



Annual Review of Israel's M&A Market FY 2015



February 2016

Main Highlights

Record Year	→	The Israeli M&A market reached its all time high – with 115 transactions valued at about \$11.85 billion – an increase of about 60% as compared to the overall value recorded in 2014
Average Transaction Value on an Upward Trend	→	The average transaction value increased by \$5 million – standing at \$103 million in 2015
Higher Value per Transaction	→	The rate of the transactions below the \$100 million threshold continued to decrease in 2015 (73% of total transactions)
Decrease in Investments made by Far East Players	→	After experiencing in the past two years an increase in investments made by Far East companies, in 2015 the Israeli M&A market experienced a slight decrease (from 8 transactions in 2014 to 6 in 2015)
Focus on Technology	→	The technology sector continues to concentrate most of the investments (about 60% of the value of the transactions) - both from Israeli and international investors - as in second place is the Industry sector (15% of the value of transactions).
Financial Players Open Their Wallets	→	As compared to years 2012-14, in 2015 an increase of about 200% was recorded in the value of the transactions made by financial investors

High Double-digit Increase in the Transactions' Value

General

Average Transaction Value and Transactions' Range

Investments by Sectors

Investments by Israeli and International Investors

Investments by Strategic and Financial Investors

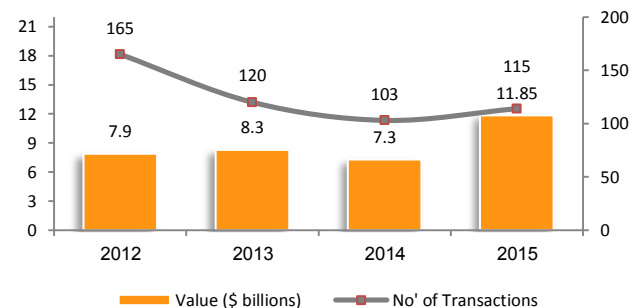
Methodology

- Similar to the significant increase in the global M&A activity, 2015 was the strongest year in the history of the Israeli M&A market, with some significant transactions, at a total value of about \$11.85* billion. In comparison to the value of the transactions in 2014, a 60% increase was recorded, and as compared to 2013, which was the strongest year until now, a 43% increase was recorded.
- In 2015, 124 transactions were completed** - a volume reflecting an increase of about 20% as compared to the volume of transactions in 2014 (103). Of the total transactions, 59 were executed by international investors and 65 by Israeli investors (whether in Israel or abroad).
- In the last quarter of 2015, 20 transactions were recorded at a total value of about \$1.6 billion (in the last quarter of 2014 12 transactions were recorded at a total value of about \$640 million). The acquisition of ExLibris by ProQuest (USA) for a sum of \$500 million was the leading transaction in the last quarter.
- In the past year, we witnessed, on the one hand, a further interest of international companies, who already executed several acquisitions and continued this positive trend in 2015 (Microsoft, Apple, Google, Fosun, Merck and more), and on the other hand, initial investments/acquisitions made by leading global players (such as Amazon), seeking to take part in the fast growing -innovative economic environment in Israel.
- Schwartz's team believes that low interest rates, significant cash reserves (particularly among U.S. companies) and consistent improvement in the macroeconomic environment are expected to provide a continued boost to the activity in the Israeli M&A market. On the other hand, security issues/risks, as well as the consequences of the boycott movement on Israeli products, are factors which could weaken the local activity - in particular with respect to international investors.

* Our review does not include three acquisitions made by Teva Pharmaceuticals – each one above \$2 billion, as they significantly influence our quantitative analysis and our understanding of trends in the market.

