

## The Israeli Private Equity Market 2015

IVC and Shibolet report:

### **\$3.4 billion in private equity investments in Israel in 2015; number of deals up 13%**

Key facts:

- \$841 million in private equity deals in Q4/2015 – twice as much as in Q3/2015
- Israeli PE funds accelerated investments in 2015 – a 19% increase from 2014
- Straight equity investments peak, with \$1.4 billion, or 42%, of total PE proceeds in 2015
- The technology sector leads PE deal-making, with \$2.0 billion in 2015

*Tel Aviv, Israel, February 3, 2015.* The Israeli private equity industry had a successful year in 2015, when 90 deals garnered \$3.4 billion, a modest three percent increase from \$3.3 billion invested in 2014, and three percent below the \$3.5 billion invested in private equity deals in 2012, the record year so far. The number of private equity deals in 2015, however, was the highest ever – up 13 percent from the previous record of 80 deals closed in 2014. (Figure 1)

In Q4/2015, 20 Israeli private equity transactions amounted to \$841 million, a 13 percent increase from the past 5-year average of \$747 million. The number of PE deals performed in the fourth quarter, however, was the same as in Q3/2015 and in Q4/2014. The most prominent deal in Q4/2015 was the \$300 million investment in Bioenergy Infrastructure Group, followed by the \$180 million buyout of Diamonds Direct, a jewelry company, by Blackstone Group.

Israeli private equity funds intensified their activity throughout 2015, spending \$902 million, or 27 percent of the total investments. The amount constituted a 19 percent increase from the \$760 million they invested in 2014, and a significant 42 percent increase from \$636 million invested in 2013. The three largest deals performed by Israeli PE funds in 2015 accounted for 23 percent of their total investments: the two buyouts by FIMI – Hadera Paper (\$97 million) and Polyram (\$59 million), and the \$50 million straight equity investment in Bioenergy Infrastructure Group, a UK biomass power company, by HeliosEnergy.

Foreign private equity funds accounted for the majority of Israeli PE investments in 2015 with \$2.2 billion or 64 percent of the total capital. While in line with the expected majority of foreign investment, the numbers reflect a nine percent decrease from \$2.4 billion invested by foreign PE funds in 2014, the strongest yet. The top five deals in 2015, garnering more than \$150 million each, were performed by foreign PE funds and accounted for \$1.44 billion, or 43 percent, of the total investments. The two largest deals, both performed in Q2/2015, were Lumenis's \$510 million buyout by XIO Group and ClickSoftware's \$438 million buyout by Francisco Partners. These two deals alone accounted for 28 percent of the total PE proceeds in 2015.

Omer Ben-Zvi, Partner at Shibolet & Co. points to a trend: "The number of Israeli private equity deals and their total dollar amount in 2015 compared to previous recent years show a stable growth of this market. An interesting sector to be noticed in the private equity arena is life science technologies which produced 15 deals in the amount of \$626 million in 2015, compared to 11 deals at \$59 million in 2014. We see more mature companies like Lumenis growing and entering that arena. On the other hand, in the

Internet sector we saw a decrease in the total amount in PE deals, from \$1.2 billion in 2014 to \$307 million in 2015 with the same number of deals."

A total of 48 technology deals generated \$2 billion, or 58 percent of the total private equity investments in 2015. The amount was five percent below the \$2.1 billion (63 percent) invested in 49 technology transactions in 2014. The software and life sciences sectors led private equity investments with 22 percent and 19 percent, respectively, partially due to the Lumenis and ClickSoftware deals.

Straight equity transactions show a continuing uptrend featuring them as the favored investment mechanism for private equity funds, with 65 deals in 2015, compared to 62 deals closed in 2014, 48 in 2013 and only 22 in 2012. The volume of capital invested in companies directly also increased to \$1.4 billion invested in 2015, 42 percent of total private equity investments, and up 16 percent from the previous record of \$1.2 billion (36 percent of total) in 2012.

