

ISRAELI TECH REVIEW 2022

VC DATA
AND
INSIGHTS

&

LEUMITECH

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Israeli Tech Exits

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Q4/2022 Israeli Tech Highlights

2022 was an interesting year. There is a lot to show and explore, but first...

In the Q3/2022 report, we gave an assessment for Q4 figures. Based on the year's downward trend, we estimated Q4 would come in at around \$1.2B–\$1.5B. We were a bit over-conservative in the overall numbers. However, as \$100M deals have once more become scarce - coming in at the far right of the invested amounts distributed scale, much larger than two times the standard deviation - Q4 came in at \$1.325B, almost in the middle of our estimated range.

Our forecaster-wannabe efforts are not for the gamification of this report, the estimates underscore the clear pattern we saw in the last few quarters, a pattern which stood out when mega deals were excluded. The pace of investments in Q4/2022 is similar to 2018–2019 levels, and we probably haven't seen the bottom yet.

► Israeli Investments - Adjusted (excluding Outliers - Mega deals) 2018 - 2022



Source: IVC-LeumiTech Israeli Tech Review 2022

Q4/2022 Israeli Tech Highlights

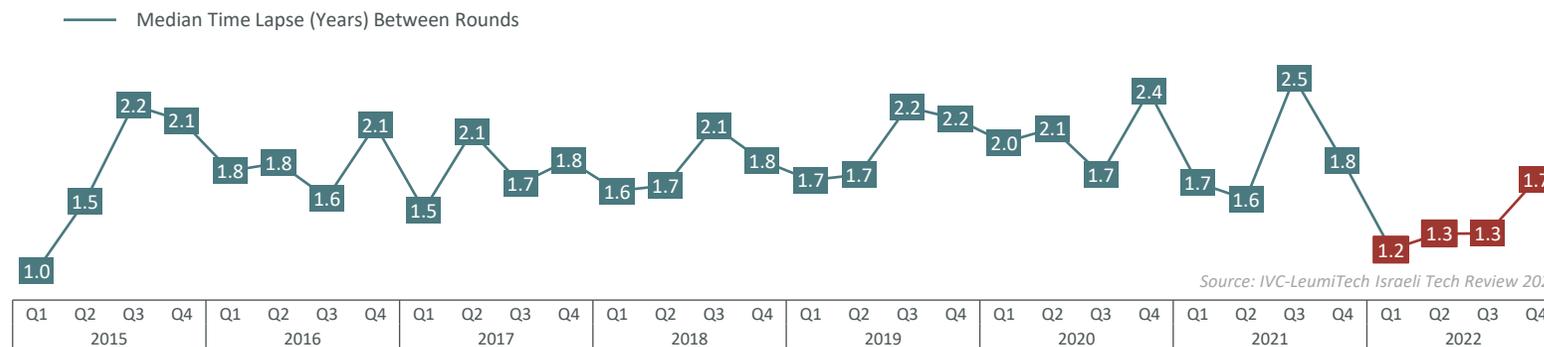
The first thing that comes to mind when hearing the phrase “tech bubble” is the bloodshed in tech-related asset valuations in 2000–2002. Well, at least in that regard, things are different this time around. In the last four quarters, we saw a valuation destruction in tech-related companies, especially in the public markets, and a substantial reduction in the capital flow for private companies in growth stages.

But tech’s most risky asset class—early-stage companies—has remained almost intact, especially in seed capital raising rounds. A part of tech company’s appeal should come with a shorter lapse time between rounds, and vice versa. In Israeli tech, the median time between rounds in early round investments (from seed to A round and from first to B round) was 1.75 years in 2015–2022.