** Regarding 9 transactions, no value was not disclosed and accordingly were not included in our quantitative analysis.

Value and No' of Transactions 2012-15



The Five Leading Transactions in Israel for Year 2015

Acquirer	Acquirer Origin	Target Company	Transaction Value (\$ml.)
D+H	Canada	FUNDtech	1,250
光明 (Guangming)	China	Tnuva	1,030
XIO GROUP	Hong Kong	LUMENIS	510
ProQuest	USA	ExLibris	500
FRANCISCO PARTNERS	USA	ClickSoftware	433

A Continued Increase in the Average Transaction Value

General

Average Transaction Value and Transactions' Range

Investments by Sectors

Investments by Israeli and International Investors

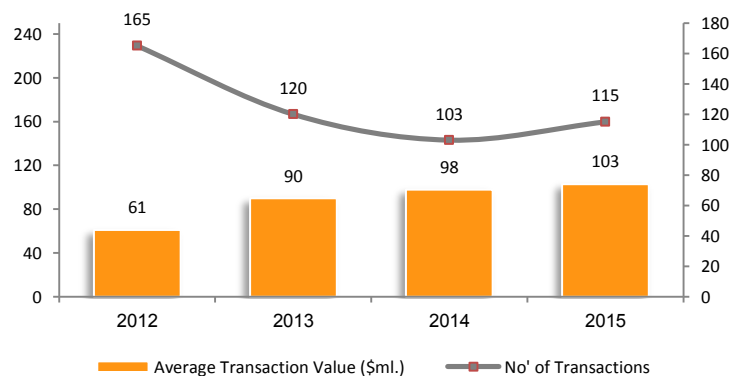
Investments by Strategic and Financial Investors

Methodology

Average Transaction Value

- The average transaction value in 2015 stood at \$103 million.
- When neutralizing the small-sized transactions (22 transactions are below the \$15 million threshold), the average transaction value jumps by about 20% to \$123 million.
- When neutralizing the two leading transactions (acquisition of Fundtech and Tnuva), the average transaction value decreases by almost 20% to \$85 million.
- **Overall, the average transaction value increased by a CAGR of about 14% over the years 2012-15.**

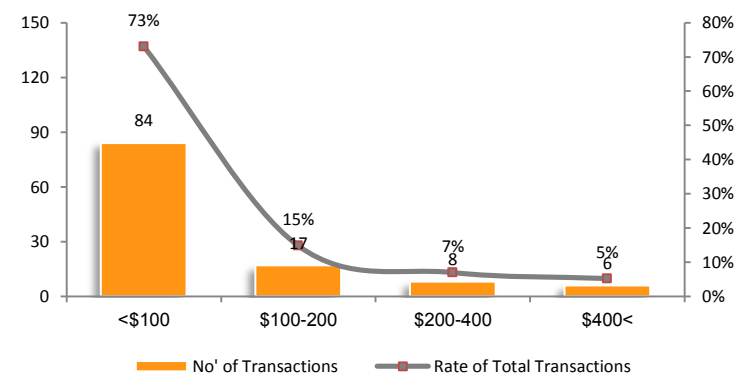
Average Transaction Value 2012-15



Breakdown of Transactions by Range of Value

- In recent years we are witnessing a constant increase in the average transaction value. This upward trend began already in 2012 as the rate of the transactions below the \$100 million threshold stood at 85%, in 2013 at 80%, in 2014 at 74% and in the past year at 73%.
- The rate of the transactions between \$100-200 million experienced the highest increase – from 12% in 2014 to 15% in 2015 (17 transactions).
- Only 5% of the overall transactions crossed the \$400 million threshold.

Breakdown of Transactions by Range of Value



Technology Remains the Main Focus

General

Average Transaction Value
and Transactions' Range

Investments by Sectors

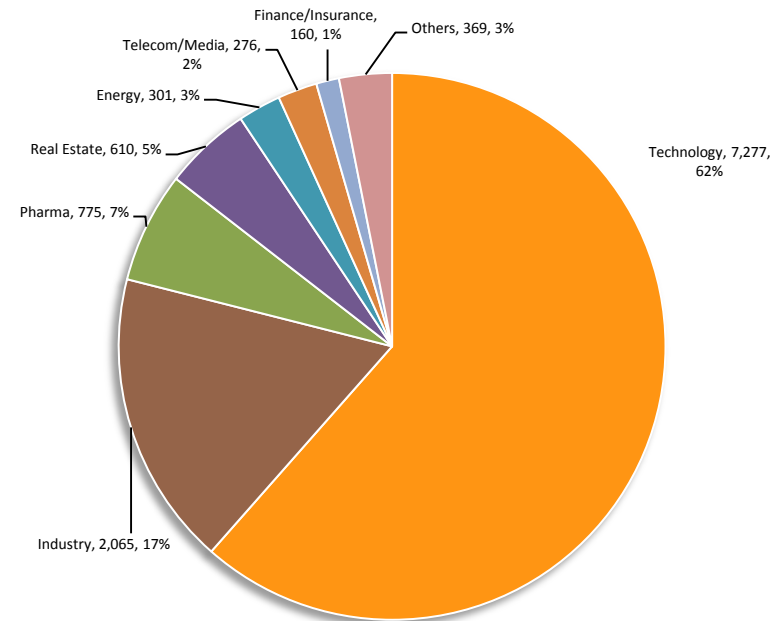
Investments by Israeli and
International Investors

