

## The Israeli Private Equity Market – Q1/2017

IVC and Shibolet report:

### 2017 begins with a moderate first quarter in Israeli private equity financing – only \$316 million invested

Key facts:

- Number of Israeli private equity deals grew in Q1/2017 – 26% year-on-year
- 64% of capital proceeds in Q1/2017 came from 6 deals ranging between \$25M and \$50M
- Israeli funds led PE capital investments in Q1/2017, just 3% below two-year average

*Tel Aviv, Israel, May 8, 2017.* In Q1/2017, 24 private equity transactions performed by Israeli and foreign private equity funds accounted for \$316 million, 45 percent down from the \$578 million invested in Q4/2016, but 22 percent above the \$260 million invested in Q1/2016. The number of deals was up 33 percent from 18 in Q4/2016, and 26 percent above 19 transactions recorded in Q1/2016 (Chart 1).

On further analysis, the IVC-Shibolet survey found that no large private equity deals (above \$50 million) were performed in Q1/2017, while in the past two years, several such deals were performed each quarter. Nevertheless, the quarter demonstrated dynamic activity by PE funds, as the number of deals was almost equal to the quarterly average of 23 transactions in two previous years. The six largest deals in Q1/2017 were above \$25 million each, attracting \$201 million, or 64 percent, of total capital proceeds.

According to Omer Ben-Zvi, Partner at Shibolet & Co.: "The number of PE deals, specifically in the tech sector in Q1/2017, seems to reflect a healthy PE local market. Indeed, the quarterly dollar amount scope is relatively low, but that factor tends to be highly influenced by one or two big deals, which we haven't seen this quarter. According to our data, we do expect to see those kinds of deals in the next quarter. Considering the fact that PE secondary buyouts have become one of the most prominent exit routes globally, and that new records have recently been broken by the growing Israeli tech industry, we believe that last quarter's figures should not be considered as indicative of a slowdown in Israeli PE industry." explains Ben-Zvi.

In Q1/2017, Israeli private equity funds led capital investments with \$226 million or 72 percent of total capital, an upsurge of 105 percent from the \$110 million they invested in Q1/2016, the lowest quarter for Israeli PE funds in the preceding two years. Moreover, the Q1/2017 amount was only 3 percent below the \$234 million quarterly average of the previous two years. The most prominent deal in Q1/2017 was the \$50 million buyout of Ace Auto Depot by **Kedma. AMI Opportunities** followed with the buyout of 83% of the controlling interest in Ten Petroleum for \$38 million.

Foreign PE funds invested a mere \$89 million, or 32 percent, of total capital proceeds in Q1/2017, 41 percent down from Q1/2016's \$150 million (58 percent). This was the second lowest quarter since Q3/2015's \$83 million (29 percent), which was the lowest in three past years at the time, and an entire 86 percent below the \$615 million quarterly average of the two preceding years. Yet foreign PE funds' activity grew significantly in Q1/2017, both in terms of the number of actively involved funds (13) and number of transactions (12), compared to seven and eight foreign funds, which invested in six and nine PE transactions in Q4/2016 and Q1/2016, respectively. The decrease in capital proceeds may have stemmed from their strict involvement in straight equity deals in Q1/2017, which tend to involve smaller

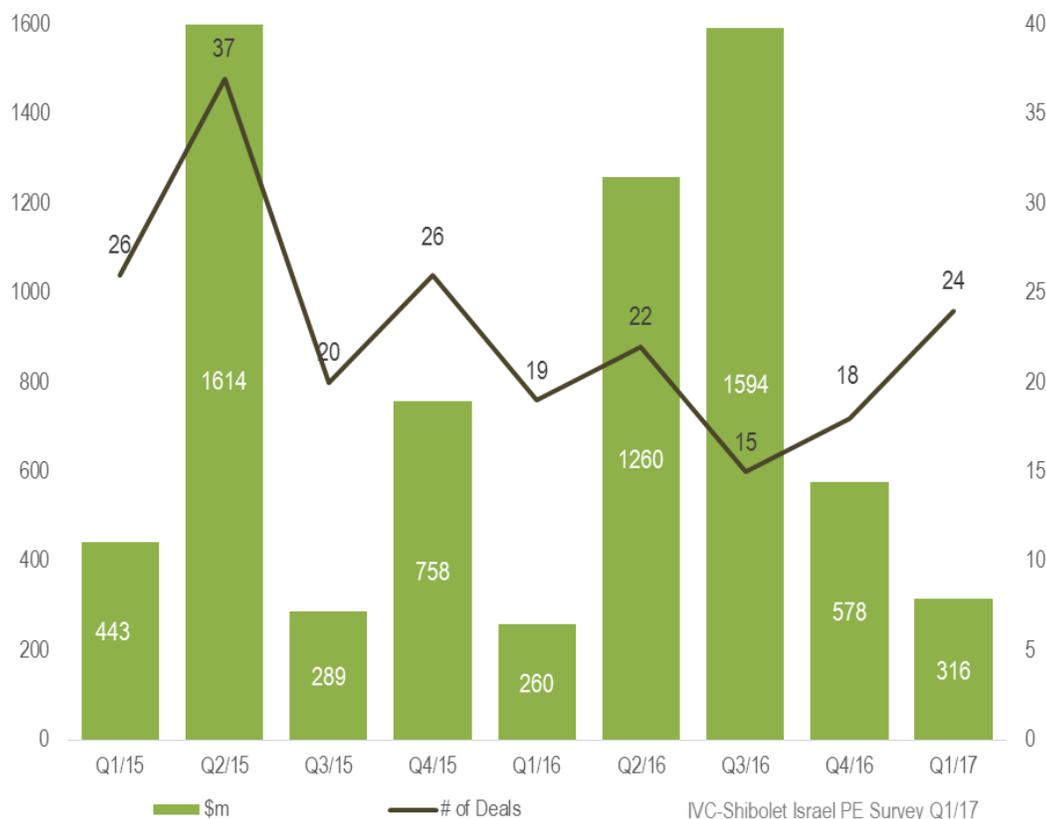
amounts. The largest investment in Q1/2017 was performed by **LS Health Science Partners** – a \$30 million deal in Active Implants.