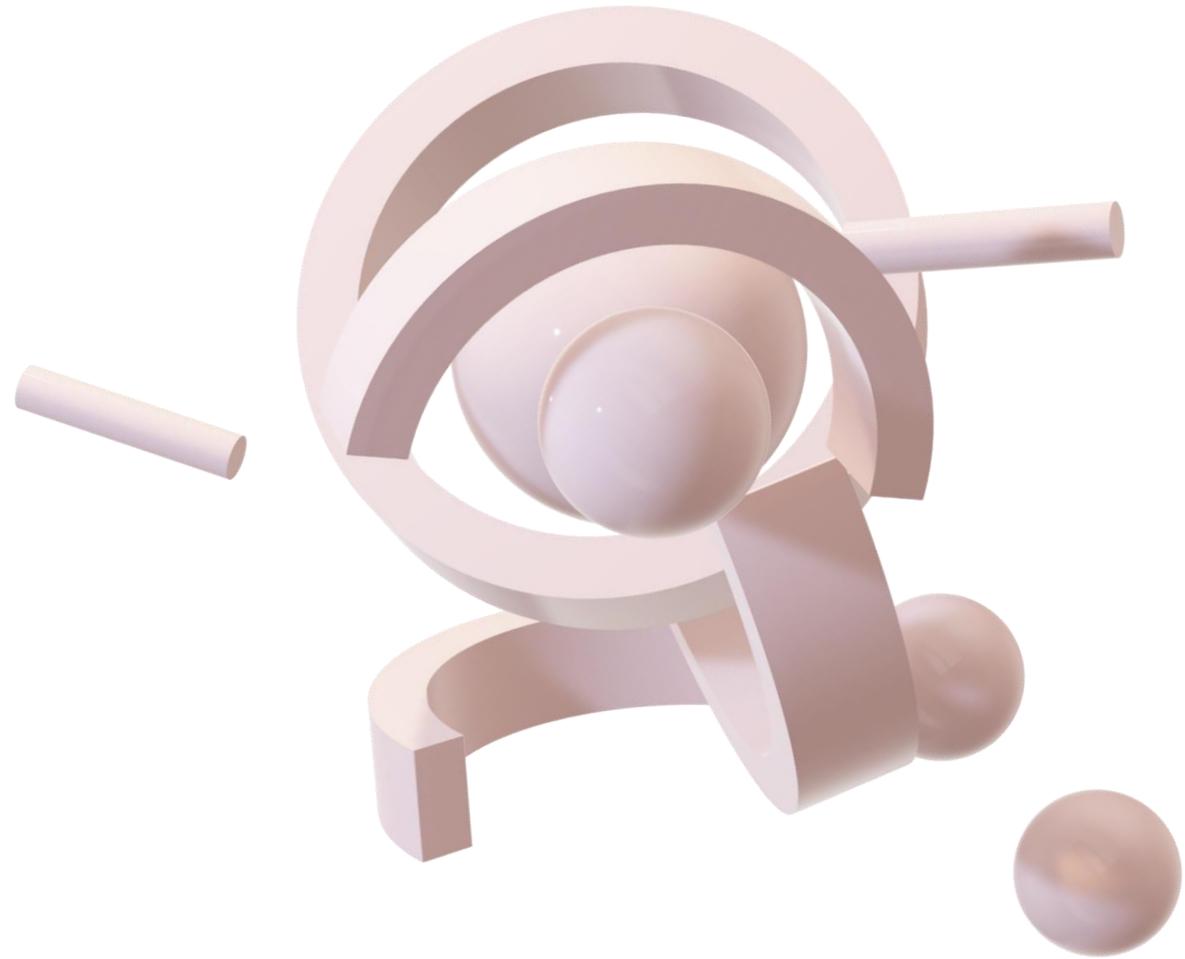
In Q1/2022, the median lapse time dropped to its lowest level since 2015 following the positive environment, but since then has started to move up, reaching almost the median level of 1.75 years.

The time between rounds analysis is one signal that early-stage companies are losing steam and becoming less attractive (see also pages 11–12). Nevertheless, whatever happens in the next months and quarters, it won’t be anywhere close to the panic we witnessed 20 years ago. There are several good reasons for this, but overall, it is a sign of a much more mature industry, one that understands that a large part of the innovation we saw during the last years isn’t going away. It’s just going through cycles.

► Israeli High-Tech Investments: Time Laps Between Rounds: Seed to A & A to B Q1/2015 - Q4/2022



Q4/2022 Israeli High-Tech Investments



Israeli High-Tech Investments

Israeli High-Tech Investments Q1/2015 - Q4/2022



Source: IVC-LeumiTech Israeli Tech Review 2022

Israeli High-Tech Investments 2015 - 2022



Source: IVC-LeumiTech Israeli Tech Review 2022

Q4/2022 continued the capital raising downtrend registered during 2022. The investment pace in Q4 is in line with 2019 quarterly averages: 124 deals with \$1,948m in capital investments.

The annual figures for 2022 are above those of 2020, with almost \$15b raised in 663 deals. However, the majority of these figures is attributed to the first half of 2022, while in the second half, capital and deals shrank.

