



THE ISRAELI TECH REVIEW Q1 2021

Presented by IVC Research Center and Meitar Law Offices

April 2021



Highlights | Q1/2021



- \$5.374b invested in 172 Israeli tech deals in Q1/2021, yet another strong quarter for the Israeli tech from all aspects
- 20 deals exceeded \$100m each, accounting for 55% of the total raised in Q1/2021
- The overall VCs share, 78% of all deals, is the highest in a decade. However, Non-VCs investors, like private investors, preferred to shy away this quarter, suggesting that valuations are too high
- While Q1/2021 numbers are impressive, the exponential growth in dollar amounts is highly correlated with Nasdaq Indexes valuations. These have suffered lately from a change in investor sentiment which implies that Israeli tech financing activity might underperform at Q2/Q3
- Israeli TASE was the main platform for liquidation, with 19 IPOs out of 21 in Q1/2021 (including one SPAC deal on LSE)
- The M&A activity in Q1/2021 returned to pre-pandemic levels





ISRAELI TECH INVESTMENTS Q1/2021



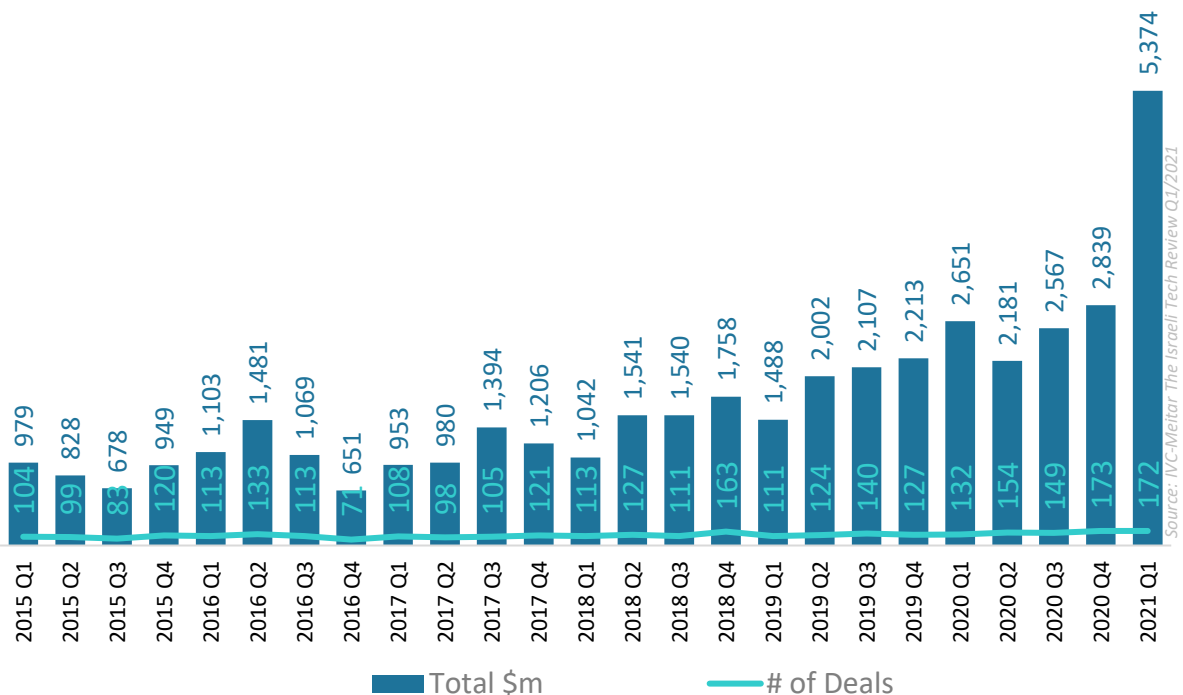
Israeli High-Tech Investments | Q1/2015 – Q1/2021



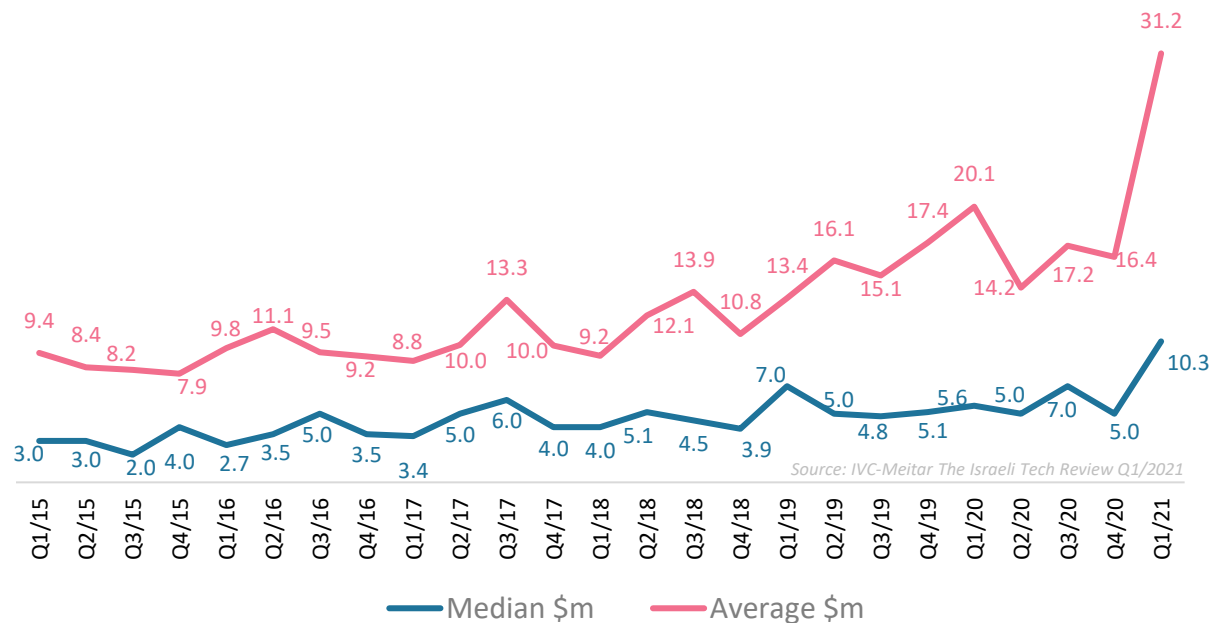
Capital raising peaked in Q1/2021, with the quarterly amount soaring to \$5.37 billion, 89% higher than Q4/2020 and doubling Q1/2020 amounts. This was mostly due to the 20 deals of over \$100 million each, that accounted for 55% of the total quarterly amount.

Both average and median reflect this uptrend, reaching exceptional levels, signaling that a major part of the capital flow went to relatively few capital-intensive deals.

