

2026

Q2

ISRAELI TECH REVIEW



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LEUMITECH

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Introduction

General Ecosystem Overview

The first half of 2026 highlights the continued concentration of capital within the Israeli technology sector. **Total investment in Q2/2026 rebounded strongly, surpassing the quarterly volumes recorded during the 2020 expansion phase.**

However, this recovery in funding has not been matched by a comparable increase in deal activity. Instead, **investment rounds have stabilized over several years at a lower baseline.** Mature markets such as North America and Europe show a similar pattern, with total round counts plateauing since 2024.

In Israel, the decline in round activity reached its lowest point around October 7th 2023, and has remained broadly flat since. As a result, while aggregate capital inflows are expanding significantly, funding is being distributed across a more consolidated pool of active companies.

Sectoral Shifts and Round Size Expansion

This shifting landscape is characterized by two prominent trends within the Israeli ecosystem that may be interconnected. **First, round sizes are rising across both average and median measures,** demonstrating a clear upward shift in the capital volume deployed per individual deal. Second, the distribution of investment across sectors is narrowing. **The prolonged regional conflict has propelled a surge in the local Defense, Space & Quantum cluster, which captured over 11% of total capital raised.** This development is accompanied by a sharp local surge in Semiconductor funding, while traditional segments like Life Sciences and FinTech have pulled back to near-record lows.

Looking at the broader global landscape, **these internal dynamics often track patterns seen abroad,** but with one critical distinction: the Israeli ecosystem remains far more heavily concentrated in its core sectors. While global markets like North America and Europe distribute their capital across a diverse matrix of verticals, **Israeli tech exhibits intense thematic concentration, driven overwhelmingly by its twin pillars of Cyber and Enterprise Software.** Where global overlaps do occur, they reflect specific regional similarities. While AI mainly drives North America's expansion, Europe has seen a distinct surge in Defense and Space funding. This suggests a broader global pattern where regions facing heightened geopolitical instability funnel technological innovation into security and defense applications.

For Israel, aligning with these global deep-tech and security trends while navigating a complex domestic environment is a reassuring indicator of the ecosystem's structural resilience, even as its concentration deepens.

Introduction (Continued)

Past Successes vs. Future Success

A similar distinction between past momentum and near-term friction is evident when comparing the exit market to the health of the early-stage growth pipeline. **The extraordinary surge in mega-exits during the first half of 2026, totaling a historic \$76 billion, is largely an echo of the ecosystem's historical successes.** These massive acquisitions reflect mature companies that were funded, matured, and scaled over the previous decade.

By contrast, the mid-stage pipeline is managing the trailing effects of recent macroeconomic and domestic challenges. Transition rates within the 2022 and 2023 cohorts softened across the standard funding tiers (Seed to A, A to B, and B to C). Although this has introduced a temporary gap in the mid-stage funnel, recent quarters show a steady baseline recovery, pointing to a gradual restoration of the traditional scale-up pipeline.

The Operational Evolution of Startup Costs

The rise in median and average round sizes might be associated with a broader shift in startup cost structures. In the past, technology spending was driven mainly by local engineering salaries and office rent. **Today, the rapid adoption of artificial intelligence has added a new capital-intensive layer: cloud infrastructure and computing power.**

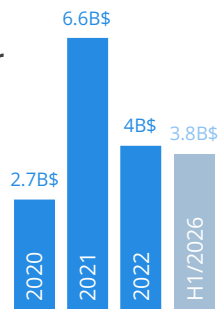
This increase in compute spending operates alongside domestic headcount, which has remained largely stable rather than contracting. This means **infrastructure acts as an expanding cost component rather than a labor replacement.**

From a market perspective, this evolution offers a distinct stabilizing factor: because these heavy cloud and infrastructure costs are denominated and executed in foreign currencies abroad, compute-heavy startups are fundamentally less sensitive to local exchange-rate movements. Whether this spending will eventually substitute for human labor remains an open question.

Key Highlights

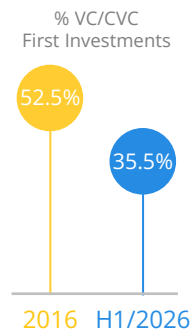
Fund Raising is on the Rise

2026 is the **3rd best year** of the Israeli tech sector in terms of quarterly average funding.



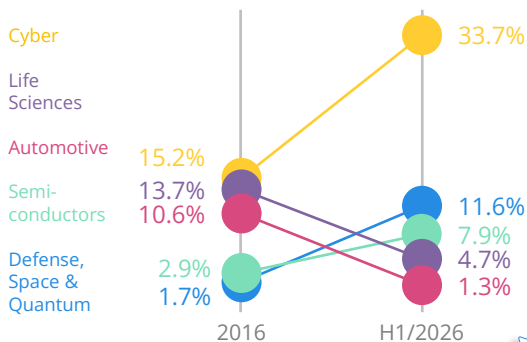
Surge in Follow-On Investment Share

Investors protect existing portfolios at the expense of new startups.



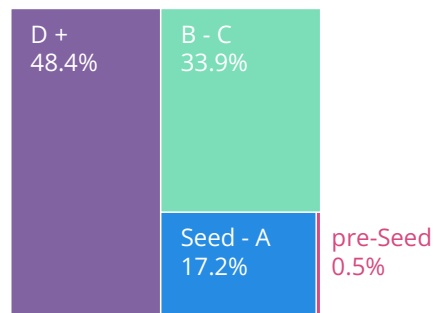
Sectoral Shift

There is a gradual change in the composition of the Israeli tech sectors - **Defense, Space, Quantum and Semiconductors** seem to replace Life Sciences and Automotive.



Late Stage Financing dominate Q2/2026

Mature companies in late-stage rounds captured nearly **half of all capital**.





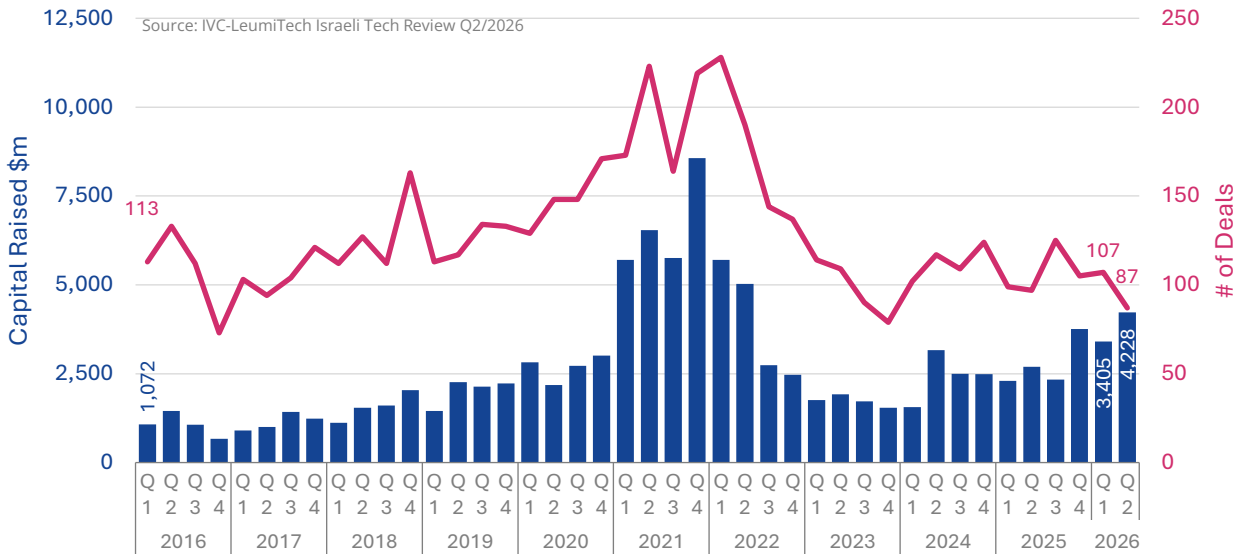
Israeli Tech Overview

Quarterly Funding Volumes and Average Deal Sizes in the First Half of 2026

The first half of 2026 marks a return to 2020 funding volumes and beyond.¹ **In the second quarter of 2026, total funding reached \$4.23 billion, surging more than 50% above the 2020 quarterly average of \$2.68 billion.** However, the quarterly transaction volume recorded in H1/2026 remains significantly lower than the baseline seen in 2019–2020. **Since 2023, the number of quarterly deals has hovered around 105**, compared with approximately 140 deals in 2019–2020. This clearly indicates that more capital is being concentrated into fewer companies. While the ecosystem demonstrates remarkable resilience, driving aggregate funding higher through large-scale deals, in line with global trends, access to capital is not expanding to a broader base of companies, leaving the environment highly competitive and challenging.

To illustrate the extremity of this concentration, a comparison to Q4/2021, the absolute peak of the Israeli tech boom in terms of total capital, shows that In that record quarter, \$8.56 billion was deployed across 219 deals, yielding an average deal size of \$39.1 million. In contrast, **Q2/2026 recorded an average deal size of \$48.9 million. This means that while aggregate liquidity is lower than in the 2021 bubble, the average capital invested in a single company today is 25% higher than during the peak of the market frenzy**, confirming an unprecedented structural centralization of capital.

