

& LEUMI **TECH**

# ISRAELI TECH REVIEW Q3 2023

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## Israeli Tech Exits

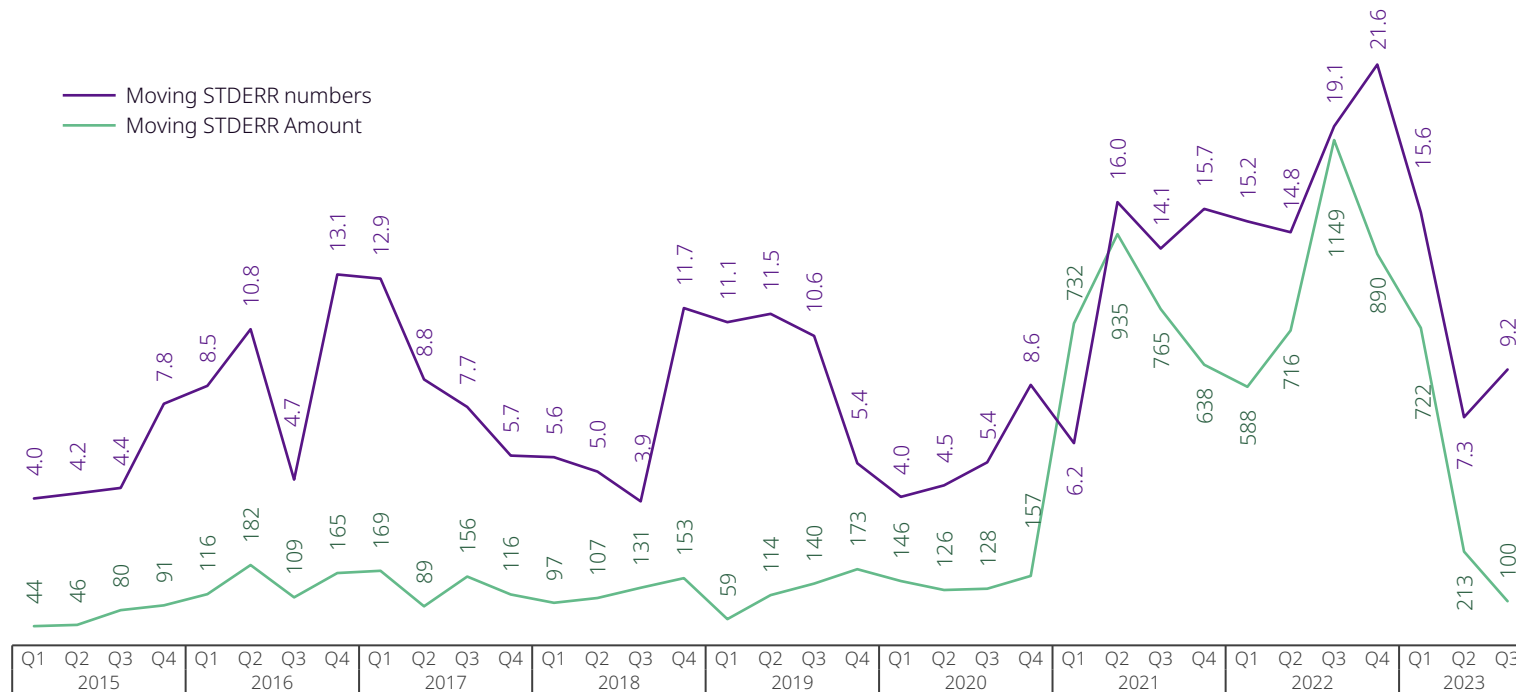
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# Q3/2023 Israeli Tech Highlights



# Israeli High-Tech Highlights

## ► Moving Standard Error (STDERR) - average variation Q1/2015 – Q3/2023



Source: IVC-LeumiTech Israeli Tech Review Q3/2023

## Back to Normal

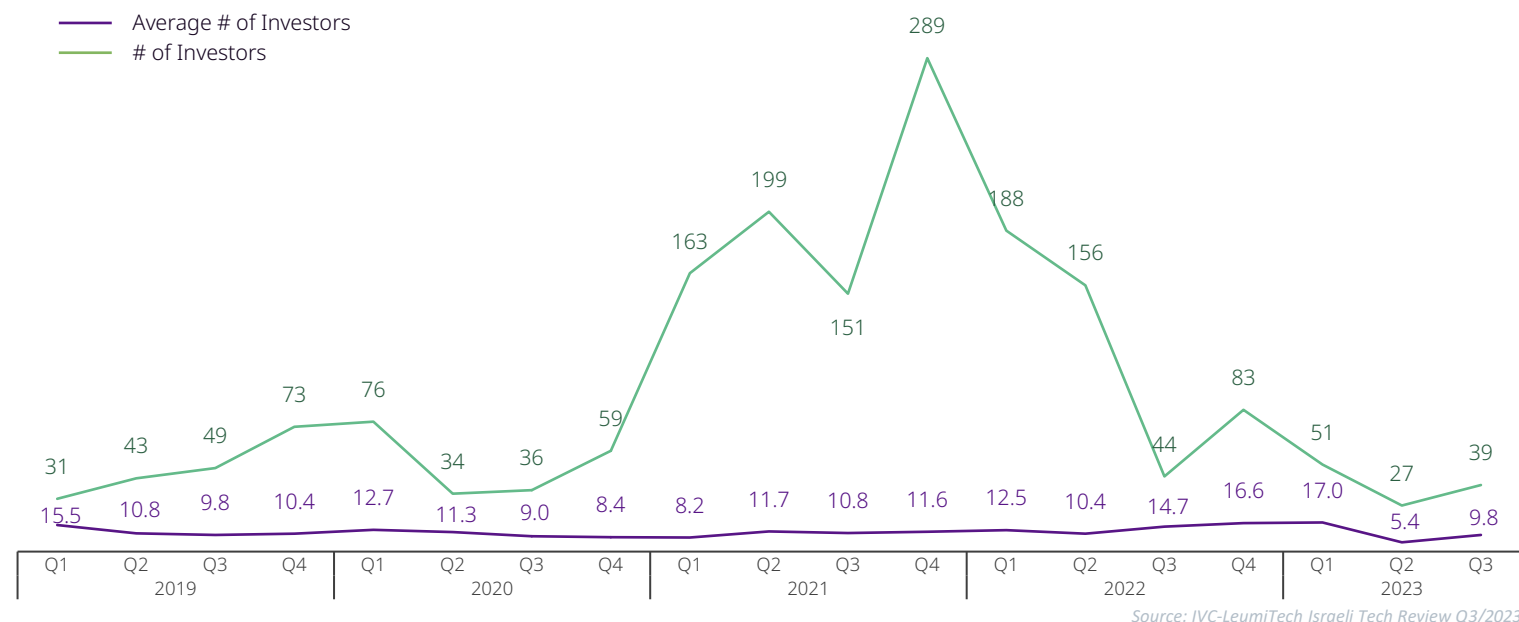
It seems as if nothing is normal in the financial world these days. Anomaly – or at least change that is hard to explain – is following every aspect of the global economy. But sometimes data points can be deceiving; when you look at the Q3/2023 financial activity numbers for Israeli Tech, it seems the other way around – we are back to normal, at least for now.

Normality can be observed in various ways. One way that could be relevant to our universe is to check the quarterly changes in the average variation from the mean of investment numbers and amounts. The statistical Standard Error (SE) measure can supply the needed observation about the normality level of tech investments.

Plotting a moving Standard Error gives the average variation over each period (four quarters). From the graph below, covering the period 2010–Q3/2023, it's very clear that in the last two quarters, amounts and numbers of investment deals are back to where Israeli tech was until mid-2020.

# Israeli High-Tech Highlights

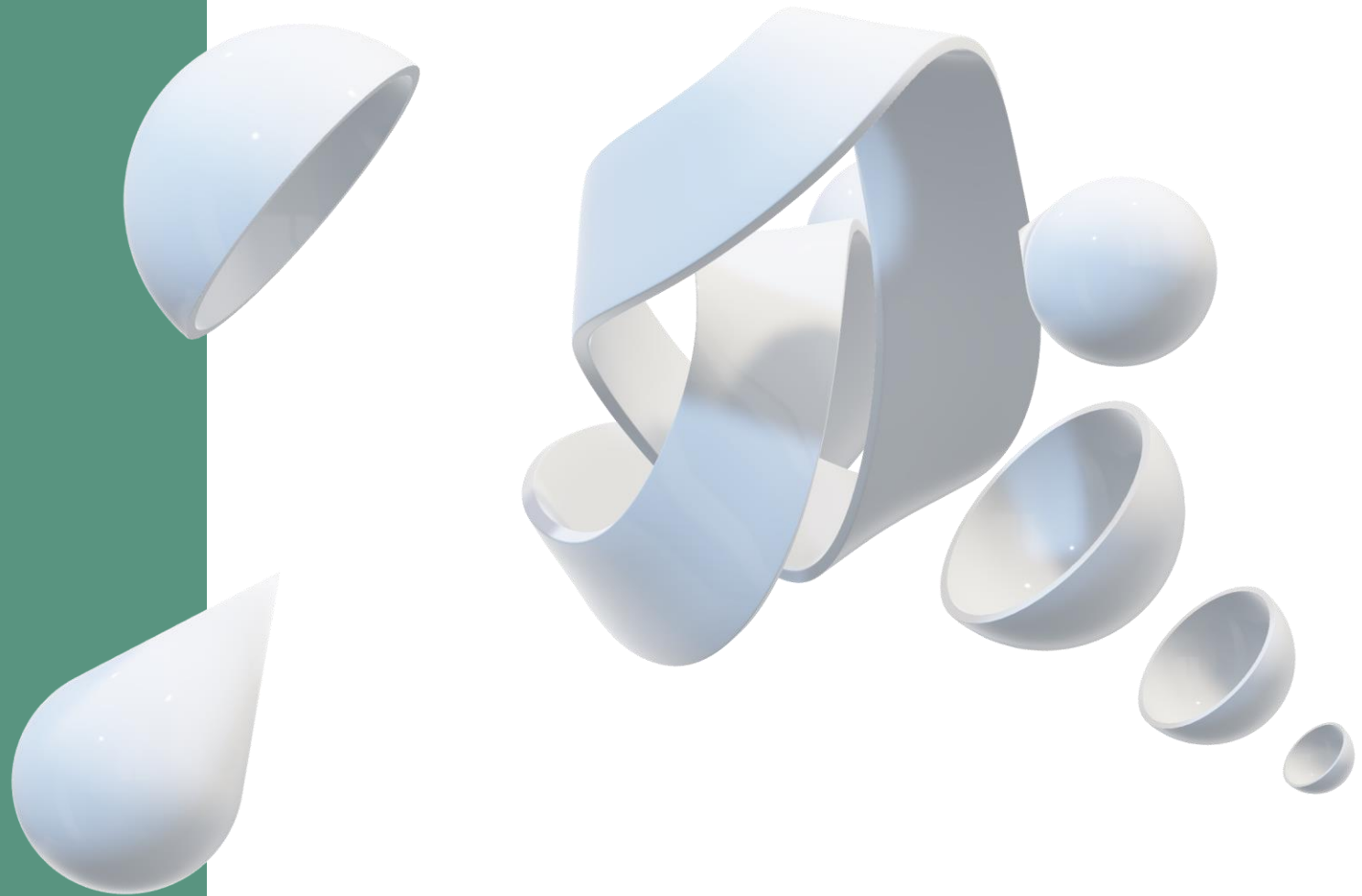
## ► Israeli High-Tech Investors Q1/2019 – Q3/2023



Mega-rounds (over \$100m each), were the most recognized quantitative indicator for the hype season of 2021. In 2021, nearly 50% of the dollar amounts came from these mega-rounds, which were dedicated mainly to supplying liquidity to the local unicorns. In Q3/2023 we are no way near this liquidity level streaming into the Israeli startups, yet investors are not shying away completely from this type of deal.

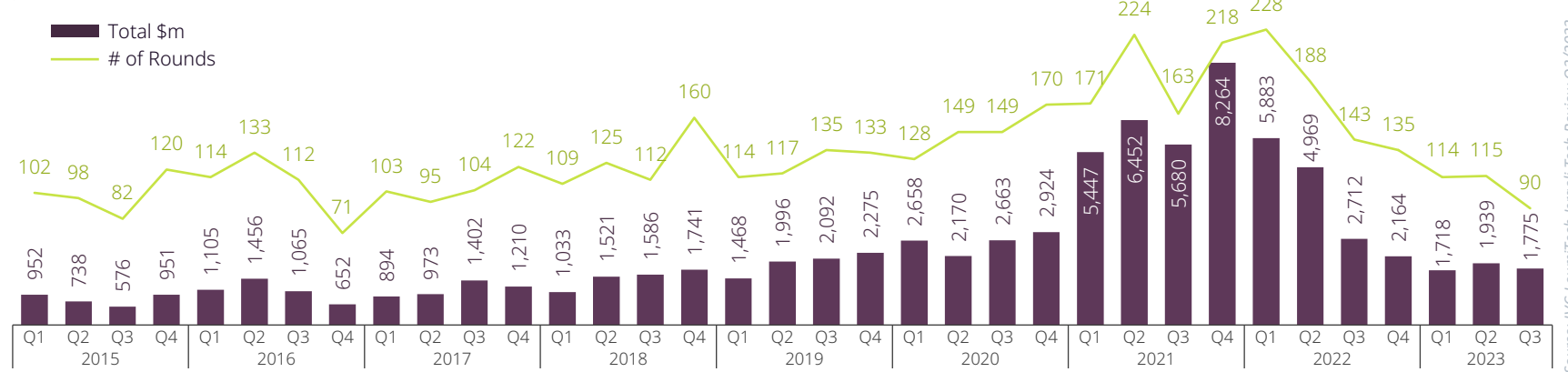
Mega-rounds usually involve a large number of participants since the amounts are high. Currently, the low number of mega deals (a decline of 75% in the first nine months of 2023 Year/Year), has materialized in 4 deals in Q3/2023 and 12 deals to date for 2023. The average number of investors remains steady, but they clearly are not back yet.

