

# ISRAELI TECH REVIEW Q1 2023

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# Q1/2023 Israeli Tech Highlights



# Q1/2023 Israeli Tech Highlights

## A Foreign Land

In times like this, when the worldwide financial regime has changed, US treasury yields have become more attractive than risky assets, and each week brings another unwelcome surprise (e.g., #svb + #RunOnTheBank) – the first question that comes to mind is: What about the foreign investors? Israel isn't unique in this regard. The money supply for young tech companies is not a local resource (at least not most of it). Yet, some characteristics of the Israeli ecosystem made foreign money more embedded in the local tech's daily life.

The majority of the money supply to Israeli start-ups comes from foreign VCs (see page 22 for the local vs. foreign investors activity), and their sentiment is crucial for the maintenance of the local ecosystem. Looking at the bucket of the 20 most active foreign VC investors by quarters over the last decade (including funds such as Insight Partners, Bessemer, Lightspeed, Battery, to name a few) shows how the current financial market turmoil has changed their behavior. The activity level (in practice, the numbers of deals this bucket of participants took part in during each quarter) is highly correlated with the trend of the Israeli tech investments both in dollar amounts and number of investments, and as such this array of funds is more telling about the overall trend.

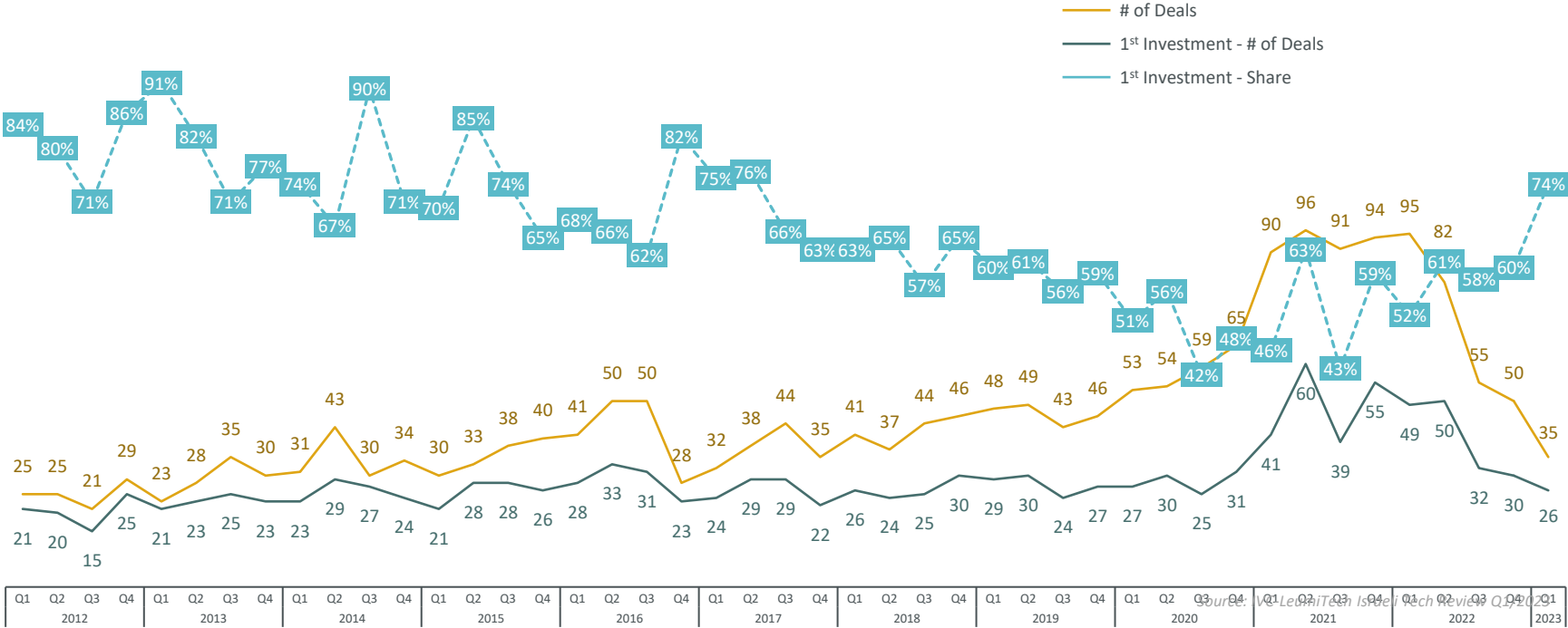
Foreign VC investments activity peaked in Q1/2022 and has declined dramatically since then by nearly 66 percent. However, the weakness in foreign investments is less consequential regarding first investments than follow-ons. The share of first investments compared to overall, grew more than 70%, a level we have not seen since 2017. VCs industry dynamics might cause this type of investors to shy away from high valuation's companies trying to reach more funding, preferring better deals. Whether this is a permanent change or just a temporary pause at the sidelines, follow-on investments by Foreign VCs will determine Israeli tech's performance in the coming quarters.

# Q1/2023 Israeli Tech Highlights

## No Exits

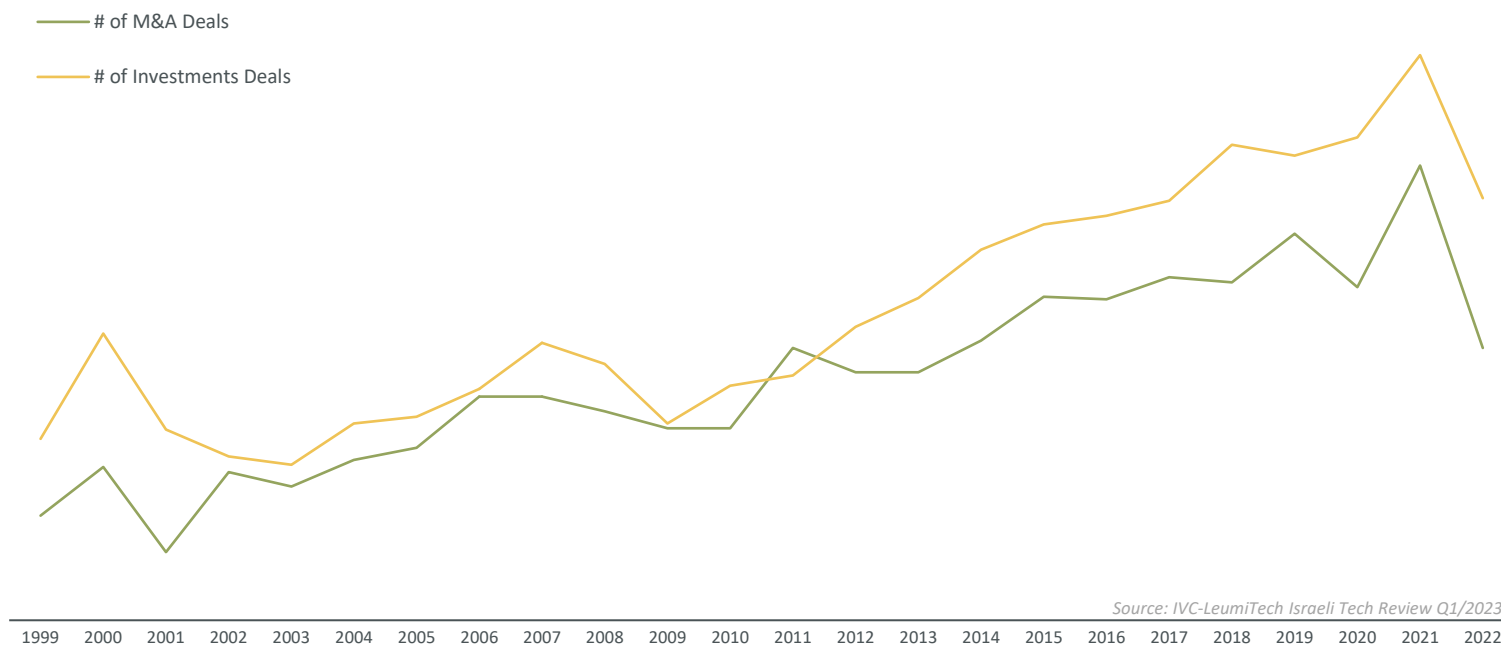
The declared assumption that we are on the brink of a wave of M&As is based on the following arithmetic: if valuations are going down and money supply is nowhere in sight (in private or public financial markets), then M&A can reclaim its place as a preferred outcome in the start-up nation. But, looking at similar situations in the past (2001– 2002 and 2008–2010) tells a different story. The M&A arena dried up in correlation with the money supply and vice versa. The correlation between these two types of financial activities is 92% in 1999–2022

Top 20 Foreign VCs Deals Activity



# Q1/2023 Israeli Tech Highlights

## ► Number of M&A Deals vs Number of Investment Deals: 1999 - 2022



Will it be different this time?  
It's possible.

The Israeli tech scene is very different today and attractive M&A deals could be much more appealing to global tech companies willing to take risks.

The attached graph offers two different scenarios: whereas in 2002, M&A numbers jumped back to the 2000 level, in 2009–2010, the recovery took longer.

These two kinds of deals - Investments and M&As - move in tandem for a reason: financial conditions suitable for risks are necessary for both. As such, more M&As activity this year – while a rational conclusion – isn't a done deal.

# Q1/2023 Israeli Tech Highlights

## A Unicorn or An Outlier?

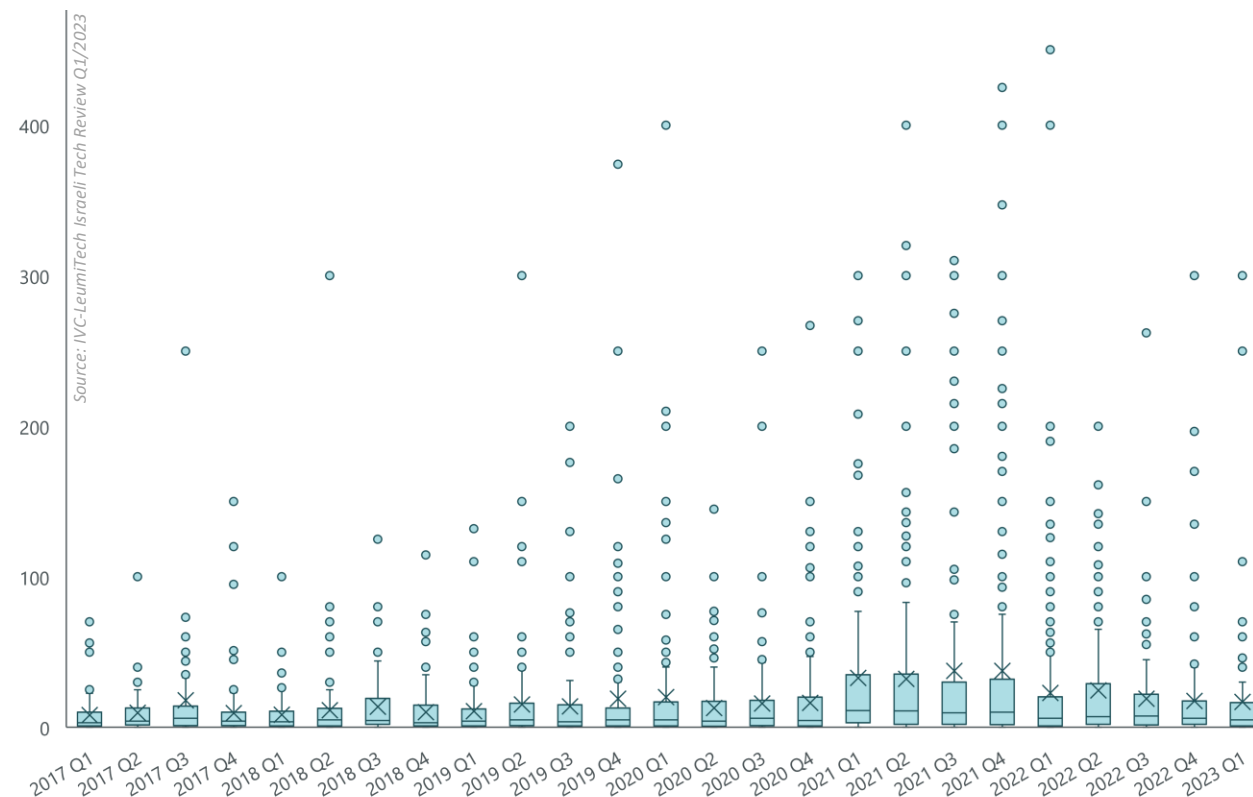
Lately, we faced criticism following our analysis marking extreme capital raising amounts as outliers. The debates were not about the statistical characteristics of an outlier, but more about the philosophical boundaries of an outlier in our industry. How to address amounts ranges that are invested occasionally, but historically lie outside the overall distribution pattern?

The Boxplot graph below provides some statistical interpretation of outlier events in Israeli tech capital raising during the last quarters. Technically, Boxplot describes outliers as dots above the whisker.

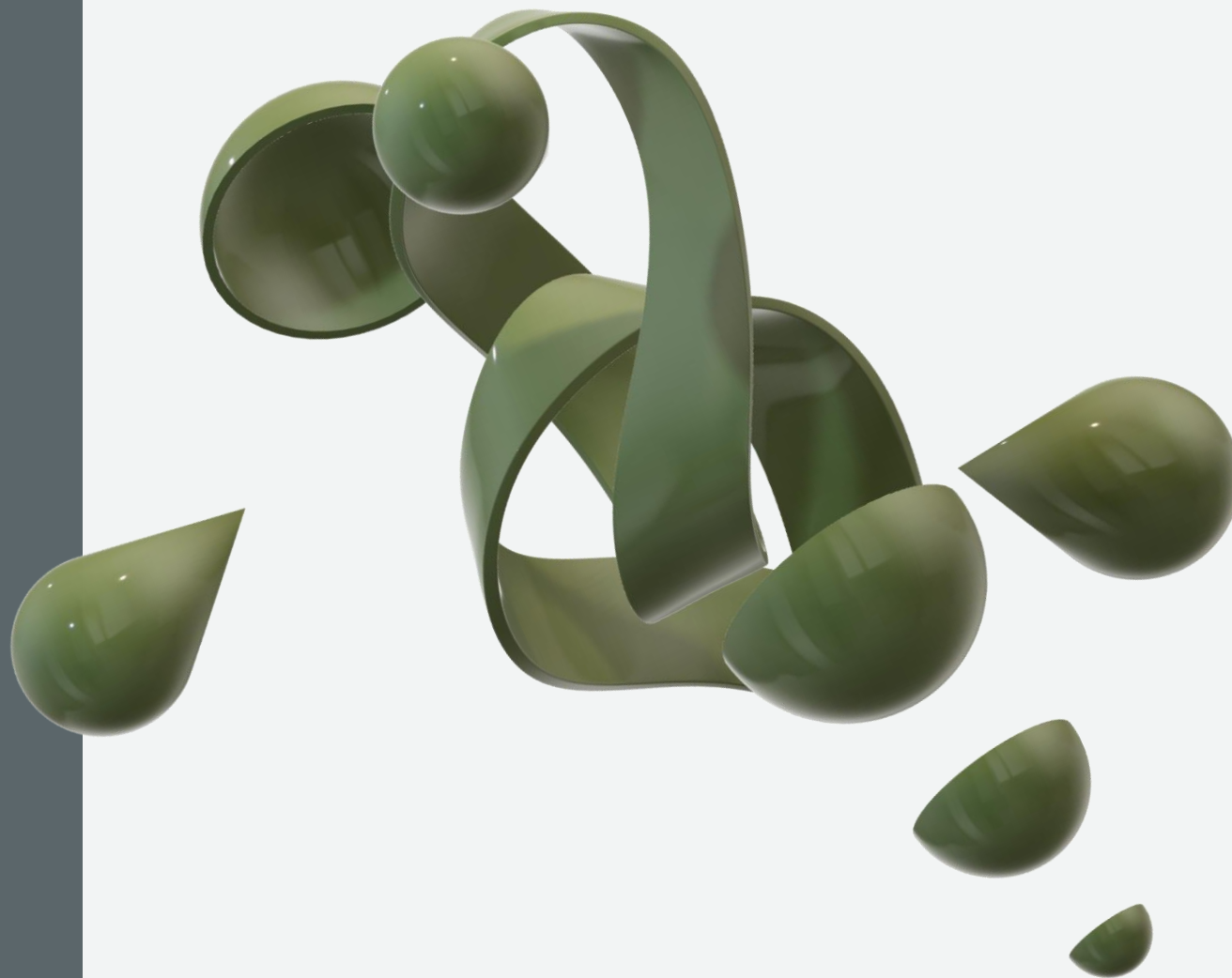
An investment round of \$300m in MoonActive in Q4/2021 would seem to be part of the pattern, with the possibility of some random extreme events. Yet, today, investing the same amount in Wiz during Q1/2023 seems detached from the regular behavior, and cannot be used to extrapolate possible money supply levels going forward. You might call these deals “outliers” or “events-that-become-extreme-to-a-level-of-absurd.”

