

## The Israeli Private Equity Market – Q4/2016

IVC and Shibolet report:

### 2016 Israeli private equity financing peaks - with \$3.5 billion

Key facts:

- 72% of total capital volume resulted from four largest buyouts - each above \$100 million
- Israeli PE transactions shrink in 2016 – number of deals 17% down from 5-year average
- Israeli PE funds' share reached 18% in 2016 - lowest in the past 5 years

*Tel Aviv, Israel, February 7, 2017.* In 2016, Israeli and foreign private equity funds invested \$3.5 billion in 68 deals, the highest amount ever invested by private equity entities. The amount was 14 percent up from just under the \$3.1 billion invested in 2015, and 29 percent above the \$2.73 billion invested in 2014. The number of deals, however, dropped 17 percent in 2016, down from 103 deals in 2015, and 17 percent below the five-year average of 82 private equity transactions (Chart 1).

The four largest deals closed in 2016 were all buyouts above \$100 million each, accounting for \$2.54 billion, or 72 percent, of total capital proceeds. The buyout of **Keter Plastic** by BC Partners for \$1.4 billion - the largest Israeli private equity deal recorded in five years - was followed by the \$643 million buyout of **Xura** by Siris Capital. Placed third was the \$400 million buyout of **Sintec Media** by Francisco Partners, while FIMI carried out a \$100 million buyout of **G4S Israel**.

According to Omer Ben-Zvi, Partner at Shibolet & Co.: "Israel experienced a substantial decrease in the number of private equity investment deals during 2016. This is in line with the decline in the US private equity market. However, the 2016 annual private equity deal amount - the highest ever recorded - was encouraging, as was the stable activity of foreign PE funds with another annual record amount. Another strength sign is the continued activity of the private equity technology sector. We therefore believe it is too early to declare the beginning of a slowdown in the Israeli private equity industry.

We see positive signs in the continued fundraising by venture capital funds focusing on the Israeli high-tech industry and the increasing number of growth opportunities, as well as fundraising by Israeli PE funds and foreign PE funds expressing interest in Israel," explains Ben-Zvi.

In the fourth quarter of 2016, Israeli private equity deal-making decreased, as 16 private equity deals accounted for \$412 million, 46 percent below the \$757 million invested in 25 transactions in the fourth quarter of 2015, and a 74 percent drop from the \$1.6 billion invested in 14 deals in the previous quarter. Both the amount and number of transactions were below the five-year average, a decrease of 38 percent and 24 percent, respectively.

Israeli private equity fund activity decreased in 2016, with 30 funds investing \$630 million, 18 percent of total capital proceeds – the lowest share for Israeli PE fund investments in the past five years. This compared with the record \$1.06 billion (34 percent of total) invested by 36 Israeli PE funds in 2015. The number of transactions was also down - 28 percent with 38 deals, compared to the five-year average of 53 transactions.

Three buyouts performed by Israeli PE funds in 2016 were above \$50 million each, capturing 37 percent of total Israeli PE fund investments. **FIMI** led, with two prominent deals, both in Q4/2016 - a buyout of

G4S Israel in the amount of \$100 million, followed by the \$76 million buyout of Galam. **Reality Fund** acquired 65 percent of Arena Mall in Herzliya for 90 million in the first quarter of 2016.

