

11% Rise in Market Cap of Listed Companies in 2014 **Yuval Tsuk, Research Unit**

Aggregate Market Cap of Pharma Companies Teva and Perrigo Leaped 50%

13% Rise in Market Cap of Technology Companies

**18% Drop in Market Cap of Gas and Oil Exploration Partnerships and
Companies**

The market cap of listed companies, whose stocks were traded on the Tel Aviv Stock Exchange (TASE) at the end of 2014, amounted to NIS 778 billion – an 11% rise, compared with the end of 2013, in which market cap totaled NIS 703 billion.

The increase in the market cap of listed companies derives from the rise in stock prices in 2014, in which the General Shares Index grew by 11.5%.

Market Cap of Listed Companies

Market Cap at Year-End	2013		2014		Change Compared with Last Year
	NIS in billions	Weight in Aggregate Market Cap	NIS in billions	Weight in Aggregate Market Cap	
All shares	703	100%	778	100%	10.6%
<i>Thereof: TA-25</i>	474	67%	574	74%	21%
<i>TA-75</i>	145	21%	125	16%	-14%
<i>Thereof: top-10</i>	358	51%	462	59%	29%
<i>Thereof: dual-listed companies</i>	278	40%	417	54%	50%

** Some of the increase stems from the listing of the **ICL** stock at the New York Stock Exchange.*

Despite the slight decrease in 2014 in the weight of TA-25 Index stocks in the total trade on TASE, the weight of the Index's stocks in the total market cap increased from 67% last year to 74%. Such increase derives from the sharp rise in the market cap of pharma companies **Teva** and **Perrigo**, whereas the aggregate market cap of the other Index companies remained practically unchanged.

On the other hand, the weight of the companies, whose stocks were traded in the TA-75 Index at the end of 2014, in the total market cap declined to 16%, compared with 21% at the end of 2013, concurrently with a decrease of 10% in this index during 2014; despite their share in the total trade increasing from 20% in 2013 to 24% in 2014.

Additional Contributing Factors to the Market Cap Increase in 2014 are:

- **Capital raised in secondary offerings and private placements of stocks and warrants:** Secondary offerings and private placements amounted in 2014 to NIS 11 billion (including capital raised abroad).
- **Initial Public offerings (IPOs):** 2014 saw the introduction of five stocks into the trade – **Shapir Engineering, Inrom Construction, Ashtrom Group, Mediterranean Towers** and **Skyline**, whose market cap at the end of 2014 totaled NIS 4.4 billion (NIS 2.1 thereof representing the market cap of Shapir Engineering).
- **The listing of IDB Development stocks:** In May 2014, approximately five years after their delisting by way of a tender offer, the stocks of IDB Development were listed in the framework of the closing of the settlement in **IDB Holdings**. The company's market cap at the end of 2014 totaled NIS 584 million.
- **The listing of a dual-listed company: Plaza Centers,** whose market cap at the end of the year amounted to NIS 146 million.
- **Warrants Exercised to Shares:** Totaled NIS 392 million in 2014.

Conversely, several factors led to the setoff of the increase in the companies' market cap:

- **The delisting of 40 stocks from TASE**, the value of which stocks, at the beginning of 2014, totaled NIS 9 billion.
 - **Tender offers:** 6 companies whose stocks were delisted as a result of tender offers, the value of which amounted to NIS 1.1 billion in early-2014. The prominent ones among these are: **Kardan Vehicle** and **Ashlad** (whose market cap was NIS 467 million and NIS 241 million, respectively), third-tier companies, whose stocks were delisted as a result of the Concentration Law.
 - **Mergers:** 8 companies whose stocks were delisted as a result of merger and acquisition by another company, the value of which amounted to NIS 7.2 billion in early-2014. The prominent ones among these are: **Given Imaging** (a NIS 3.3 billion market cap), which was sold by "Discount Investment" to an international company, and **Koor**, which merged with "Discount Investment" (a NIS 3.2 billion market cap).
 - **Delisting of a dual-listed company: Top Image,** whose market cap totaled NIS 236 million in early-2014, discontinued trading as a result of its request to delist from TASE.