Excluding these extreme events, with maximum amounts at levels we saw in 2017–2018, it seems 2023 tech investments will sum up to \$4b–\$6b. Of course, more outliers like Wiz or eToro investments could make this assessment highly conservative and change our way of thinking here.

## Quarterly Investments Amounts \$m Q1/2017 – Q1/2023



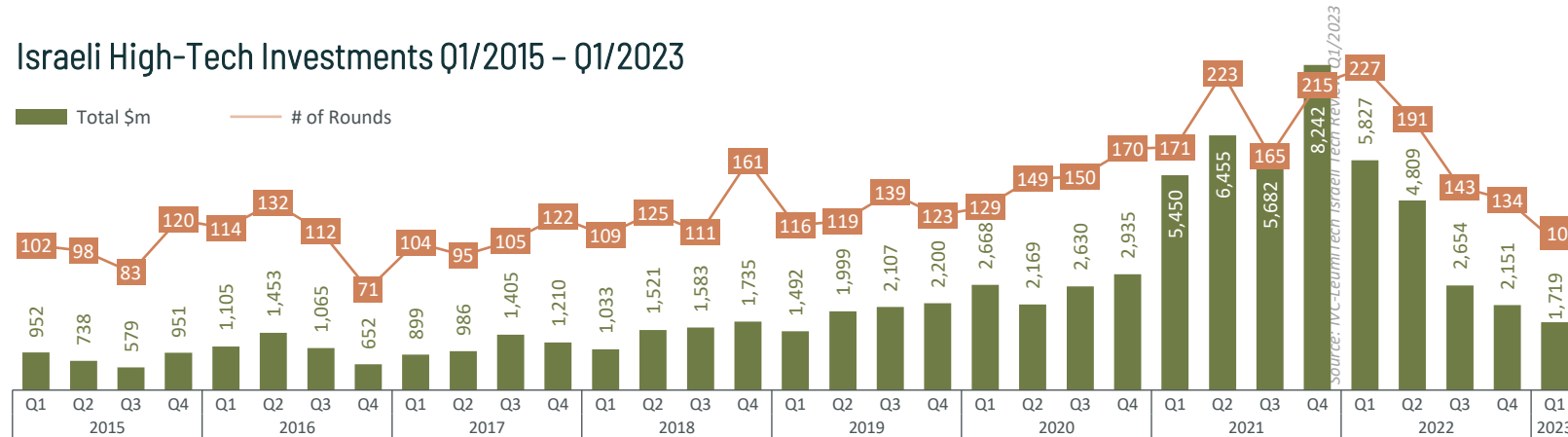
# Q1/2023 Israeli High-Tech Investments



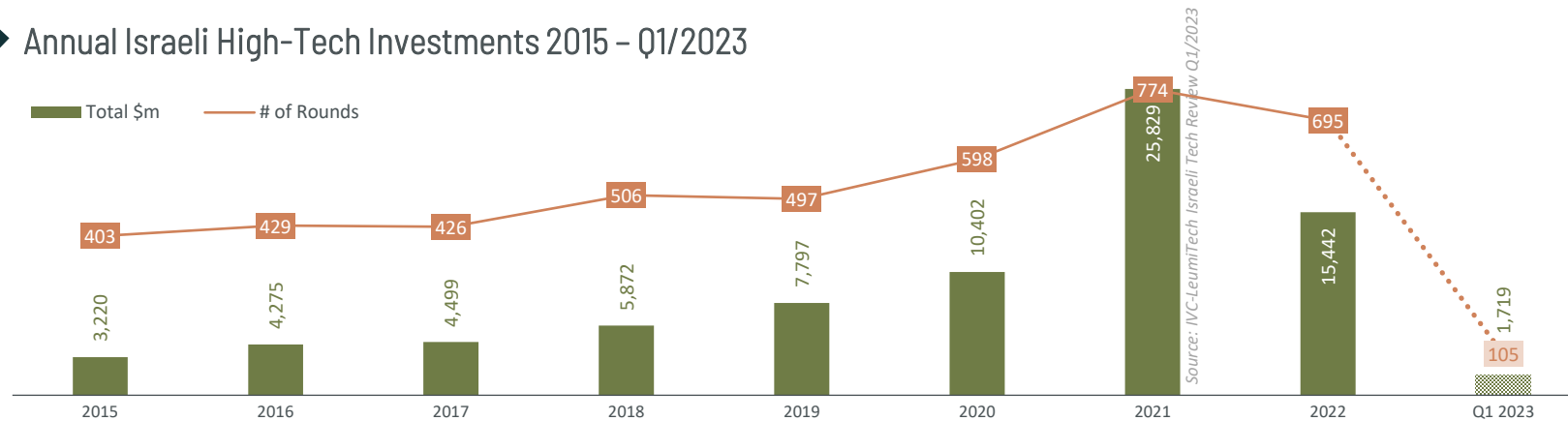


# Israeli High-Tech Investments

## ► Israeli High-Tech Investments Q1/2015 – Q1/2023



## ► Annual Israeli High-Tech Investments 2015 – Q1/2023



Q1/2023 was the weakest quarter in capital raising since 2018, with just 105 deals made. This was 70% and 20% down from Q1/2022 and Q4/2022, respectively.

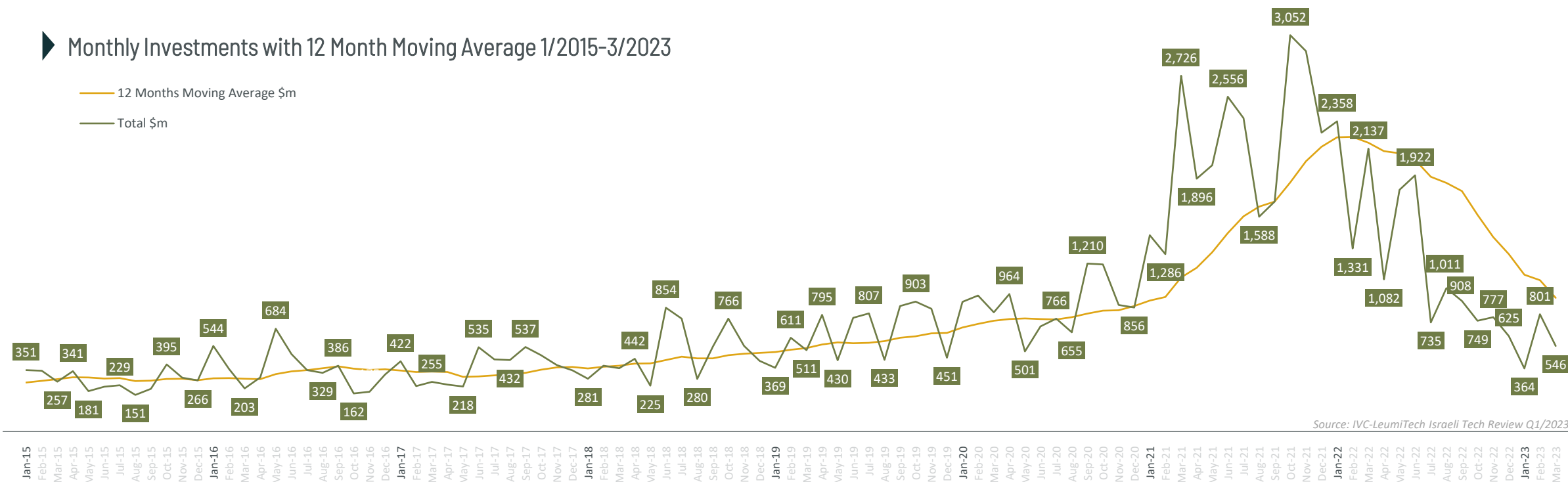
The quarterly amount appeared to be somewhat between with the quarterly averages of \$1.5b in 2018 and \$2b in 2019.

Three Mega Deals “saved” this quarter (investments in Wiz, eToro and Via) and accounted for 38% of total capital raised in Q1/2023.

# Monthly Investment amounts with 12 Month Moving Average

The monthly capital raising amounts haven't bottomed yet, and the long trendline (12 months moving average) continued its decline in January–March 2023.

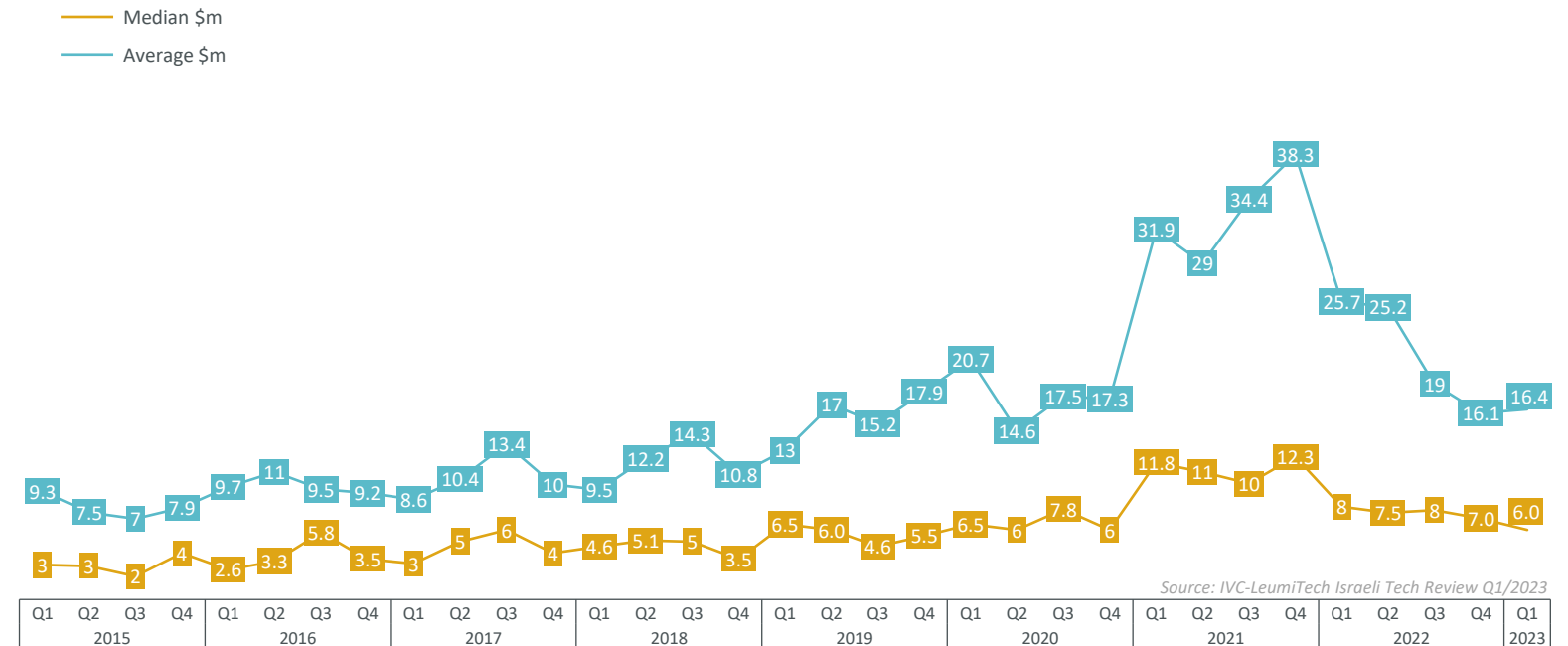
## ▶ Monthly Investments with 12 Month Moving Average 1/2015-3/2023



# Israeli High-Tech Investments

In Q1/2023, average and median amounts remained low paced, as in the second half of 2022. The low number of deals during Q1, paralleling several Mega-rounds, elevated the average amounts.

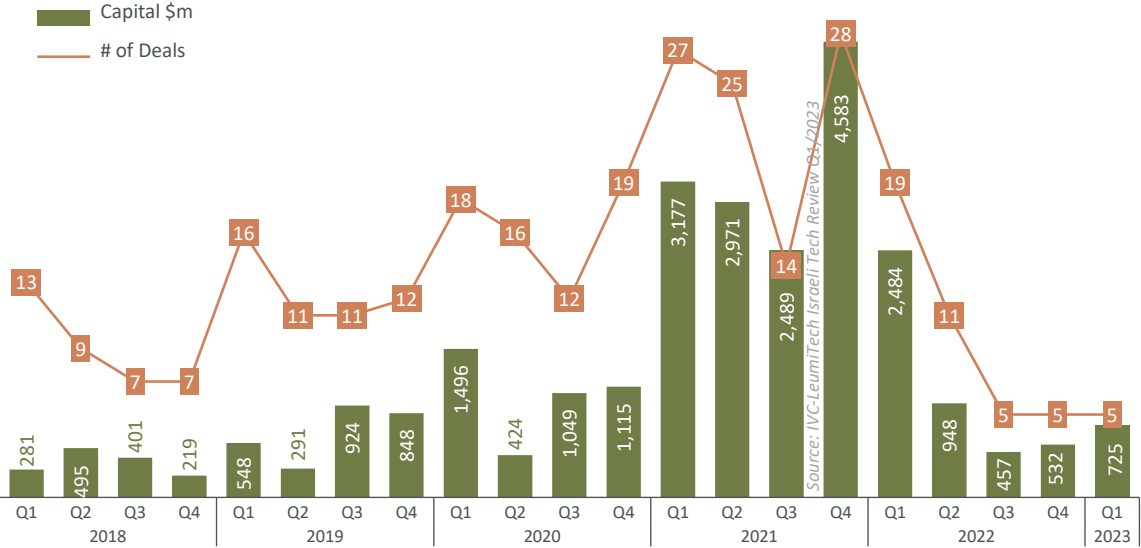
## ► Tech Investments: Average vs. Median Q1/2015 – Q1/2023



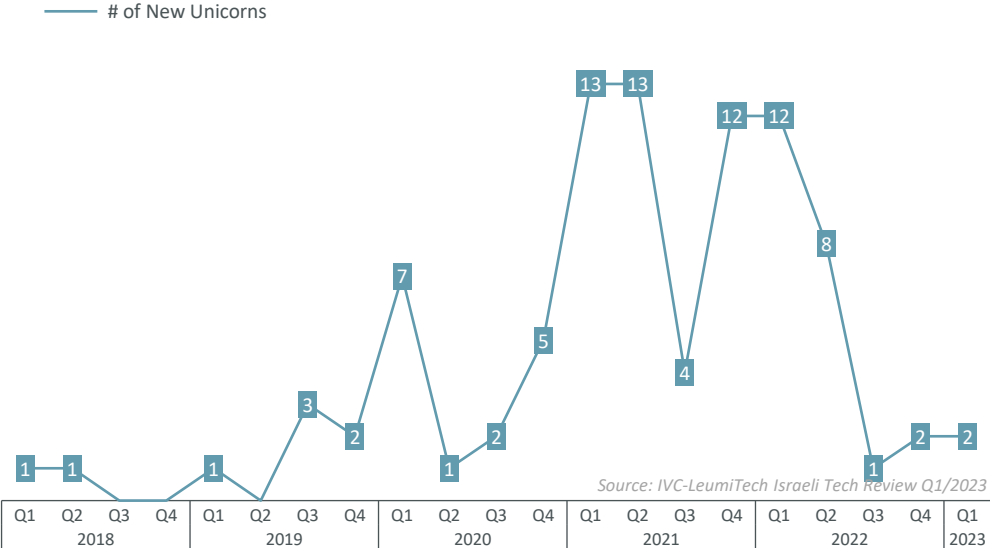
# Israeli High-Tech Unicorns

In Q1/2023, Israeli high-tech unicorns have kept their capital raising activity at moderate levels, as they did through H2/2022, though much below the previous two years. In terms of new unicorns, Q1/2023 has returned to minimal levels following a robust 2021.