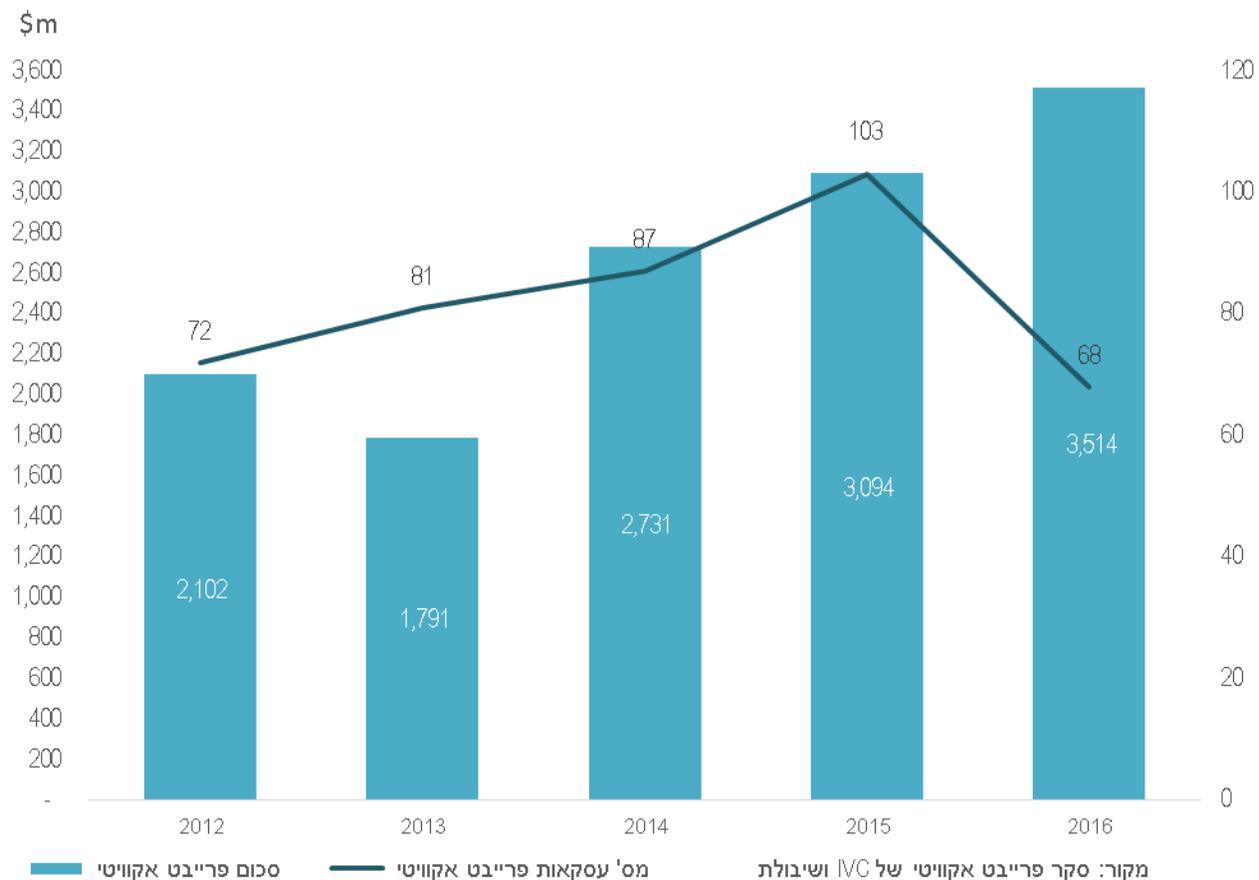
Foreign PE fund investments retained last year's average activity levels, with 33 transactions in 2016, despite the fact that the number of funds investing in 2016 dropped 26 percent - from 43 actively-involved foreign PE funds in 2015 to only 32 funds in the following year. However, in terms of capital, foreign private equity investments peaked, with \$2.9 billion (82 percent of total investments), up from \$2.03 billion (66 percent of total) invested in 2015. Three buyouts were responsible for this record amount, capturing 85 percent of total foreign private equity investments in 2016, including the Keter Plastic, Xura and Sintec Media buyouts mentioned above.

Marianna Shapira, Research Manager at IVC, draws a direct line between the state of private equity fundraising and the decline in deal-making during the second half of the year: "Analyzing the notable slowdown in the number of investments made in 2016, we saw Israeli fund activity fall below average levels, and far more dramatically than foreign funds' investments. This is not due to lack of opportunities in the Israeli market, nor a result of foreign competition, but rather seems to be related to the capital available for new investments. Both the number of active local PE funds, and the number of funds to raise new capital in 2016 dropped compared to previous years. With six funds currently in the process of raising capital, it seems that many major funds have been focused on their fundraising efforts, resulting in fewer deals made" (Chart 2).