Marianna Shapira, Research Manager at IVC, elaborates and adds: "As observed, in the beginning of 2017, PE fund activity returned to its average levels in terms of deal numbers and the number of active funds. The increase in the number of active PE funds - in combination with the 15 percent increase in the number of their high-tech investments and compared to the previous two-year quarterly averages - suggests that they view Israeli high-tech market as a valuable business opportunity, and may be diversifying risk by investing lower amounts directly in more potentially profitable companies." (Chart 2).

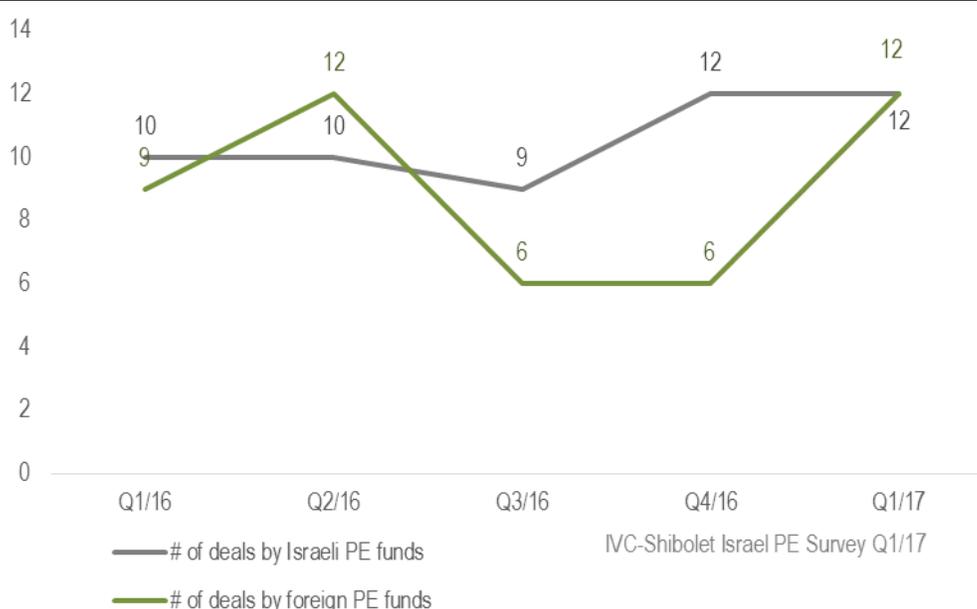
In Q1/2017, the capital proceeds were split equally (50/50) between straight equity transactions and buyout deals, similar to Q4/2016 and Q1/2016. The number of straight equity deals, however – which was the highest since Q3/2015, reaching 18 deals - was slightly above the quarterly average of the previous two years - 16 deals. The largest straight equity deal was the \$30 million investment in Active Implants by **LS Health Science Partners**, a foreign PE fund, while the largest buyout transaction was the \$50 million **Kedma's purchase** of Ace Auto Depot.

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 2017 so far, one Israeli private equity fund closed capital – **Sky Private Equity III**, which raised \$200 million; four more funds are in the process of raising capital.

**Chart 1: Israeli Private Equity Deals, Q1/15-Q1/17 (\$M)**



**Chart 2: Number of Deals: Israeli vs. Foreign Private Equity funds, Q1/16-Q1/17**



## Methodology

The Summary of Israeli Private Equity Deals Q1/2017, 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 monitors the past two-year activity of 98 private equity funds of which 29 are Israeli and 69 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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