► Unicorns Capital Raising Q1/2018 – Q1/2023



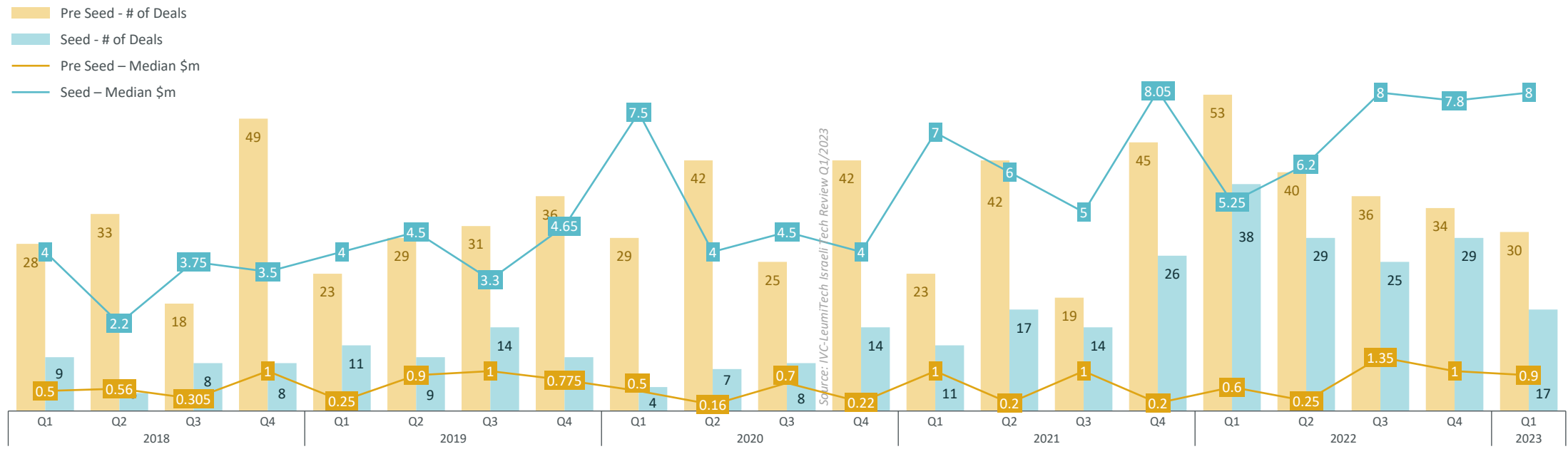
► # of New Unicorns by Valuation Date Q1/2018 – Q1/2023



# Pre-Seed & Seed Deals: Numbers and Median

Seed round investments continued the decline we saw in Q4/2022, making the change in investor sentiment toward early rounds outdated. Notably, the big change is in seed rounds (vs. pre-seed) where there is more visibility, and investors usually supply higher amounts.

## ► # and Median \$m of Pre-Seed & Seed Deals Q1/2018 – Q1/2023

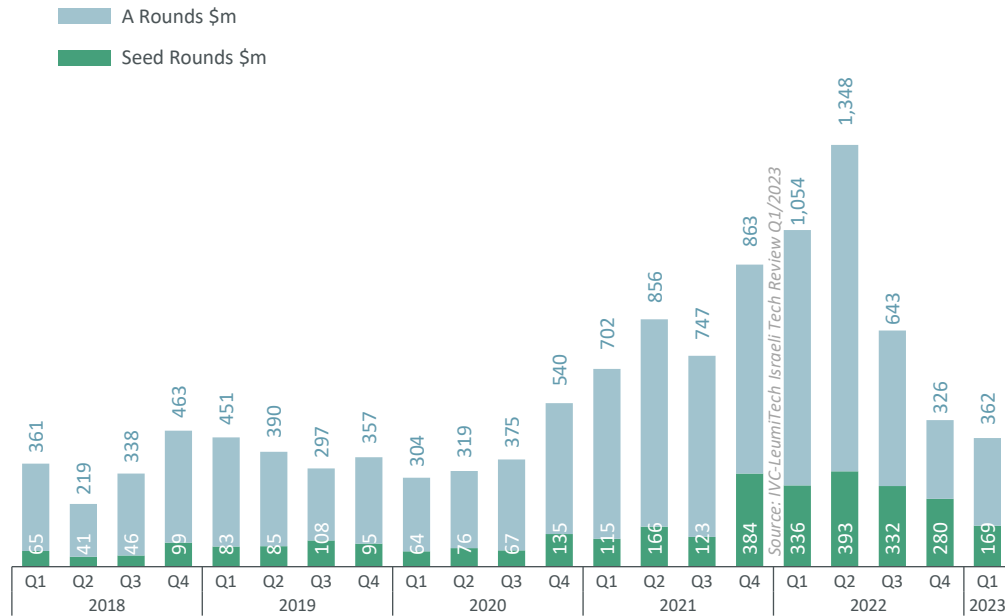


# Early Rounds Totals: Amounts, Numbers and Median

In Q1/2023, seed capital raising reached only 51% of the \$335m average quarterly amount raised in seed series in 2022.

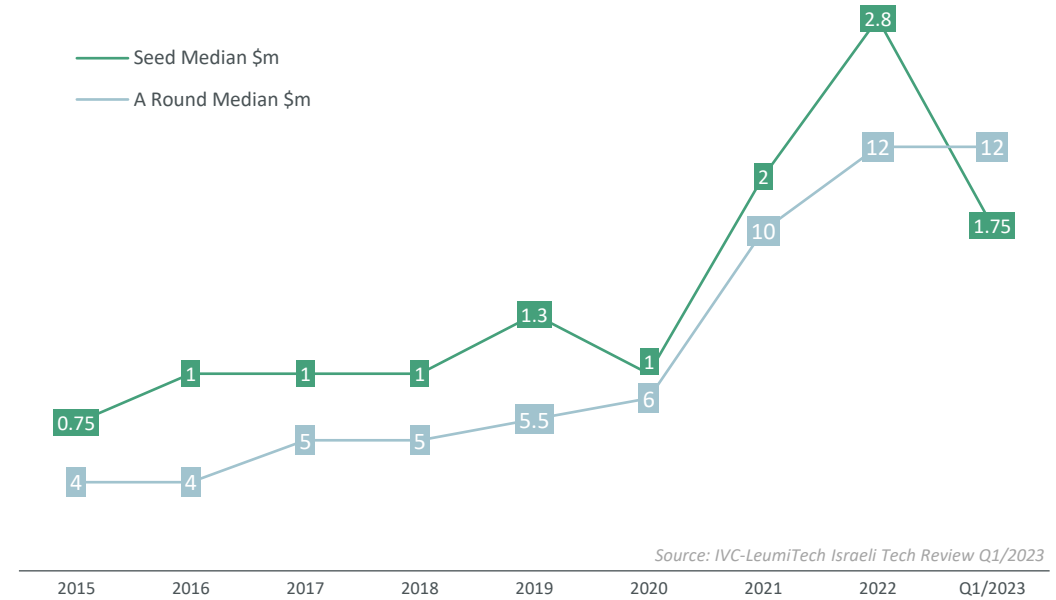
A series returned to levels prior to the exceptional quarterly amounts raised between 2021–2022.

## ► Early Rounds Capital: Seed\* & A Rounds \$m Q1/2018 – Q1/2023



\*Seed Rounds include Pre-Seed figures

## ► Early Rounds Median: Seed\* & A Rounds \$m 2015 – Q1/2023



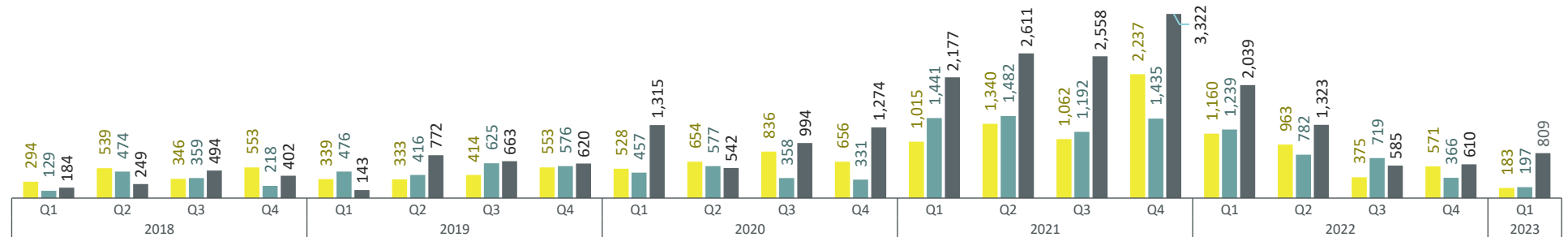
\*Seed Rounds include Pre-Seed figures

# Investments in Mid - Later Rounds

In Q1/2023, the number of mid to late rounds was back to 2018 levels. The total mid rounds (B + C rounds) sum up to less than \$380m this quarter, slightly over \$364m average of 2018.

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

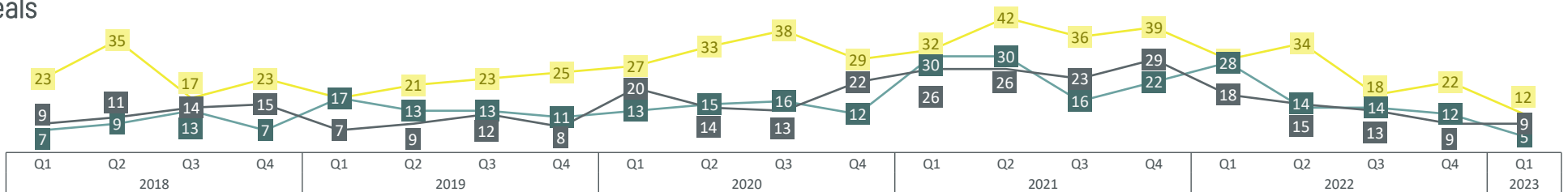
■ B Rounds \$m  
■ C Rounds \$m  
■ Later Rounds \$m



Source: IVC-LeumiTech Israeli Tech Review Q1/2023

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

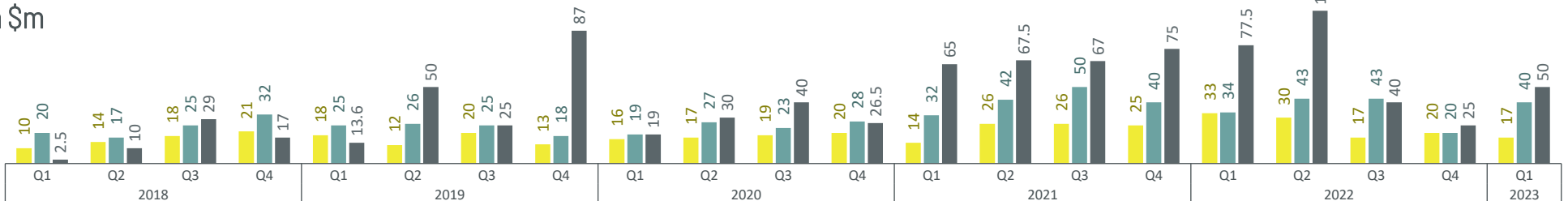
— # of B Rounds  
— # of C Rounds  
— # of Later Rounds



Source: IVC-LeumiTech Israeli Tech Review Q1/2023

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

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

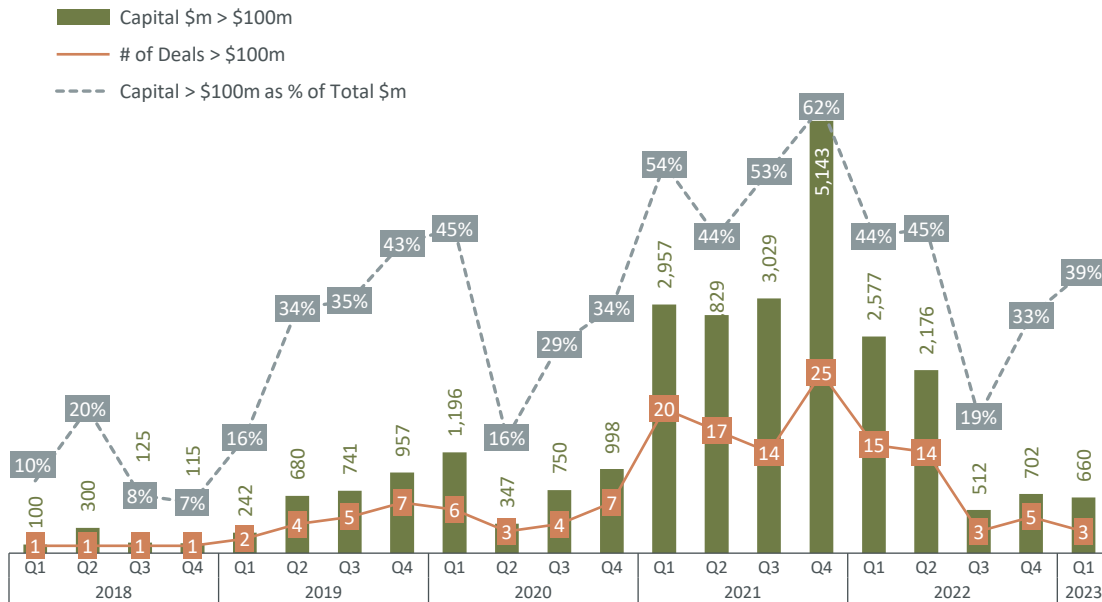


Source: IVC-LeumiTech Israeli Tech Review Q1/2023

# Capital Raising by Deal Size

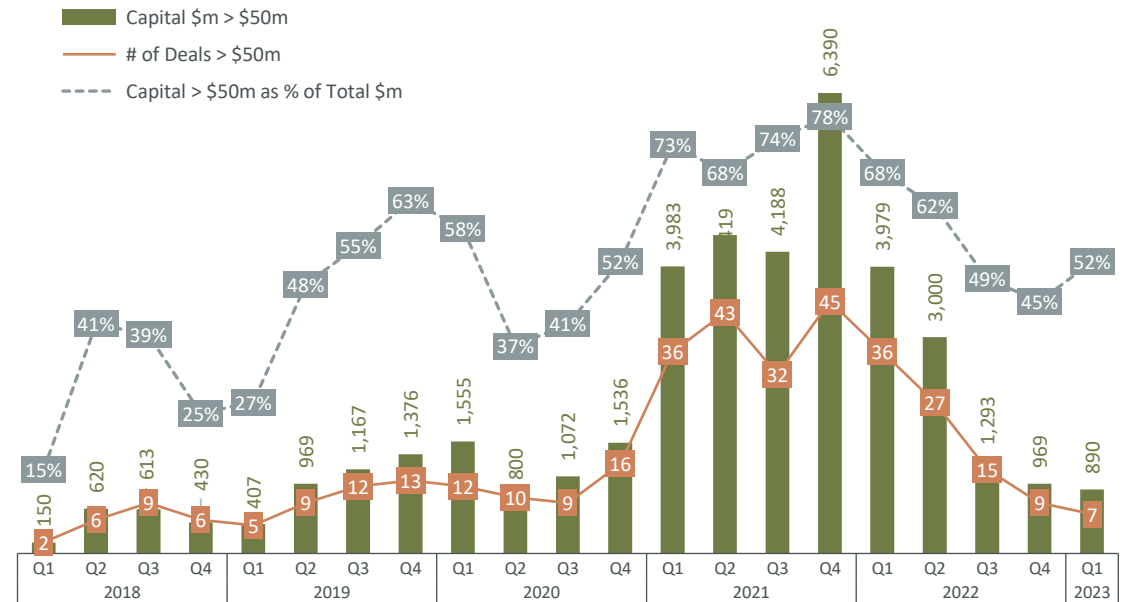
While amounts and quantities of deals over \$50m have become less significant with each quarter, their importance to the overall figures has increased in the last two quarters. Practically, these deals prevent the fall in total amounts raised. In Q1/2023, three Mega deals, which accounted for 38% of the quarterly capital, pushed the totals to near average levels.

