IVC DATA AND INSIGHTS

MEITAR

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IVC-MEITAR H1 / 2020

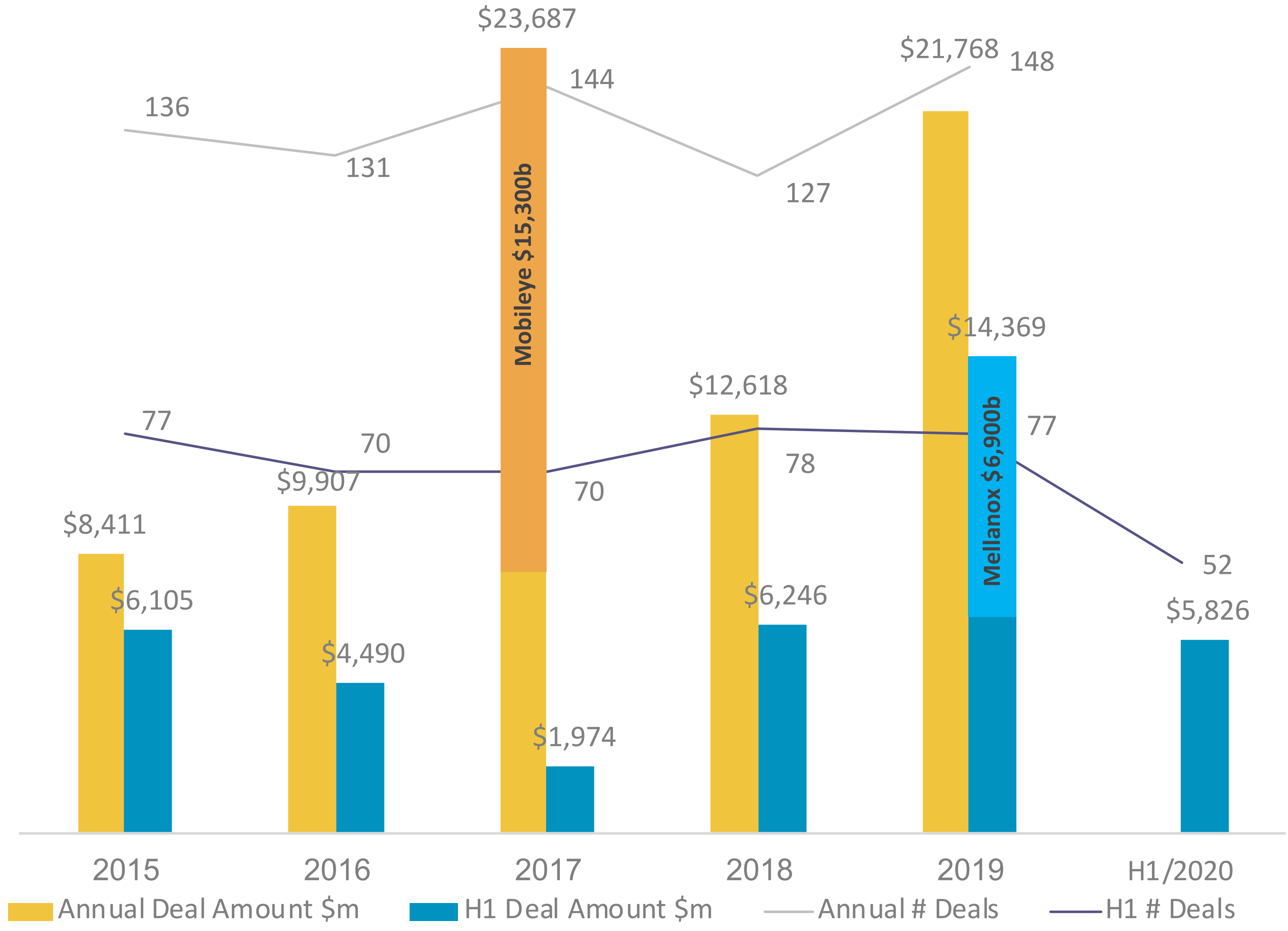
ISRAELI HIGH-TECH EXITS REPORT

52 DEALS
WITH TOTAL EXIT VALUE OF
$5.82 BILLION

EXITS 2015-H1/2020

TOTAL EXIT VALUE*

52 EXITS IN H1/2020 COMPARED TO 77 IN H1/2019.



Source: IVC- Meitar Exits Report H1/2020

*Including exits of $5 billion and above

EXITS H1/2015-H1/2020

EXIT VALUE OF UP TO $5 BILLION

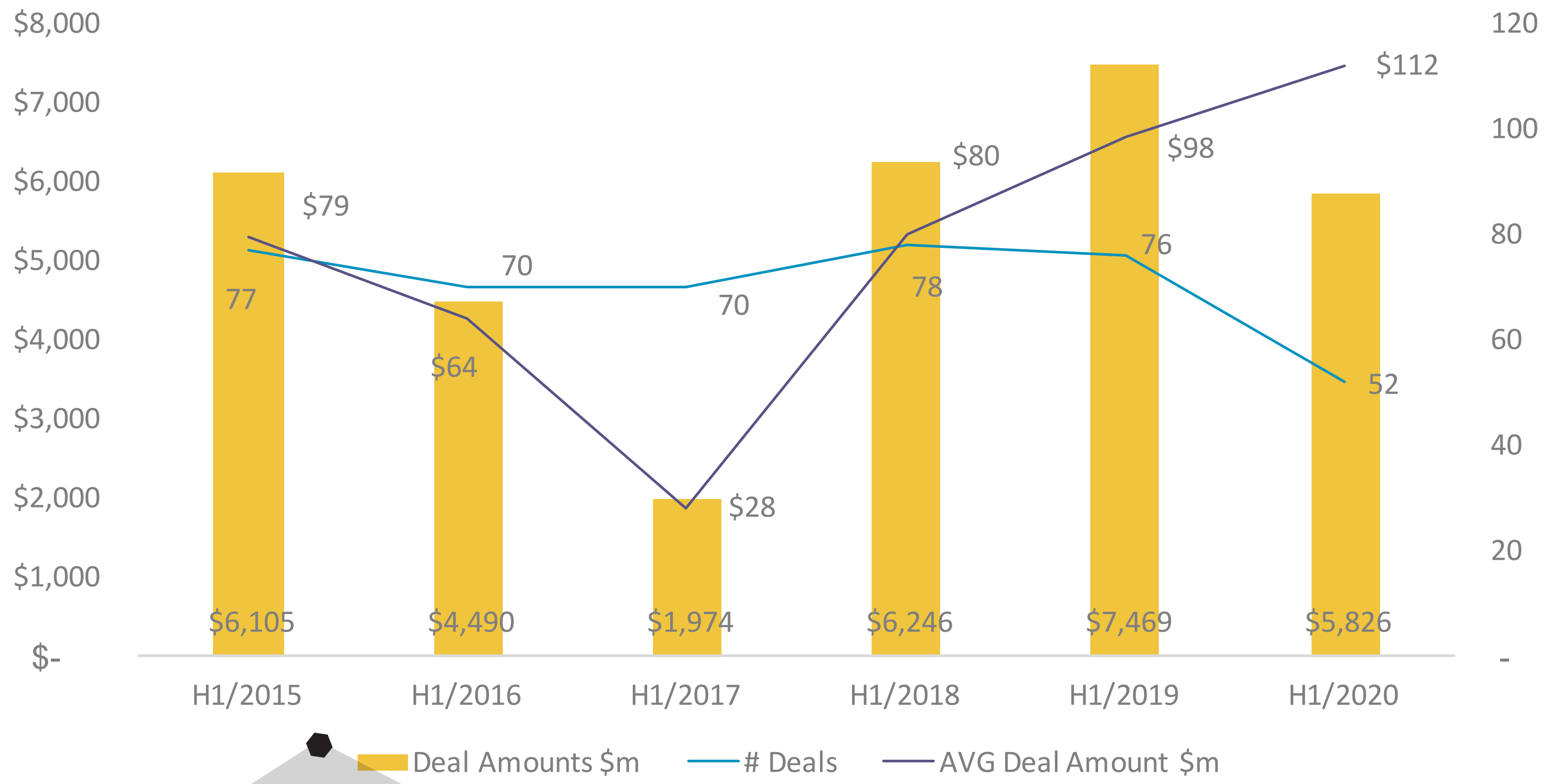
TOTAL EXIT VALUE OF **$5.82 BILLION** IN H1/2020

COMPARED TO **$7.47 BILLION** IN H1/2019.

$112 MILLION

AVERAGE EXIT VALUE IN H1/2020

COMPARED TO **$98.3 MILLION** IN H1/2019.



Source: IVC- Meitar Exits Report H1/2020

EXITS AND COVID-19

THE FUTURE REMAINS UNSEEN

Looking at a record high average exit value of $112 million in H1/2020, compared to $98.3 million in H1/2019 (for exits of up to $5 billion), one may conclude that the Covid-19 crisis did not have the adverse impact expected, and that the Israeli Hi-Tech Exits managed to survive the crisis, at least in H1/2020.

However, a deeper dive into the underlying facts, gives us a different perspective: the number of exits dropped significantly both in number (by 32%) and in value (by 22%) compared to H1/2019. A closer look reveals that the picture is far more nuanced: the high average exit value was heavily biased by 3 exits of above $1 billion totaling in $3.25B. Of these 3 exits, one closed in early January and the other two were rooted in pre-Covid-19 processes. In addition, a major public exit of $577M was also signed up prior to the outbreak of the pandemic. So the remaining exit value of private technology companies was extremely low at $1.99B, **signaling a halt in Exits in H1/2020 in view of Covid-19.