

The Transactions Report of Fahn Kanne Grant Thornton Israel

The private transaction market in Israel shows signs of recovery: a 25% increase in the volume of transactions in the first half of 2024

Foreign investors continue to invest in Israel, while local investors have been increasing their investments abroad • The volume of transactions in the first half of 2024 stood at \$8.6 billion • Israel maintains its 11th place in the OECD in terms of the number of transactions made

The Israeli transaction market is going through a challenging period. The war, high interest rates and fears of an economic slowdown are contributing to an atmosphere of uncertainty among many investors. Despite the many challenges, there are also signs of light at the end of the tunnel. **A comprehensive transactions report conducted by Fahn Kanne Grant Thornton Israel, on mergers and acquisitions in the private market in Israel, published today (July 24), shows signs of recovery in the first half of 2024.** The report indicates a 14% increase in the number of transactions and 25% in volume compared to 2023, with 163 transactions totaling \$8.6 billion.

The first half of 2024 was characterized by interest shown by foreign investors, which led to an increase in the quantity and volume of transactions.

While foreign investors identify opportunities in the Israeli market and are willing to invest, local investors divert a significant component of their investments to foreign markets. Globalization opens doors to foreign investment but also poses challenges such as increased competition and expansion of activities abroad.

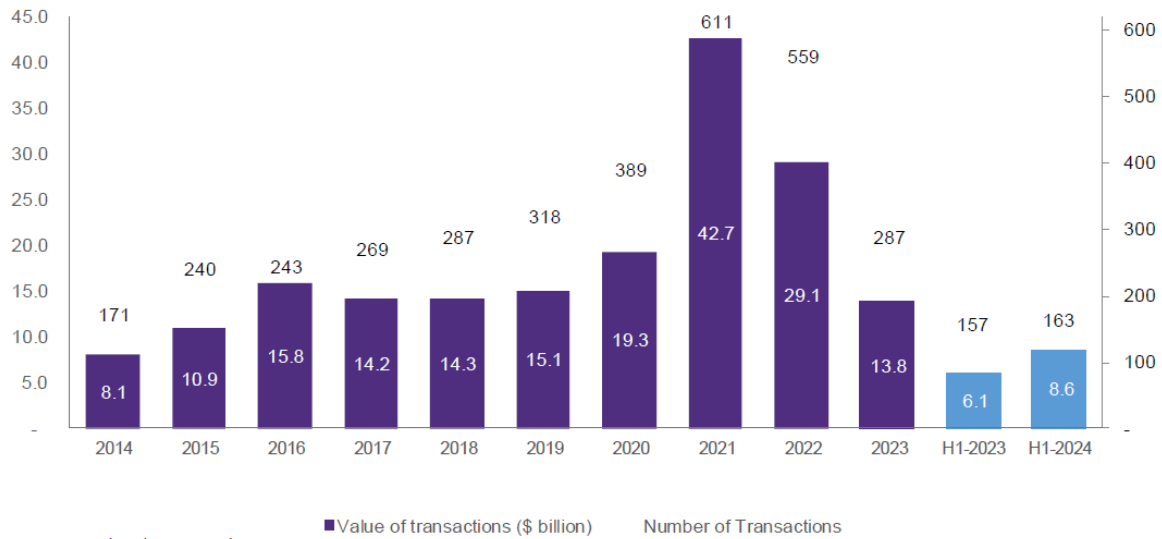
Shlomi Bartov, CEO of Fahn Kanne Consultants GT Israel, explains: "The private transactions market continues to be a significant growth engine for the Israeli economy, despite the many challenges. The increase in the number and volume of transactions in comparison indicate interest in the Israeli economy, especially in light of the security situation."

Analysis of the private transaction market – a return to an increase in the market? 163 deals worth \$8.6 billion in H1-2024

The private transactions market has been showing signs of recovery in the first half of 2024, with a 14% increase in transactions compared to 2023. The volume of transactions also grew during this period, by 25%, to approximately \$8.6 billion.

However, it is important to note that the 2023 figures were significantly affected by the war and the legal reform, so the comparison to them may be a bit misleading. Compared to 2021, which was a record year in the transaction market, there was a decline of 47% in the number of transactions and a 60% decline in monetary volume. The average transaction volume in the first half of 2024 is estimated at \$53 million, reflecting an increase of about 10% compared to 2023 figures.