Investments by Strategic
and Financial Investors

Methodology

- Technology at the forefront** - the sector accounted for 67 transactions at a total value of about \$7.3 billion (about 62% of the overall value). The acquisition of Fundtech by itself (about \$1.25 billion) constitutes about 20% of the sector's transactions value. In 2015, the most active company in the sector was Microsoft, with 4 acquisitions at a total value of about \$500 million (the acquisition of Adallom and Secure Islands for \$250 and \$150 million, respectively, were Microsoft's leading acquisitions). The high-level acquisitions made by Apple, Google and Microsoft have not gone unnoticed by additional leading technology players in the world, as in the beginning of 2015, Amazon executed its first acquisition in Israel (Annapurna Labs for \$350 million).
- Industry** – the sector accounted for 19 transactions at a total value of about \$2 billion (Tnuva's acquisition constitutes about 50% of the Industry's value). Frutarom was highly active with 8 acquisitions (accounts for completed transactions and their value is above \$5 million), at a total value of about \$170 million. An interesting transaction in the Industry was the acquisition of Fishman Engineering by Fortissimo for a reported \$160 million.
- Pharma/Biotechnology/Medical Devices** – the sector accounted for 8 transactions (regarding two of them, the transaction value was not disclosed), at a total value of about \$800 million. The leading transaction was the acquisition of Lumenis by Hong Kong based XIO Group for \$510 million. German company Merck continued to deepen its activities and presence in Israel with two additional acquisitions.
- Telecom/Media** – the sector accounted for 8 transactions (regarding three of them, the transaction value was not disclosed), at a total value of about \$300 million. The acquisition of the full ownership of Israel's leading cable TV provider – Yes – by Bezeq for \$175 million was the leading transaction in the sector.

Israel's M&A Market – by Segments
(In \$ millions and % of Total Transactions' Value)



U.S. Investors Lead the Way

General

Average Transaction Value and Transactions' Range

Investments by Sectors

Investments by Israeli and International Investors

Investments by Strategic and Financial Investors

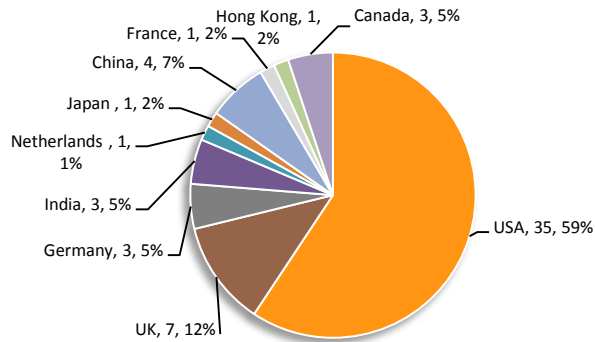
Methodology

International Investors

- In 2015, international investors were involved in 59 transactions (regarding 4 of them, the transaction value was not disclosed), at a total value of about \$8.2 billion.
- Investors from the U.S. accounted for 35 transactions (about 60% of the total acquisitions made by international investors), at a total value of about \$3.85 billion (about 50% of the total value of international acquisitions).
- The second place is held by investors from the U.K. – with 7 acquisitions, at a total value of about \$380 million.
- The huge buzz around investors from the Far East yielded only 6 transactions in 2015 – as compared to 8 in 2014.