# Q3/2023 Israeli High-Tech Investments

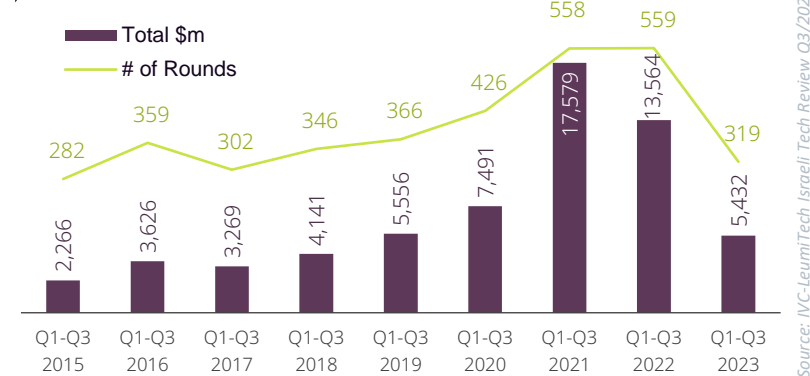


# Israeli High-Tech Investments

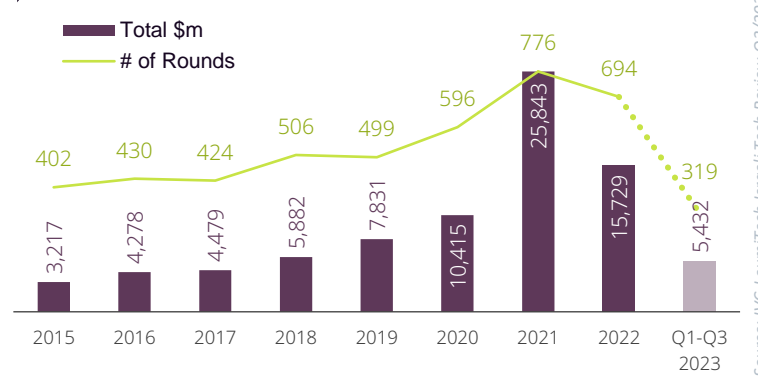
## ► Q1/2015 - Q3/2023



## ► Q1-Q3: 2015 - 2023



## ► 2015 - Q1-Q3/2023



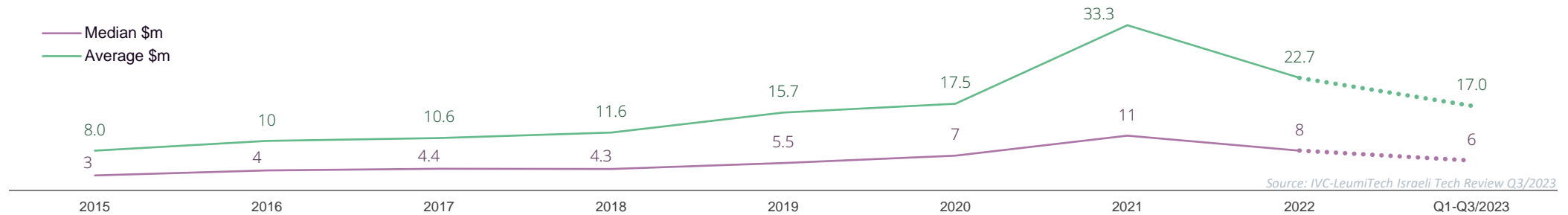
Quarterly Israeli high-tech capital raising amounted to \$1.78b in Q3/2023 in 90 deals. While the quarterly numbers continue the downslope in a yearly amounts' comparison (35% decline from > Q3/2022), the investment trend has stabilized since Q1/2023, where investment totals hit bottom, at least for now.

On a yearly basis, the private Israeli tech companies (start-ups) garnered \$5.43b in the first nine months of the year, a drop of 60% compared with Q1-Q3/2022.

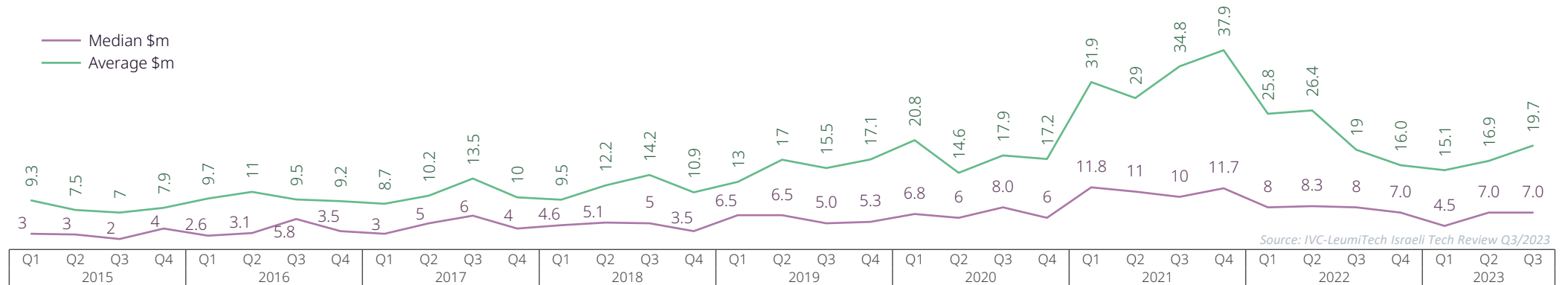
Capital raising in Q3/2023 was led by 10 deals over \$50m each, which accounted for \$1b – 57% of total capital.

# Israeli High-Tech Investments

## Tech Investments: Average vs. Median 2015 - Q1-Q3/2023



## Tech Investments: Average vs. Median Q1/2015 - Q3/2023



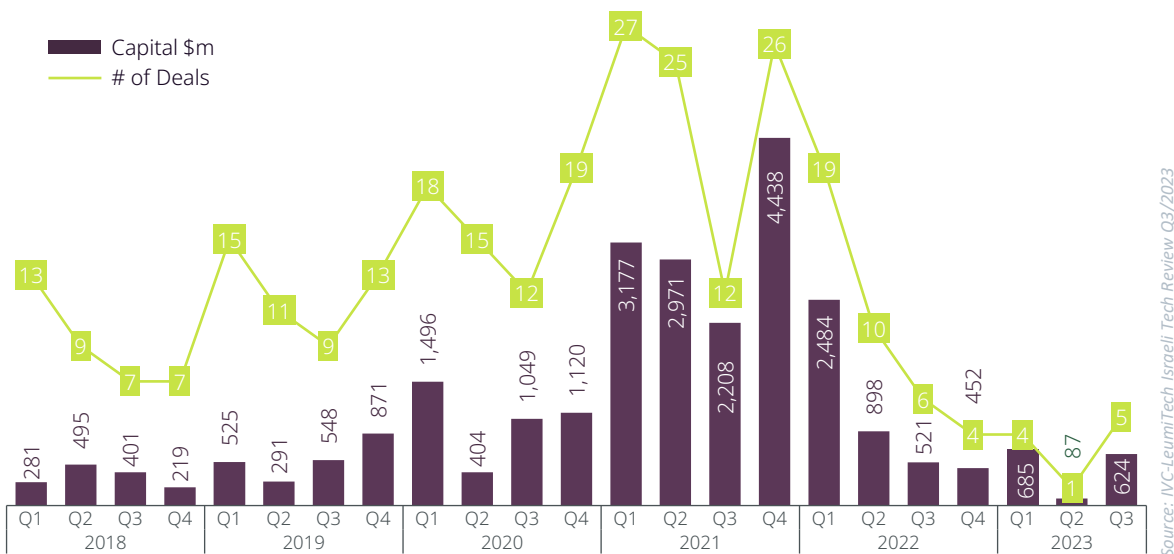


# Israeli High-Tech Unicorns

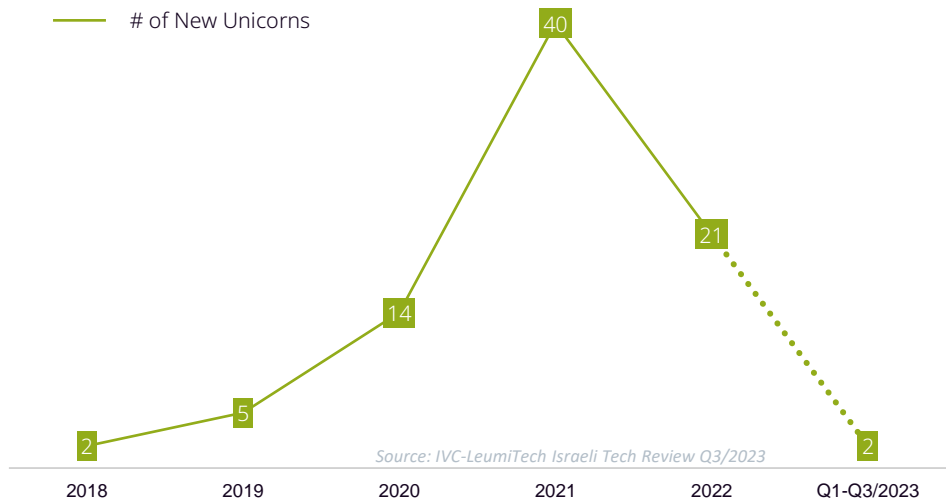
Unicorn capital raising activity continued at a slow pace in 2023. While the trend since Q1/2023 has improved, numbers are still at the levels of the second half of 2022.

In total, only two new unicorns were created in 2023 so far, a sign that high company valuations are not easily achieved, as opposed to the prolific 2020–2022 period for unicorns.

## ► Unicorns Capital Raising Q1/2018 – Q3/2023



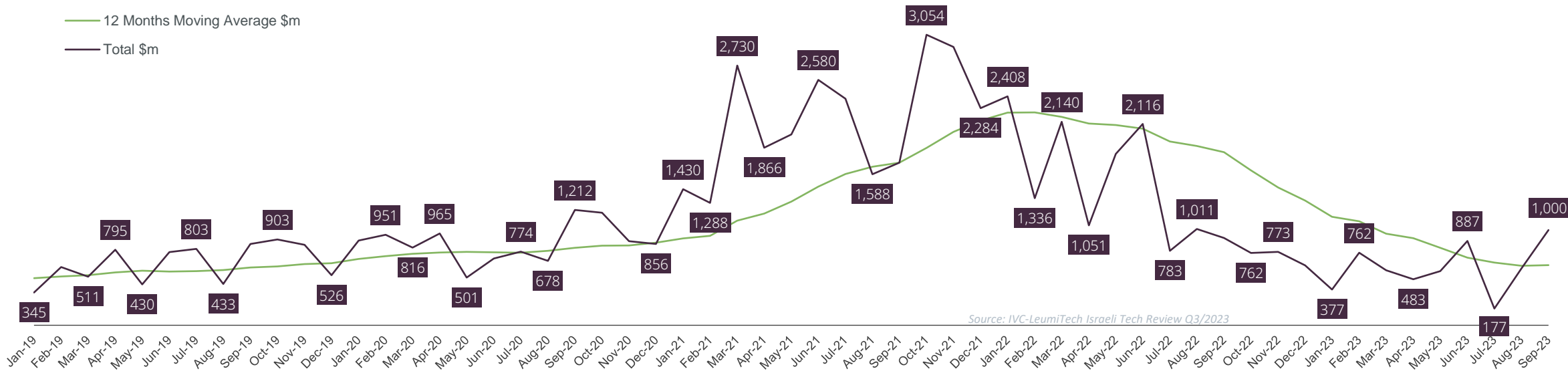
## ► # of New Unicorns by Valuation Date 2018 – Q1-Q3/2023



# Israeli High-Tech Investments Jan/2019 - Sep/2023

The third quarter of 2023 seems to have held a steady course, with the 12-month moving average looking stable, signaling that the Israeli high-tech market has reached a plateau in capital raising activity, at least in the short term.

## Tech Investments: Monthly Capital vs. 12-Months Moving Average Jan/2019 - Sep/2023

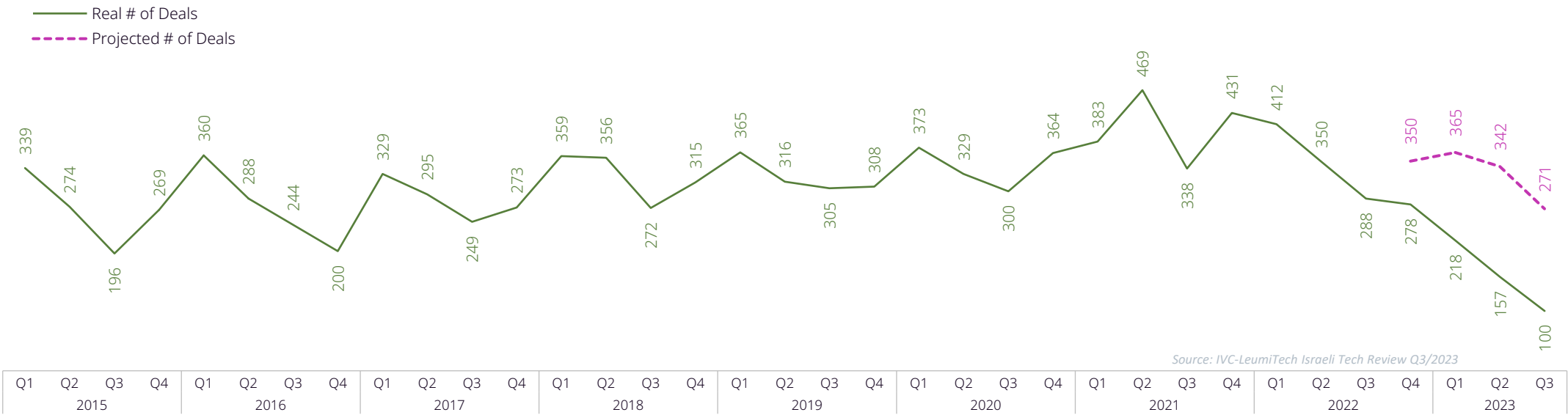


# Projections: Real vs. Reported # of Capital Investments

Estimating the quarterly real number of deals helps us to grasp the full implications of the investment trend, even though only a fraction of the deals has been reported thus far. See our [Methodology](#) for more details.

The time-series model already adjusted for the changes in trend, and the estimation for Q3/2023 is lower than the numbers we used to see in 2020–2022.