Volume and Number of Transactions (billion dollars)

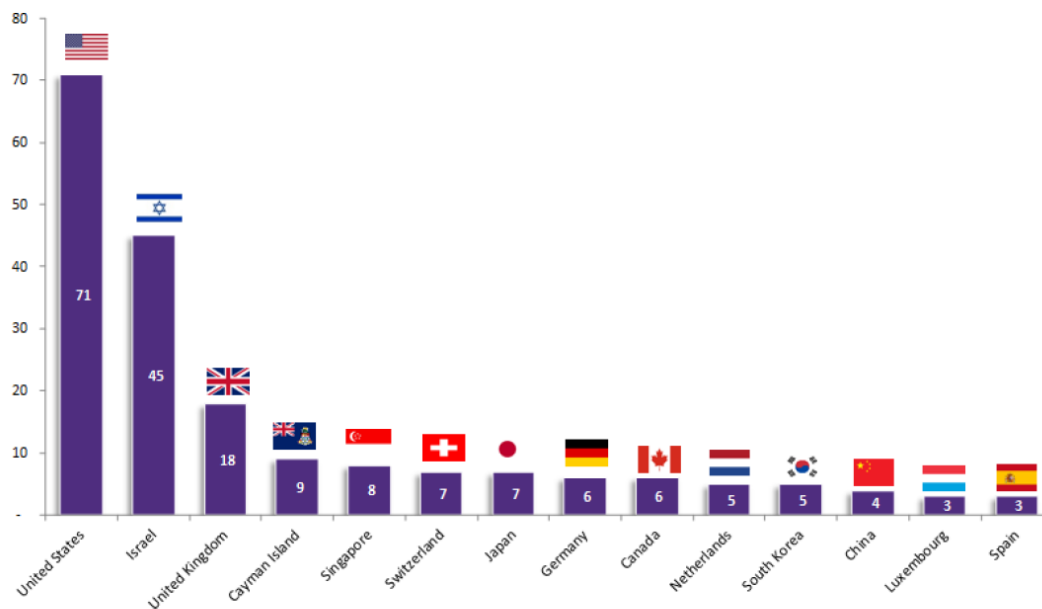


It should be noted that the second quarter data are even more encouraging, with transaction volumes of about USD 5.4 billion recorded in the second quarter of 2024, a record since the third quarter of 2022. The number of transactions is also up significantly, with 93 transactions in the second quarter of 2024. This represents an increase of 31% compared to the average of the previous five quarters.

Investor analysis – foreign investments are driving the recovery

The recovery of the Israeli market in the first half of 2024 received a significant boost from the many foreign investments that flowed into the country from a wide range of developed countries. American investors continue to lead in investments in Israeli companies, with 71 transactions totaling approximately \$2.6 billion. This compares with 45 transactions totaling approximately \$1.7 billion carried out by Israeli investors, placing them in second place. British investors are in third place with 18 transactions totaling approximately \$0.8 billion.

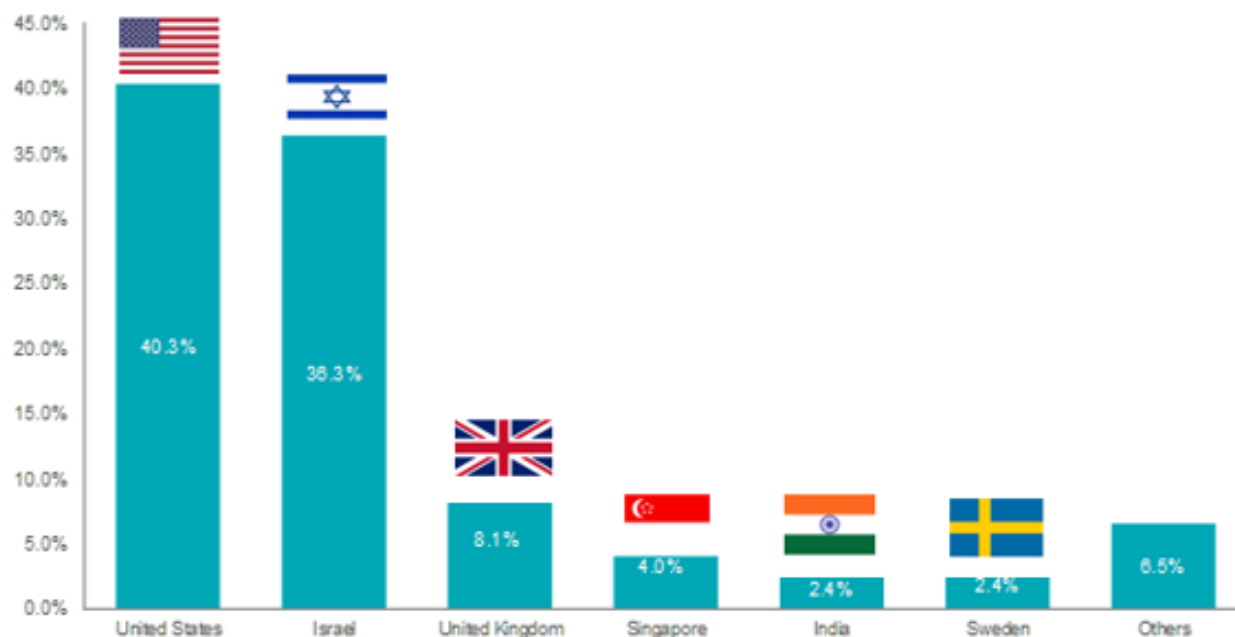
Analysis of Foreign Investors



Source: Bloomberg, GT analysis
The geographical identity of the large companies is not "absolute" because international companies usually operate in several countries.