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

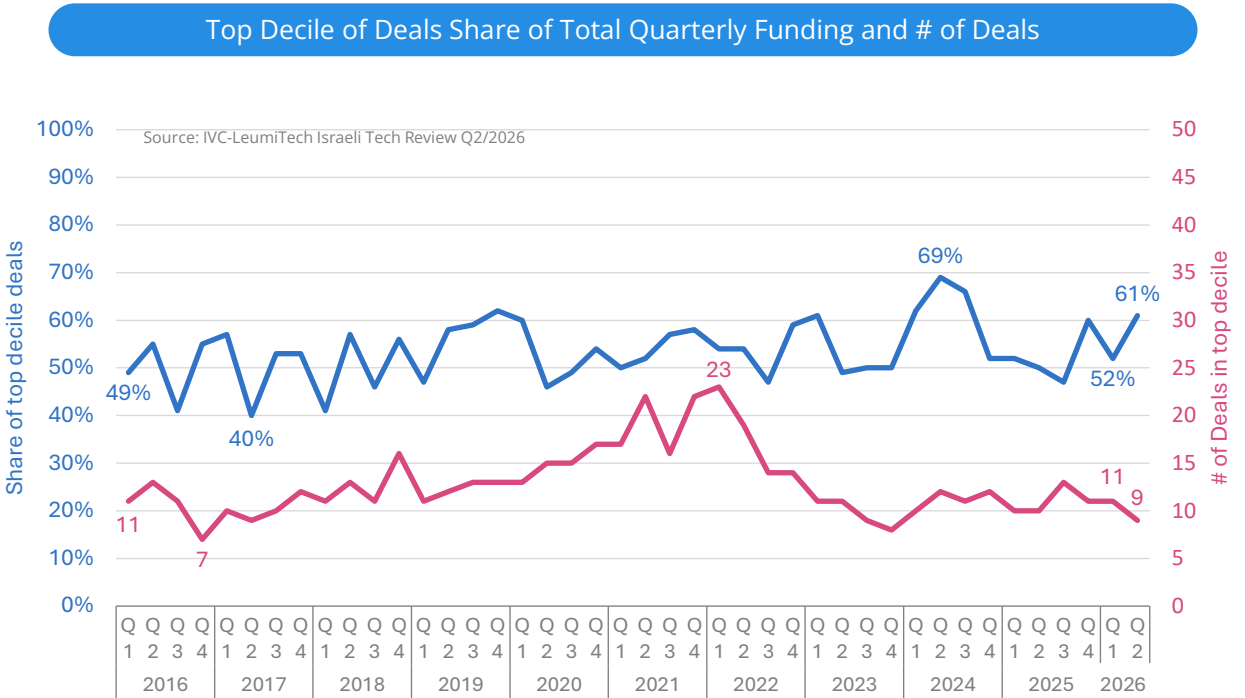


1) Data in the main body of the report reflects real-time snapshots of the ecosystem at the close of each respective period to ensure a consistent, "apples-to-apples" trend analysis over time. Conversely, figures in the Appendix include all investment data known up to the publication date of this report.

Structural Stability and the Shrinking Number of Top Tier Companies

A long-term analysis of the top decile (Top 10%) of funding rounds underscores that capital distribution within the Israeli tech ecosystem remains stable. **Since 2018, the share of capital captured by the top decile has moved within a narrow band of 50% to 60% of total investments.** Data from H1/2026 continues to reflect this exact pattern: following 52% in Q1, the second quarter recorded 61%, clinging to the very top of this multi-year historical range.

However, when cross-referenced with the sharp decline in overall deal volume, this rising percentage reveals a profound concentration of wealth. Because the top decile is a function of total deal count, the absolute number of companies capturing this half of the market has shrunk drastically. For example, during the peak of Q4/2021, the top decile comprised 22 companies sharing \$5 billion, an average of \$225 million per company. **In Q2/2026, due to the low baseline of 87 transactions, the top decile has narrowed to just 9 companies commanding \$2.57 billion - \$285 million per company.** Consequently, while the historical distribution pattern remains unchanged, actual access to top-tier capital has become highly exclusive, concentrating immense liquidity within a historically small elite set of about companies per quarter.

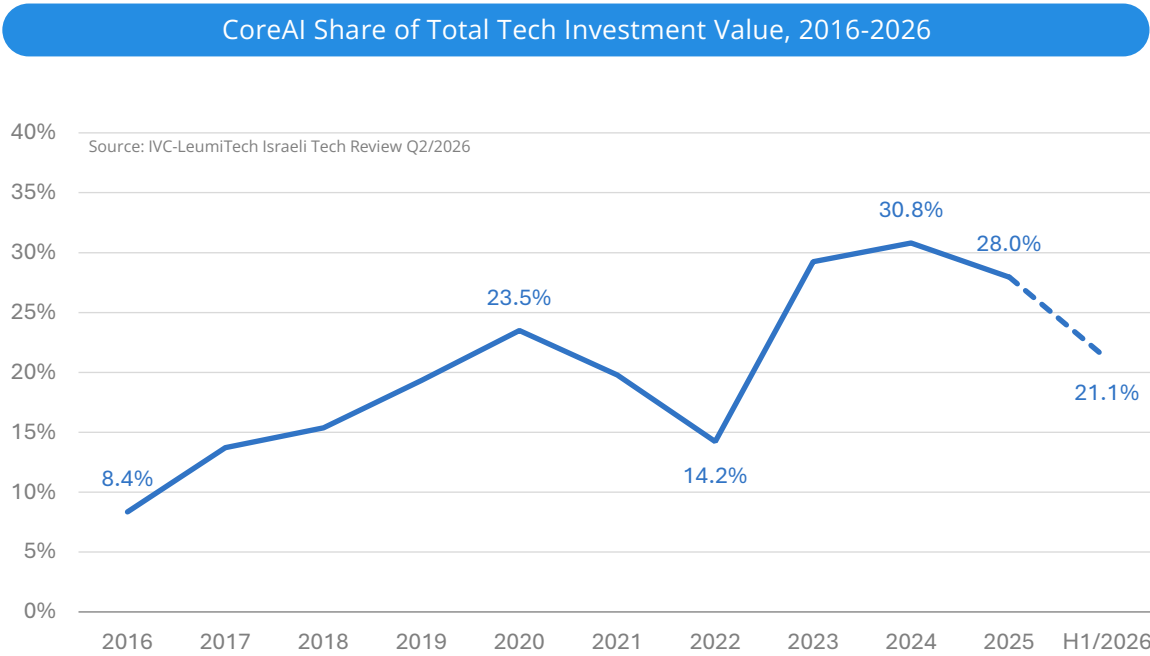


Investments Shifts in AI Focused Companies

This report introduces a refined methodological framework isolating "CoreAI" companies, where artificial intelligence constitutes the indispensable technology at the product's heart, rather than a supportive operational tool. Measuring CoreAI retroactively highlights that Israel's AI capacity is built upon a mature pre-ChatGPT foundation of predictive models, computer vision, and machine learning.

Between 2016 and 2020, CoreAI's share of total funding grew from 8.4% (\$356M) to 23.5% (\$2.52B). Following a drop to 14.2% in 2022, capital concentration surged during the GenAI pivot, capturing 29.2% in 2023 and peaking at 30.8% in 2024 (\$2.98B).

In H1/2026, CoreAI secured \$1.61 billion, remaining on track to match its ~\$3B annual rate of previous years. However, its relative share normalized downward to 21.1%. This contraction does not signify a retreat from innovation. Because CoreAI serves as an orthogonal technological layer embedded across various sectors, this percentage shift reflects a broader market normalization as non-AI-core enterprises secure large funding rounds, the relative weight of CoreAI companies recalibrates, while its absolute funding volume remains highly stable.



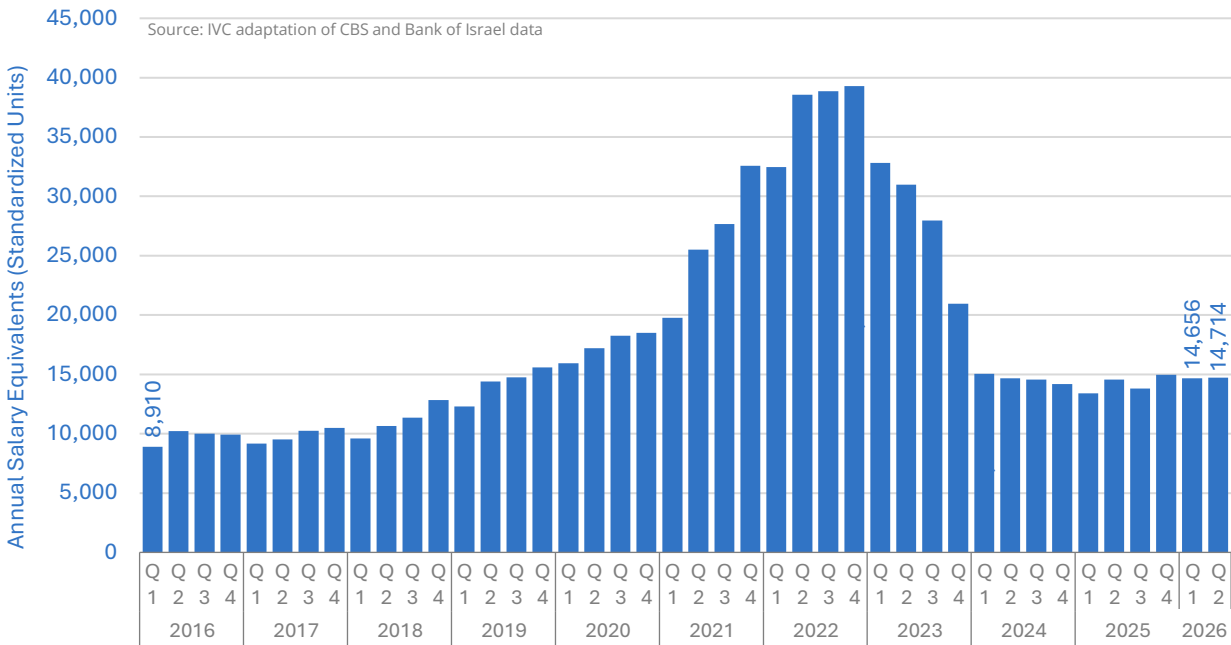
Investment-Backed Employment Capacity

The Investment-Backed Employment Capacity metric represents the volume of standardized annual positions that current funding levels can sustain. **While the 2021–2022 funding surge generated a capital buffer that artificially sustained operations through late 2023, data from the first half of 2026 confirms this runway is depleted.**

