



Dear Friends,



"If you think nobody cares if you're alive, try missing a couple of car payments" said the late American journalist Earl Wilson. It may be still true to some extent, but the technological progress makes it virtually impossible to miss payments. We can all agree that the financial industry is going through a major transformation. Financial services are now more accessible, comprehensible, efficient and user-friendly.

Fintech is the focus area of this edition of Doing Business in Israel.

Our Tel-Aviv office recently hosted Fintech week, during which dozens of senior executives from global financial institutions met with our buzzing local Fintech industry. The visiting delegation was led by Jeremy Anderson, KPMG's Chairman of Global Financial Services and Gary Reader, Global Head of Insurance. In an interview with Ian Pollari, who Co-leads KPMG's Global Fintech Practice, he explains why Israel is at the forefront of Fintech innovation.

The current edition also features some of the latest global transactions involving Israeli companies, a look on the world's first dual-robotic surgery performed here in Jerusalem and a trip to prehistoric times in the Mount Carmel.

As always your feedback is most welcome.

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Latest Transactions



Delek Takes Over Canada's Ithaca Energy for \$590M

Israeli Delek Group leads natural gas exploration and production in the eastern Mediterranean Sea. The acquisition of Ithaca Energy, an oil and gas operator in the North Sea, is part of its strategy to expand its international operations.

BD Buys Caesarea Medical Electronics (CME) for \$250M

Beckton Dickinson, a US medical equipment company, owns 40% of the Israeli company and is now buying the remaining 60% at a value of \$250 million. CME designs, manufactures and distributes a range of infusion and syringe pumps as well as related accessories and disposable administration sets for both homecare and hospital settings.

Magneto Acquired Israeli Shopial

Founded in 2011, Shopial has developed a software that turns online shops into a Facebook shop in just 3 clicks. Shopial is in the process of relocating to Philadelphia. The price of the purchase by US-based Magneto Commerce is undisclosed.

Ticketing Startup SeatGeek Acquired TopTix for \$56M

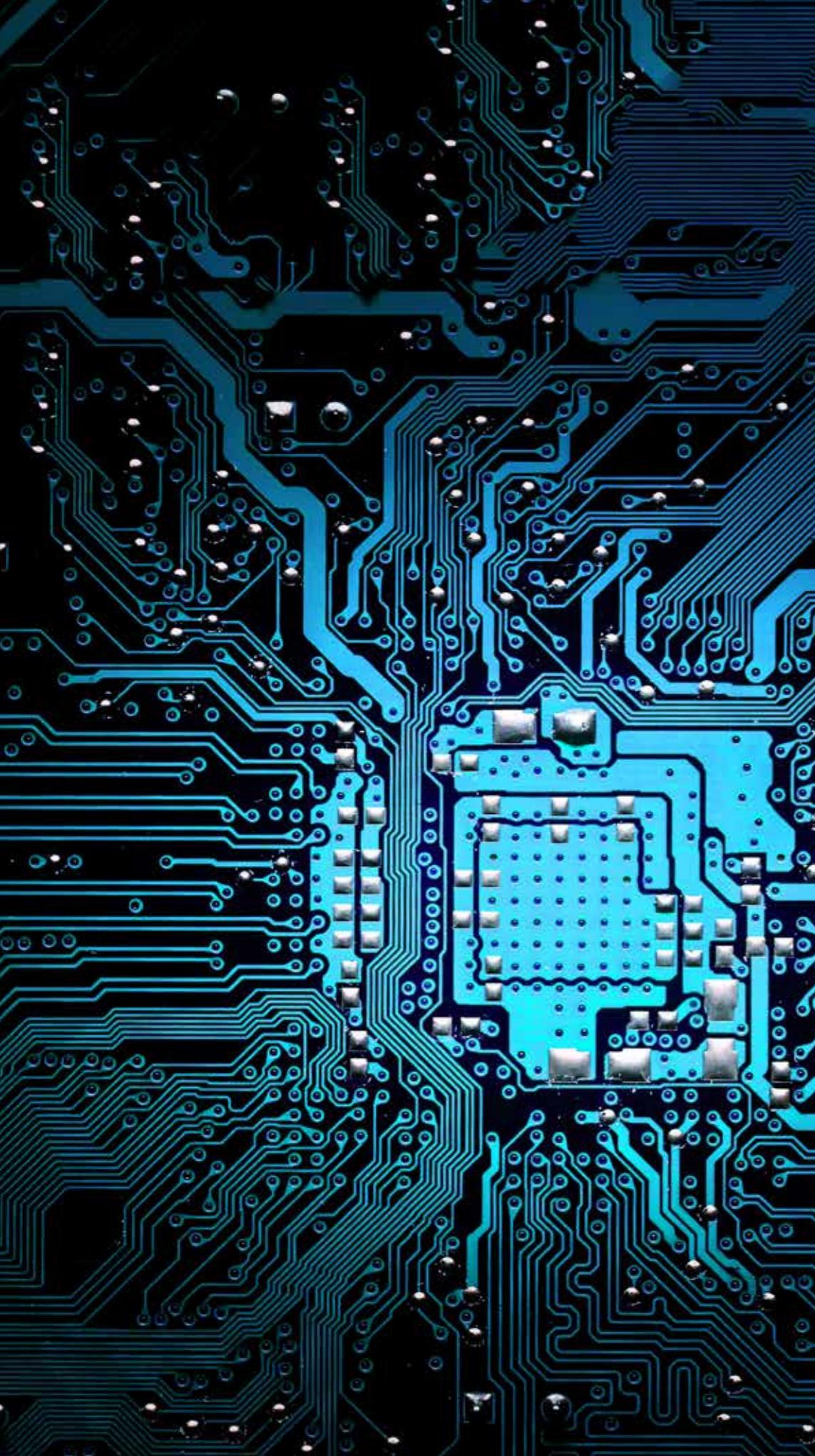
TopTix is an Israeli ticketing software company that has processed over 80 million ticket sales annually. The company will operate as a subsidiary of SeatGeek, a marketplace for third-party sports, concert, and theater tickets. TopTix's technology will enable SeatGeek to continue to grow in its primary ticketing business.