## ► Projections: Real vs. Reported # of Capital Investments Q1/2015 – Q3/2023

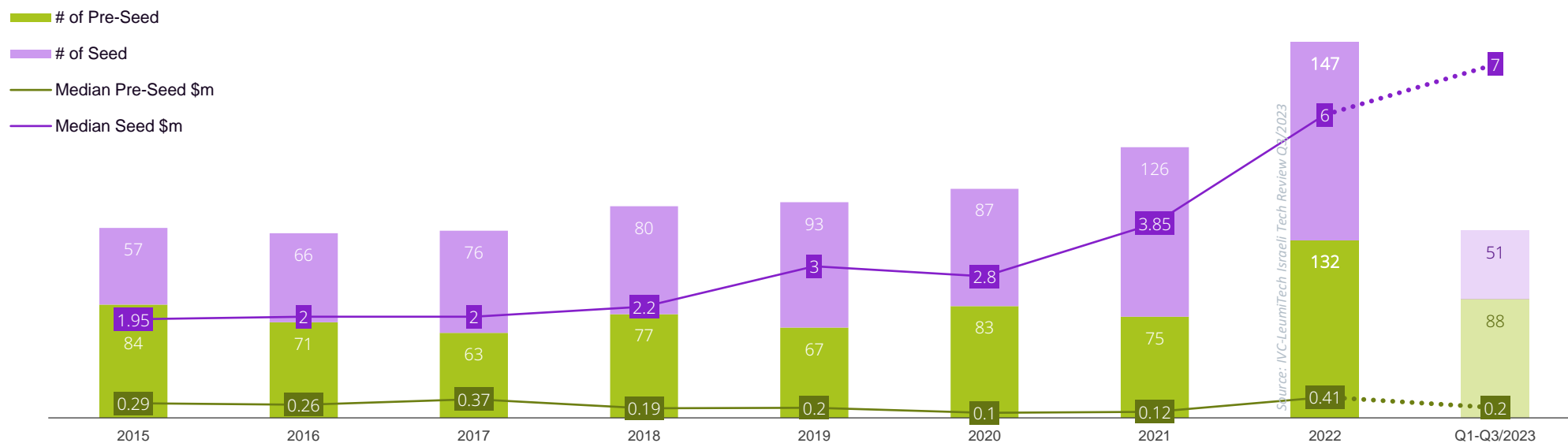


\*including PIPE deals

# Pre-Seed & Seed Deals: Numbers and Median

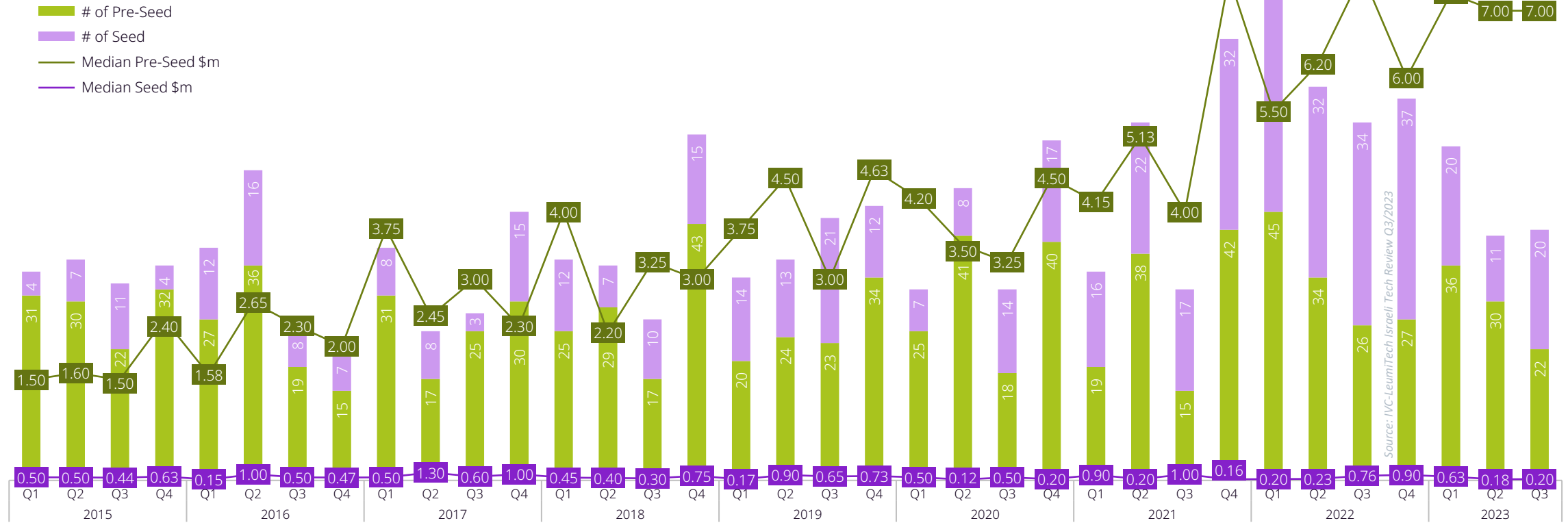
More young companies succeeded to raise seed capital through the Q1-Q3/2022 period, with 126 deals – equal to the In Q3/2023, the pattern of pre-seed and seed rounds is still pointing down, compared to the numbers we saw in 2021–2022. In terms of amounts, the seed and pre-seed numbers are in a long slowdown that has started to stabilize in Q3/2023 (see page 14).

## ► Pre-Seed & Seed Deals: Numbers and Median 2015 – Q1-Q3/2023



# Pre-Seed & Seed Deals: Numbers and Median

## ► Pre-Seed & Seed Deals: Numbers and Median Q1/2015 – Q3/2023

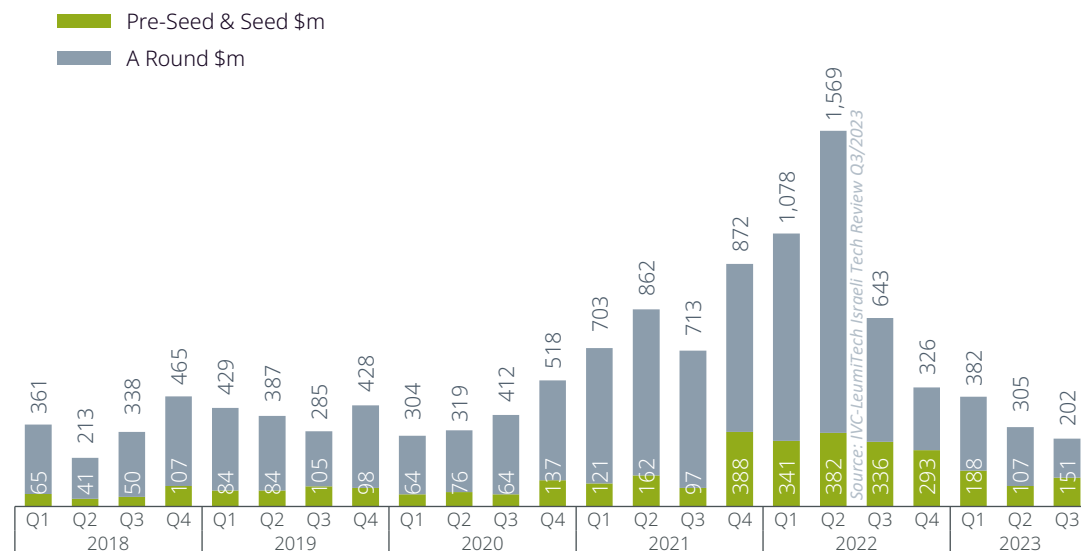


# Early Rounds Totals: Amounts, Numbers and Median

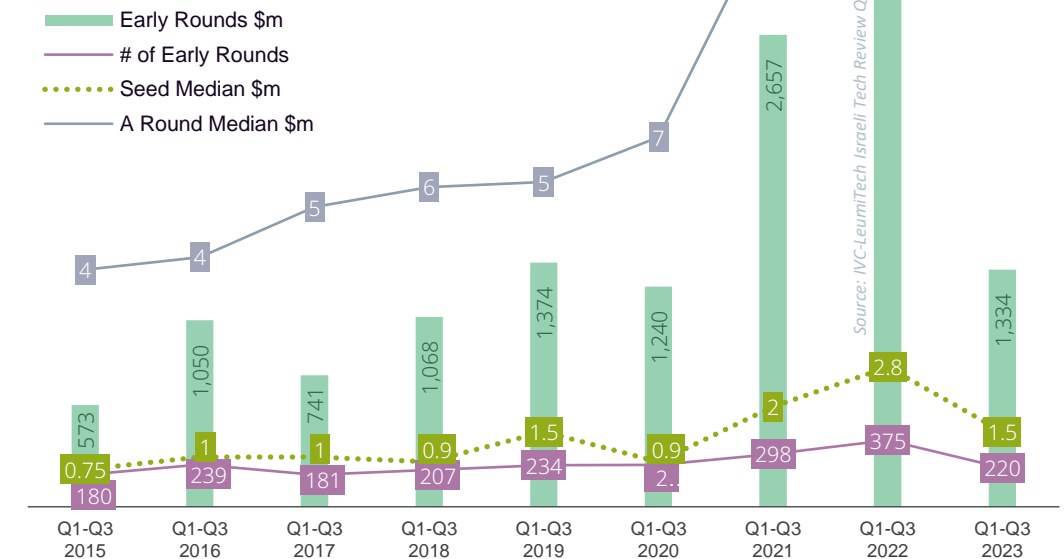
In Q3/2023, the downtrend in seed round amounts (seed and pre-seed) inched up for the first time after 5 quarters of decline.

Less early rounds (pre-seed, seed and A rounds) were made in the first three quarters of 2023 compared to the same period in 2021 -2022, but in the ranges we saw during the same timeframe in 2018 - 2020.

## ► Early Round Capital \$m Q1/2018 – Q3/2023



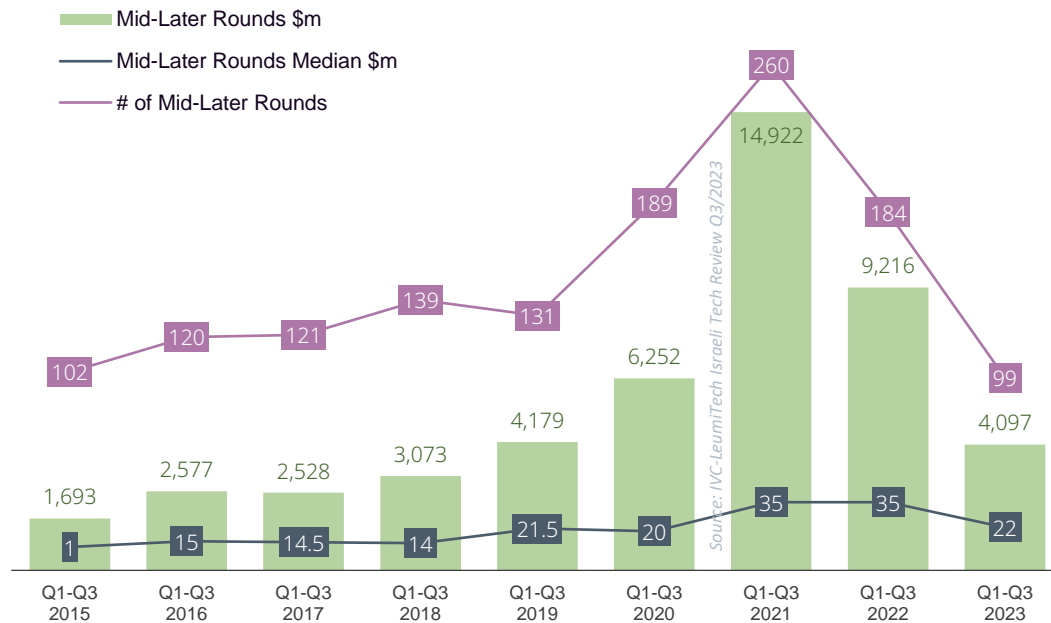
## ► Early Rounds Q1-Q3: 2015 – 2023



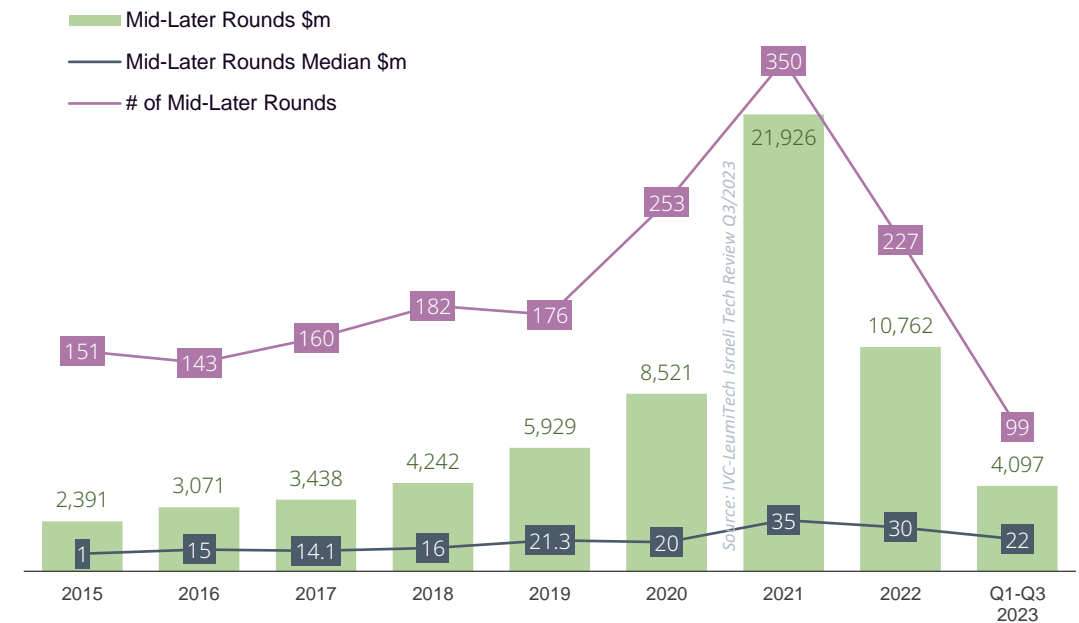
# Investments in Mid - Later Rounds

In Q1-Q3/2023, mid-later rounds have dropped 56% in capital and 46% in number of rounds from the same period in 2022. However, the total numbers of these round types stabilized in Q2-Q3/2023 (especially in later rounds).