- **Maintenance Rules**: The stocks of 21 companies were delisted due to failure to comply with the Maintenance Rules, with a total value of NIS 401 million.
 - **Settlement/liquidation**: 4 companies whose stocks were delisted following a debt restructuring settlement or the appointment of a liquidator due to their falling into difficulties.
- Dividends distributed by the listed companies in 2014 in a sum exceeding NIS 20 billion.
 - The repurchase of stocks by the companies themselves, which reduced the listed companies' market cap.

Sectorial Division of Listed Companies

Sector/Subsector	2013			2014			Change in Market Cap Compared with Last Year
	<u>Number of Companies</u>	Market Cap (NIS in billions) Dec. 31, 2013	Weight in Aggregate Market Cap	<u>Number of Companies</u>	Market Cap (NIS in billions) Dec. 31, 2014	Weight in Aggregate Market Cap	
Banks	10	74.8	10.6%	10	69.6	9.0%	-7%
Insurance	7	22.1	3.1%	7	18.8	2.4%	-15%
Financial Services	10	3.3	0.5%	11	3.4	0.4%	2%
Total Financial Supersector	<u>27</u>	<u>100.2</u>	<u>14.2%</u>	<u>28</u>	<u>91.8</u>	<u>11.8%</u>	<u>-8%</u>
Biomed	57	29.6	4.2%	51	26.3	3.4%	-11%
Technology	79	46.4	6.6%	76	52.6	6.8%	13%
Total High-Tech Supersector	<u>136</u>	<u>76.0</u>	<u>10.8%</u>	<u>127</u>	<u>78.9</u>	<u>10.2%</u>	<u>4%</u>
Commerce and services	75	56.0	8.0%	67	51.9	6.7%	-7%
Real estate	101	80.0	11.4%	97	79.7	10.2%	-0.4%
Industry	73	284.0	40.4%	72	387.9	49.9%	37%
<i>Thereof: Pharmaceuticals*</i>	<i>2</i>	<i>202.4</i>	<i>28.8%</i>	<i>2</i>	<i>304.3</i>	<i>39.1%</i>	<i>50%</i>
Investment and holdings	72	55.2	7.8%	61	45.3	5.8%	-18%
Gas & oil explorations	21	51.7	7.4%	20	42.3	5.4%	-18%
Total Real Supersector	<u>342</u>	<u>526.9</u>	<u>75.0%</u>	<u>314</u>	<u>607.1</u>	<u>78.0%</u>	<u>15%</u>
Total	<u>505</u>	<u>703.1</u>	<u>100%</u>	<u>472</u>	<u>777.8</u>	<u>100%</u>	<u>11%</u>

* Teva and Perrigo, which are classified at TASE as industrial companies.

Market Cap of Listed Companies by Sectors

Industry Sector

An increase of 37% was registered in 2014 in the market cap of the industrial companies, practically all of which derived from the sharp rise, which exceeded NIS 100 billion, in the market cap of the pharma companies **Teva** and **Perrigo**.

Principal causes of the increase in the market cap of the sector's companies:

- The market cap of **Teva** took a of 62% leap, following the steep rise of its stock price by 64%.
- The market cap of **Perrigo** increased by 30% in 2014, which mainly resulted from an increase of 24% in the stock price. In addition, in December 2014, the company raised NIS 4 billion overseas.
- **Frutarom** recorded an increase of 66% in its market cap, following a leap of 62% in its stock price.
- Two new industrial companies listed their stock on TASE in 2014 – **Shapir Engineering** and **Inrom Construction**, whose market cap at the end of the year totaled NIS 2.8 billion.

The following factors offset the increase in the market cap of the sector's companies:

- A decrease in the stock prices of food manufacturers, **Osem** and **Strauss**, which reduced their total market cap by NIS 2.5 billion.
- Although the **ICL** stock saw an increase of 6% in 2014, the company's market cap decreased by 2%, as a result of a dividend distribution in the amount of approx. NIS 3 billion.

Investment and Holdings Sector

The market cap of this sector's companies decreased by 18% in 2014, mainly due to the sharp declines in the stock prices of **Delek Group** and **Discount Investment**.

