

2026

Q3

ISRAELI TECH REVIEW



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LEUMITTECH

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Introduction

The Israeli tech ecosystem activity in the third quarter of 2026 reflects an advanced stage of structural stabilization, high investor selectivity, and entrepreneurial maturity. After years of global macroeconomic headwinds and local geopolitical volatility, Q3/2026 and year-to-date (YTD) data confirm that Israeli tech companies continue to attract substantial global capital. However, this deployment is defined by extreme capital concentration and a flight to quality toward mature scale-ups.

1. Macroeconomic Overview

Israeli tech companies raised \$4.1 billion across 97 deals in Q3 2026. While total funding fell slightly by 4.8% from Q2, mainly due to fewer business days during the Summer and Holidays, it jumped 75.6% year over year from Q3/2025 (\$2.4 billion). The average deal size remained near historic highs at \$42.6 million. The stark divergence between low deal counts and high aggregate capital highlights the defining market reality: capital is concentrating to large late-stage growth rounds, with the top 10% of deals capturing 63.4% (\$2.6 billion) of all quarterly funding.

2. Company Lifecycle & Stage Dynamics

Capital allocation in Q3/2026 shifted toward mid-stage growth (Series B and C), which captured \$1.9 billion, roughly 45% of total quarterly funding and the highest volume for mid-stage rounds since early 2022. Early-stage funding (Pre-Seed through Series A) rebounded to \$1.03 billion, while late-stage rounds (Series D+) moderated to \$1.2 billion. Median round sizes held firm at record levels: \$100 million for Series D+, \$50 million for Series B–C, and \$14 million for A rounds. Furthermore, company creation in 2026 YTD is highly concentrated, with more than 80% of new startups formed in software, cyber, and defense tech.

3. Vertical & Technological Trends

Capital distribution in 2026 YTD reflects a heavy re-concentration into Israel's traditional core strengths. Cyber Security maintained its lead by capturing 40.1% of all YTD funding. Together with Enterprise Software, these two sectors accounted for over 70% of total capital deployed. Defense, Space, and Quantum Tech firmly established itself as a central pillar at 8.8% of YTD funding. At the same time, capital-intensive verticals with longer commercialization horizons such as Life Sciences and Climate Tech continue to see lower funding. Meanwhile, Core Artificial Intelligence investments became more concentrated, with the sector accounting for 21.5% of total funding (\$2.6 billion) across fewer deals.

Introduction (Continued)

4. Investor Landscape & Capital Origins

Foreign investors, led by US venture capital firms, remain the ecosystem's foundational pillar, accounting for 68% of active funds in Israel, 65% of all deals, and 71% of total capital invested in 2026 YTD. Deployment patterns show a strong preference for portfolio preservation - first-time investments fell to a decade low of 38.7% of transactions, while follow-on funding in existing portfolio companies expanded to 61.3% of deals.

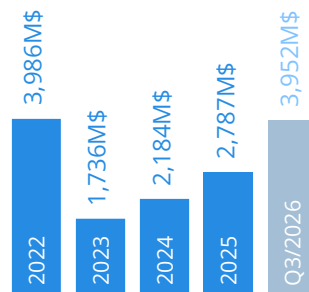
5. Exit Activity & M&A Dynamics

Liquidity and exit activity accelerated significantly in Q3/2026, recording 55 exit transactions valued at \$5.5 billion and bringing total 2026 YTD exit value to a mega-deal-driven landmark of \$81.0 billion. The market structure continues to evolve away from small acquisitions toward mid-market consolidation (\$20 million to \$500 million deals), which represented nearly half of all Q3 exit activity. Although US acquirers generated most M&A proceeds (\$11.2 billion YTD), Israeli corporate acquirers executed a record \$2.2 billion in acquisitions (13.9% of total exit value), nearly double their 2021 peak, underlining the maturity of local balance sheets using domestic M&A for strategic growth.

Key Highlights

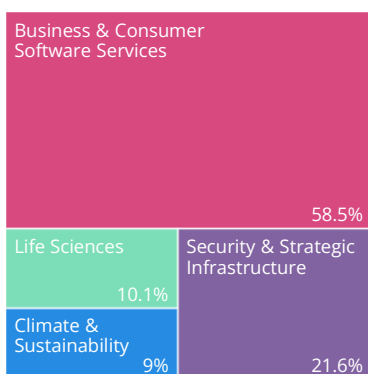
Market Instability Fades

2026 quarterly funding averages **rebounded to pre-crisis** 2022 levels.



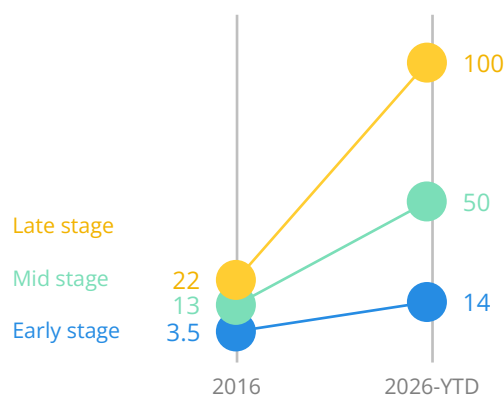
New Company Formation by Clusters

Over 80% of new startups founded in 2026 YTD belong to **Software Services** (58.5%) and **Cyber/Defense** (21.6%).



Median Rounds Nearly Quadruple Over the Decade

Median rounds hit historic highs across all investment stages.



US Buyers Drive 70% of Exit Capital

US acquirers generated **\$11.2B** of YTD exit proceeds, while **Israeli corporate buyers** deployed a record **\$2.2B**



Note: Excluding deals above \$5B



Israeli Tech Macro Overview

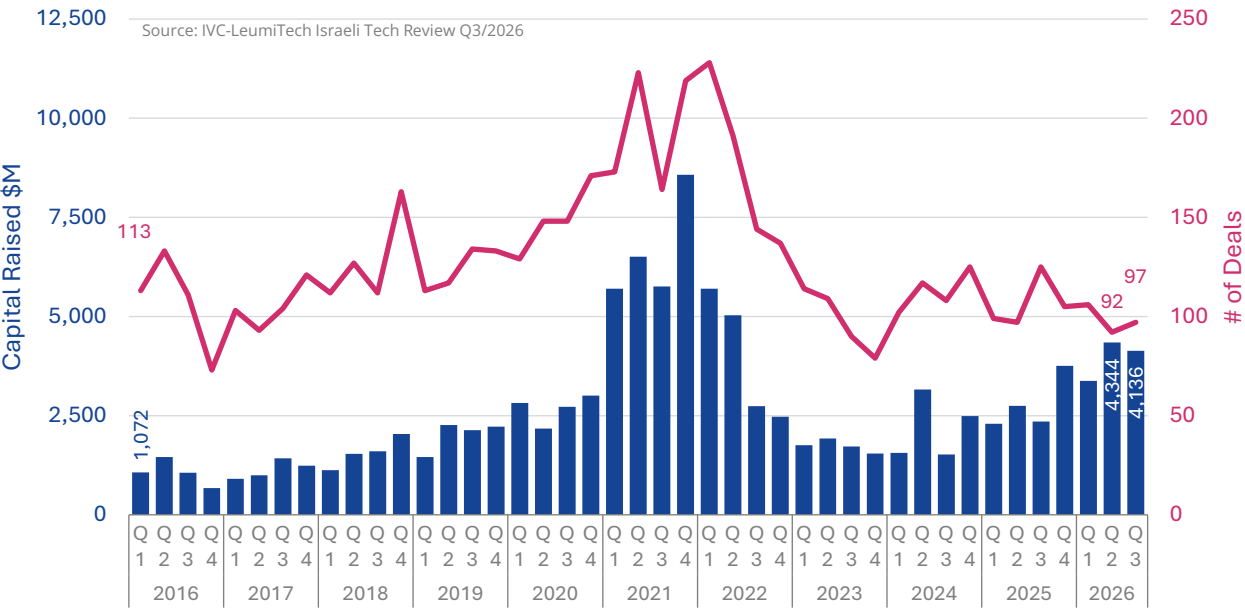
Q3/2026 Funding Reaches \$4.1B Across 97 Deals

In Q3/2026, Israeli tech companies raised an estimated total of \$4.1 billion in 97 deals, reflecting sustained momentum despite seasonal deceleration. While total capital raised contracted slightly by 4.8% compared to Q2/2026 (\$4.3B), it represents a substantial 75.6% year-over-year surge from Q3/2025 (\$2.4B) and a 60% increase when examining the first three quarters of each year (\$11.9B in 2026 compared to \$7.4B in 2025). The minor quarter-over-quarter dip aligns with historical Q3 seasonality, primarily driven by fewer business days during the Jewish High Holidays.

The average deal size remained elevated at \$42.6 million, marking one of the highest levels on record outside the peak bubble periods of 2021–2022. Although slightly below Q2/2026’s record average of \$47.2 million, this figure still reflects a structural market preference for larger, mega-funding rounds.

Deal volume rose marginally to 97 transactions, up from 92 in Q2/2026, but remains historically low compared to pre-2023 levels. The divergence between low deal counts and high total volume underscores that investment remains highly concentrated in mid-to-late stage rounds and mature companies. Overall, Q3 performance demonstrates that while market activity remains selective, the Israeli tech ecosystem continues to attract significant global capital commitments.

