

Annual Transactions Report of Grant Thornton Israel

Recap of 2021

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Executive Summary

Growth in the transaction market – Following the stability of the transaction's market during COVID-19 pandemic crisis in 2020, the Israeli's transaction's market keeps hitting new records.

Throughout 2021, the volume of the total transactions (M&A and investment transactions) kept growing, reaching to 36 billion dollars. An increase of 100% in comparison to 2020.

Transaction value – The median transaction value in 2020 was about **\$30 million**, higher than in previous years.

High rate of large-size transactions – The number of large transactions (between \$50 to \$1 billion dollars) executed in 2021 was 188, about 120% higher in comparison with 2020.

TASE activity – In the first 11 months of 2021 89 IPOs were issued, mostly tech companies. An upward trend starting from November & December of 2021 with a total of 13 IPOs that were issued.

In September 2021 the permanent FDA's approval of Pfizer's COVID-19 vaccination and the use of the third vaccination in Israel, had a positive effect on the trade activity in TASE.

International comparison– The number and amount of the total transactions in Israel was indicating a substantial growth in 2021. As well, a significant growth was shown in developed European countries.

Foreign investors still believe in the Israeli technology – **American investors** are still the main buyers of Israeli companies' acquisitions, they were involved in 219 transactions of Israeli companies. The main European investors of 2021, are from: UK, Germany, France and Switzerland. each one were involved in average of 30 transactions of Israeli companies. The main Asian investors of 2021, are from: Singapore, China, Japan, South-Korea and Hong-Kong. each one were involved in average of 19 transactions of Israeli companies

Industry analysis – The technology industry is the leading destination for investments in the Israeli market. About **78% of transactions are technologically oriented**.

We are delighted to be at your service

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(*) The survey data includes 2 types of transactions: the first type is M&A transactions (or 'exits') in which control of a company or activity is acquired and the second type is investment transactions (INV) in which a purchase of less than 50% is usually made.

(**) The survey data on the basis of which the quantitative analysis was performed were taken from the Bloomberg system and GT adaptations and are up to date as of November 2021. Data for 2021 are between the dates 30.11.2020 to 30.11.2021 For the purpose of examining market trends, completed transactions in the range of \$ 5 million to \$ 1 billion were examined. The date of the transactions is determined by the date of the announcement of the transaction. The survey refers to transactions in which one of the parties (buyer, seller or target company) is an Israeli entity. It should be noted that the geographical identity of the large companies is not "absolute" because international companies usually operate in several countries.



Main findings

554

The total number of transactions in 2021

36

The transactions' volume of 2021, in billions of dollars

78%

The share of technology transactions in 2021

219

Dominance of American investors

34%

Rate of large-sized transactions (between \$50 million and \$1 billion) in 2021

103%

The growth in the number of transactions in 2021, compared to 2020.

30

The median transaction amount of 2021 was \$30 million

74%

The growth of M&A transactions in Israel in comparison with 2020

89

The number of IPOs issued in the first 9 months of 2021

Transactions types

**Investments and
M&A's**

Transactions in the private section of the Israeli market

IPOs

Initial Public Offering (IPO) in Tel Aviv stock exchange market (TASE)

SPAC

Israeli companies going public through a Special Purpose Acquisition Company (SPAC)

The main drivers of the Israeli transactions market

In recent years, there has been a clear trend of the diversification of **cross-border** transactions – as well as among Israeli companies - seeking to increase both their existing operations and their customer base. Cross-border mergers pose specific challenges arising from cultural and geographical disparities.

Acquiring **unique technology and knowledge (Know-How)** can provide companies with a competitive advantage on a global level and contribute to the expansion of their market shares in relevant sectors.

Synergy is the coordination of activity between different units in an organization that adds value, which may strengthen the group and increase its value beyond that of its parts.

In companies with similar/identical products and/or services, the synergy contributes to **operational efficiency**, creates a competitive advantage, savings in investments, and co-operative marketing.