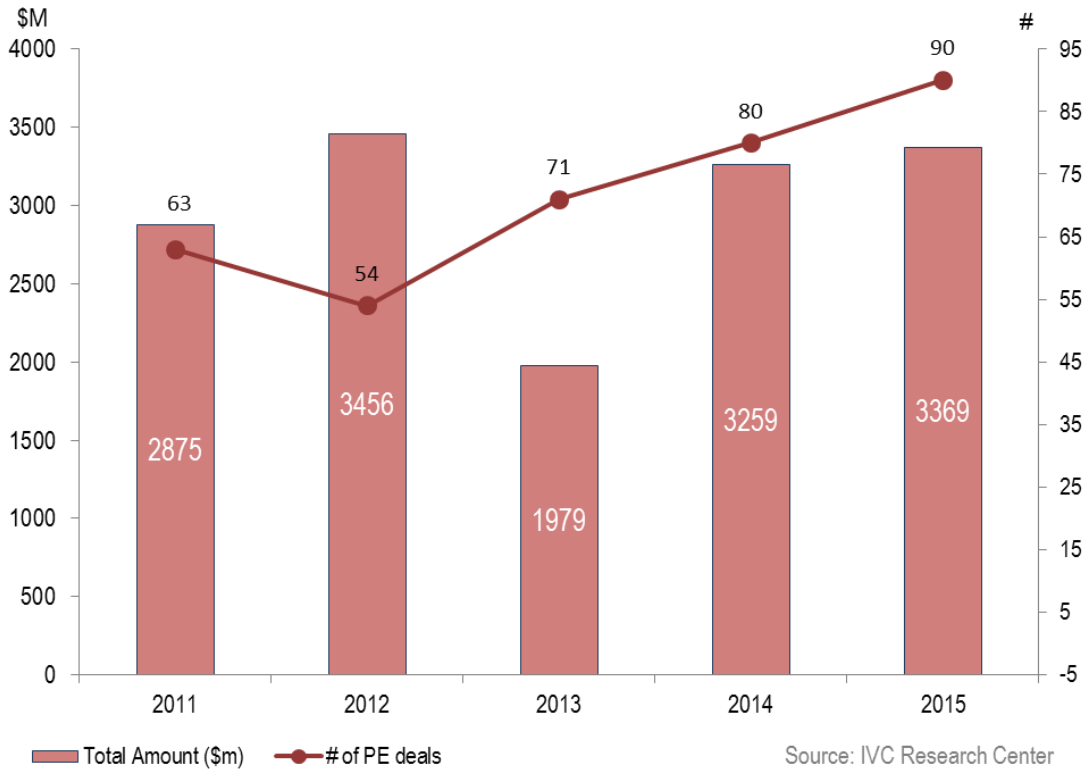
### **Israeli private equity investors**

Marianna Shapira, Research Manager at IVC, says that, "the current uptrend in the Israeli private equity market was fortified in 2015 with 11 funds having raised approximately \$1.5 billion throughout the passing year. Moreover, we are tracking 28 active Israeli private equity management companies managing a total of nearly \$9 billion, and more than ten new funds are currently in the process of capital raising, expected to raise up to \$1 billion by the end of the year. We therefore expect private equity activity in 2016 to remain dynamic."

