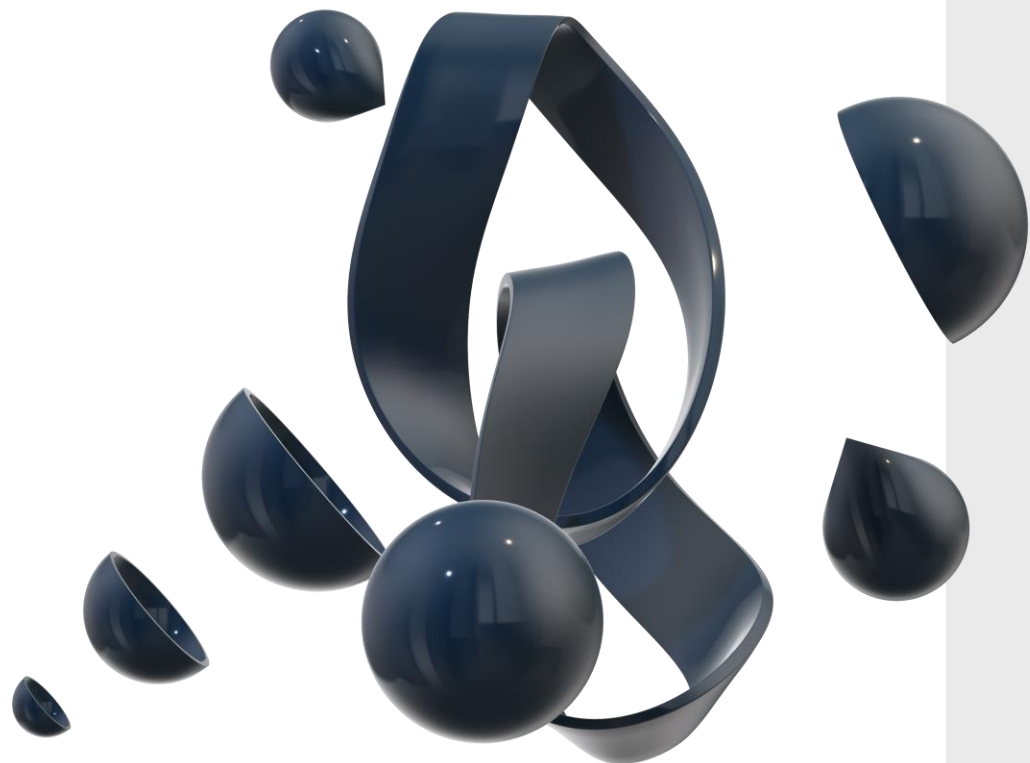


ISRAELI TECH REVIEW Q2 2023



VC DATA AND INSIGHTS & LEUMI **TECH**

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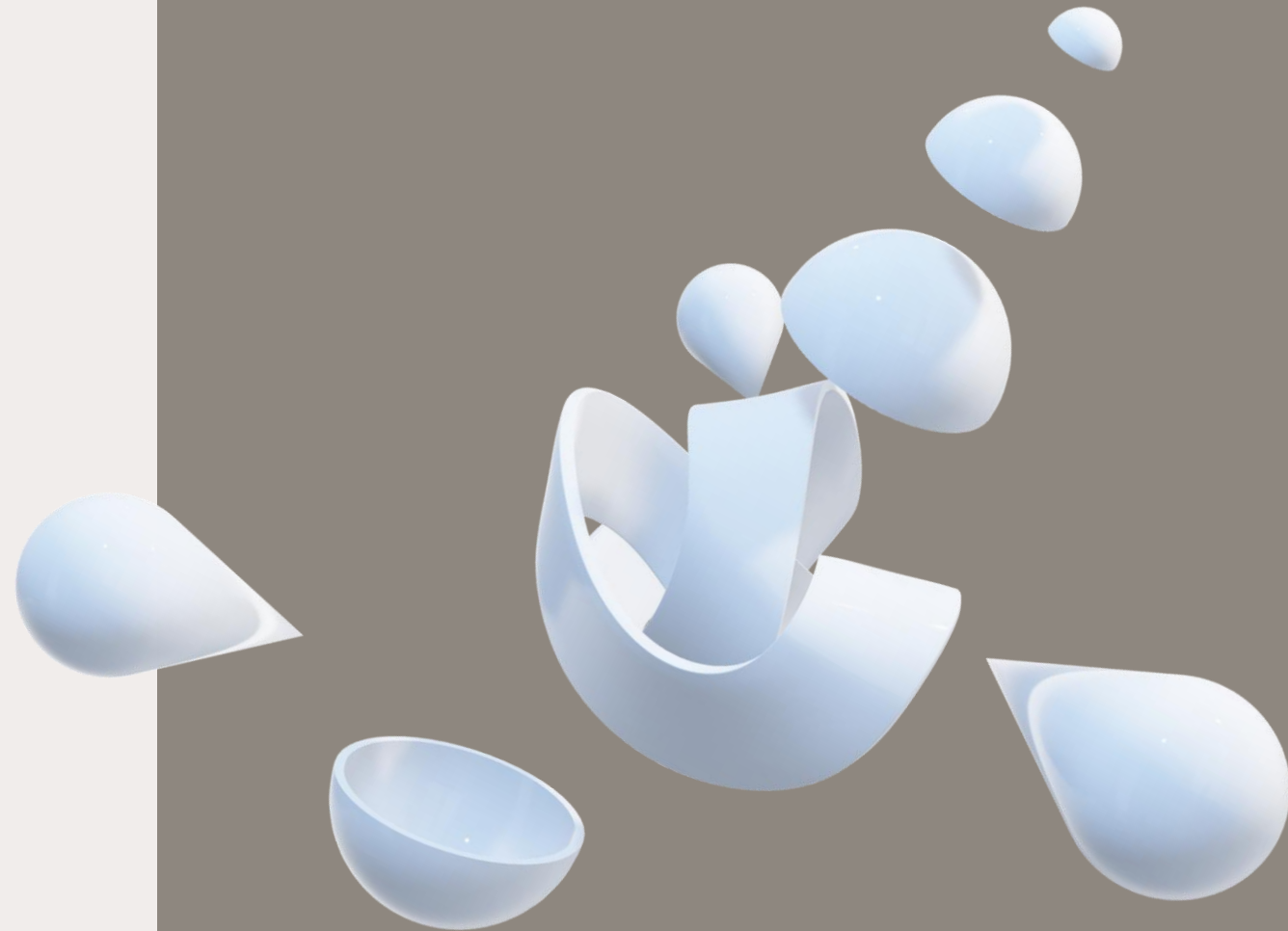
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Q2/2023 Israeli Tech Big Picture



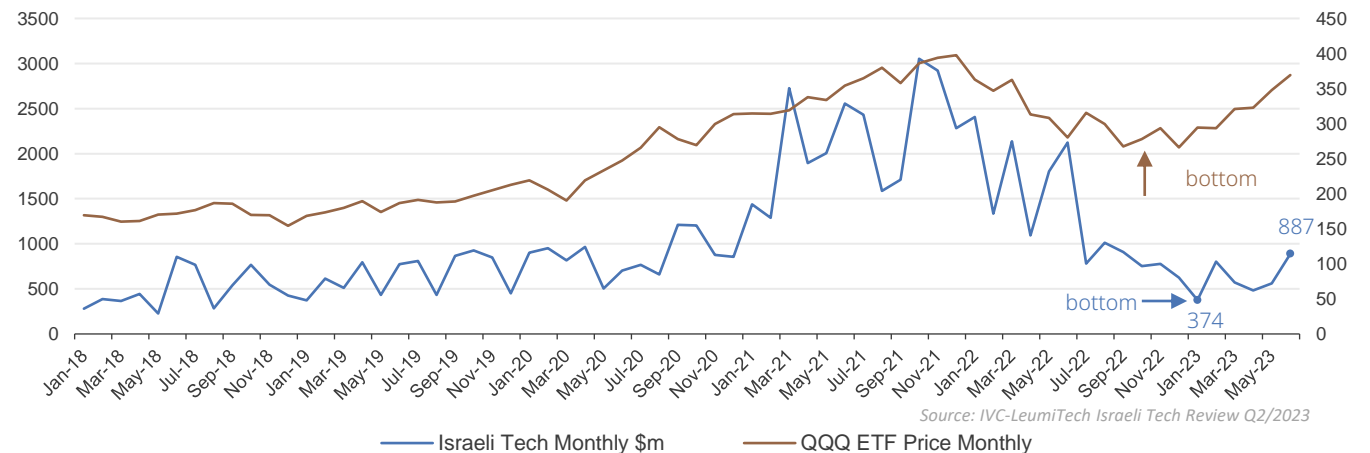
Israeli Tech Big Picture

The second quarter of 2023 shows a decline of 62% in the Year/Year basis (compared to 2022) and a drop of 71% compared to Q2/2021. At first glance, this looks like bad news for Israeli tech, especially given the slowdown that is already stretching past 6 quarters. However, while this is the case for the Y/Y analysis, consecutive analyses (Q/Q or M/M) reveal a more complex situation.

A comparison of the QQQ – the most familiar ETF representative for the NASDAQ index – and funding amounts for Israeli tech on a monthly scale offers an interesting anecdote. Both bottomed out at the end of 2022 and then started moving up. While the QQQ has surged almost 40%, Israeli tech monthly funding has jumped almost 140%. Of course, one could say that these are different financial vehicles. One cannot trade Israeli funding incomes, so a 140% rise doesn't really have any practical meaning. Moreover, monthly local tech funding should not be used as a measure for the condition of the local industry.

While these are valid points, both lines supply the basic information for a well-known technical analysis event – the “Bearish to Bullish reversal.” They bottomed, and then slowly started going up.

► Nasdaq VS. Israeli funding amounts (\$m) - Monthly Scale 2018 - H1/2023



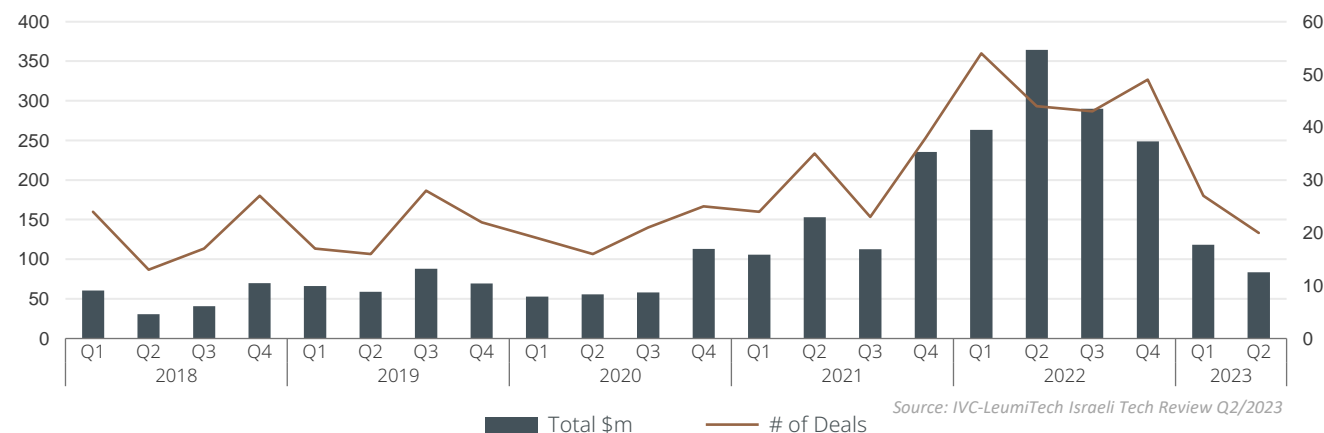
Israeli Tech Big Picture – contd.

The monthly figures support the notion that the liquidity supply for the tech industry – and for risk assets overall – increased in the last 6 months.

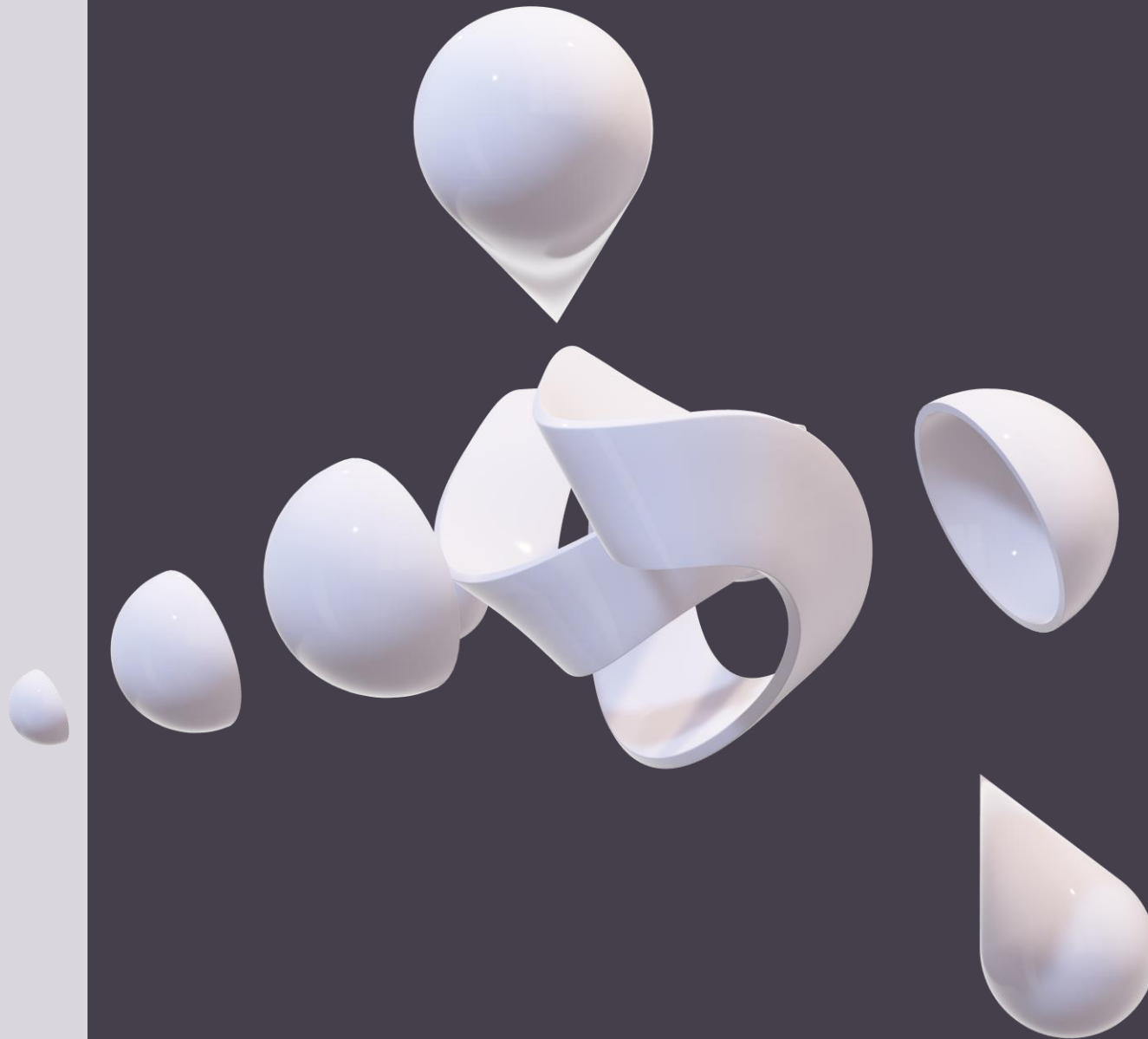
While it's hard to predict what will happen in the next 6 months, the periodic data in the report for Q2 shows a change in the pattern across the board, except for one place: seed funding. The downtrend in seed rounds started a few quarters later than it did for the overall industry funding and enjoyed a “honeymoon” during H1/2022. Our analysis of early round deals (see page 11) shows that while pre-seed deals are steady, seed deals – both amounts and # of deals – continued to shrink for the fifth quarter in a row.

Seed deals are distinct from pre-seed deals based on higher deal amounts and more professional investors (especially VCs). The attached plot shows the VC-Backed Seed deals, but VCs were involved in Pre-Seed deals with lesser amounts and just a few of them took part in Seed deals, The lack of VCs in seed rounds serves as a stark reminder that a real recovery isn't here yet.