International Companies Acquiring in Israel:

Breakdown of Acquisitions made by International Companies in Israel (No' of Transactions and % of Total International Transactions)

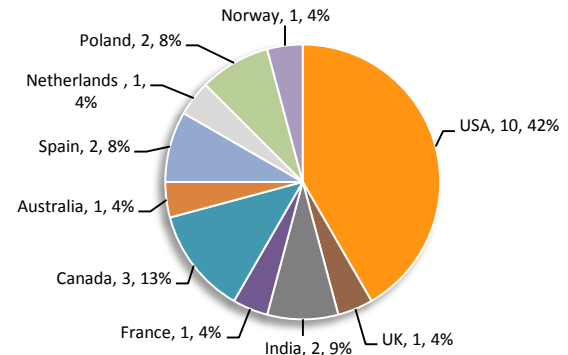


Israeli Investors

- In 2015, Israeli investors were involved in 65 transactions (regarding 5 of them, the transaction value was not disclosed), at a total value of about \$3.6 billion.
- Out of these transactions, 38 were made in Israel (about \$2 billion), and the rest, 22, were made outside Israel's borders (about \$1.6 billion).
- U.S. targets continue to concentrate most of the acquisitions made by Israeli companies overseas (about 43%), as the second place is held by Canadian targets (13%).

Israeli Companies Acquiring Overseas:

Breakdown of Acquisitions made by Israeli Companies Overseas (No' of Transactions and % of Total Overseas Transactions)



The Average Transaction Value made by International Investors is 2.5 Times Higher than the Average of Israeli Investors

General

Average Transaction Value and Transactions' Range

Investments by Sectors

Investments by Israeli and International Investors (Continued)

Investments by Strategic and Financial Investors

Methodology

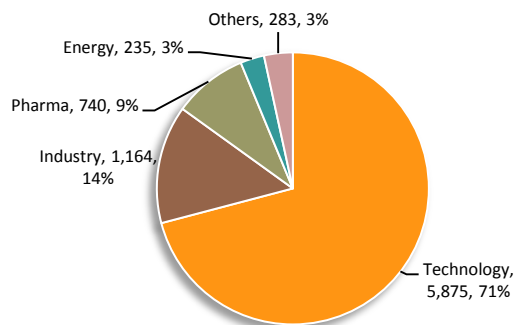
International Investors

- **The average transaction value** of the transactions executed by international investors stood in 2015 at \$151 million.
- **Preferred Sectors** – out of the 59 transactions carried out by international investors, 44 of them (about 75%) were concentrated in the Technology sector, at a total value of about \$5.9 billion. The industrial sector accounted for 5 transactions, at a total value of about \$1.2 billion, and the Pharma for 4 transactions at a total value of about \$740 million.

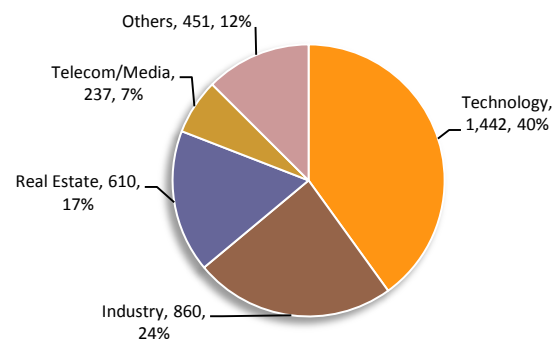
Israeli Investors

- **The average transaction value** of the transactions executed by Israeli investors stood in 2015 at \$59 million.
- **Preferred Sectors** – the Technology sector leads the way with 24 transactions, at a total value of about \$1.44 billion. Leading transactions in the sector include – the acquisition of Comverse's billing division by Amdocs for \$272 million and the acquisition of Nice Technology's syber/intelligence division by Elbit Systems for \$158 million.
- The Industrial sector is placed second – with 15 transaction at a total value of about \$860 million.