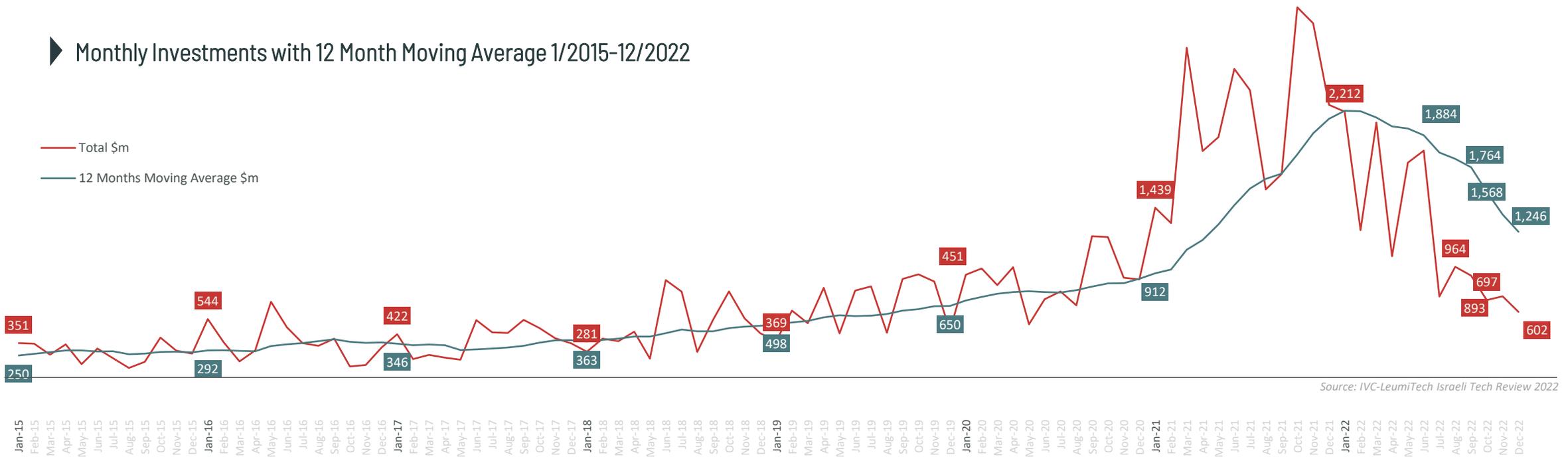
The capital raised in 2022 accounted for 58% of the total raised in 2021, while the number of deals reached 85% of the total number of deals made in 2021.

Monthly Investment amounts with 12 Month Moving Average

Monthly investment patterns draw a clear picture during 2021–2022, first up and then down. Adding a long-term trendline with a 12-month moving average provides an even clearer picture regarding the course of the market.

From a technical analysis point, the uptrend in Aug/2020–Dec/2021, and then the downtrend from Jan/2022 are aligned with the long-time trend line almost to the penny. It seems these two lines are going to intersect again in the next few months, this time to the upside.

► Monthly Investments with 12 Month Moving Average 1/2015-12/2022



Source: IVC-LeumiTech Israeli Tech Review 2022

Israeli High-Tech Investments

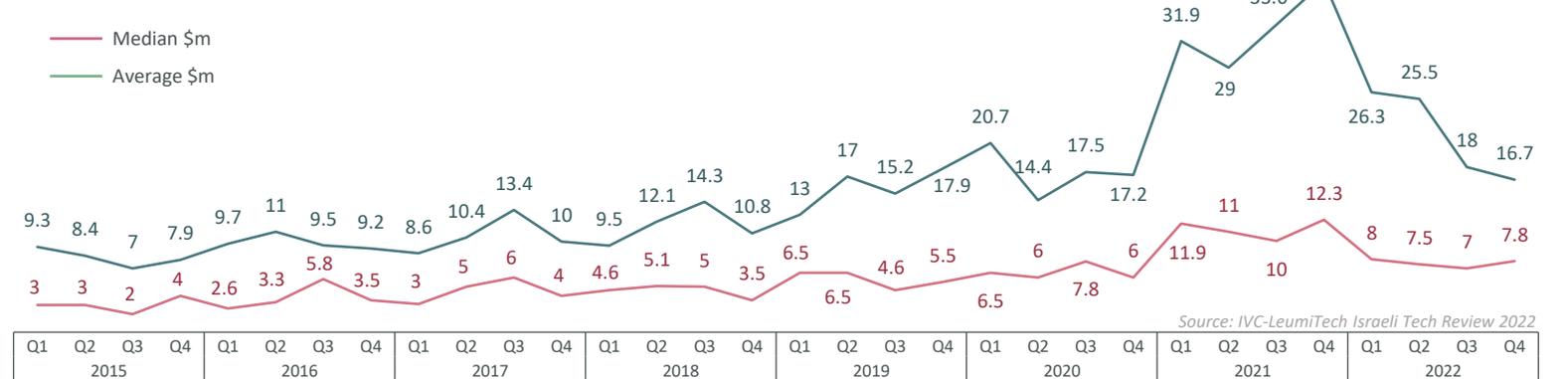
On the quarterly level, the averages decreased during 2022, while the median amounts kept tending a bit higher in Q4.