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



Source: IVC-LeumiTech Israeli Tech Review Q1/2023

## Deals over \$50m Q1/2018 – Q1/2023



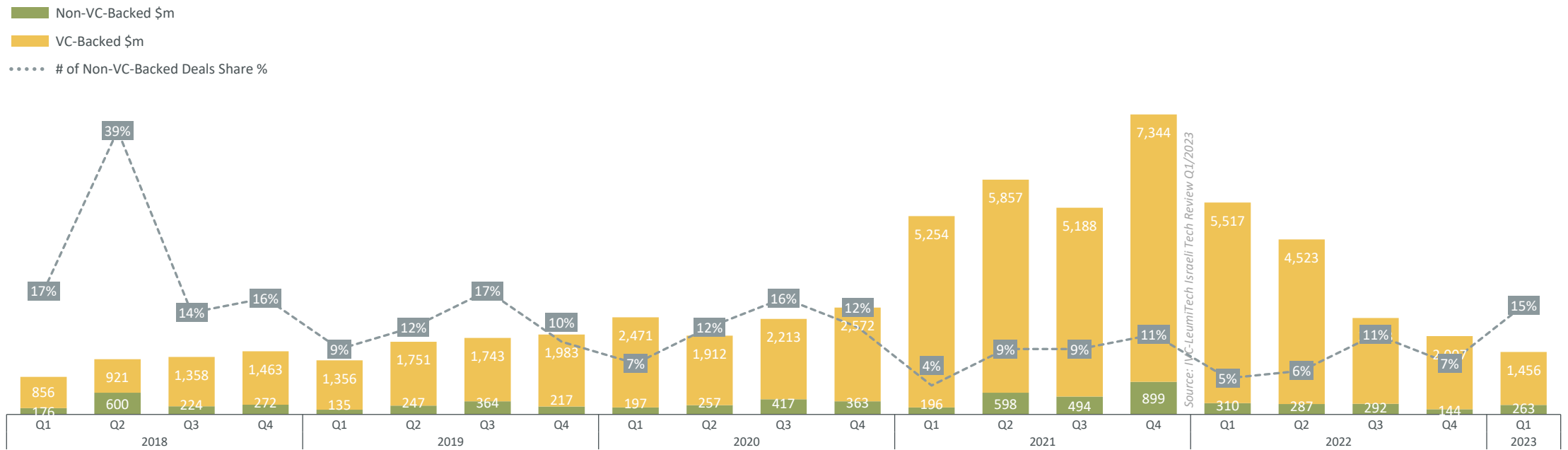
Source: IVC-LeumiTech Israeli Tech Review Q1/2023



# VC-Backed Deals

Quarterly VC-backed deals hit their lowest in Q1/2023, since 2019, the same time as non-VC-backed deal making increased its share to 15% of the total number of deals in the Israeli tech scene.

## VC-Backed Deals Q1/2018– Q1/2023

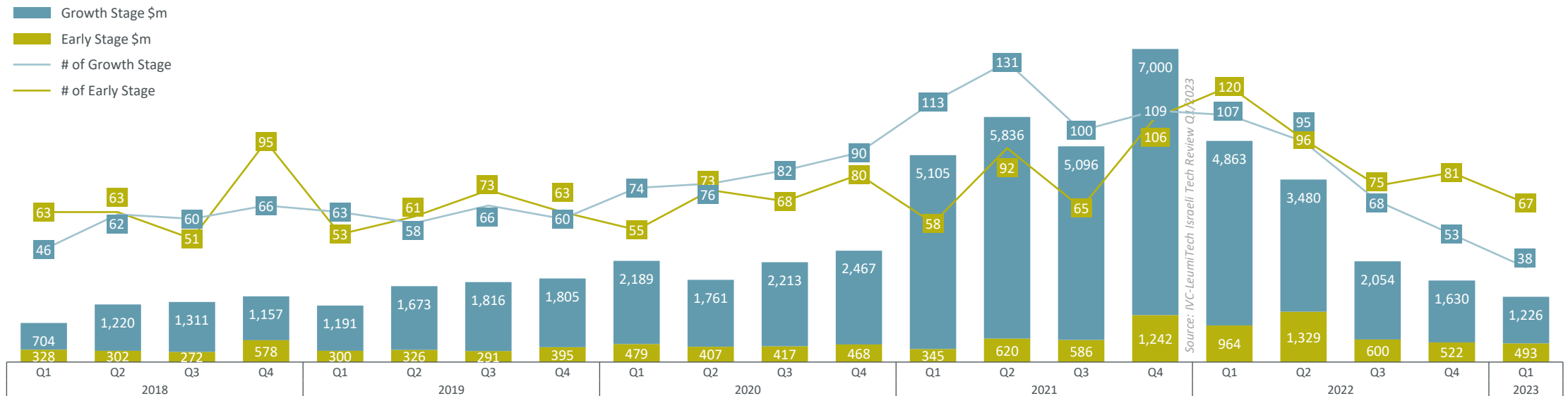


# Capital Investments by Operational Stage

Q1/2023 shows a fall of 75% from Q1/2022 in capital supply for growth stage companies. This follows a continuous downtrend from Q4/2021.

Early stage companies have experienced a similar sharp decline, mostly in the number of deals, decreasing 65% from the number of deals made in Q1/2022.

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



# Q1/2023 Selected Top Investments

**WIZ**

1

IT & Enterprise Software  
Security  
Stage 4 - Revenue Growth  
Round 5 - Later Round

300 M\$

**etoro**

2

Internet  
Social Networks  
Stage 4 - Revenue Growth  
Round 5 - Later Round

250 M\$

**via**

3

Communications  
Mobile Applications  
Stage 4 - Revenue Growth  
Round 5 - Later Round

110 M\$

**CHAIN REACTION**

4

IT & Enterprise Software  
Security  
Stage 4 - Revenue Growth  
Round 4 - C Round

70 M\$

**SoniVie**

5

Life Sciences  
Medical Devices  
Stage 2 - R&D  
Round 4 - C Round

60 M\$

**SKYBOX**  
SECURITY

6

IT & Enterprise Software  
Security  
Stage 4 - Revenue Growth  
Round 5 - Later Round

50 M\$

**Tigo**

7

Cleantech  
Energy  
Stage 4 - Revenue Growth  
Round 5 - Later Round

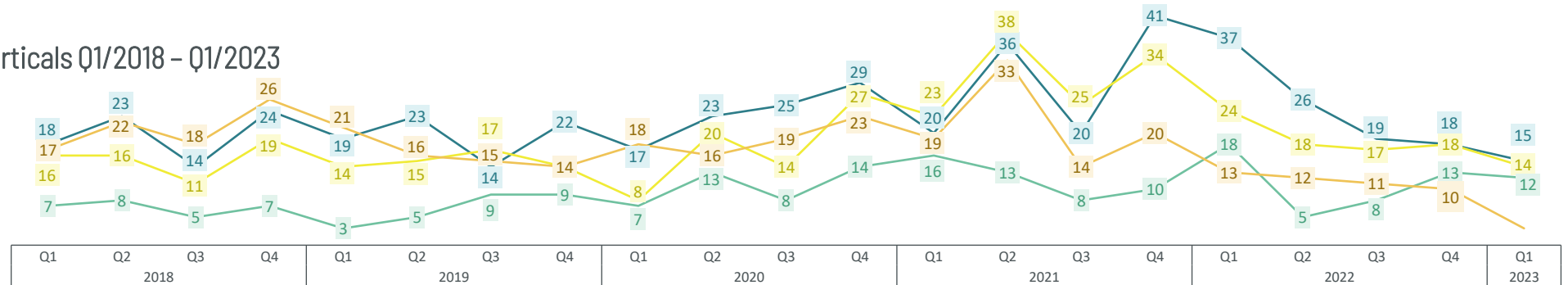
50 M\$

# Investments by Verticals

In Q1/2023, IOT vertical experienced a major blow, with 3 deals. Cyber and Fintech capital raising deal numbers were the lowest since 2018, while the capital volume remained at H2/2022 levels.

## # of Investments by Verticals Q1/2018 – Q1/2023

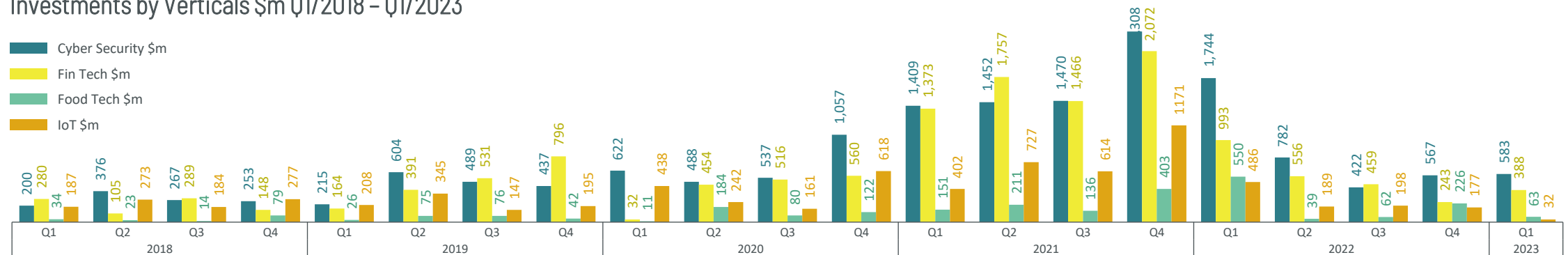
— # of Cyber Security  
— # of Fin Tech  
— # of Food Tech  
— # of IoT



Source: IVC-LeumiTech Israeli Tech Review Q1/2023

## Investments by Verticals \$m Q1/2018 – Q1/2023

■ Cyber Security \$m  
■ Fin Tech \$m  
■ Food Tech \$m  
■ IoT \$m



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

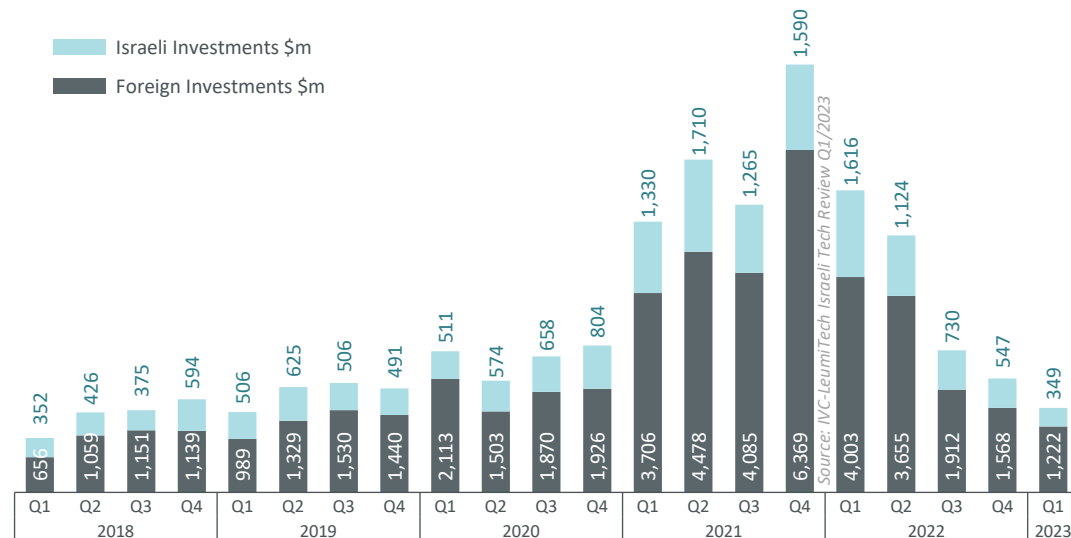
Source: IVC-LeumiTech Israeli Tech Review Q1/2023

# Israeli vs. Foreign Investments

The number of investments has fallen below the quarterly averages of the previous five years, with a 50% decrease in foreign investments and 47% in Israeli investments in Q1/2023.

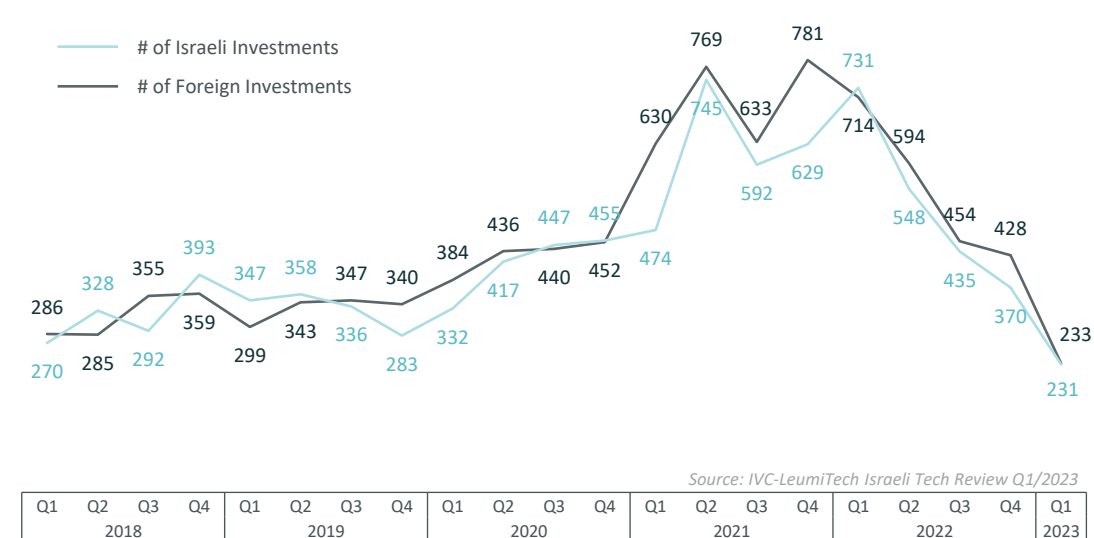
Foreign investments in Q1/2023 have fallen to the lowest point since Q2/2019, down 70% from Q1/2022 results.