** This conclusion sits well with the general atmosphere among buyers in light of this crisis that the focus should be on protecting market share and revenues and preserving cash, rather than deploying capital on M&A. Moreover, in the current environment, conducting M&A processes is challenging and complex and reaching agreement between bid and ask becomes more difficult. In transactions that have been signed, the certainty of closing becomes an even greater issue than in normal times. We anticipate that H2/2020 will continue this downtrend in exits, especially if further waves of the pandemic take place. Uncertainty in revenue stream and the impact of Covid-19 on entire industries will have its effect. On the other hand, we have seen a rise in specific sectors that are flourishing and were given an unprecedented ground for accelerated growth during the Covid-19 crisis, such as digital health, fintech and generally digital services. That will hopefully be the basis for exits in future years.

Contrary to the exit activity in Israel, investment activity sends an optimistic message with a record high number and amount of investments. Strong and highly-valuated companies have generally shown their resiliency to this crisis - even though valuations may have been slightly impacted, with investors'taking advantage' of the times to suppress valuation a bit, this segment of the investment activity still remains highly active with an impressive pace of growth investments (10 investments of above $100 million in H1/2020, nearing the pace in 2019). The strength of the investment activity provides the growth companies with a solid support for their long-term expansion strategies, and, therefore, a decline in M&A does not defeat their ability to create value over time as standalone companies. The strong investment activity, together with the increased availability of capital for deployment, both in domestic and foreign funds, leads us to conclude that **this year is expected to be marked as an investors' year.**

This data conforms to the general trend of growth investment in Israeli hi-tech companies. Growth equity can be seen as a standalone strategy focusing on scale, by organic and inorganic growth. The Israeli market now brings opportunities for this deployment of growth capital, and we see Israeli as well as US funds, more active in our market .