This could be an outcome of the decline in the number of early round deals in Q3–Q4/2022.

Tech Investments: Average vs. Median 2015 - 2022

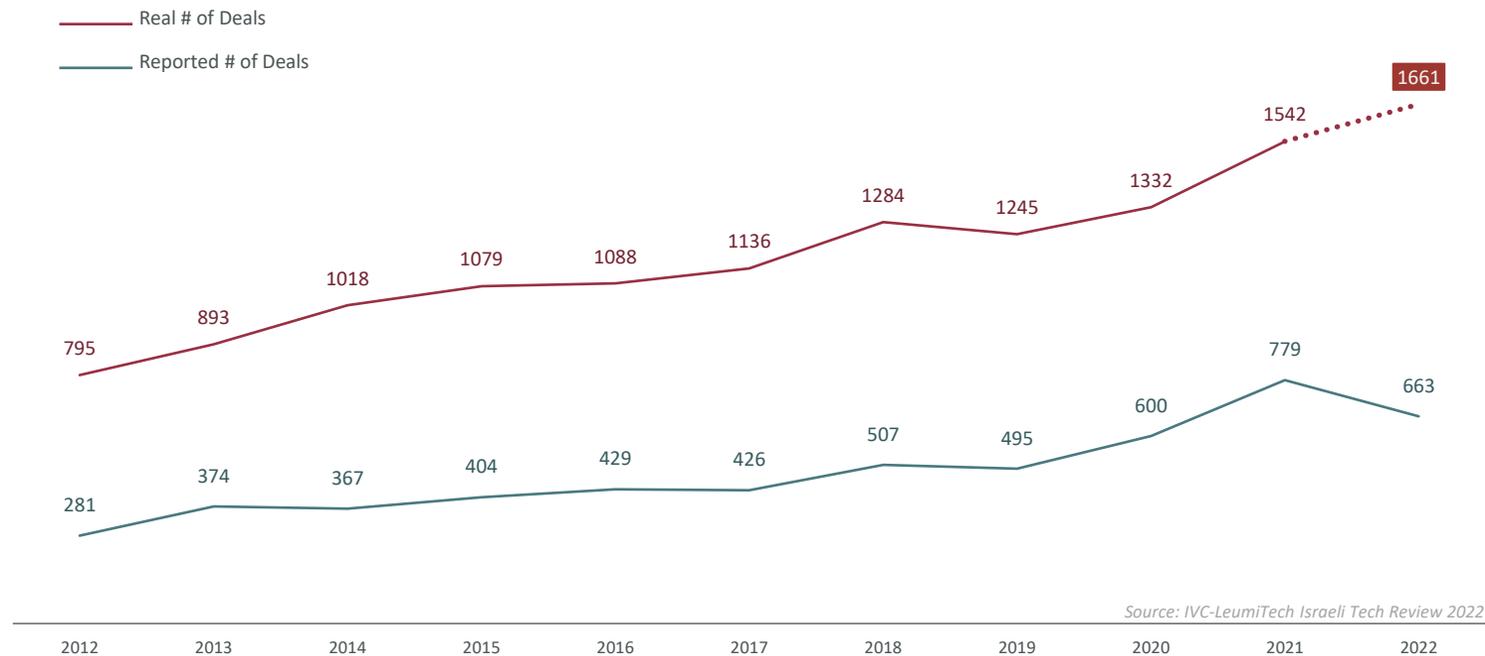


Tech Investments: Average vs. Median Q1/2015 - Q4/2022



Projections: Real vs. Reported # of Capital Investments

► Real vs. Reported # of Capital Investments 2012 - 2022



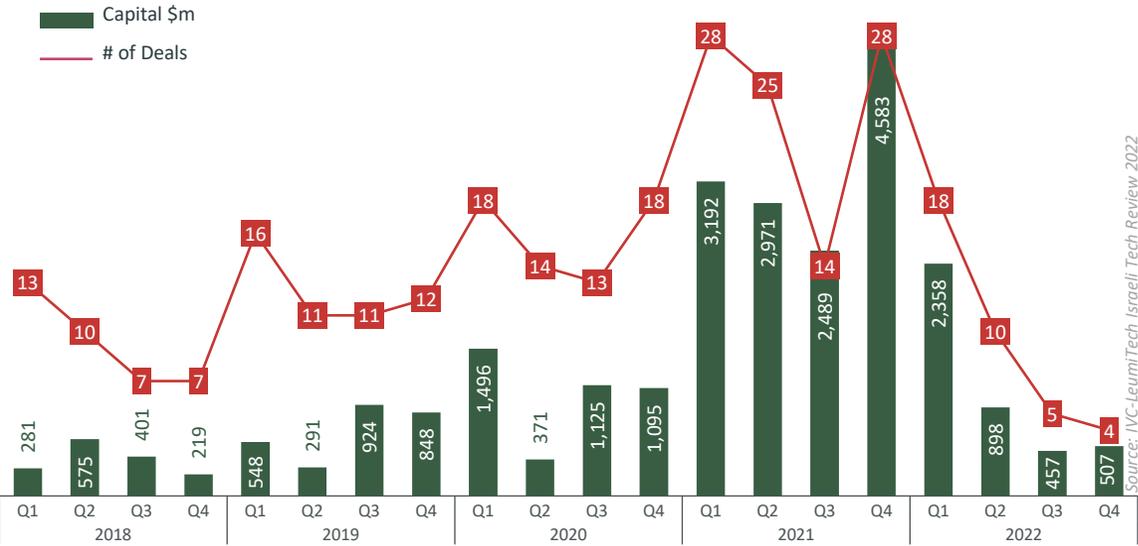
Our projected deal numbers do not show the massive downtrend we saw last year. 2022 shows a major change in the trend and