Israeli High-Tech Investments Q1/2015-Q1/2021



Israeli High-Tech Investments: Average vs. Median Q1/2015-Q1/2021



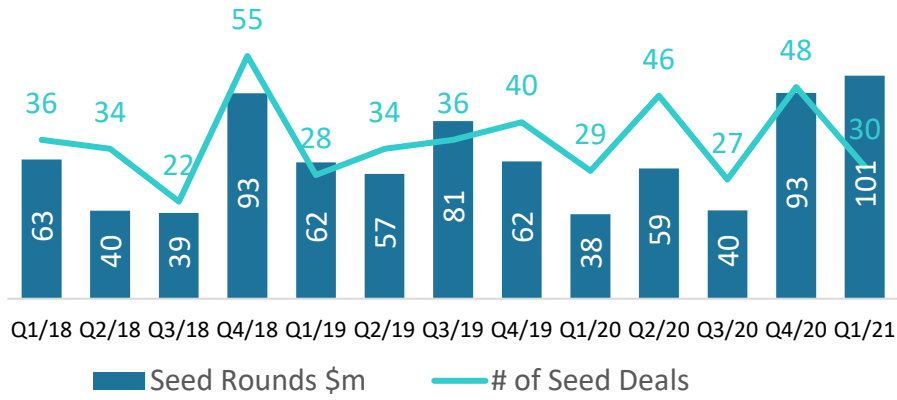
Early Rounds Investments | Q1/2015-Q1/2021



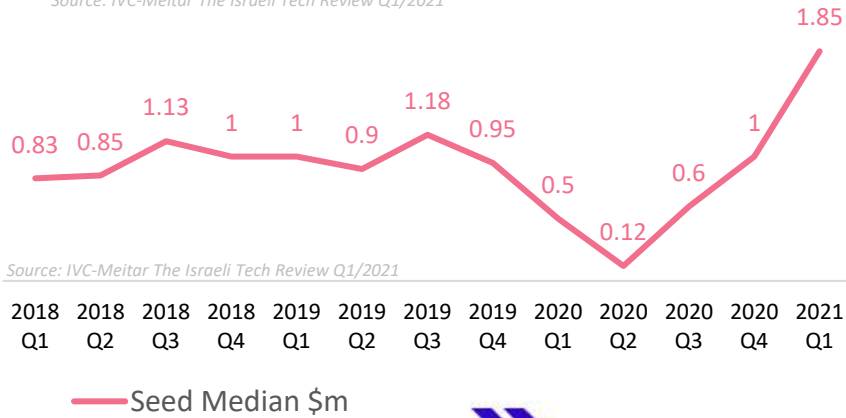
Early Round Investments (Seed + A Rounds) deal-making kept an average pace, while the capital investment volume continued to climb. The high level of investment's amounts in Q1/2021 were more than double the average amounts between 2015 – 2020 for both Seed and A Round deals.

Seed deals median increased sharply to \$1.85 million per quarter leveraged by the steep increase in VCs activity during Q1 2021.