While foreign investors identify acquisition opportunities in the Israeli market and are willing to invest, local investors divert most of their investments to foreign companies. The survey data indicate that about 60% of investments by Israeli investors are made abroad, mainly in Europe and the United States. The reasons for this move are apparently complex and include business and economic security uncertainty in Israel and the search for higher returns abroad. It is possible that the legal reform planned in Israel is also a possible cause for concern among investors, causing them to look for more stable investment channels abroad.

Analysis of Israeli Investors H1 2024



Source: Bloomberg, GT analysis

Note that with regard to joint ventures, the amounts presented reflect the amounts invested by all of the partners regardless of whether they are foreign or not. Source: Bloomberg – processed by GT.

Bartov analyzes: "It is important to remember that we are part of a global market – not only do foreign funds reach Israel, but a significant portion of Israeli investors operate abroad. As part of the risk management strategy of companies and funds, we are seeing an increase in investments by Israeli investors abroad."

Comparison to developed countries – Israel ranks high in the OECD despite the war

Despite the security and economic challenges, Israel is performing impressively relative to the OECD, ranking 11th in terms of the number of transactions and 13th in terms of their volume. The high ranking positions Israel as one of the leading OECD countries in terms of business activity relative to its size. Israel's success in this ranking is a testament to its growth potential.

Israel's ranking among the OECD countries with regard to the volume of transactions (billion dollars)

Rank	Country	Deals	Rank	Country	Volume (B\$)
1	United States	3,400	1	United States	211.0
2	United Kindom	779	2	United Kindom	45.1
3	South Korea	363	3	Canada	23.1
4	Japan	335	4	Japan	23.1
5	Germany	318	5	Germany	18.3
6	Canada	298	6	France	18.2
7	France	264	7	Australia	15.7
8	Switzerland	187	8	South Korea	14.7
9	Australia	173	9	Netherlands	11.8
10	Netherlands	169	10	Switzerland	10.2
11	Israel	163	11	Italy	9.6
12	Sweden	132	12	Sweden	8.9
13	Luxembourg	105	13	Israel	8.6
14	Spain	100	14	Spain	7.1
15	Belguim	82	15	Luxembourg	6.7

Note that with regard to joint ventures, the amounts presented reflect the amounts invested by all of the partners regardless of whether they are foreign or not. Source: Bloomberg – processed by GT.

Industry analysis – 80% of transactions in Israel are technologically oriented

About 80% of the transactions carried out were technologically oriented, reflecting Israel's relative strengths in this field and the growing demand for innovative technological solutions. The technology industry was also the most prolific, with 90 transactions totaling \$4.9 billion. This figure highlights the significant contribution of this sector to the Israeli economy. The Consumer Ncycl sector, which includes companies that are less affected by business cyclical fluctuations and whose activity is characterized by the use of technology (such as pharmaceuticals, medical products, basic consumer products, etc.), performed impressively in the first half of 2024. The sector executed 35 transactions totaling approximately \$1.5 billion, a performance similar to the industry's performance in all of 2023.

"Although WIZ rejected the aquisition offer from Google, Wiz's mega-deal shows that Israel is on the right wave," Bartov says, adding, "Despite the challenging situation, there have been significant transactions and there is ongoing interest in Israeli technology. As part of risk management, we see Israeli companies expanding operations abroad, but this does not diminish their value. The unicorns built in Israel over the past few years are expected to become real transactions soon."

"True, part of the value of unicorns has eroded in the past two years, but these are still large and robust companies that managed to withstand the crisis. As the market improves, we expect some to go public and some to be acquired. These companies proved their ability to survive the legal reform and the war. Wiz is a great example of one of these unicorns. Companies that raised significant amounts in recent years managed to get through the crises, and a significant part of them are expected to be the next exits and IPOs of the Israeli market."