it might take the time-series estimation one or two quarters to adjust. See our [Methodology](#) for more details.

Israeli High-Tech Unicorns

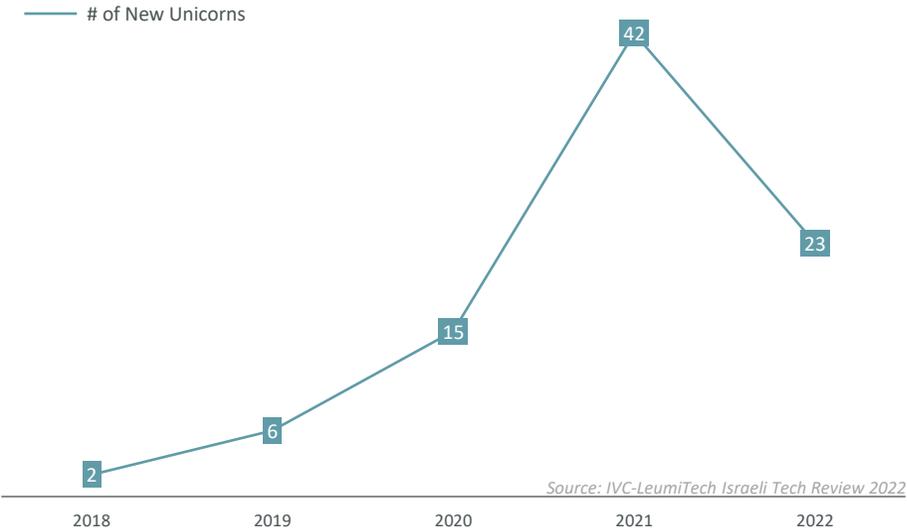
In Q4/2022, two additional Israeli high-tech companies reached the valuation threshold of \$1b, making the total number of new unicorns 23, surpassing all previous years, but still half of the record 42 new unicorns in 2021.

Capital raising among existing unicorns was not impressive in 2022 and fell sharply closer to the year's end.