Seed Deals: Amounts, Numbers and Median

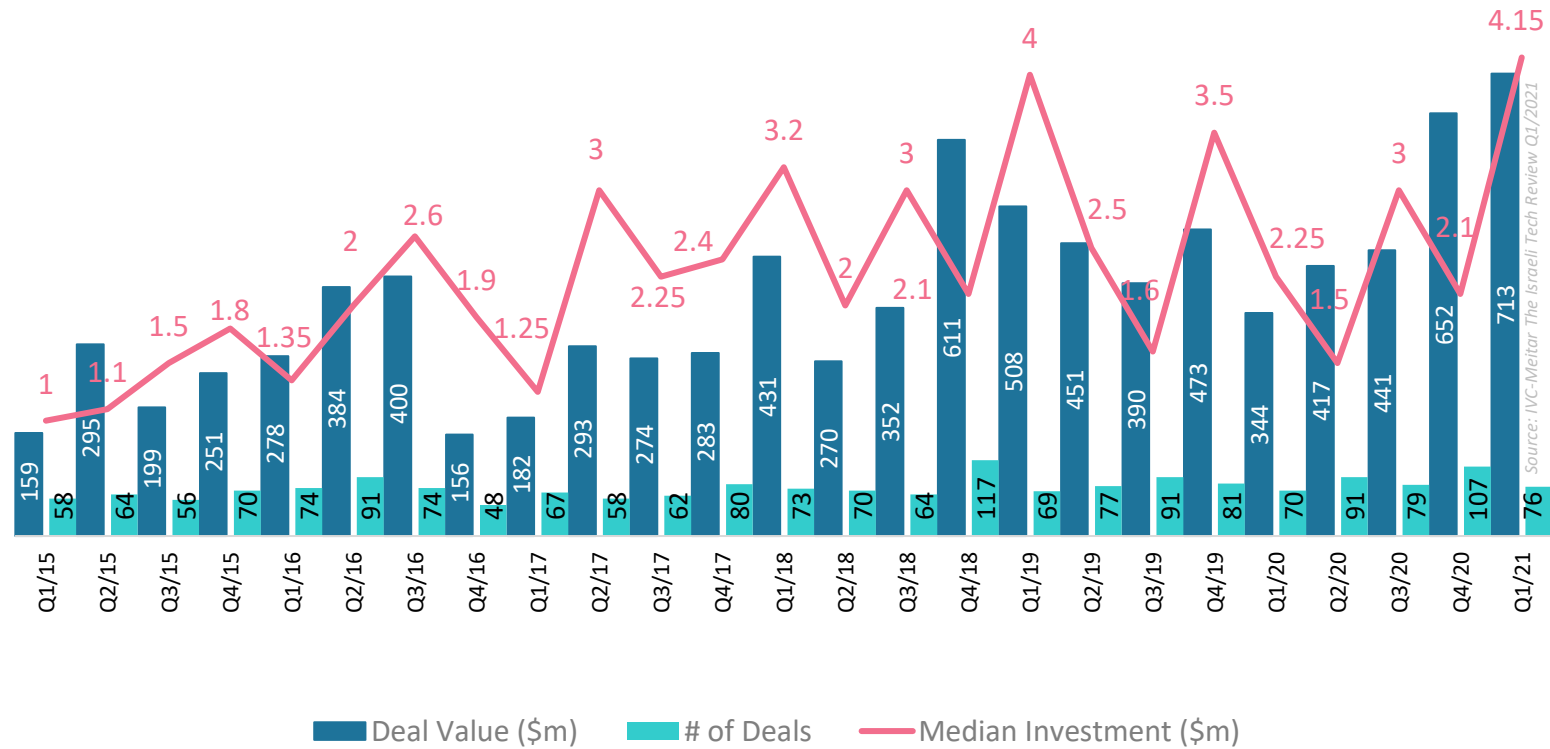


Source: IVC-Meitar The Israeli Tech Review Q1/2021



Source: IVC-Meitar The Israeli Tech Review Q1/2021

Quarterly Early Rounds Totals: Values, Numbers and Median



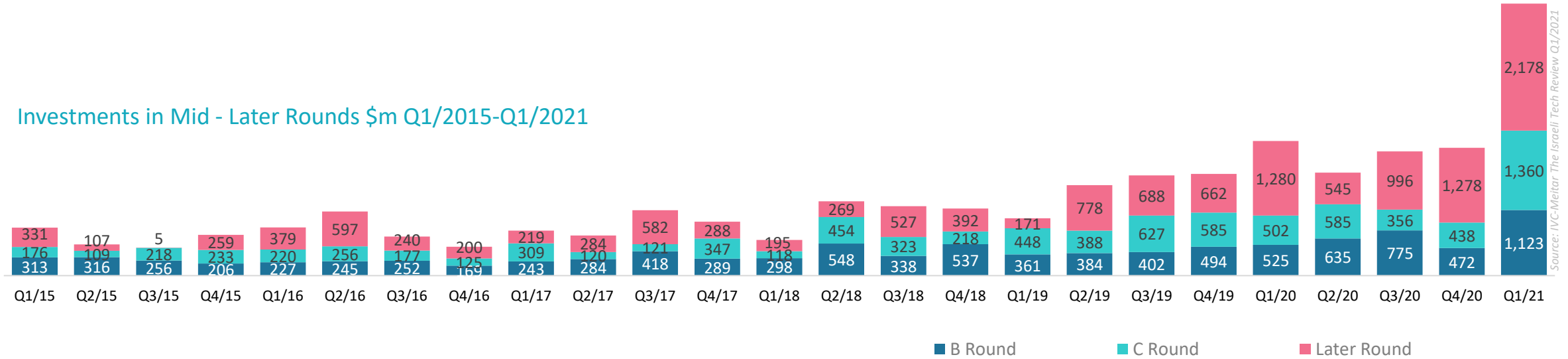
Source: IVC-Meitar The Israeli Tech Review Q1/2021



Investments by Rounds | Q1/2015 – Q1/2021



Investments in Mid - Later Rounds \$m Q1/2015-Q1/2021

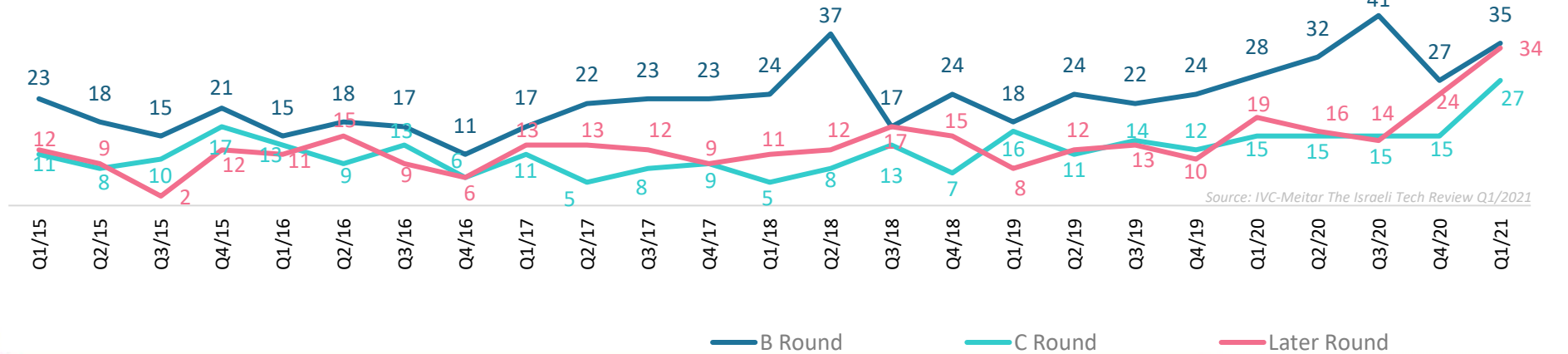


Source: IVC-Meitar The Israeli Tech Review Q1/2021

In Q1/2021, Mid and Later rounds surpassed all previous quarterly result doubling in capital volume from the previous quarter.

In total, more Later rounds were made this quarter, likewise amounting to twice the previous largest quarterly sum.

