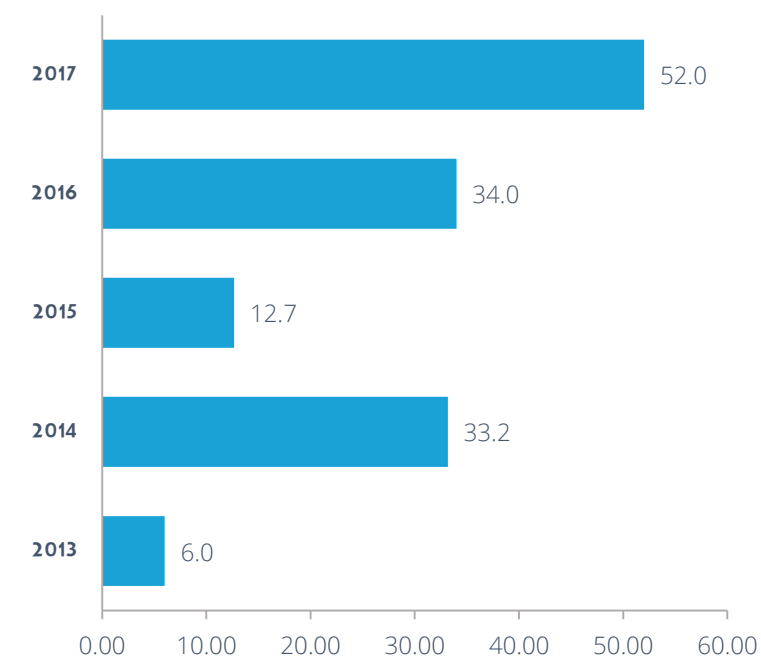
Cleantech exits 2013-2017



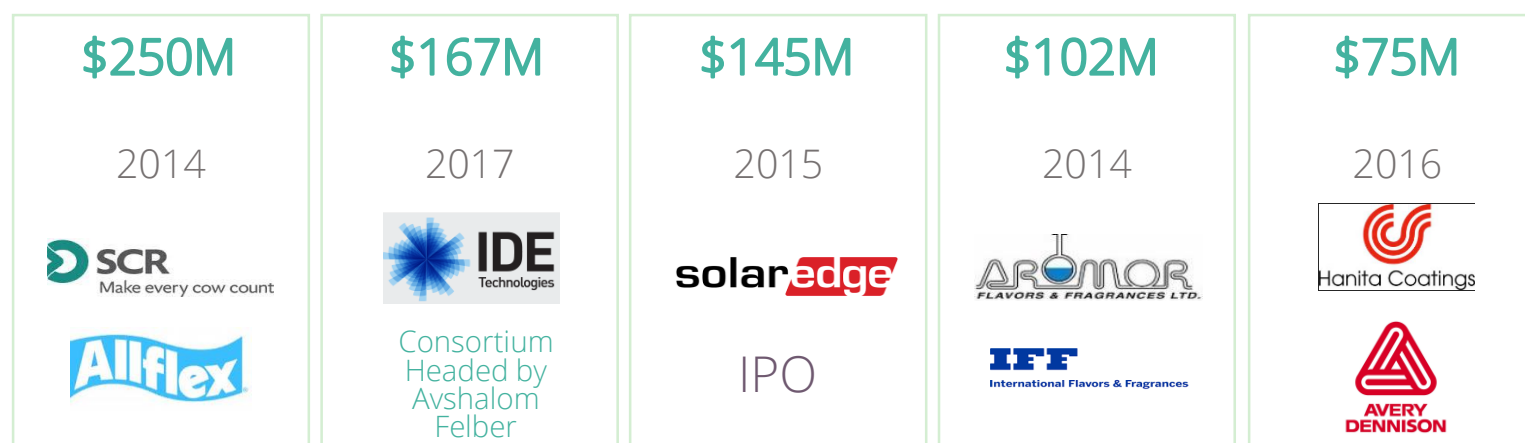
Average exit multiple



Average time to exit



Top 5 Cleantech exits in 5 years

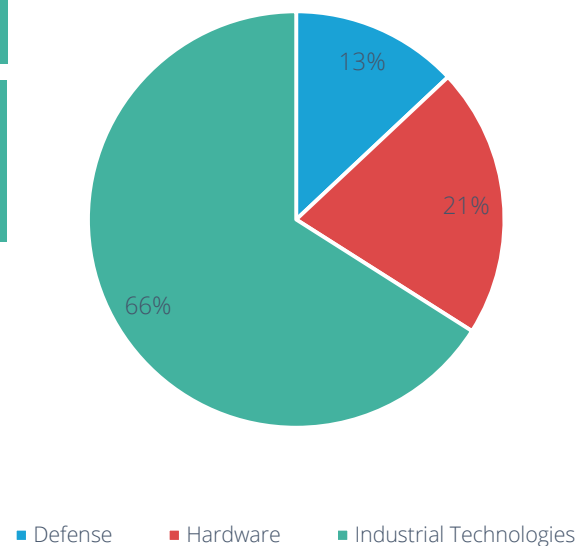


Miscellaneous technologies exits 2013-2017

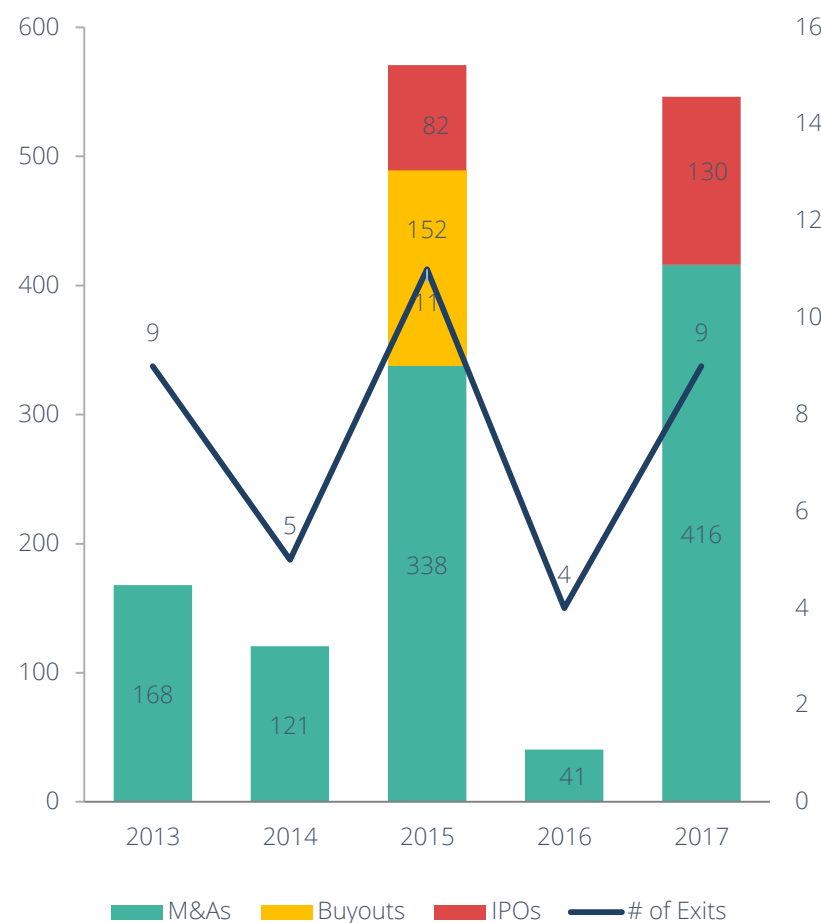
38
Deals

\$1.5B

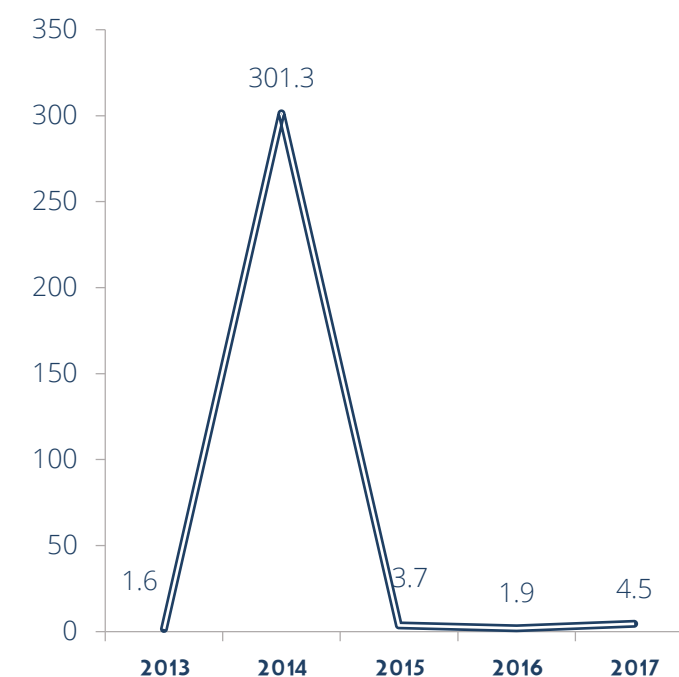
Miscellaneous technologies sub sectors



Miscellaneous technologies exits 2013-2017