Quarterly Israeli Tech Investments: Capital \$M and # of Deals



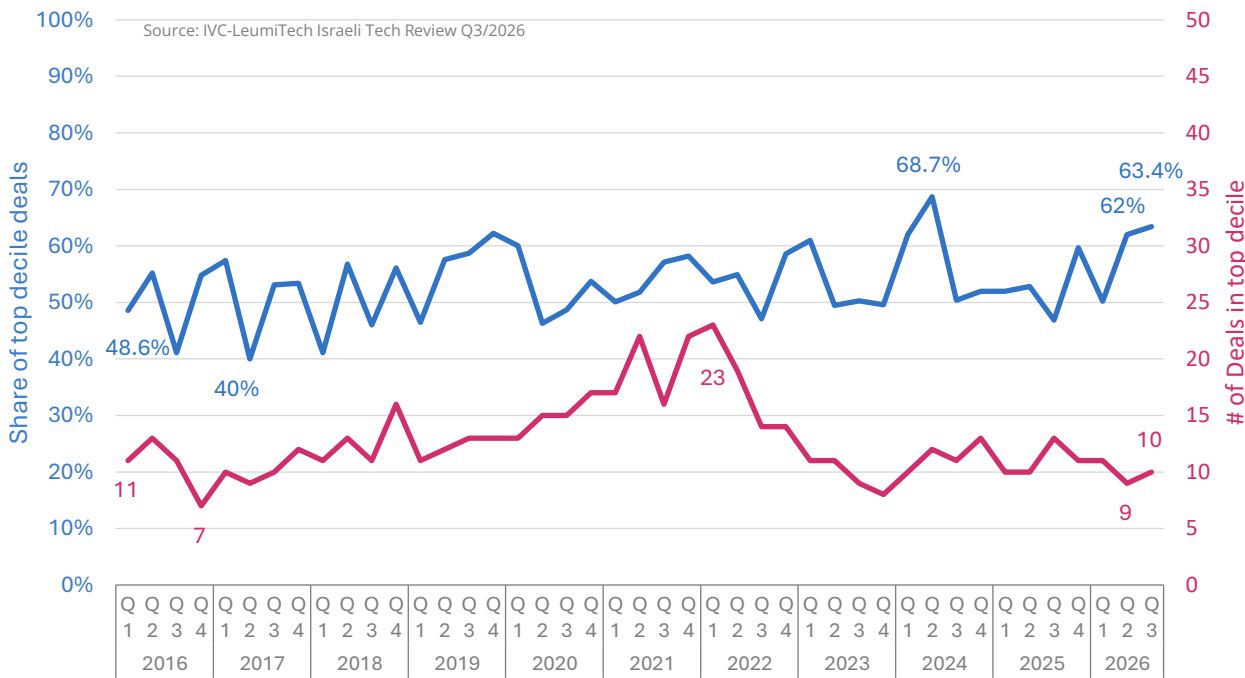
Top 10% Deals Account for 63.4% of Total Q3/2026 Capital

The third quarter of 2026 highlighted an acute concentration of capital within a select tier of transactions. **The top 10% of deals (10 deals out of 97 total) accounted for 63.4% of all capital raised in Q3/2026, totaling \$2.6 billion of \$4.1 billion.** This continues the high-concentration trend seen in Q2/2026 (62.0%) and represents one of the highest top-decile shares recorded in recent years.

Compared to Q3/2025, when the top decile held a 46.9% share (\$1.1B across 13 deals), the current landscape demonstrates a shift toward mega-funding rounds. Investors appear to be committing large-scale capital to market-leading companies, while mid-to-lower-tier rounds face tighter capital constraints.

This sustained high concentration, exceeding 60% of total quarterly funding for two consecutive quarters, reflects both investor risk aversion and a flight to quality. Rather than spreading risk across a broader array of early and mid-stage startups, global institutional capital is overwhelmingly flowing into top-performing, established scale-ups.

Top Decile of Deals Share of Total Quarterly Funding and # of Deals



Capital Share of Core-AI Investments Moderates to 21.5% as Deal Count Reaches Multi-Year Low

Analyzing capital allocation toward core artificial intelligence (Core AI) companies highlights a clear structural turning point following the late-2022 launch of ChatGPT, followed by a transition into market rationalization.

Before 2023, Core AI funding comprised a modest share of Israeli tech capital (14.7% in 2022). The post-2022 generative AI boom drove an immediate surge, elevating Core AI's share to a peak of **35.2% of total capital in 2024** (\$3.1B).

However, recent data points to a more selective investment environment. Across **2026 YTD, Core AI capital share moderated to 21.5%** (\$2.6B). This decline in capital share was accompanied by a steep contraction in transaction volume, with **only 41 Core AI deals completed in 2026 YTD**, down significantly from the ~100 annual deals recorded between 2019 and 2025.

Crucially, this volume drop was offset by a sharp rise in capital concentration as average deal size surged to a record **\$62.3 million in 2026 YTD** (up from \$32.7M in 2025). Investment activity following the launch of ChatGPT gradually became more selective, with capital increasingly concentrated in a smaller group of tech companies.

Core-AI Share of Total Tech Investment Value, 2016-2026



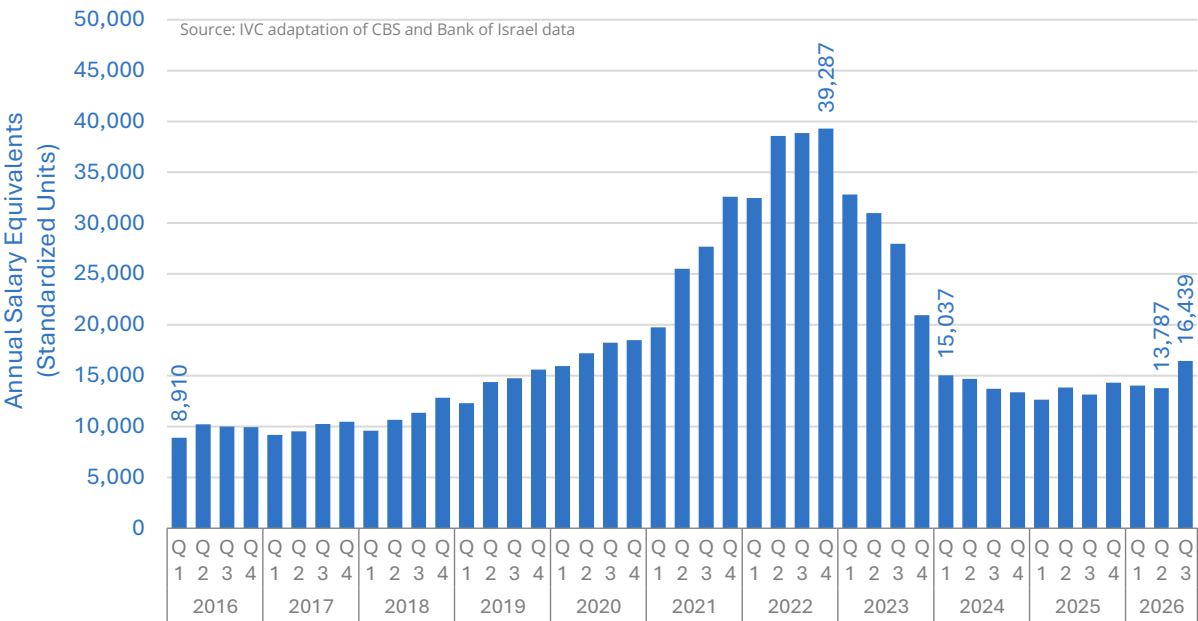
Capital Deployment and Implied Hiring Potential

In Q3/2026, the potential for tech employment creation, measured in Annual Salary Equivalents (FTEs), reached 16,439 standardized units. This represents a 19.2% quarter-over-quarter expansion compared to Q2/2026 (13,787) and a 25.2% increase from Q3/2025 (13,129), marking the highest implied hiring capacity recorded since late 2023.

This metric reflects **implied hiring potential** based on normalized raised capital¹, rather than immediate, real-time headcount growth. For more than two years (2024–H1/2026), implied hiring potential hovered strictly within a tight corridor of 13,000–15,000 units as companies prioritized cash preservation, efficiency, and leaner operational footprints.

The uptick to nearly 16,500 units in Q3 suggests mid-to-late-stage companies, backed by substantial funding rounds, now have the capital runway to support workforce expansion. However, whether companies translate this theoretical capacity into actual hiring remains to be seen. In an era driven by AI efficiency and founder-centric operating models, tech leaders may choose to deploy capital toward alternative growth engines rather than rapid headcount scaling.

Venture-Backed Carrying Capacity: Standardized Annual Salary Equivalents, 2016-2026²



1) We smooth expenditure over an eight-quarter horizon and use average wages (including 40% employer costs) and USD/ILS exchange rates to calculate the Investment-Backed Employment Capacity of the ecosystem, a metric representing the volume of venture-backed FTE positions that current funding levels can sustain. Due to data lags, 2026/Q3 index is based on July-2026 wage data alone.
2) 2026-Q3 data is based on July wage data because of lag in CBS publications.



Funding Stages and Capital Lifecycle

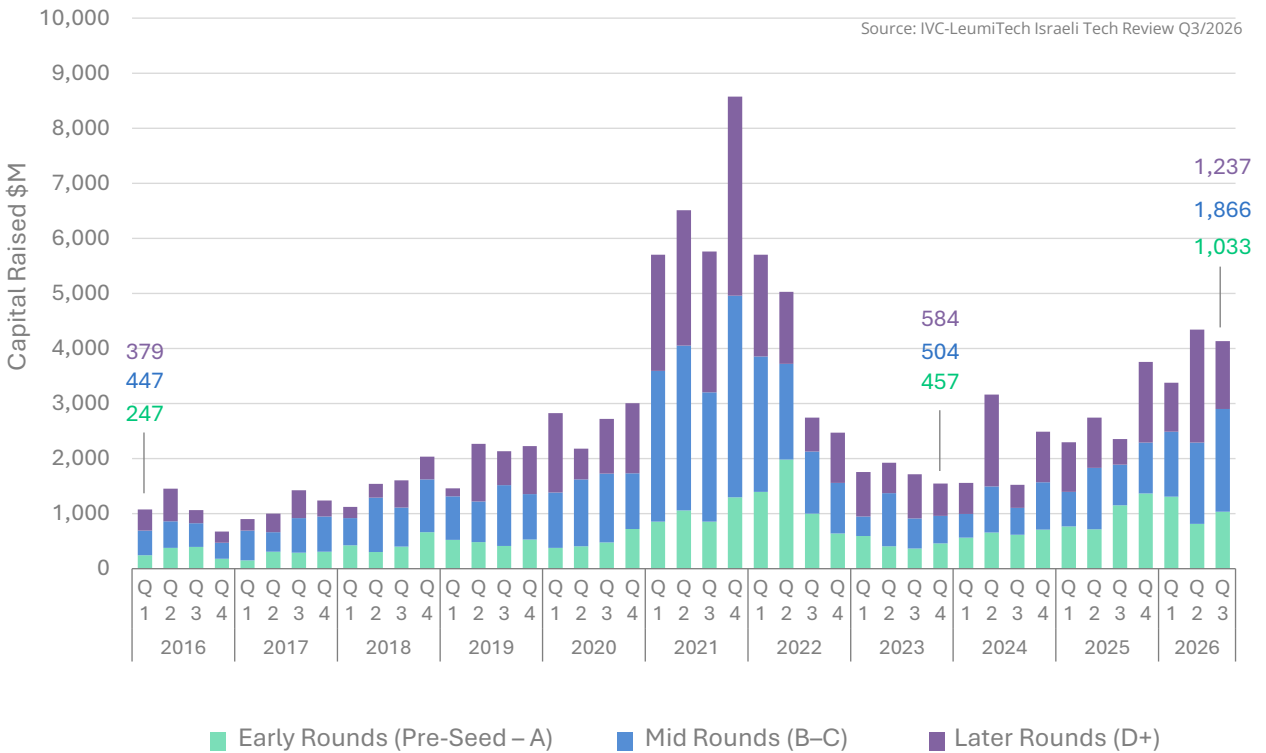
Capital Distribution Across Investment Stages

In Q3/2026, funding dynamics shifted heavily toward mid-stage companies (Rounds B-C), which captured \$1.9 billion, accounting for over 45% of total quarterly capital raised. This represents a 26.2% quarter-over-quarter expansion from Q2/2026 (\$1.5B) and marks the highest quarterly funding total for mid-stage rounds since early 2022.