SHIRA AZRAN, PARTNER, MEITAR | LAW OFFICES

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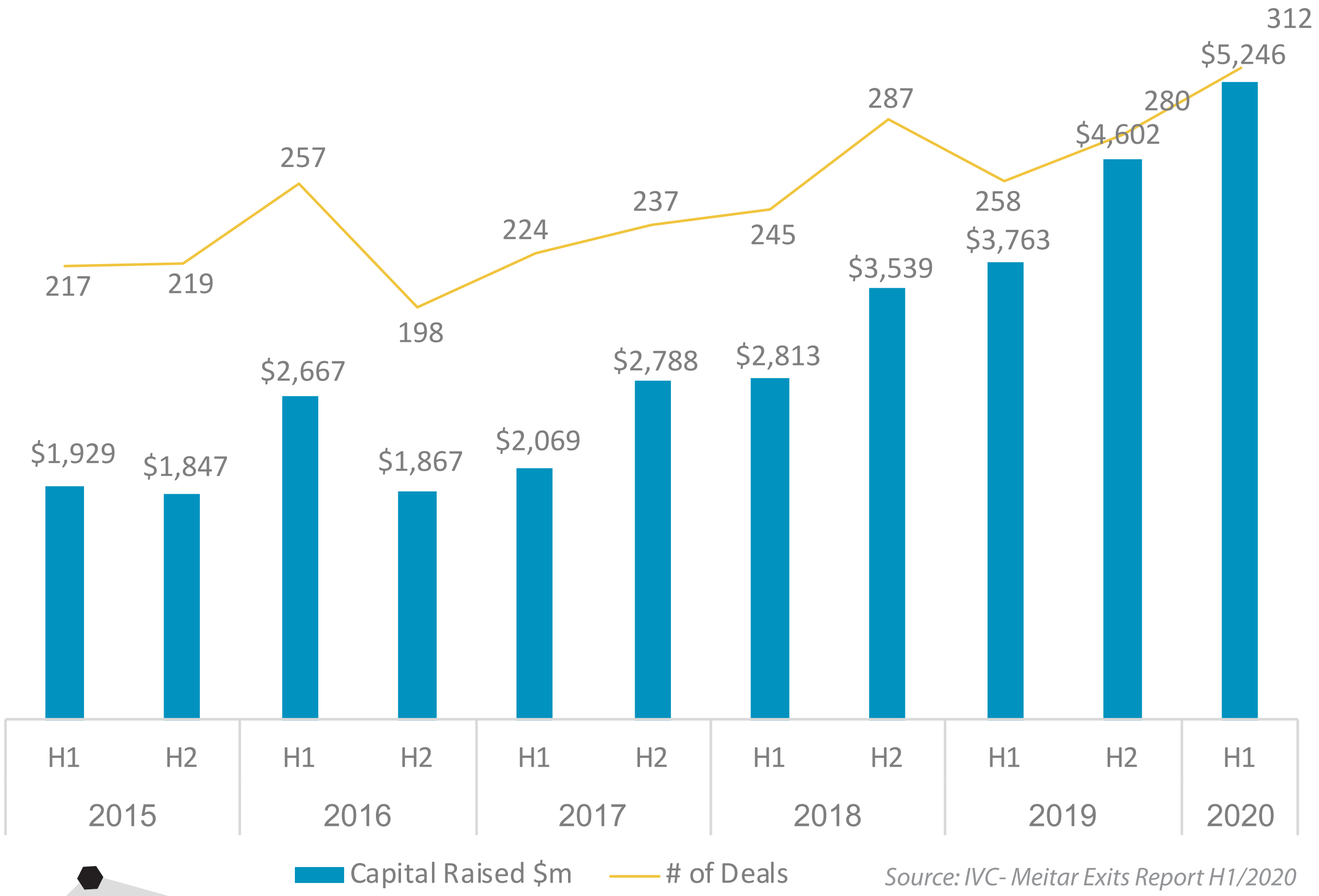
TOTAL INVESTMENTS 2015–H1/2020

TOTAL INVESTMENT AMOUNT WAS
$5.2 BILLION
IN H1/2020 COMPARED TO
$3.7 BILLION
IN H1/2019.