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ironSource to go public via \$11 billion merger with Thoma Bravo-backed SPAC

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Israel's Medi-Tate acquired by Japanese powerhouse Olympus Corporation for \$300 million

The Israeli manufacturer of non-surgical solutions for BPH had previously raised \$37 million from private investors

Meir Orbach 21:22 26.02.21

Analysis of the transactions market – a meteoric rise in the transactions’ numbers and volume

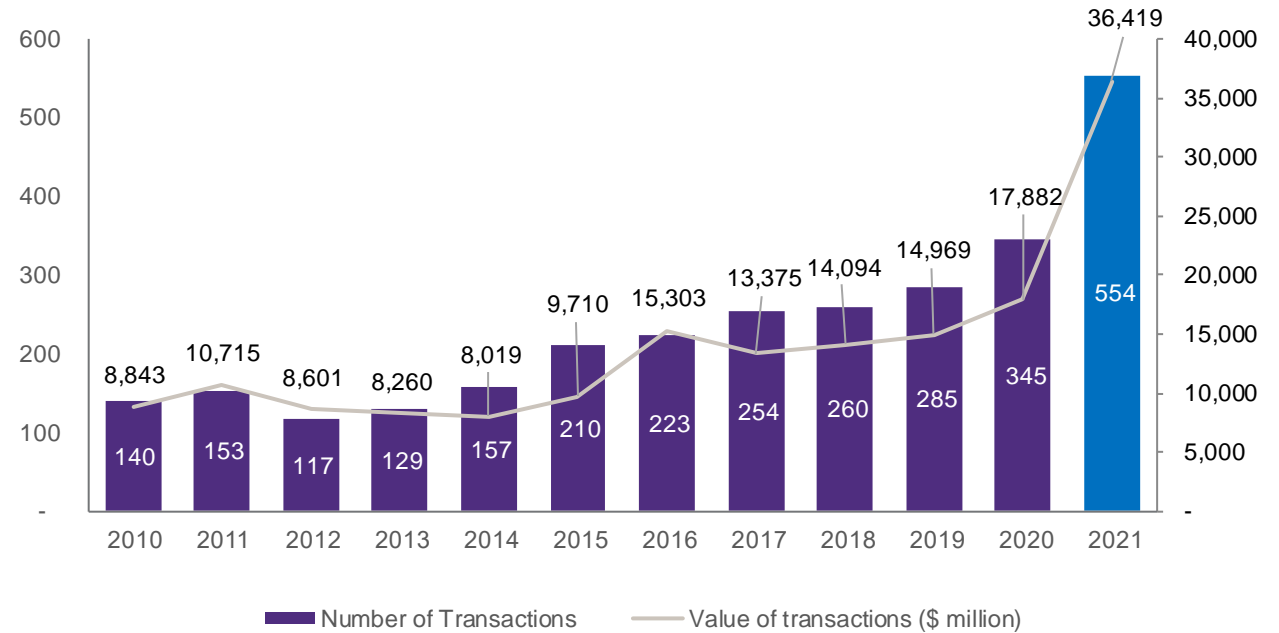
Growth in the transaction market – Following the stability of the transaction’s market during COVID-19 pandemic crisis in 2021, the Israeli’s transaction’s market keeps hitting new records.

Throughout 2021, the volume of the total transactions (M&A and investment transactions) kept growing, reaching to 36 billion dollars. An increase of 100% in comparison to 2020.

Side by side with the increase in volume, there was a significant increase in the number of transactions. With 554 transaction records in 2021, an increase in transaction records of 61% from 2020.

The median transaction value in 2021 was about 30 million dollars, which is higher than previous years.

Chart 1 – total transactions and value of transactions



Analysis of transactions by size – high rate of mid-size transactions, and a significant increase in large-size transactions

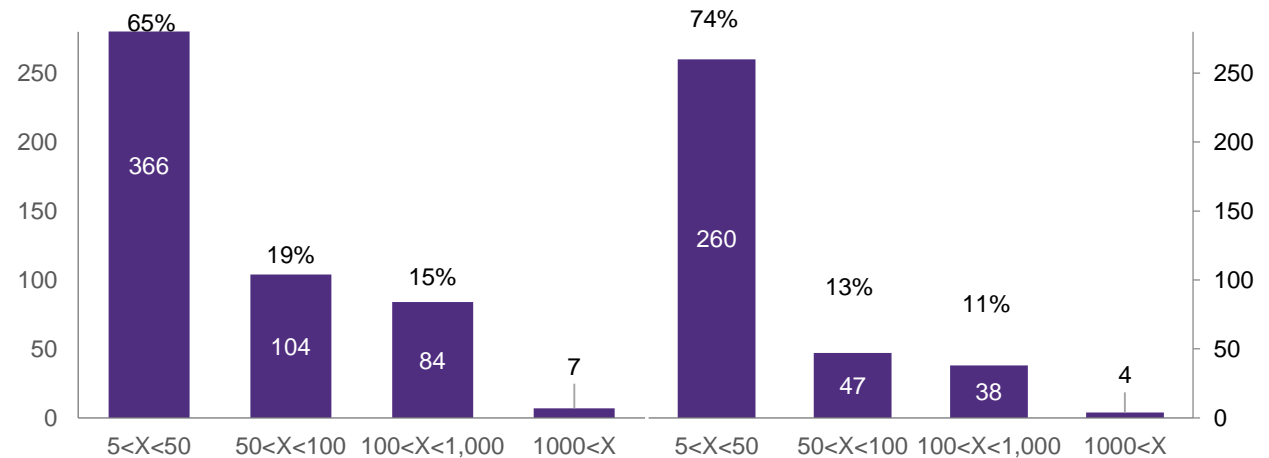
The share of **mid-size transactions** (between \$5 million to \$100 million) reduced from **74% to 65% in comparison with previous years**.