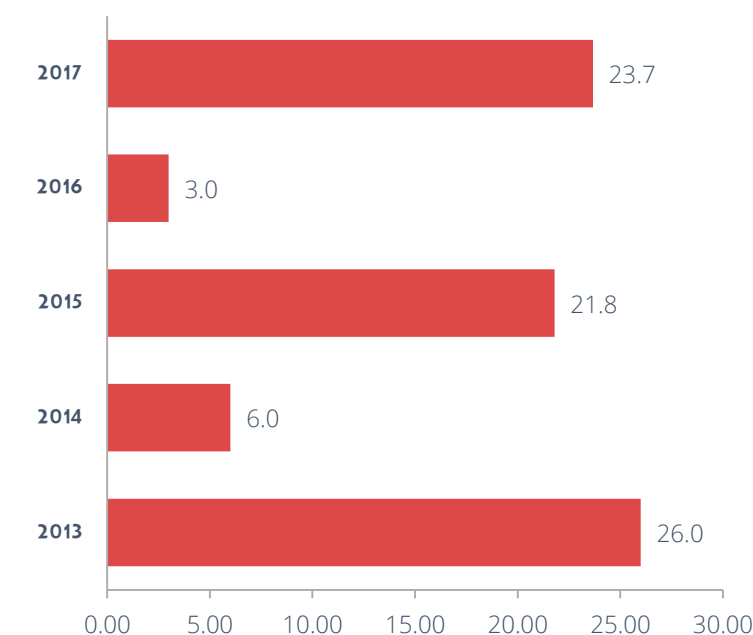
Average exit multiple



Top 5 Miscellaneous technologies exits in 5 years



Average time to exit



2017 Exits in Technology Clusters

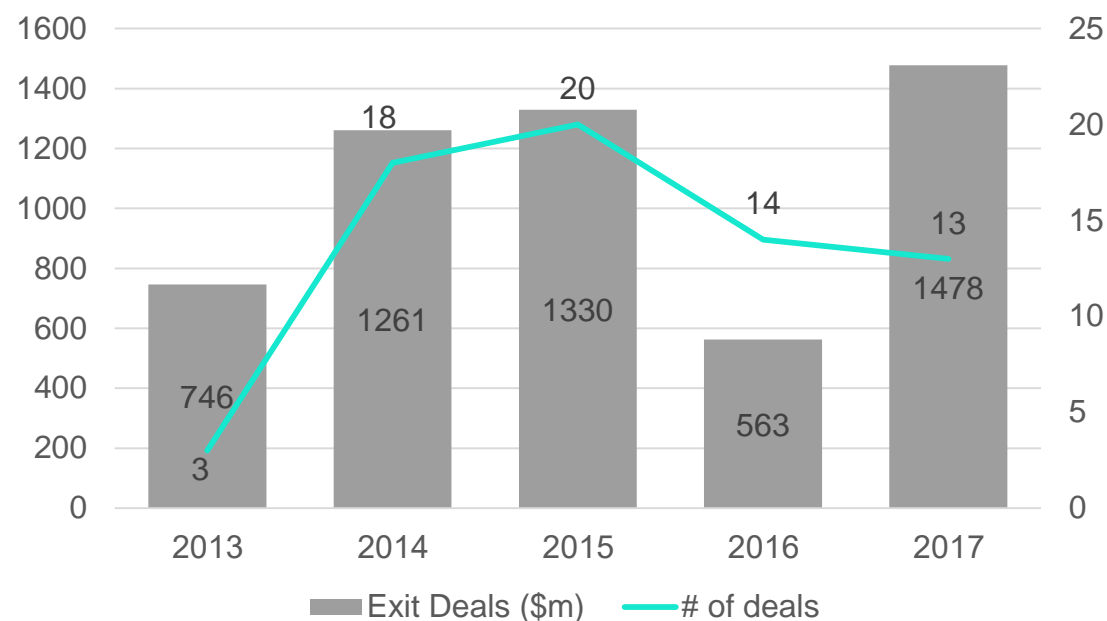
- The clusters analysis provides data and observations with respect to the pattern of exists and investments in these clusters over a five-year period. We believe that this analysis is helpful in understanding the developments and trends in these clusters.