## ► Israeli vs. Foreign Investments \$m Q1/2018 – Q1/2023



\*Some Investors were undisclosed  
 \*\*Investments performed by Investor Region

## ► Israeli vs. Foreign: # of Investments Q1/2018 – Q1/2023

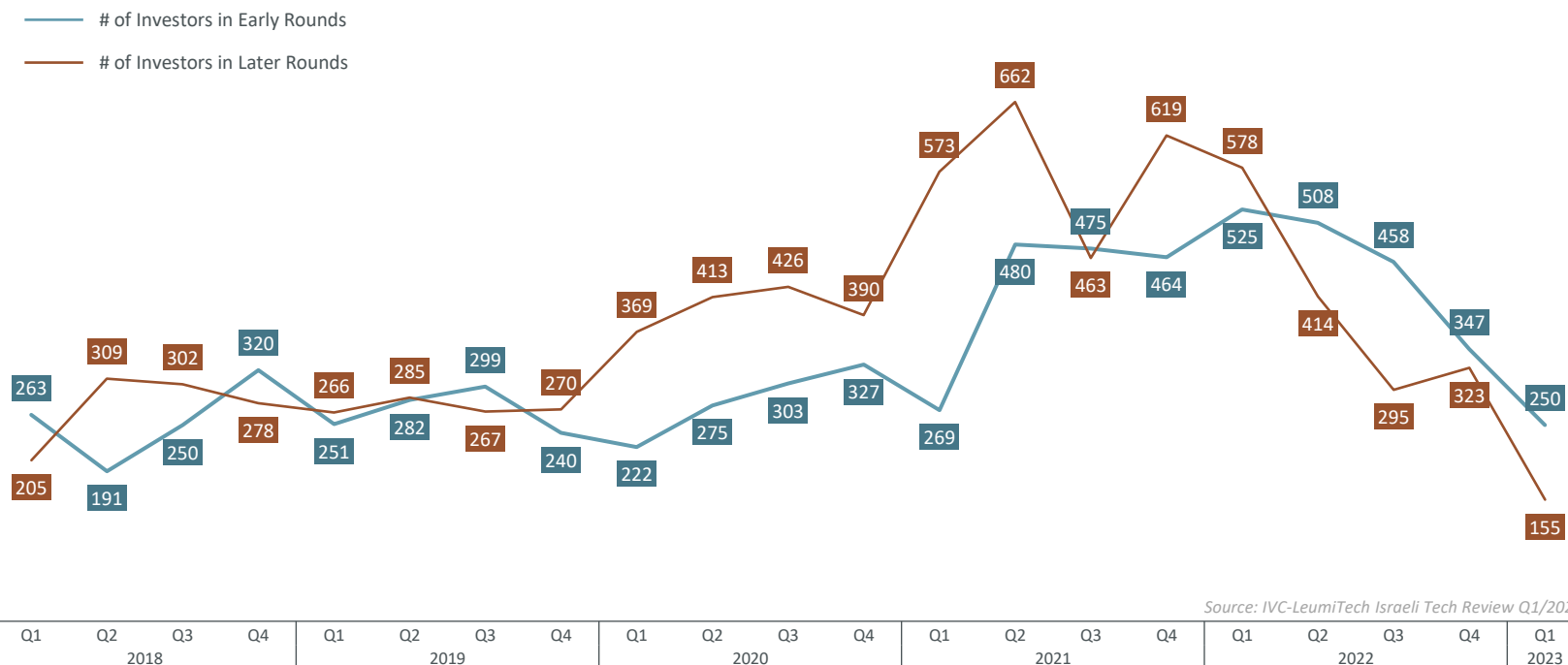


\*Some Investors were undisclosed  
 \*\*Investments performed by Investor Region

# Investors by Round Type

The number of investors that participated in later investment deals has dropped significantly since Mid-2021. Those changes can serve as a leading indicator to the investment pattern in early rounds and highlight that tech investors are less tempted now by the early round's valuations.

## ► # of Investors by Deal Round Types Q1/2018 – Q1/2023

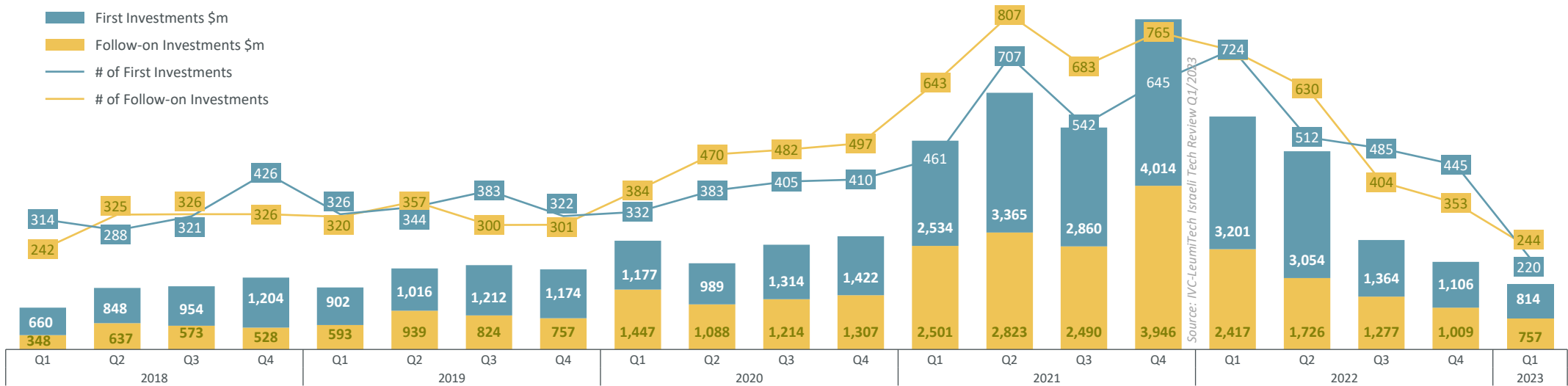


\*Some Investors were undisclosed

# First vs. Follow-on Investments

In Q1/2023, the number of follow-on investments exceeded first investments, capturing 53% of deal making. However, in terms of capital investments, first investments were somewhat higher.

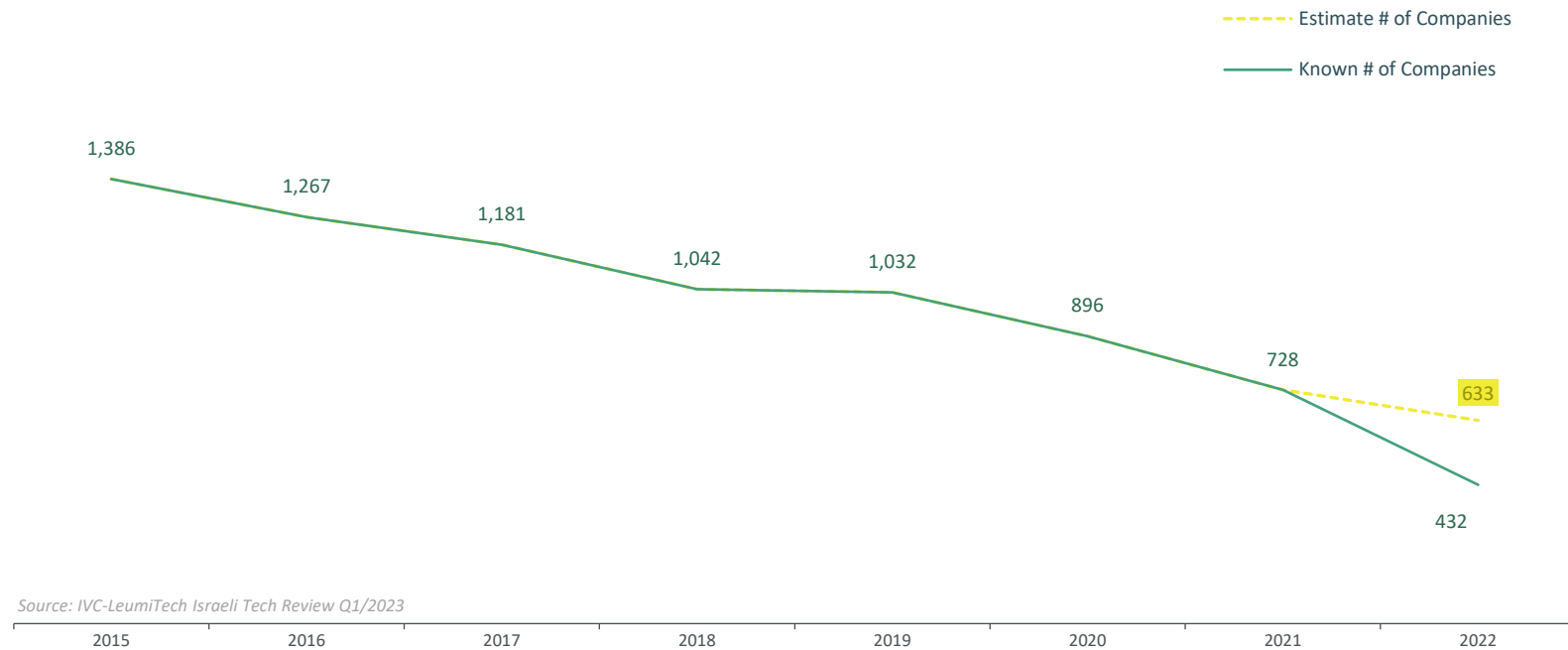
## ► First Vs. Follow-on Investments Q1/2018 – Q1/2023



\*Some Investors were undisclosed

# New Companies: Known and Estimation

## ► # of Israeli High-Tech Companies by Established Year 2015 – 2022



Our model suggests that the estimated number of newly established companies in 2022 is lower than previously expected and will be around 600 – 670 (please view our [Methodology](#) for more details).

Our statistical model is less sensitive to quick changes in the periodical numbers, hence as such we decided to published an estimation about newly established companies in the end of each half (in June report) and not each quarter.



# Q1/2023 Israeli High-Tech Exits



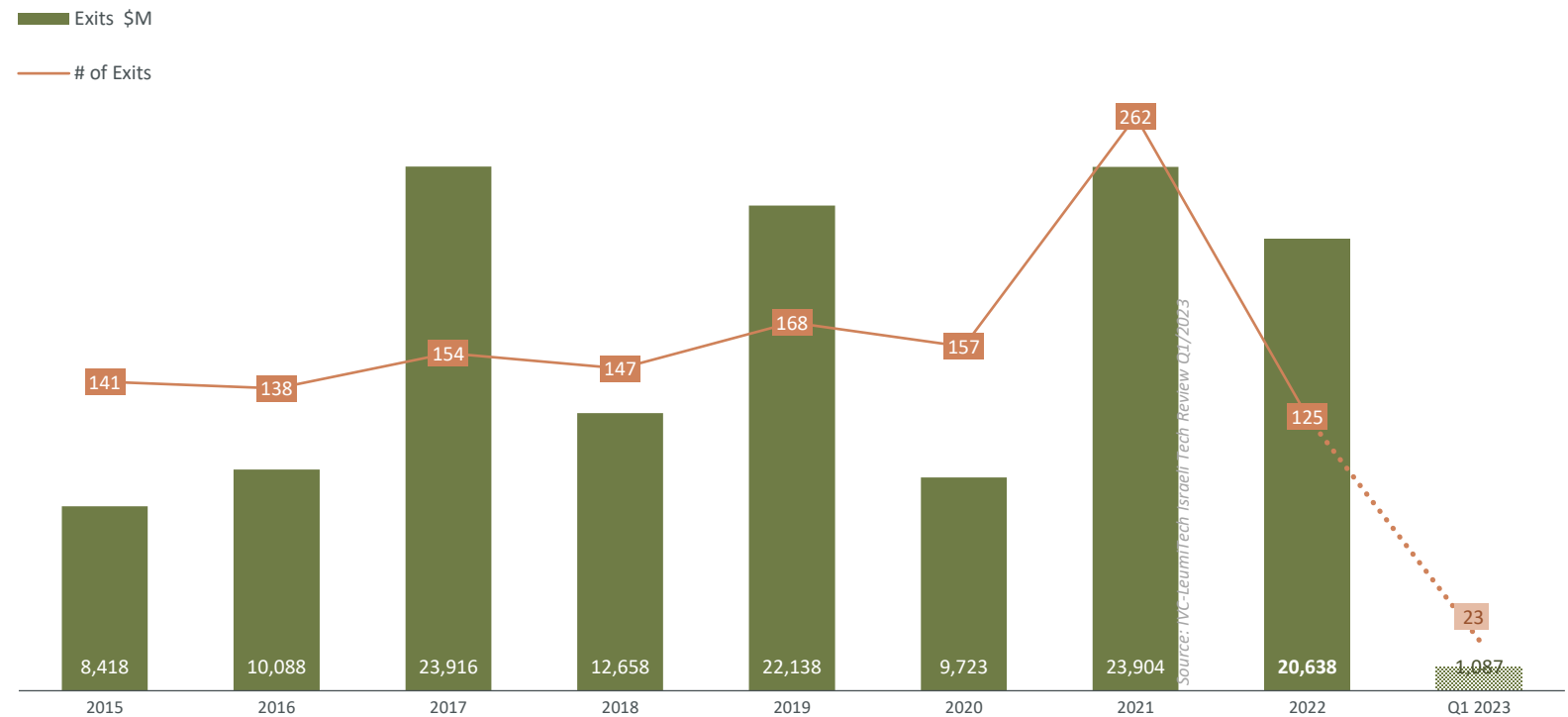
# Israeli High-Tech Exits

Q1/2023 saw very weak exit activity, with 23 exits, and only two public market IPO deals.

The total inflow from exits in Q1 is about \$1,087m, reflecting the general state of uncertainty in the global capital markets and decreasing company valuations.

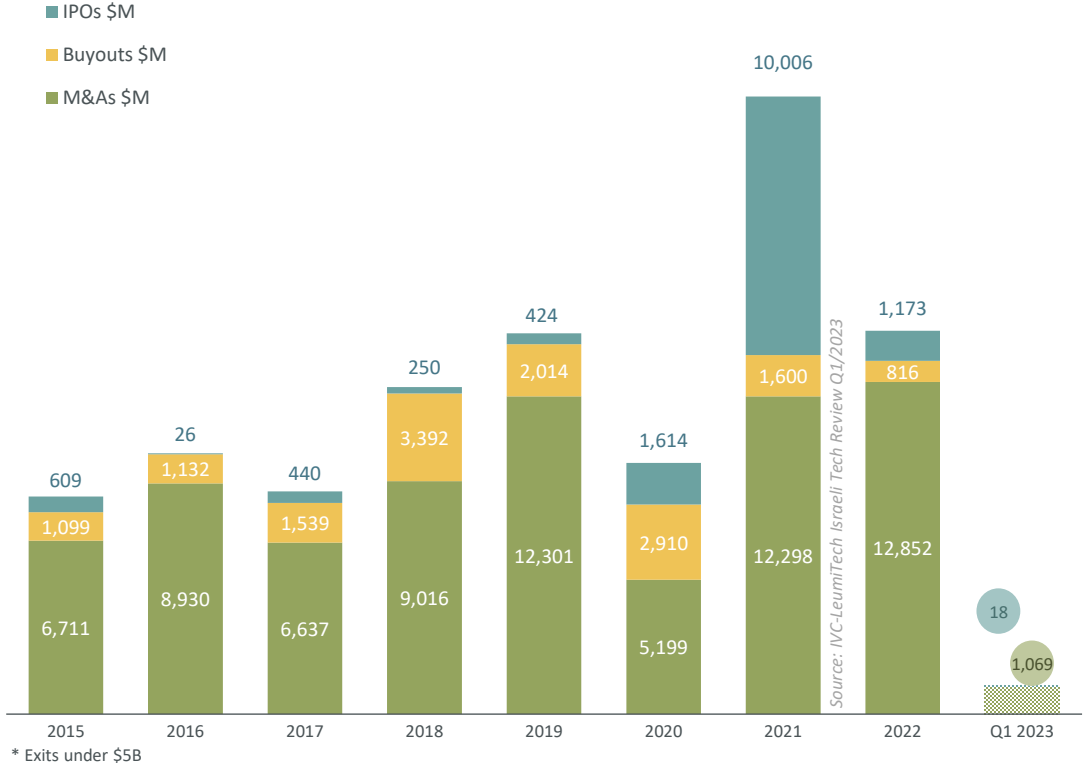
These exit proceeds were driven up by 4 M&As over \$100m each, capturing \$925 million in total.