The number of **large transactions** (between \$100 million to \$1 billion) stands at **188 transactions**, which is about **120% higher than 2020**.

There is an existing trend of a different exit strategy, companies are **adding value stages to the companies' chain value**, while no longer pursuing a "quick exit". Once the company will reach to maturity, the "exit" will follow.

Due to the new exit strategy trend, there are more transaction and in higher volumes.

Chart 2 – distribution of all transactions by volume range



Analysis of transactions by size – A new trend of adding value to the value stages of the company, while no longer pursuing after “quick exit”

Rapyd Financial Technologies | **Rapyd**

13.2.2019 40M\$ |
 1.10.2019 100M\$ |
 14.1.2021 300M\$ |
 22.4.2021 250M\$ |
 3.8.2021 300M\$

Snyk | **snyk**

6.3.2018 7M\$ |
 25.9.2018 22M\$ |
 10.9.2019 70M\$ |
 21.1.2020 150M\$ |
 9.9.2020 200M\$ |
 10.3.2021 300M\$ |
 9.9.2021 605M\$

Pagaya Technologies | **PAGAYA**

30.8.2018 14M\$ |
 3.4.2019 25M\$ |
 17.6.2020 102M\$ |
 15.9.2021 488M\$

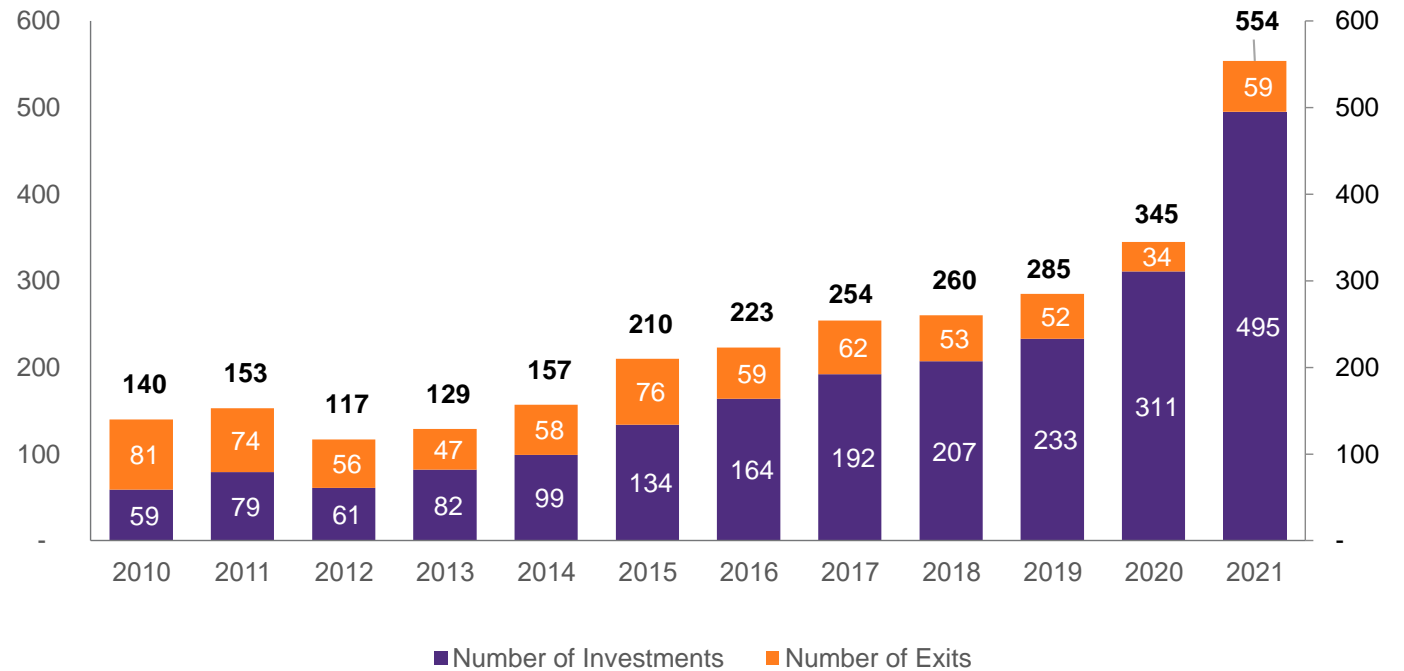
Types of transactions – more investment, less M&A