312 INVESTMENT DEALS IN H1/2020 COMPARED TO **258** DEALS IN H1/2019.

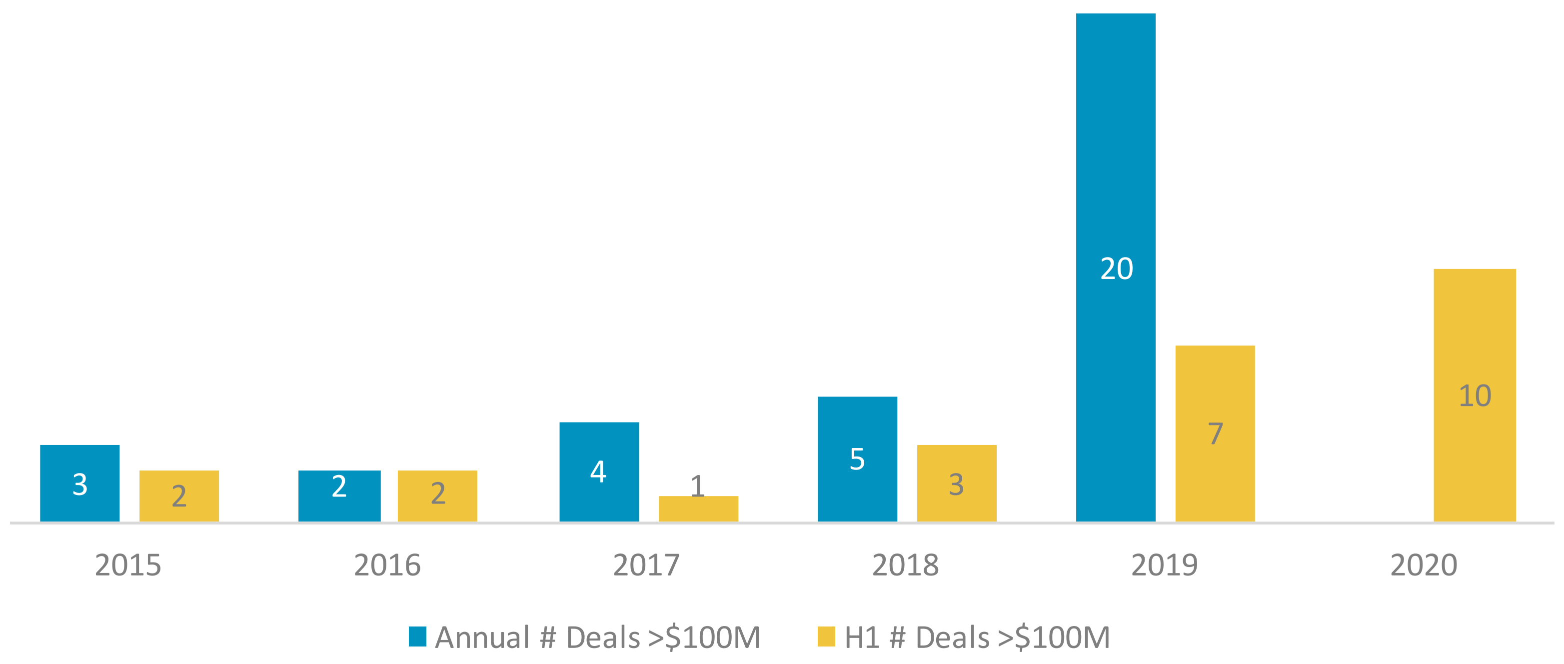
AVERAGE AMOUNT RAISED IN H1/2020 WAS **$16.8 MILLION** COMPARED TO **$14.5 MILLION** IN H1/2019.



Source: IVC- Meitar Exits Report H1/2020

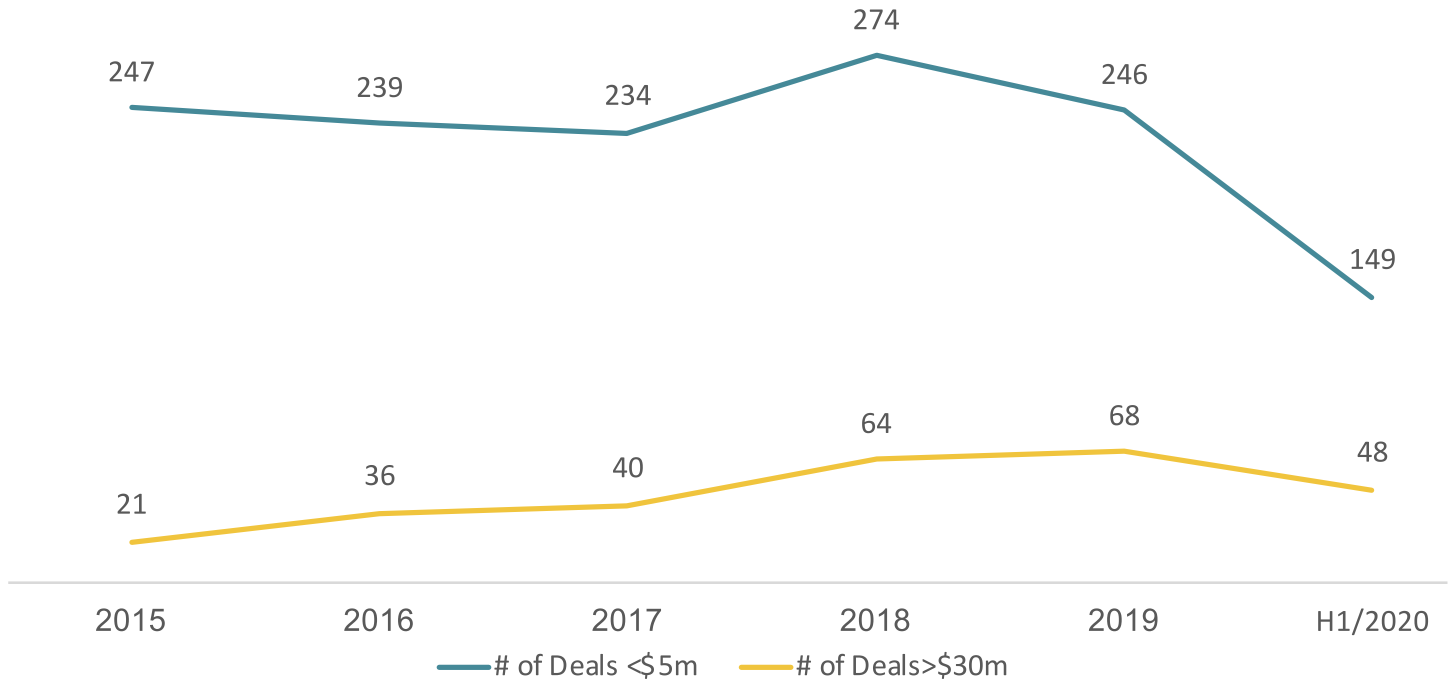
INVESTMENTS OF MORE THAN $100 MILLION 2015-H1/2020