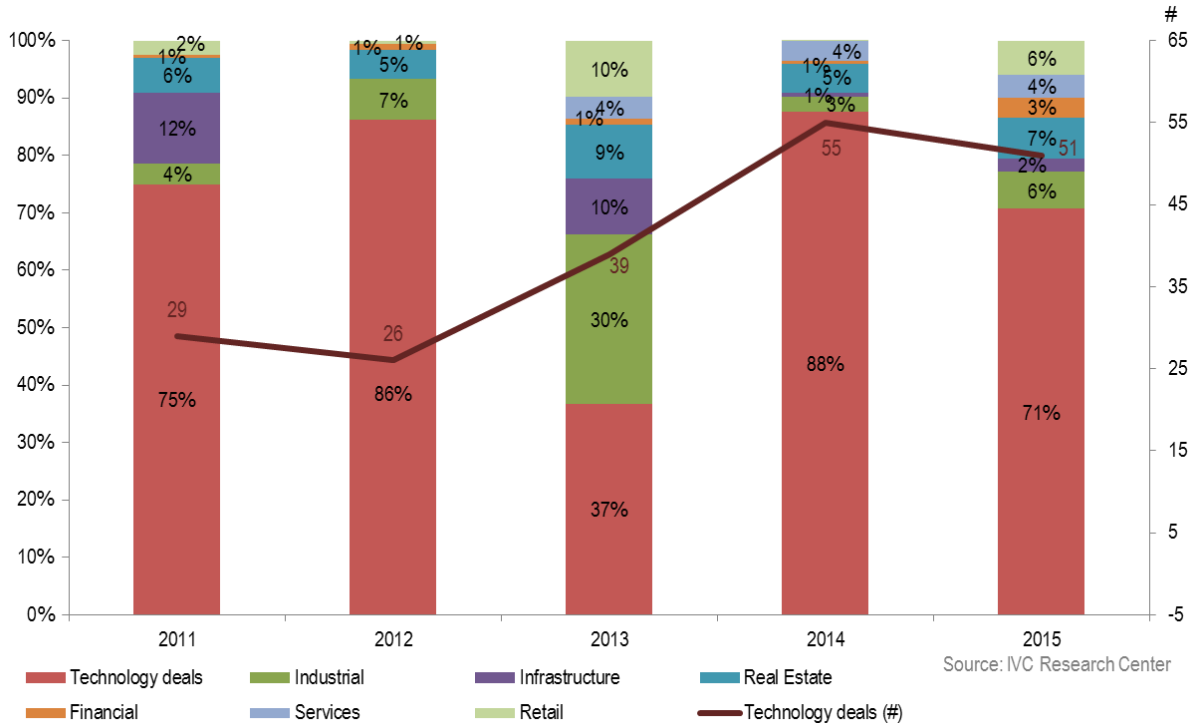
Shapira notes that a large part of the projected activity will focus on growth stage investments: "Many of the funds currently active, and some of the ones presently in the process of raising capital are dedicated to late stage investments, including funds focused on growth stage companies, as well as distress situations, turnarounds and debt funds. Inspecting the funds currently in process, it seems cleantech, life science, communication, media and real estate are the sectors most likely to attract investments during 2016." Shapira concluded.

Omer Ben-Zvi agrees about the growth stage trend, but warns against overly optimistic expectations: "Looking at the number of new growth funds raising capital and the over subscription for Israeli PE funds we have seen, we believe that the positive trend in the Israeli private equity market is likely to continue. However, one has to remember that the private equity market is affected by global changes, so recent developments, such as the ones in the Asian capital markets, are likely to have an impact on the Israeli private equity market as well." he says.

**Figure 1: Private Equity Deals by Year (\$m)**



**Figure 2: Private Equity Investments by Sector (%)**



## Methodology

The Summary of Israeli Private Equity Deals Q4/2015 reflects information developed from IVC's Quarterly PE Survey, sponsored by Shibolet, and reviews Israeli private equity deals involving Israeli and foreign private equity funds and other investors, both Israeli and foreign. The current survey is based on the activity of 91 private equity funds of which 28 are Israeli and 63 are foreign. This survey reviews the following types of private equity financing deals: straight equity, buyouts, mezzanine, distressed debt and turnaround/distressed equity. The data are based on information received directly from the funds and from the IVC-Online Database ([www.ivc-online.com](http://www.ivc-online.com)).

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[IVC Research Center](http://www.ivc-online.com) is the leading online provider of data and analyses on Israel's high-tech, venture capital and private equity industries. Its information is used by all key decision-makers, strategic and financial investors, government agencies and academic and research institutions in Israel.

- IVC-Online Database ([www.ivc-online.com](http://www.ivc-online.com)) showcases over 14,000 Israeli technology startups, and includes information on private companies, investors, venture capital and private equity funds, angel groups, incubators, accelerators, investment firms, professional service providers, investments, financings, exits, acquisitions, founders, key executives and R&D centers.
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