- Generally the IVC-Online Database categorizes each company into one individual sector; however, companies are often related to more than one cluster, based on various aspects of their technological capabilities, target markets and product or service application. Therefore, companies may be analyzed under more than one cluster and an aggregation of the data of multiple clusters is inapplicable. A separate section will be dedicated to sector analysis following this one.

Below is a quick glossary:

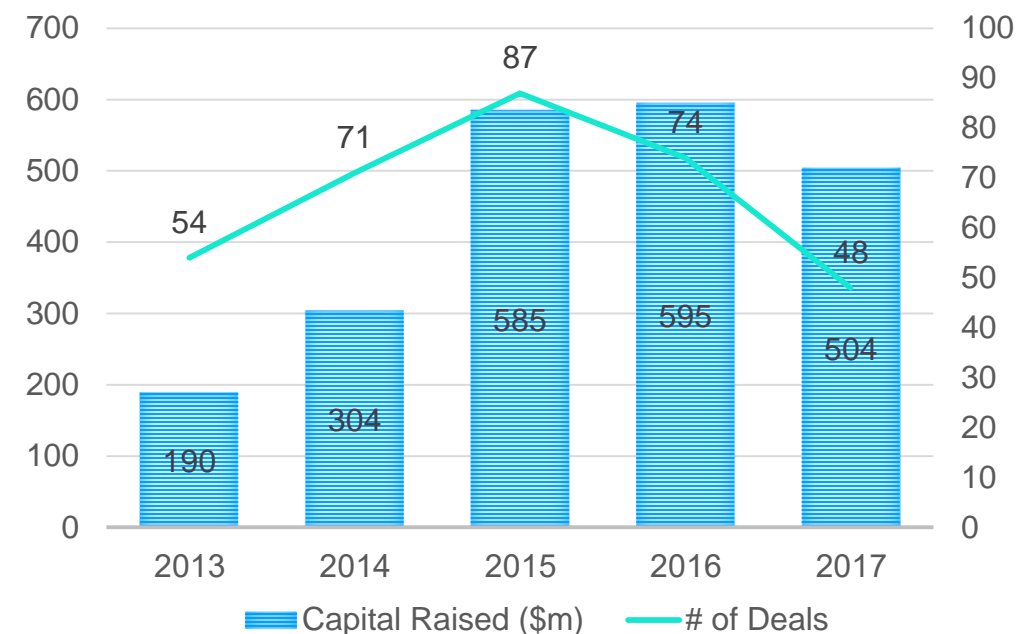
- **Adtech** - technologies developed for managing, tracking and monetizing advertising and marketing campaigns.
- **Cyber Security** - technologies for the protection of information systems from theft or damage to hardware, software, or the information stored on them.
- **Automotive** - technologies and products in wide range being offered to the car and transportation industries: mobility, IoT, software and security.

