

Quarterly review

Q3-17 M&A activity in Israel

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Summary of findings

- Global M&A activity in Q3-17 reached a total disclosed deal value of USD 674 billion, a 23.4% decrease compared to Q3-16 and a 14.2% decrease compared to Q2-17.
- The largest transaction of the quarter was the acquisition of Mobileye N.V. by the Intel Corporation for USD 14,993 million. During Q3-17, M&A activity involving Israeli targets reached a total disclosed deal value of USD 947 million excluding the Mobileye deal, a 88.1% decrease compared to Q3-16 (mainly due to the Playtika and ADAMA deals in Q3-16) and a 57% increase compared to Q2-17.
- Average deal size for cross border transactions involving Israeli targets decreased from USD 334 million in Q3-16 to USD 85.6 million in Q3-17 excluding the Mobileye deal.
- For local deals, average deal size decreased from USD 132 million to USD 59 million between Q3-16 and Q3-17 due to relatively small deal values this quarter, with the largest transaction being the acquisition of G4S Secure Solutions (Israel) Ltd. by First Israel Mezzanine Investors Ltd. for USD 111 million.
- The US led cross-border transactions, completing 6 deals with a total disclosed value of USD 612 million, excluding the acquisition of Mobileye N.V.
- During Q3-17, 144 Israeli-based high-tech companies raised a total of USD 1.44 billion, a 14.1% increase compared to Q2-17 and a 21.4% increase compared to Q3-16. The average financing per company totaled USD 10 million, a five-year high, 24.4% higher than the Q2-17 average and 19.7% higher than the Q3-16 average.

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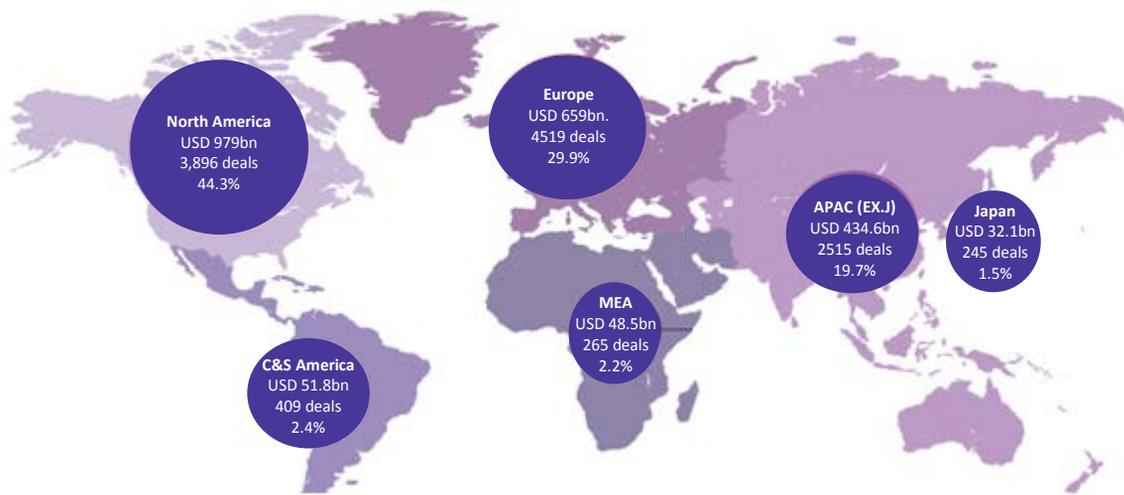
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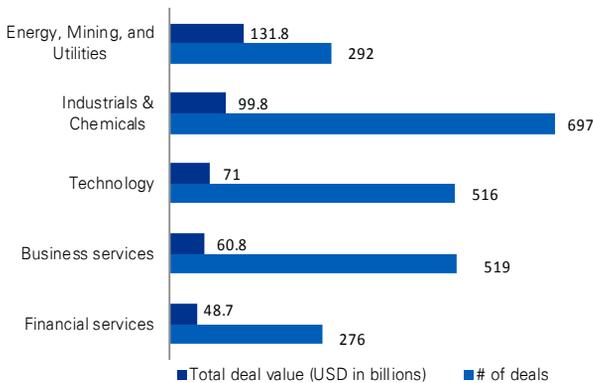
The global setting

Global M&A activity in Q3-17 presented a total deal value of approx. USD 674 billion, suggesting a 23.4% and a 14.2% downturn compared to both Q3-16 and Q2-17 respectively. These trends are mainly driven by a decline in deal volume during Q3-17, as the number of transactions totaled 3,772, the lowest quarterly count since Q3-13.