Conversely, late-stage rounds (Rounds D+) recorded \$1.2 billion in Q3/2026, down from \$2 billion in Q2/2026. Rather than a fundamental shift in demand, this quarterly moderation in growth capital likely reflects timing gaps and reporting lags tied to the Jewish High Holidays, which likely pushed the public disclosure of several mega-deals into Q4/2026.

Early-stage financing (pre-Seed through Round A) showed a moderate recovery, rising to \$1,033 million from \$814 million in Q2/2026, stabilizing back above the \$1 billion mark. **Overall, the Q3 stage distribution highlights a strong rebalancing toward scale-up startups.**

Capital Raised by Company Rounds, 2016-2026



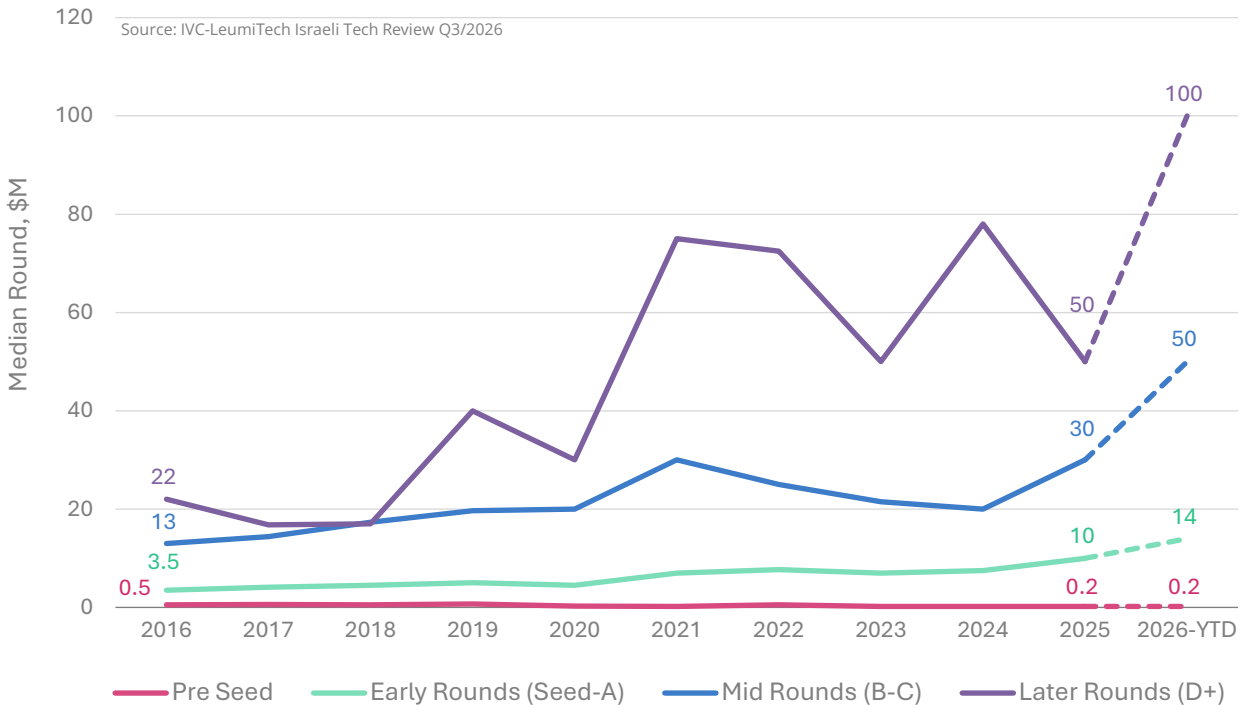
Median Round Sizes Hold Firm at Multi-Year Highs Across Mid and Late Stages in Q3/2026

Median deal sizes in most investment stages have maintained their historic highs, in consistency with figures reported in H1/2026. **Adding Q3 transactions did not materially alter the year-to-date trajectories, reinforcing the trend toward larger individual rounds.**

In Later Rounds (D+), the median round size stands at \$100 million, double the \$50 million median recorded in 2025 and approaching peak historical yearly levels. Similarly, Mid Rounds (B-C) sustained a high median of \$50 million through Q3, up from \$30 million in 2025 and \$20 million in 2024. Early Rounds (Seed-A) also maintained an elevated median of \$14 million, reflecting strong investor competition for premium early-stage assets. Conversely, pre-Seed round medians remained flat at \$0.2 million.

The stability of these elevated medians alongside lower overall transaction counts underscores a persistent market reality: investors are applying strict selectivity. Capital is not being distributed across more deals, but rather concentrated into larger checks for companies at every growth phase.

Median Round Size by Funding Stage, \$M



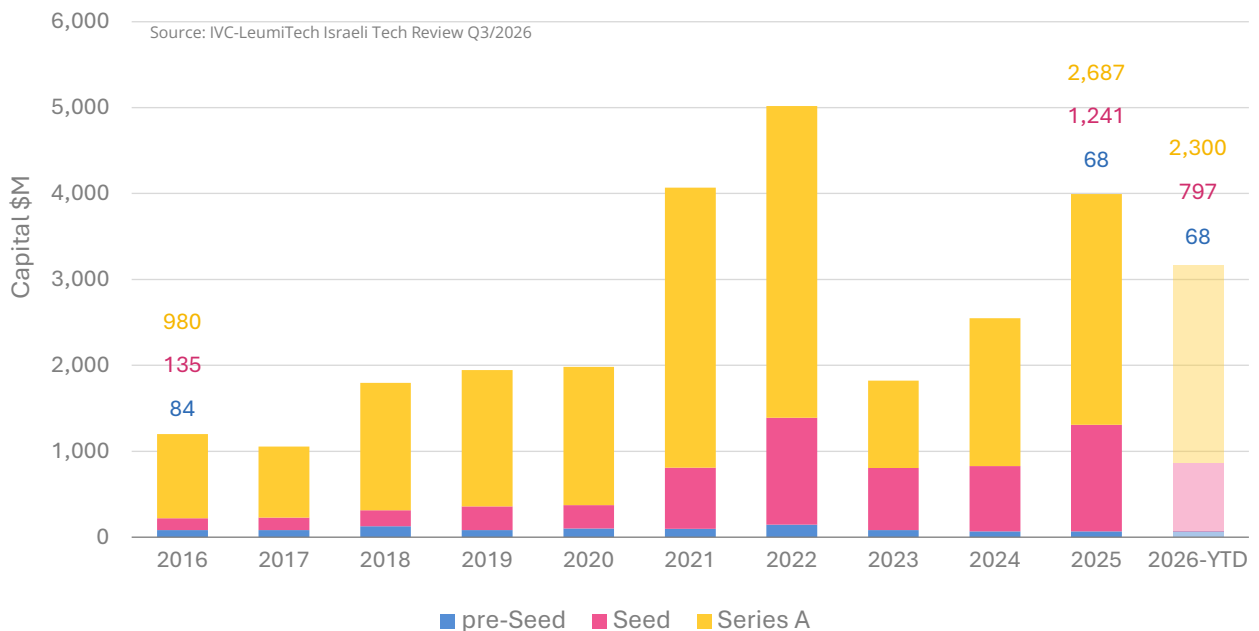
500 Annual Pre-Seed Deals Maintain \$65M to \$85M Inception Capital Core

Evaluating early-stage venture dynamics requires distinguishing between capital deployment models and real-time transaction tracking.

While most of this report adjusts figures to account for late reporting, looking at raw, real-time transaction counts gives us the clearest view of early startup activity. Historical transaction tracking shows that **the Israeli ecosystem maintains a structural baseline of roughly 500 pre-Seed deals annually**, representing the primary institutional starting point following company inception. Pre-Seed deal volume recorded 531 transactions in 2020, 587 in 2021, and 583 in 2022. Even during broader market adjustments, volume remained substantial at 484 deals in 2023 and 435 in 2024. While some founders bootstrap operations or achieve early revenue to delay external equity, this 500-deal anchor reflects the historical core of initial venture creation.

The visible volume compression in 2026 YTD (163 pre-Seed, 71 Seed, and 114 Series A deals) stems directly from inherent reporting lags rather than declining founder activity. Pre-Seed and Seed instruments, such as SAFEs or undisclosed angel syndicates, typically require several quarters to surface. Consequently, 2025 and 2026 figures will adjust upward over subsequent quarters.