International Investors – Preferred Sectors
(In \$ million and % of Value of International Transactions)



Israeli Investors – Preferred Sectors
(In \$ million and % of Value of Israeli Transactions)



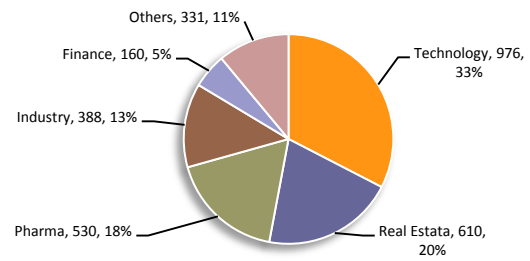
Increase of over 200% in the Financial Transactions' Value

General	Average Transaction Value and Transactions' Range	Investments by Sectors	Investments by Israeli and International Investors	Investments by Strategic and Financial Investors	Methodology
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Financial Investors

- In 2015, financial investors were involved in 24 transactions, at a total value of almost \$3 billion. Out the total value, about 65% can be attributed to international investors and the rest (35%) can be attributed to Israeli investors.
- As compared to years 2012-14, **an increase of over 200% was recorded in the value of the financial transactions.**

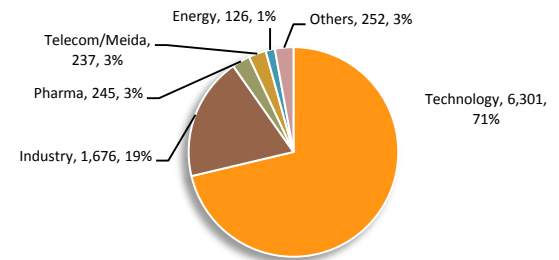
Financial Investors – Breakdown of Transactions by Sectors (In \$ million and % of Value of Financial Transactions)



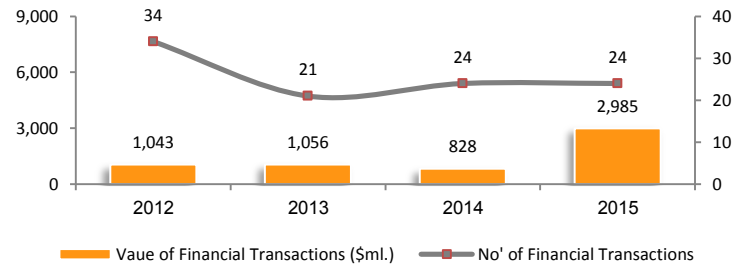
Strategic Investors

- As a direct continuation of the trend from previous years, in 2015 strategic investors kept being the leading investors, accounting for 100 transactions (regarding 9 of them, the transaction value was not disclosed), at a total value of about \$8.85 billion (about 80% of total value and volume in 2015).

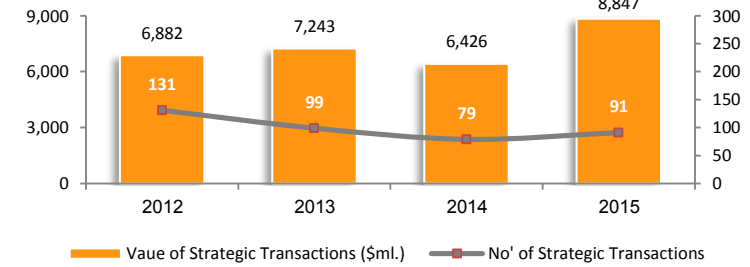
Strategic Investors – Breakdown of Transactions by Sectors (In \$ million and % of Value of Strategic Transactions)



Financial Investors – Breakdown of Transactions by Value and Volume



Strategic Investors – Breakdown of Transactions by Value and Volume



Methodology

Methodology:

- Schwartz's review includes transactions which were completed during 2015, where at least **one of the parties is an Israeli entity** and/or its main shareholders are Israeli.
- The review does not include transactions **below the \$5 million threshold**.
- The review does not include three acquisitions made by Teva Pharmaceuticals during 2015 (each one above \$2 billion), as these transactions significantly distort the quantitative analysis performed by us.
- Regarding 9 transactions included in our review, no value was disclosed and therefore they were not included in the quantitative analysis.
- All transactions are equity based between two parties, i.e. – does not account for transactions made on the capital market (recruitment and / or sale through public distribution or issue).

Schwartz Investment House Ltd.
Sonol Tower, 52 Menachem Begin Rd.
Tel-Aviv, 67137, Israel

Office: office@es-inv.com
Tel: +972-3-7919-151
Fax: +972-3-7919-112
Web: www.schwartz-inv.com