10 INVESTMENT TRANSACTIONS OF MORE THAN **$100 MILLION** EACH IN H1/2020 COMPARED TO 7 TRANSACTIONS IN H1/2019.



Source: IVC- Meitar Exits Report H1/2020

INVESTMENTS OF LESS THAN $5M VS. INVESTMENTS OF MORE THAN $30M 2015-H1/2020



Source: IVC- Meitar Exits Report H1/2020

SECONDARY SALES:

BECOMING A MAINSTREAM TRANSACTION

We continue to see a growing trend of secondary sale transactions. Secondary transactions are becoming a major vehicle to facilitate liquidity for founders, early stage investors and employees in companies that pursue a long term growth strategy and do not wish to seek an exit in the short term. In companies of this nature, late stage investors can acquire a significant equity position through a secondary purchase without the dilution to existing shareholders that results from sizeable primary investments. Secondary transactions come in different shapes and forms and they add a dimension of flexibility in structuring transactions and in creating the appropriate balance that would suit the interests and strategies of the different constituencies of the company. While historically, these transactions were pursued primarily by players that specialize in secondary purchases, in recent years they have become an essential component of mainstream transactions, in many cases in combination with primary investments, therefore the array of purchasers is diverse. While formal statistics are not yet available, we were involved, only in the first half of 2020, in secondary purchases that exceed, in the aggregate, $0.5 billion, and we believe that the secondary market will continue to be vibrant. It will be interesting to learn in the coming months whether COVID-19 will have a notable impact on this segment of the market.

DAN SHAMGAR, PARTNER, MEITAR | LAW OFFICES

GOING PUBLIC:

STILL A CHALLENGE

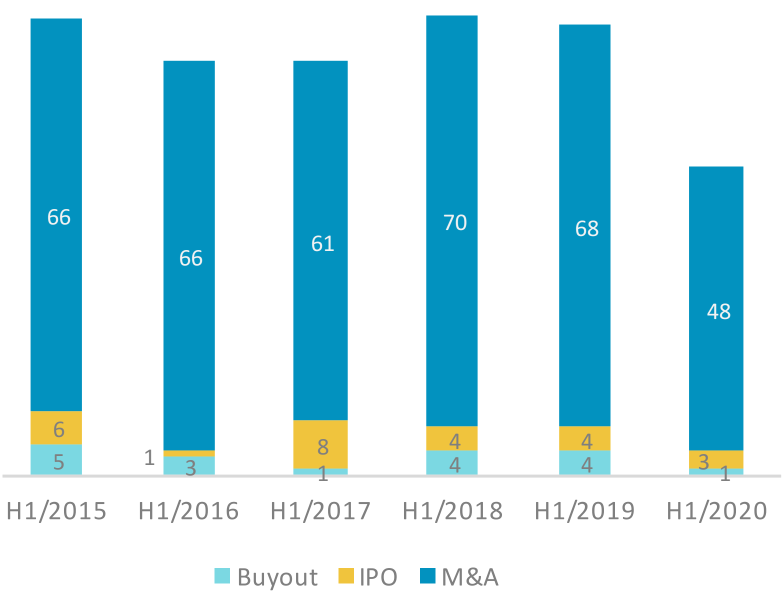
The common thinking among Israeli tech companies is that growth as an independent private company or alternatively an exit through a sale of the company is better path than an IPO. Companies are often concerned with the life of a public company which is subject to disclosure requirements and the ongoing scrutiny of the analysts. The stress in having to continuously meet the street's expectations represents a major cultural difference and imposes a burden on the business. In doing so, companies do not attribute sufficient weight to the benefits of being a public company that provides both liquidity and an opportunity for appreciation in value, access to capital and the ability to use its stock as a currency in acquisitions and as an advantage in recruiting talent. The number of IPOs continues to be very low, with a disproportional share to life sciences companies. It is worth noting, that through the Covid-19 crisis, the public markets demonstrated a surprisingly strong performance. We evidenced activity in the first half of 2020 through one significant IPO of Ayala but primarily through follow-on offerings by companies that are already publicly traded, including both companies that went public only recently, such as Fiverr and GamidaCell, and companies that have been publicly traded for many years, such as AudioCodes. We continue to believe that more companies should consider the IPO route, as a major step in the company's growth and with the ability to create long term enterprises.