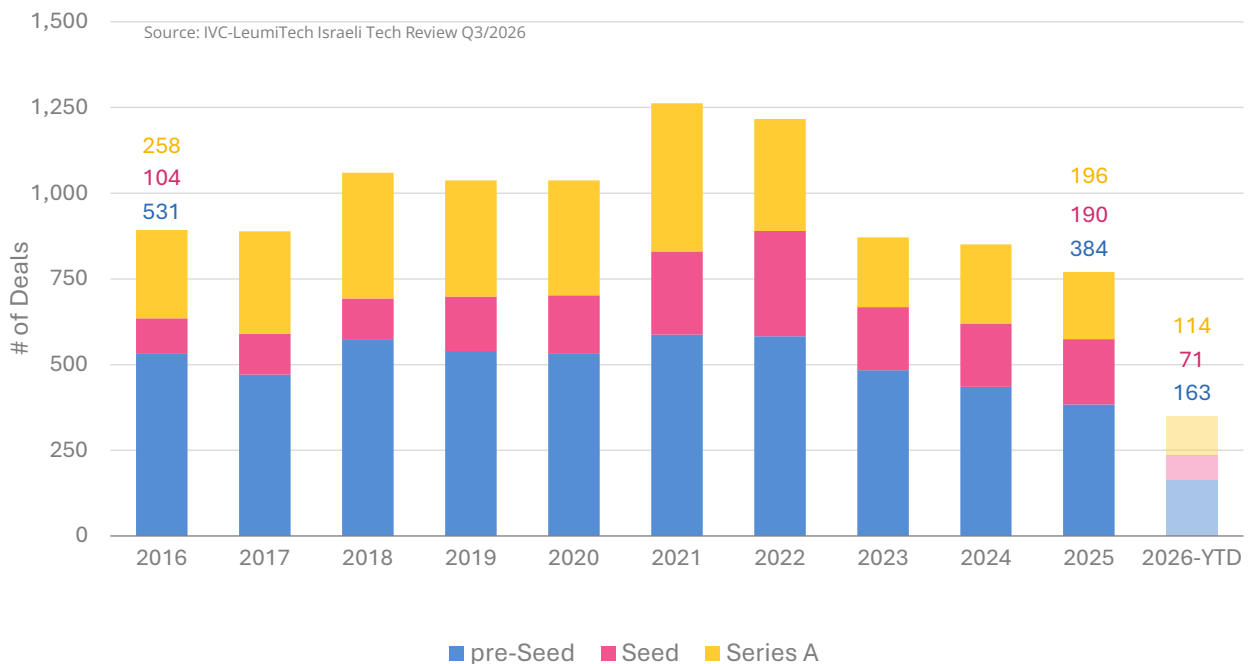
Quarterly Israeli Tech Investments in Early Stages: \$M



500 Annual Pre-Seed Deals Maintain \$65M to \$85M Inception Capital Core (Continued)

Shifting from transaction counts back to capital volume requires returning to normalized funding figures to account for these disclosure lags. This capital view highlights how early checks have scaled over time. **Series A deployment expanded from \$980 million in 2016 to \$2.3 billion in 2026 YTD.** Normalized **Seed funding grew from \$135 million in 2016 to \$1.24 billion in 2025 (\$797 million in 2026 YTD).** Meanwhile, **pre-Seed capital remained mainly between \$65 million and \$85 million annually (\$68 million in 2026 YTD),** confirming that institutional capital is concentrating into larger Seed and Series A rounds.

Quarterly Israeli Tech Investments in Early Stages: # of Deals



Q3-2026 Top Selected Investments

Early Stage

CYLAKE 1

Cyber

R&D 245 \$M

NZO 2

Cyber

Initial Revenues 75 \$M

Sable 3

Enterprise Software & Consumer Oriented Software

Seed 45 \$M

ENIGMA 4

Enterprise Software & Consumer Oriented Software

Seed 41 \$M

Noetive 5

Enterprise Software & Consumer Oriented Software

Seed 41 \$M

eyesAtop 6

Defense, Space & Quantum

Revenue Growth 41 \$M

Mid Stage

wonderful 1

Enterprise Software & Consumer Oriented Software

Revenue Growth 550 \$M

Upwind 2

Cyber

Revenue Growth 300 \$M

zenity 3

Cyber

Revenue Growth 112 \$M

ALICE 4

Cyber

Revenue Growth 115 \$M

groundcover 5

Enterprise Software & Consumer Oriented Software

Revenue Growth 100 \$M

glow 6

Cyber

Revenue Growth 100 \$M

Late Stage

cyera 1

Cyber

Revenue Growth 400 \$M

Island 2

Cyber

Revenue Growth 400 \$M

HiBob 3

FinTech & InsurTech

Revenue Growth 166 \$M

BUILDOTS+ 4

Industry 4.0 & Construction Tech

Revenue Growth 130 \$M

Pi-Cardia 5

Life Sciences

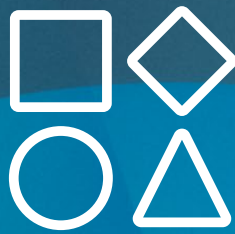
Revenue Growth 80 \$M

wint 6

FinTech & Insur Tech

Revenue Growth 36 \$M

Source: IVC-LeumiTech Israeli Tech Review Q3/2026



Tech Verticals Breakdown

Cyber and Enterprise Software Drive 71% of YTD Funding

Capital deployment through Q3/2026 remains heavily concentrated in core tech verticals, with Cyber retaining its dominant market position. **Cyber companies captured 40.1% of all capital raised year-to-date**, demonstrating that global demand for Israeli cyber resilience remains uniquely entrenched, even as its share adjusted slightly from 2025's peak of 43.4%.

Concurrently, **Enterprise Software & Consumer-Oriented Software experienced a strong resurgence, capturing 31% of total funding** compared to 16.7% in 2025. Together, Cyber and Enterprise Software accounted for more than 70% of all capital deployed in 2026 YTD.

The year-to-date figures also highlight the structural emergence of **Defense, Space & Quantum, which maintained a strong 8.8% share of total funding**, solidifying its position as a primary investment pillar compared to historical averages below 3%. However, broader YTD totals mask notable quarterly volatility within the sector, where capital deployment peaked in H1 before moderating significantly in Q3.

In contrast, **Life Sciences is showing encouraging signs of a trajectory shift**. While its YTD share stands at 5.0% (reflecting a dismal Q1), funding accelerated substantially across Q2 and Q3, accumulating approximately \$500 million over the two quarters combined. This multi-quarter momentum suggests that institutional capital is gradually returning to healthcare and biotech assets. Meanwhile, traditional sectors such as FinTech remained under pressure, sliding to a multi-year low of 5.4%.

Share of Capital Raised by Israeli Tech Companies, By Field

Source: IVC-LeumiTech Israeli Tech Review Q3/2026	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026-YTD
Cyber	15.2%	14.7%	16.3%	20.5%	25.5%	25.0%	22.3%	26.5%	41.5%	43.4%	40.1%
Enterprise Software & Consumer Oriented Software	32.9%	36.1%	25.2%	24.6%	29.3%	24.7%	26.9%	19.0%	20.0%	16.7%	31.0%
Defense, Space & Quantum	1.7%	2.7%	4.9%	2.2%	2.4%	1.9%	2.1%	4.8%	3.4%	9.4%	8.8%
FinTech & InsurTech	13.9%	11.5%	16.6%	21.1%	13.4%	22.7%	13.9%	21.1%	13.3%	10.9%	5.4%
Life Sciences	13.7%	16.8%	12.5%	11.4%	12.5%	7.9%	16.0%	12.4%	12.1%	8.6%	5.0%
Semiconductors & Other Hardware	2.9%	5.6%	10.7%	5.5%	4.1%	5.0%	2.4%	2.6%	4.3%	6.5%	5.0%
Energy & Other CleanTech	3.8%	1.9%	0.9%	0.4%	1.9%	1.1%	1.6%	2.9%	1.6%	0.5%	1.5%
Industry 4.0 & ConstructionTech	1.3%	0.2%	0.1%	0.2%	1.1%	1.1%	2.2%	0.5%	0.9%	0.6%	1.5%
Automotive	10.6%	6.8%	7.3%	8.1%	3.2%	4.6%	2.3%	5.2%	0.7%	1.0%	0.8%
Agritech & FoodTech	1.0%	2.4%	3.4%	3.8%	5.2%	4.0%	6.7%	4.1%	1.9%	2.2%	0.7%
Other	2.9%	1.3%	2.1%	2.2%	1.4%	1.9%	3.5%	1.0%	0.3%	0.2%	0.0%
Yearly Capital Raising \$m	4,264	4,559	6,302	8,086	10,729	26,545	15,942	6,945	8,735	11,147	11,856

FOCUS Defense Sector

of Active Companies

480

5.2% of active Israeli Tech Companies

Total Capital Raised Past Decade¹

\$7.3B

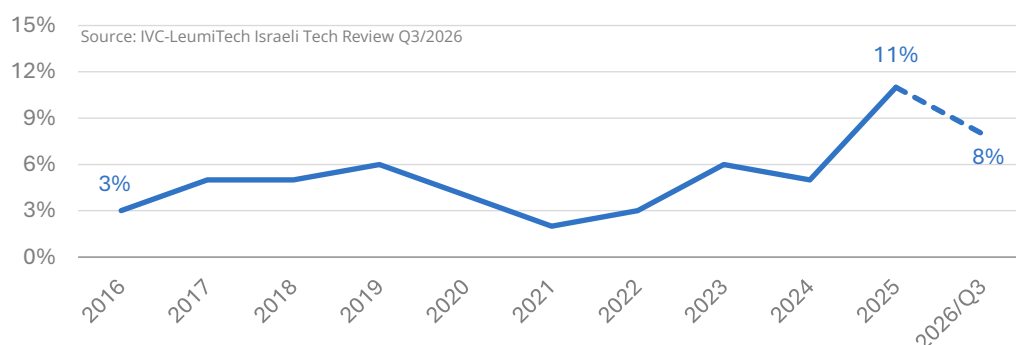
5.1% of all capital raised by Israeli startups

of Funding Rounds Past Decade¹

573

4.4% of all Israeli startup funding rounds

Defense Share of Total Tech Investments Value | 2016–2026¹



Top 5 Israeli VC Investing in Defense Past Decade²

1	Israel Growth Partners (IGP)	\$50M-\$75M
2	Aleph ES Management Company	\$50M-\$75M
3	Entrée Capital Israel	\$40M-\$60M
4	Vertex Ventures Israel	\$40M-\$60M
5	Velocity X	\$40M-\$60M

Top 5 Foreign VC Investing in Defense Past Decade²

1	Insight Partners	\$100M-\$150M
2	Lux Capital	\$50M-\$75M
3	Bain Capital Ventures (BCV)	\$50M-\$75M
4	Awz Ventures	\$50M-\$75M
5	Square Peg Capital Pty	\$40M-\$60M

Top Exits

1	D-Fend Solutions AD	\$1.5B	2026
2	Carbyne	\$0.63B	2026
3	Paragon Solutions	\$0.5B	2024
4	Deci AI	\$0.3B	2024
5	Bagira Systems	\$0.3B	2026
6	GATE Technologies	\$0.2B	2026
7	Cobwebs Technologies	\$0.2B	2023
8	Omnisys	\$0.2B	2026
9	Mistral	\$0.18B	2026
10	Innoviz Technologies	\$0.14B	2021

1) Data refers to all known rounds at time of publication, see methodology section.