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

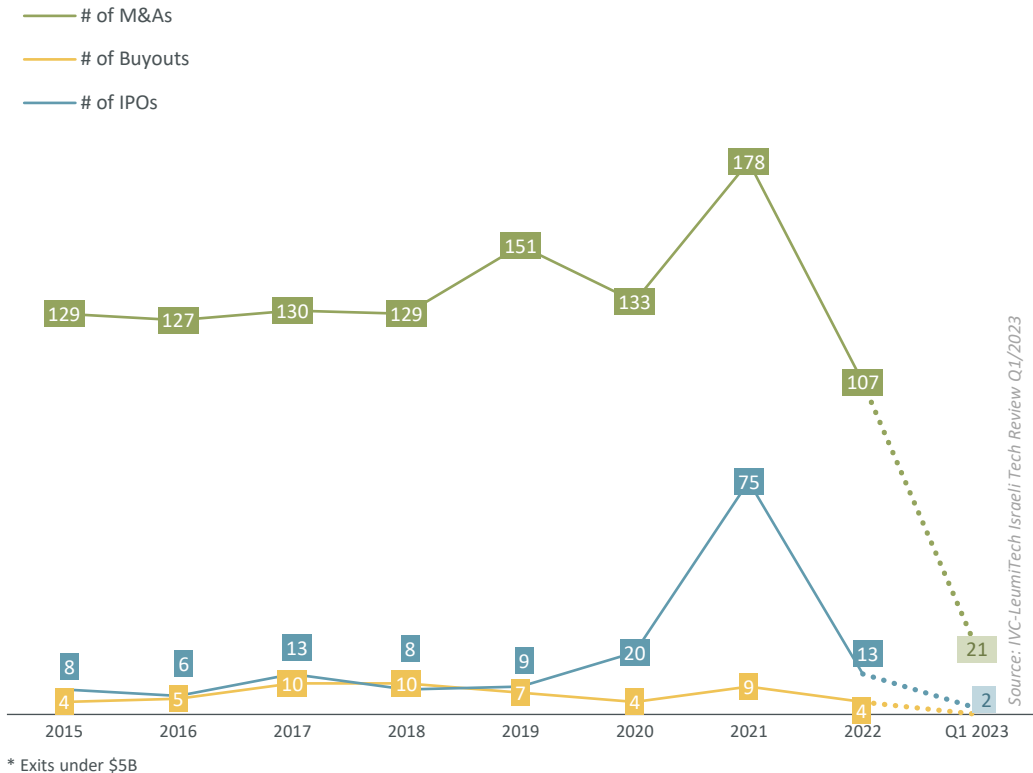


# Israeli High-Tech Exits

## Exits by Type \$m 2015 – Q1/2023

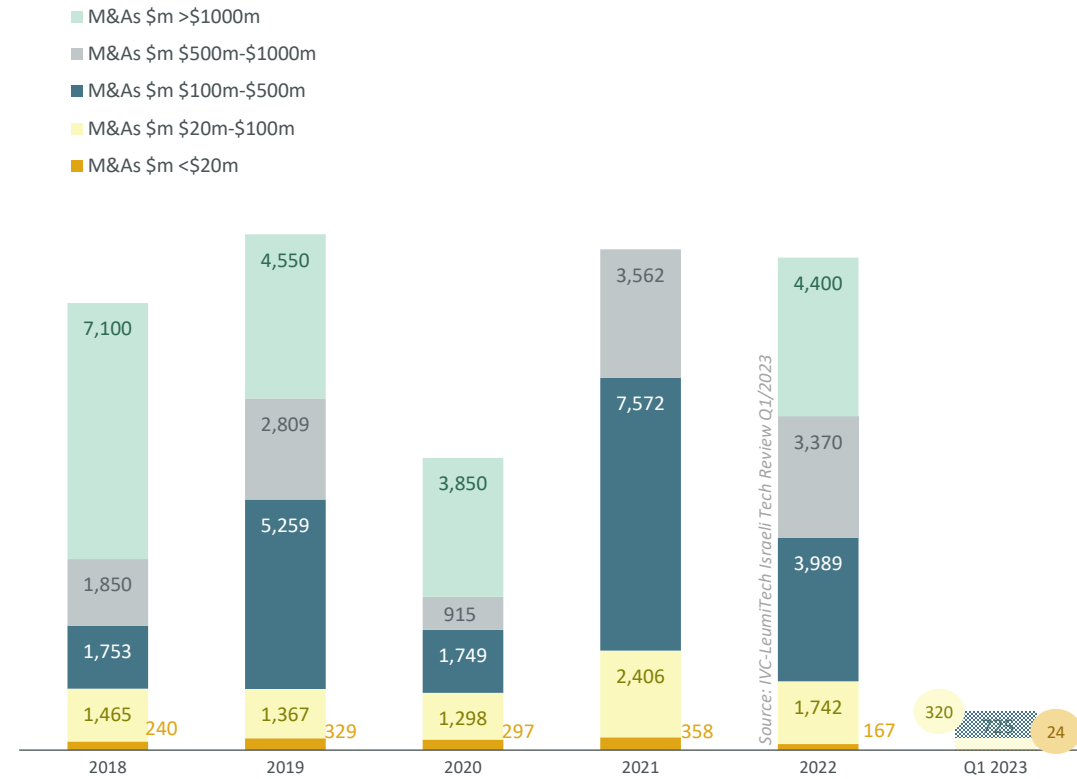


## # of Exits by Type 2015 – Q1/2023



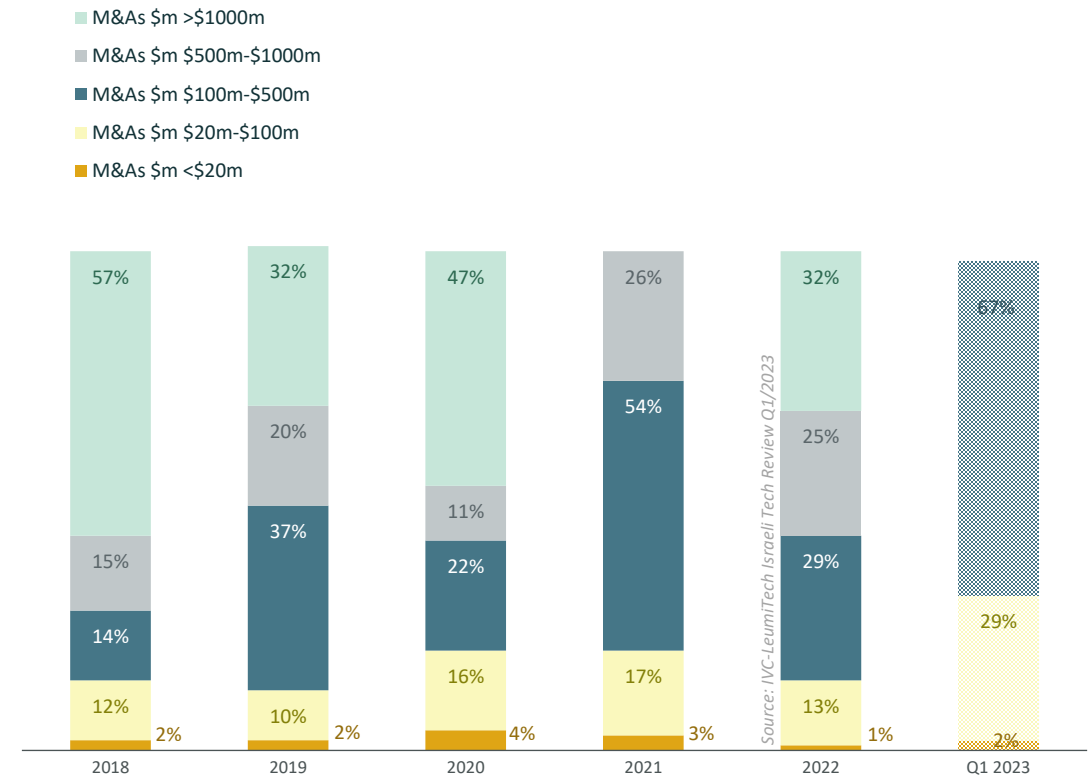
# Israeli High-Tech M&As

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



\* M&A under \$5B

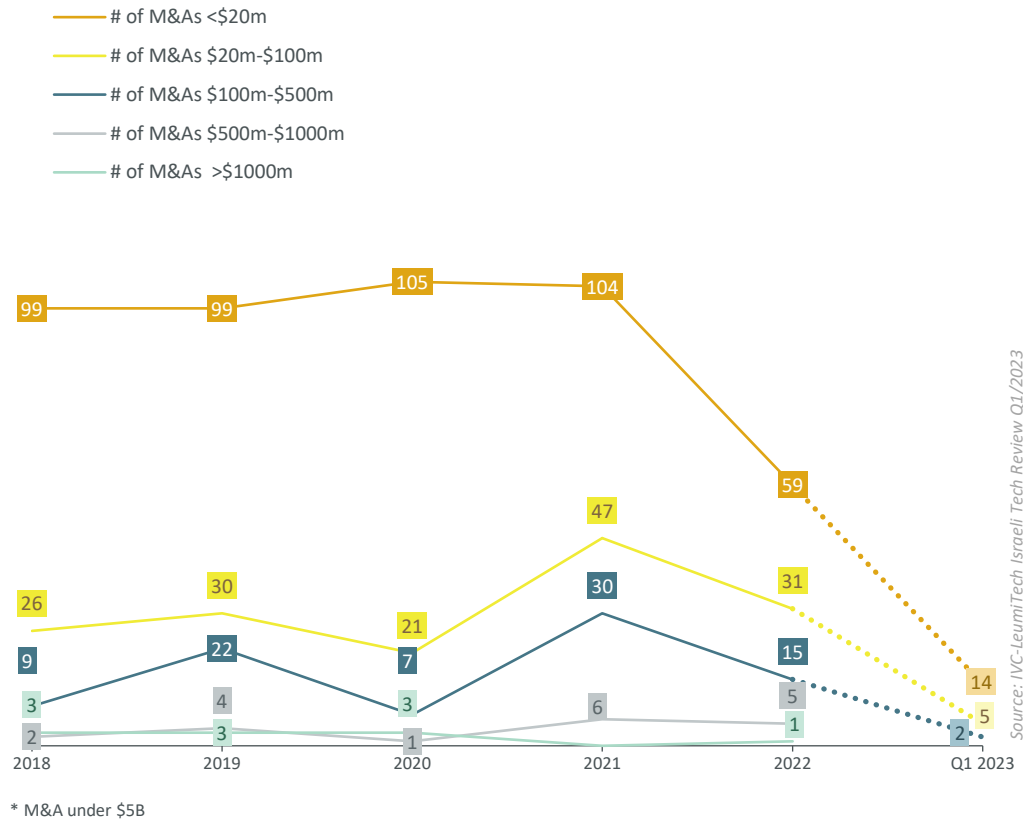
## ► M&As by Deal Size \$m – Percentage % 2018 – Q1/2023