As noted, the survey data includes M&A transactions and investment transactions.

There was a **59% increase in transactions in which funds were injected (INV)**. INV transactions keeps on being the major driver of the Israeli transaction market.

The M&A transaction market shrunk in about 40% in 2020 COVID-19 crisis. In 2021 there was **an increase of about 74% of M&A transactions** in comparison with 2020.

Chart 3 – distribution of all transactions by type



Types of transactions – an increase in stock exchange activity

As of the end of 2020, It seems investors and purpose companies are finding the stock market as **complementary and alternative platform for INV and M&A transactions.**

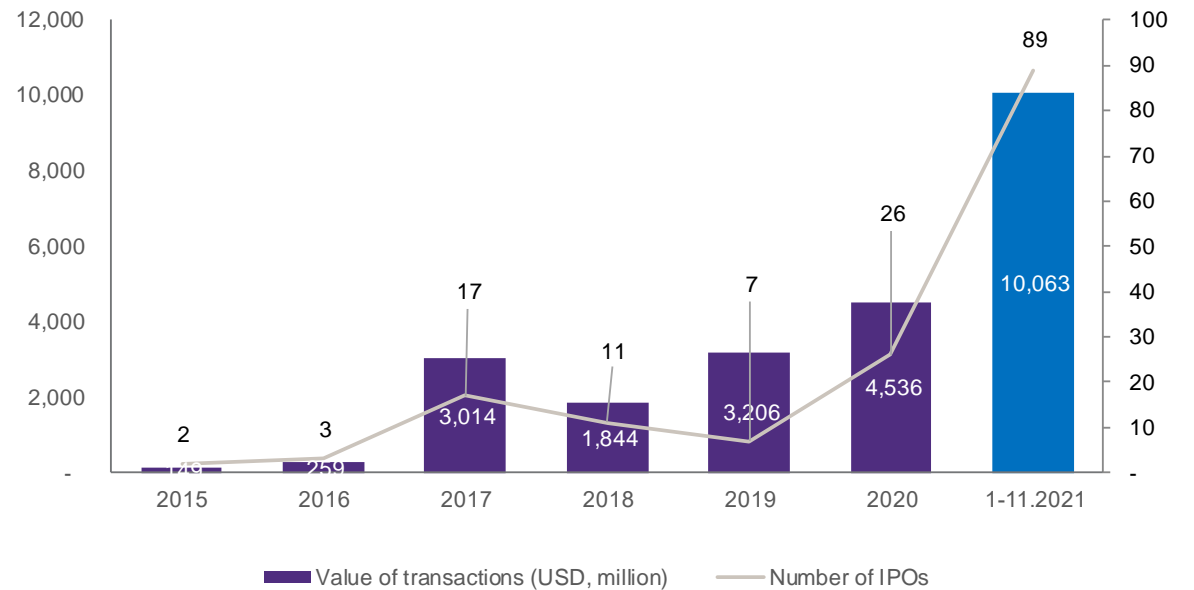
The stock market allows the company to raise capital today and to liquidate the shareholders' investments in the future.

The price levels on the stock market in Israel and abroad with the possibility of merging into SPAC companies, contributed to strengthening the trend.

In the first 9 months of 2021 89 IPOs were issued, mostly were tech companies. An upward trend starting from November & December of 2021 with a total of 13 issued IPOs.

In September 2021 the permanent FDA's approval of Pfizer's COVID-19 vaccination and the use of the third vaccination in Israel, had a positive effect on the trade activity in TASE.

Chart 4 – IPOs Volume, 2015-2020, millions of shekels (NIS) (*)



(*) Source: tase.co.il

Comparison to developed countries – Israel more stable than selected OECD countries

The total **number and volume of transactions in Israel shows significant growth** in 2021.