Capacity stabilized at 14,656 positions in Q1/2026 and 14,714 in Q2, levels virtually identical to early 2024.¹ This flat trend stands in direct contrast to the visible recovery in quarterly funding volumes that more than doubled since October 7th 2023. This widening gap is driven primarily by an exchange rate squeeze. **Since early 2024, the Israeli Shekel has appreciated by 20% against the US Dollar.** Because technology companies raise capital in dollars but execute payroll in Shekels, this currency misalignment severely erodes the purchasing power of incoming funds.

Furthermore, Israeli CBS data shows that the wages in the tech sector are growing more slowly in the last two years: following a standard 5.2% wage growth in Q1/2023 and a sharp 9.9% jump in Q1/2024, salary growth slowed heavily to just 1.4% in Q1/2025 and 4.1% in Q1/2026.

Venture-Backed Employment Capacity: Standardized Annual Salary Equivalents



1) Due to data lags, Q2/2026 index is based on April-2026 wage data alone. For a detailed breakdown of the model and baseline assumptions, see the Q1/2026 report.



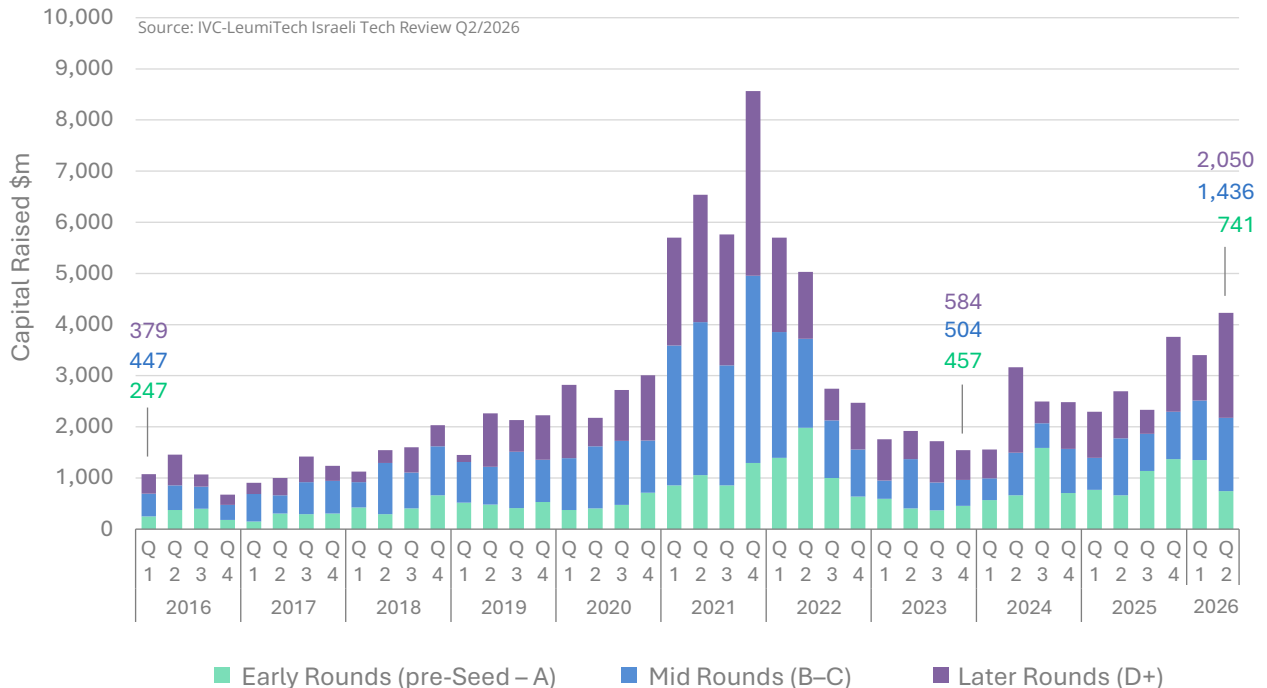
Funding Stages and Capital Lifecycle

Shift Toward Late-Stage Rounds Leaves Early-Stage Startups Exposed

An analysis of capital distribution by funding stages in Q2/2026 reveals a pronounced shift toward late-stage concentration. **Mid-stage (Rounds B-C) and late-stage (Rounds D+) investments surged to \$1.44 billion and \$2.05 billion, respectively. Together, these two segments commanded 83% of total quarterly funding**, up sharply from 60% in Q1/-2026. Structurally, this quarterly spike in mature rounds should not be interpreted as a deep ecosystem pivot, but rather as a reversion to the mean driven by a few outsized late-stage closures.

Conversely, **early-stage funding (pre-Seed through Series A) fell sharply to \$741 million, down from an average of \$1.3 billion over the previous three quarters**. This concentration of capital leaves early-stage startups with significantly tighter operating windows. While mature, late-stage companies operate with much larger workforces and higher absolute payroll expenses, their scale grants them critical defenses: recurring revenue streams, operational leverage, and access to diverse credit and debt instruments to extend their runway. By contrast, younger firms operate with minimal financial buffers and limited non-equity funding options. Consequently, even though early-stage startups maintain leaner operational structures, any prolonged fundraising delays exhaust their capital reserves much faster.

Capital Raised by Company Rounds, 2016-2026

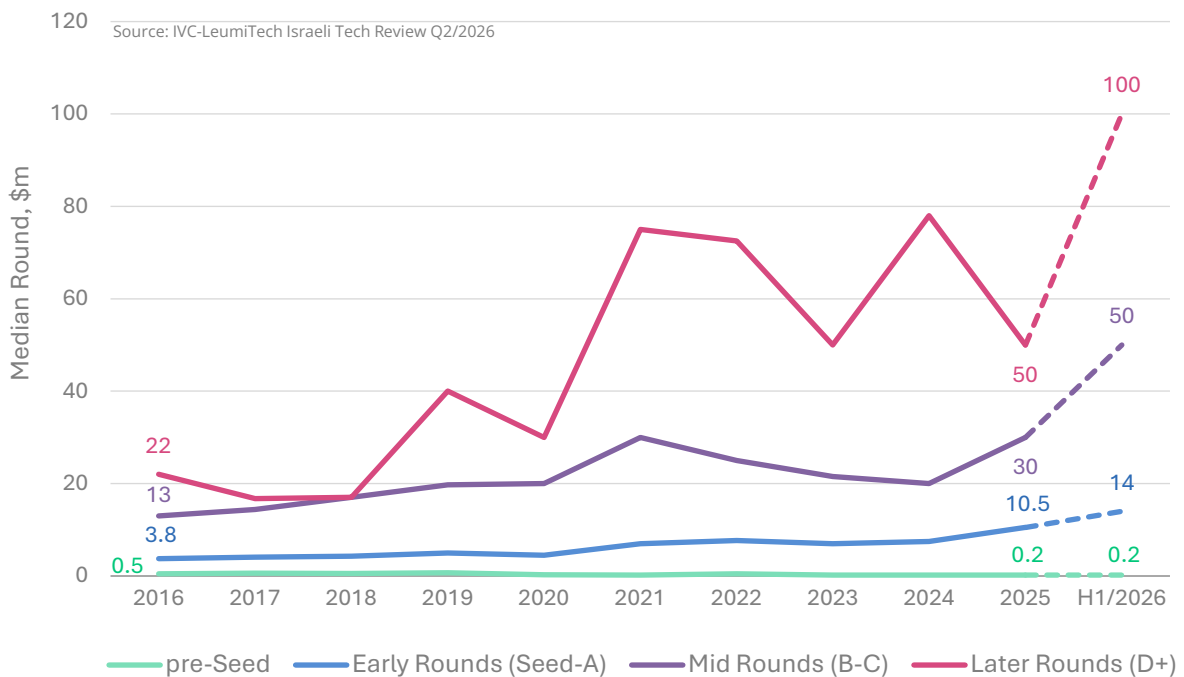


Median Deal Sizes and Capital Concentration

Median round size across all funding levels, excluding the pre-Seed, reached historic highs in the first half of 2026. This escalation is most pronounced in Later Rounds (D+), where the median deal size doubled from \$50 million in 2025 to an all-time high of \$100 million in H1/2026, eclipsing the previous 2021 bubble peak of \$75 million. Similarly, Mid Rounds (B-C) experienced a major surge, jumping from \$30 million in 2025 to \$50 million. Even Early Rounds (Seed-A) climbed steadily, rising from \$10.5 million in 2025 to a median of \$14 million. Meanwhile, pre-Seed medians remained entirely stagnant at \$0.2 million since 2023.