2) Past decade refers to the period 2016 – Q3/2026.

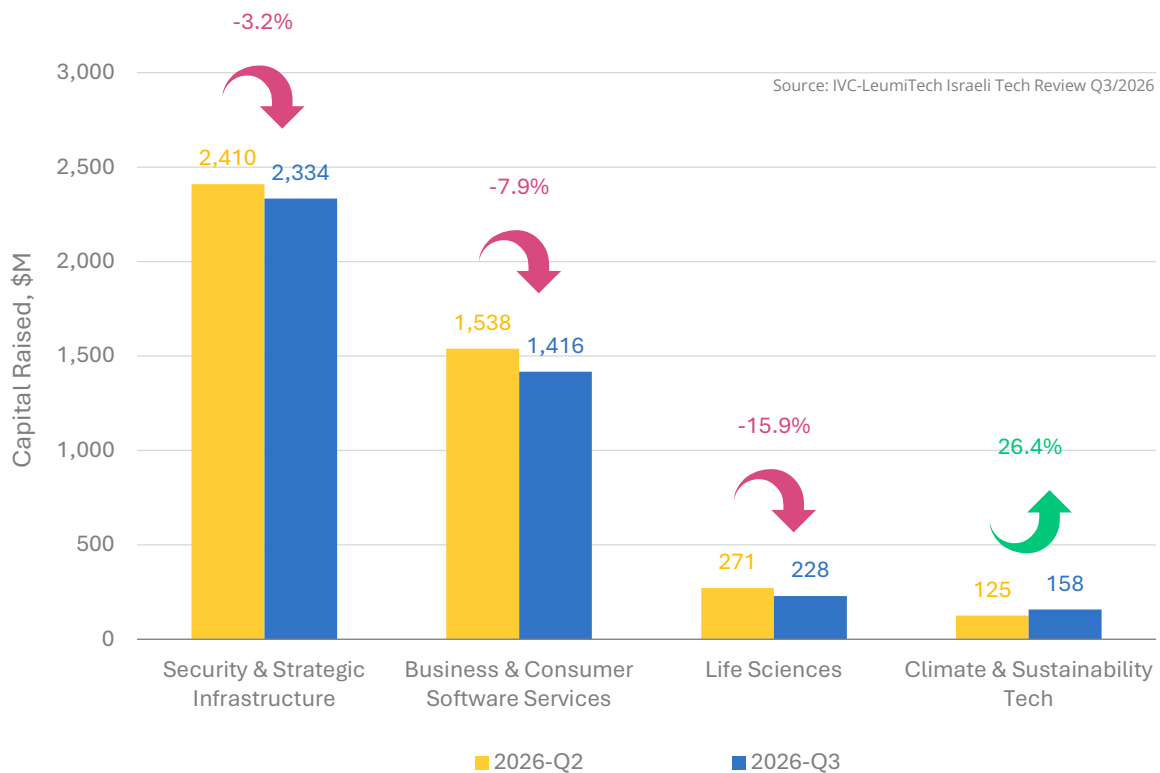
Grouped Sectoral Performance (Q2 vs. Q3/2026)

Consolidating sector data into core verticals¹ reveals a highly resilient framework driven by dual pillars: **Security & Strategic Infrastructure and Business & Consumer Software Services**. Together, these two macro-categories captured over 90% of total capital raised in Q3/2026.

Security & Strategic Infrastructure (Cyber, Defense, Space, Quantum and Semiconductors) retained its overwhelming market leadership, totaling \$2.3 billion in Q3/2026, a negligible 3% fluctuation from Q2 (\$2.4B). However, this is a result of an \$850M increase in Cyber, totaling \$2.16B in Q3/2026, and a \$920M decrease in all other sectors to less than \$200M. Accounting for 56.4% of all quarterly funding, this stability underscores how systemic demand for cybersecurity neutralizes quarterly market volatility. At the same time Business & Consumer Software Services (Enterprise Software and FinTech) experienced similar stagnation and raised \$1.4 billion in Q3 (down 8% from \$1.5B in Q2).

In specialized domains, Investment in **Climate & Sustainability Tech (AgriTech, FoodTech, EnergyTech and Industry 4.0) amounted to \$158 million, driven mainly by an investment of \$142M in Industry 4.0**. Meanwhile, Life Sciences adjusted slightly by 15.6% to \$228 million (down from \$271M in Q2), yet firmly sustained its broader recovery trajectory compared to the low trough recorded in Q1 (\$93M).

Capital Raising by Cluster: Q3-2026 Compared to Q2-2026



1) It should be noted that AI is a technology and therefore not included in this sectoral analysis. For a review of investments in AI please refer to page 10 in this report.

Software and Cyber Drive 2025's Startup Formation Rebound as Bio and Climate Creation Continues Multi-Year Decline

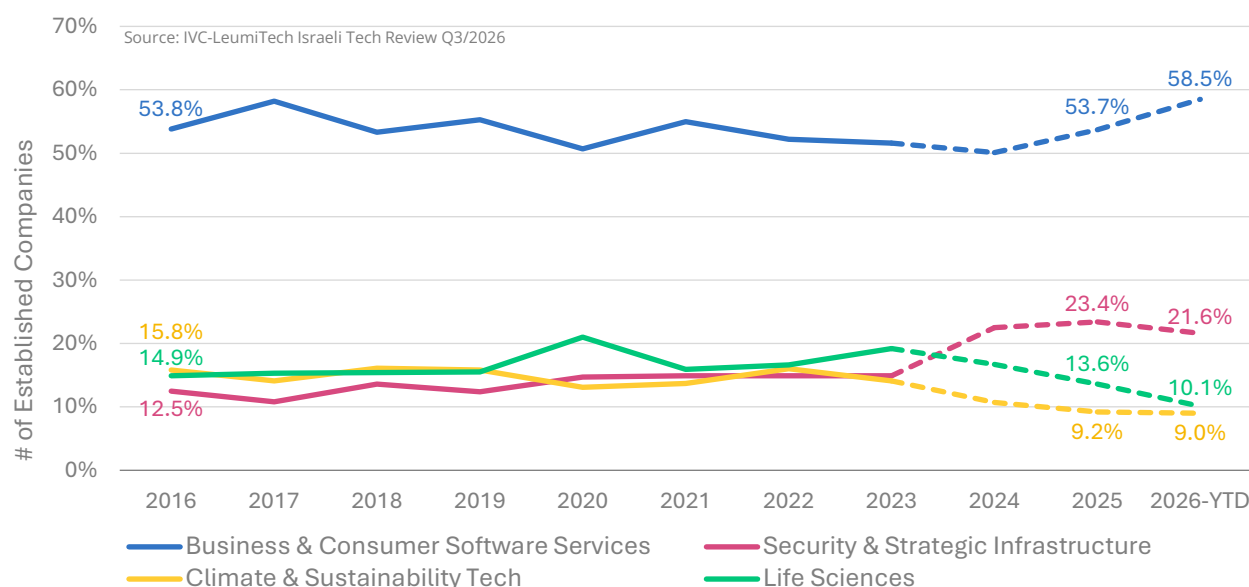
Long-term data tracking new company creation highlights a pivotal shift in Israel's entrepreneurial landscape. After a decade-long contraction in total startup incorporations, **2025 marked a clear turning point, with new company formation returning to growth, reaching 762 new companies in 2025 (compared to 719 in 2024)**¹. However, a sectoral analysis reveals that this rebound was highly asymmetrical and driven almost entirely by software and security.

Between 2016 and 2023, Business & Consumer Software Services accounted for 50% to 58% of all newly founded companies (between 740 new companies in 2017 and 403 companies in 2023), while Security & Strategic Infrastructure maintained a stable 11% to 15% share. By 2025, as total company formation rebounded, **Security & Strategic Infrastructure jumped dramatically to 23.4% of all new incorporations (up from 14.9% in 2023), while Software Services held a dominant 53.7%**. Combined, these two categories captured over 77% of all new ventures founded in 2025.

In stark contrast, capital-intensive domains with longer commercialization horizons did not participate in the 2025 turnaround. Life Science's share of new startup creation fell to 13.6% in 2025 (down from 19.2% in 2023), continuing an absolute decline in company formation to 104 new companies in 2025. Similarly, Climate & Sustainability Tech contracted to 9.2% (down from 14.1% in 2023).

Preliminary data through **Q3/2026 indicates this structural concentration is intensifying further. Software Services (58.5%) and Security Infrastructure (21.6%) together represent over 80% of all newly established startups year to date**, while Life Sciences (10.1%) and Climate Tech (9.0%) remain constrained. This ongoing alignment confirms that Israeli founders are actively responding to current venture capital dynamics, directing innovation toward verticals with proven monetization models and resilient institutional backing.

Annual Distribution of New Tech Companies Formation by Strategic Clusters²



1) The data regarding new company formation in a specific year is usually updated for several quarters (up to 2 years). Therefore, the numbers reported in this analysis are expected to be revised upwards.

2) 2024-2026 figures are preliminary estimates and are expected to be revised.



Investor Profile & Dynamics

Foreign VCs Maintain Lead, Accounting for 68% of Active Funds

Foreign venture capital firms continue to form the backbone of investor activity in Israeli tech, consistently outnumbering domestic funds by more than two-to-one.