Cyber security exits 2013-2017

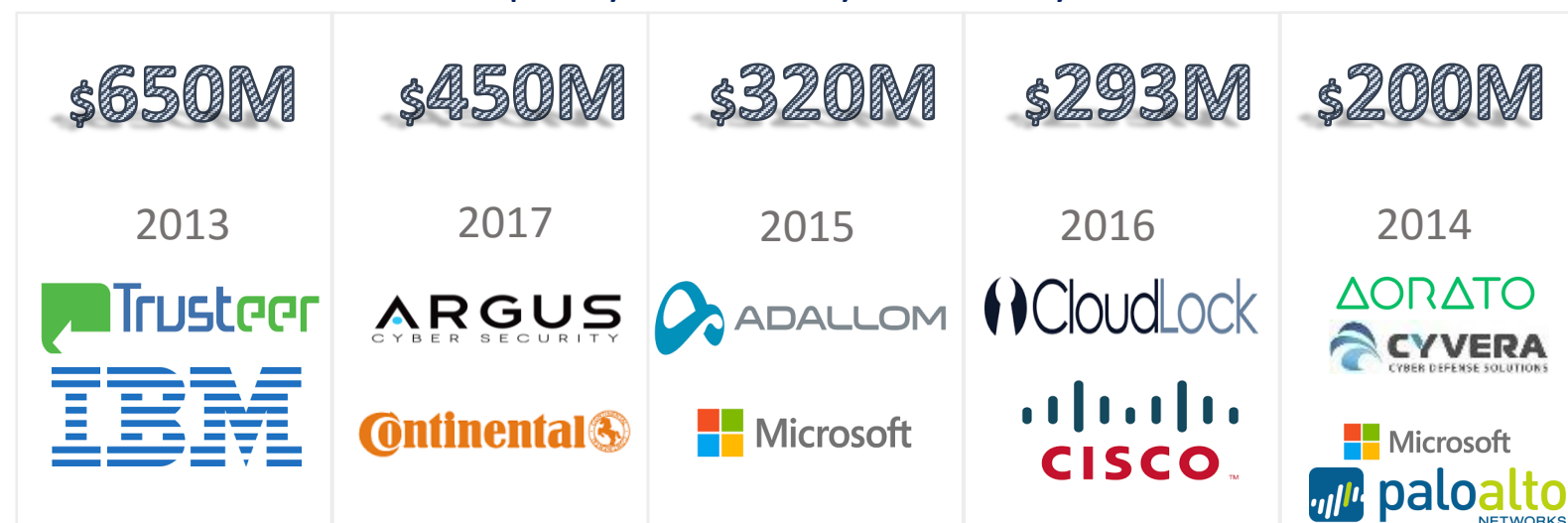
Cyber Security exits (\$m)



Cyber Security financing rounds (\$m)