The volume of transactions increased in nominal figures by 103%.

The number of transactions increased by 61%.

A significant growth in the numbers and volumes of transactions was noted in other developed European countries as well.

Table 1 – amount of transactions in Israel compared to selected countries

כמות עסקאות			
Quantity	2021	2020	Change
Israel	554	345	61%
France	695	546	27%
Germany	978	692	41%
UK	2569	1685	52%
Spain	243	186	31%
Switzerland	516	399	29%
UAE	172	82	110%
USA	10317	6274	64%

היקף עסקאות			
Billions USD	2021	2020	Change
Israel	36.4B	17.9B	103%
France	67.0B	52.5B	28%
Germany	92.1B	63.4B	45%
UK	231.7B	150.7B	54%
Spain	27.4B	26.6B	3%
Switzerland	47.7B	35.5B	34%
UAE	18.1B	11.2B	62%
USA	954.5B	559.1B	71%

Industry breakdown – the dominance of the high-tech industry

One of our analysis' findings was that about **78%** of the Israeli market were mostly of **technology driven companies**.

The 3 largest industries in numbers and volumes, in the transactions market are all technology driven.

Among all acquired purpose companies, the technology industry is leading with **313 transactions amounting to about \$20 billion**.

The market share of Israeli purpose companies represent 58% of the technology industry transactions.

The second largest industry is **consumer Ncycl** (companies which are less influenced by business cycles and are technology driven). **With 100 transactions amounting to about \$4.9 billions**.

The third largest industry in volume is the **communications industry, with 42 transactions amounting to about \$3.6 billions**.

Table 2 – transactions in Israel compared to other countries, by industry segment

Traditional			Hi-Tech		
Consumer Cycle	Value	Number	Technology	Value	Number
Retail	602.5M	8	Software	14.9B	244
Home Builders	287.3M	1	Computers	5.3B	65
Lodging	202.9M	2	Semiconductors	119.0M	3
Textiles	200.0M	1	Office/Business	55.0M	1
Entertainment	137.0M	2		20.4B	313
Leisure Time	120.0M	1			
Auto Manufacturers	91.0M	2	Consumer NCycle	Value	Number
Home Furnishings	88.3M	1	Biotechnology	1.7B	24
Auto	32.0M	1	Healthcare-	1.3B	30
Distribution/Wholes	13.0M	1	Commercial	829.7M	17
	1.8B	20	Pharmaceuticals	361.8M	5
			Healthcare-	335.0M	14
Financial	Value	Number	Agriculture	276.3M	4
Insurance	775.0M	7	Food	163.5M	4
Diversified Finan	704.7M	17	Household	11.0M	1
REITS	525.3M	9	Beverages	8.0M	1
Investment	102.0M	2		4.9B	100
Real Estate	72.0M	1			
Private Equity	68.5M	2	Communications	Value	Number
	2.2B	38	Internet	2.6B	34
			Advertising	815.5M	2
Industrial	Value	Number	Media	100.0M	1
Electronics	769.3M	11	Telecommunication	82.7M	5
Transportation	634.1M	4		3.6B	42
Metal	351.0M	1			
Aerospace/Defens	148.9M	6			
Electrical	93.0M	2			
Machinery-	85.0M	3			
Environmental	32.0M	2			
Miscellaneous	26.0M	1			
Packaging&Contain	8.5M	1			
Industrial	2.1B	31			
Others	Value	Number			
Basic Materials	812.0M	3			
Energy	650.7M	7			
	1.46B	10			

Summary:

ענף	מספר עסקאות	היקף עסקאות (\$)
טכנולוגיה	313	20.4B
צרכנות לא מחזורי	100	4.9B
צרכנות מחזורי	20	1.8B
תקשורת	42	3.6B
פיננסים	38	2.2B
תעשיית	31	2.1B
אחרים	10	1.46B
סה"כ	554	26.3B

Analysis of investors – the Israeli technology is enabling to integrate in the global market