► Unicorns Capital Raising Q1/2018 – Q4/2022



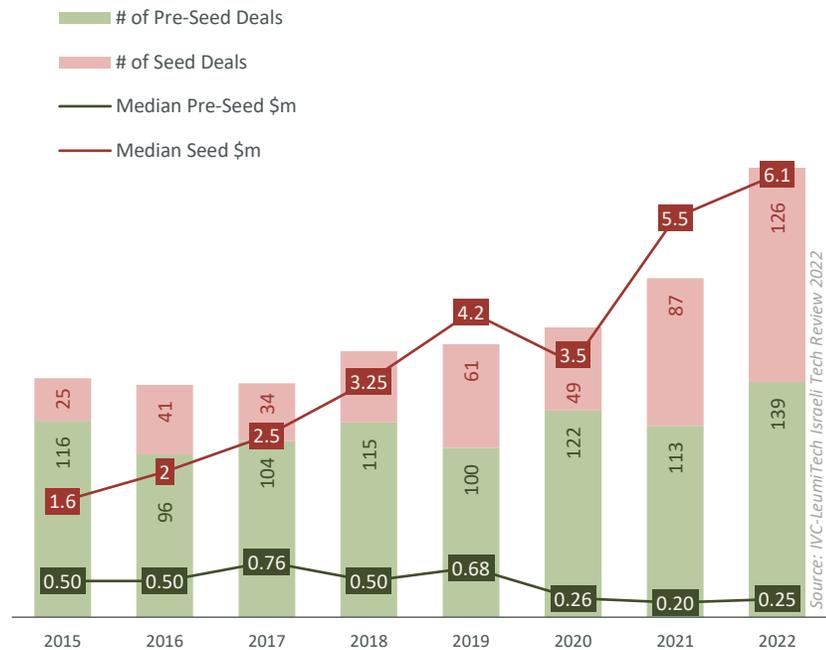
► # of New Unicorns by Valuation Date 2018 – 2022



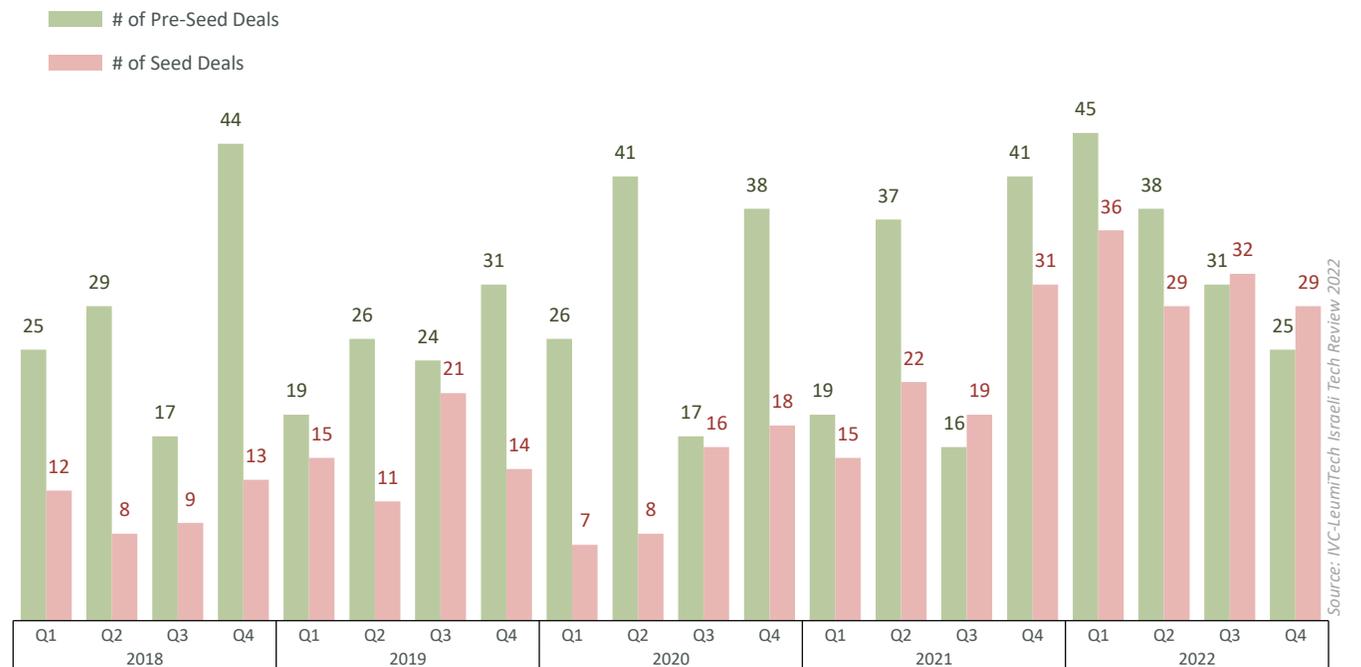
Pre-Seed & Seed Deals: Numbers and Median

Seed round investments continued to be robust, yet there was a noticeable change in this stability. The aggregate number of pre-seed and seed rounds continued to decline from their peak in Q4/2021. Seed amounts continued to drop as well, although they were still much higher than the ranges we saw before 2021.