of Deals in Mid - Later Rounds Q1/2015-Q1/2021



Source: IVC-Meitar The Israeli Tech Review Q1/2021

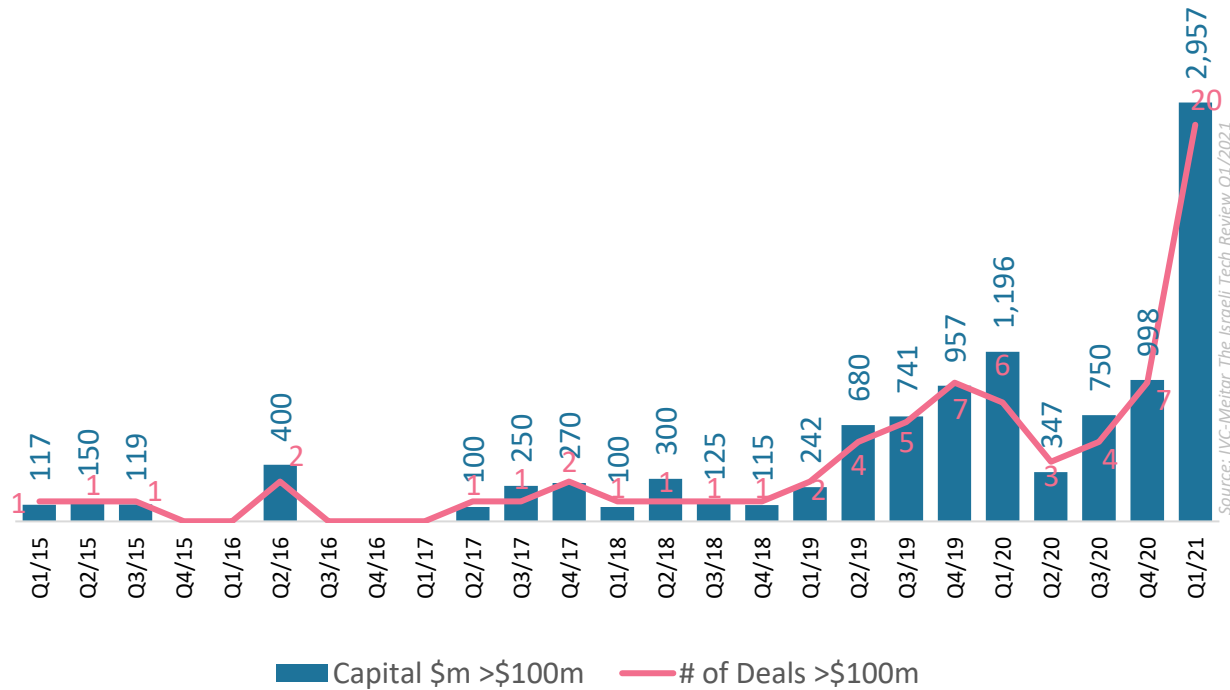


Largest Deals | Q1/2015 – Q1/2021

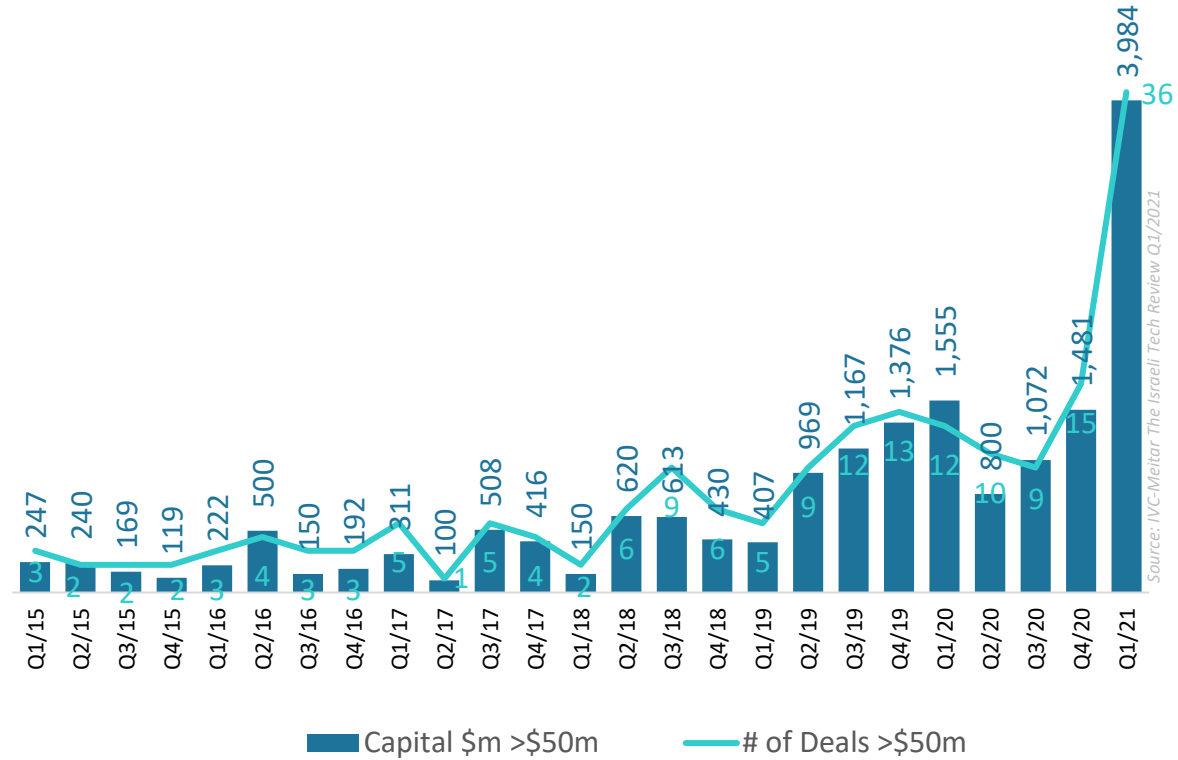


Capital raised in mega deals (over \$100m) nearly tripled from the last peak and composed 55% of total capital volume invested in Q1/2021. The number of deals over \$50m more than doubled from the previous quarter.

Deals Over \$100m | Q1/2015-Q1/2021



Deals Over \$50m | Q1/2015-Q1/2021



Is it time for a correction in the Israeli Tech financials?

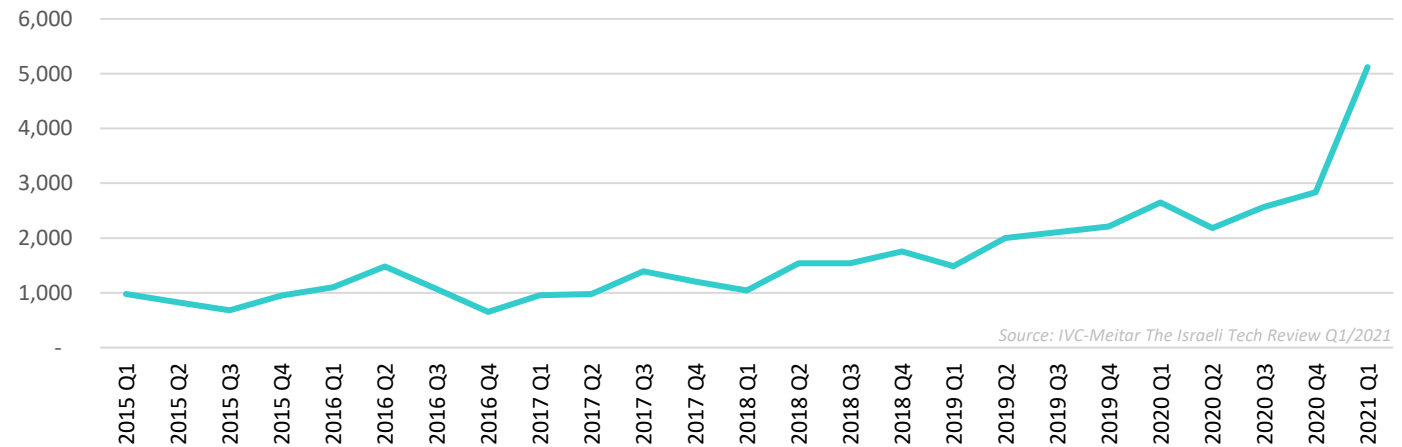


The investments pattern in high growth companies in Wall St. (especially in the Nasdaq indexes) is highly correlated with the investment amounts trend in the Israeli high-tech. ARK Innovation ETF of Cathie Wood's ARK Invest, invests in some of the high-flying names like: Tesla, Square, Roku, Zoom and Spotify, and became a symbol of the current public tech investment.

Lately, the sentiment in Wall St. has changed and some of the high growth names went through a rapid correction, losing 30%–40% of their value and raising the inevitable question: have publicly traded tech companies' valuations in bubble territory?

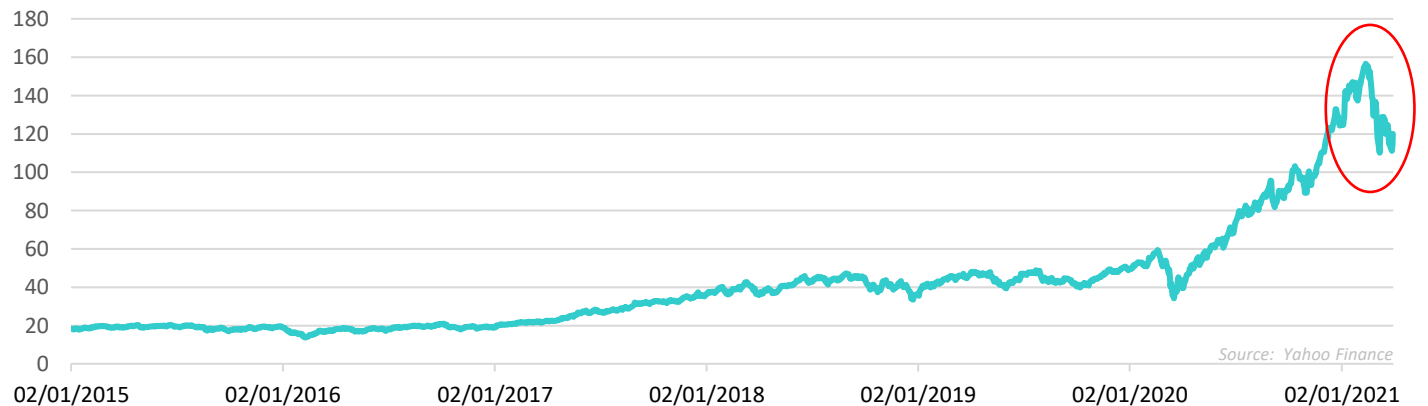
History suggests caution when opining about tech bubbles. Yet some sort of a correction is already in place (see the red circle). Considering the high correlation with the Israeli tech investments patterns, there is a high probability – at least in the short run (Q2/Q3) - that the record amounts we saw in Q1 won't be matched.