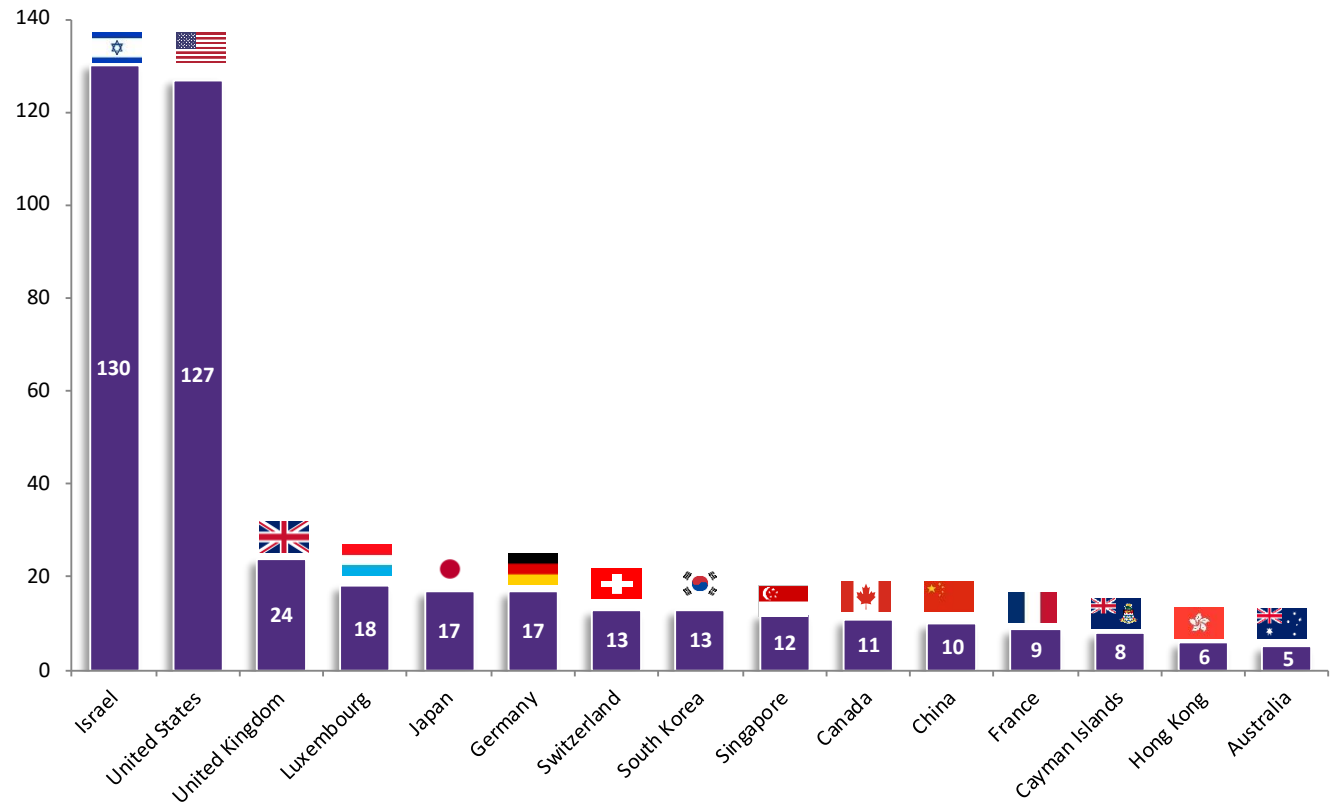
Chart 5 – Investor analysis in Israeli target companies by country

American and Israeli investors are still the most dominating in acquiring Israeli companies, with 219 and 206 transactions in 2021, accordingly.

The main European investors come mostly from: **UK, Germany, France and Switzerland**, with an average of 30 transactions each.

The main Asian investors come from: **Singapore, China, Japan, South-Korea and Hong-Kong**, with an average of 19 transactions each.

A point to be noted is that during 2021, UAE investors completed 5 transactions (2 of them are in the survey range). Furthermore there are numbers of pending acquisitions of UAE investors.







Grant Thornton International - Facts:



US\$5.76bn
Revenues
(2020)



745+
offices



Operations in
135+
countries



58,000+
Grant Thornton
employees

Depth of experience

Our corporate finance team works with clients through all stages of a transaction or investment, presenting you with solutions that add value and ensure your shareholder wealth is maximised.

Working with our clients has given our team extensive experience in all aspects of corporate finance, including:

- **M&A transactions:** on both buy and sell side, private equity transactions, cross-border transactions, debt refinancing, ASX/ AIM listings and capital raisings.
- **Transaction services:** acquisition, vendor, tax and commercial due diligence, operational deal services, forecast reviews, data room services and pre-lead reviews.
- **Valuations:** independent valuations and expert reports, purchase price allocations, disputes and litigation support and tax consolidation.
- **Financial modelling:** financial model construction and review, project analysis, feasibility and financing.



Thank you