Seed Rounds Deals: \$m and # of Deals Q1/2018-Q2/2023

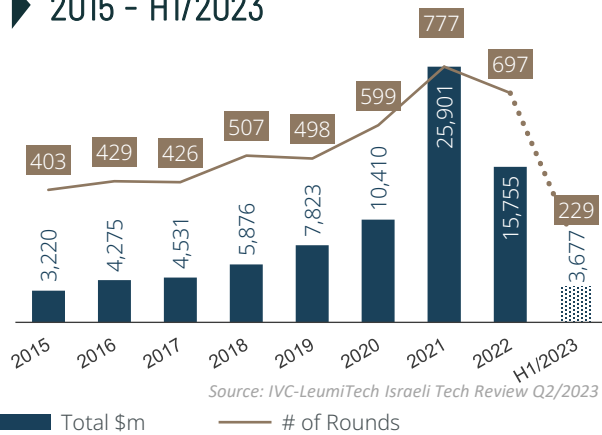


Q2/2023 Israeli High-Tech Investments

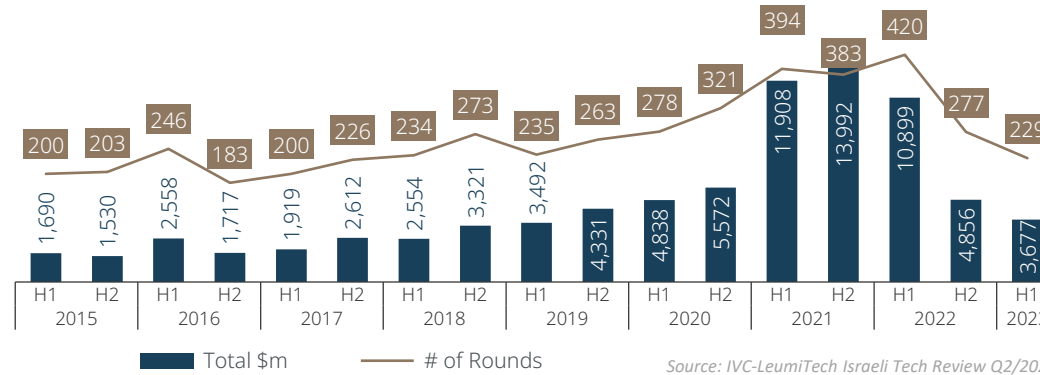


Israeli High-Tech Investments

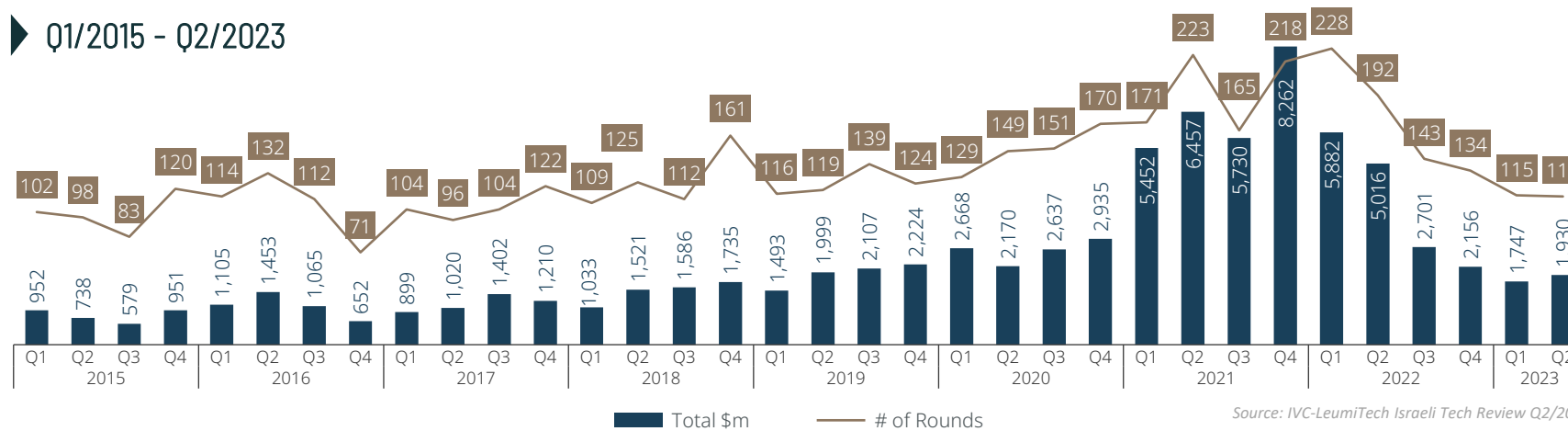
► 2015 - H1/2023



► H1/2015 - H1/2023



► Q1/2015 - Q2/2023



The first half of 2023 continued the downtrend from 2022 – dropping an additional 24% in amounts and 17% in number of deals from H2/2022, reaching below H2/2019 levels.

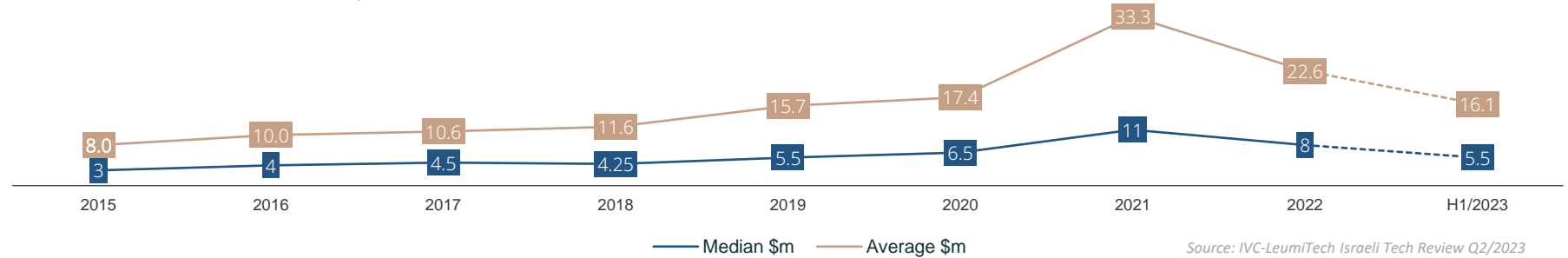
However, on a quarterly level, the figures show certain signs of recovery in Q2/2023 – with \$1.93 billion raised in 114 deals – almost 11% up in capital from Q1/2023.

In Q2/2023, 11 deals over \$50m each accounted for a total of \$975 million – 51% of the entire capital raised in the quarter (see page 16).

Israeli High-Tech Investments: Average/Median Figures

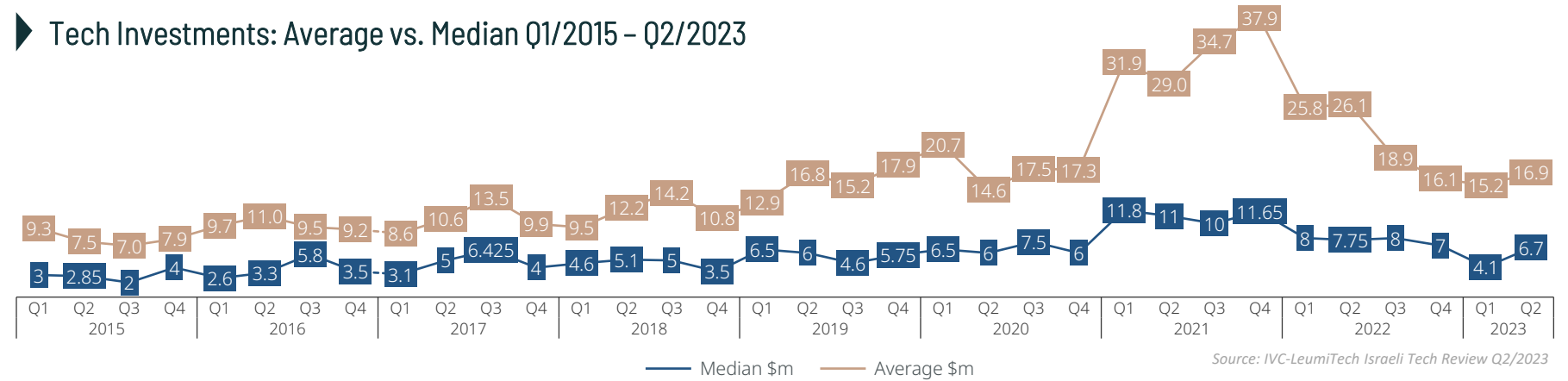
Tech Investments: Average vs. Median 2015 - H1/2023

H1/2023 average and median amounts fell to 2019 levels.



Tech Investments: Average vs. Median Q1/2015 - Q2/2023

In Q2/2023, for the first time since Q4/2021, both average and median capital amounts moved slightly up.



Real vs. Projected Number Of Deals

The Real number of deals – which represents the overall deals which took place during the period (see methodology) – continues to decline during the last quarters. IVC estimate that 362 deals were made in Q2/2023, some of them (especially Seed type deals) will be acknowledged just in the next 12 – 18 months. Please view the full methodology [here](#).

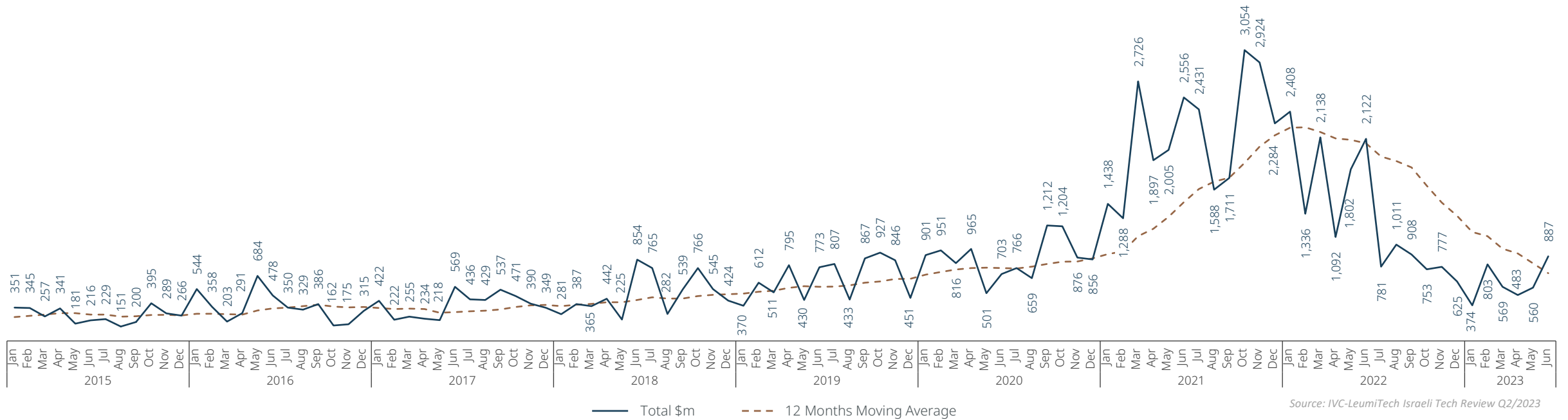
► Real vs. Projected Number Of Deals Q1/2015 – Q2/2023



Monthly Israeli High-Tech Investments

The monthly funding pattern changed course in the last 6 months and shows signs of a reversal. The long run trend – which is represented by the 12-month moving average – is still falling, but if the positive change holds, the trend line will bottom out and reverse in the next quarter.

► Tech Investments: Monthly Capital vs. 12-Months Moving Average Jan/2015 - Jun/2023

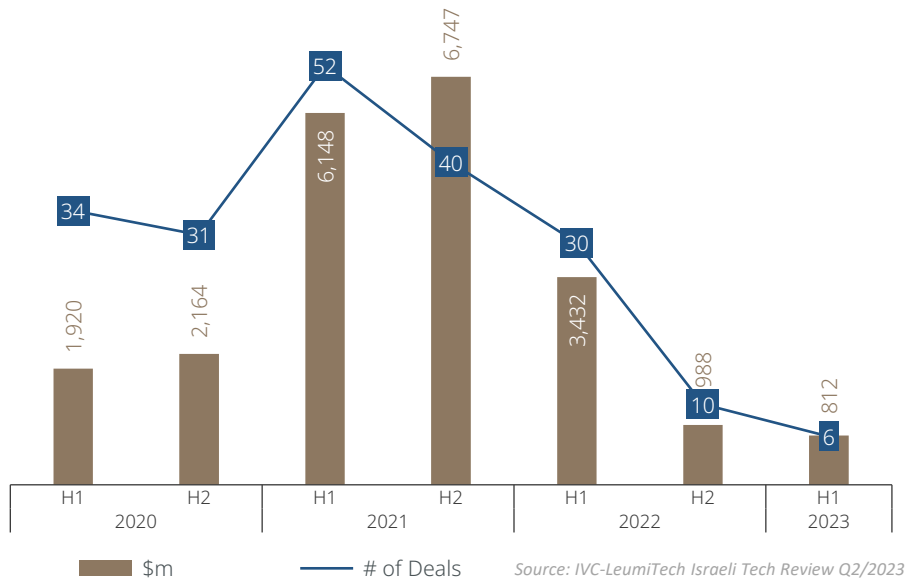


Source: IVC-LeumiTech Israeli Tech Review Q2/2023

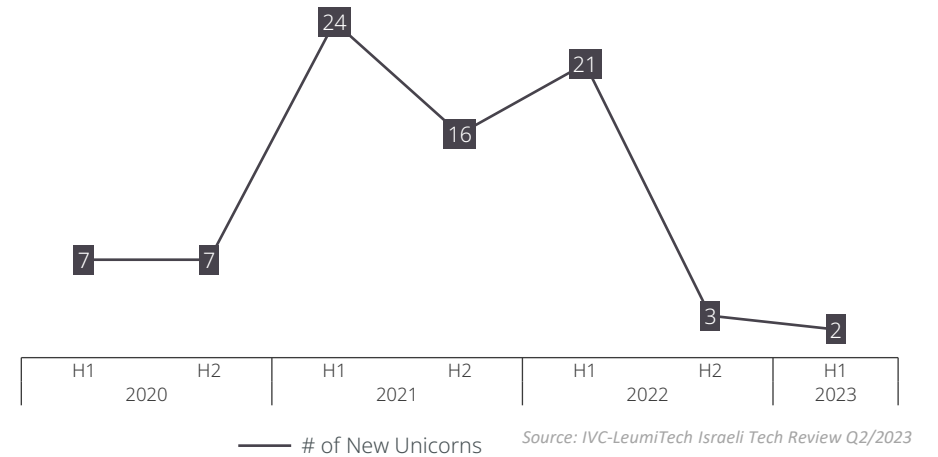
Unicorns

Unicorns were influenced strongly by the global slowdown trends in H1/2023, showing a drop in new unicorn formations and weak capital raising activity.