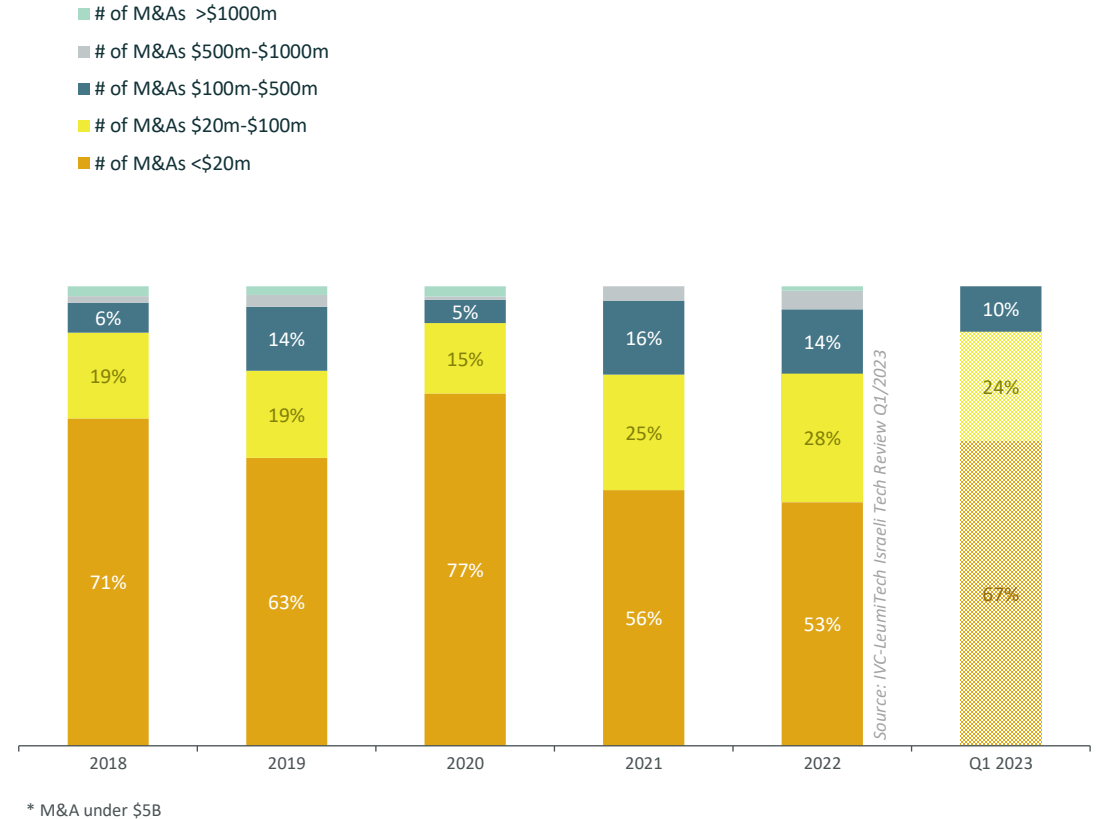
\* M&A under \$5B

# Israeli High-Tech M&As

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

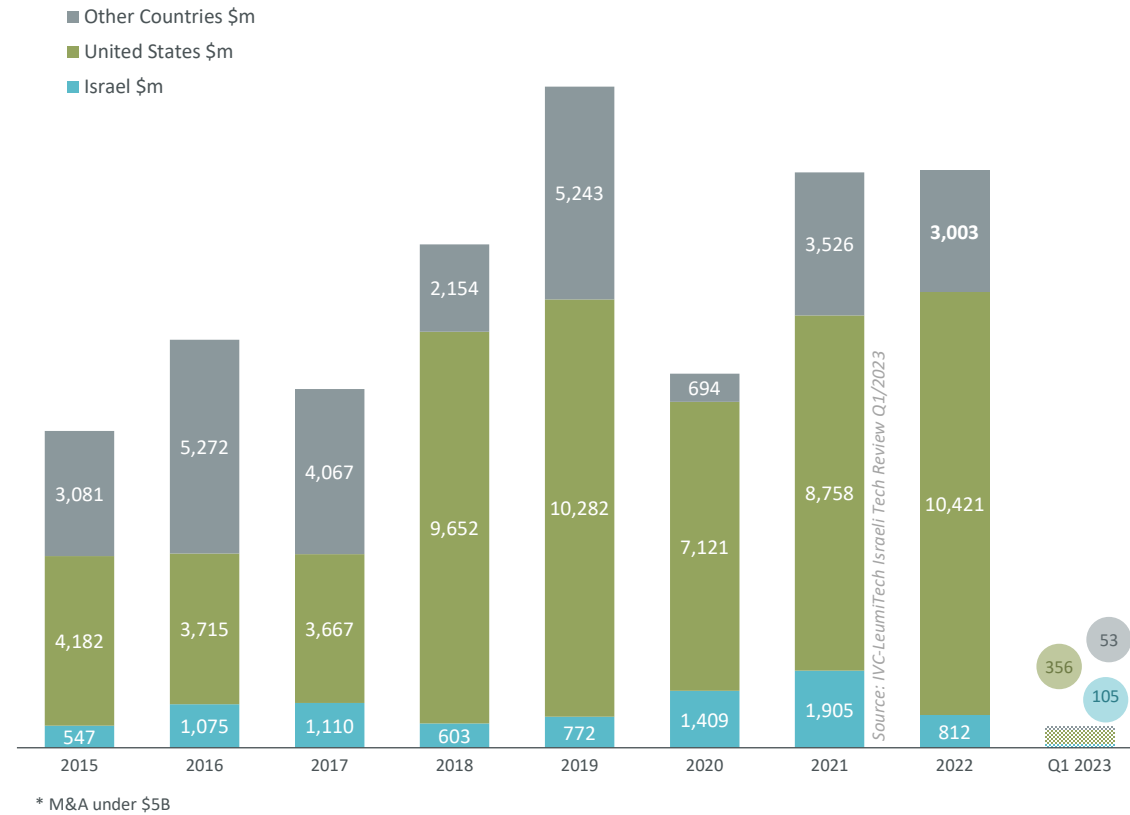


## # of M&As by Deal Size – Percentage % 2018 – Q1/2023

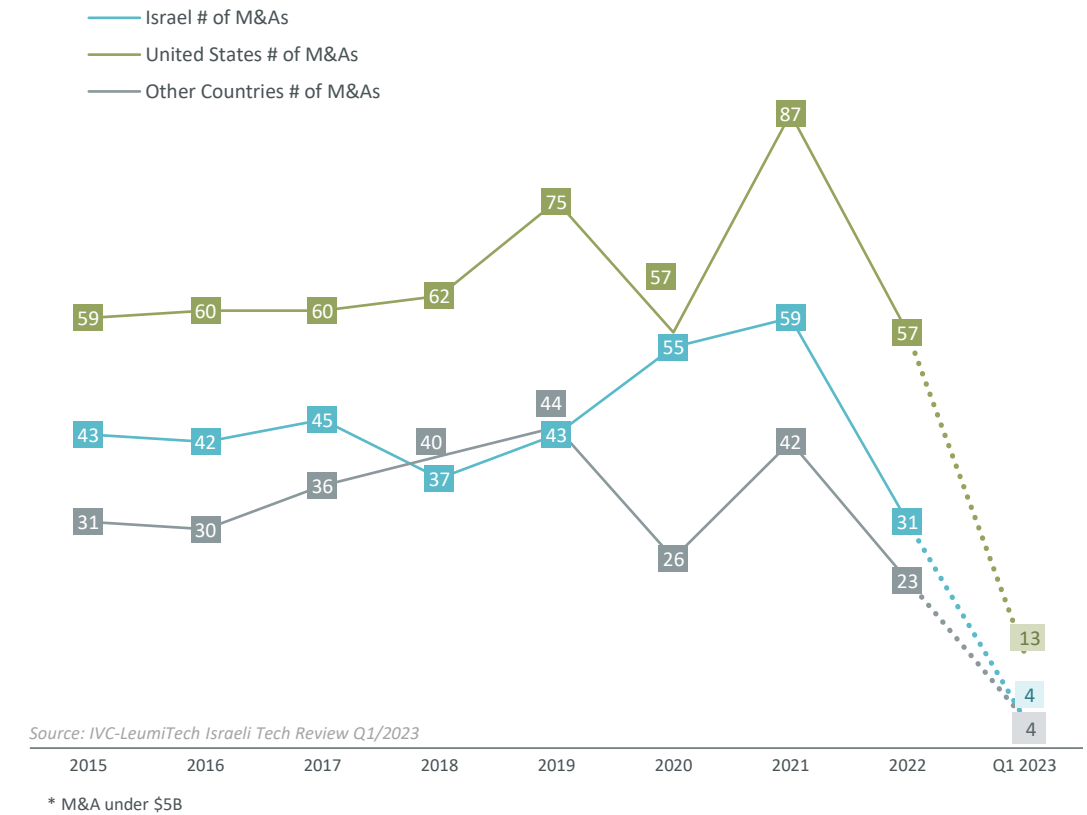


# Israeli High-Tech M&As by Acquirer Country

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



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



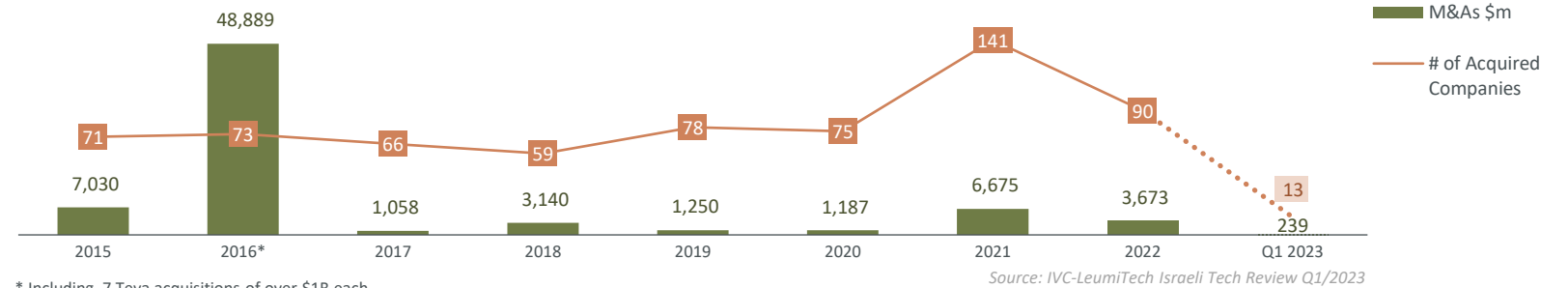
# Israeli High-Tech Acquirers Activity

In Q1/2023, Israeli high-tech acquirer activity decreased, with only 13 acquisitions made so far.

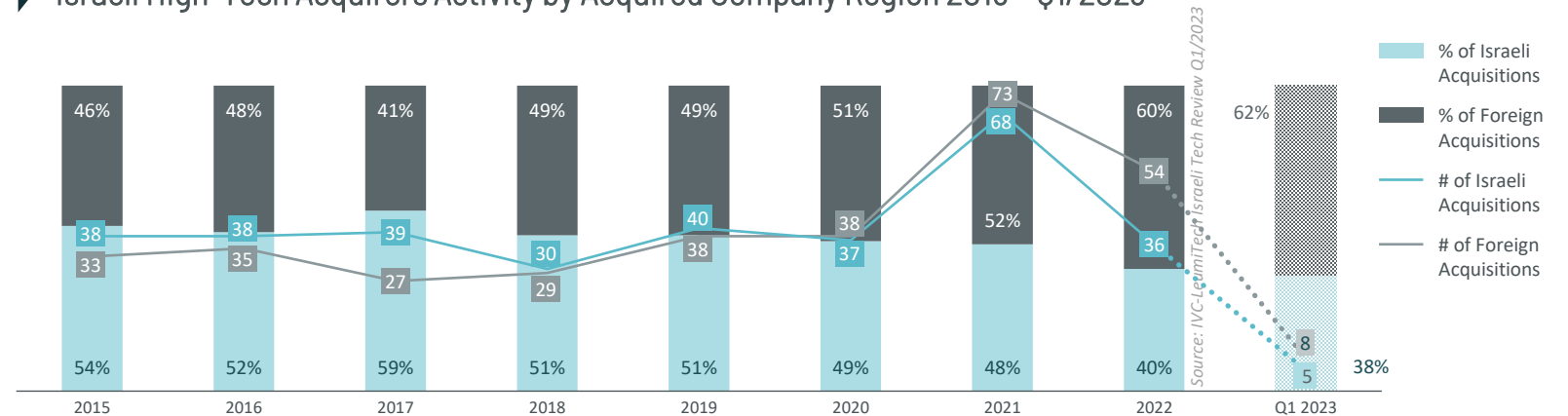
Two acquisitions were exceptionally large, of \$100m each: acquisition of Israeli PowerInbox by OpenWeb, and Citymapper (UK) by Via Transportation.

Israeli high-tech companies continued to focus their attention on foreign markets for expansion in Q1/2023, with 62% of all acquisitions.

## ▶ Israeli High-Tech Acquirers Activity 2015 – Q1/2023



## ▶ Israeli High-Tech Acquirers Activity by Acquired Company Region 2015 – Q1/2023



## Top M&As Q1/2023

**axis** by **Hewlett Packard Enterprise**

United States

500M\$

**jeeng** by **OpenWeb**

Israel

100M\$

**iguazio** by **McKinsey & Company**

United Kingdom

50M\$

**Lightspin** by **CISCO**

United States

225M\$

**CLOUDIFY** by **DELL**

United States

100M\$

**MINERVA** by **RAPID7**  
A RAPID7 COMPANY

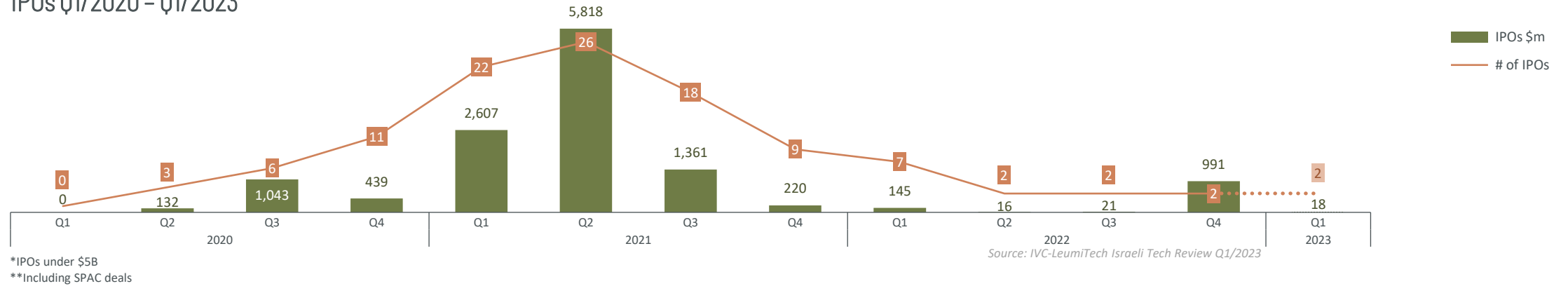
United States

45M\$

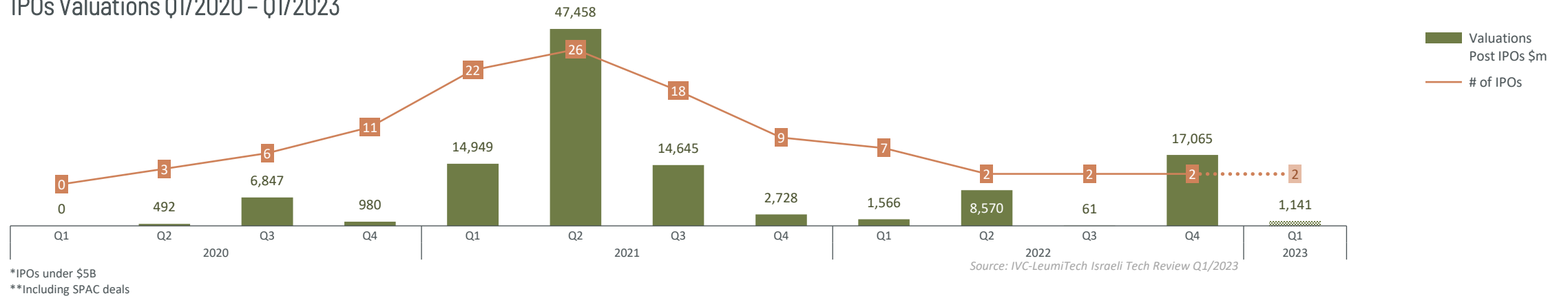


# Israeli High-Tech Companies Public Offerings

## IPOs Q1/2020 – Q1/2023



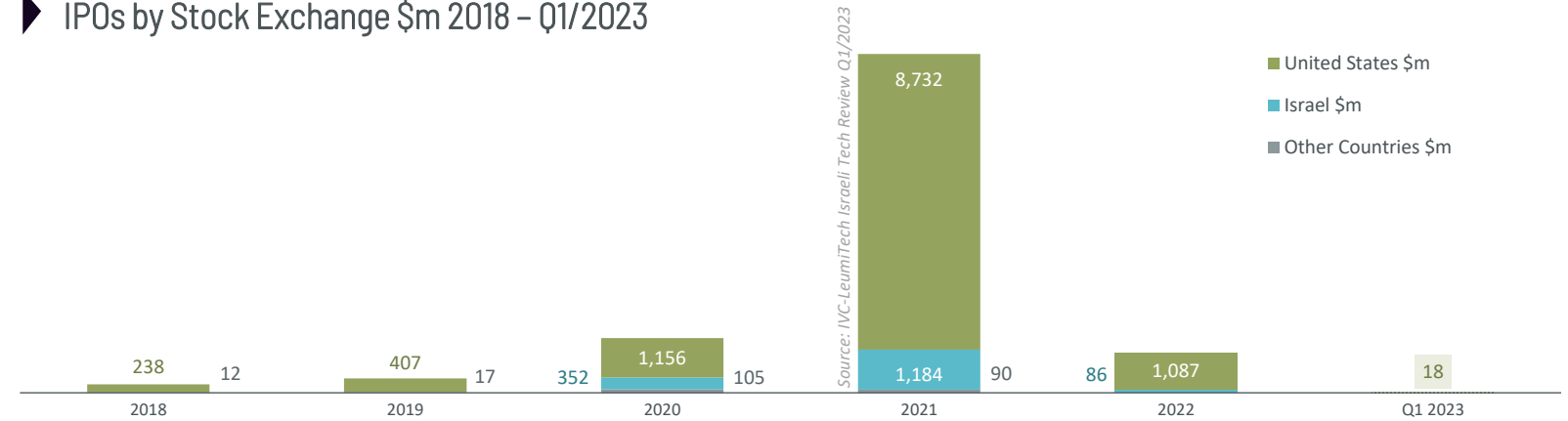
## IPOs Valuations Q1/2020 – Q1/2023



# Israeli High-Tech Companies Public Offerings

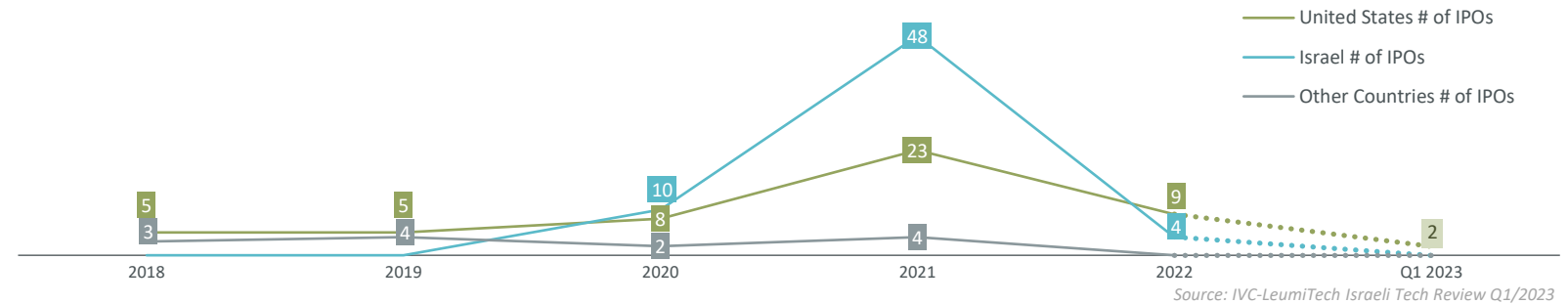
Only two IPOs took place in Q1/2023, both on the US public capital market.