MIKE RIMON, PARTNER, MEITAR | LAW OFFICES

EXITS BY DEAL TYPE: NUMBER OF IPOS, M&AS AND BUYOUTS H1/2015-H1/2020

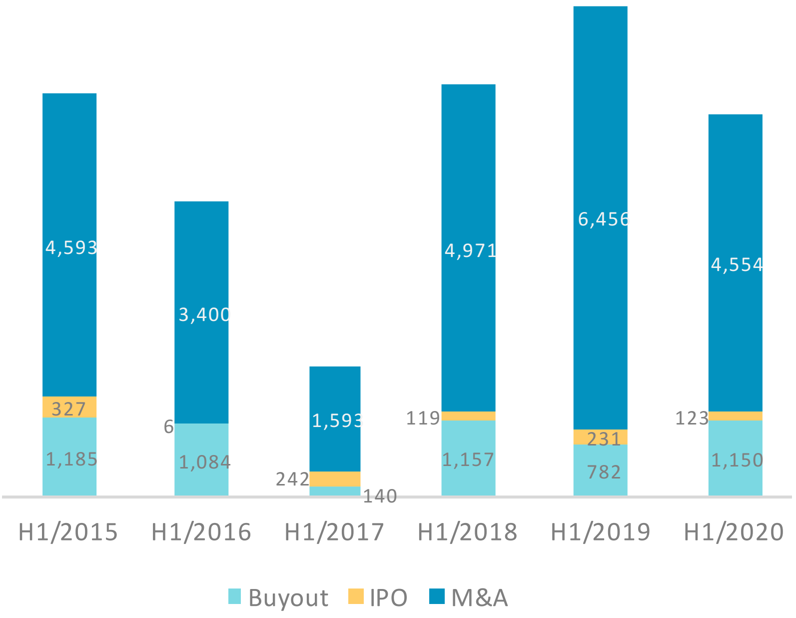
3 IPOS IN H1/2020: AYALA PHARMACEUTICALS, SAVERONE AND POLYPID.
48 M&A DEALS IN H1/2020 COMPARED TO 68 M&A DEALS IN H1/2019.
1 BUYOUT DEAL IN H1/2020 VALUED AT $1.1 BILLION COMPARED TO 4 DEALS IN H1/2019 VALUED AT $782 MILLION.

NUMBER OF EXITS H1/2015-H1/2020



Source: IVC- Meitar Exits Report H1/2020

EXIT VALUE H1/2015-H1/2020 (US$M)



Source: IVC- Meitar Exits Report H1/2020

Excluding exits $5 billion and above

INSIGHT'S INSIGHTS ON THE ISRAELI TECH MARKET

Q: Insight has invested in Israel for many years (including in Wix), but it seems that you have been more active in Israel in the last year. You also opened an office in Israel for the first time. What has changed?

A: Insight has been actively investing in Israel since 2000, and the country's software sector has continued to grow from strength to strength. What has really changed, in our opinion, is the startup ecosystem is maturing into a robust ScaleUp sector – and that's where we are focused. We are committed to providing more than just capital to our portfolio companies, and that comes from our world class operations team Onsite. We have over 60 operating experts who work side by side with our portfolio as they scale.

What's changed in Israel? Startups can have a great idea, but it is when a business graduates to be a ScaleUp, with real business traction, that they really take off. ScaleUps, to list some of their characteristics, hire specialized functional leaders, win longer term contracts with enterprise customers, explore international expansion opportunities, and have the right business processes in place to truly scale.

We've all known for a long time that Israel produces some of the world's best technical and product talent, with some of the most innovative software ideas coming out of the country. With that advantage, Israel has been a thriving startup hub, a hive of activity, and now these startups are scaling successfully at a more rapid pace. With 24 (and growing) Israeli investments in the portfolio, we felt it warranted a dedicated focus. We opened our office to help these Israeli ScaleUps on that challenging, but exciting, growth journey.

Q: The Armis acquisition is unique and a new exit model in Israel, both for investors and also for the founders. Can you explain how you decided on this approach and why? Do you think that Insight and other PEs will be making similar acquisitions?

A: When we were talking to the team at Armis, it became clear that we needed a different approach. This was an ultra-high growth early stage company that needed to ensure they wouldn't be capital constrained to reach their full potential as they scaled rapidly. Typically, Israeli startups are sold to strategic buyers right as they are about to meaningfully scale. This wasn't what the founders were looking to do, so we found a third way, an approach that combined the best parts about a strategic deal and a growth financing round. That type of flexibility is what makes Insight a truly unique investor, and that willingness to work with entrepreneurs to find the right investment solution is what software companies should expect to continue to see from us.

We have the flexibility to invest all the way from the early growth stage to pre-IPO rounds and majority transactions. We can offer founders, like Armis, an alternative to raising another growth round or selling to a strategic acquirer: a majority transaction which combines the benefits of both – flexibility and independence, and unparalleled ScaleUp operating expertise.

Q: What stage companies are you looking into, and in which fields of business?

A: The software industry has continued to mature and evolve, so what we are increasingly seeing are younger software companies that rapidly grow out of their startup "product market fit" phase, and are ready to scale. We focus on growth, so these rapidly growing companies, regardless of whether they are a Series B or Series D company, have different operational needs. They might

be, for example, looking to expand into new markets, looking at M&A opportunities, or building out an SDR team, and these organic and inorganic growth levers are where Insight can add the most value beyond capital.

Something that is quite unique to Israeli software companies is that because the local market is so small, they need to go global very early on in their growth journey. By partnering with Insight are able to take advantage of the global ScaleUp infrastructure (in particular sales and marketing expansion) we have at Insight at a much earlier stage than their US counterparts.

In a similar vein, we're also seeing our Israeli portfolio companies take advantage of the benefits of inorganic growth at an earlier stage too. M&A strategy is a strong suit of ours and we are able to seamlessly bolster younger ScaleUps leadership teams in this area. For example, when the startups CloudSploit and Trivy joined forces with Aqua Security (the ScaleUp leader for cloud-native, developer-centric security software), it wasn't an "exit" for those startups, but rather the leadership of CloudSploit and Trivy were able to fuse with a border platform with lots of growth ahead and a mission-oriented culture.

Another thing to point out about Insight is that we invest across all verticals of the software ecosystem. The breadth in our portfolio – from AI, to eCommerce, from cybersecurity to health tech – means there is a potential place in our portfolio for any high growth software company that wants a ScaleUp partner.

Q: Regarding the COVID-19 situation - what do you see in the near future? Do you think it will be more difficult to raise money? More difficult to sell companies?