## Investments in Mid - Later Rounds Q1-Q3: 2015 - 2023



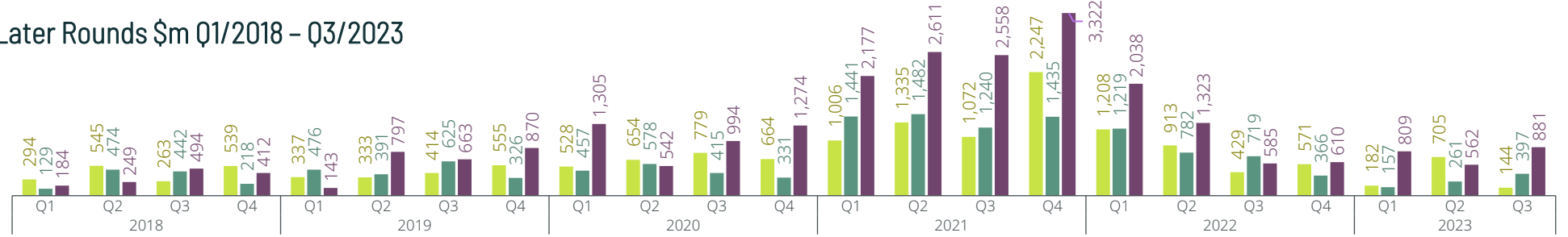
## Investments in Mid - Later Rounds 2015 - Q1-Q3/2023



# Investments in Mid - Later Rounds

## Investments in Mid - Later Rounds \$m Q1/2018 - Q3/2023

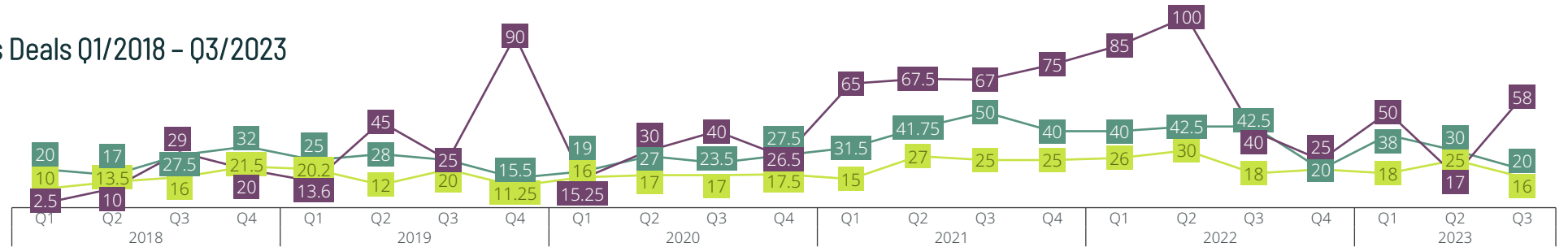
■ B Rounds \$m  
■ C Rounds \$m  
■ Later Rounds \$m



Source: IVC-LeumiTech Israeli Tech Review Q3/2023

## # of Mid-Later Rounds Deals Q1/2018 - Q3/2023

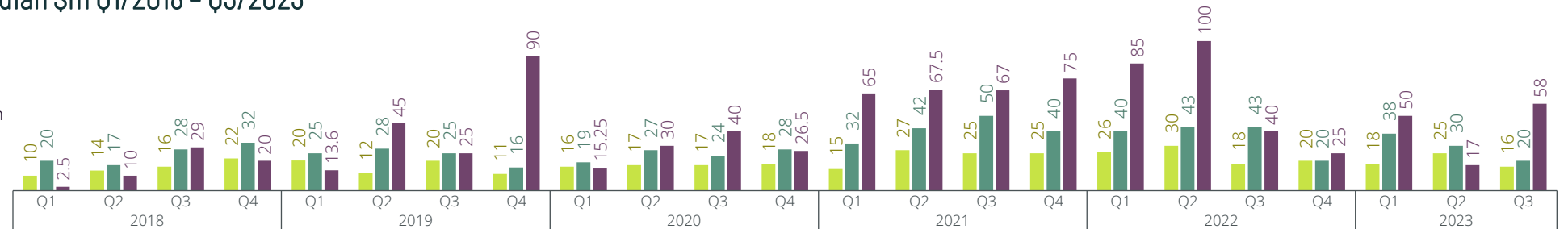
— # of B Rounds  
— # of C Rounds  
— # of Later Rounds



Source: IVC-LeumiTech Israeli Tech Review Q3/2023

## Mid-Later Rounds Median \$m Q1/2018 - Q3/2023

■ Median B Rounds \$m  
■ Median C Rounds \$m  
■ Median Later Rounds \$m



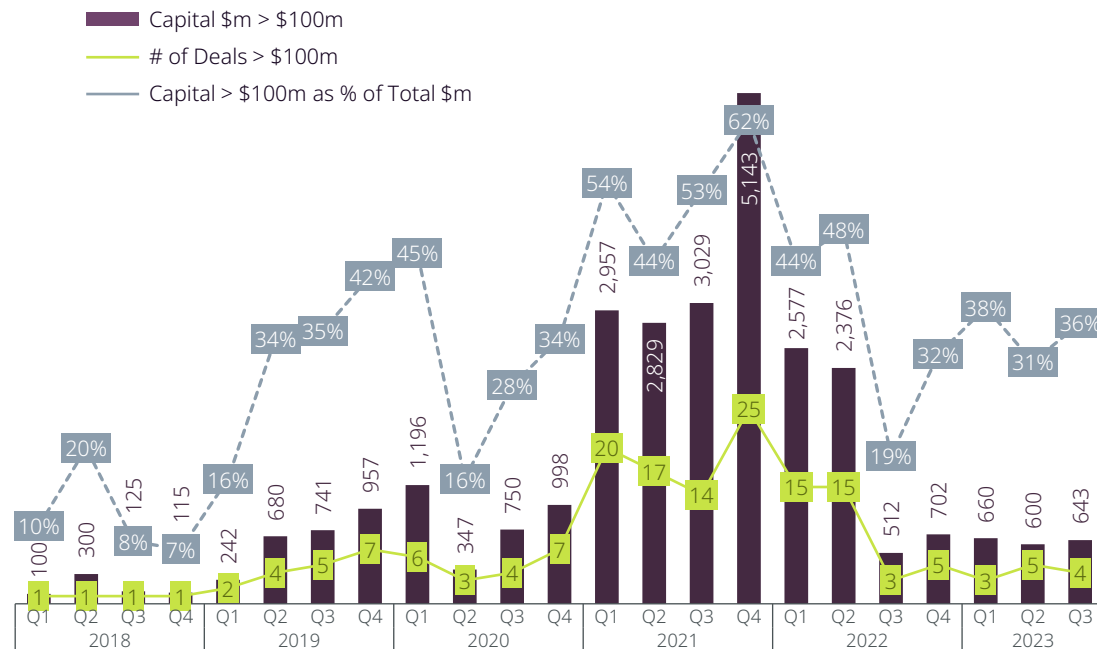
Source: IVC-LeumiTech Israeli Tech Review Q3/2023



# Capital Raising by Deal Size

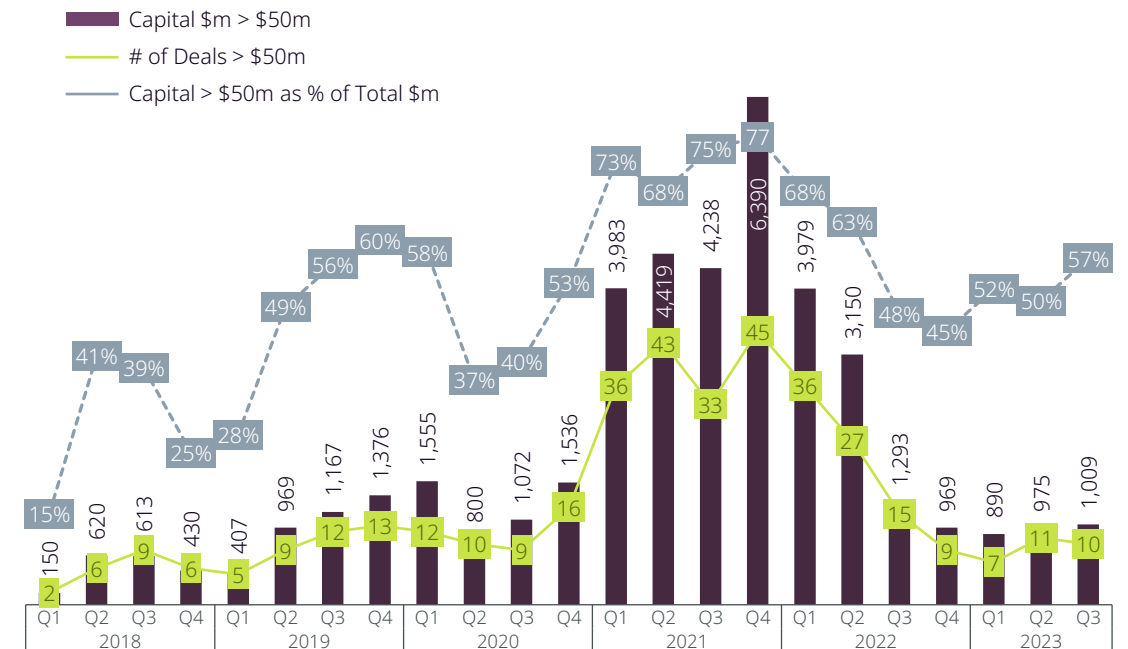
Quarterly deals over \$50m kept the same pace since Q4/2022, a decrease of 22% in capital and 33% in number of deals from Q3/2022. The amount share of this deal type out of total capital raised, however, reached 57% – the level we saw in 2019–2020.

## Deals over \$100m Q1/2018 – Q3/2023



Source: IVC-LeumiTech Israeli Tech Review Q3/2023

## Deals over \$50m Q1/2018 – Q3/2023

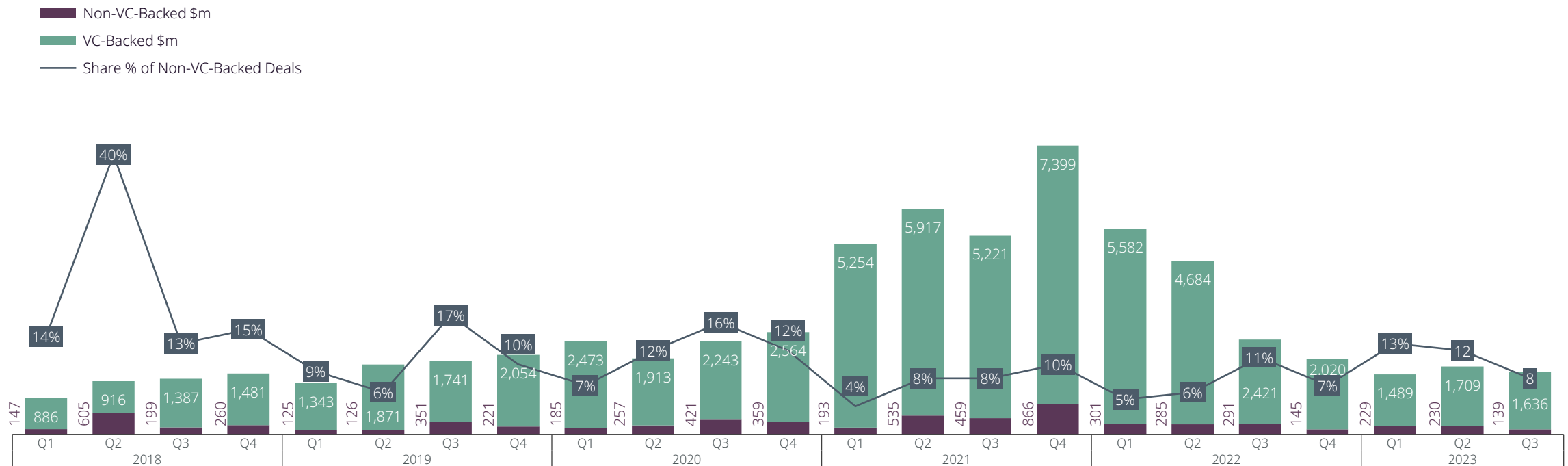


Source: IVC-LeumiTech Israeli Tech Review Q3/2023

# VC-Backed Deals

VC-backed deals have kept their pace in Q3/2023, at 2018–2019 levels, while the stabilization of this deal type continues, following a sharp decrease in Q4/2021–Q1/2023.

## VC-Backed Deals Q1/2018 – Q3/2023

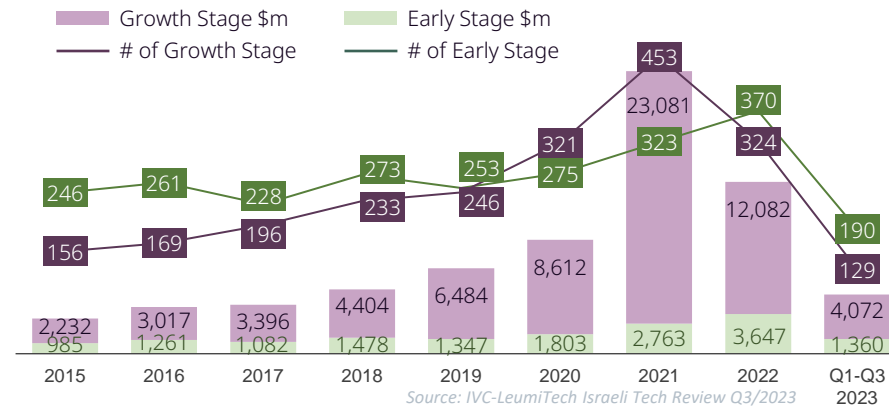


Source: IVC-LeumiTech Israeli Tech Review Q3/2023

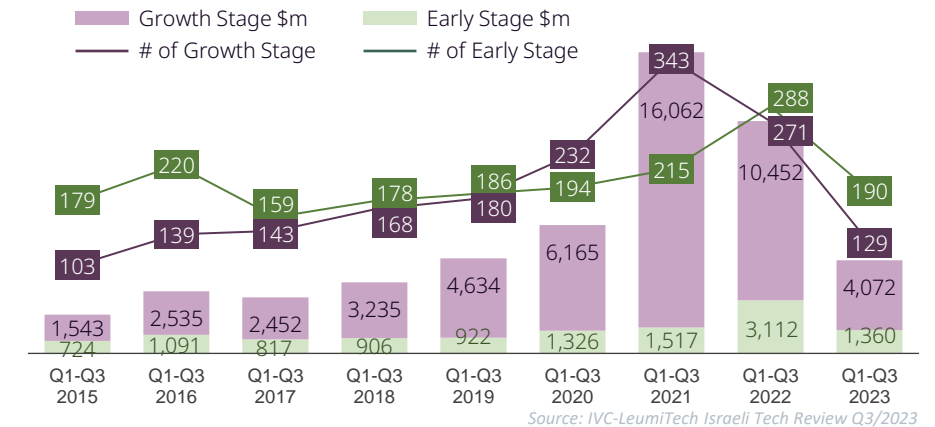
# Capital Investments by Operational Stage

Q1-Q3/2023, early-stage companies (seed and R&D) capital raising was down 56% in capital and 34% in number of deals from the record capital raised in Q1-Q3/2022, reaching the same figures as in Q1-Q3/2020.