► Unicorns Capital Raising H1/2020 - H1/2023

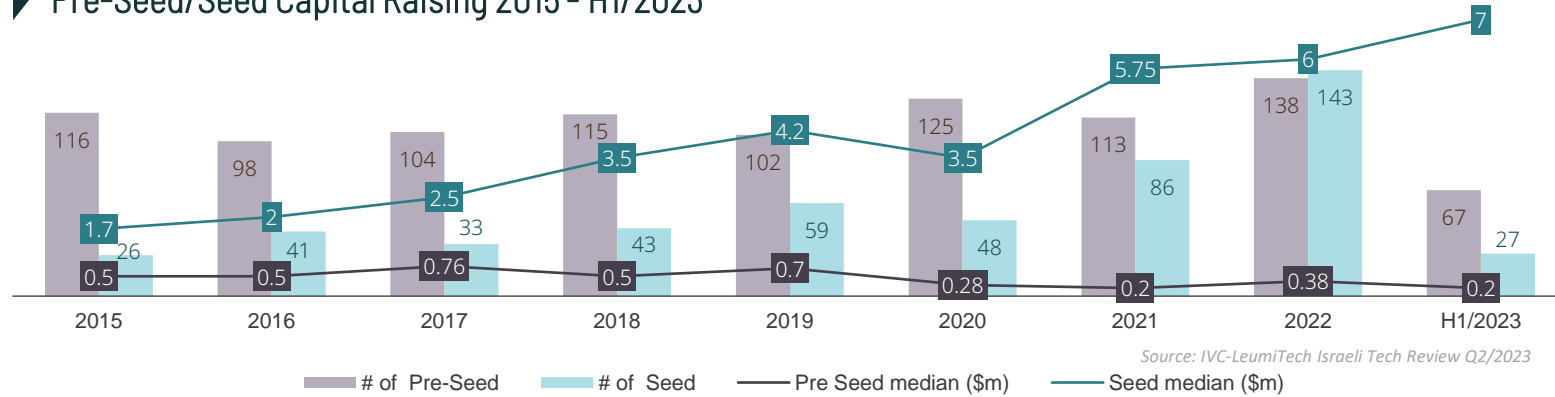


► # of New Unicorns by Valuation Date H1/2020 - H1/2023



Pre-Seed & Seed Deals: Numbers and Median

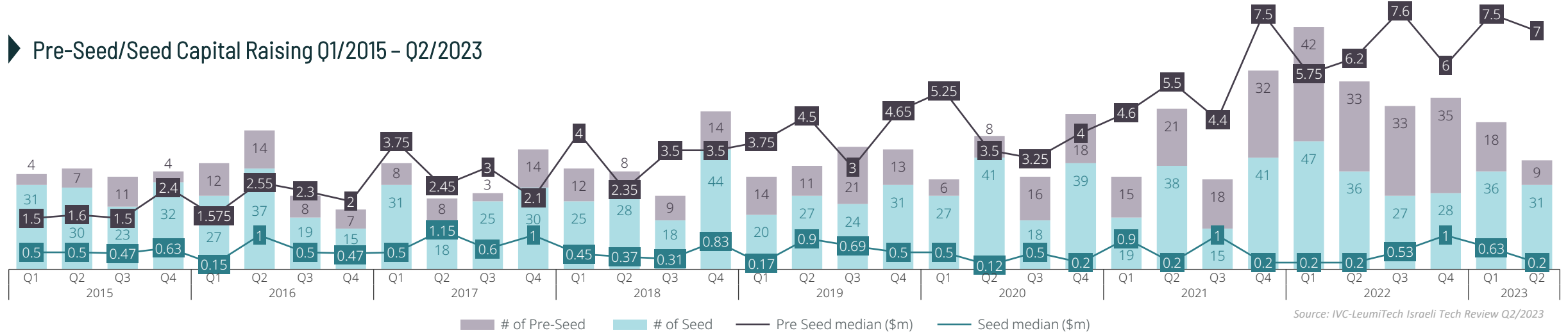
Pre-Seed/Seed Capital Raising 2015 - H1/2023



Seed companies suffered the most from the downtrend in capital raising. At the same time, a successful minority of seed raising companies continued to enjoy the elevated median amounts they raised.

For details see methodology [here](#).

Pre-Seed/Seed Capital Raising Q1/2015 - Q2/2023

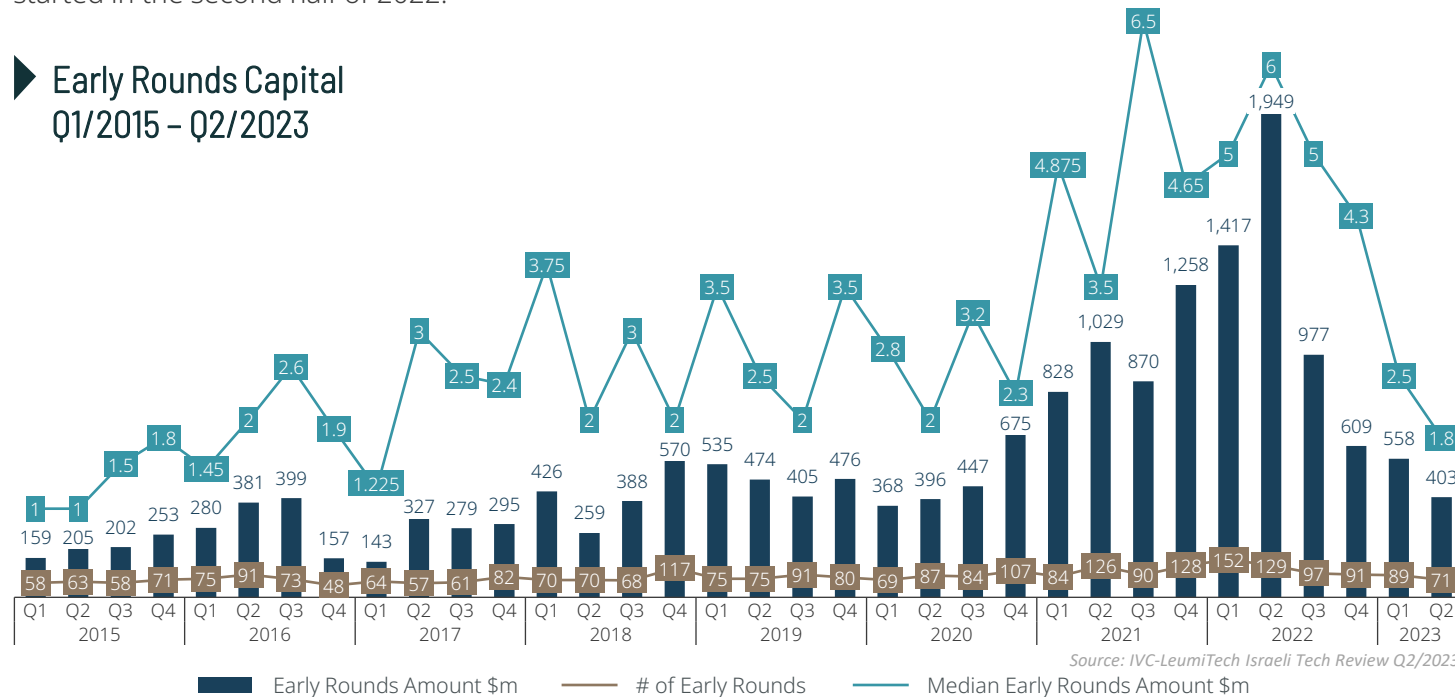


Israeli High-Tech Investments by Round Type

Through the first half of 2023, early financing rounds were especially affected by the downtrend, with the lowest median in 5 years. The number of deals in this period reached 160 – a drop of 43% from the 281 deals performed in H1/2022.

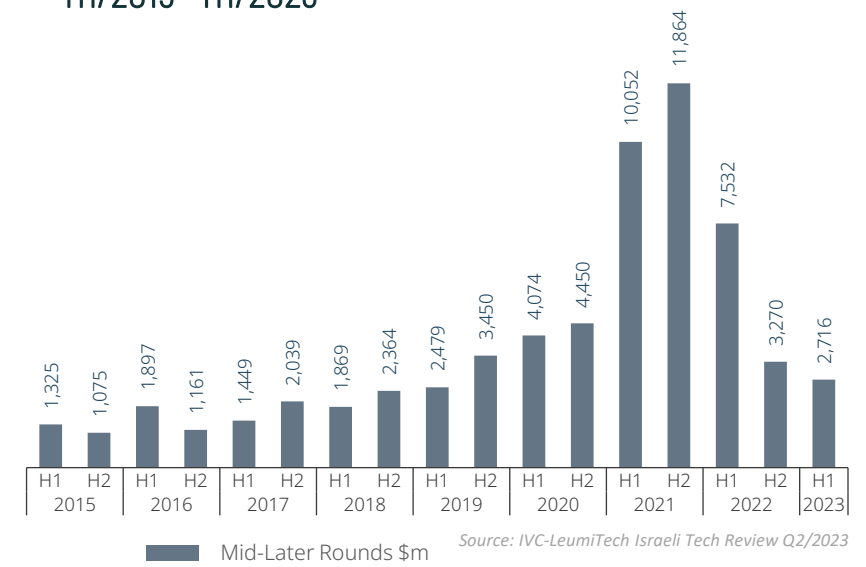
In Q2/2023, the amounts also reached their lowest point in the last three years continuing the slide that started in the second half of 2022.

▶ Early Rounds Capital Q1/2015 – Q2/2023



On the macro level, H1/2023 has been the weakest for mid-later round capital raising since the second half of 2019, dropping even more from the low set in H2/2022.

▶ Investments in Mid - Later Rounds \$m H1/2015 - H1/2023

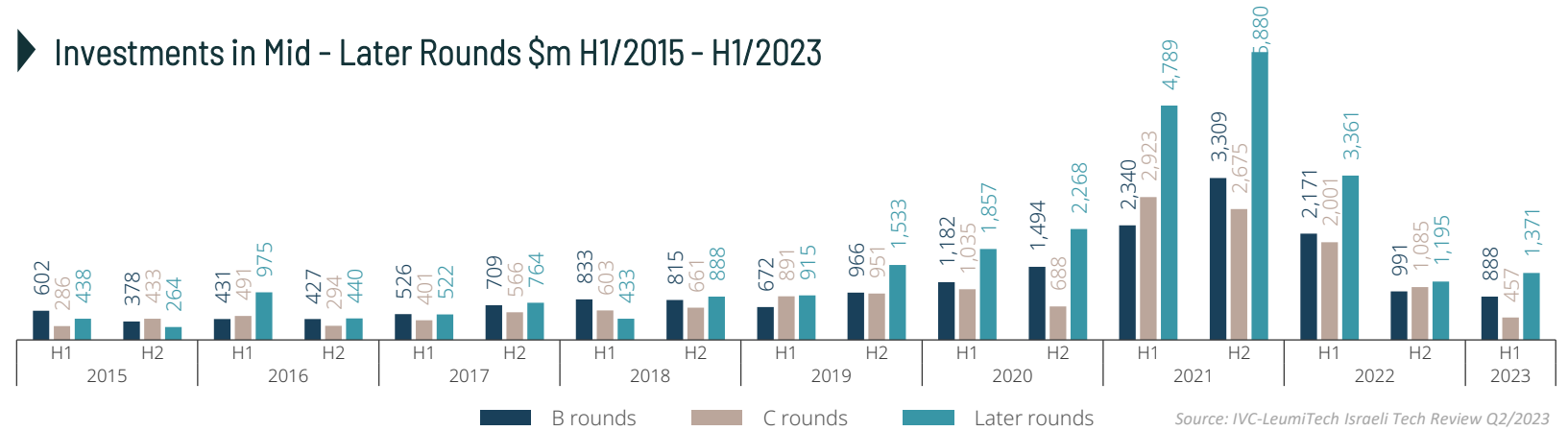


Investments in Mid - Later Rounds

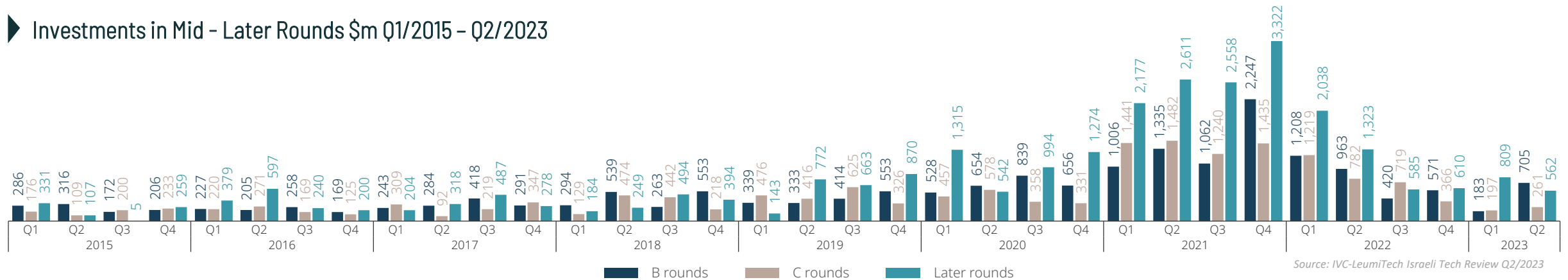
IVC has revealed some positive signs in mid-later financing series in H1/2023.

In H1/2023, later rounds accounted for \$1.37 billion – a 15% increase from H2/2021. Series B rounds showed a capital raising comeback in Q2/2023, following the drop in Q1/2023. The amount represents a 42% growth from the quarterly average of H2/2022.