From a year-to-date perspective, total deal value in YTD Sep-17 amounted to USD 2,210 billion, a slight decrease of 1.7% compared to YTD Sep-16 (USD 2,250 billion), mainly due to lower deal volume of 11,849 deals in YTD Sep-17 (compared to 12,286 in YTD Sep-16). North America continues to lead the global M&A activity in terms of total deal value, with deals totaling USD 979 billion in YTD Sep-17.



Q3-17 Global M&A deals - top 5 sectors breakdown



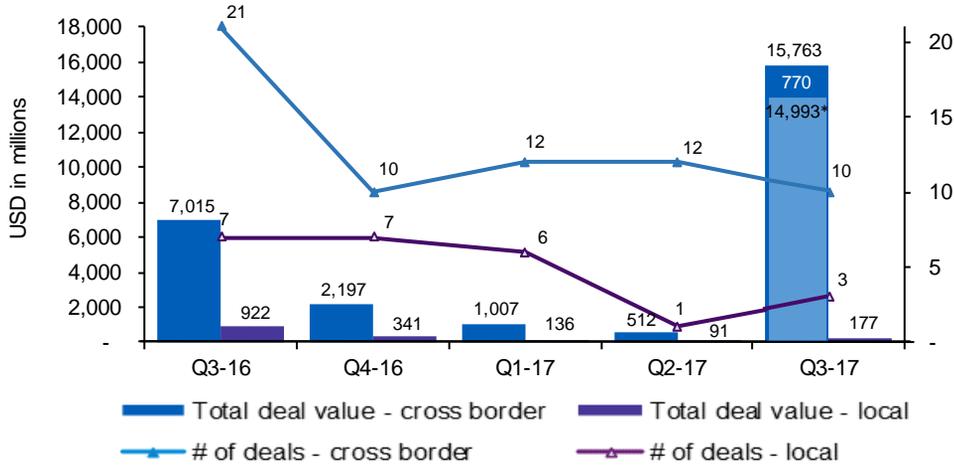
Global M&A deals in Q3-17 were led by Energy, Mining & Utilities with 292 deals worth USD 131.8 billion, representing 20% of total deal value in the period. The sector included two of the top four largest deals in this quarter. The sector was mainly influenced by three mega deals totaling USD 43.3 billion which closed in August 2017.

The Industrials & Chemicals sector came in second place in terms of total deal value with 697 deals worth USD 99.8 billion in Q3-17, capturing 15% of total deal value in the quarter. The largest deal of the quarter was in this sector, the acquisition of Rockwell Collins by US aviation company United Technologies Corp for USD 29.9 billion.

Source: MergerMarket Monthly M&A Insider – October 2017

The Israeli M&A landscape

Total M&A deal trend - Israeli targets



Source: Mergermarket deal reports

Note: (1) Cross-border deals defined as deals in which at least one of the bidder parties is not Israeli.

(2) Number of deals does not include deals with undisclosed value (26 deals completed between Q3-16 and Q3-17).

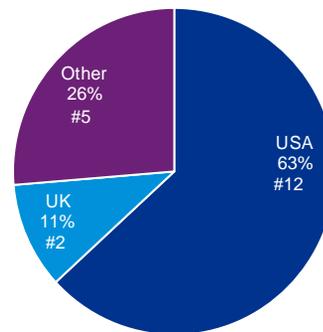
*The Mobileye-Intel deal value as part of the total deal value for the Q3-17.

The largest transaction of the quarter was the acquisition of Mobileye N.V by the Intel Corporation for USD 14,993 million, which accounts for 94.1% of total deal value in the Israeli market. Excluding the Mobileye deal, Q3-17 M&A activity involving Israeli targets reached a total disclosed deal value of USD 947 million, a 88.1% decrease compared to Q3-16 (mainly due to the Playtika and ADAMA deals in Q3-16) and a 57% increase compared to Q2-17.

Average deal size of cross border transactions excluding the acquisition of Mobileye N.V, decreased from USD 334 million in Q3-16 to USD 85.6 million in Q3-17 mainly due to the acquisition of Playtika Ltd. by Giant Network Group Co Ltd for USD 4,477 million in Q3-16 and the acquisition of ADAMA Agricultural Solutions Ltd (40% Stake) for USD 1,400 million in Q3-16. For local deals, average deal size decreased from USD 132 million to USD 59 million between Q3-16 and Q3-17, mainly due to the acquisition of Alon Holdings Blue Square Israel Ltd by Moti Ben-Moshe for USD 741 million in Q3-16.