Stingray Digital Group Bought Young Israeli Startup Yokee Music for \$35M

Another Canadian-Israeli deal: Yokee Music, a developer of three social music apps that has accrued more than 80 million downloads. The four year old Israeli startup will be fully owned and operated by Stingray Digital Group Inc., a leading B2B multi-platform music provider based in Montreal.

Molecular Diagnostics Company GeneSort Acquired by AID Partners of Hong Kong for \$23 M

GeneSort is based in Herzliya. The company develops diagnostic services for cancer and hereditary diseases that supports personalized treatment plans. The Hong Kong investment fund will assist GeneSort to expand into various global markets.



01

Focus Area Fintech

"There Are Many Untapped Opportunities for Israeli Fintech to Break Into International Markets"

Although the Israeli Fintech market has been active since the 1990s, in the last few years it has been booming more than ever.

Ian Pollari, Co-lead of KPMG's Global Fintech Practice, explains why the Fintech industry in Israel is on par with that of Silicon Valley

They say that the proof of the pudding is in the eating. In that spirit, the multitude of multinational banks and corporations that have been flocking to Israel to invest and collaborate with its Fintech companies, attest to the huge progress this industry has made and its strong global position.

"In terms of the critical mass and scale, Israeli Fintech is the biggest hub outside of Silicon Valley and London. However, in terms of quality, I put Israeli companies on par with these two" says Ian Pollari, Partner and Co-lead

of KPMG's Global Fintech Practice. Ian recently visited Tel Aviv and took part in KPMG Fintech conference (see box). "Israel is definitely a leading center, and unlike other countries the industry here is less fragmented, so in that sense the confined geography is fantastic."

An Active, Growing Market

Whether it's in innovative payment platform, InsurTech, RegTech, Digital Banking or Artificial Intelligence, Fintech companies are growing at a fast pace across the globe; reshaping the financial industry.



“Many Israeli Fintech companies have proven to have sustainable business models that can scale.”

Ian Pollari, Co-lead of KPMG’s Global Fintech Practice

Currently, Israel has more than 500 active Fintech startups and companies; many of which are driving change in global businesses outside its boundaries. At the same time, the number of Fintech accelerators and incubators is incredible, and there are also a lot of international banks that are active in collaborating with Israeli Fintech companies, such as Barclays, Citibank and HSBC, noted Pollari.

Eileen Toledano, Head of Financial Services, and Dorel Blitz, Head of Fintech in KPMG Israel say that there are several factors driving the recent boom of the local industry:

1. A large pool of tech-savvy professionals: “Israel has a relatively large number of people with profound mathematical knowledge, who successfully put it to practice in the tech arena.”
2. A buzz on the government level: “Many of the local and global funds that operate here in Israel were founded with the support of the Israeli government programs and subsidies. This involvement helped develop a strong Fintech ecosystem.”
3. A risk-taking culture: “Unlike other markets, improvisation

has been well integrated into the local tech industry for many years.”

4. A market chain-reaction: “Citibank, for example, has set up a Fintech incubator in Israel. Since this incubator reports to the global market, many other global companies were attracted to join in. Another example is Payoneer, a huge cross-border payment platform founded in Israel in 2005 that has gained global success and works with big-league clients. Payoneer’s prosperity has sprung more than 15 companies in Israel that try to follow its step in the payments sub-category.”