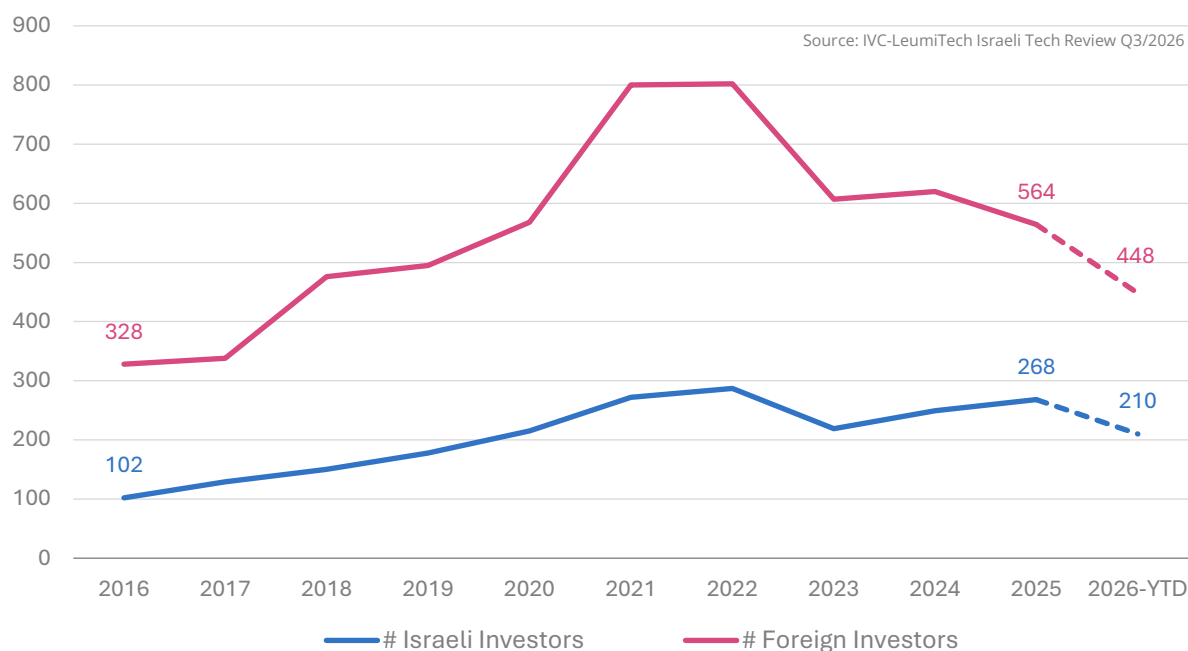
Between 2016 and 2023, foreign VCs represented 72% to 76% of all active unique funds in Israel. **Over the past two years, VCs' share has stabilized at a slightly more balanced baseline, reaching 67.8% in 2025 (564 foreign funds vs. 268 local) and 68.1% in 2026 YTD (448 foreign funds vs. 210 local).**

While the total number of active funds has moderated from peak 2021–2022 levels across the board, global investors remain heavily engaged in the market. Simultaneously, domestic VC firms provide ongoing stability and core deal participation across all investment stages.

Comparing overall capital flow against active VC fund counts provides an indicative metric for capital concentration in the market. Total funding reached \$11.9 billion in 2026 YTD across 658 active unique VC funds, yielding an average ratio of **\$18.0 million per active VC investor**, up from **\$13.4 million in 2025 and \$8.4 million in 2023**.

Methodological Note: This ratio serves as an aggregate proxy for overall capital intensity rather than an exact average check size, as total funding includes participation from non-VC sources (such as angel investors, family offices, and incubators) that are not reflected in the active VC count. Nevertheless, the trend suggests that active institutional investors are operating in an environment characterized by larger deal sizes and higher capital concentration per deal.

Number of VC and CVC Investors by Origin¹



1) Investments performed by Investor HQ Region.

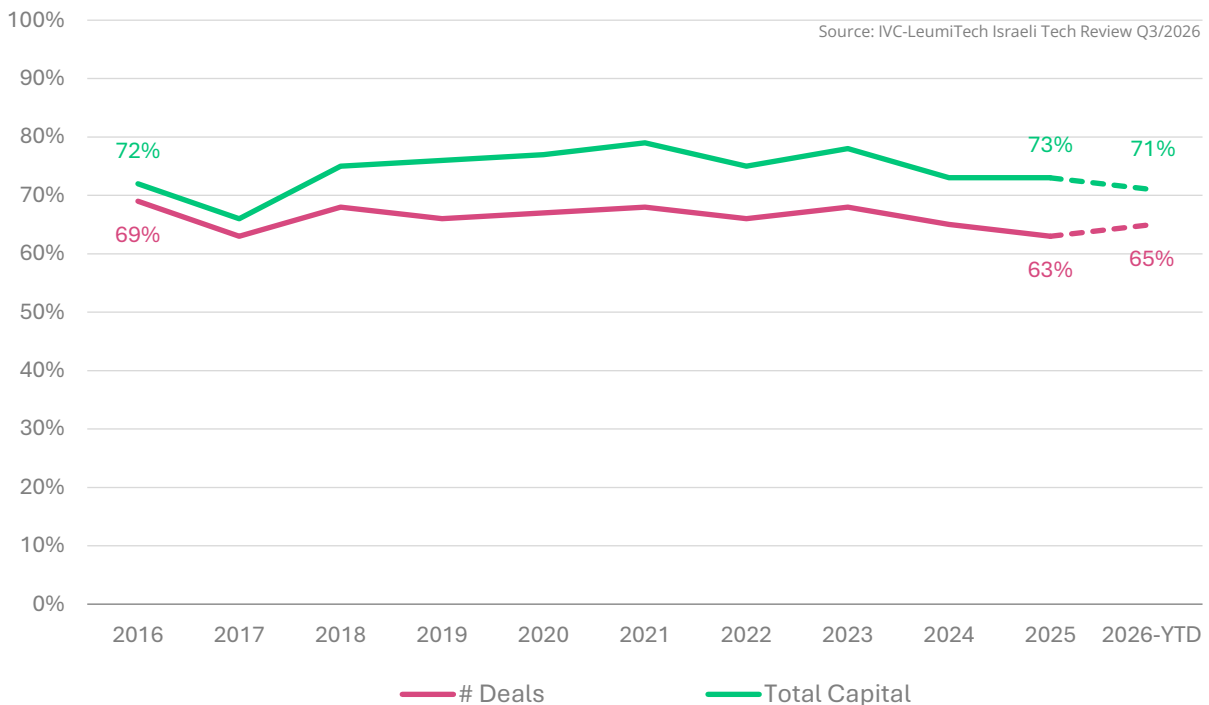
Volume Stability vs. Capital Moderation in Foreign VC Activity

Long-term tracking of foreign VC participation reveals a clear structural divergence between transaction volume and total capital commitment.

On a transaction basis, foreign VC engagement has demonstrated remarkable resilience over the past decade, consistently capturing between 63% and 69% of all deals. In **2026/Q3, foreign VCs participated in 65% of all closed transactions**, maintaining a steady presence fully aligned with historical baselines.

In contrast, the foreign share of overall capital deployment has moderated subtly over several years. After peaking at 79% in 2021 (and averaging ~76% from 2018 through 2023), foreign VC capital participation fell **to 73% in 2024–2025 and 71% in 2026/Q3**. While international funds remain central to larger funding rounds, the gradual convergence between deal share (65%) and capital share (71%) reflects an evolving balance in co-investment dynamics with domestic VCs.

Foreign Investors Share of Deal and Volume of Total VC/CVC Funding (2016–2026)



Portfolio Defense Drives First-Time VC Deals to Multi-Year Lows

Tracking the balance between initial and follow-on commitments reveals a pronounced shift in venture capital risk allocation, with institutional investors prioritizing existing portfolio defense over new deal sourcing.

Historically, first-time investments made up most VC deal activity, accounting for over 52% of transactions between 2016 and 2018. However, following a structural shift toward follow-on rounds during the peak 2021 period, **the share of first-time commitments has continued to compress, reaching a decade low of 38.7% across 2026 YTD** (449 transactions), down from 44.0% in 2025 and 44.8% in 2024.

Quarterly, **Q3/2026 registered a modest uptick to 44.3%**, bringing single-quarter deal activity closer to 2024–2025 levels. However, this quarterly rebound remains well below pre-pandemic and peak-cycle baselines. Overall, follow-on transactions accounted for 712 investments (61.3%) in 2026 YTD, demonstrating that VC and CVC funds are actively deploying capital to defend and double down on established high-conviction portfolio companies while maintaining high qualification thresholds for new check-writing.

Share of VC/CVC First Investments Out of First and Follow-on Investments, # of Deals, 2016-2026



US and Local Funds Maintain High Investment Frequency While Non-US Foreign Activity Drops

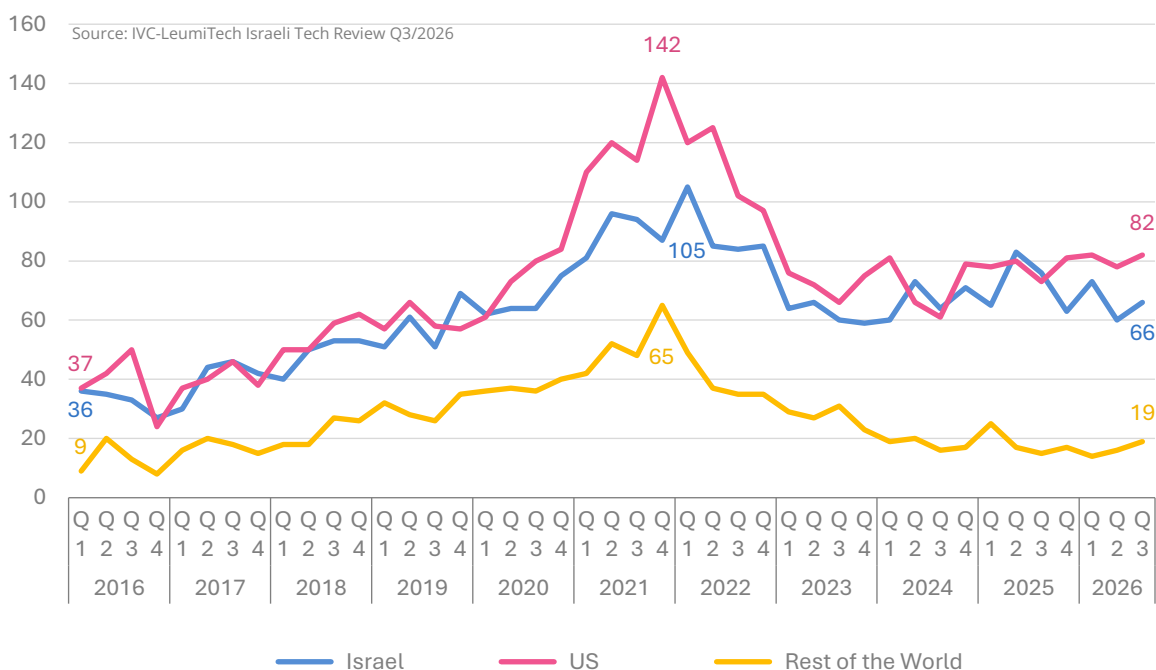
Data tracking "frequent investors", defined as entities completing a total of at least three investments within a rolling eight-quarter (two-year) window ending in the reported quarter, highlights the structural resilience of US and Israeli capital relative to non-US foreign funds.