This rise in deal sizes, combined with the earlier drop in early-stage funding volumes, shows that the market is not growing across the board. Instead, investors are becoming much more selective and concentrating their money on fewer companies. **Fewer startups are successfully raising capital, but the ones that do are getting much larger amounts.** This "flight to quality" pushes the median numbers up, making the market look stronger on paper, even though it has become much harder for most startups to raise money.

Median Round Size by Funding Stage, \$m



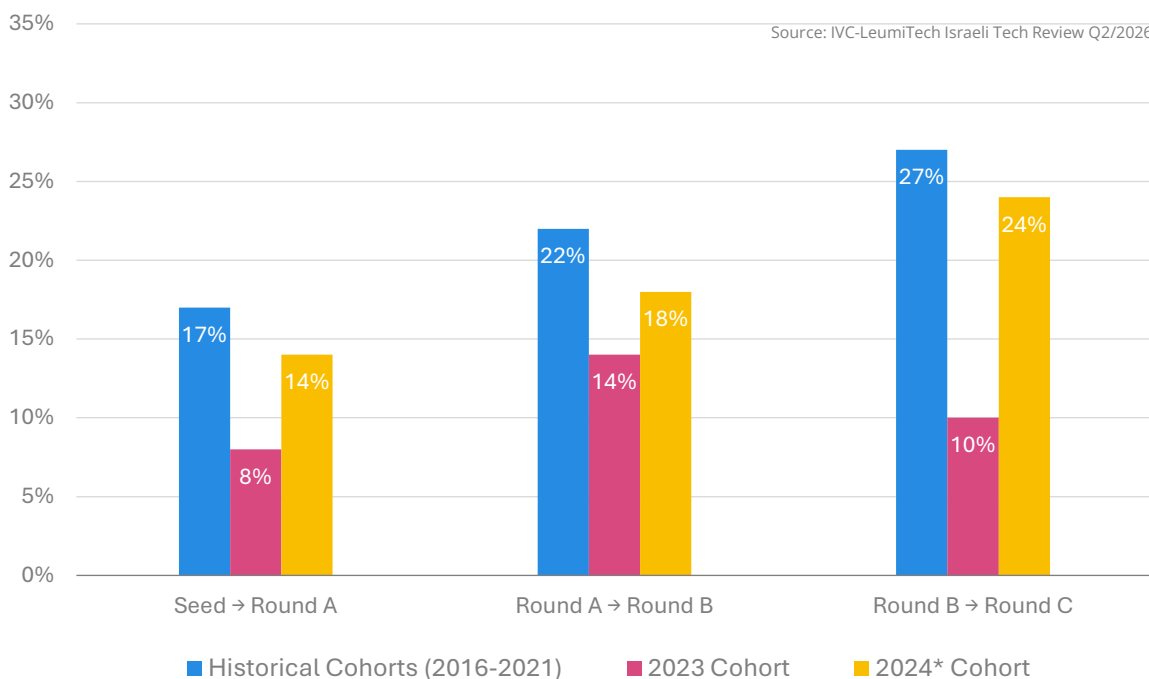
Funding Success Rates Are Starting to Recover

To evaluate how effectively capital flows through the startup pipeline, this section analyzes the two-year transition success rates of distinct startup cohorts. Specifically, it tracks the percentage of companies in each vintage year that successfully graduated to the next funding round within 24 months of their previous raise. Comparing the historical benchmark (2016–2021 average) against the 2023 and 2024 cohorts reveals a clear, cross-stage "V-shaped" trajectory of wartime contraction followed by a rapid structural recovery.

The 2023 cohort bore the brunt of the dual macroeconomic and geopolitical shocks, causing transition rates to contract significantly across all stages. **The progression from Seed to Round A fell from a historical baseline of 17% to just 8%. Similarly, the transition from Round A to B dropped from 22% to 14%, while the maturation from Round B to C saw the sharpest collapse, falling from 27% to 10%.**

However, data for the 2024 cohort demonstrates a highly resilient and synchronized recovery across the entire funding chain. The graduation rate from Seed to Round A rebounded to 14%, while the Round A to B transition climbed back to 18%. Most notably, the transition from Round B to C experienced a strong resurgence, rebounding to 24% and nearly closing the gap with its historical baseline. This broad-based upward trend indicates that after a period of acute risk aversion, the funding pipeline has stabilized, and institutional investors are actively recommitting to supporting the growth stages of the local ecosystem.

Two-Year Transition Rates by Year and Round Cohorts



* Final data for 2024 will be available at the end of 2026.

Top Selected Investments

Early Rounds (pre-Seed – A)

ZyG (1)

Enterprise Software

R&D 60 \$m

Artemis
TECHNOLOGIES (2)

Cyber

Initial Revenues 55 \$m

@ newcore (3)

Cyber

Seed 50 \$m

frame (4)

Cyber

R&D 40 \$m

Quantum Art Ltd. (5)

Quantum

R&D 40 \$m

Mid Rounds (B – C)

Decart (1)

Enterprise Software

Revenue Growth 300 \$m

DREAM (2)

Cyber

Revenue Growth 260 \$m

Kela (3)

Defense

Revenue Growth 200 \$m

ONYX (4)

Cyber

Initial Revenues 100 \$m

Covenant
TECHNOLOGIES (5)

Defense

R&D 100 \$m

Late Rounds (D +)

cyera (1)

Cyber

Revenue Growth 600 \$m

DRIVENETS (2)

Software / Network Infrastructure

Revenue Growth 410 \$m

Xsight (3)

Semiconductors

Revenue Growth 300 \$m

Coralogix (4)

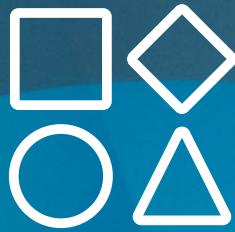
Enterprise Software

Revenue Growth 200 \$m

aidoc (5)

Digital Health

Revenue Growth 150 \$m



Technology Verticals Breakdown

Sectoral Allocation in H1/2026 Reshaped by Deep Tech Ascendancy

The capital allocation architecture in the first half of 2026 underscores an intense consolidation within a narrow group of high-conviction sectors. **Driven by Cybersecurity (33.7%) and a powerful resurgence in Enterprise Software (33.6%), these two pillars command over two-thirds (67.3%) of all deployed venture capital.** This robust software performance directly refutes the prevailing industry narrative: despite public market headwinds affecting established tech companies and heightened investor scrutiny over generative AI integration, capital is actively flowing into software verticals, indicating that the market is finding highly resilient investment channels within these fields.

Concurrently, specialized deep-tech verticals have emerged as the ecosystem's primary growth engines, effectively replacing historically dominant sectors such as Life Sciences and FinTech. Driven by prolonged geopolitical friction, **the Defense, Space & Quantum vertical surged to a historic peak of 11.6% of total capital raised, basing itself as the third largest field.** Together with Semiconductors & Hardware, which climbed to 7.9% amid global technology supply chain pressures, these sectors are soaking up institutional capital that previously flowed elsewhere.

This shift stands in stark contrast to the severe funding contraction in traditional segments. **Life Sciences collapsed to a near-record low of 4.7%, while FinTech & InsurTech eroded to a mere 4.5%.** Furthermore, despite global urgency, Israel's climate-related sectors fail to gain traction, with Energy & CleanTech remaining frozen at 1.4%.

Share of Capital Raised by Israeli Tech Companies, By Field

Source: IVC-LeumiTech Israeli Tech Review Q2/2026	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	H1/2026
Cyber	15.2%	14.7%	16.3%	20.5%	25.6%	25.0%	22.3%	26.5%	37.3%	43.5%	33.7%
Enterprise Software & Consumer Oriented Software	33.0%	36.1%	25.3%	24.6%	29.3%	24.7%	26.9%	19.0%	28.3%	17.0%	33.6%
Defense, Space & Quantum	1.7%	2.7%	4.9%	2.1%	2.4%	1.9%	2.0%	4.8%	3.0%	9.3%	11.6%
Semiconductors & Other Hardware	2.9%	5.5%	10.7%	5.5%	4.1%	5.0%	2.4%	2.6%	3.6%	6.1%	7.9%
Life Sciences	13.7%	16.8%	12.5%	11.4%	12.5%	7.9%	16.0%	12.4%	10.9%	8.7%	4.7%
FinTech & InsurTech	13.9%	11.5%	16.6%	21.1%	13.4%	22.8%	14.0%	21.1%	12.0%	11.0%	4.5%
Energy & Other CleanTech	3.8%	1.9%	0.9%	0.4%	1.9%	1.1%	1.6%	2.9%	1.4%	0.4%	1.4%
Automotive	10.6%	6.8%	7.3%	8.1%	3.2%	4.6%	2.3%	5.2%	0.6%	1.0%	1.3%
AgriTech & FoodTech	1.0%	2.4%	3.4%	3.8%	5.2%	4.0%	6.7%	4.1%	1.7%	2.2%	1.0%
Industry 4.0 & ConstructionTech	1.3%	0.2%	0.1%	0.3%	1.1%	1.1%	2.4%	0.5%	0.8%	0.6%	0.4%
Other	2.9%	1.3%	2.0%	2.2%	1.4%	1.9%	3.5%	1.0%	0.2%	0.2%	0.0%
Yearly Capital Raising \$m	4,268	4,558	6,304	8,078	10,725	26,563	15,938	6,942	9,700	11,075	7,633