Principal causes of the decline in the market cap of the sector's companies:

- The market cap of **Delek Group** fell from NIS 15.6 billion last year to NIS 11.5 billion at the end of 2014, due to a 24% decrease in the stock price. The stock recorded price declines of 25% in December, reaching rock-bottom toward the end of the month, following the announcement of the Antitrust Commissioner that he was withdrawing from the agreement he had formulated with the partners in

the "Leviathan" and "Tamar" reservoirs with respect to their continued holding of such reservoirs.

- The stock of **Discount Investment** plummeted 68% in the last two months of 2014, and led to the company's market cap declining from NIS 2.2 billion to NIS 643 million. At the background of the sharp declines – the decision to float **Adama** at a price lower than the expectations of DIC's investors, and the subsequent cancellation of this IPO due to low demands. Furthermore, in December, Ma'alot downgraded the company's credit rating, following a steep drop in the value of the company's assets.
- The delisting of **Koor**, whose market cap at the beginning of 2014 totaled NIS 3.2 billion, following its merger into "Discount Investment", which was carried out by way of purchase of the remaining shares held by the public and by "IDB Development" in consideration for cash in the amount of NIS 1.1 billion.

Gas and Oil Exploration Sector

In 2014, 18 of the 20 gas and oil exploration companies and partnerships registered a negative return, leading to an 18% decline in the sectorial market cap.

The prominent ones among these are the partners in the "Leviathan" reservoir – **Delek Energy** and the two partnerships controlled thereby, **Avner** and **Delek Drilling**, and the **Ratio** partnership, which, following the aforementioned announcement by the Antitrust Commissioner, recorded steep declines in stock prices.

Banks and Insurance

2014 saw 9 of the 10 bank stocks suffer price declines, and the TA-Banks Index, which includes the five largest banks, recorded a 6% decrease.

The banks' market cap was also reduced as a result of a dividend distribution in the amount of NIS 800 million, with NIS 450 million thereof distributed by **Poalim**.

The insurance sector also recorded stock price decreases, with 6 out of 7 stocks declining in 2014, which was reflected in the TA-Insurance Index falling 11%.

A dividend distribution in the amount of NIS 1.2 billion also reduced the value of the sector's companies.

High-Tech

While the TA-Technology Index remained practically unchanged, the market cap of the technology companies grew in 2014 by 13%.

The main two companies that contributed to the market cap rise were **Nice**, whose market cap rose by NIS 3.3 billion following a 41% increase in stock price – offsetting a repurchase of stocks and dividend distribution, and **Tower**, whose market cap leaped

310% as a result of a 161% spring of the stock price and a 20% increase in the share capital as a result of private placements, conversions of convertible bonds and the exercise of warrants.

Moreover, the market cap of technology companies went up due to offerings and private placements in the amount of NIS 3.1 billion, NIS 2.4 billion of which derived from the merger and acquisition of Conduit by **Perion Network** in early-January.

The biomed sector recorded an 11% decline in the value of the sector's companies, despite a sharper 34% drop in the TA-Biomed Index. The reason for the decrease in the sector's value was the delisting of the **Given Imaging** stock in March 2014, consequently to its acquisition and merger into a foreign company, whose value in early-2014 totaled NIS 3.3 billion.

Opko's market cap rose in 2014 NIS 5 billion, with its stock climbing up 34%, . This increase was counterbalanced by a steep decline of dozens of percents recorded by numerous biomed companies in 2014, headed by **Kamada**, whose stock plunged 72% erasing NIS 1.3 billion of the company's market cap; **Photomedex**, whose market cap plummeted by NIS 800 million following a 86% decline in its stock price; **Evogene**, **Clal Biotechnology** and **Protalix**.

The attached table* presents the market cap of the 472 companies, whose stocks were listed on TASE at the end of 2014.

*A company's market cap, as presented in the tables, is defined as the value of listed shares and warrants (excluding convertible bonds).

The data in the table refer to 472 companies and limited partnerships, which were traded on TASE at the end of 2014, including 26 companies, whose stocks are on the Maintenance List and 10 companies, the trade of whose stocks has been suspended.

The data exclude 9 companies that issued exchange-traded notes based on stock indices, and one company that only has convertible bonds listed.