Investments in Mid - Later Rounds \$m H1/2015 - H1/2023

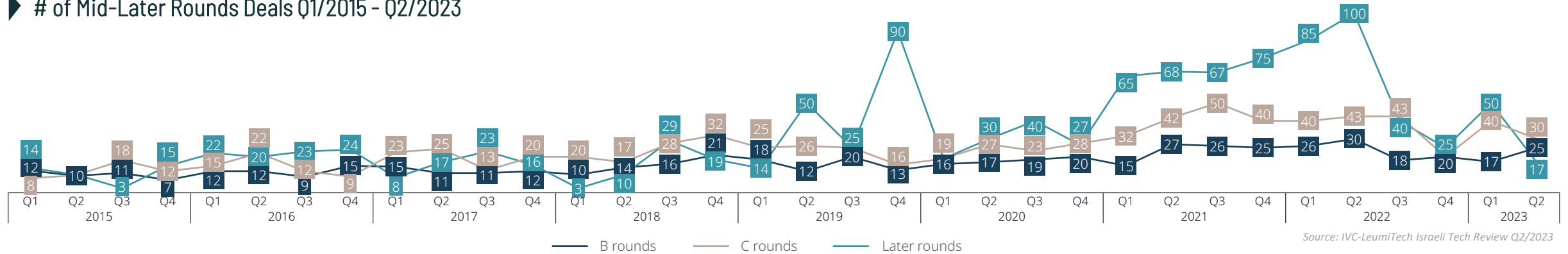


Investments in Mid - Later Rounds \$m Q1/2015 - Q2/2023

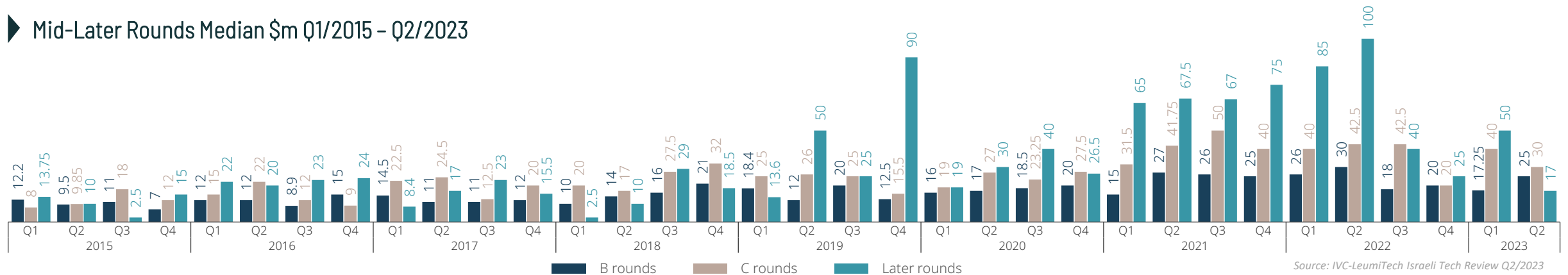


Investments in Mid - Later Rounds

► # of Mid-Later Rounds Deals Q1/2015 - Q2/2023



► Mid-Later Rounds Median \$m Q1/2015 - Q2/2023

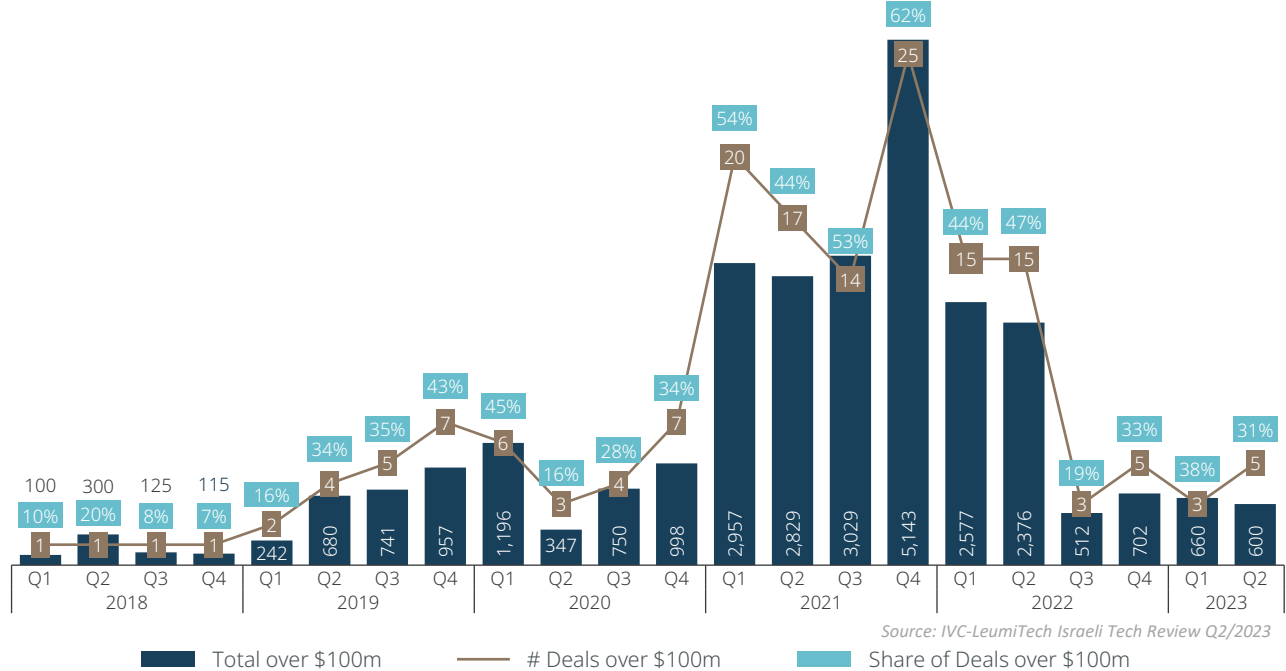


Deals by Size

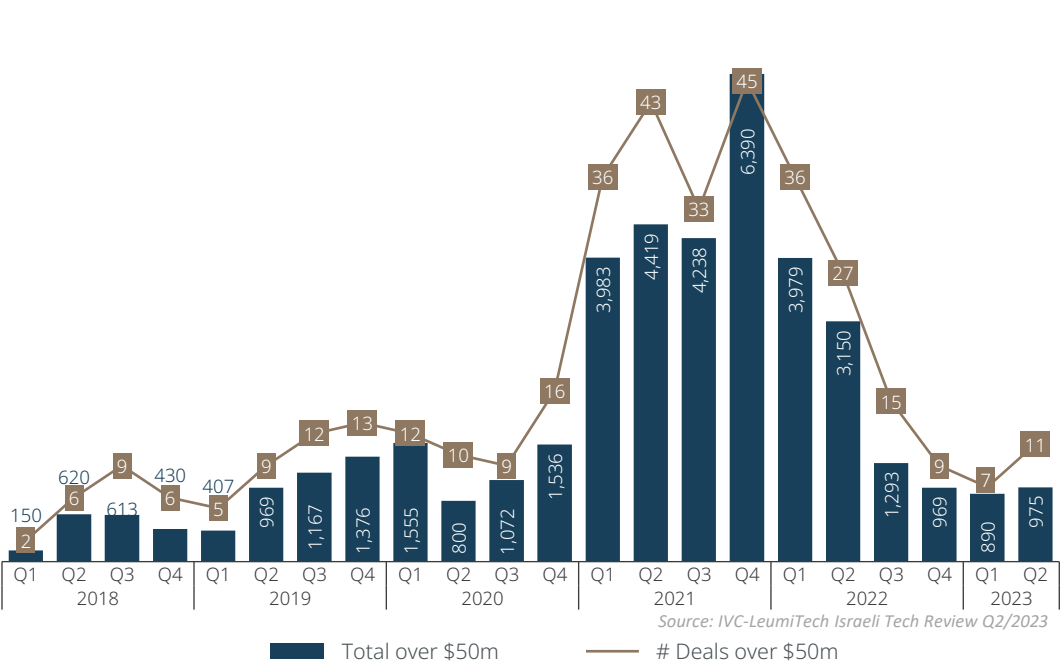
Mega-rounds of \$100m kept up the same slow pace over the course of H1/2023, continued from H2/2022.

On a quarterly level, some positive change was noted. 11 deals over \$50m each were made in Q2/2023 totaling \$975m, slightly above the \$890m and \$969m raised, respectively, in Q1/2023 and Q4/2022.

▶ Deals over \$100m \$m Q1/2018 - Q2/2023



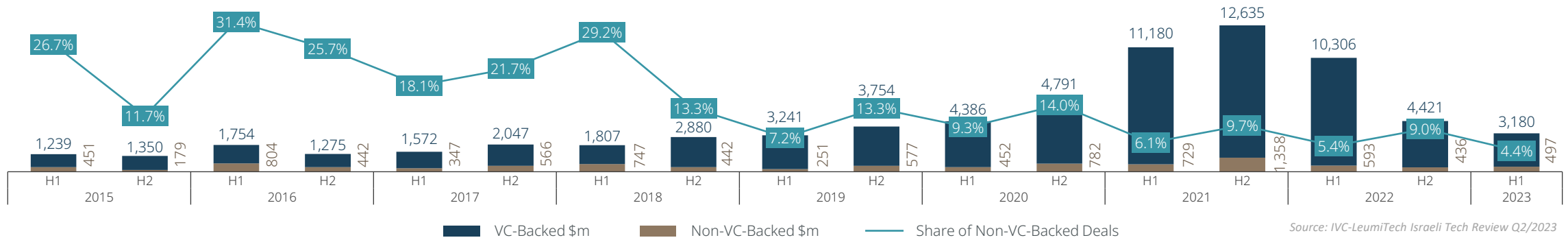
▶ Deals over \$50m \$m Q1/2018 - Q2/2023



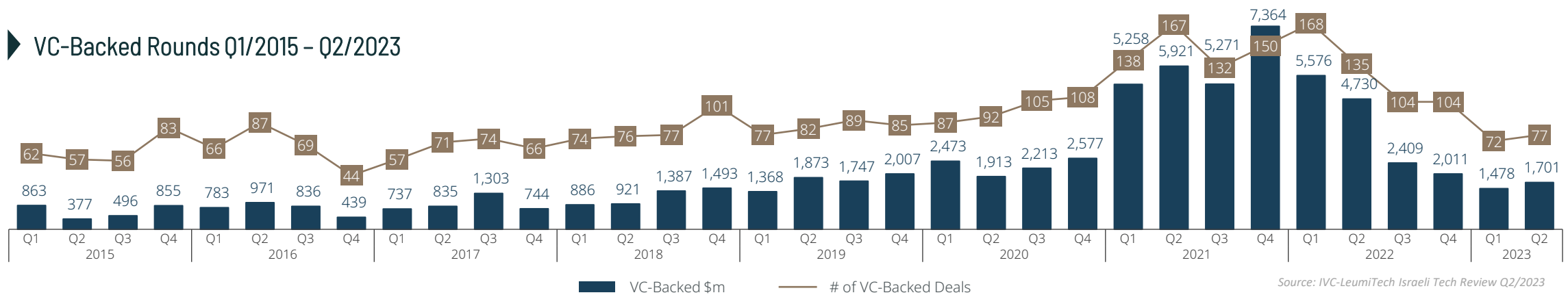
VC-Backed Deals

VC-Backed Rounds H1/2015 – H1/2023

VC-backed rounds confirmed the general trends noted in this report, shrinking on the half-year level, and showing some signs of recovery on the quarterly level.



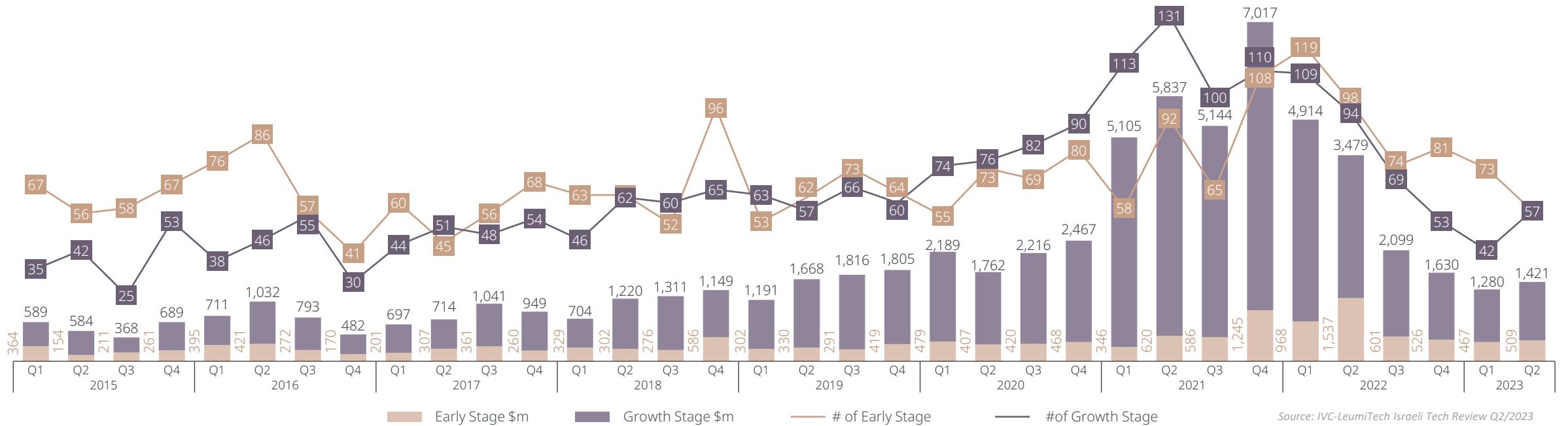
VC-Backed Rounds Q1/2015 – Q2/2023



Capital Investments by Stage

► Capital Raising: Early Stage vs. Growth Stage Q1/2015 – Q2/2023

While early-stage companies' capital raising continued to decrease, growth-stage companies showed a slight recovery in Q2/2023 from the previous quarter – 11% up in capital and 36% up in number of deals from Q1/2023.

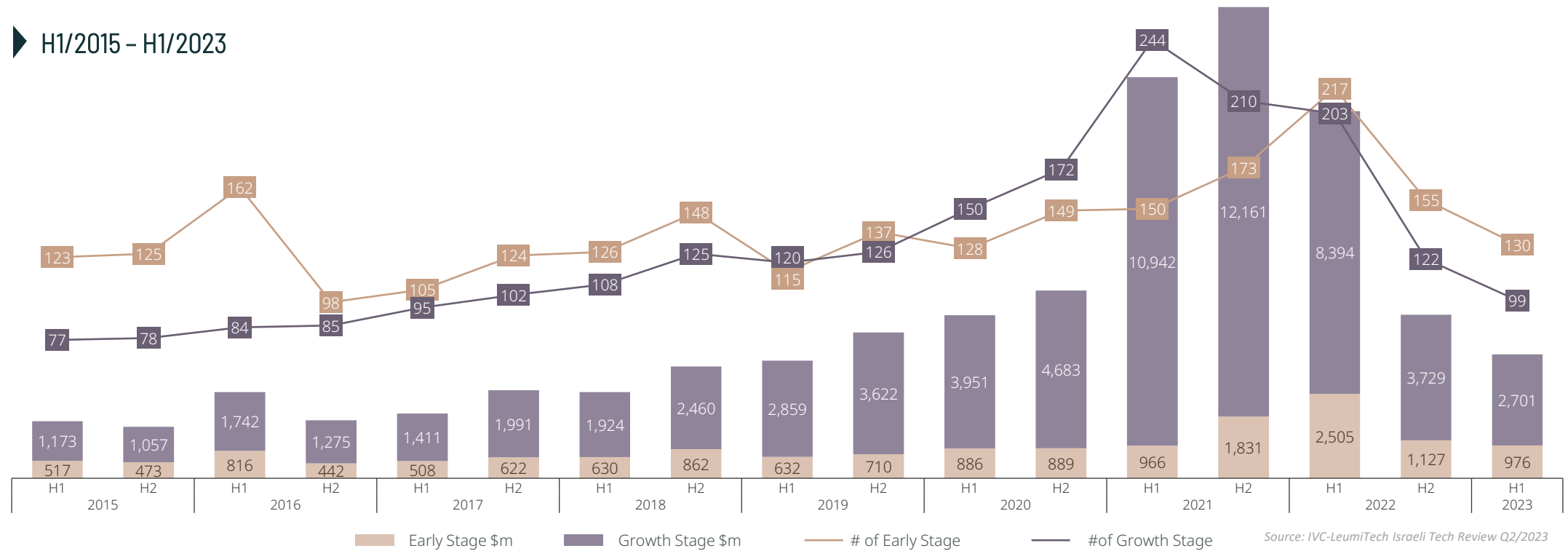


Source: IVC-LeumiTech Israeli Tech Review Q2/2023

Capital Investments by Stage

The first half of 2023 has demonstrated a continued overall decrease in capital raising figures, while the ratio between the number of deals performed among Early stage and growth stage companies keeps growing – 57% of deals were made in early stage companies, as compared to 52% they captured in H1/2022, when the trend has reverted for the first time since H1/2020, when capital raising was led by growth companies deals.

► H1/2015 – H1/2023



Source: IVC-LeumiTech Israeli Tech Review Q2/2023

Q2/2023 Selected Top Investments

UpstreamBIO™

1

Life Sciences
Biotechnology
B Round

\$200m

CYERA

2

IT & Enterprise Software
Security
B Round

\$100m

8fig

3

IT & Enterprise Software
Enterprise Applications
Later Round

\$100m

Pinecone

4

IT & Enterprise Software
Enterprise Applications
B Round

\$100m

cybereason®

5

IT & Enterprise Software
Security
Later Round

\$100m

tomorrow.io

6

IT & Enterprise Software
Miscellaneous Software
Later Round

\$87m

Augmedics

7

Life Sciences
Medical Devices
Later Round

\$82.5m

**Magenta
Medical**

8

Life Sciences
Medical Devices
Later Round

\$55m

PERCEPTO

9

Miscellaneous Technologies
Industrial Technologies
C Round

\$50m

Novidea

10

IT & Enterprise Software
Enterprise Applications
C Round

\$50m

Healthy.io

11

Life Sciences
Digital Health
Later Round

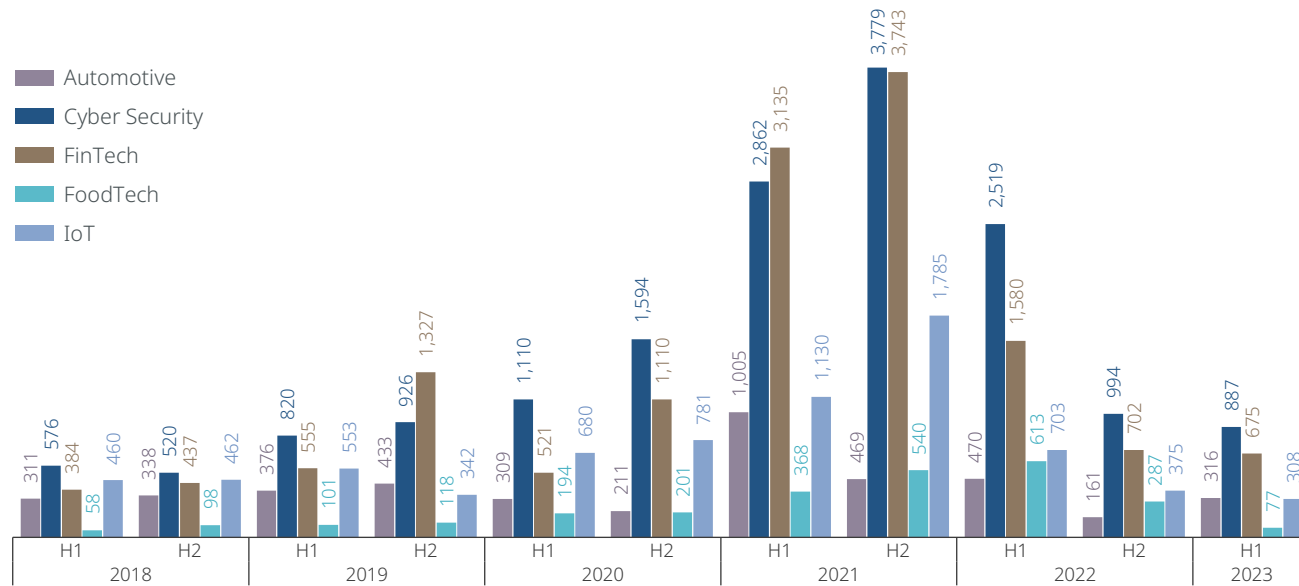
\$50m

Source: IVC-LeumiTech Israeli Tech Review Q2/2023

Investments by Verticals

Among all selected verticals, automotive has shown a certain increase from H2/2022, both in number of capital raising deals and in amount. Other tech verticals continued to shrink. Fintech and IOT have demonstrated a continuous downtrend in capital amounts raised since 2022 and in number of deals since H2/2021. Foodtech has reached the lowest point since H2/2018. The number of Cyber deals has decreased notably compared to the average of 48 deals in H1/2018-H1/2022.