FOCUS Cyber Sector

of Active Companies

614

7% of Israeli Tech Companies

Total Capital Raised Past Decade¹

\$34.1B

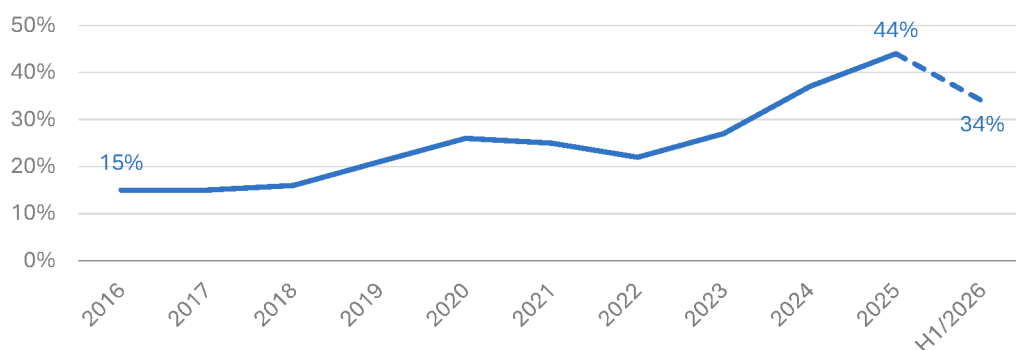
24.7% of all capital raised by Israeli startups

of Funding Rounds Past Decade¹

1,485

11.7% of all Israeli startup funding rounds

Share of Capital Raised by Cyber Startups | 2016–2026



Top Israeli Investors in the past Decade¹

1	CyberStarts Venture Fund	\$500M-\$750M
2	Cerca Partners	\$150M-\$250M
3	Team8 Labs	\$150M-\$250M
4	Glilot Capital Partners	\$150M-\$250M
5	YL Ventures	\$150M-\$250M

Top Exits Past Decade²

1	Wiz	\$32B	2026
2	SentinelOne	\$1.3B	2021
3	Armis Security	\$1.1B	2020
4	BioCatch	\$0.8B	2024
5	XM Cyber	\$0.7B	2021
6	Talon Cyber Security	\$0.63B	2023
7	GuardiCore	\$0.6B	2021
8	Demisto	\$0.56B	2019
9	CyArx Technologies (Simplify)	\$0.5B	2022
10	Axis Cyber Security	\$0.5B	2023

Top Foreign Investors in the past Decade¹

1	Insight Partners	\$750M-\$1,000M
2	Lightspeed Venture Partners	\$500M-\$750M
3	Sequoia Capital (US)	\$500M-\$750M
4	Accel	\$500M-\$750M
5	Softbank Vision Fund LP	\$250M-\$500M

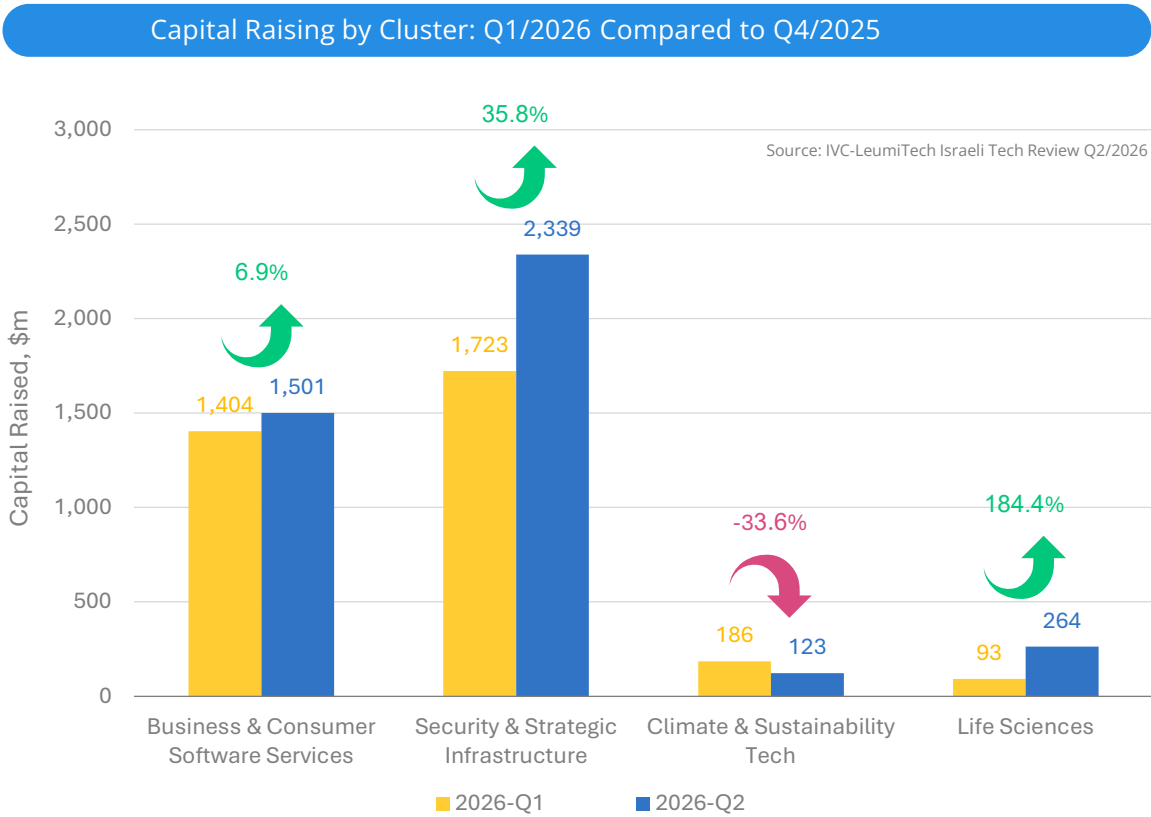
1) Past decade refers to the period 2016 – Q2/2026.

2) We refer only to the first exit of a company, E.g., the acquisition of CyberArk is not on the list as it was already a public company.

Security and Software Expand While Climate Sectors Face Global Headwinds

While quarter-over-quarter metrics are highly volatile and should not be interpreted as long-term structural trends, a short-term snapshot highlights immediate funding shifts in Q2/2026. **The Security & Strategic Infrastructure cluster (Cyber, Semiconductors, and Defense) expanded 35.8% quarter-over-quarter, rising from \$1.7 billion to \$2.3 billion.** Concurrently, the Business & Consumer Software Services cluster (Enterprise, Consumer, and FinTech) proved resilient against the broader global slowdown narrative, expanding 6.9% from \$1.4 billion to \$1.5 billion.

The smaller clusters reflect a similar entrenchment of existing trends. The Climate & Sustainability Tech cluster (AgriTech, FoodTech, Energy, CleanTech, Automotive, and Industry 4.0) decreased by 33.6%, from \$186 million to \$123 million, and remains at a low baseline, that mirrors the shifting regulatory and political headwinds from Washington. Meanwhile, **the Life Sciences cluster recorded a 184.4% increase**, with its funding moving from \$93 million in Q1 to \$264 million in Q2. **While this indicates a partial recovery for the sector, total funding remains well below its historical benchmarks.**





Investor Profile & Dynamics

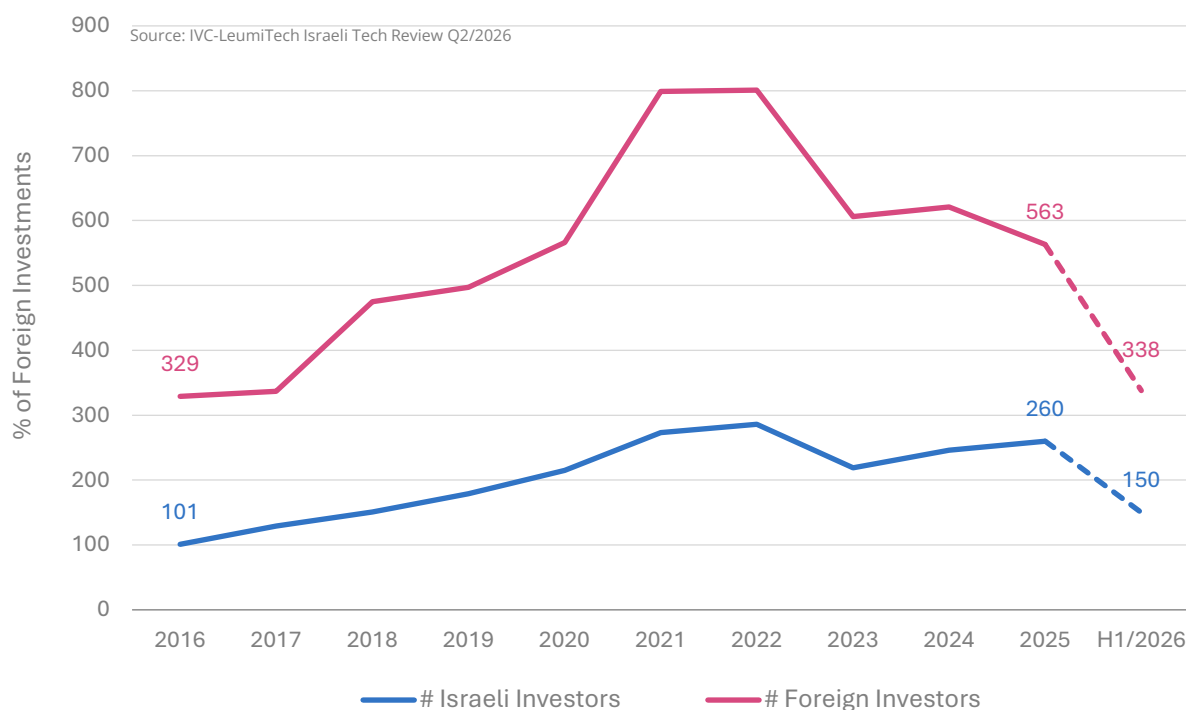
Active Investor Headcounts Stabilize Around Pre-Bubble Baselines