The US led cross-border transactions, completing 6 deals with a total disclosed* value of USD 612 million, excluding the acquisition of Mobileye N.V.

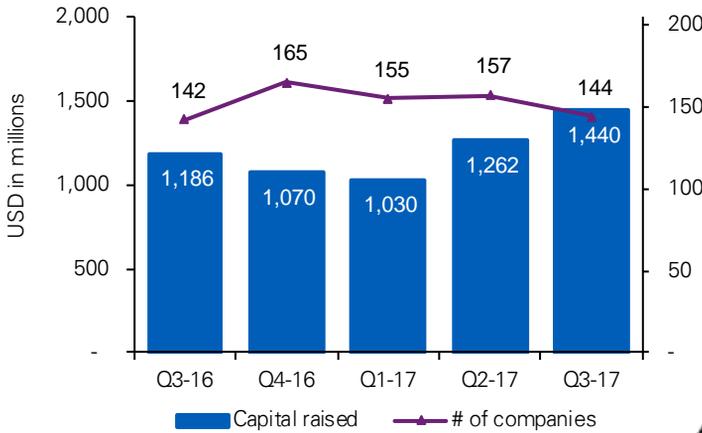
Distribution of Q3-17 cross-border transactions by bidder country by number of deals¹



Source: Mergermarket deal reports

* This chart includes 9 cross border deals with undisclosed value, completed in Q3-17.

Israeli high-tech capital raising



Source: IVC research center



During Q3-17, 144 Israeli-based high-tech companies raised a total of USD 1.44 billion, a 14.1% increase compared to Q2-17 and a 21.4% increase compared to Q3-16. The average financing per company totaled USD 10 million, a five-year high, 25% higher than the Q2-17 average and 19.7% higher than the Q3-16 average.

In addition to the fund raising of Israeli-based high-tech companies, there were also a number of significant VC-backed deals recently (signaling future investments), including:

- Vintage Investment Partners raised USD 215 million for its 10th fund – Vintage X, which is the VC’s fourth secondary fund. The fund focuses on purchasing limited partnership positions in Israeli and European venture and growth equity funds as well as US venture funds.
- Stage One Capital has raised USD 110 million for its third fund. The fund’s focus is on deep-technology endeavors in B2B software and next-generation IT infrastructure.
- SGVC has raised USD 50 million for their third fund, focused on Silicon Valley or Israel-based companies in the B2B, Enterprise Software and FinTech sectors, in their Series A rounds.
- Hillel Schuster, Principal, Head of Corporate Finance at KPMG Somekh, stated: “As long as capital continues to flow into venture capital globally (and such flows are at record highs), Israel will continue to see a disproportionate share of such capital (and a steady flow of substantial exits) due to its cutting edge technological advantages. Today, Israel attracts \$4 billion per year in VC investments. More than 90% of such funds (at LP level) are from foreign sources. Thus, again, so long as there are fund flows into the VC industry worldwide, Israel will continue to benefit and continue to feed its technology engine with the fuel it needs to continue to produce winners on a global scale.”

Apax PARTNERS

USD 200M



Apax Partners LLP, a leading global private equity advisory firm headquartered in London and New York, has acquired 3M's electronic monitoring business, formerly known as Attenti, a global provider of electronic monitoring technologies, serving a wide range of national, federal, state, and local correctional and law enforcement agencies around the world. Zehavit Cohen, managing partner of the Apax Partners Tel Aviv office, stated that 3M's electronic monitoring business is an innovative leader in this growing sector and that they will continue to invest in R&D to maintain and grow the business's technological advantage. Apax's aim is to grow the business in existing geographies as well as expand its global presence.

EMK Capital

Enterprise Management Knowledge

USD 200M

*Acquired a majority shareholding at an enterprise values of



EMK Capital LLP, a UK-based private equity firm focused on the business services, consumer and industrial sectors, has announced its acquisition of a majority shareholding in Luminati, a division of Hola Networks Ltd. Luminati is a leading proxy network aimed at making the Web more transparent by allowing businesses to see the internet from the consumers' point of view. Ofer Vilenski, Co-founder and CEO of Luminati noted that they believe that with EMK's transformational growth experience, Luminati will reach the next level in its development, bringing transparency to commerce and data security.

Taptica



USD 50M



Taptica, a global end-to-end mobile advertising platform, provides a marketing network that helps businesses optimize marketing campaigns and raise revenue, has announced its acquisition of Tremor Video's demand-side platform (DSP), an industry-leading technology stack built for video optimization and attribution. Hagai Tal, CEO of Taptica noted that with this deal, Taptica strategically aligns complementary talent and expertise with Tremor's demand-side platform to create a powerful market force.