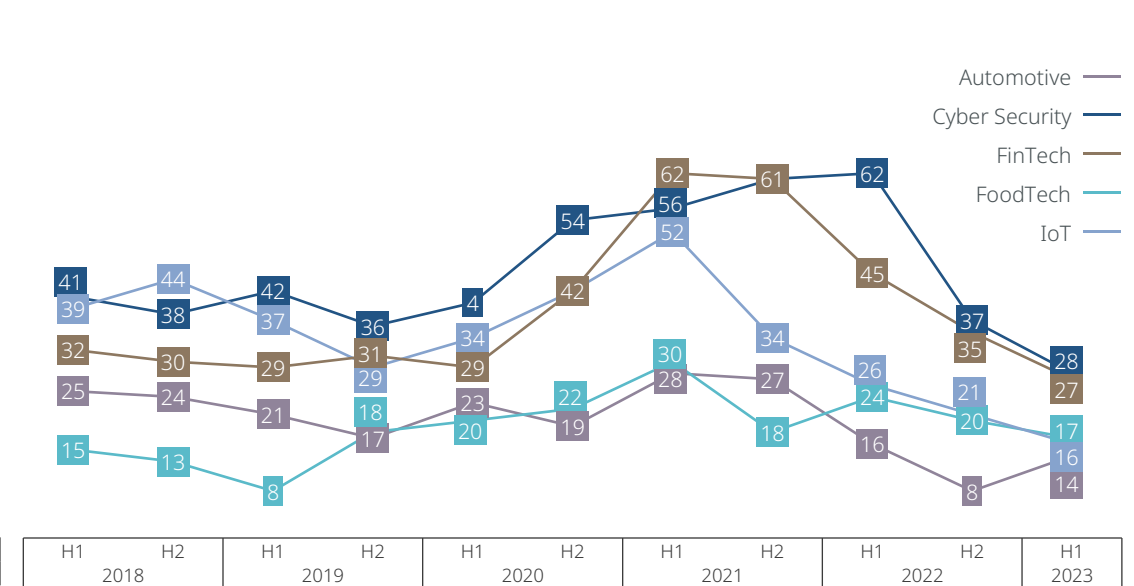
Investments by Verticals \$m H1/2018 - H1/2023



*Each company may belong to more than one tech vertical

Source: IVC-LeumiTech Israeli Tech Review Q2/2023

of Investments by Verticals H1/2018 - H1/2023



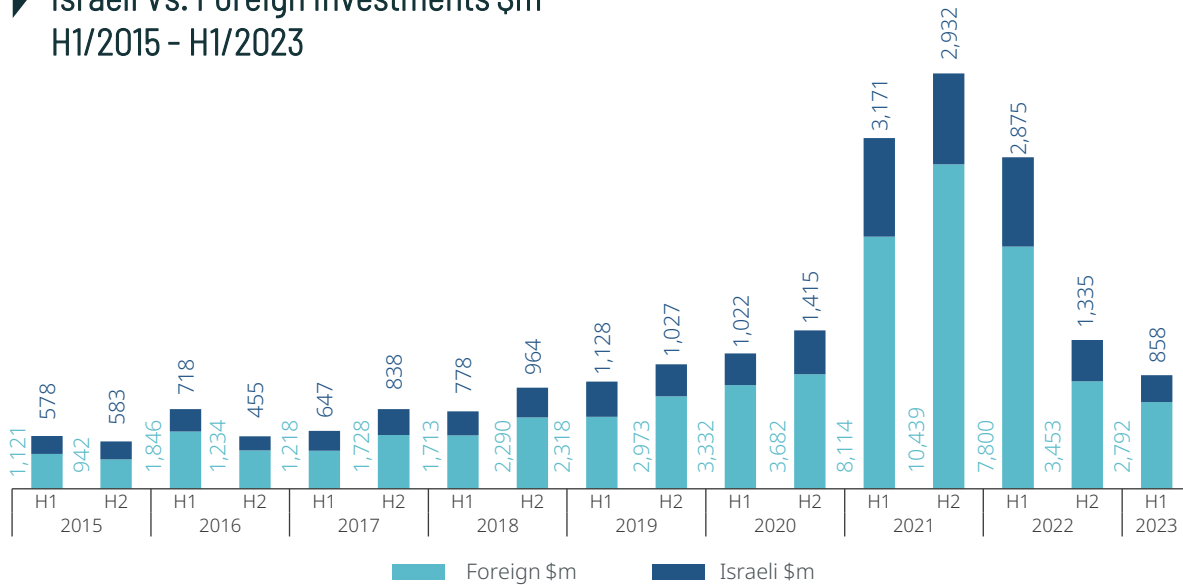
*Each company may belong to more than one tech vertical

Source: IVC-LeumiTech Israeli Tech Review Q2/2023

Israeli Vs. Foreign Investments

In H1/2023 foreign investments shrank 19% and Israeli investments dropped 36% from H2/2022.

▶ Israeli Vs. Foreign Investments \$m H1/2015 - H1/2023



*Some Investors were undisclosed

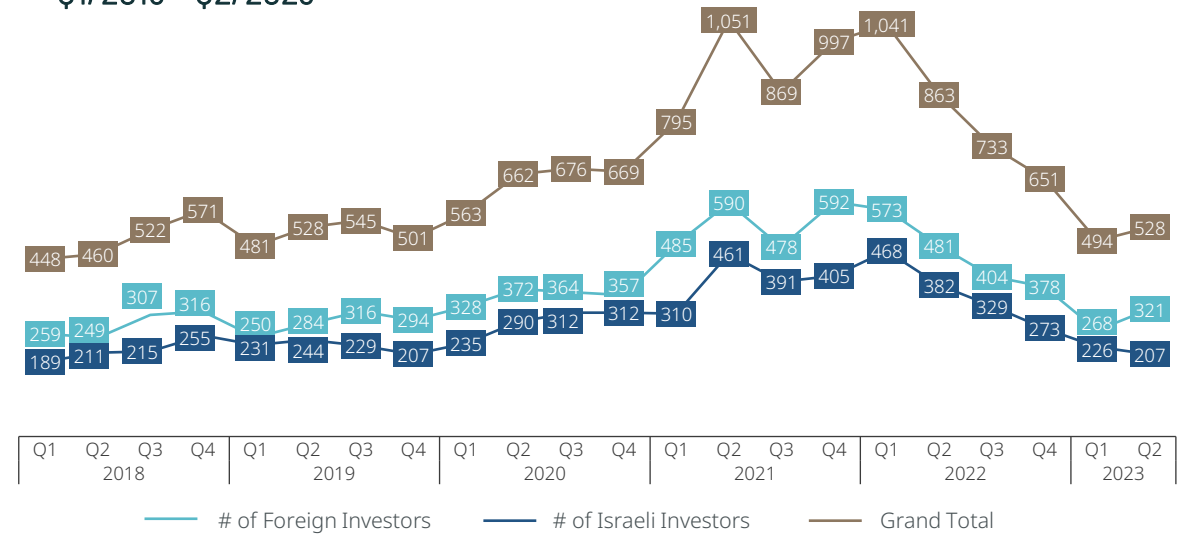
**Based on Investor HQ Region

Source: IVC-LeumiTech Israeli Tech Review Q2/2023

However, the quarterly analyses provide a possible positive change in this downtrend, as can be seen in Q2/2023: while increasingly less Israeli investors chose to invest each quarter since

Q1/2022, Q2/2023 ended with more foreign investors involved in Israeli high-tech capital investments compared to the previous quarter.

▶ # of Israeli vs Foreign Investors Q1/2018 - Q2/2023



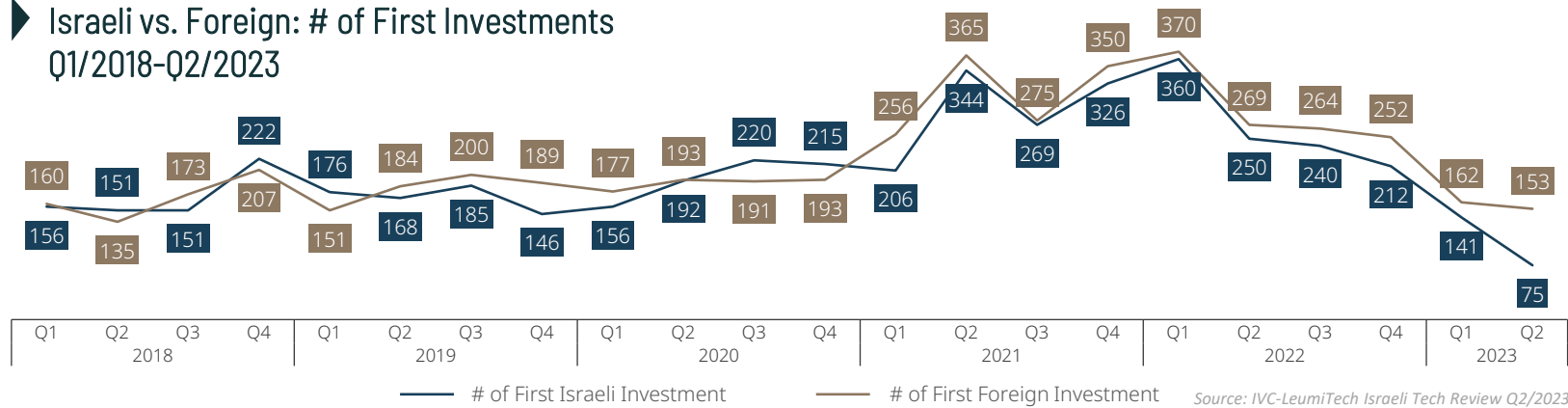
*Some Investors were undisclosed

**Based on Investor HQ Region

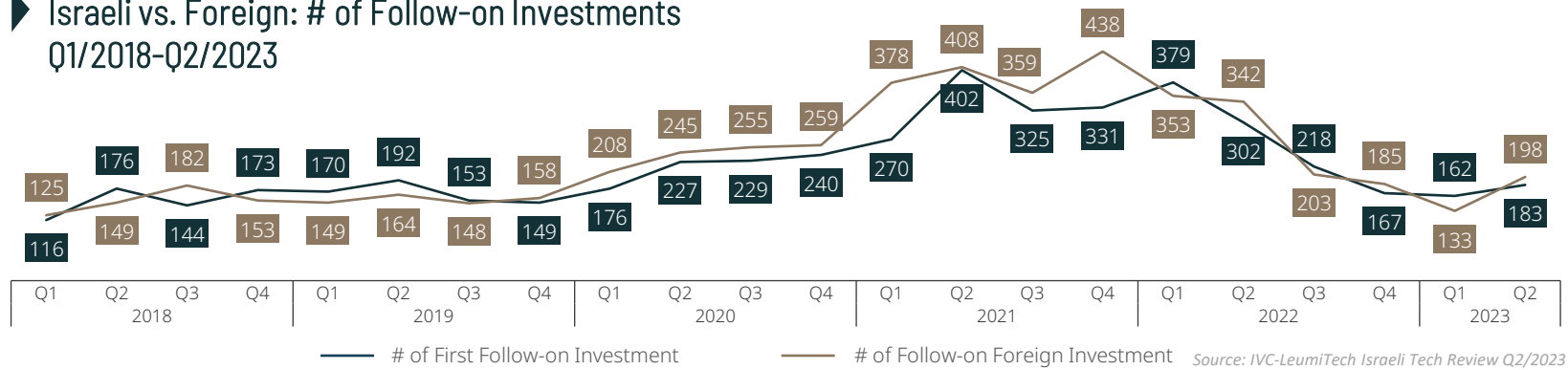
Source: IVC-LeumiTech Israeli Tech Review Q2/2023

Israeli Vs. Foreign Investments: First vs Follow-on

Israeli vs. Foreign: # of First Investments Q1/2018-Q2/2023



Israeli vs. Foreign: # of Follow-on Investments Q1/2018-Q2/2023



*Some Investors were undisclosed

**Investments performed by Investor HQ Region

First investments aligned with the quarterly trends observed in Q2/2023. The gap between Israeli and foreign first investments deepened, as the majority of Israeli investors withdrew from expanding their tech portfolio – resulting in the lowest number of first investments since 2018, while the downtrend in foreign investments reached a plateau.

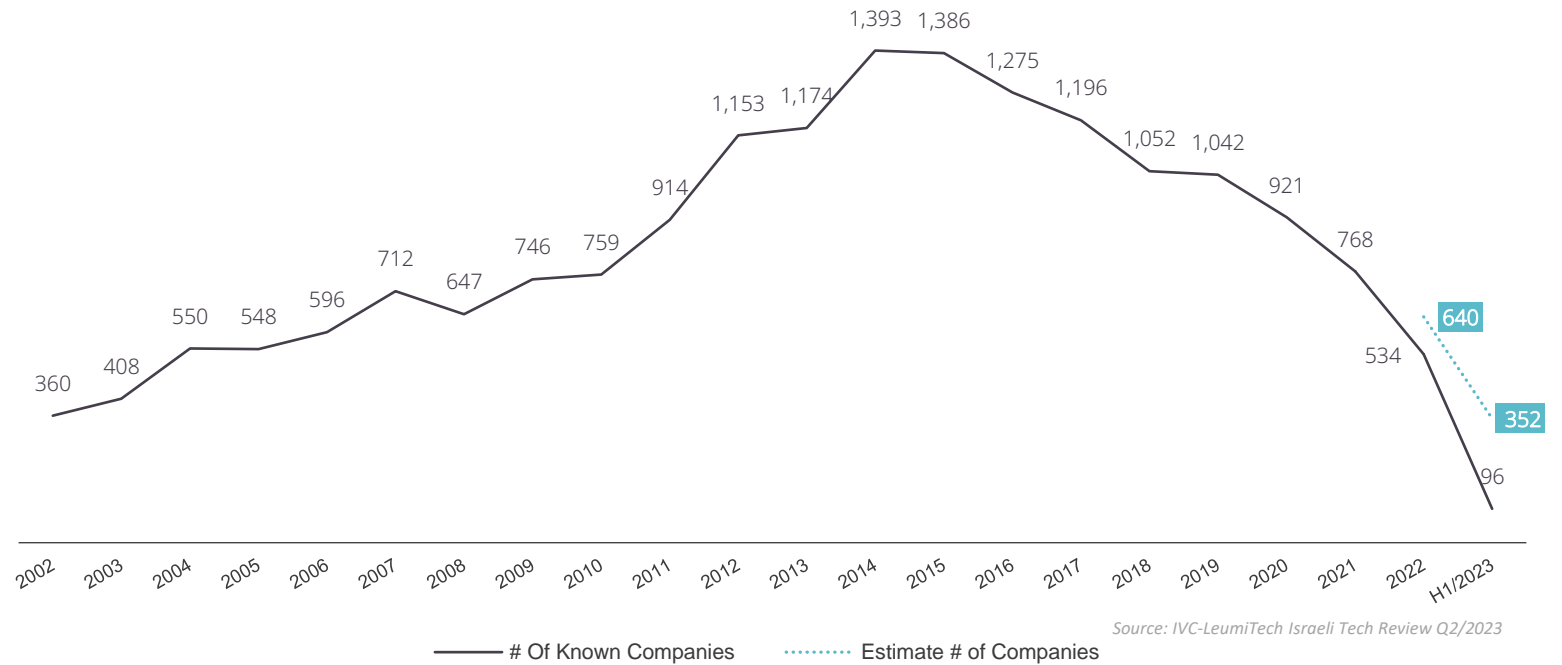
The main change was revealed in follow-on investments in Q2/2023, where figures showed minor growth for the first time since the decline started in Q2/2022, indicating investors' readiness to support their existing portfolios.

