Published on *The National Law Review* https://natlawreview.com

Year-End Survey of Investment Transactions in Israel

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With the 2016 fiscal year behind us, a number of reports that have been released in the past months provide a survey of the 2016 exits involving Israeli companies. The largest deal in 2016 that involved an Israeli company was the purchase of the Israeli tech company Playtika by the Giant Interactive Group from China for $4.4 billion. This was the second time in recent years that Playtika has been sold, as it was sold in 2014 to Caesars Interactive Entertainment, and thus certain surveys exclude the deal from their annual deal reports as there was no significant exit by Israeli shareholders, even though it is an Israeli company with Israeli employees. Some reports addressing capital raising activities consider 2016 to be a high water mark in terms of the dollars invested in Israeli companies.

According to the PwC Israel's "2016 Hi-Tech Exit Report," acquisition deals dropped from $7.2 billion in 2015 to only $3.4 billion in 2016 (excluding the Playtika sale). The report noted that many of the 2016 buyers were investors who were new to Israel and had not been active in Israel in 2015, and so it therefore seems likely that many previous buyers may be busy reaping benefits of their previous acquisitions and are not yet ready to make new investments. It also seems likely that the first-time buyers may be back in subsequent years to make additional acquisitions, as has often been the case with previous crops of new multinational companies who make acquisitions in Israel. The report also notes the uptick of Asian investors in the Israeli market, as evidenced by the Playtika deal.

A different recent report by the IVC Research Center valued Israel's high-tech exits at $10 billion (this time including the Playtika sale), which includes 93 M&A deals and 3 IPOs. In a related press release to the report, Koby Simana, CEO of IVC Research Center, stated:

2016 was by no means sub-par. In fact, it proved better than the previous year in terms of the average exit multiple, and was one of the best multiples overall. This, coupled with the relatively lower volume of deals compared to 2015, suggests to us that entrepreneurs and investors may not be pushing for exits as they once did. Instead, it seems investors are looking closely into other alternatives. An opportunity to sell requires positive returns and substantial multiples, otherwise companies and investors choose to wait patiently, opting for company growth.

The report also focused on three prominent technology clusters that play an important role in the Israeli hi-tech market: adtech, cyber security, and automotive. These sectors have all seen several high-profile deals in recent years and it is expected that these sectors will continue to expand.

IVC Research Center also prepared a summary of capital raisings in 2016 which found that Israeli hi-tech companies raised an all-time high of $4.8 billion, which was an 11 percent increase above the $4.3 billion raised in 2015. The average financing round, which has been constantly rising over the past five years, reached $7.2 million in 2016, and most of the investment deals in 2016 involved later stage companies. In the words of Idan Nishlis, a leading legal marketer in Israel, in his Israel 2016 M&A Report, “the creative expertise and technological prowess in Israel’s high-tech sector once again shines through in recently published data, confirming Israel’s central role as a hub of innovation and a key factor in global M&A trends.”

National Law Review, Volume VII, Number 55