Because this metric evaluates sustained activity across two full years rather than isolated transactions, it isolates the core group of institutional investors maintaining a consistent market presence. After the 2021 expansion, when active US frequent investors peaked above 140 per quarter, participation recalibrated but settled at a remarkably stable baseline. **Between 2024 and Q3/2026, the count of active US frequent investors hovered consistently around 80 per quarter (82 in Q3/2026).** This reflects a durable cohort of American venture funds that have maintained a continuous deal pace in Israel despite macroeconomic and geopolitical volatility.

Domestic Israeli funds similarly demonstrate long-term commitment, anchoring the local market with 60 to 80 frequent investors per quarter in 2023-2026 (66 in Q3/2026). This represents a mature institutional base, nearly double the active count recorded during the 2016–2018 baseline (30 to 50 funds).

In contrast, **non-US foreign participation exhibits a structural decline. The number of frequent investors in this category dropped to 19 in Q3/2026 (after hitting a low of 14 in Q1/2026),** down from 35 to 65 during 2020–2022. This contraction indicates that fewer non-US funds have maintained the deal volume required to meet the two-year frequency threshold, leaving US and Israeli VCs as the primary anchors of consistent deal-making.

Number of Frequent VCs and CVCs¹ by Origin



1) Frequent VCs and CVCs are VCs and CVCs that have completed at least three investments within a rolling 8-quarter period



Exit Activity and Market Liquidity

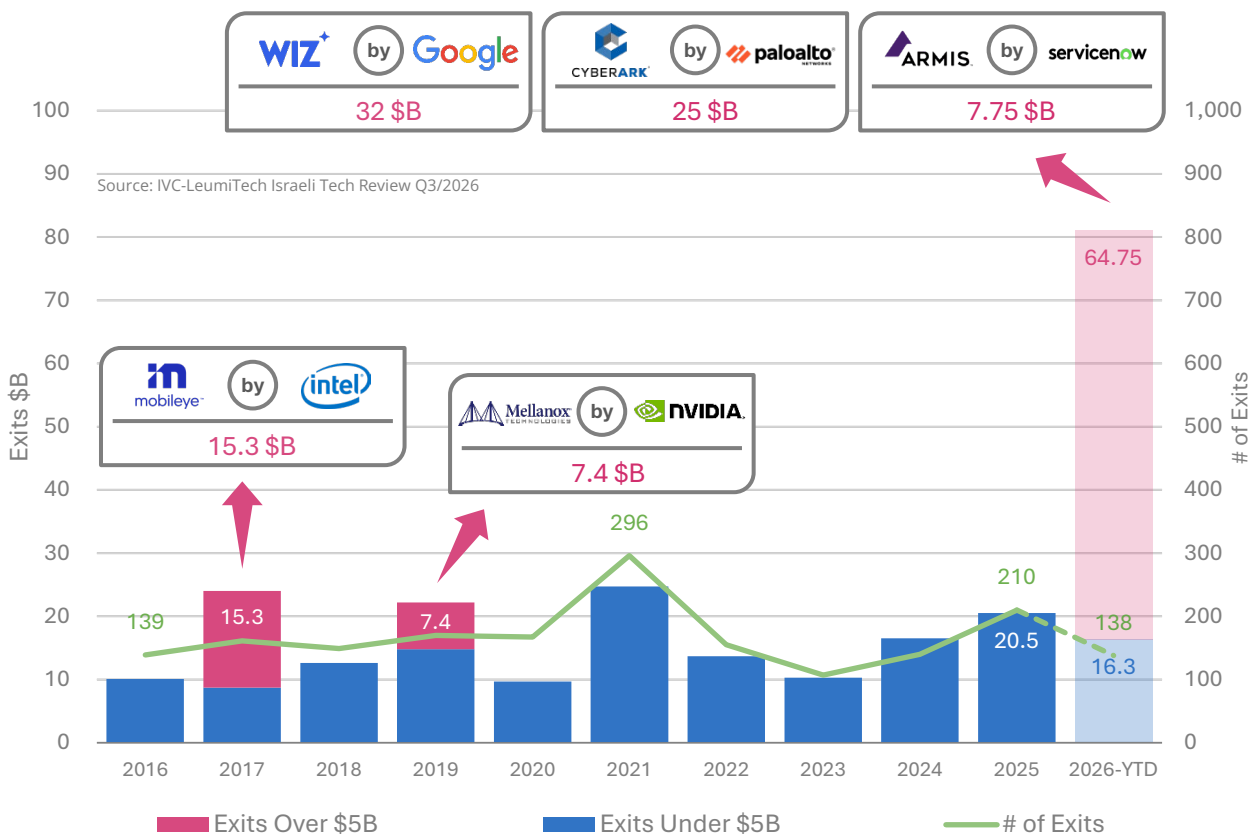
Q3 Exit Activity Accelerates to 55 Deals, Maintaining Multi-Year Capital Flow

While mega-exits dominated earlier discussions, Q3/2026 marked a notable shift toward broader transaction volume across the Israeli tech ecosystem.

During Q3/2026 alone, 55 exit transactions were completed, representing a clear acceleration above the historical quarterly average. This surge brought the year-to-date total to 138 exits, approaching the full-year transaction count recorded in 2024 (140 exits).

In monetary terms, Q3 exits generated \$5.5 billion in total value. This capital realization aligns closely with the elevated quarterly momentum observed over the past two years, demonstrating sustained acquirer interest and liquidity avenues across mid- and large-cap tech companies. **In total, 2026 YTD exit value reached \$81.0 billion across 138 deals**, driven by earlier mega-transactions alongside a steady baseline of mid-market M&A.

Number and Value of Exits, by Size



1) Q1-2026 figures are based on an 86% valuation disclosure rate for known transactions, compared to a historical average of ~90%. Subsequent reporting of these undisclosed values is expected to increase transaction volume in lower brackets without materially altering the total quarterly exit value.

Mid-Market Exits Expand Share as Small-Cap Deals Moderate to 50% in 2026YTD

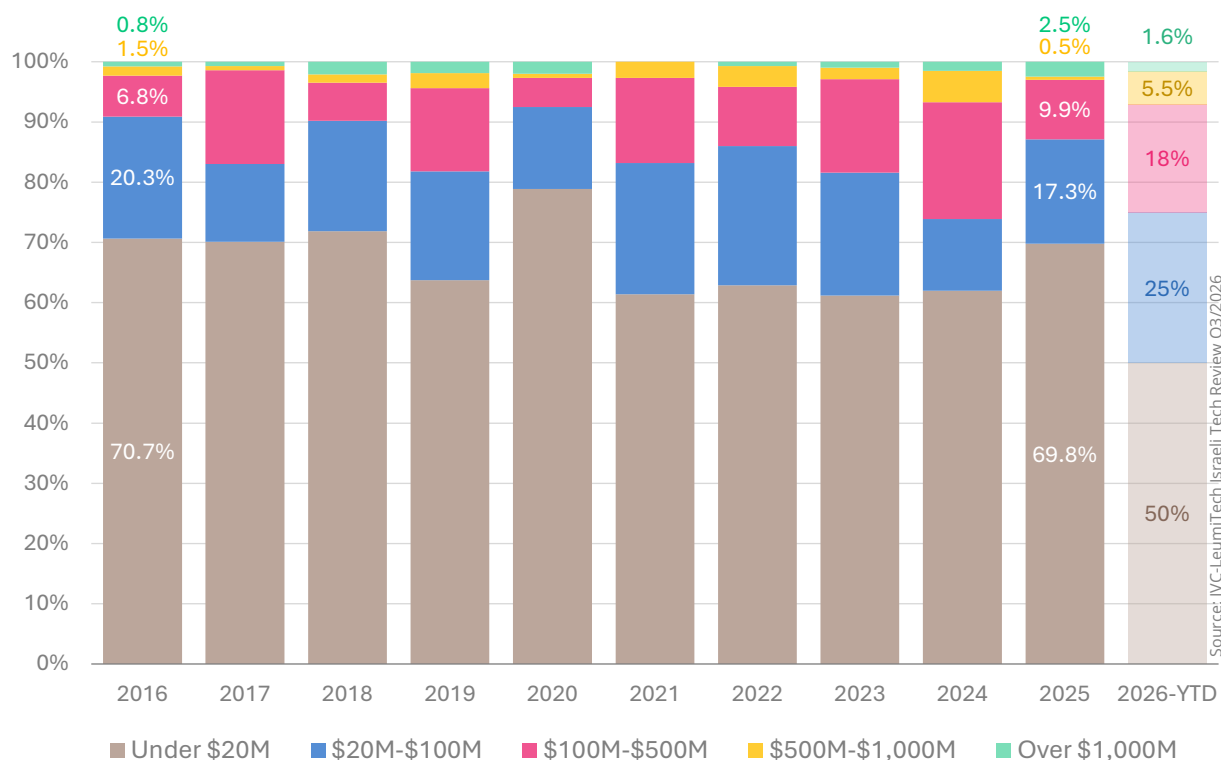
A multi-year analysis of exit values shows a gradual shift toward larger transaction brackets across the Israeli tech ecosystem, even as small-scale acquisitions remain the market's underlying foundation.