To this list, Pollari adds the fact that Israel has many companies that have proven themselves to have sustainable business models who can scale. Take Earnix for example. It has been around for fifteen years and its track record is strong. Earnix has developed advanced predictive analytic solutions that support decision making with regard to banking and insurance products, including pricing. Earnix’s software solutions provide banks and other financial institutions with the ability to use Big Data analytics to guide their pricing decisions. “The risk that you would have working with startups is quickly dissipating because they’ve been around and gained a number of years of practice,” says Pollari.

Another example is Personetics, a predictive interactive banking solution aimed to increase customer satisfaction with financial institutions. “There’s an untapped opportunity for some of the best Fintech companies in taking their capabilities globally to larger and more mature markets.”

“Fintegrating” 12 Israeli Startups

The Fintech services practice of KPMG Israel is part of the firm’s global Fintech network, comprised of over 30 member firms. KPMG Israel has built strong collaborations with

twelve local Fintech companies, and operates as their design and implementation partner. “We work shoulder to shoulder with companies that have a proven track record and maintain a strong client base”, explains Blitz. “We call it Fintegration. We partner up with the KPMG in the country to which the startup wishes to enter. We facilitate their integration into the new locality by assisting them with the business, regulatory and technological aspects of entering this new market. In many cases we help them with customizing their solutions to a specific client or market. At the same time the Israeli office is an integral part of this process, using its experience, deep understanding and of course, Israeli grit.”

Tel Aviv Hosted the Annual Global Fintech Week

Dozens of senior executives of banks and insurance companies from twenty countries came to Tel Aviv to attend the annual Fintech week.

KPMG’s Global Fintech practice has collaborated with KPMG Israel to deliver an insightful and future-focused event for global clients such as HSBC, Deutsche Bank, Banco Intesa San Paulo and RBS.

The event, held in Tel Aviv at the second week of May, began with a tour of Israel’s innovation hubs and included a visit to the Cyber Security unit of the Israel Defense Forces (IDF) to learn about the way the IDF recruits and trains its Cyber security experts.

The following day, nearly 1,000 clients and guests assembled for the ‘Fintech – What’s Next?’ KPMG’s conference, focusing on digital disruption, InsurTech, Fintech investment and RegTech.

As part of the conference KPMG ran a ‘speed dating’ event for delegates and global clients, introducing client senior executives to Fintech companies.

Israeli Fintech



600

Fintech companies currently operating in Israel (compared to 90 in 2002)

#4

The global ranking of the Israeli Fintech industry as a % of the total population