## IPOs by Stock Exchange \$m 2018 – Q1/2023



\*IPOs under \$5B  
\*\*Including SPAC deals

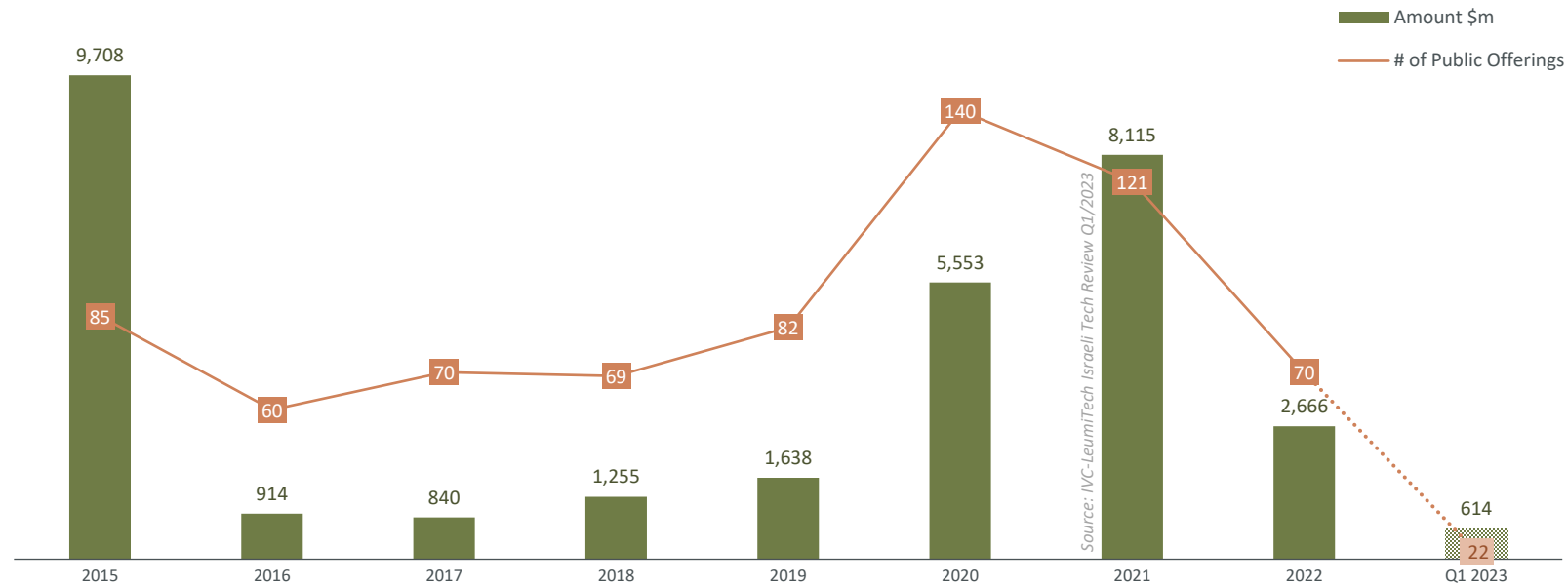
## # of IPOs by Stock Exchange 2018 – Q1/2023



\*IPOs under \$5B  
\*\*Including SPAC deals

# Israeli High-Tech Follow-on Public Offerings

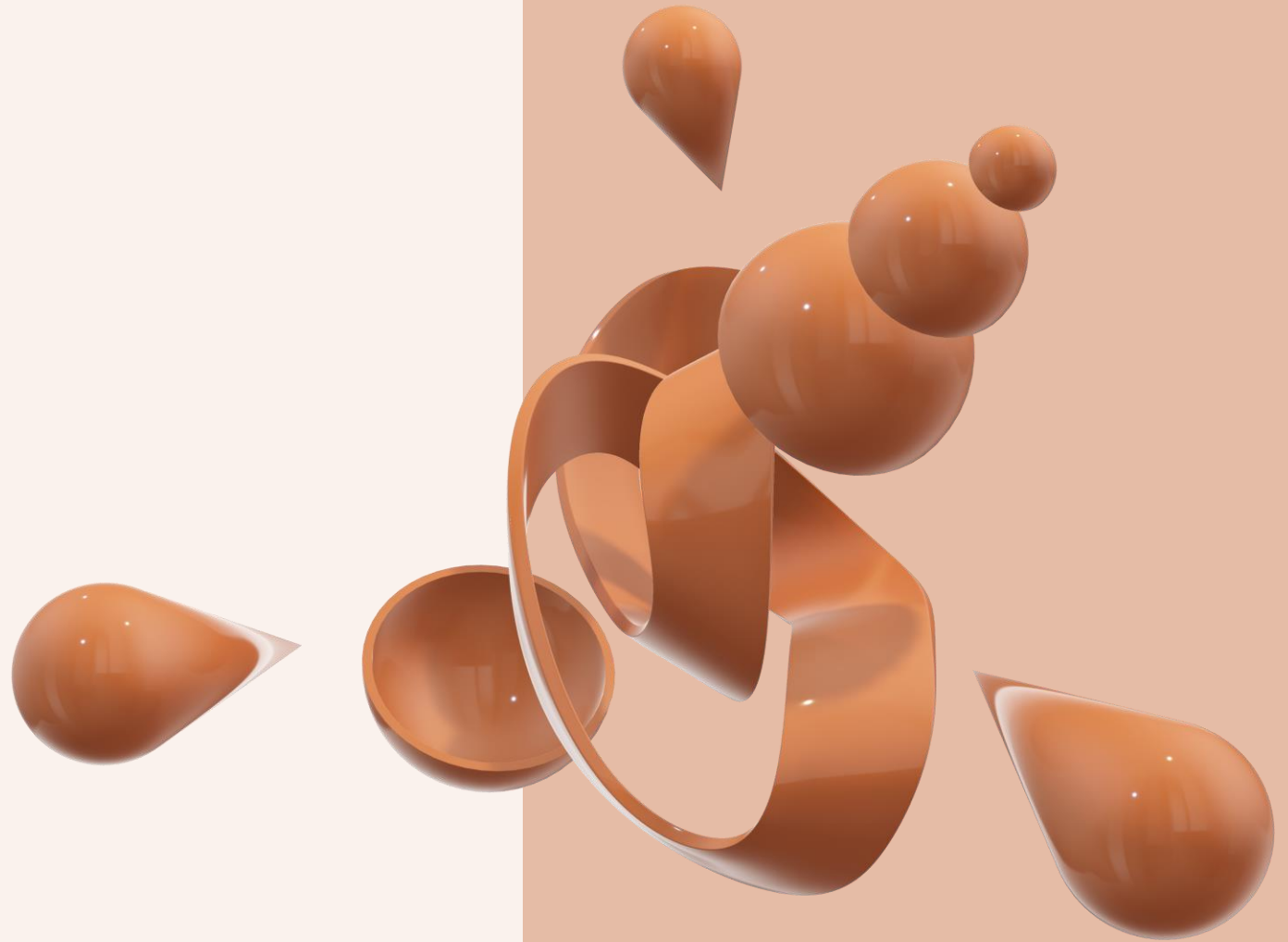
## ► Israeli Public Follow-on Offerings 2015 – Q1/2023



\* Excluding IPOs

Q1/2023 has shown some continued activity in capital markets for public Israeli high-tech companies.

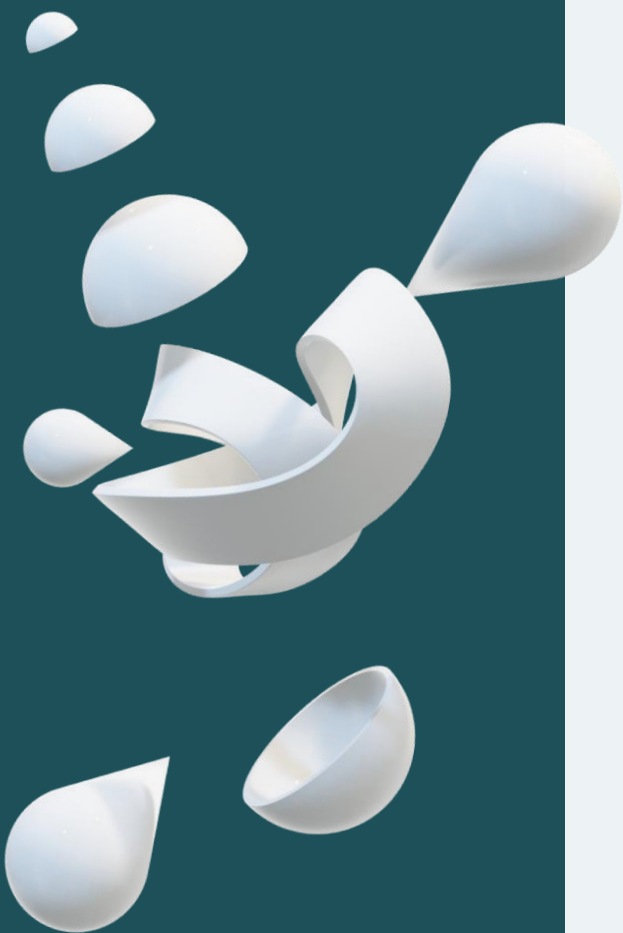
# 2022 Methodology





## 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 - 2022. "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).



## Methodology | Investments

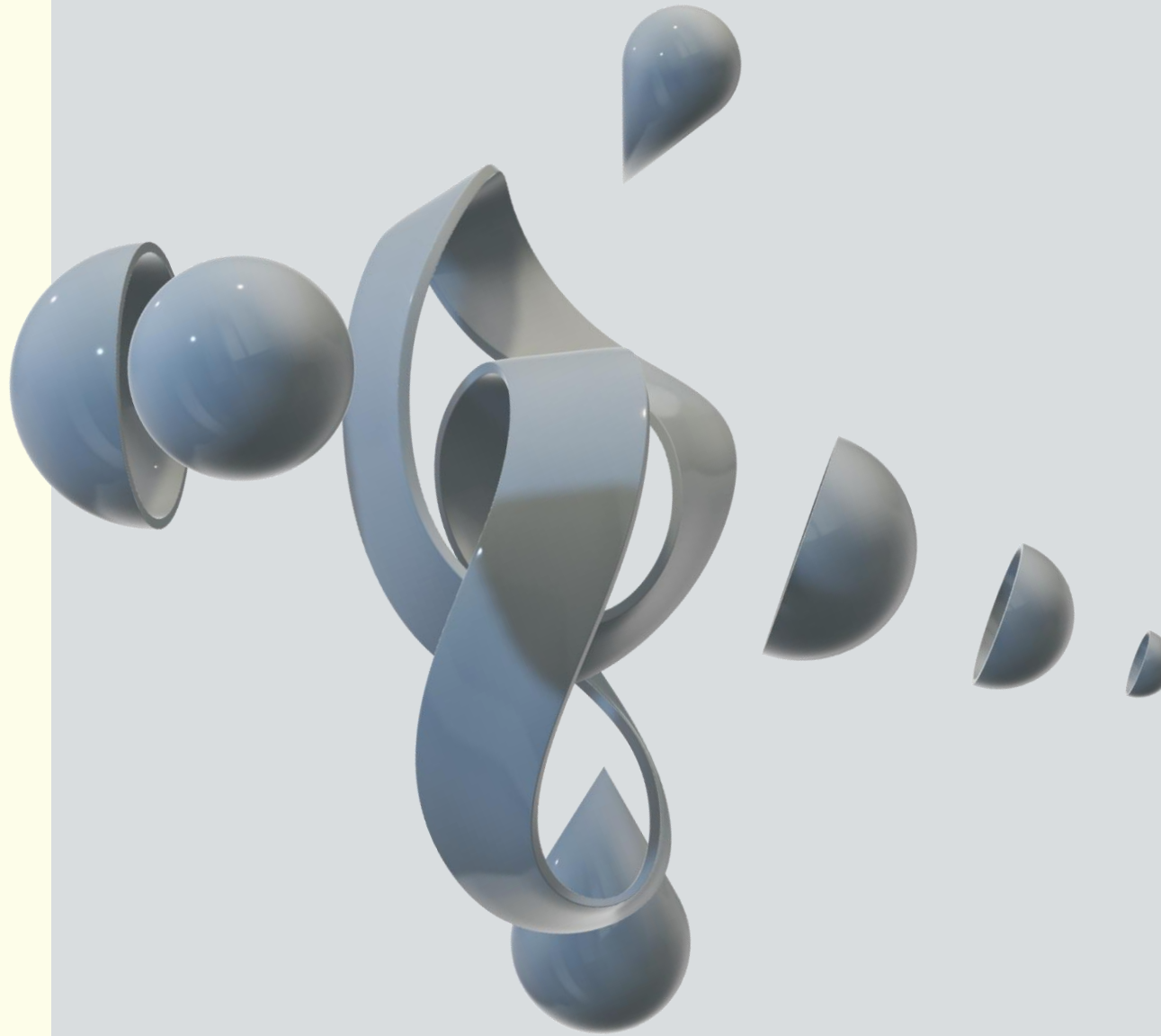
- This report reviews capital raised by Israeli tech companies from Israeli and foreign venture capital funds as well as from other investors, such as investment companies, corporate investors, incubators and angels.
- Reported data presents the investments activity IVC collects from reliable media sources, 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 564 investors of which 96 were Israeli VC funds and 467 were other entities.



## 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.

# 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 specialized loans 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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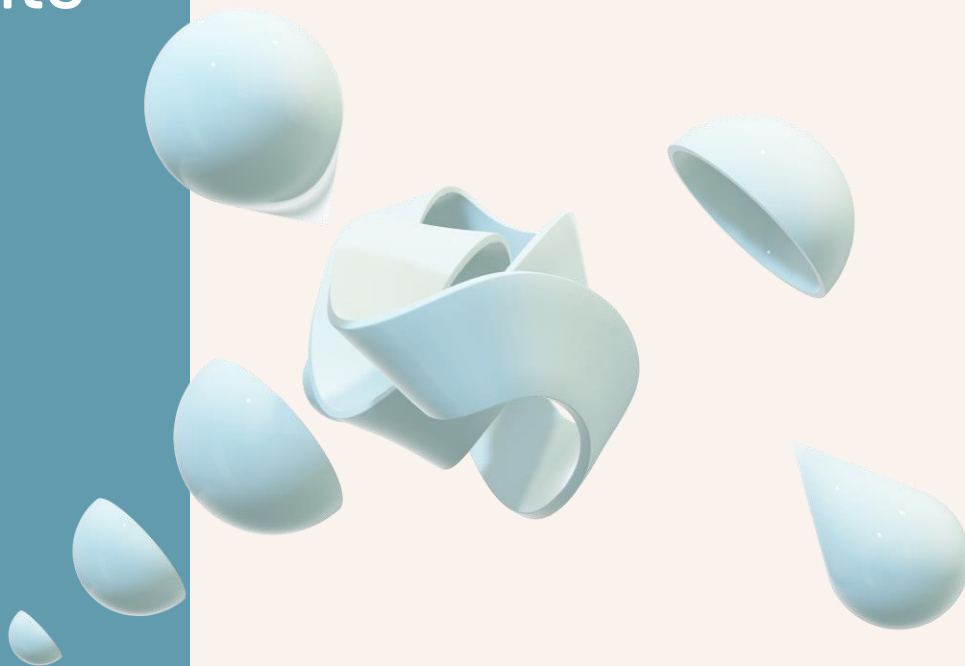
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