An analysis of active VC funds and corporate venture capital (CVC) arms points to a stabilization in the player mix within the Israeli ecosystem. Between 2016 and 2023, foreign investors consistently accounted for an average of 74% of all active participants. **Over the past two years, this share experienced a moderate step-down, from 71.6% in 2024, to 68.4% in 2025, and stabilized at 69.3% in H1/2026.** This evolution aligns with global trends of declining deal volumes and rising market concentration, as capital worldwide clusters around fewer, larger transactions.

Absolute investor headcounts over time reveal notable resilience rather than a collapse. While mid-year H1/2026 figures (338 foreign and 150 Israeli entities) are not directly comparable to full-year data since more unique players will enter in the second half, the full-year trends demonstrate remarkable durability.

Active Israeli investors compressed by less than 10%, moving from their bubble peak of 286 in 2022 to 260 in 2025, signaling a strong domestic anchor, though local capital has limited alternative channels. Meanwhile, active foreign funds did fall from their 2021 peak of 799, but **the 563 investors recorded in 2025 remained highly comparable to the pre-bubble 2020 baseline (566 investors).** This indicates that despite intense geopolitical complexity, international commitment has reverted to a stable baseline.

Number of VC and CVC Investors by Origin

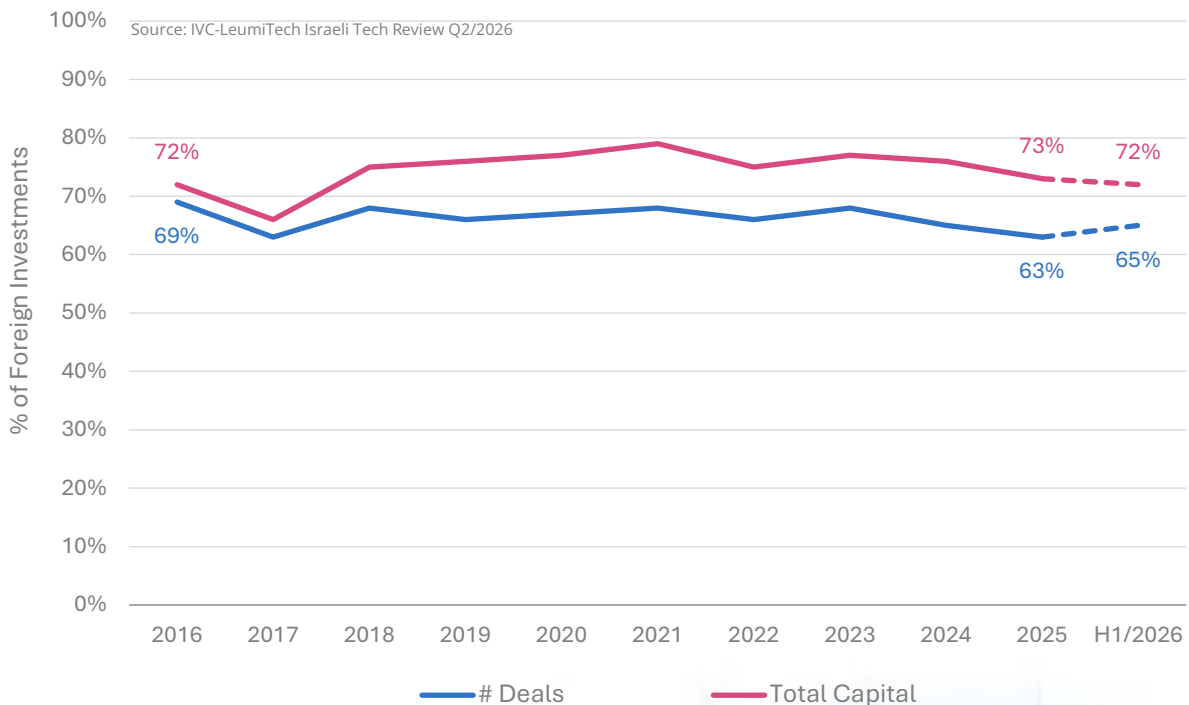


Domestic and Foreign Capital Scales Symmetrically Through Downturns and Surges

Consistent with the structural analysis presented in the previous quarter, the balance between domestic and foreign investor activity remains unchanged. **Over the past decade, and continuing into the first half of 2026, foreign VC and CVC funds have maintained a remarkably rigid baseline, participating in 63% to 69% of fund-backed deals and driving 72% to 79% of total capital volume.**

The central takeaway from these updated metrics is the non-trivial nature of this stability under extreme conditions. This structural split did not shift during the market downturns of 2023–2024, nor did it budge during the growth surge recorded since late 2025. In other words, **when the market expands, both domestic and foreign investors scale up their capital injection symmetrically**, keeping the core mechanics of the ecosystem intact despite profound geopolitical friction. International funds have not retreated from their role as the primary anchors of large-scale liquidity, demonstrating that this institutional division of labor is a permanent feature of the sector.

Foreign Investors Share of Deal Volume and of Total VC/CVC Funding



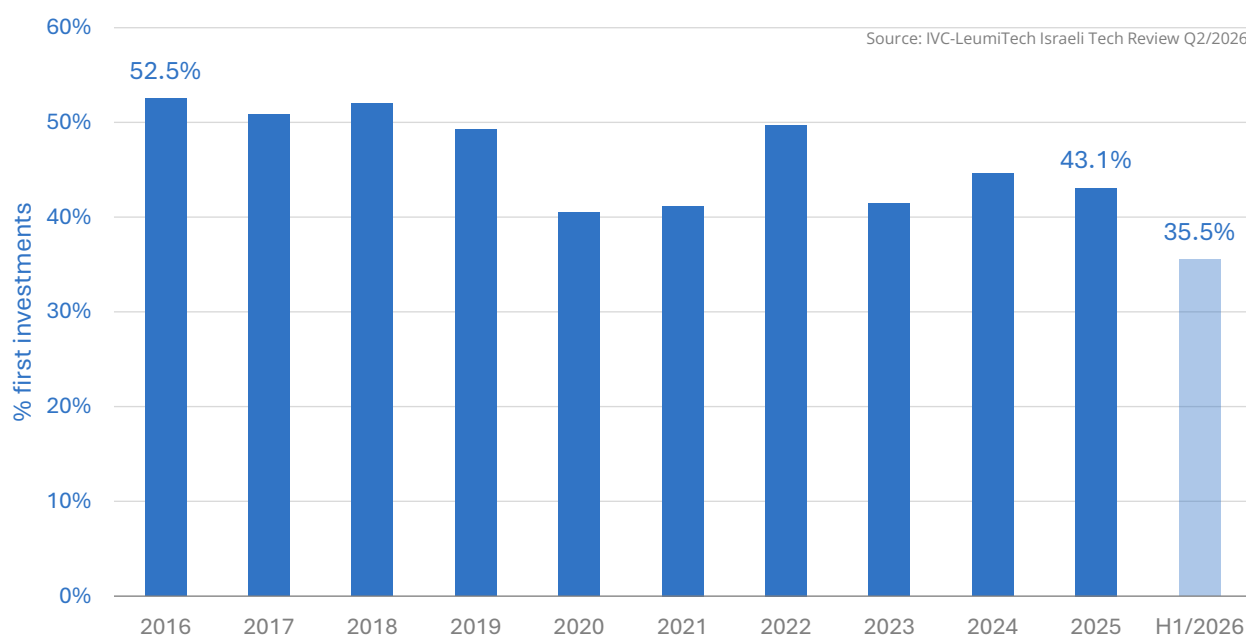
First Time VC Investments Hit Record Lows as Funds Prioritize Existing Portfolios

While the total volume of individual investment actions has contracted since its 2021 peak, the remaining institutional activity has undergone a distinct strategic shift toward portfolio preservation. **Over the past decade, a consistent erosion in the share of first-time investments has been evident in the VC and CVC tiers.** In 2016–2018, initial positions represented most of the institutional activity, capturing between 50.8% and 52.5% of total investments. However, this allocations matrix has steadily inverted.

By H1/2026, this multi-year decline reached a record low, with first-time investments falling to 35.5% of total institutional activity, down from 43.1% in 2025. As nearly 65% of VC and CVC investment actions now focus on supporting existing portfolio companies, the path to institutional capital for new innovation has narrowed significantly.