A: Acknowledging upfront the hardship and devastation COVID-19 has brought about, the virus has undeniably transformed the world, and particularly the world of work. If you'd have asked almost any business leader at the start of 2020 whether they were prepared to run a 100% remote workforce working effectively, the answer would have probably been no. But many businesses around the world did and for those that were able to, were largely saved by software businesses. Think about collaboration tools like Monday.com, helping a remote workforce stay connected, or TytoCare, seamlessly connecting people at home to clinicians who can provide the best virtual home examination and diagnosis solutions. Individuals stuck at home were also largely saved by software businesses thanks to consumer software's ability to connect and entertain people in quarantine. Moonactive for instance has millions of active users across the universe enjoying their games, and apps like JoyTunes gave people in quarantine a chance to learn a new skill while in lockdown.

We have been investing in software for 25 years, and we remain bullish on the sector, even when facing the fallout from COVID-19. Software has consistently proven to be resilient during economic downturns, and we have seen similar resiliency now. COVID-19 has accelerated digital transformation initiatives at a pace we have never seen before. Businesses have been forced to rethink timelines and assumptions on how to be more remove, more agile, and more data driven. As a result, some software companies and categories are also clearly having tailwinds because of COVID-19 and the rapid shift to remove work, and we anticipate many of these will continue to scale in a post COVID world.

Even in this unusual period, we are staying focused on our 25-year-old investment strategy – find the best software companies, with strong management teams, and invest in them and help them scale. For great companies there is still a strong appetite for investment or acquisition.