Number of Companies Established

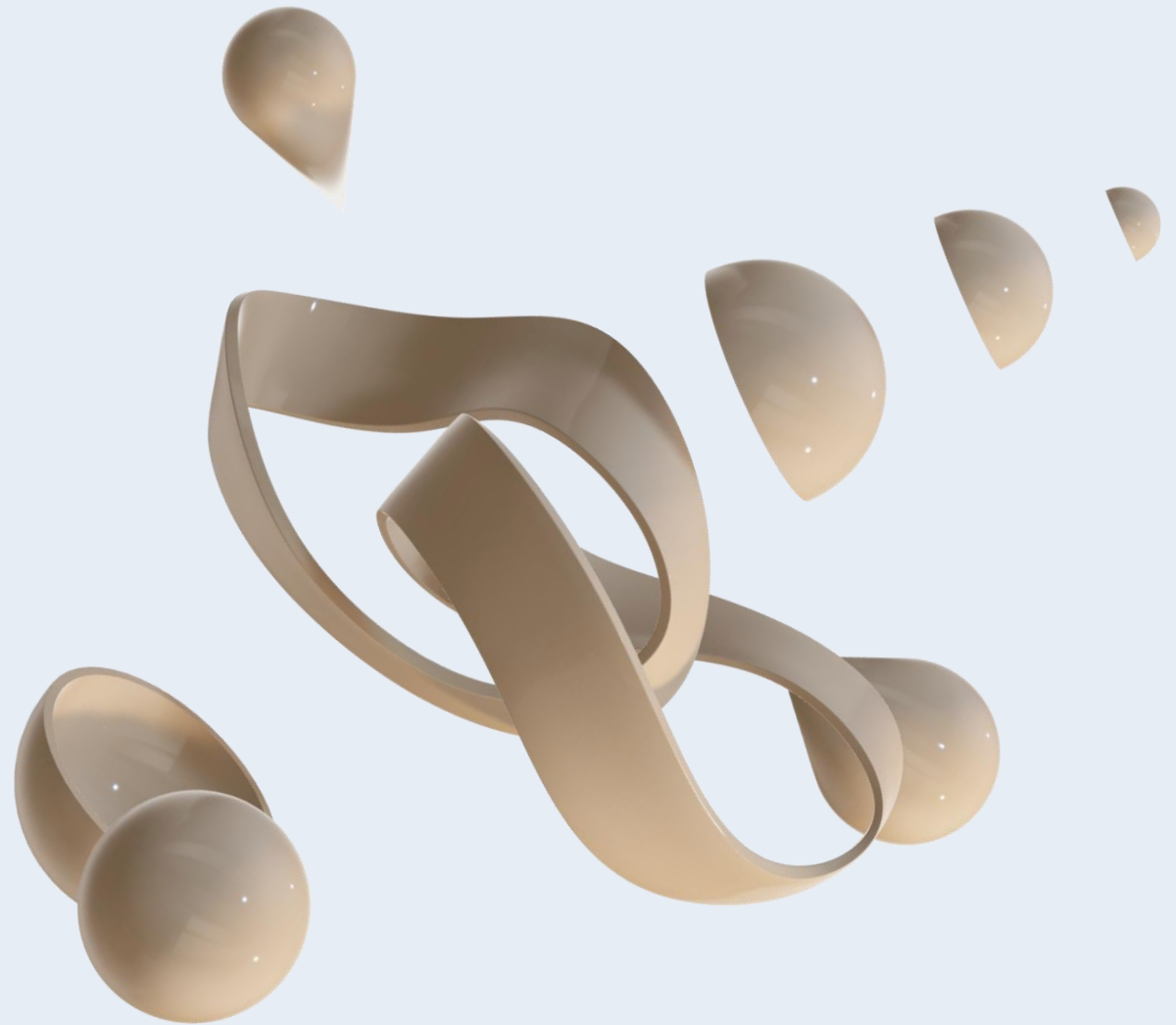
The final figures for the number of companies established during 2022 and H1/2023 is not yet known (see our [methodology](#)), but our estimate is that ~640 companies were established last year and ~350 companies in H1/2023.

So far in 2023, the pattern of new known companies that were established is similar to what we saw last year, so our estimation is that we will see 500 – 550 new companies established this year.

► New Israeli High-Tech Companies 2002 - H1/2023

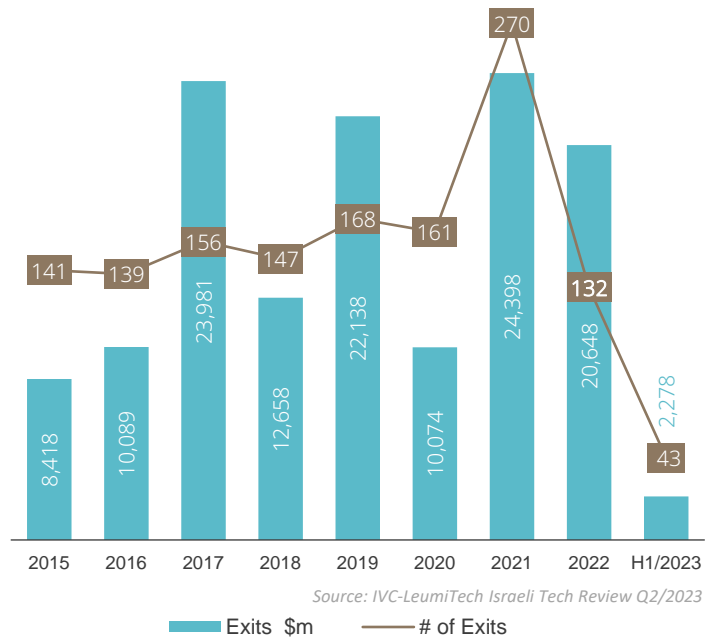


Q2/2023
Israeli
High-Tech
Exits

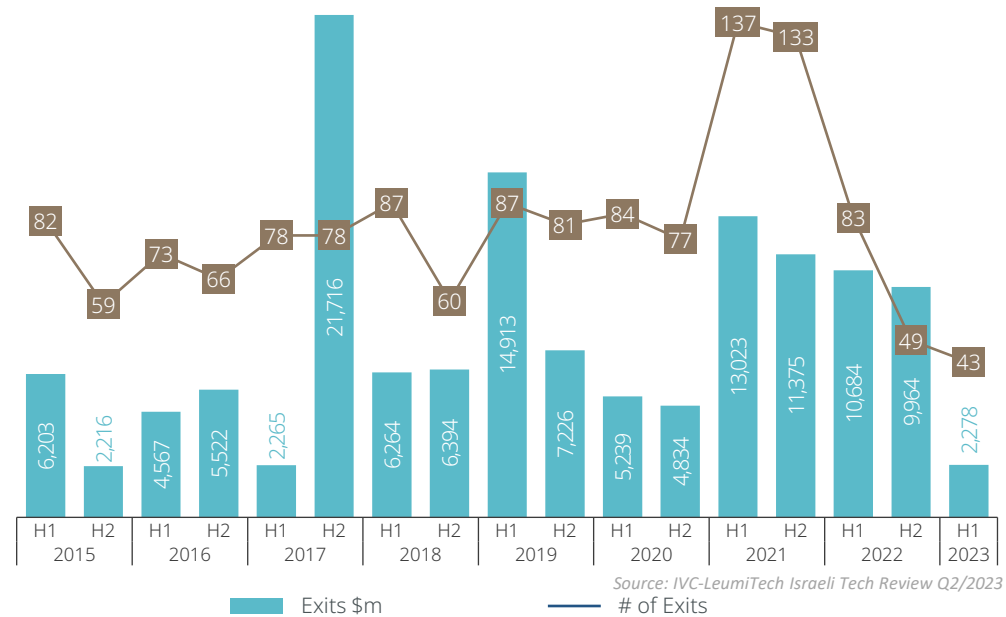


Israeli High-Tech Exits

▶ Israeli High-Tech Exits (M&As, Buyouts, IPOs) 2015 - H1/2023



▶ Israeli High-Tech Exits (M&As, Buyouts, IPOs) H1/2015 - H1/2023



The Israeli high-tech exit downtrend continued from H2/2021. In H1/2023, capital proceeds shrank 79% and the number of exits dropped 48% from H1/2022.

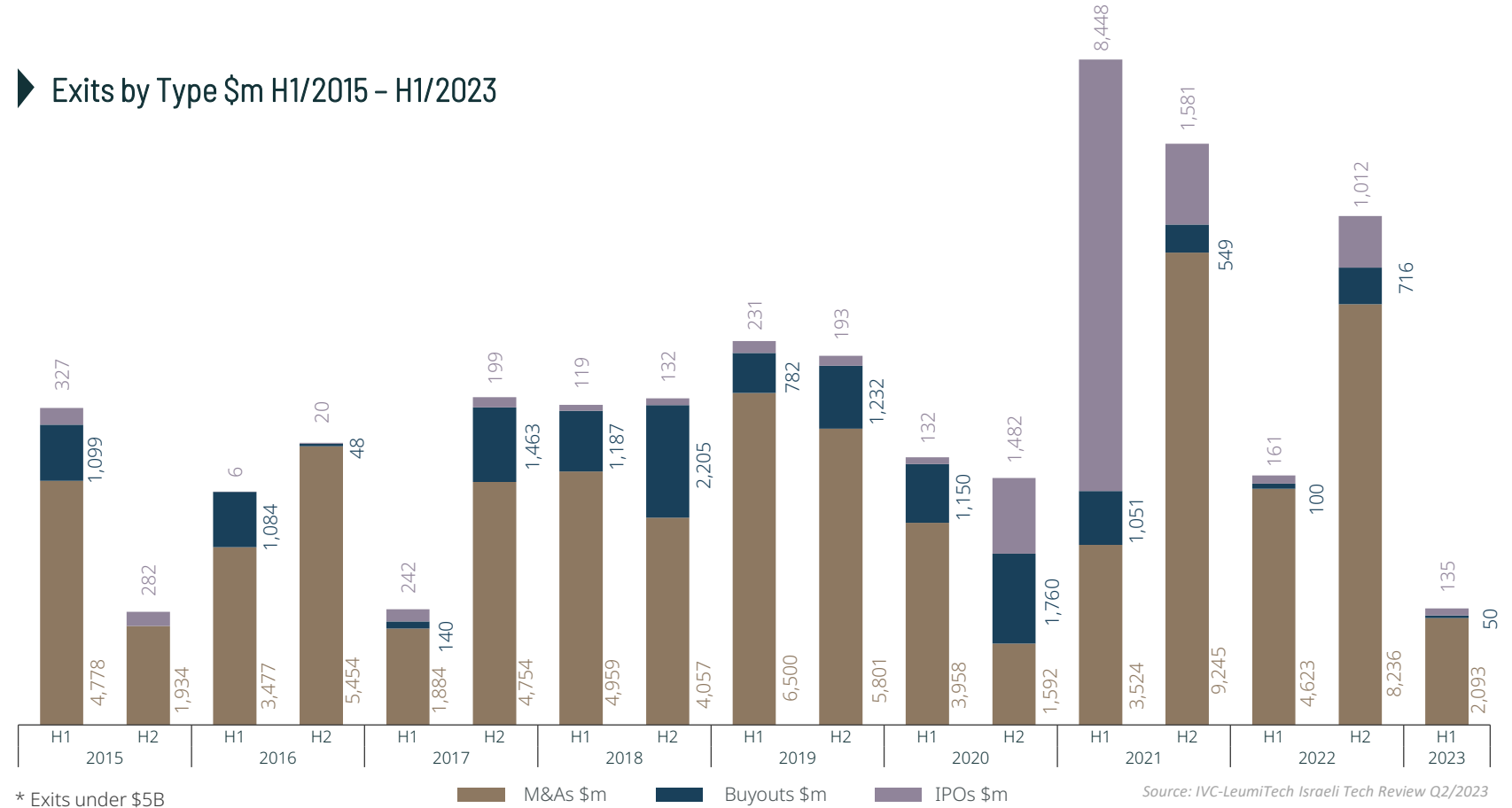
The first half of 2023 ended with a notable drop, with only 43 exits that succeeded in drawing \$2.28b – the weakest exit activity in six years.

Israeli High-Tech Exits by Type

The Israeli high-tech exit downtrend continued from H2/2021. In H1/2023, capital proceeds shrank 79% and the number of exits dropped 48% from H1/2022.

The first half of 2023 ended with a notable drop, with only 43 exits that succeeded in drawing \$2.28b – the weakest exit activity in six years.

▶ Exits by Type \$m H1/2015 – H1/2023

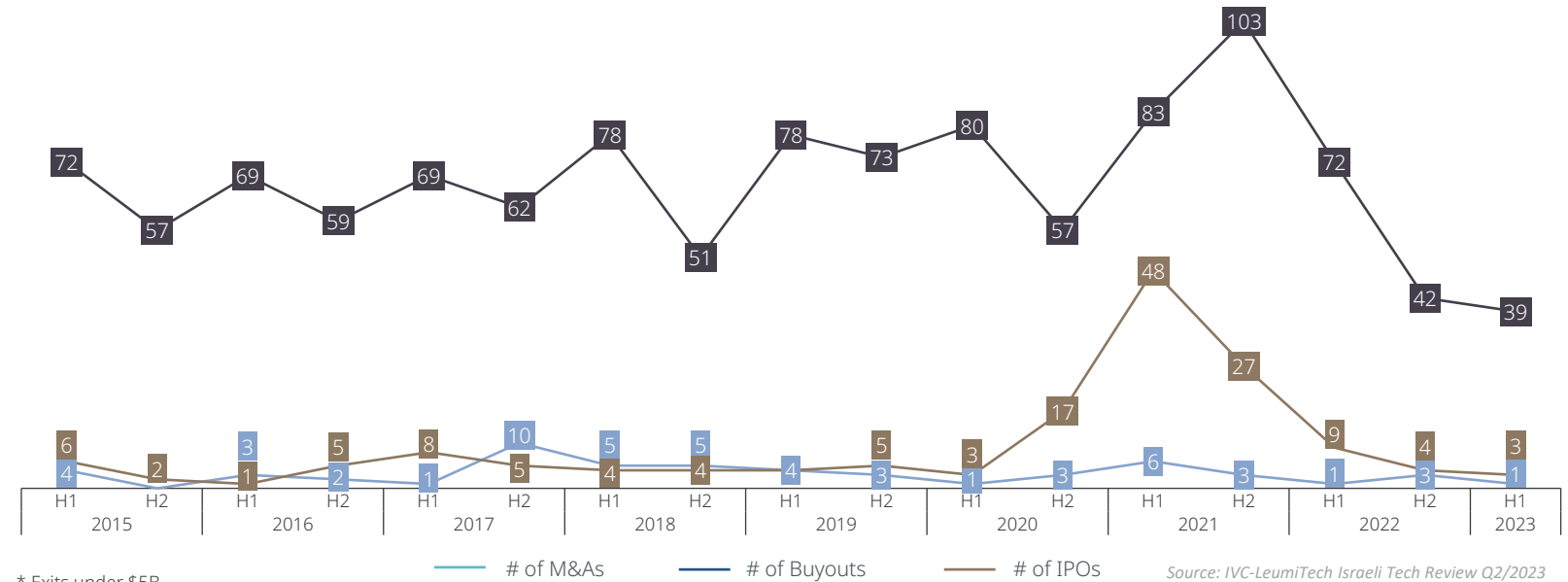


Israeli High-Tech Exits by Type

IPOs activity in H1/2023 almost subsided, with only three IPOs this half, led by a SPAC IPO deal, raising \$117m.

M&A's deal-making downtrend continued in H1/2023, reaching the lowest point in number of deals by half-year period since 2015.