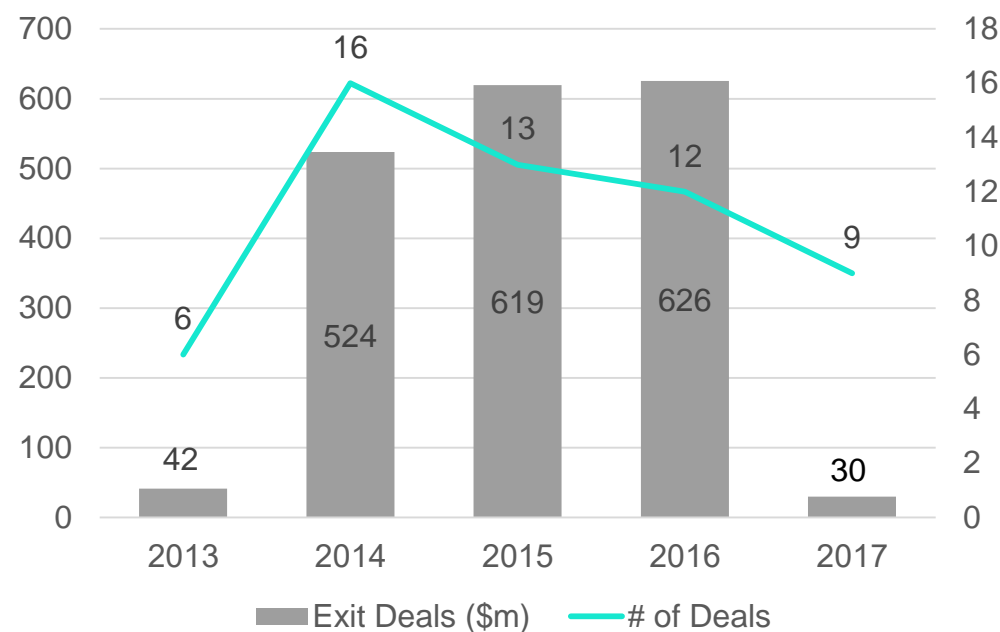


Top 5 Cyber Security exits in 5 years

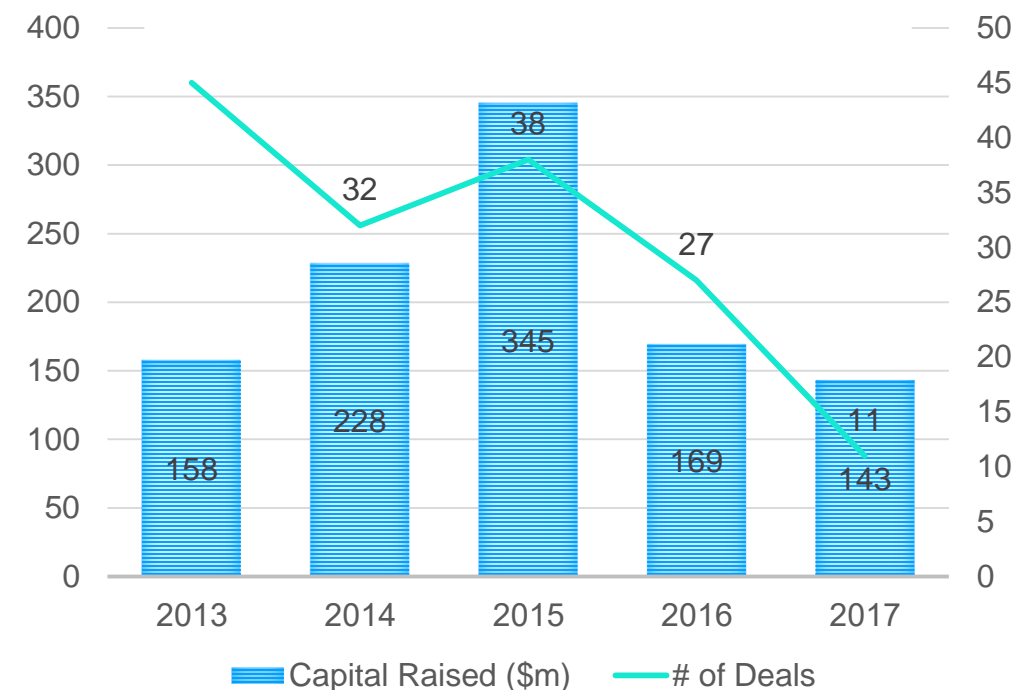