This defensive posture is particularly critical as it coincides with a recent resurgence in new startup formations. **As the absolute number of transactions stagnates alongside this structural shift toward portfolio preservation, the available pool of first-time institutional capital may no longer be sufficient to absorb the current wave of new ventures,** potentially leading to a funding shortfall for early-stage innovation. With foreign funds focused on protecting existing bets, new Israeli startups are now more reliant on the domestic market for their initial launch than ever before.

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



The Shift in Angel Stage Preferences

The number of unique Angel Investors across different funding rounds reflects a fundamental realignment in how private capital is distributed across the ecosystem. **Excluding the extreme liquidity anomaly of the 2020–2022 bubble, the baseline of the active Israeli angel community has historically hovered around 700 unique players.** However, while the aggregate investor core has remained stable relative to historical norms,¹ its internal composition has shifted dramatically. **The pre-Seed stage has seen a steady, long-term contraction in unique backers, declining from 190 investors in 2016 to just 45 in 2025.** Concurrently, Series A angel participation plummeted by 73% from its 2021 peak of 459 to 124 in 2025.

Driven by these dynamics, **professional angels migrated to the Seed stage, which sustained 241 unique investors in 2025.** This consolidation reflects a clear structural squeeze rather than a lack of potential private wealth in the ecosystem. At the upper end, escalating Series A round sizes and expanded capital requirements have effectively priced out individual investors. At the lower end, heightened risk aversion has kept pre-Seed activity stagnant despite the pool of potential individual backers. Consequently, **individual capital is funneling almost exclusively into Seed-stage co-investments, making policy interventions like the Israeli Angel Law crucial for incentivizing individual investors back to the pre-Seed entry point.**

Number of Unique Angels, by Funding Round, 2016-2026



1) Historical angel counts by stage are calculated using a distribution-based proxy to address reporting lags and database classification changes. Because predictive models cannot forecast specific individual identities for delayed rounds, recent headcount metrics (2024–2026) remain incomplete and biased downward until late-reported investor profiles are fully integrated.



Exit Activity and Market Liquidity

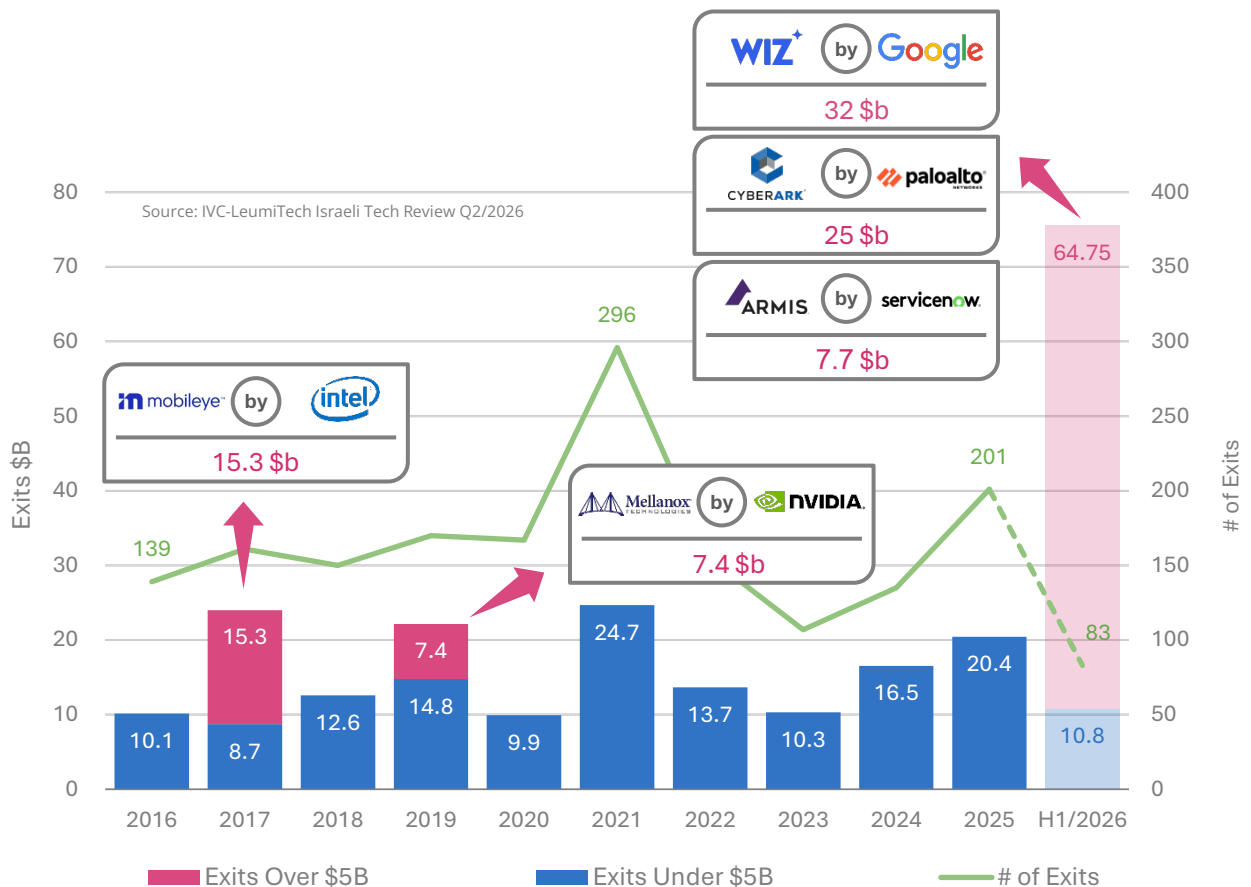
Israel's Exit Landscape: Historical Highs and Core Market Resurgence

An analysis of Israeli tech exits in the first half of 2026 reveals a success story in which an unprecedented cluster of global mega-transactions occurs alongside a remarkably robust core market. Joining the landmark cybersecurity acquisitions reviewed in the previous quarter, Wiz (\$32B by Google) and CyberArk (\$25B by Palo Alto Networks), the subsequent multi-billion-dollar acquisition of Armis further cements the sector's global dominance. Driven by these outliers, **total exit value in the mega-deal bracket reached a staggering historic high of \$64.75B in H1/2026 alone.**

Beyond these headline-grabbing transactions, the broader market demonstrates a profound and sustained upward trajectory. **The core market (transactions under \$5B) generated \$10.8B across 83 exits in the first half of the year alone.** On an annualized run-rate, this segment is on track to surpass full-year 2025 figures (\$20.4B) even approach the aggregate volumes recorded during the historical bubble peak of 2021 (\$24.7B).

This multi-tiered acceleration highlights the structural resilience of the Israeli tech sector. Despite prolonged geopolitical friction and domestic headwinds, the ecosystem's core liquidity paths remain fully functional, demonstrating an ongoing capacity to generate substantial returns for global capital.

Number and Value of Exits, by Size

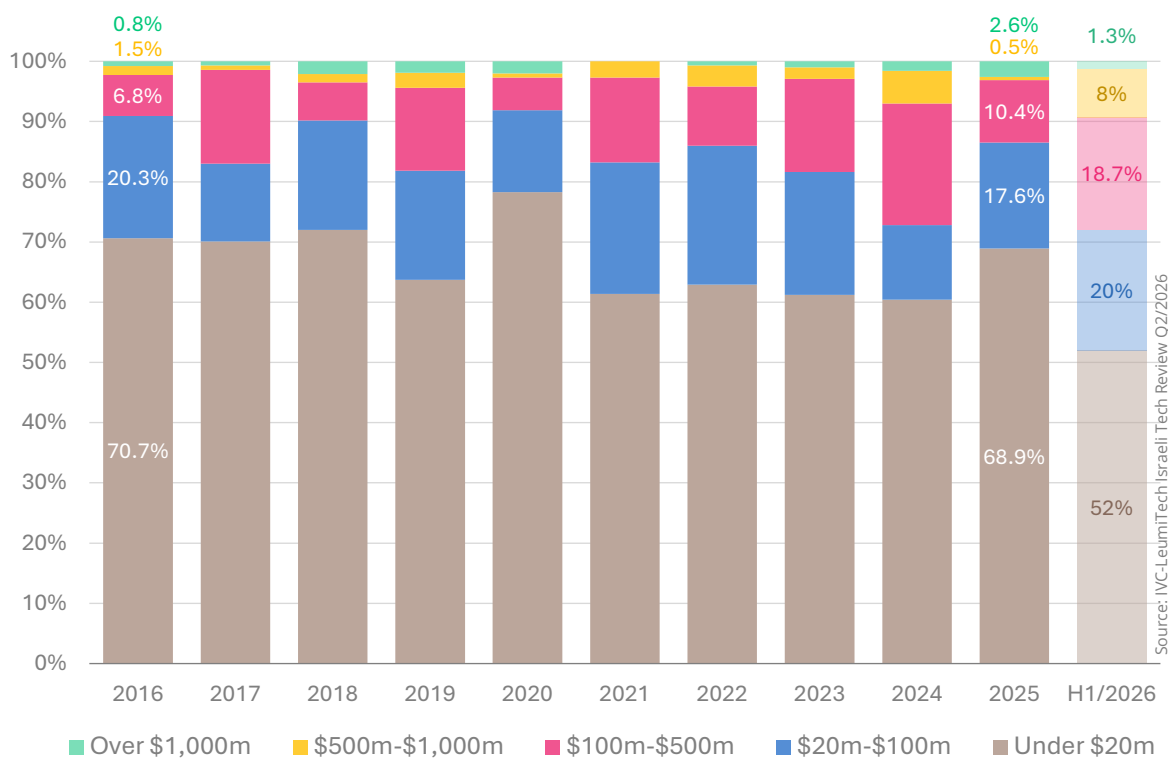


The Shifting Balance of the Exit Valuation Pyramid

The first half of 2026 points to a potential shift in the Israeli exit market. A granular analysis of transaction brackets shows that while the ecosystem's foundation has historically anchored on a high volume of lower-valuation events, with **transactions below \$20M consistently accounting for 60% to 70% of total deal flow, this share moderated to 52 % in H1/2026**. Given the smaller sample size of 75 total transactions in the first half of the year, it remains to be seen whether this reflects a permanent structural realignment or short-term volatility.