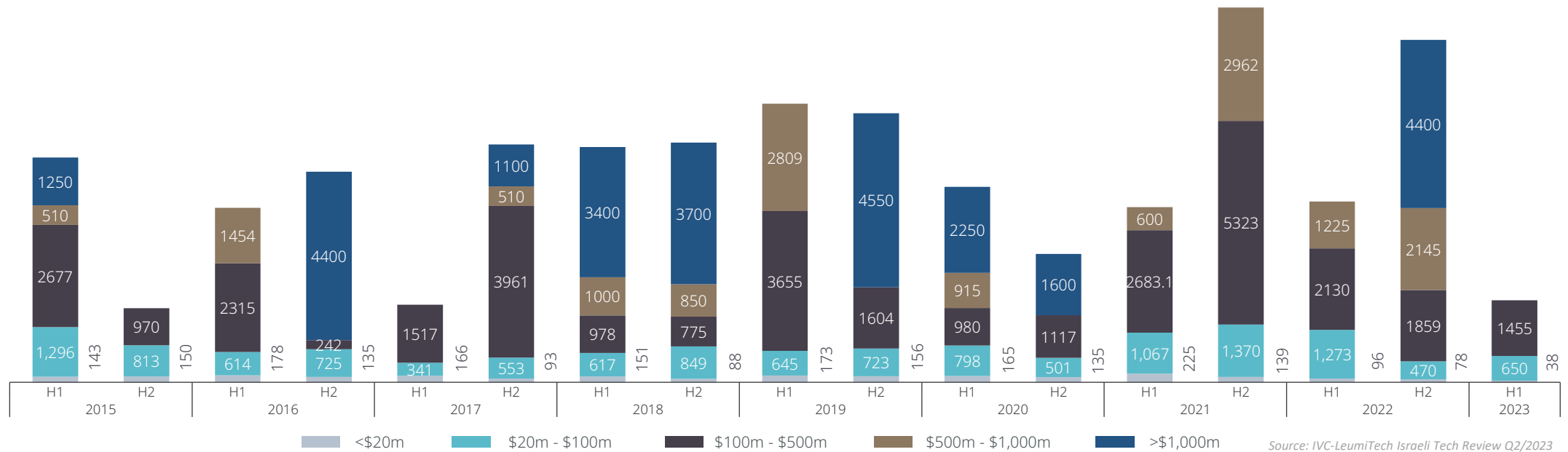
► # of Exits by Type H1/2015 -H1/2023



Israeli High-Tech M&As by Size

► M&As \$m by Deal Size H1/2015 - H1/2023

In H1/2023, M&As in the range of \$20m–\$100m showed some growth in number and capital proceeds from H2/2022. In H1/2023, nine M&As over \$100m each summed up to \$1.77B.

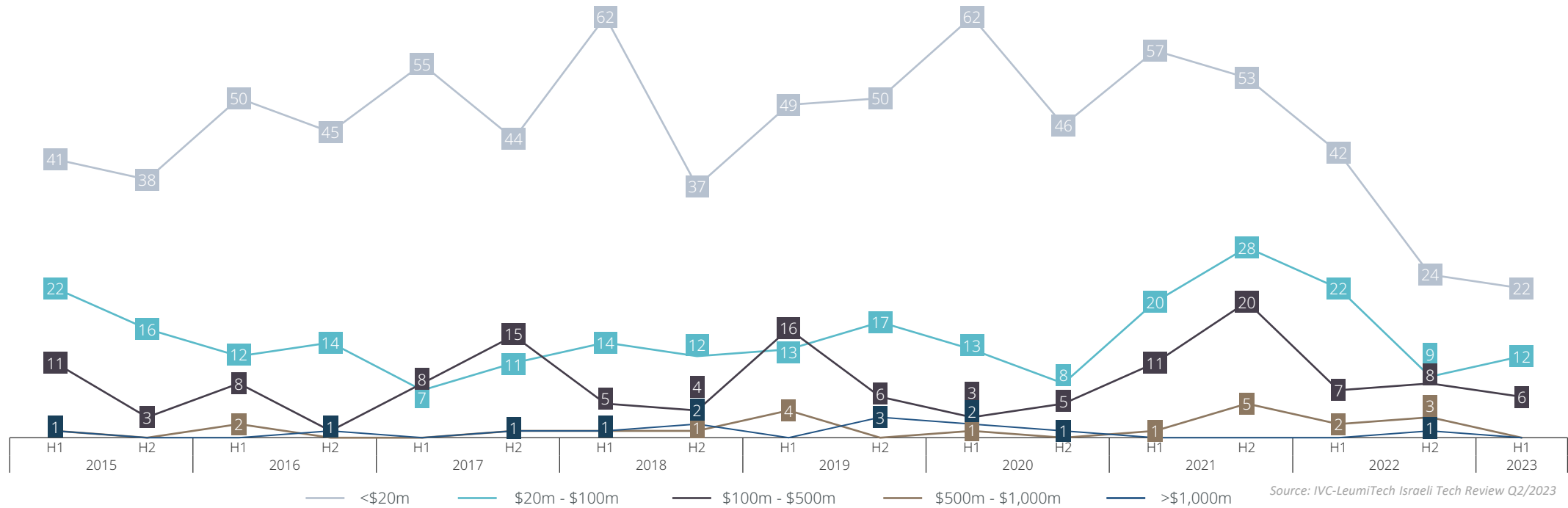


* M&As under \$5B

Source: IVC-LeumiTech Israeli Tech Review Q2/2023

Israeli High-Tech M&As by Size

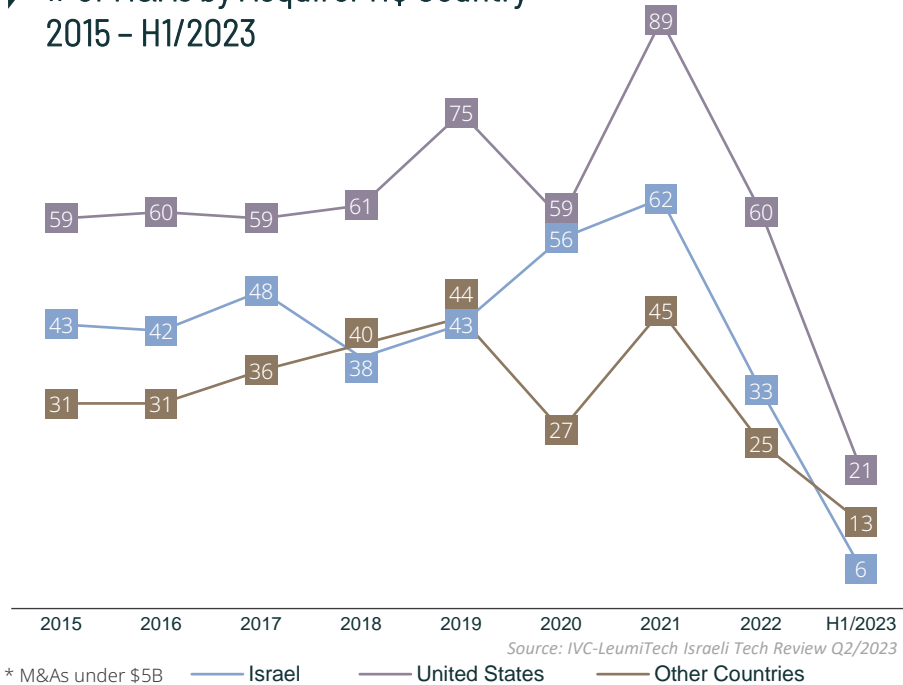
► # of M&As by Deal Size H1/2015 - H1/2023



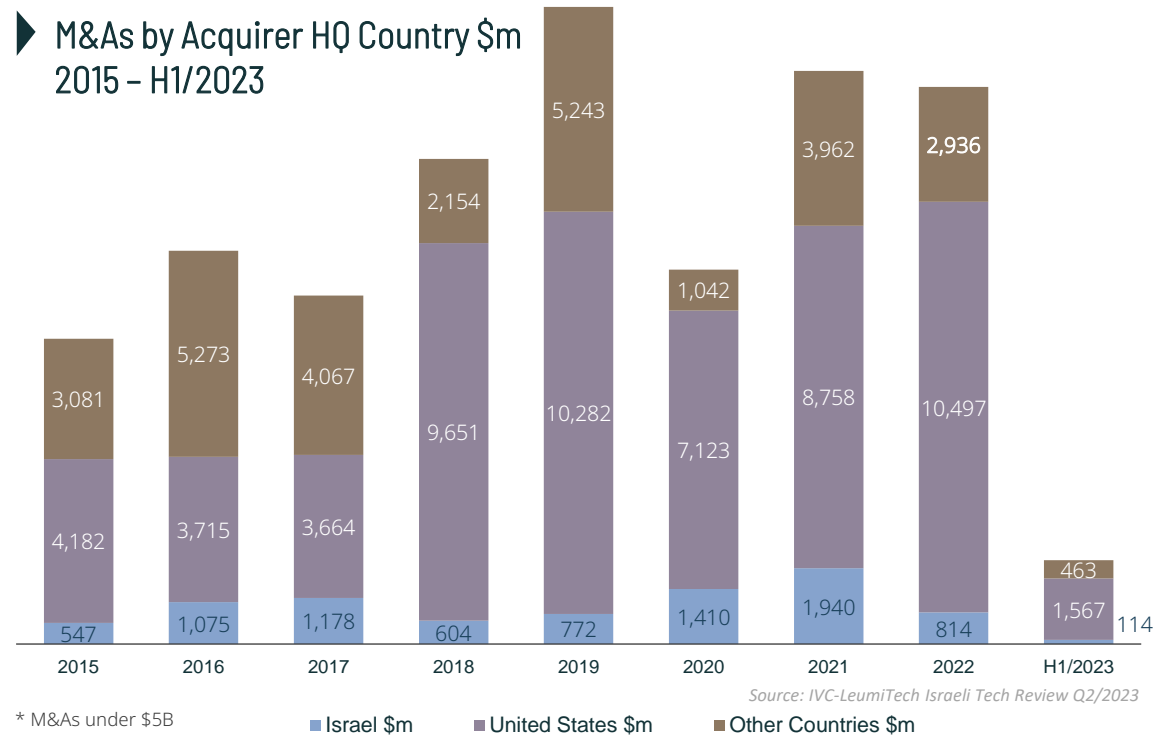
Israeli High-Tech M&As by Acquirer HQ Country

While Israeli acquirers historically have been rather active in Israeli exit markets, H1/2023 showed a sharp drop in their acquisitions.

► # of M&As by Acquirer HQ Country 2015 - H1/2023



► M&As by Acquirer HQ Country \$m 2015 - H1/2023



** Some Acquirers are Undisclosed

** Some Acquirers are Undisclosed

Top M&As H1/2023

9 M&As over \$100m each summed up to \$1.77B

axis

by  **Hewlett Packard Enterprise**

USA

\$500m

 **Autotalks** by **Qualcomm**

USA

\$350m

 **Lightspin** by  **CISCO**

USA

\$225m



by **Sntain**

UK

\$160m

Tigo® SPAC IPO  **Nasdaq**

USA

\$117m

 **SORREL** by  **LTS**
medical TRANSDERMAL. MARKETLEADER.

Germany

\$110m

YOU • APPI by  **affle**

India

\$110m

PowerInbox Ltd
jeeng by  **OpenWeb**

Israel

\$100m

 **CLOUDIFY** by  **DELL™**

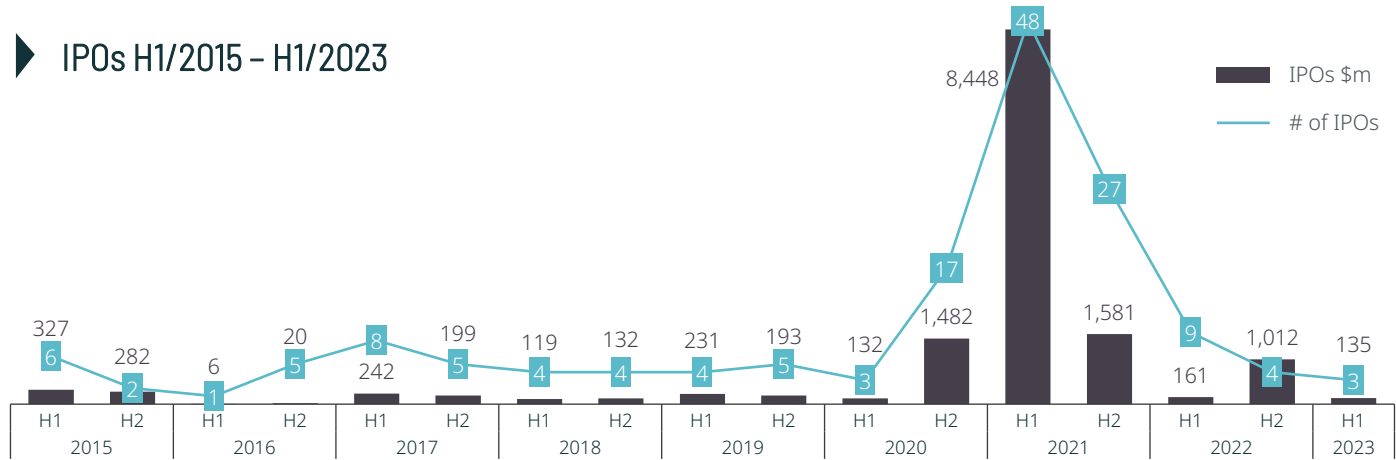
USA

\$100m

Source: IVC-LeumiTech Israeli Tech Review Q2/2023

Israeli High-Tech Public Companies Offerings

IPOs H1/2015 - H1/2023

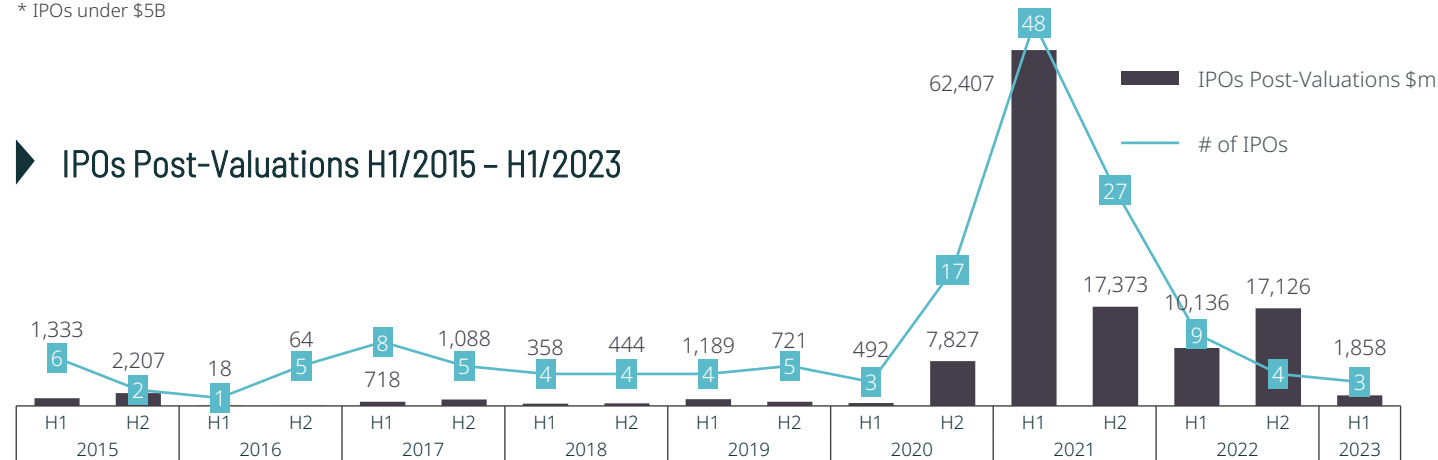


* IPOs under \$5B

Source: IVC-LeumiTech Israeli Tech Review Q2/2023

Initial public offerings became rather scarce in the 2021-H1/2023 period, a sign of the financial uncertainty in the global capital markets.