Adtech exits 2013-2017

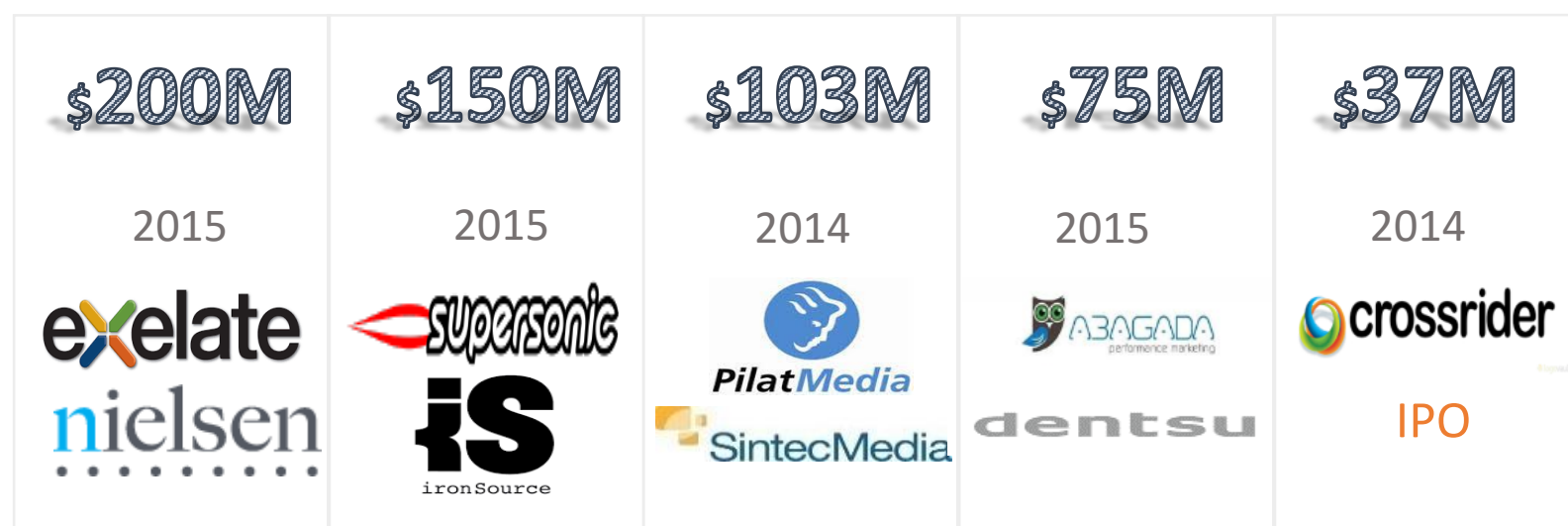
AdTech exits (\$m)



AdTech financing rounds (\$m)