► # and Median \$m of Pre-Seed & Seed Deals 2015 – 2022



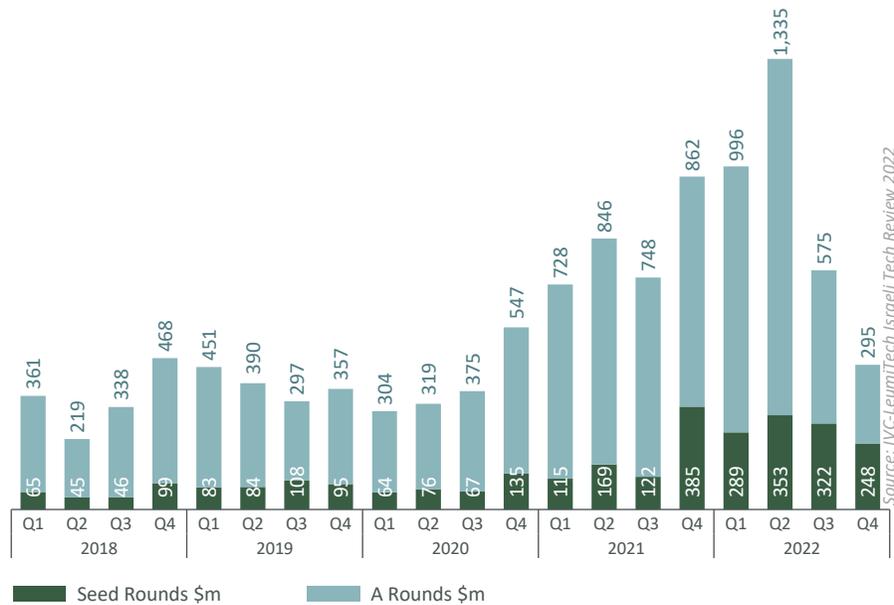
► # and Median \$m of Pre-Seed & Seed Deals Q1/2018 – Q4/2022



Early Rounds Totals: Amounts, Numbers and Median

One mega deal in Q2 (Ultima Genomics raised \$600m in A round) contributed to the relative performance of early rounds compared to 2021. However, the quarterly data supports the current downtrend in invested amounts and deal numbers.