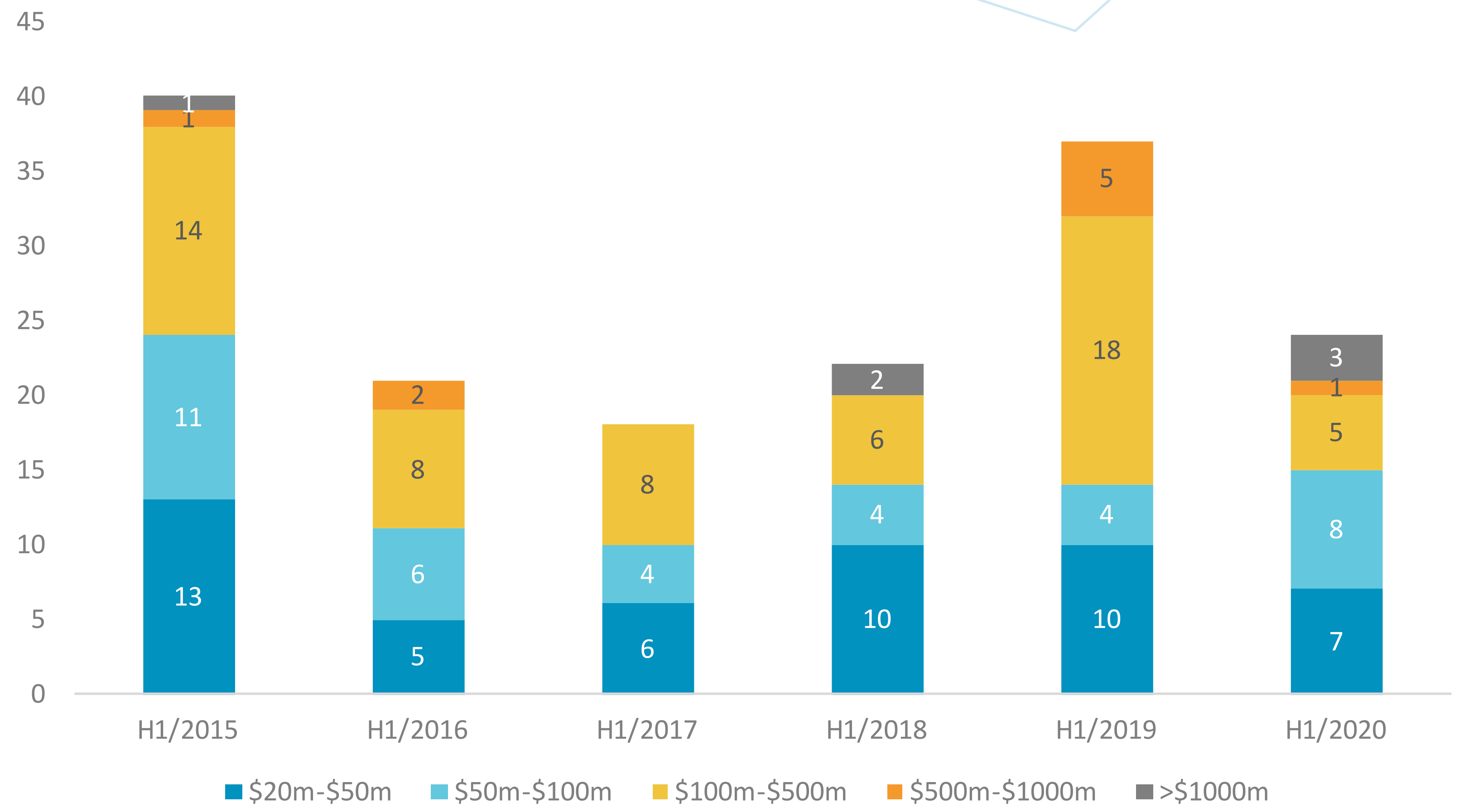
ITAY FRISHMAN, PARTNER, MEITAR | LAW OFFICES

JEFF HORING, CO-FOUNDER AND MANAGING DIRECTOR, INSIGHTS PARTNERS

NUMBER OF EXITS BY DEAL SIZE, H1/2015–H1/2020

EXIT VALUE BETWEEN **$20 MILLION** AND **$5 BILLION**

3 EXITS VALUED EACH AT MORE THAN **$1 BILLION** IN H1/2020.



TOP EXITS IN H1/2020

CHECKMARX
Acquired by Hellman & Friedman for
$1.15 BILLION

ARMIS
Acquired by CapitalG and Insight Partners for
$1.1 BILLION

moovit
Acquired by Intel for
$1 BILLION

Gilat
Acquired by Comtech Telecommunications for
$577 MILLION

spot
Acquired by NetApp for
$450 MILLION

OPTIMAL+
Acquired by National Instruments for
$365 MILLION

CYBERX
Acquired by Microsoft for
$165 MILLION

ilyon
Acquired by Miniclip for
$100 MILLION

A.R.I. OPTIMAL FLOW SOLUTIONS
Acquired by MAT Holding Group for
$100 MILLION

Excluding exits $5 billion and above

ABOUT THIS REPORT

This report contains information derived from the IVC-Online Database.

Deal numbers and values may vary across our reports due to continuous updates of historical numbers in the IVC data base.

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 2015-2020.

Up-to-date information is available to IVC Industry Analytics subscribers.

*"Israel-related" refers to a company which is not incorporated in Israel but has at least one of the following characteristics:
headquartered in Israel; R&D center in Israel; senior Israeli management; or received funding from an Israeli company.

ABOUT MEITAR | LAW OFFICES

Meitar | Law Offices is Israel's leading international law firm and the undisputed leader in the technology sector. The firm's Technology Group numbers over 120 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.

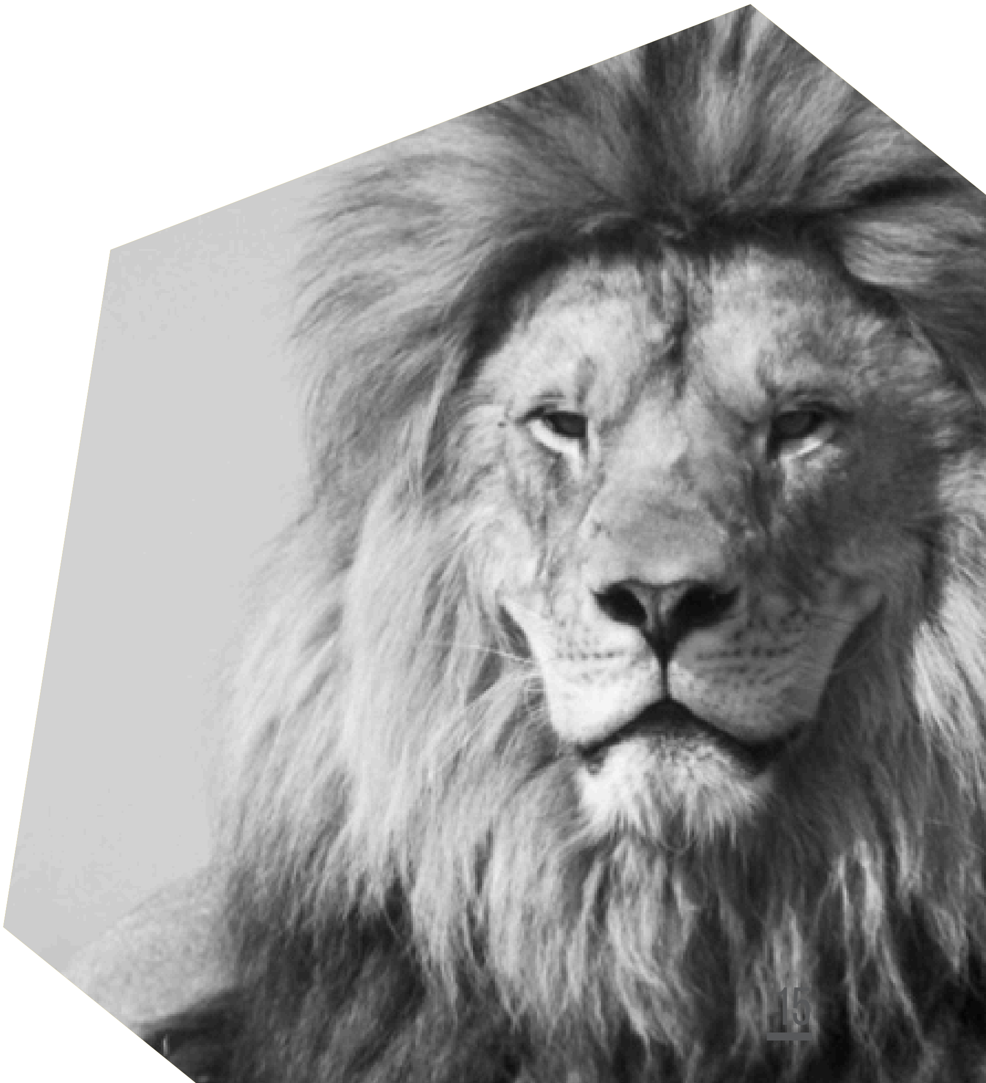
Meitar has played a significant role in the majority of the largest and most prominent transactions recorded in the Israeli technology sector, including mergers and acquisitions and public offerings on foreign stock exchanges.
The firm is uniquely qualified to work with companies throughout their entire 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.

http://meitar.com/



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 9,000 active 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 multinational corporations.

Publications include newsletters; Daily Alerts; the Magazine; 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 the Israeli 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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