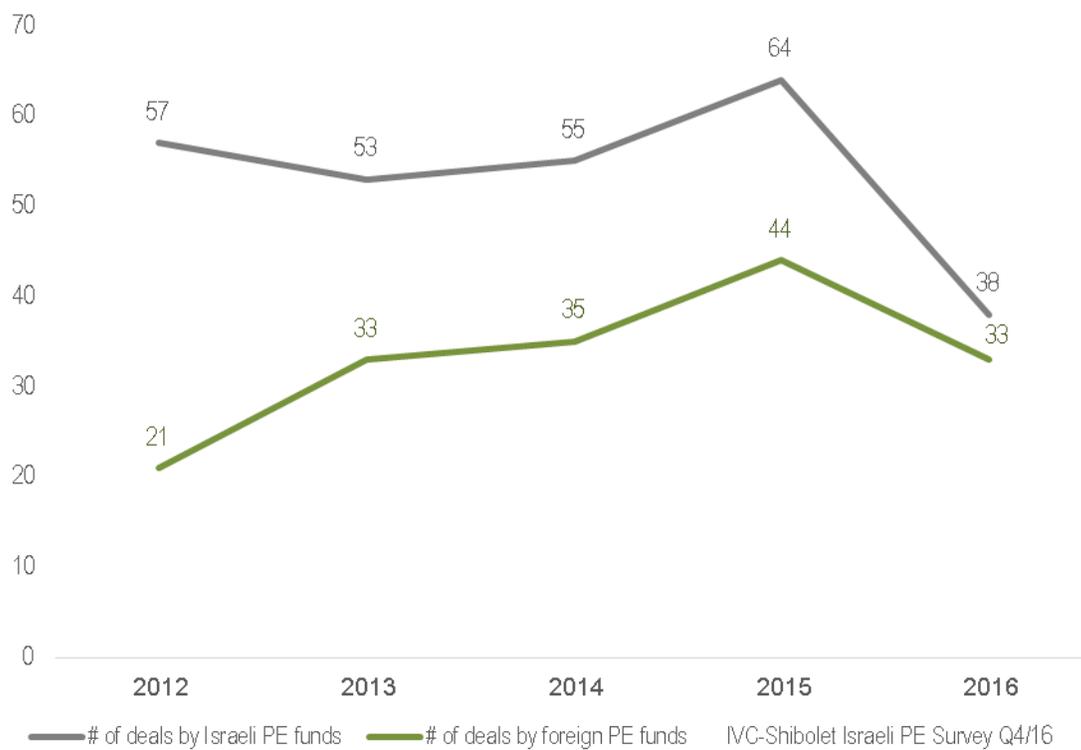
Currently, there are 39 active Israeli private equity management companies monitored by IVC Research Center, with a total of \$12.12 billion under management, and an estimated \$1.2 billion available for new investments. In 2016, four Israeli private equity funds raised \$1.3 billion in total.

Technology deals kept a strong momentum in PE deals, with 44 transactions performed in 2016, the same as the five-year average, accounting for 65 percent of the number of deals, and generating \$1.61 billion, or 46 percent, of total capital volume. Two of the top buyouts mentioned – the Xura and Sintec Media deals, contributed.

**Chart 1: Annual Private Equity Deals 2012-2016 (\$m)**



**Chart 2: Number of Deals: Israeli vs. Foreign Private Equity funds in 2012-2016**



## Methodology

The Summary of Israeli Private Equity Deals 2016, sponsored by Shibolet & Co., reflects information derived from The IVC-Online Database ([www.ivc-online.com](http://www.ivc-online.com)) and a Quarterly PE Survey information received directly from the funds. The Survey 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 past five-year activity of 133 private equity funds of which 37 are Israeli and 96 are foreign. This survey reviews the following types of private equity financing deals: straight equity, buyouts, mezzanine, distressed debt and turnaround/distressed equity. A full report including analysis of PE fundraising and the Most Active PE Fund ranking will be included in the [2017 IVC High-Tech Yearbook](#), due May.

## For additional information:

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[IVC Research Center](#) 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 15,000 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.
- Publications include newsletters; Daily Alerts; the [IVC High-Tech Yearbook](#) – The Israel High-Tech, Venture Capital, Startup and Private Equity Directory; surveys; research papers and reports.

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