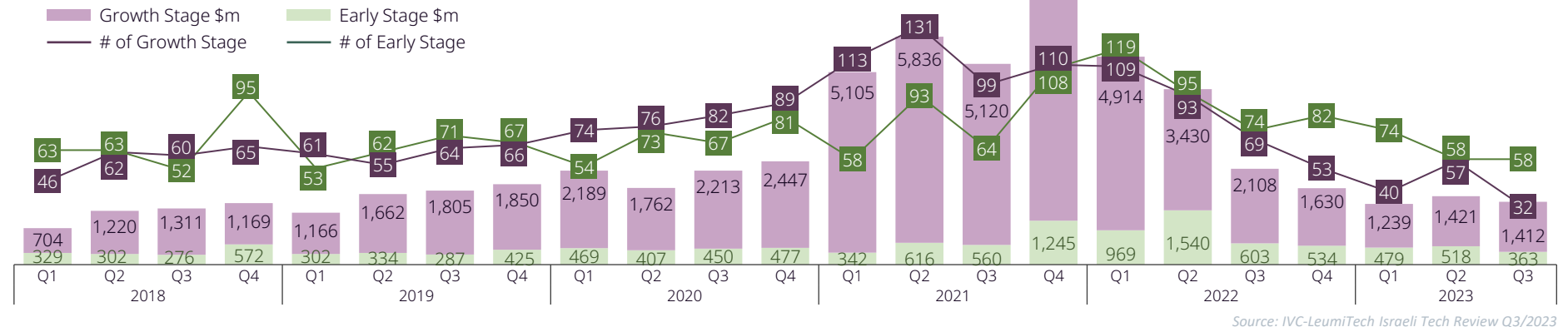
## Capital Raising by Stage 2015 – Q1-Q3/2023



## Capital Raising by Stage Q1-Q3: 2015 – 2023



## Capital Raising by Stage Q1/2018 – Q3/2023



## Q3/2023 Selected Top Investments

1

Cato Networks Ltd.  
IT & Enterprise Software  
Security  
Seventh Round  
**\$238m**

2

AI21 Labs Ltd.  
IT & Enterprise Software  
Miscellaneous  
Fourth Round  
**\$155m**

3

Hibob Ltd. (bob)  
IT & Enterprise Software  
Enterprise Applications  
Fifth Round  
**\$150m**

4

Candivore Ltd.  
Internet  
Online Entertainment  
Third Round  
**\$100m**

5

Fore Biotherapeutics Inc  
Life Sciences  
Biotechnology  
Fourth Round  
**\$75m**

6

UBQ Materials Ltd.  
Cleantech  
Materials  
Fourth Round  
**\$70m**

7

K Health Inc.  
Life Sciences  
Digital Health  
Sixth Round  
**\$59m**

8

ThetaRay Ltd.  
IT & Enterprise Software  
Security  
Fourth Round  
**\$57m**

9

Ibex Medical Analytics Ltd.  
Life Sciences  
Digital Health  
Third Round  
**\$55m**

10

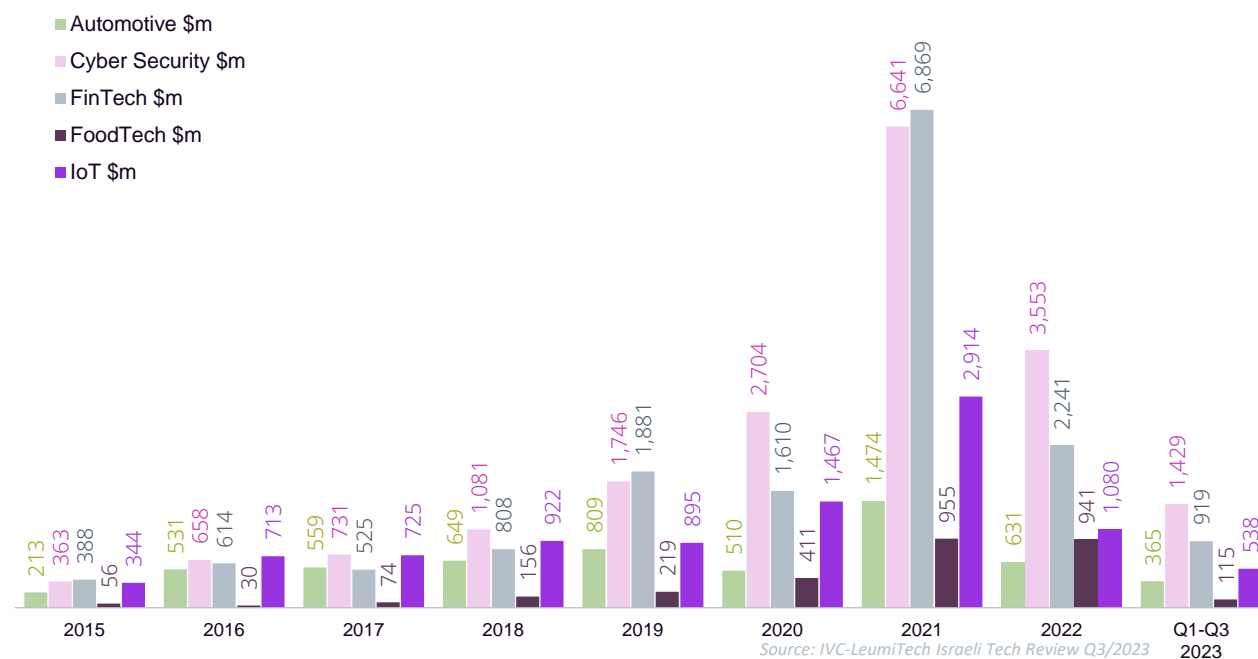
Upwind Security Ltd.  
IT & Enterprise Software  
Security  
First Round  
**\$50m**

Source: IVC-LeumiTech Israeli Tech Review Q3/2022

# Investments by Verticals

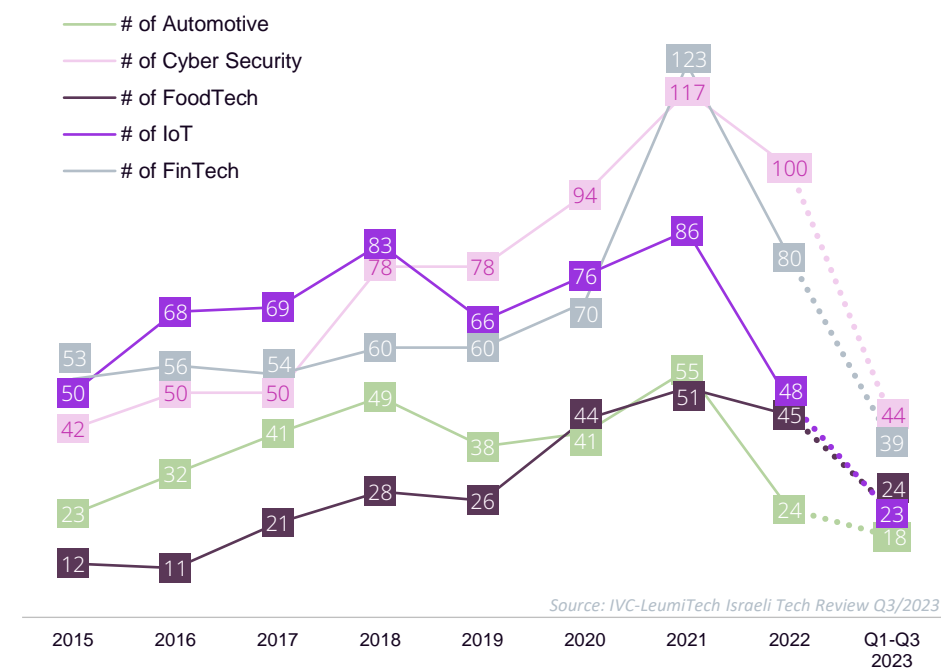
Cyber security and Fintech verticals approached \$1b in capital investments in Q1–Q3/2023, after the invested amounts in the most active tech verticals – Cyber and Fintech – dropped nearly 60% from Q4/2022.

## ► Investments by Verticals \$m 2015 – Q1-Q3/2023



\*Each company may belong to more than one tech vertical

## ► # of Investments by Verticals 2015 – Q1-Q3/2023

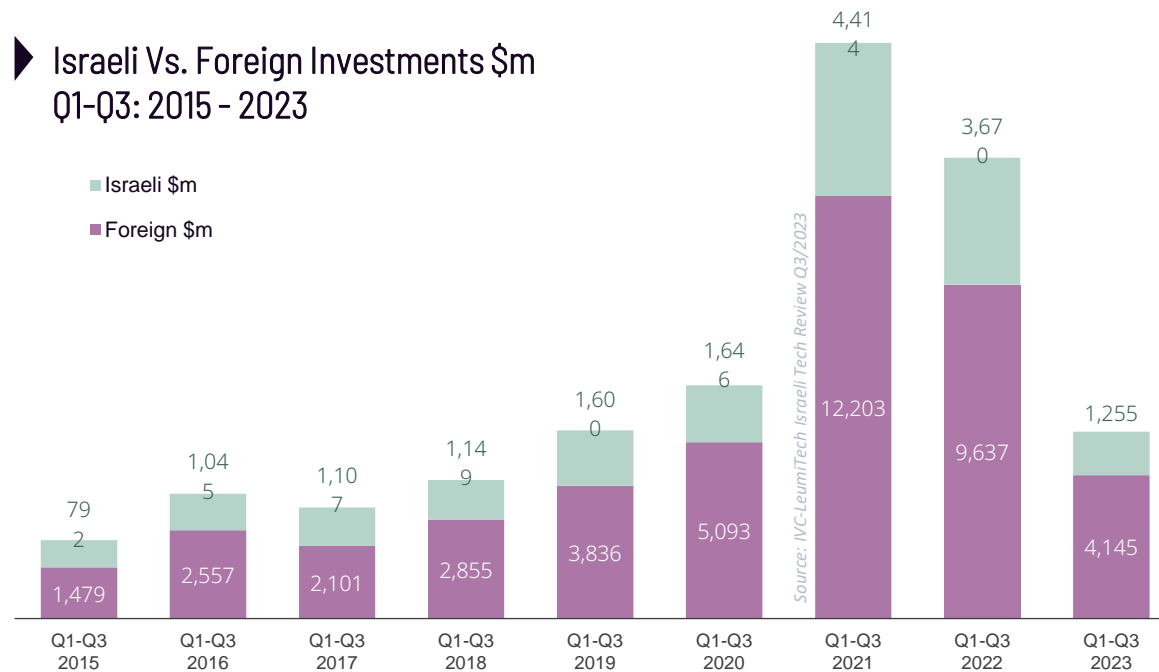


# Israeli Vs. Foreign Investments

In Q1–Q3/2023, foreign investment shares of total capital peaked, reaching 77%, close to its share in Q1–Q3/2020, while the amount was the smallest in the 4 past years.

The average number of investors per deal peaked in Q1–Q3/2023, reaching 4.2 investors, after climbing 55% since 2015.

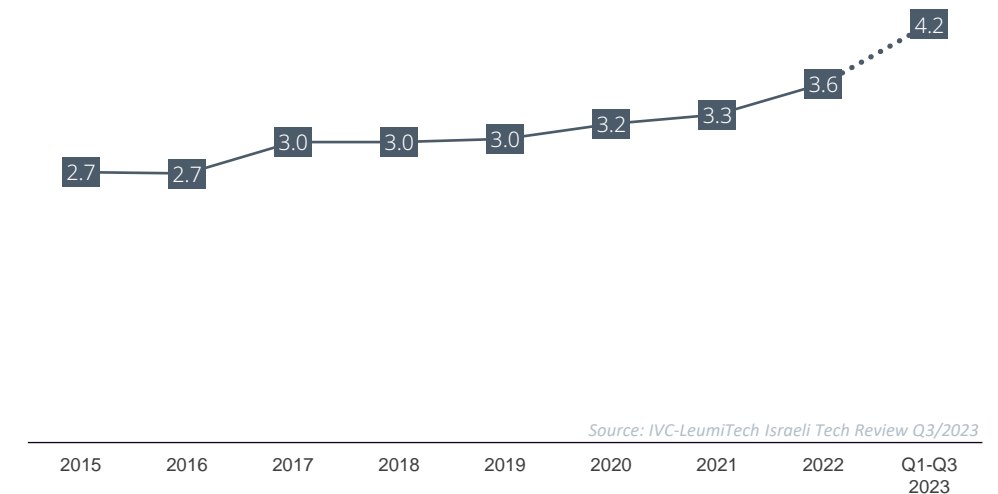
## ► Israeli Vs. Foreign Investments \$m Q1-Q3: 2015 - 2023



\*Some Investors were undisclosed

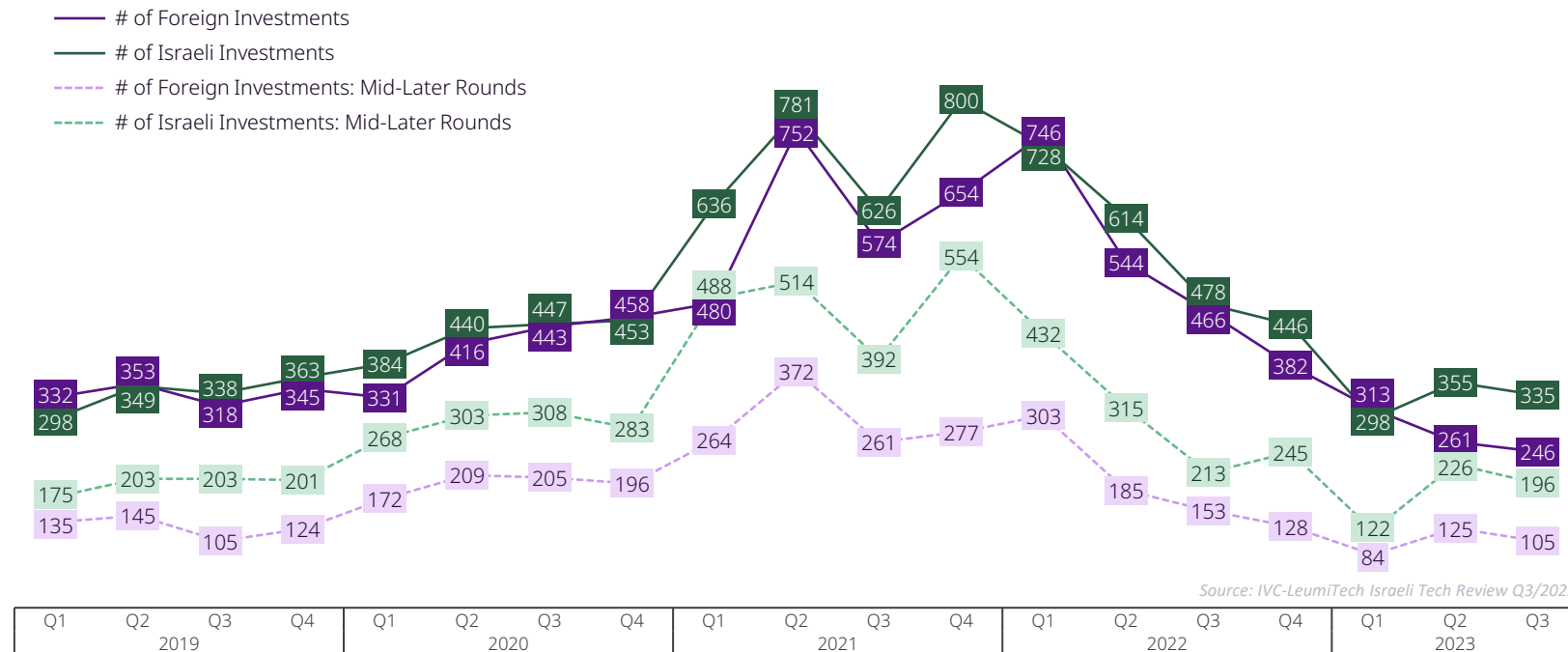
\*\*Investments performed by Investor Region

## ► Average # of Investors per Deal 2015 – Q1-Q3/2023



# Israeli Vs. Foreign Investments

## ► Israeli vs. Foreign: # of Investments Q1/2019 - Q3/2023



\*Some Investors were undisclosed

\*\*Investments performed by Investor Region

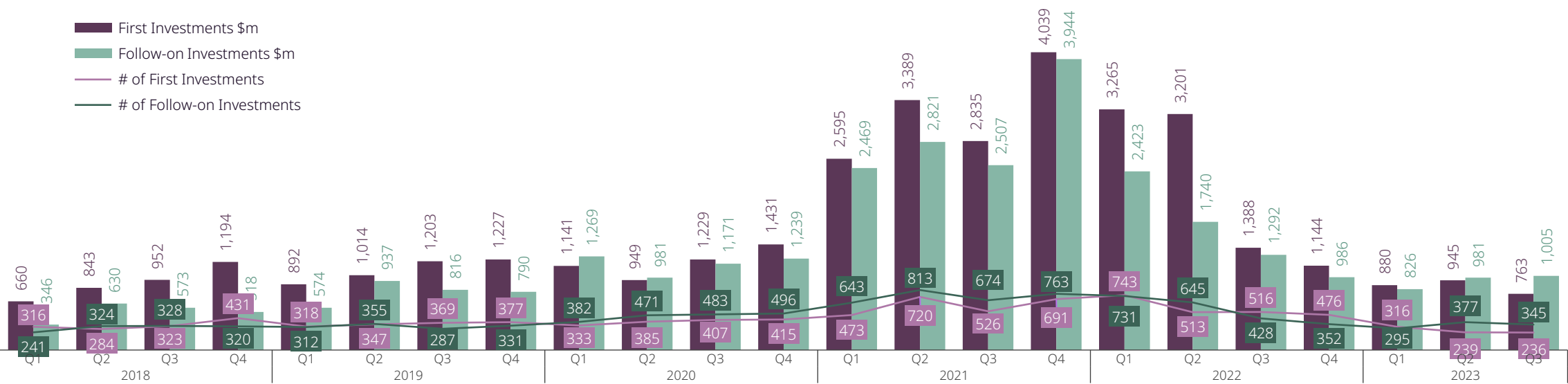
The pattern changed in the course of 2023, as the number of foreign investments has surpassed Israeli. Foreign investment shares peaked at 58% in Q2-Q3/2023.