Israeli Tech Investments \$m Q1/2015 - Q1/2021



Source: IVC-Meitar The Israeli Tech Review Q1/2021

Cathie Wood's ARK Innovation ETF Valuation 2015 - 2021



Source: Yahoo Finance

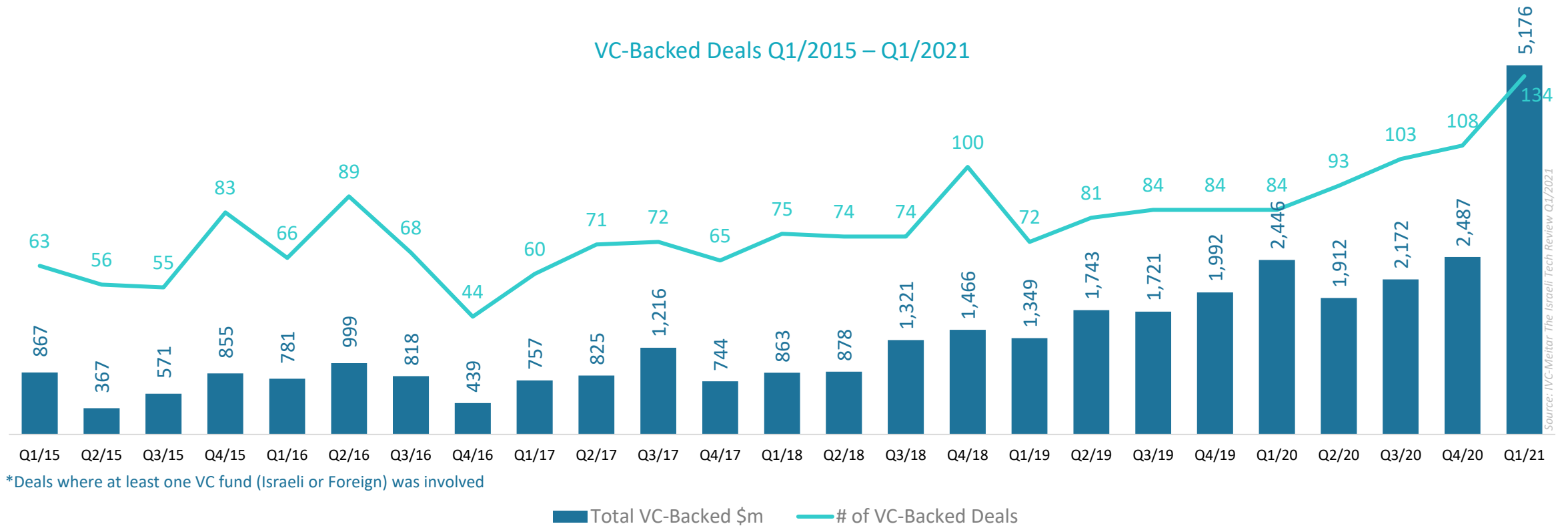


VC-Backed Deals | Q1/2015 – Q1/2021



VC-backed deals continued their growth trend, accounting for 78% of all deals in Q1/2021. These deals contributed 96% of the total capital invested in the quarter.

While the participation of VCs is growing, non-VC-backed deals share, continue to decline as a percentage of the overall investors and sank to 22%, the lowest share in a decade, and probably another sign of the ever-increasing valuations.

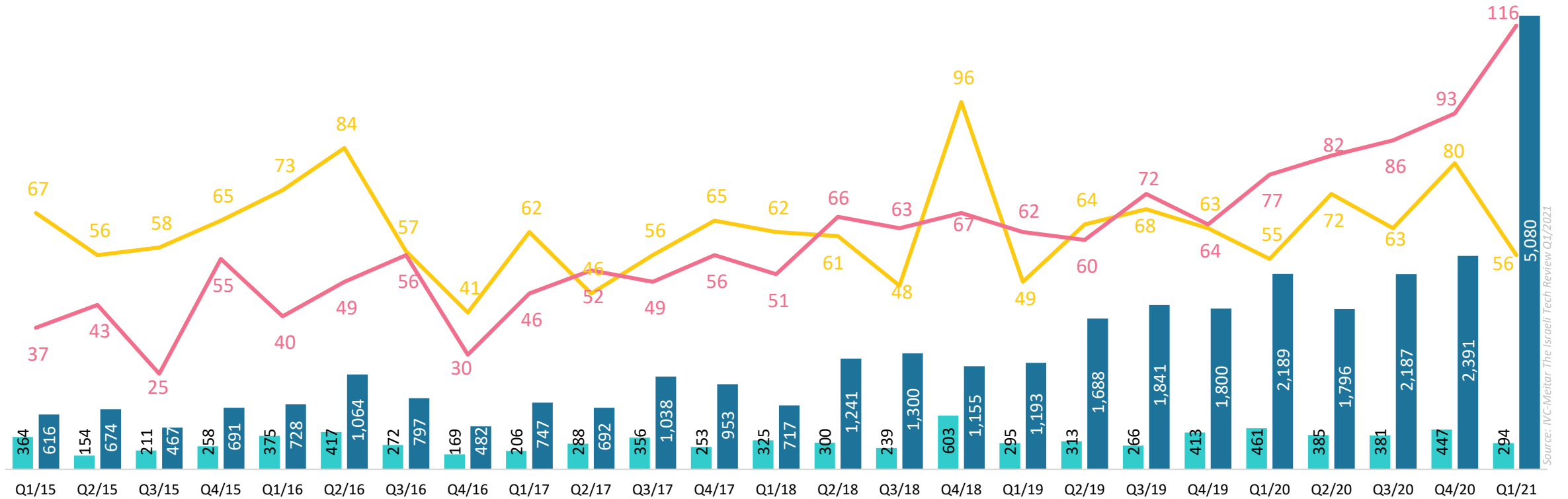


Investments by Stages | Q1/2015 – Q1/2021



Companies in growth stages saw a generous capital intake in Q1/2021, more than double the volume of previous quarters. Early stages figures showed modest results and a slight decrease compared to quarterly averages of the last five years.