\$600 Million

Raised by Israeli Fintech Businesses in 2016



14

Multinational R&D Fintech centers



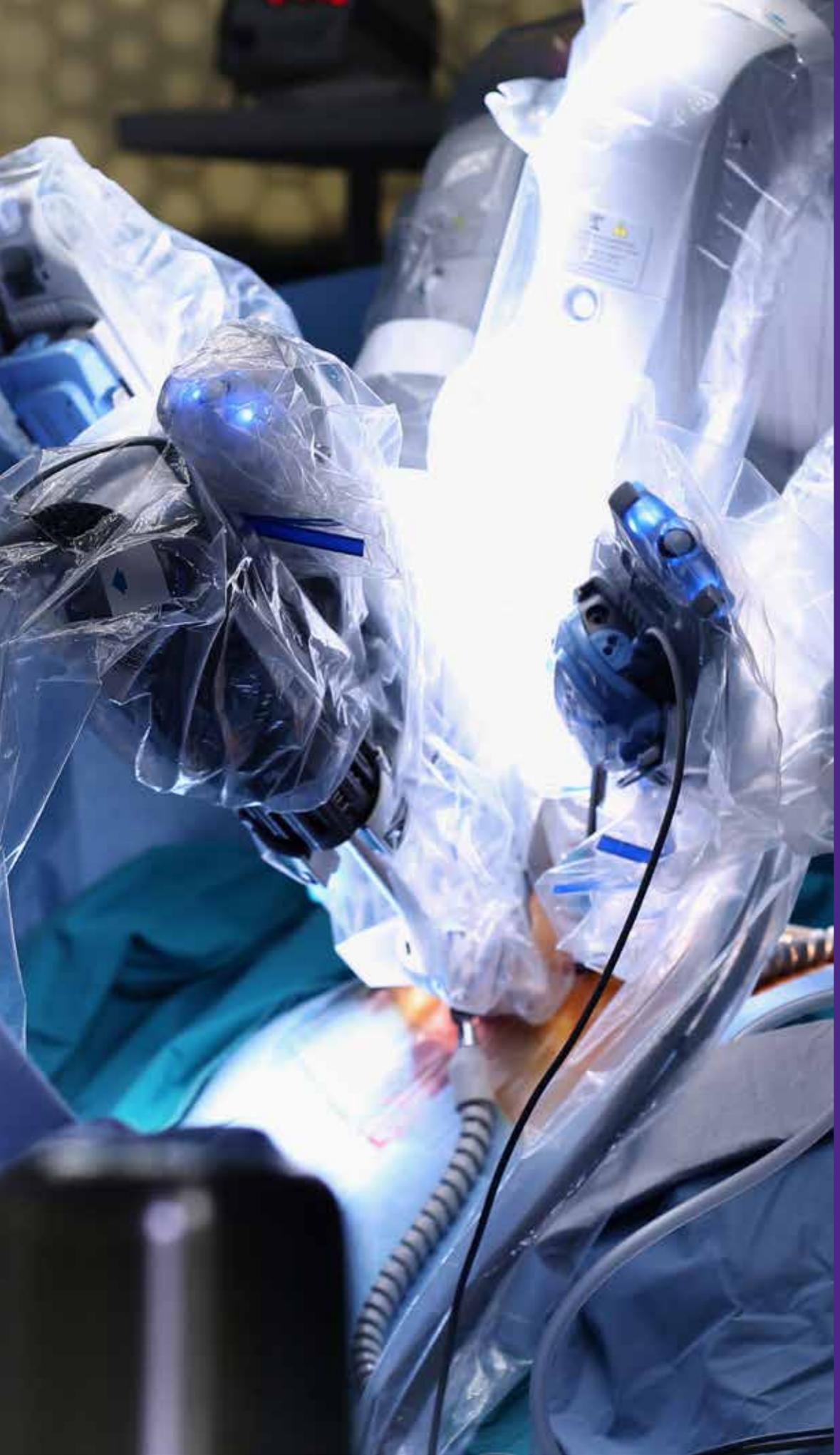
13%

Of money invested in Israeli high-tech goes to Fintech companies



9

Israeli companies made it to KPMG's 100 most promising Fintech companies list for 2016



02 | Israeli Innovation

The World's First Dual Robotic Surgery Performed in Jerusalem

An unprecedented dual robotic surgery was recently performed by doctors at Hadassah Medical Center in Ein Kerem, Jerusalem. Thanks to this revolutionary procedure, a 42 year old patient will regain his ability to walk, after he was injured in an accident that led to a spinal fracture (six vertebrae) and a fractured leg.

The three hour minimally invasive surgery was carried out in a \$30M underground hybrid operating room (a surgical theatre that is equipped with advanced medical imaging devices such as fixed C-Arms, CT scanners or MRI scanners). Two robots involved in the procedure. Siemens' Artis Zeego, which provided real-time 3-dimensional imaging, eliminating the need for pre-surgery CT scans and post-surgery X-rays. According to Haddasah, Artis Zeego enables smoother, swifter and trouble-free patient positioning and execution procedures."

Meanwhile, the second robot named Renaissance Guidance System (made by the Israeli company Mazor) helped place the screws into the spinal implant of the patient's back with great safety and accuracy. The Renaissance was clinically validated both in routine and complex cases in thousands of spinal procedures worldwide.

The two robots communicated with one another while the medical team inserted eleven pedicle screws into the patient's spine with clinical exactitude, preventing much suffering.

Source:

<http://hadassahinternational.org/hadassah-performs-world-first-two-robot-repair-complex-spinal-break/>



03 Cultural Bite

Nahal Me'arot Nature Reserve

Many people associate historic sites in Israel with biblical times. It might come as a surprise, but there is a spot in the country that actually attests to more than 500,000 years of human evolution in this area.

On Mount Carmel, prehistoric men, women and children once thrived. After many years of archeological excavations, masses of evidence indicating the day-to-day lives of Neanderthals and Homo sapiens were found in the Nahal Me'arot/Wadi el-Mughara in the Mount Carmel Nature Reserve.

The four caves in this UNESCO World Heritage Site contain remnants from the era of human transition from a hunting-gathering lifestyle to agriculture and animal husbandry and, unique to this site, the existence of both Neanderthals and Early Anatomically Modern Humans in the same cultural framework.

The tour of the reserve begins with a visit to the large Oven Cave, where archeologists have identified three different prehistoric cultures. It is followed by a visit to the Camel cave, where you can see an exhibition of tools used during the Mousterian culture period. From there the tour goes down 70-meter-deep to Stream Cave, to view an audiovisual presentation about life during prehistoric times.

According to UNESCO, after more than nine decades of ongoing research in this area, further excavation and archaeological research is far from exhausted.

Source:

<http://www.parks.org.il/sites/English/ParksAndReserves/nahalme'arot/Pages/default.aspx>