Compared with the downtrend in 2022, Q1-Q3/2023 shows some stability signs for mid-late round investor presence, with a continued lead by foreign investors.

# First vs. Follow-on Investments

Follow-on investments changed course in Q1-Q3/2023, after the number of investments found a footing in Q1. First investments – a signal for investor sentiment toward risky assets – still need to stabilize.

## ► First Vs. Follow-on Investments Q1/2018 – Q3/2023



\*Some Investors were undisclosed

\*\*Investments performed by Investor Region

Source: IVC-LeumiTech Israeli Tech Review Q3/2023

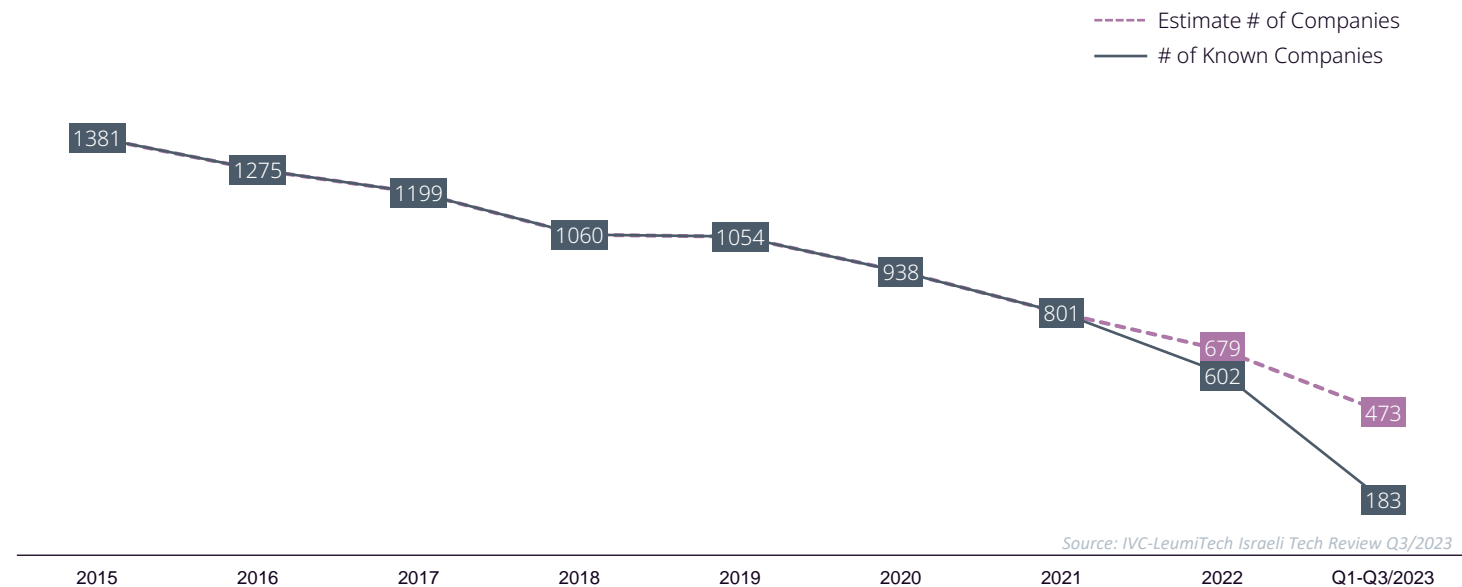


# New Companies: Known and Estimation

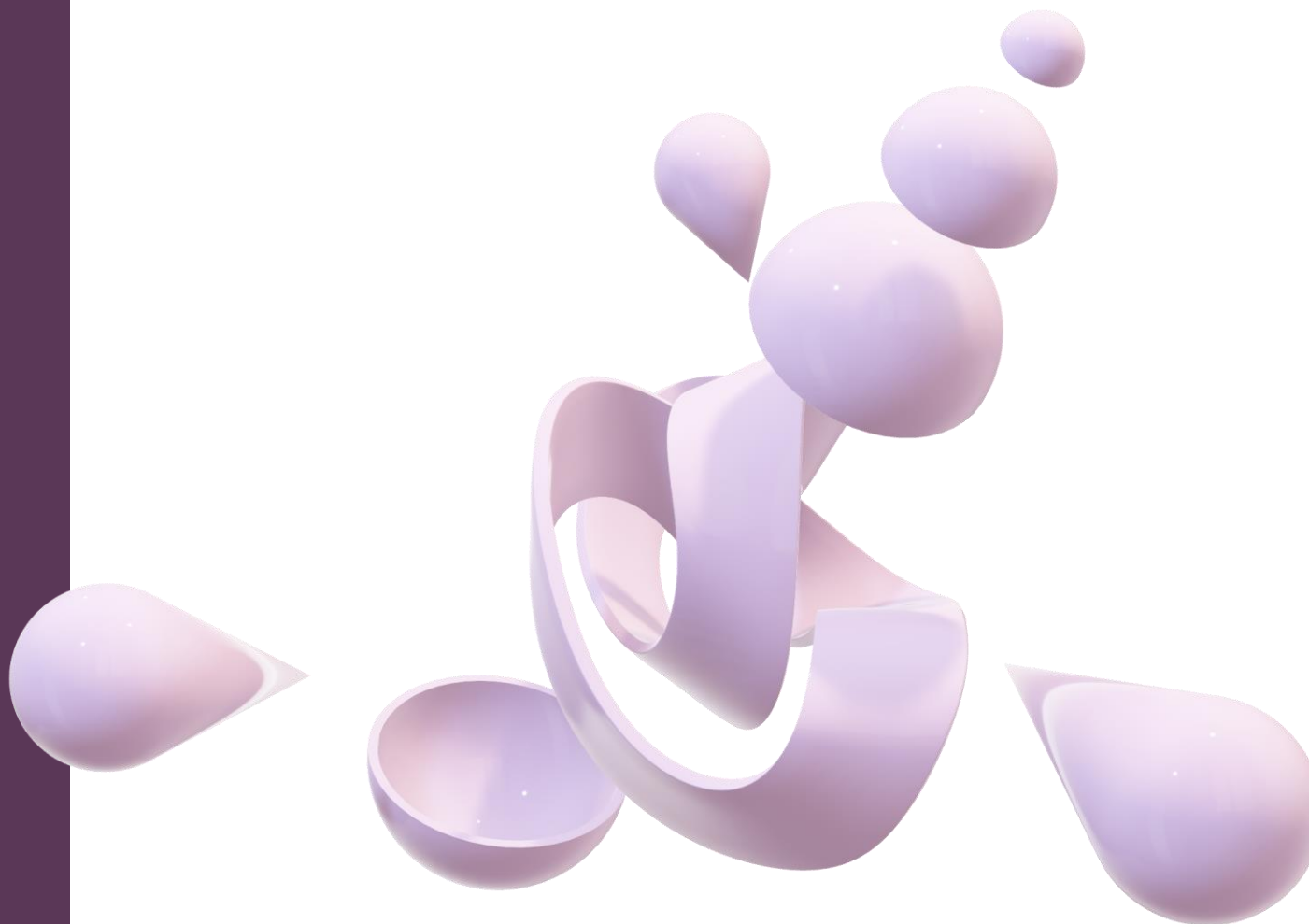
The Israeli market has slowed down in startup establishment in the last years. 2023 has so far shown a similar pattern.

IVC estimates 470 new companies were established thus far in 2023 and expects 550 new companies in 2023.

## ► New Companies 201 – Q1-Q3/2023



# Q3/2023 Israeli High-Tech Exits

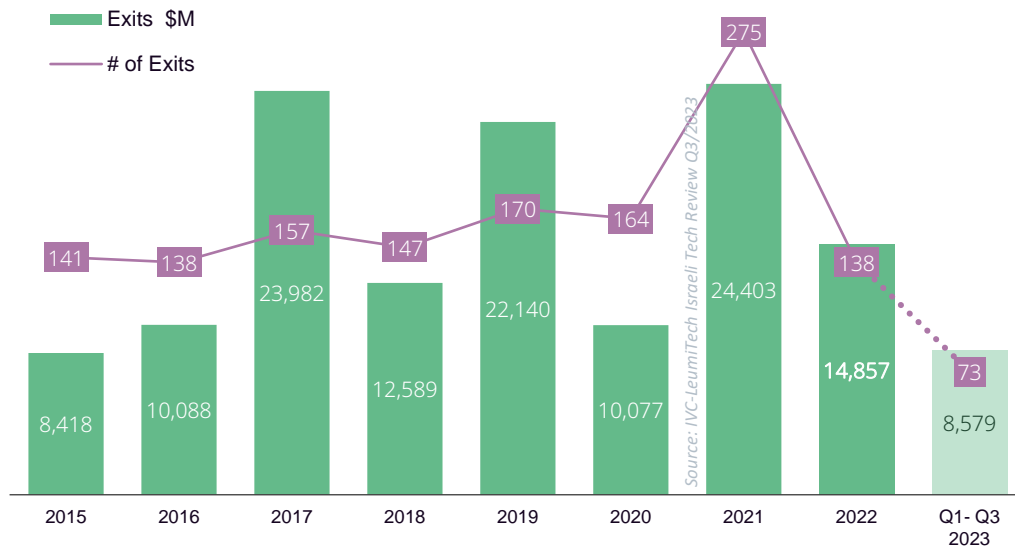


# Israeli High-Tech Exits

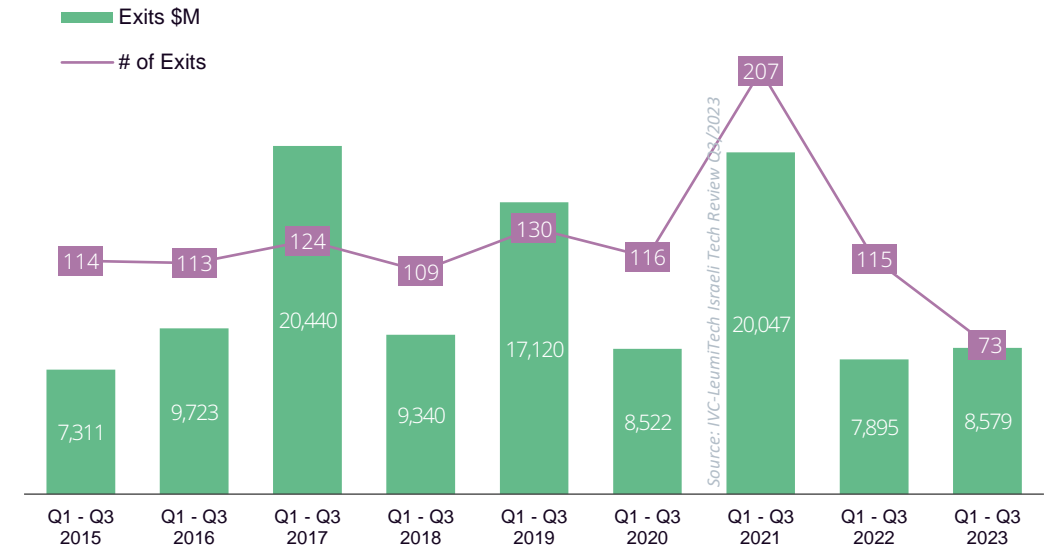
In Q1-Q3/2023, Israeli high-tech exit activity experienced a slowdown, with 73 exits amounting to \$8.58 billion. While the total amount of the exit activity is in the ranges IVC saw in similar periods (thanks to Imperva's \$3.6b acquisition by French Thales), the number of deals is relatively low.

\*The largest deal of 2022 – Intel's acquisition of TowerJazz for \$5800m –was cancelled recently.