Investments by Stage Q1/2015-Q1/2021



Source: IVC-Meitar The Israeli Tech Review Q1/2021

Early Stage: Seed & R&D Companies
Growth Stage: Companies with revenues

■ Early Stage \$m
 ■ Growth Stage \$m
 — # of Deals in Early Stage
 — # of Deals in Growth Stage

Selected Top Investments | Q1 2021



Rapyd
IT & Enterprise Software
Enterprise Apps
\$300m

NEXT
INSURANCE
IT & Enterprise Software
Business Analytics
\$250m

orca
security
IT & Enterprise Software
Security
\$210m

DRIVENETS
Communications
Mobile Infrastructure
\$208m

snyk
IT & Enterprise Software
Security
\$175m

Own{backup}
IT & Enterprise Software
Enterprise Apps
\$167.5m

aqua
run free
IT & Enterprise Software
Security
\$135m

Fireblocks
IT & Enterprise Software
Security
\$133m

k health
Life Sciences
Digital Health
\$132m

WIZ
IT & Enterprise Software
Security
\$130m

RESIDENT
Internet
E-Commerce
\$130m

yotpo.
IT & Enterprise Software
Security
\$120m

CYE
Internet
Content Delivery
\$120m

20
companies raised
\$2.96B
All VC-backed deals
each deal
over **\$100m.**

Source: IVC-Meitar The Israeli Tech Review Q1/2021



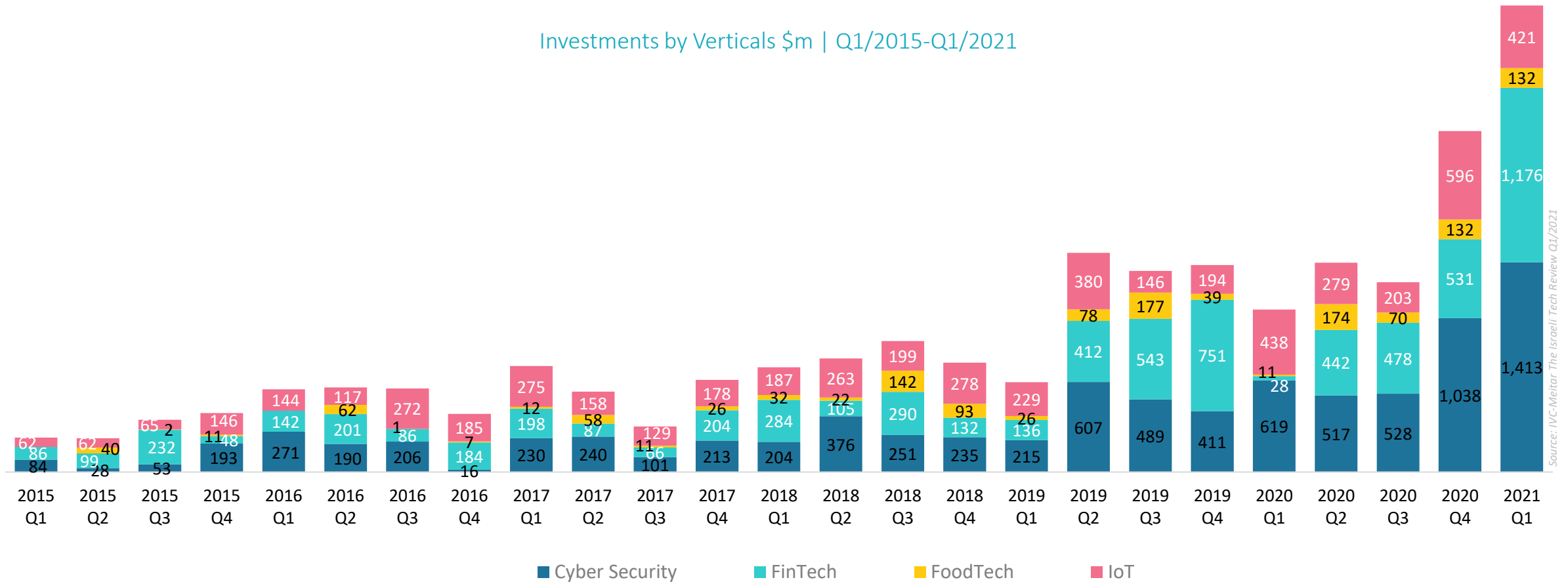
Investments in Selected Verticals | Q1/2015 – Q1/2021



The amounts raised by Cyber Security and Fintech companies peaked in the first quarter of 2021. A last-minute investment of \$250m in Next Insurance added to the Fintech vertical capital volume, capturing 21% share out of the total.

The Cyber cluster itself, captured 27% of the total volumes, most of them deriving from the larger deals in the quarter.

Investments by Verticals \$m | Q1/2015-Q1/2021



Source: IVC-Meitar The Israeli Tech Review Q1/2021

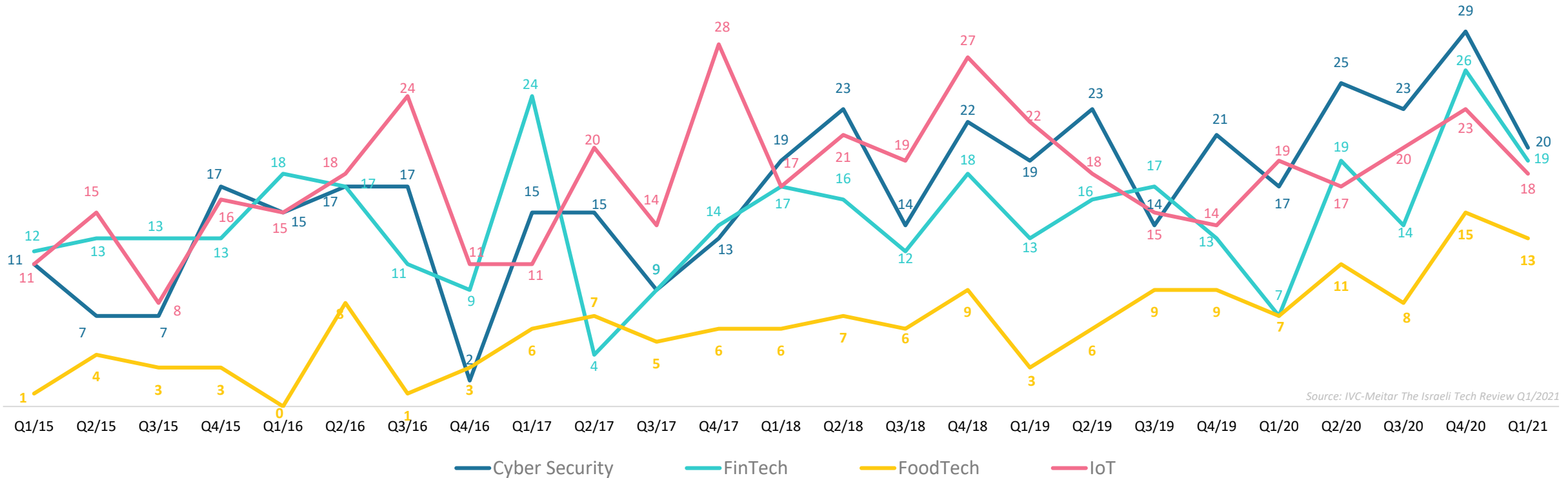


Investments By Selected Verticals | Q1/2015 – Q1/2021



The number of deals in Cyber and Fintech contributed, on average, 25% of the overall number of deals in the last five years. Q1/2021 provides strong evidence of the bias in Israeli tech scene toward Cyber and Fintech companies.