Historically, transactions valued under \$20 million represented the vast majority of exits, typically accounting for 60% to 70%+ of annual deal volume. Across **2026 YTD, sub-\$20M deals moderated to 50% of total exits (64 out of 128 transactions)**. While still the single largest valuation category, its reduced share reflects an ongoing transition toward higher-value liquidity events.

This macro shift became particularly pronounced in Q3/2026, where mid-market acquisitions drove quarterly volume acceleration. Transactions valued between **\$20M and \$500M represented 49% of Q3 exits (26 out of 53 deals¹)**, backed by 17 deals in the \$20M–\$100M bracket (32%) and 9 deals in the \$100M–\$500M range (17%). Deals exceeding \$500 million accounted for 4% of the quarterly total (2 deals).

Overall, 2026 YTD data reflects a dual-track exit market with small-cap liquidity as the baseline, and an expanding mid-cap segment achieving substantial acquisition scale.

Exit Distribution by Valuation Bracket², 2016-2026



1) Excludes 2 Q3/2026 exit transactions with undisclosed valuations.

2) Data refers to number of deals and does not include mega-deals over \$5B.

US Acquirers Drive 70% of Exit Capital as Israeli Acquirers Hit Record \$2.2B

Tracking the geographic origin of exit capital (for deals under \$5B) highlights the continued centrality of North American buyers, paired with rising acquisition activity from domestic Israeli tech companies.

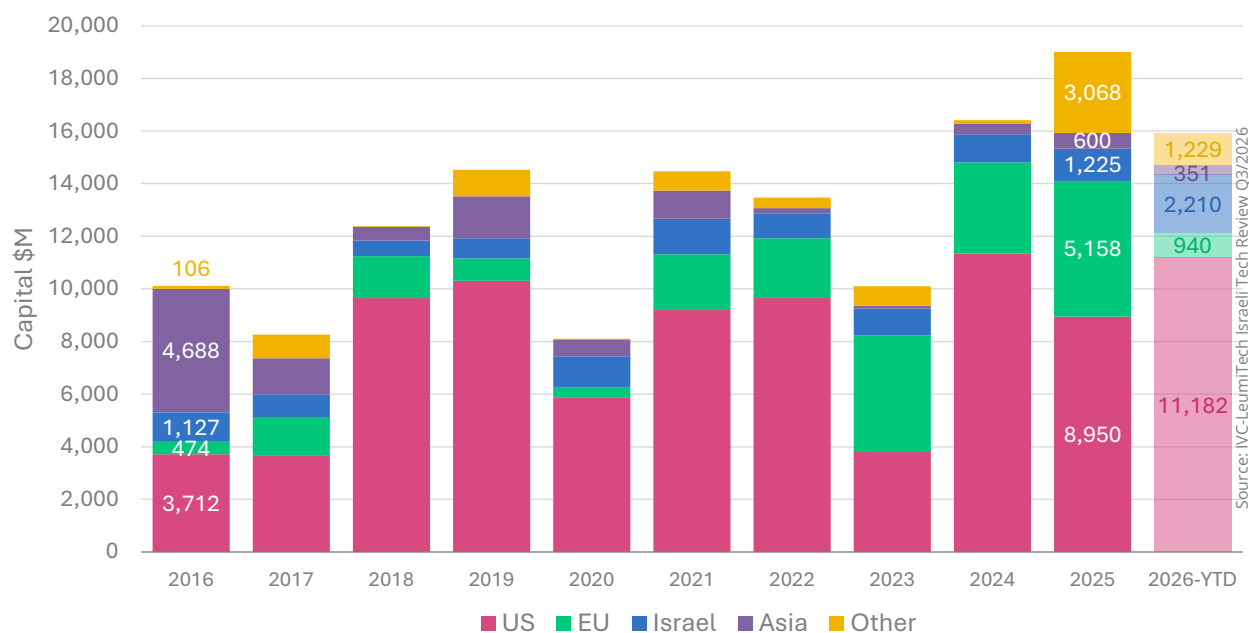
US-based acquirers remain the primary liquidity destination for Israeli exits. In **2026 YTD, US buyers accounted for \$11.2 billion in 70 deals**, representing **70.3% of total exit value** (up from \$8.95 billion, or 47.1%, in 2025). This rebound aligns closely with historical norms, where US entities consistently generate approximately 60% of total exit capital.

Concurrently, **domestic Israeli acquirers reached a record high of \$2.2 billion in 2026 YTD (38 deals)**, representing 13.9% of total exit value. This marks the highest annual capital deployment by local buyers in the decade-long dataset, nearly doubling the previous peak of \$1.35 billion recorded in 2021. The expansion of domestic M&A points to growing balance-sheet maturity among established Israeli companies utilizing strategic acquisitions for local consolidation and growth.

While European acquirers (including the UK) accounted for a reduced share of total capital in **2026 YTD (\$940 million, or 5.9%)**, this contraction reflects a shift in deal valuation rather than a withdrawal from the market.

On a volume basis, **European buyers remained active, completing 13 transactions in 2026 YTD (10 in Continental Europe and 3 in the UK)**, already matching the total deal count recorded across all of 2025 (13 deals: 9 Europe, 4 UK). However, following several years of high-value European mega-exits, most notably in 2025 where 13 deals generated over \$5.2 billion, the 2026 footprint was defined by smaller, mid-market acquisitions. This trend indicates sustained strategic interest from European corporate buyers, albeit with lower average transaction values.

Israeli Tech Exit Capital by Acquirer Origin¹, 2016-2026



1) Data does not include mega-deals over \$5B; EU definition includes the UK.

Top Exits Under \$5b Q3/2026

D-FEND by **MOTOROLA SOLUTIONS**
United States
Defense, Space & Quantum | **1,500 \$M**

OASIS by **CYERA**
United States
Cyber | **1,000 \$M**

Sweep by **servicenow**
United States
Enterprise Software & Consumer Oriented Software | **400 \$M**

LayerX by **Akamai**
United States
Defense, Space & Quantum | **205 \$M**

GATE by **ONDAS**
Technologies Ltd. United States
Cyber | **205 \$M**

sam by **Qualcomm**
seamless network United States
Cyber | **110 \$M**

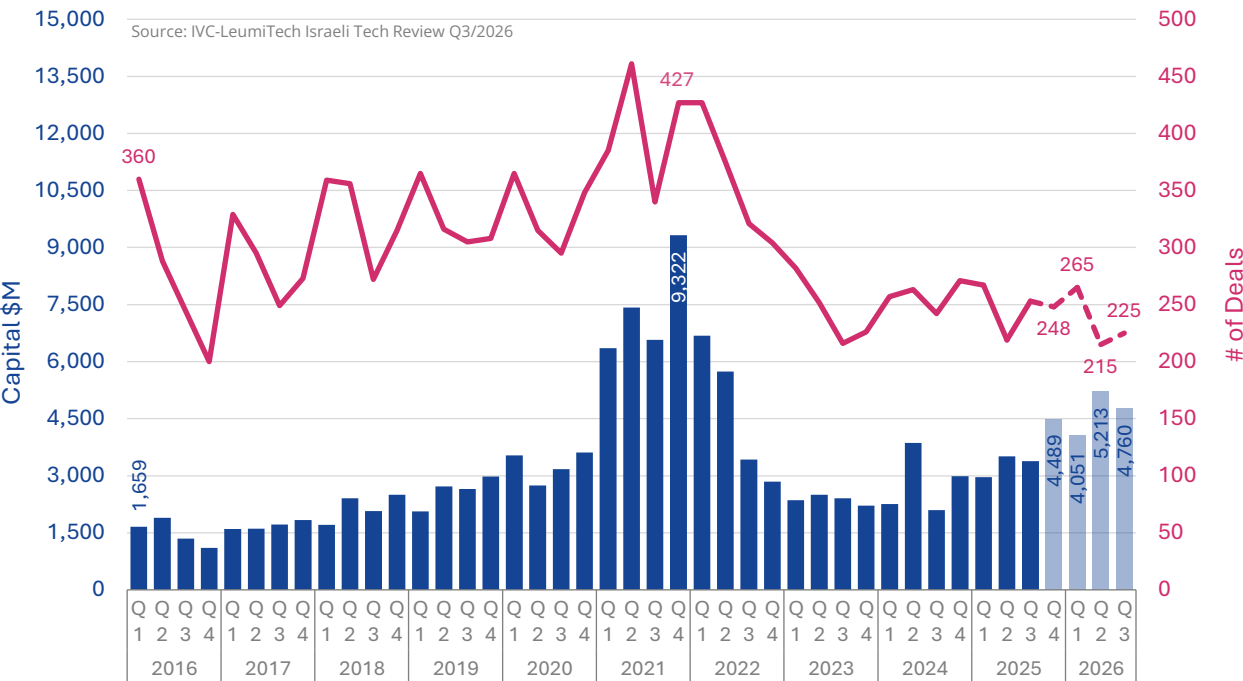
CARDINALOPS by **Cribl**
United States
Cyber | **100 \$M**



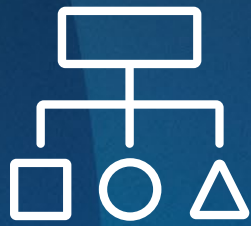
Appendix

Appendix A

Quarterly Israeli Tech Investments: Updated Capital \$M
and # of Deals¹



1) The figures presented for 2025 and Q1-2026 are based on currently available records and are subject to the standard reporting lag inherent in private market data. Historically, transaction volumes and funding totals for the most recent periods undergo revisions as additional deal closures and non-disclosed rounds are formally documented. Consequently, these figures should be viewed as a conservative baseline that is expected to adjust upward in subsequent updates



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 tech companies between 2016 – Q3/2026. "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.

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 486 investors of which 104 were Israeli VC funds and 382 were other entities.
- The term 'Early-Stage Companies' refers to 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.



About



IVC is the leading data source and business information company in Israel's 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 tech sectors, we cater to the varied business information needs that make up the Israeli 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 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 tech ecosystem better

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

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