Number and volume of Transactions in the Israeli Market in the Traditional Industries

H1 - 2024			2023		
Technology	Value	Number	Technology	Value	Number
Software	2.7B	64	Software	5.4B	123
Computers	2.1B	24	Computers	1.7B	32
Semiconductors	0.1B	2	Semiconductors	0.2B	6
	4.9B	90		7.3B	161
Consumer NCycle	Value	Number	Consumer NCycle	Value	Number
Biotechnology	0.7B	12	Biotechnology	0.7B	9
Healthcare Services	0.4B	14	Healthcare Services	0.1B	8
Healthcare Products	0.3B	3	Healthcare Products	0.4B	6
Commercial Services	0.1B	5	Commercial Services	0.3B	8
Others	0.0B	1	Others	0.3B	8
	1.5B	35		1.8B	39
Communications	Value	Number	Communications	Value	Number
Internet	0.04B	2	Internet	0.6B	14
Others	0.07B	3	Others	0.2B	5
	0.1B	5		1B	19
Financial	Value	Number	Financial	Value	Number
Diversified Finan Serv	0.2B	10	Diversified Finan Serv	1.1B	20
REITS	0.4B	3	REITS	0.2B	2
Others	0.04B	1	Others	0.5B	6
	0.6B	14		1.8B	30
Industrial	Value	Number	Industrial	Value	Number
Machinery-Diversified	0.1B	3	Environmental Control	0.1B	5
Electronics	0.05B	3	Electronics	0.3B	11
Others	0.2B	3	Others	0.1B	5
	0.3B	9		0.5B	21
Others	Value	Number	Others	Value	Number
Energy	0.9B	3	Energy	0.3B	6
Consumer Cycl	0.3B	6	Consumer Cycl	1.2B	10
Basic Materials	0.01B	1	Basic Materials	0.02B	1
	1.2B	10		1.5B	17
Industry	Volume	Deals	Industry	Volume	Deals
Technology	4.9B	90	Technology	7.3B	161
Consumer NCycle	1.5B	35	Consumer NCycle	1.8B	39
Communications	0.1B	5	Communications	1B	19
Industrial	0.3B	9	Industrial	0.5B	21
Financial	0.6B	14	Financial	1.8B	30
Others	1.2B	10	Others	1.5B	17
	8.6B	163		13.8B	287

Source: Bloomberg, GT analysis

Serial investors – venture capital funds remain a significant player

Nine investors were involved in five or more transactions during the first half of 2024, compared to six investors in 2023 (who were involved in ten or more transactions). Venture capital funds remain a significant player in the Israeli transaction market. Investment volumes by venture capital funds increased in the first half of 2024 compared to 2023.

The serial investors
Investors involved in over 5 transactions in the first half of 2024

Acquirer Name	Type	Number of transactions	Value	Industry
NFX Capital Management LLC	Financial	8	0.1B	Venture Capital
Entree Capital	Financial	7	0.3B	Venture Capital
Sequoia Capital Operations LLC	Financial	6	1.4B	Venture Capital
Team8 Labs Ltd	Strategic	6	0.2B	Internet Security
Arkin Bio Ventures Jeep Jeep Ltd	Strategic	5	0.5B	Investment Companies
Temasek Holdings Pte Ltd	Strategic	5	0.4B	Investment Companies
StarkWare Industries Ltd	Strategic	5	0.1B	Applications Software
Insight Venture Partners LP	Financial	5	0.2B	Venture Capital
CyberStarts Venture Fund Ltd	Financial	5	1.4B	Venture Capital

Investors involved in over 10 deals in 2023

Acquirer Name	Maximum Premium	Number of transactions	Value	Industry
Pitango Venture Capital	Financial	13	0.9B	Venture Capital
Insight Venture Partners LP	Financial	12	0.3B	Venture Capital
Lightspeed Management Co LLC	Financial	11	0.5B	Finance-Invest Bnkr/Brkr
Hetz Ventures Management Ltd	Financial	10	0.4B	Venture Capital
Viola Group Inc	Financial	10	0.2B	Investment Companies
Team8 Labs Ltd	Strategic	10	0.2B	Venture Capital

The Israeli stock exchange returned to better times after a significant decline in 2023

The Tel Aviv Stock Exchange experienced a sharp decline on October 7, 2023, which led to a plunge of about 7% in the Tel Aviv 35 Index on the same day. This event raised concerns among many investors about the future of the market. Nonetheless, the Israeli stock exchange demonstrated impressive resilience and managed to recover relatively quickly. During the months following October 7, 2023, the Tel Aviv 35 Index climbed by about 16%, showing resilience relative to other global equity indices. As a result, the Tel Aviv 35 Index has increased by about 13.5% over the past 12 months. This performance places the Israeli stock exchange in the range of performance among the world's leading stock exchanges.

Methodology

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 July 1st, 2024. Completed transactions in the range of \$ 5 million to \$ 1 billion (Unless otherwise specified) . The date of the transactions is determined by the date of the transaction announcement. 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.