of Deals by Verticals | Q1/2015-Q1/2021



Source: IVC-Meitar The Israeli Tech Review Q1/2021

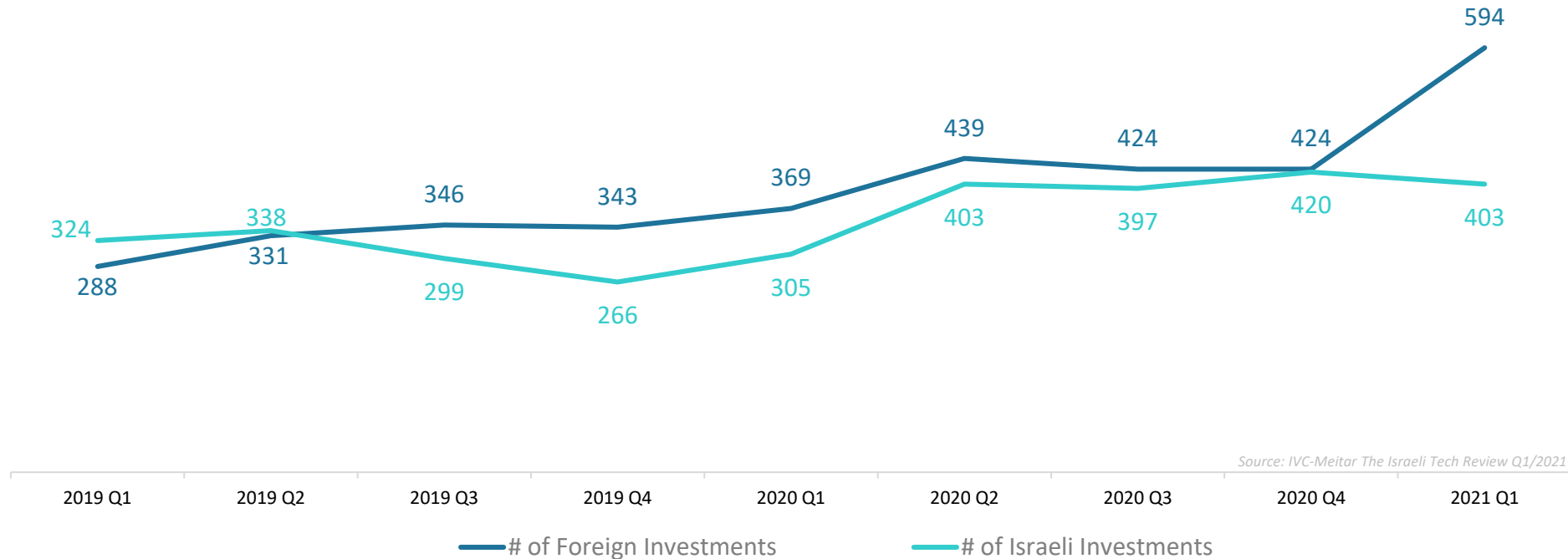


Israeli vs. Foreign Investments | Q1/2015 – Q1/2021



The analysis of number of investments coming from Israeli and foreign investors involved in Israeli tech demonstrated that foreign investors have kept a stable course of activity, increasing their investments gradually over the last years. Q1/2021 saw a sharp rise in investments from foreign investors, which reflects the increase in capital intake.

Israeli vs. Foreign Investments Q1/2019 – Q1/2021





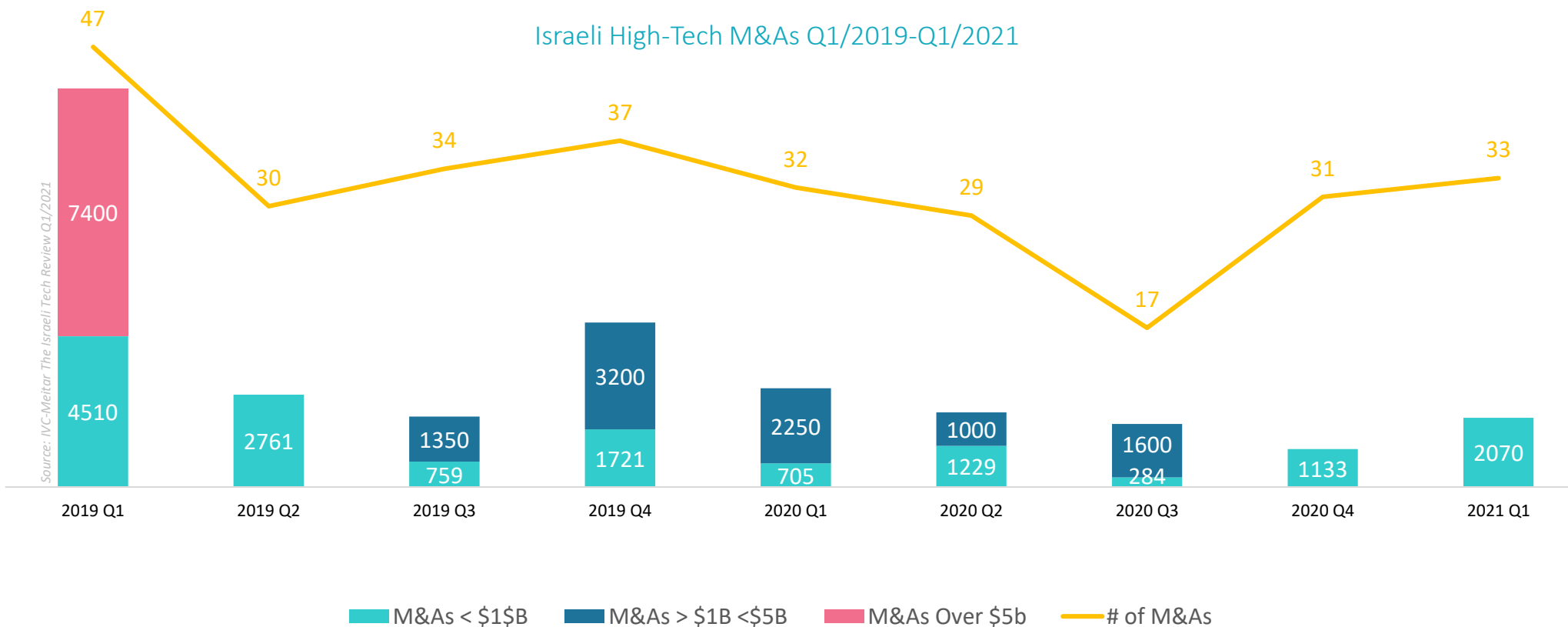
ISRAELI TECH EXITS Q1/2021



Israeli High-Tech M&As | Q1/2015 – Q1/2021



Total M&As value in Q1/2021 surpassed \$2 billion.
 The 33 M&A transactions this quarter support the return to normality after the slowdown in M&A activity during 2020.