## ► Israeli High-Tech Exits (M&As, Buyouts, IPOs) 2015 – Q1-Q3/2023



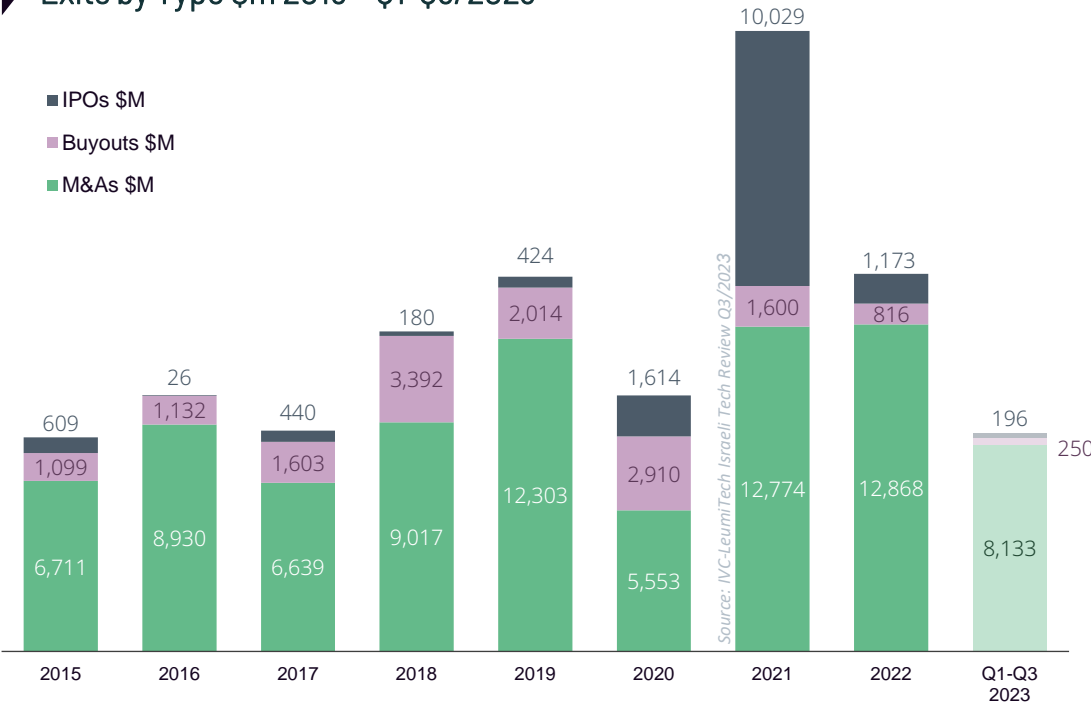
## ► Israeli High-Tech Exits (M&As, Buyouts, IPOs) Q1-Q3: 2015 – 2023



# Israeli High-Tech Exits

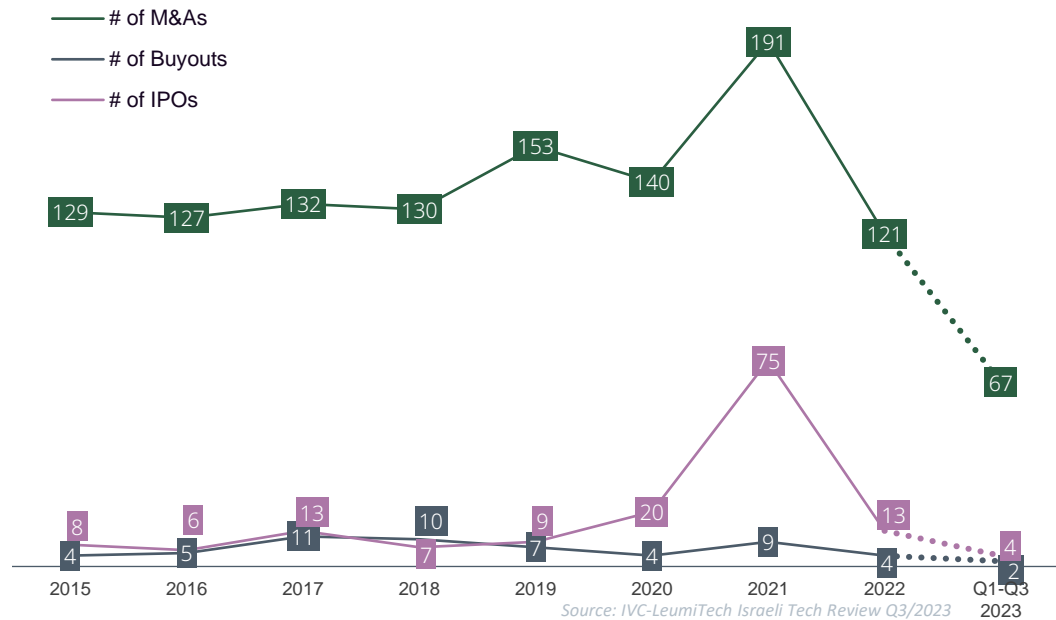
There was almost no IPO/buyout activity in Q1-Q3/2023. Looking back 8 years, 2023 is showing the lowest amounts and number of deals from these activities so far.

## Exits by Type \$m 2015 - Q1-Q3/2023



\* Exits under \$5B

## # of Exits by Type 2015 - Q1-Q3/2023

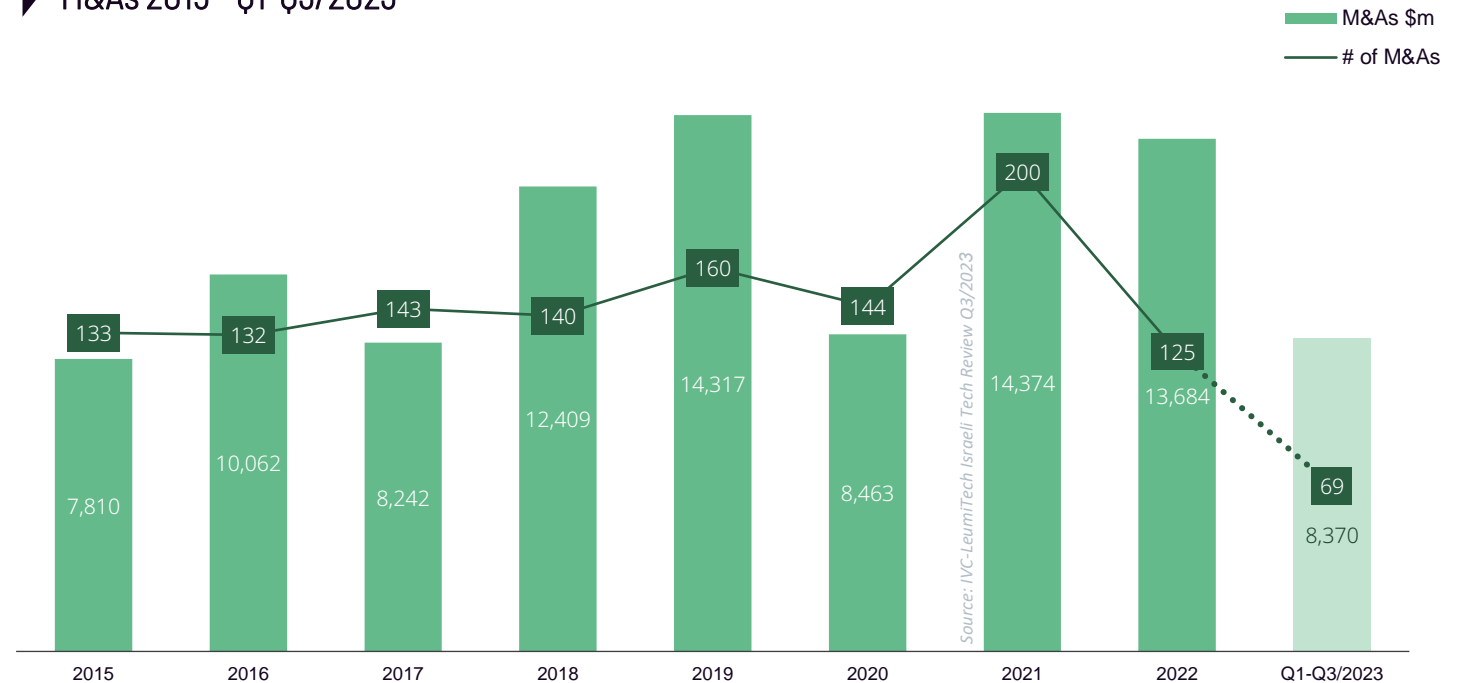


\* Exits under \$5B

# Israeli High-Tech M&As

In Q1-Q3/2023, only 69 companies were acquired, compared to the 108 M&A first nine months period average for 2015-2023.

## ► M&As 2015 - Q1-Q3/2023



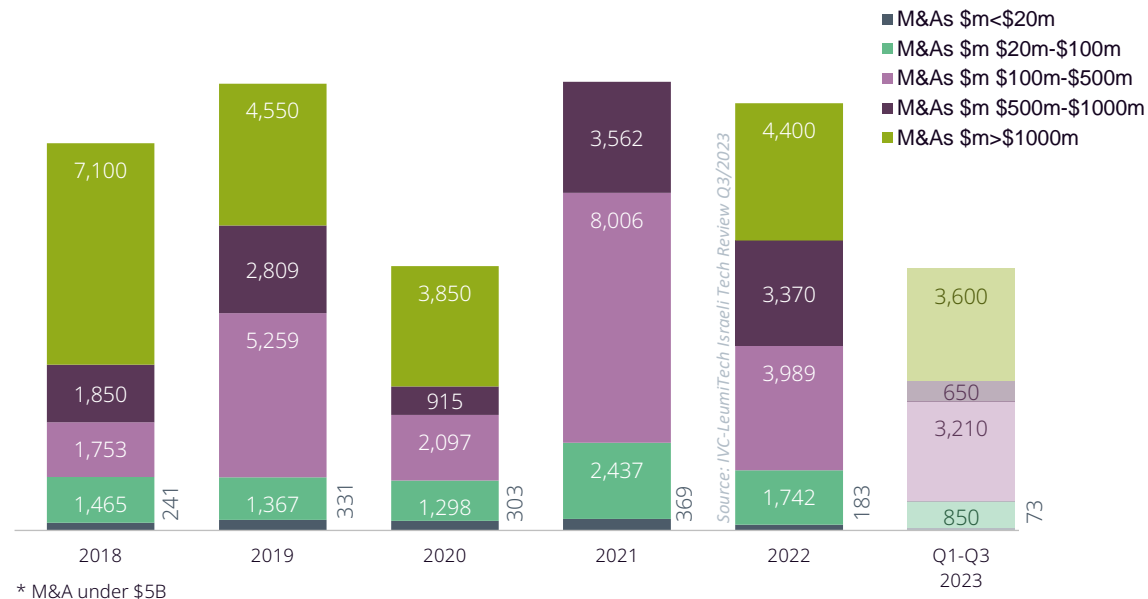
\* M&As under \$5B

# Israeli High-Tech M&As

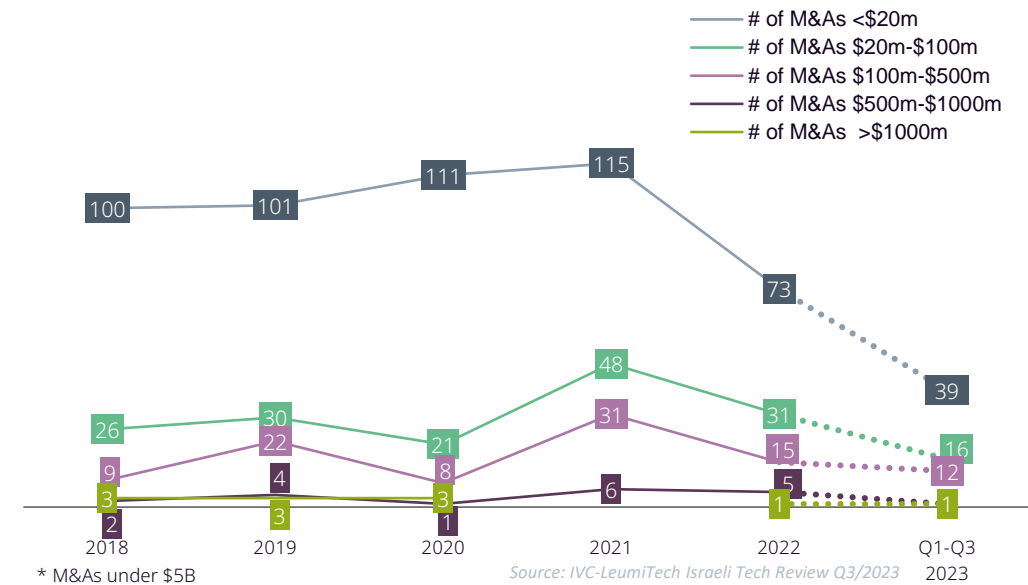
The largest number of deals in Q1-Q3/2023 were with amounts <\$20m. The number of deals of this type continues to decline, following a similar pattern in 2022.

Given that some of these deals are revealed only a few months later, the decline isn't as dramatic as it seems.

## ► M&As \$m by Deal Size 2018 – Q1-Q3/2023



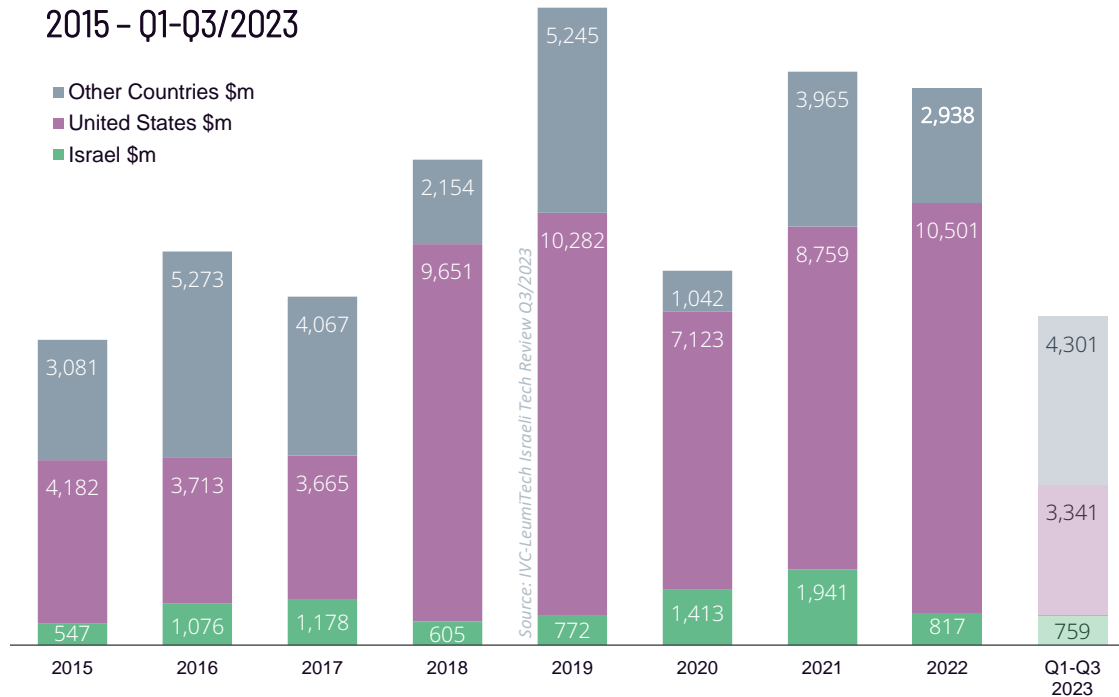
## ► # of M&As by Deal Size 2018 – Q1-Q3/2023



# Israeli High-Tech M&As by Acquirer Country

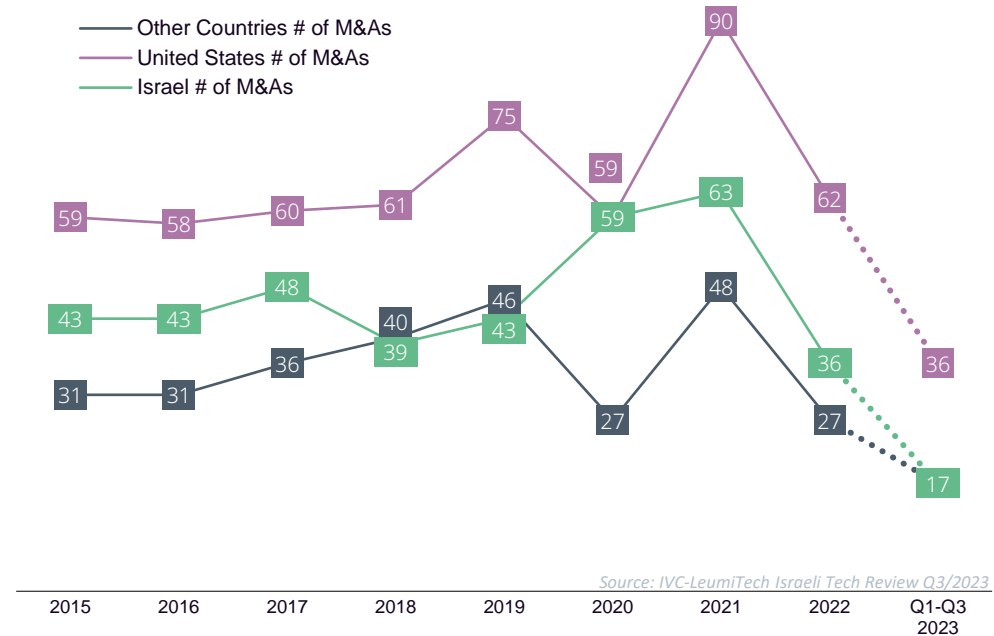
In Q1–Q3/2023, Israeli high-tech acquisitions have approached the annual amount of proceeds in 2022. Notably, foreign acquirers, outside of the US, had the same number of acquisitions in this period, with the largest acquisition being Imperva for \$3.6b by French Thales.