Background

“Life Through a Lens” is getting a whole new meaning as immersive technologies, specifically virtual and augmented reality, are changing our interaction with media content. Augmented reality enhances experiences by adding virtual components such as digital images, graphics, or sensations as a new layer of interaction with the real world. In contrast, virtual reality creates a simulated reality that is completely computer generated and driven¹. These new technologies are moving us from observation to immersion and may one day replace mobile computing. This is particularly true as people are spending more and more of their leisure time using screen-based devices².

Israeli market

“Israel has become a hotbed for augmented and virtual reality technologies” according to CBInsights³. There are over 75 AR/VR startups based in Israel. These include⁴:

- *Mantis Vision*: Founded in 2015, Mantis Vision has developed a platform that can capture 3D objects while stationary or in motion, in daylight or complete darkness. The company has raised a total of USD 22.2 million from tech giants including Samsung and Qualcomm, among others. With this backing, and with Google using their technology, Mantis Vision are aiming to change the way we use our smartphones for capturing images and videos.
- *Inception*: Founded in 2016, Inception is a virtual reality content provider as well as a VR app. The company provides VR technology for a variety of uses, such as animated frames, scripted effects and in app responses that react to movement or interactions during live videos. Inception has raised USD 15 million in an A round. As of August 2017, Inception is part of the Microsoft Windows Mixed Reality Program.

Israeli market (cont.)



What the future holds?

The AR/VR market is expected to grow at an annualized rate of 113%, reaching USD 215 billion in 2021, up from USD 11 billion in 2017⁵. This expected growth is due to tech giants like Alphabet, Microsoft, Qualcomm, Intel, Facebook and Apple competing in this field, with AR/VR technologies in demand in various sectors, including gaming, retail, events and conferences, healthcare, automotive, manufacturing and many more^{1,6}.

Major acquisitions of those tech giants already took place with Facebook acquiring Oculus followed by the acquisition of 11 other AR/VR companies, and Apple acquiring Primesense and Realface and said to have approx. 1,000 engineers developing AR projects in Israel⁷.

The AR/VR field is still in its infancy with most start-ups still in early funding rounds. The early stages of the industry, the expected exponential global growth, the global talent crunch in VR expertise & freelancers, and the involvement of tech giants in both the global and Israeli arenas, are key contributing factors fueling investments and M&A activity in the horizon for the global and Israeli AR/VR sector.

¹www.augment.com ⁴www.nanalyze.com ⁷www.recode.net
²www.mckinsey.com ⁵www.idc.com
³www.cbinsights.com ⁶www.fortune.com



Mergermarket Monthly M&A Insider – October 2017 and deal reports.

- Deals are included where the deal value is greater than or equal to US\$5m.
- Where no deal value has been disclosed, deals are included if the turnover of the target is greater than or equal to US\$10m.
- Deals are included in the graphs and Top Deals in each section based on the dominant geography and dominant sector of the target company.
- Data underlying the League Tables are based on deals where the bidder, target or parent geography of either is that of the geography in focus.
- Mid-market is defined as US\$10m - US\$250m.
- All data included is correct as of September 30, 2017.
- For a full version of the Mergermarket M&A deal database inclusion and league table criteria, can be found [here](#).

Disclosure on comparative figures

Note that the statistics provided in Mergermarket and IVC with respect to previous quarters often changes as more information becomes available. As such, there are discrepancies at times between the figures of previous quarters disclosed in this report and figures disclosed in prior report.



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About KPMG Somekh Chaikin

KPMG Somekh Chaikin was founded in 1922 and currently has 51 partners with four branches throughout Israel.

Headed by Chairman Gad Somekh, Senior Partner Eran Shalev, and the management committee, the firm currently has over 1000 employees, and serves thousands of clients throughout the country.

The firm's clients in Israel include dozens of leading companies, constituting the backbone of the Israeli economy in many sectors. These clients benefit from professional and reliable service of some of the highest international standards. The firm's partners and employees support clients in direct and long-term relationships.

The firm's employees include experienced accountants, economists, lawyers and analysts, who are outstanding graduates of leading universities in Israel and overseas. Some are also members of the teaching faculty at these institutions. These employees constitute the firm's principal asset.

KPMG Somekh Chaikin strives to maintain long-term client relations by providing professional and reliable services, in accordance with high international standards.

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