This relative softening at the base of the pyramid is accompanied by an increase in deals across in the mid-to-large tiers. **M&As in the \$100M-\$500M range accounted for 18.7% (14 transactions), while the \$500M-\$1000M bracket captured 8.0% (6 transactions)**. This reflects a temporary rise in growth-stage acquisitions rather than unicorn-level mega-exits.

Exit Distribution by Valuation Bracket, 2016-2026¹



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

Top Exits Under \$5b

 **dustphotonics** by  **CREDO**

Cayman Islands

Semiconductors

954 \$m

CATHWORKS™ by **Medtronic**

United States

Digital Health

585 \$m

 **Teramount** by **molex®**

United States

Semiconductors

430 \$m

KOI by  **paloalto®**

United States

Cyber

400 \$m

 **Astrix** by  **cisco**

United States

Cyber

400 \$m



IPO

Defense

298 \$m

 **VISIONIX** by **REVENIO**

Finland

Medical Devices

290 \$m

 **APONO** by  **1Password**

Canada

Cyber

275 \$m

 **tonkean** by  **coupa**

United States

Enterprise Software

200 \$m
Estimated

 **MISTRAL INC.** by **ONDAS** 

United States

Defense

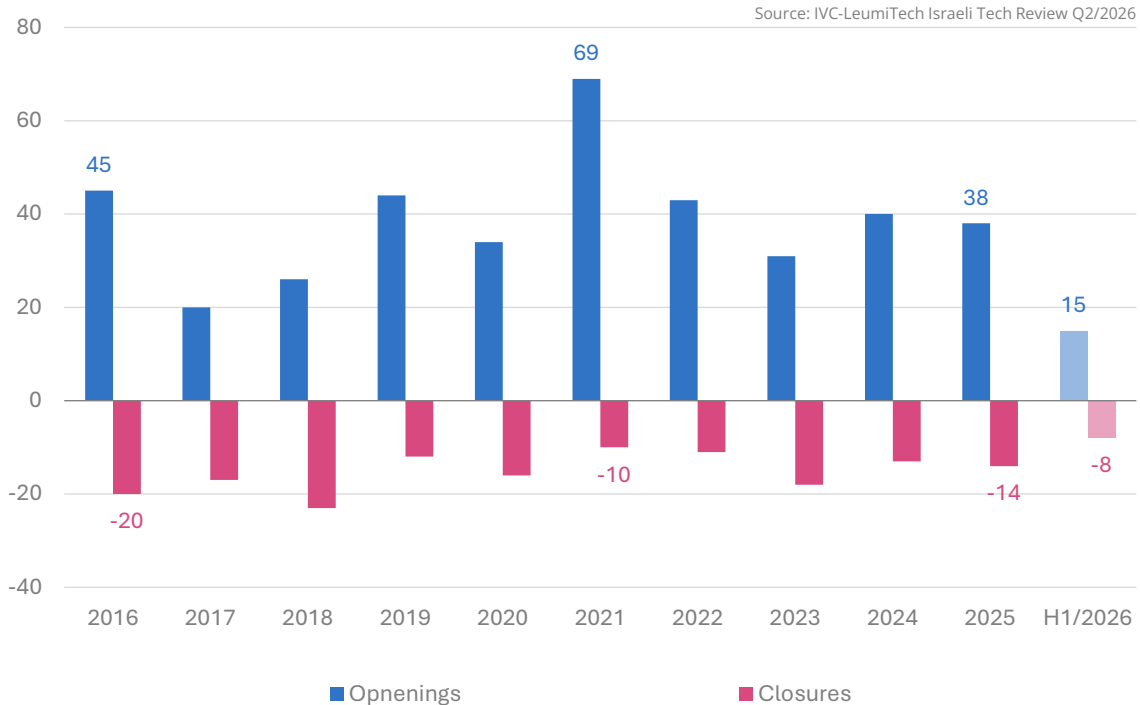
175 \$m

Global R&D Centers Are Rooted Deeply within the Local Ecosystem

This section analyzes the structural footprint of multinational corporations (MNCs) within the local innovation ecosystem, tracking the net balance between the establishment of new R&D centers (either through organic openings or acquisitions) and the closure of existing operational hubs.

The longitudinal data reveals that **despite intense macroeconomic and geopolitical volatility since late 2023, multinational R&D presence, which currently stands at a total of 575 active centers, maintains a resilient, net-positive expansion trajectory.** The historic peak occurred in 2021 with 69 openings and only 10 closures, resulting in a record net addition of 59 centers. Following a cyclical moderation in 2023, where openings slowed to 31 and closures climbed to 18 (the highest since 2018), the ecosystem demonstrated a visible stabilization throughout 2024 and 2025. During these two years, annual openings stabilized at 40 and 38 respectively, while closures normalized at 13 and 14. Furthermore, **Data from the first half of 2026 shows 15 new openings against 8 closures.** While the absolute annualized run-rate appears lower than previous multi-year averages, the net balance remains positive (+7), indicating that international tech conglomerates continue to view the Israeli hub as a critical asset.

Multinational Corporation Openings and Closures, 2016 – Q2/2026

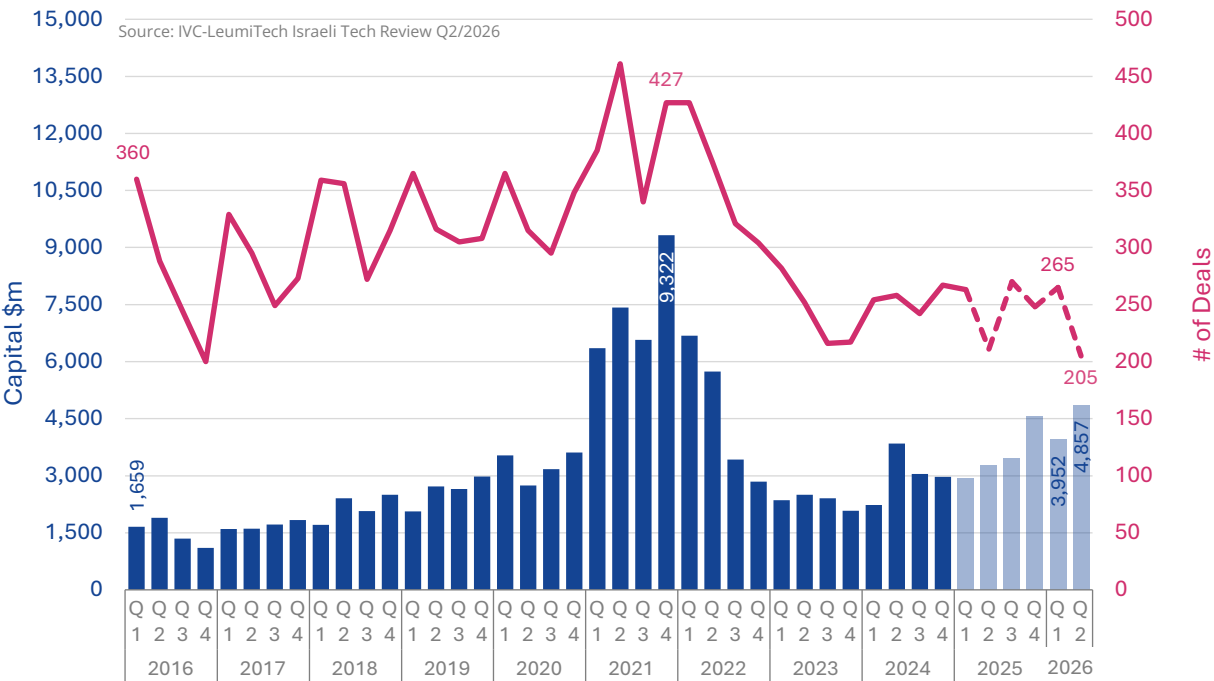




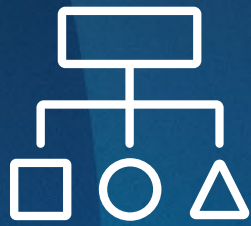
Appendix

Appendix A

Quarterly Israeli High-Tech Investments: Updated Capital \$m and # of Deals¹



1) The figures presented for 2025 and H1/2026 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 – H1/2026. "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 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)

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LEUMITECH

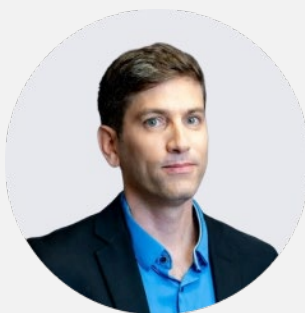
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With dedicated high-tech teams, LeumiTech provides a financial home for the Israeli high-tech industry.

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