► M&As by Acquirer Country \$m  
2015 – Q1-Q3/2023



\* Exits under \$5B

► # of M&As by Acquirer Country  
2015 – Q1-Q3/2023



\* Exits under \$5B

## Top M&As Q3/2023

**imperva**

by **THALES**  
Building a future we can all trust

France

\$3600m

**syqeair**

by  **PHILIP MORRIS INTERNATIONAL**

USA

\$650m

 **perimeter 81**  
A Check Point Company

by  **CHECK POINT™**

Israel

\$490m

**BIONIC**  
A CrowdStrike Company

by  **CROWDSTRIKE**

USA

\$350m

 **ermetic**  
a Tenable company

by  **tenable**

USA

\$265m

Telroaming Advanced  
Communication  
Solutions Ltd.

 **WEBBING®**

by  **wireless  
logic**

UK

\$225m

**Laminar**

by  **rubrik**

USA

\$225m

 **COBWEBS**  
TECHNOLOGIES

by  **SpireCapital**

USA

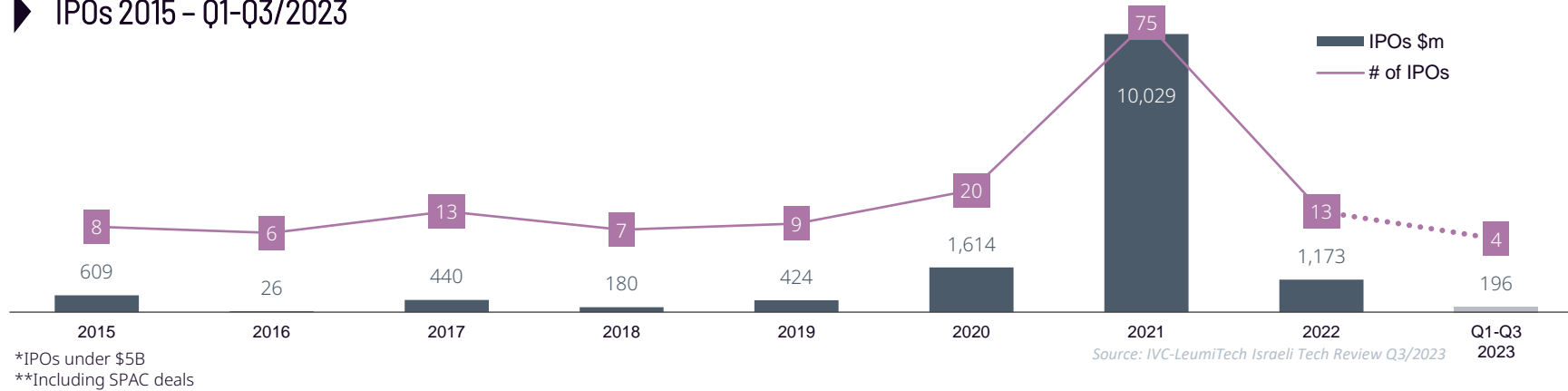
\$200m

Source: IVC-LeumiTech Israeli Tech Review Q3/2023

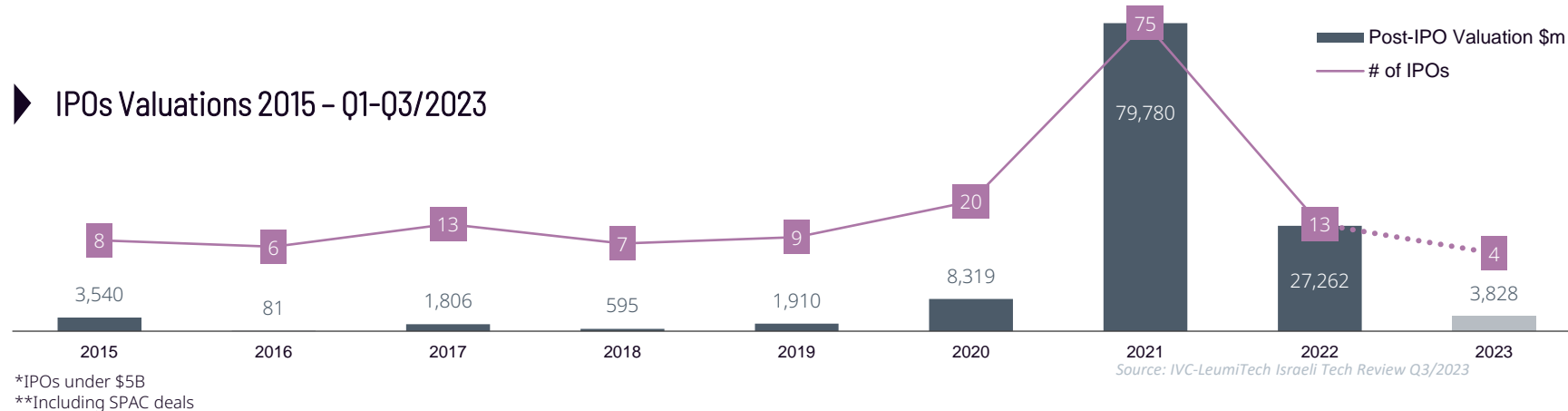


# Israeli High-Tech Companies Public Offerings

## ► IPOs 2015 – Q1-Q3/2023



## ► IPOs Valuations 2015 – Q1-Q3/2023



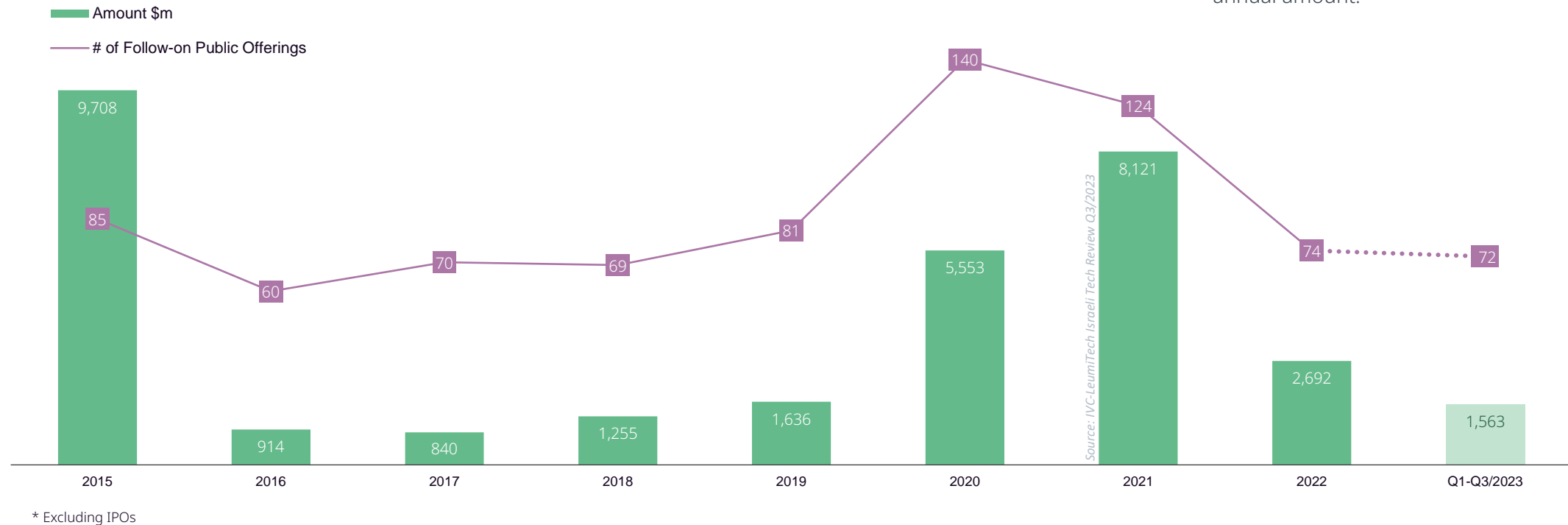
Q1-Q3/2023 ended with a weak IPOs activity on public stock markets for Israeli high-tech companies.

Oddity Tech – a former unicorn, estimated at \$1.5b since 2022, AI-driven online customer platform, had the highest post-valuation of \$1.97b in this period.

# Israeli High-Tech Follow-on Public Offerings

## ► Israeli Public Follow-on Offerings 2015 – Q1-Q3/2023

In Q1–Q3/2023, the number of public follow-on offerings have kept at the 2022 annual numbers, while attracting 42% less capital, approaching the 2019 annual amount.



# Q3/2023 Methodology

## Methodology | General

- This report contains information derived from the IVC-Online Database. Deal numbers and valuations 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 - Q1-Q3/2023. "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](http://www.ivc-online.com).

# Q3/2023 Methodology

## Methodology | Investments

- This report reviews capital raised by Israeli tech companies from Israeli and foreign venture capital funds as well as from 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 511 investors of which 70 were Israeli VC funds and 441 were other entities.

# Q3/2023 Methodology

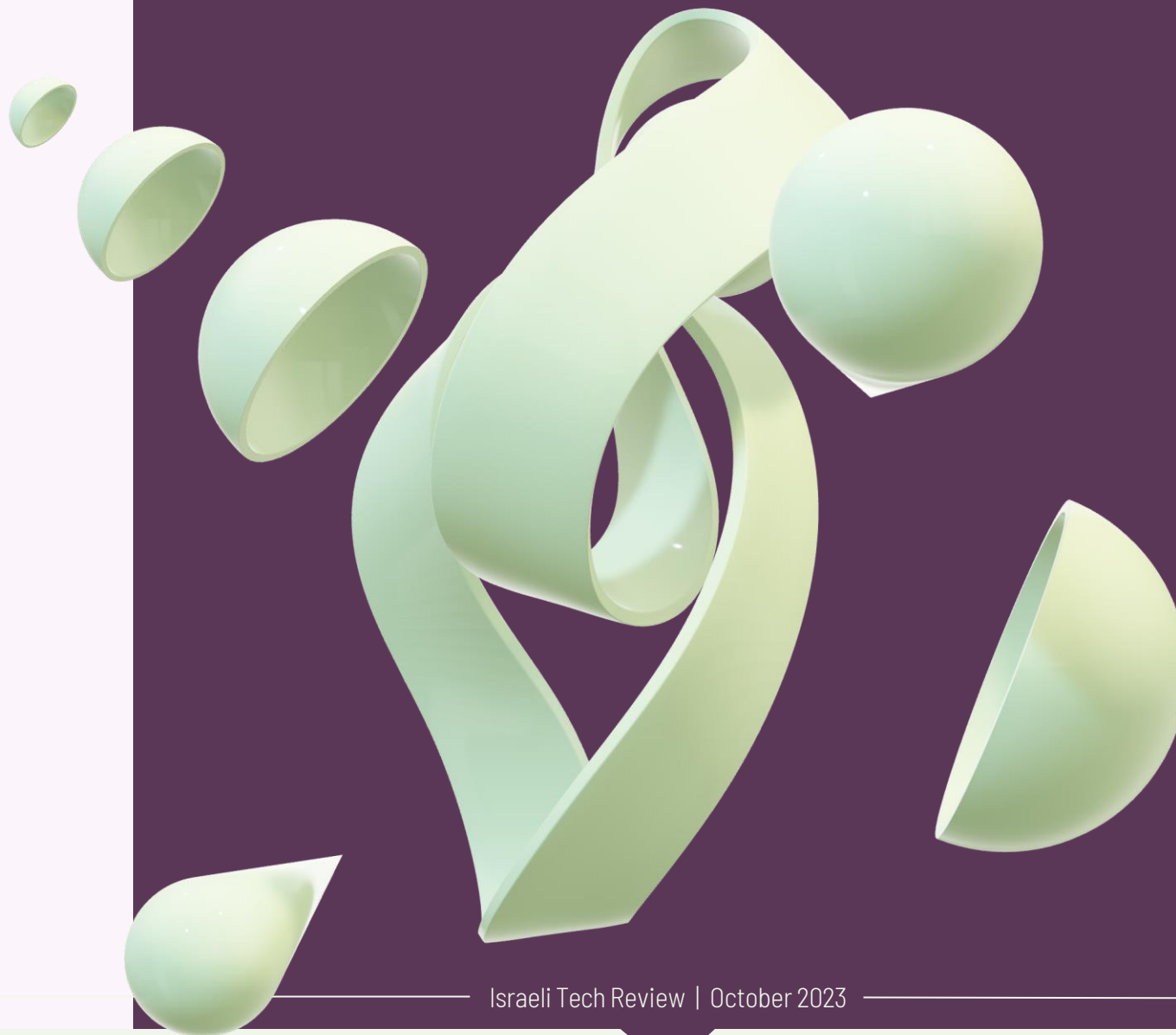
## Methodology | Investments

- 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.

# About



## About IVC

IVC 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, data 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](http://www.ivc-online.com)



## About LeumiTech

LeumiTech, the banking arm of Leumi Group, specializes since 2014 in banking for high-tech companies and VC Funds, 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](http://www.leumitech.com)



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