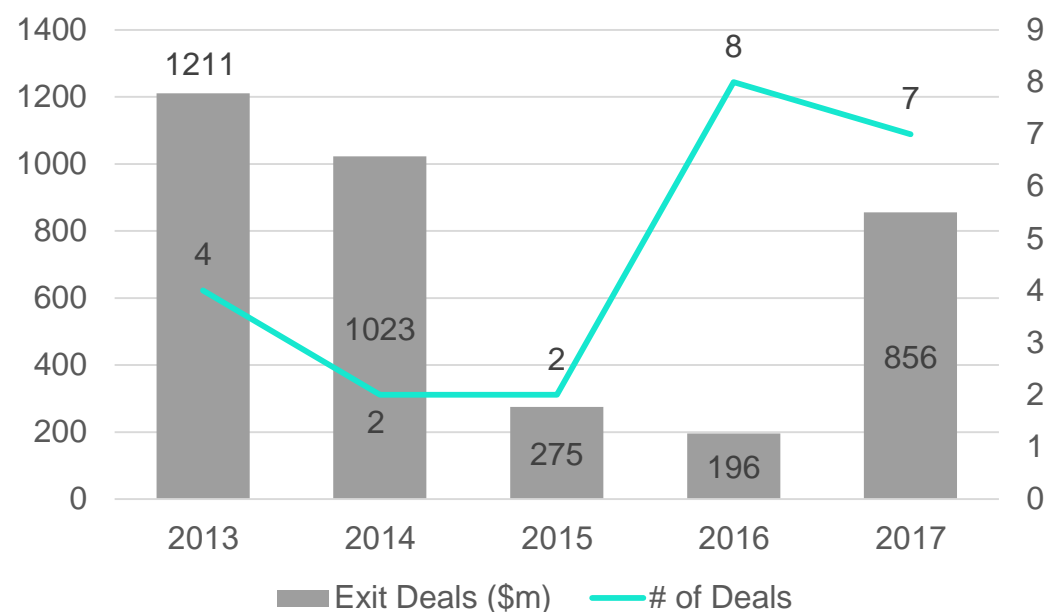


Top 5 AdTech exits in 5 years

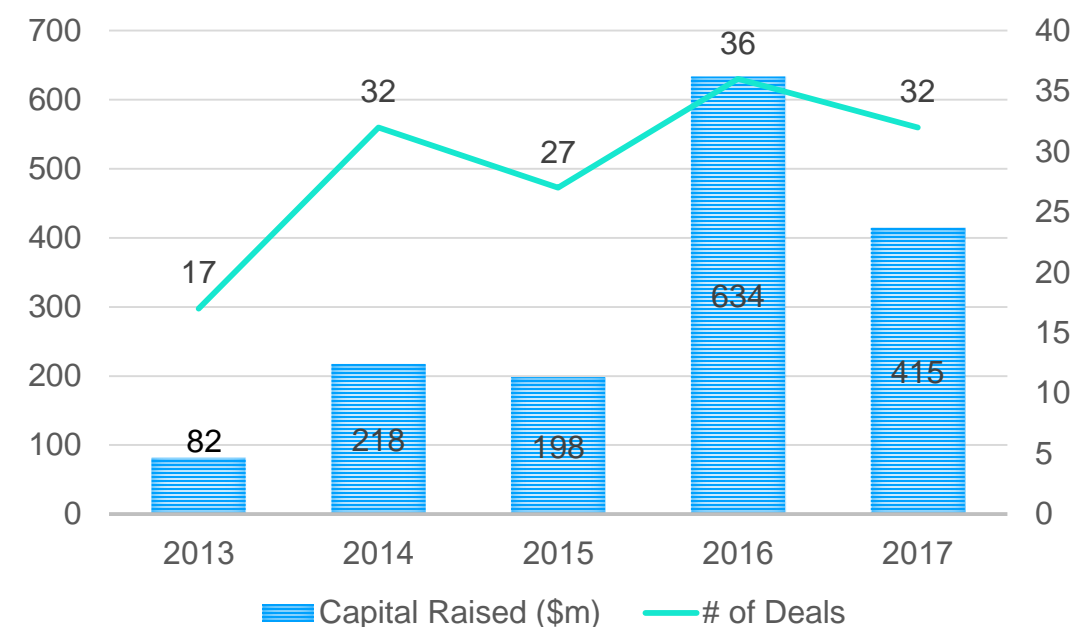


Automotive exits 2013-2017

Automotive exits (\$m) (excluding Mobileye)



Automotive financing rounds (\$m)



Top 5 Automotive exits in 5 years



About this report:

- This report contains information derived from the [IVC-Online Database](#).
- The report summarizes exits of Israeli and Israel-related high-tech companies in merger & acquisition deals and initial public offerings, as well as buyouts performed by private equity and financial investors in Israeli and Israel-related high-tech companies between 2013-2017
- 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 report also references M&A deals where Israeli high-tech companies acted as the acquiring party
- Up-to-date information is available to [IVC Industry Analytics](#) subscribers

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- 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.
- The firm is uniquely qualified to work with companies throughout their entire corporate "life cycle". The firm 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 16,000 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 Quarterly Survey](#), which for over 16 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, The Israeli Innovation Authority and Ministry of Economy. 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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