* Including M&As & Buyouts





ISRAELI TECH IN CAPITAL MARKETS Q1/2021



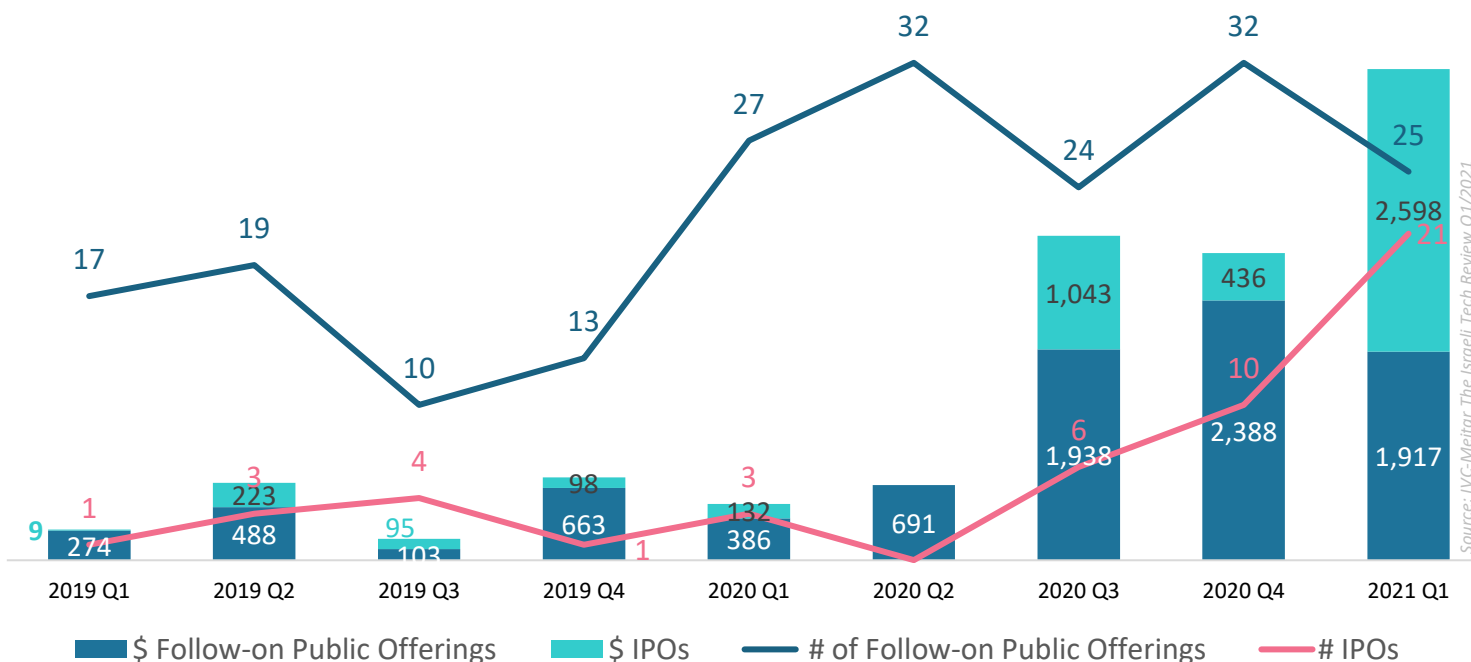
Israeli High-Tech Public Companies Offerings | Q1/2019 – Q1/2021



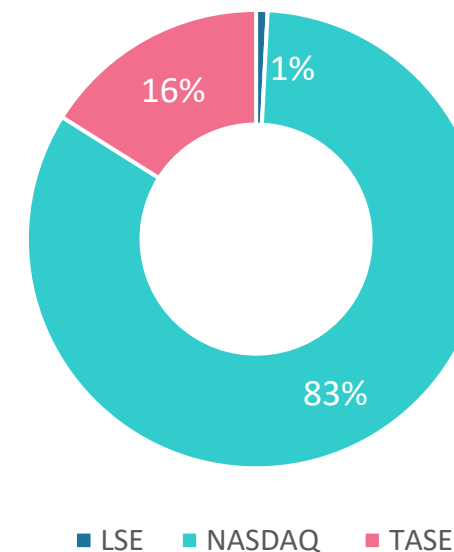
The public market continued with the same level of activity as H2/2020 In Q1/2021. IVC recorded 21 IPOs, most of them (19) in TASE. However, the 'big money' derived from Wall St. with Playtika's IPO (3rd Exit) on NASDAQ amounting to \$2.16b.

While many companies prepared to register in SPAC deals, just one was executed in Q1: Kanabo Group which listed on the London Stock Exchange (LSE) after a reverse merger with the SPAC Spinnaker Opportunities.

Israeli High-Tech Public Activity Q1/2015-Q1/2021



Israeli Initial Public Offerings \$m Q1/2021



Source: IVC-Meitar The Israeli Tech Review Q1/2021

* Including: IPOs, Follow-ons (including registered direct), PIPEs, equity and debt



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 data base.
- This report summarizes activities of Israeli and Israel-related high-tech companies between 2015-Q1/2021. "Israel-related" refers to a company which is not incorporated in Israel but has senior Israeli management
- Up-to-date information is available to IVC Industry Analytics subscribers.
- The report is based on data last updated on March 31st.

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 712 investors of which 102 were Israeli VC funds and 609 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 – Exits

- Our Exit Report historically referred to “Exits” as including M&A, Buyouts and IPO. This report is now dedicating a separate chapter for IPOs, as part of the Public Capital Market activity.
- The report summarizes M&As of Israeli and Israel-related high-tech companies in merger & acquisition deals, as well as buyouts performed by private equity and financial investors in Israeli and Israel related high-tech companies between 2015-Q1/2021.

Methodology – Capital Markets

- Deal 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





ABOUT

Meitar Law Offices is Israel's leading international law firm and the undisputed leader in the technology sector. The firm's Technology Group numbers over 120 seasoned professionals who specialize in representing technology companies, cooperating with attorneys from complementary practice areas, such as taxation, intellectual property and labor law, and dozens of attorneys from other practice areas.

Meitar has played a significant role in the majority of the largest and most prominent transactions recorded in the Israeli technology sector, including mergers and acquisitions and public offerings on foreign stock exchanges.

The firm is uniquely qualified to work with companies throughout their entire corporate "life cycle". The firm advises clients from their initial establishment through raising seed capital to successful exit.

Alongside emerging companies, Meitar represents high growth companies, and has represented the majority of the Israeli technology companies that have carried out initial public offerings in the US, as well as a diverse range of multinational companies from the US, China and Europe.

The firm represents most of the major venture capital funds active in the Israeli technology

sector, and played an active role in formation of some of the most successful and well-known funds in the industry.

Meitar is unique among Israel's largest law firms in the number of partners who have worked for major international law firms in the US and elsewhere. The firm maintains close working relationships with leading firms from around the world to provide our international and Israeli clients with the highest level of service and quality – in line with the finest law firms from across the globe.

<http://meitar.com/>





ABOUT

Founded in 1997, 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.

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