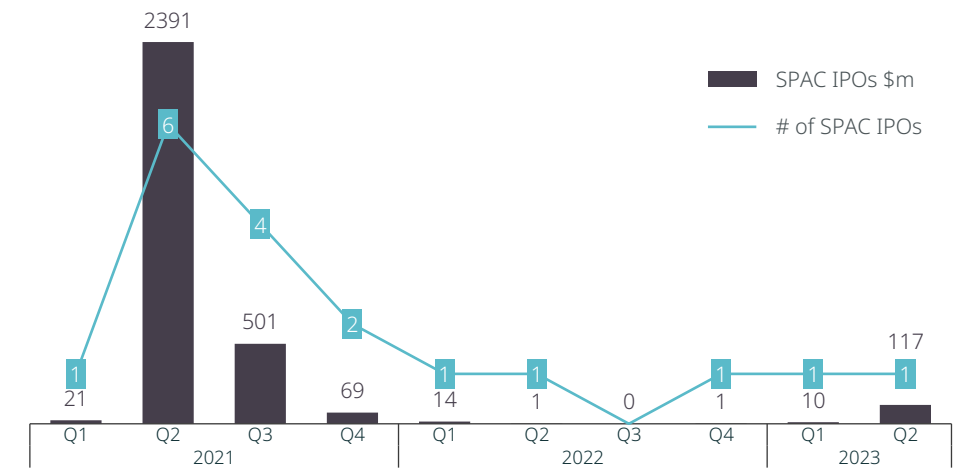
IPOs Post-Valuations H1/2015 - H1/2023



* IPOs under \$5B

Source: IVC-LeumiTech Israeli Tech Review Q2/2023

SPAC IPOs Q1/2021 - Q2/2023



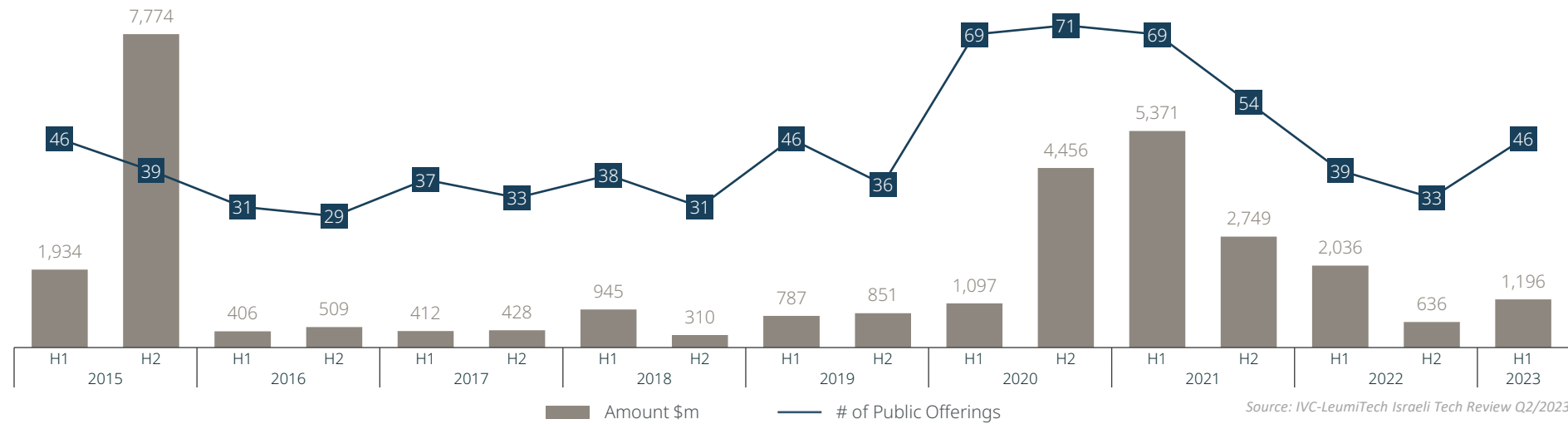
* IPOs under \$5B

Source: IVC-LeumiTech Israeli Tech Review Q2/2023

Israeli High-Tech Public Companies Offerings

In H1/2023, follow-on Israeli public offerings activity accelerated after a downtrend between H1/2021–H2/2022.

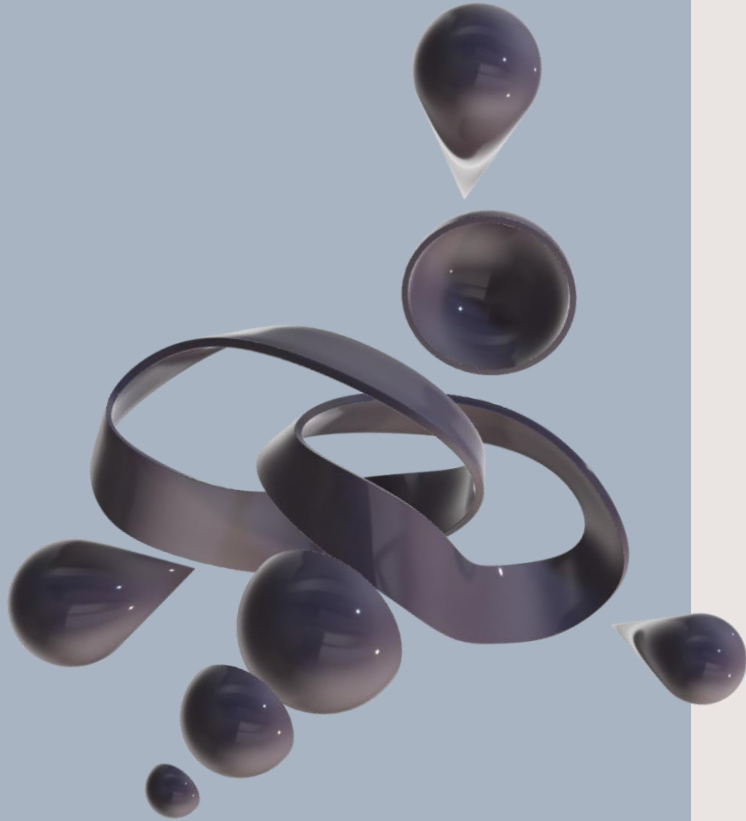
▶ Israeli Public Follow-on Offerings H1/2015 - H1/2023



* Excluding IPOs

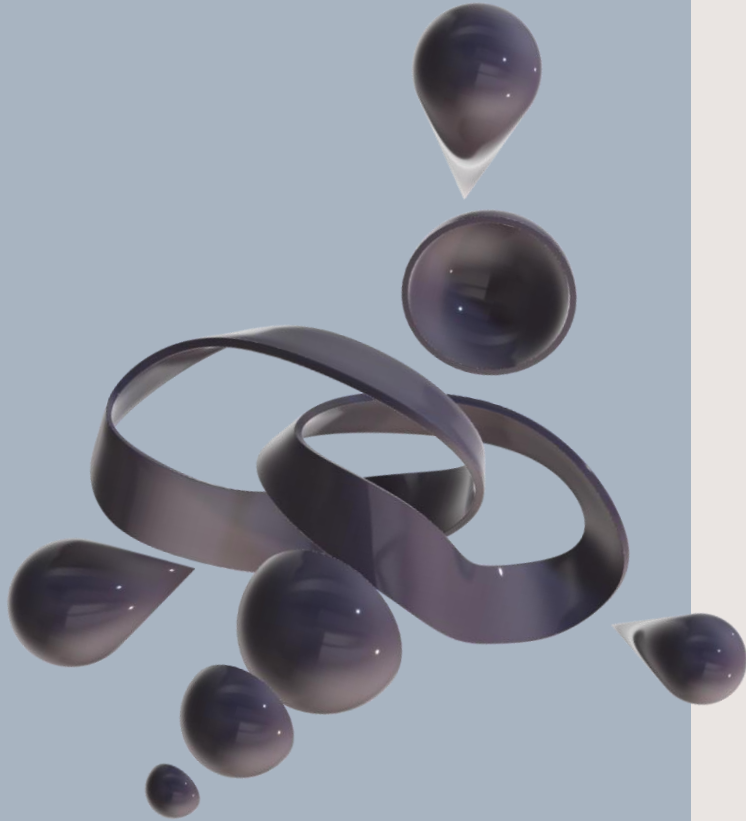
Q2/2023 Methodology





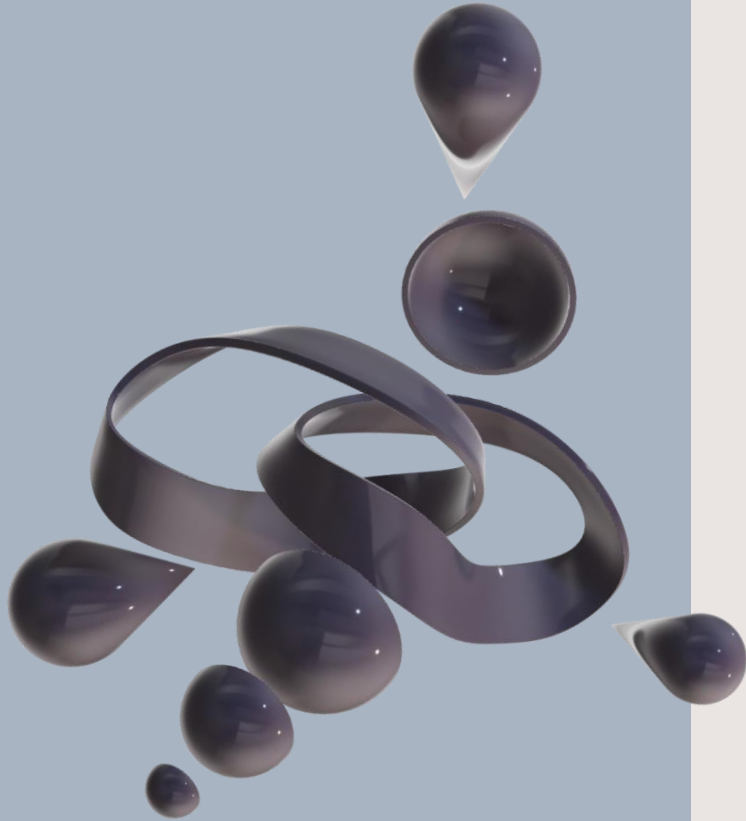
Methodology | General

- This report contains information derived from the IVC-Online Database. Deal numbers and values may vary across our reports due to continuous updates of historical numbers in the IVC database.
- This report summarizes activities of Israeli and Israel-related high-tech companies between 2015-H1/2023. "Israel-related" refers to a company which is not incorporated in Israel but has senior Israeli management and founders.
- Up-to-date information is available on www.ivc-online.com .



Methodology | Investments

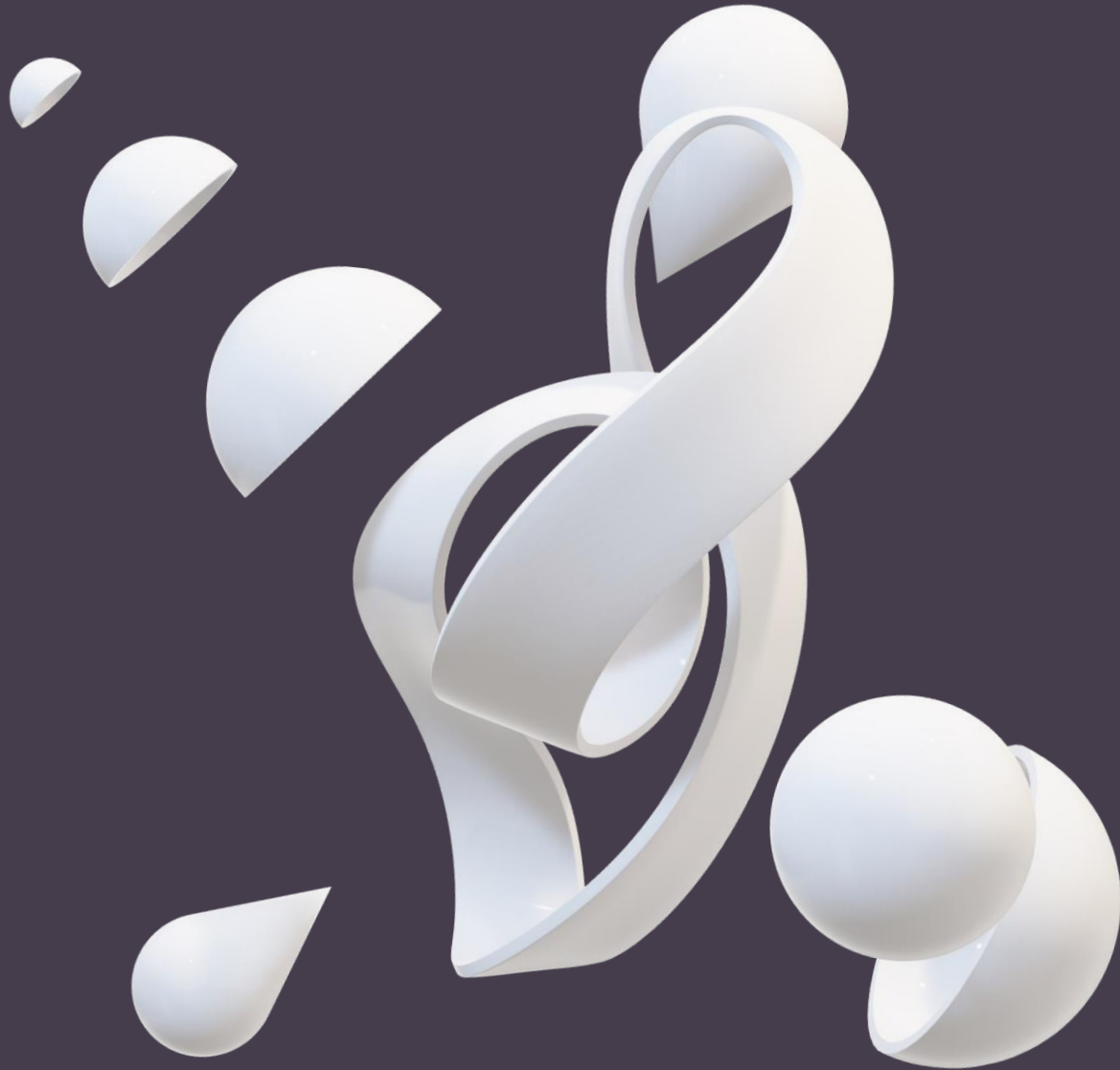
- This report reviews capital raised by Israeli tech companies from Israeli and foreign venture capital funds as well as other investors, such as investment companies, corporate investors, incubators and angels.
- Reported data presents the investments activity IVC collects from reliable media sources, and direct reports gathered by IVC's information specialists' team. In order to compare the data to previous periods, the data in IVC's database are normalized to include only the known published data for each quarter or year.
- Projected data covers the gap in knowledge about Seed companies' activity. Since most of the information about Seed companies comes to light 12 to 24 months after the closing took place, the projected data shows the reported data multiplied by a constant (factor) that helps to understand the real impact of activity in Seed companies over the long run. [READ MORE HERE.](#)
- The report is based on data from 238 investors of which 77 were Israeli VC funds and 151 were other entities.
- The term 'Early-Stage Companies' refers to high-tech companies in the process of development and not yet offering products to the market.
- The report covered total investments in the Israeli venture capital sector, including both VC-backed rounds where at least one investor participating in the round was a VC fund, as well as deals not backed by venture capital funds.
- The report includes amounts received by each company directly, including direct transactions performed between company shareholders.
- Most companies fall within more than one technology cluster, therefore the data regarding tech clusters should be viewed separately per cluster.



Methodology | Capital Markets

- Numbers and proceeds are extracted from public records.
- Registered direct deals and Follow-On Deals are bundled together.
- Primary transactions (both IPOs and follow-ons) include any secondary offerings consummated therewith.
- PIPE deals are analyzed as part of public Israeli high-tech companies' capital markets activity section.
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About



About IVC

Research Center is the leading data source and business information company in Israel's high-tech industry.

We help our clients understand the market, make connections and identify opportunities with access to the latest news, trends and developments.

From venture capital and private equity funds to industry leading companies and emerging startups across Israel's varied high-tech sectors, we cater to the varied business information needs that make up the Israeli high-tech ecosystem. We bring more than 20 years of experience of gathering and analyzing data, serving the IVC community. Our dedicated team of industry researchers and analysts has deep knowledge and hands-on experience working with Israel's high-tech sector.

Our management, professional sales and marketing teams drive IVC's commitment to excellence and client service. We enable a wide range of local and global clients, including entrepreneurs, local and foreign investors of all types and service providers such as lawyers and accountants, to get to know the Israeli high-tech ecosystem better

(Registered Database #366723)

www.ivc-online.com



About LeumiTech

LeumiTech, the banking arm of Leumi Group, specializes since 2014 in banking for high-tech companies and servicing companies from early stage through fast growing to giant corporates. We provide a comprehensive, personalized, tech-specific banking products and financing services as part of our complete solution for all of our clients' financial needs. Such services include high-tech credit expertise, hedging and investment tech center and access to global and local ecosystems.

With dedicated high-tech teams, LeumiTech provides a financial home for the Israeli high-tech industry.

www.leumitech.com



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