▶ Early Rounds Capital: Seed & A Rounds \$m
Q1/2018 - Q4/2022



▶ Early Rounds 2015 - 2022

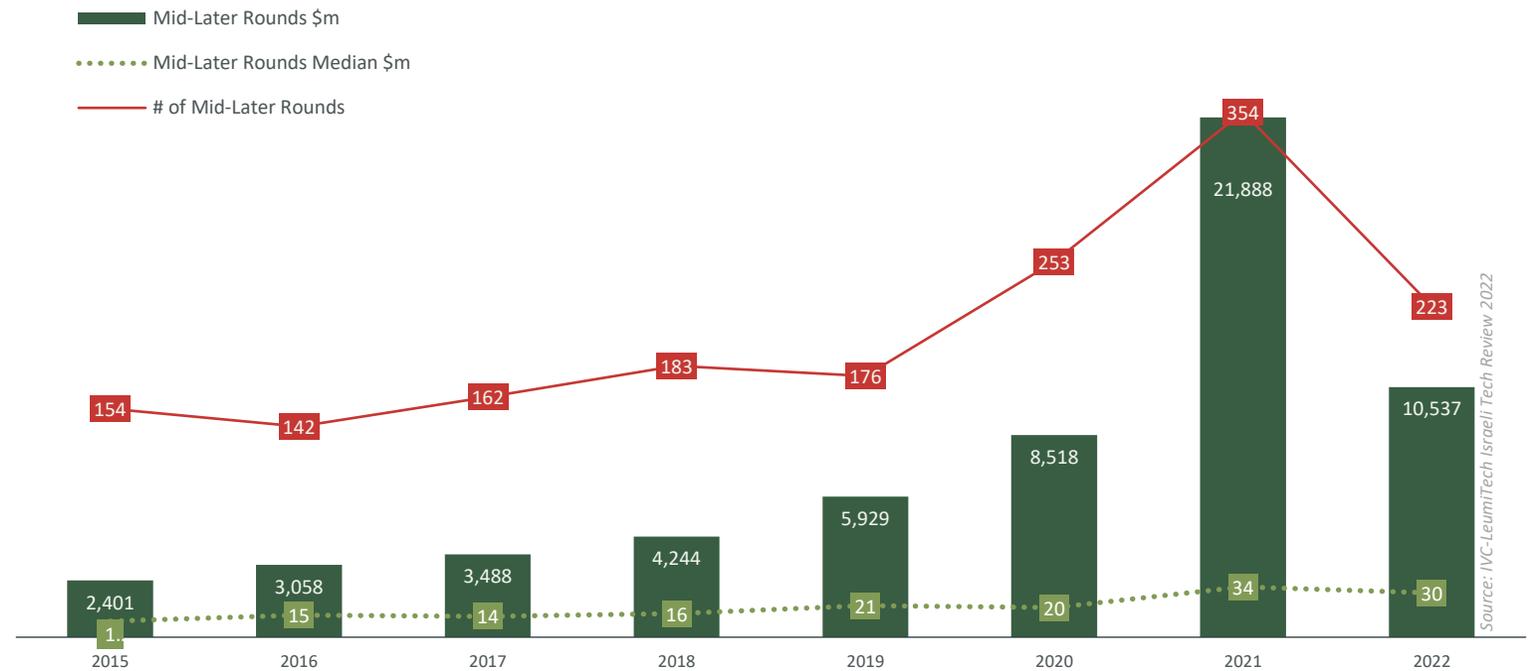


Investments in Mid - Later Rounds

In 2022, Israeli high-tech mid-later rounds activity dropped, as the number of deals decreased by 37% from 2021.

On a quarterly level, 2022 started on a high point for mid-later rounds with the figures clearly dropping towards the second half of the year.

Investments in Mid - Later Rounds 2015 - 2022

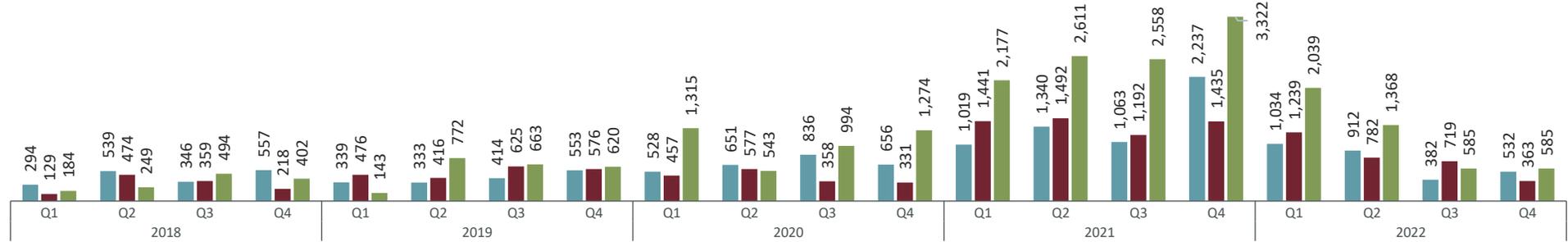


Source: IVC-LeumiTech Israeli Tech Review 2022

Investments in Mid - Later Rounds

Mid - Later Rounds \$m Q1/2018 - Q4/2022

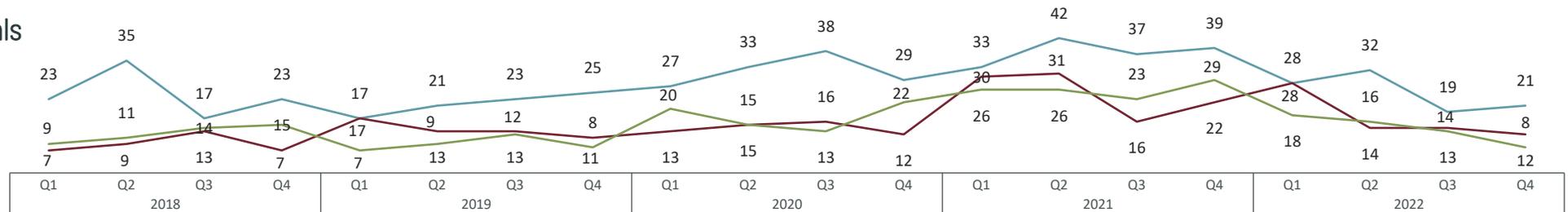
■ B Rounds \$m
■ C Rounds \$m
■ Later Rounds \$m



Source: IVC-LeumiTech Israeli Tech Review 2022

of Mid-Later Rounds Deals Q1/2018 - Q4/2022

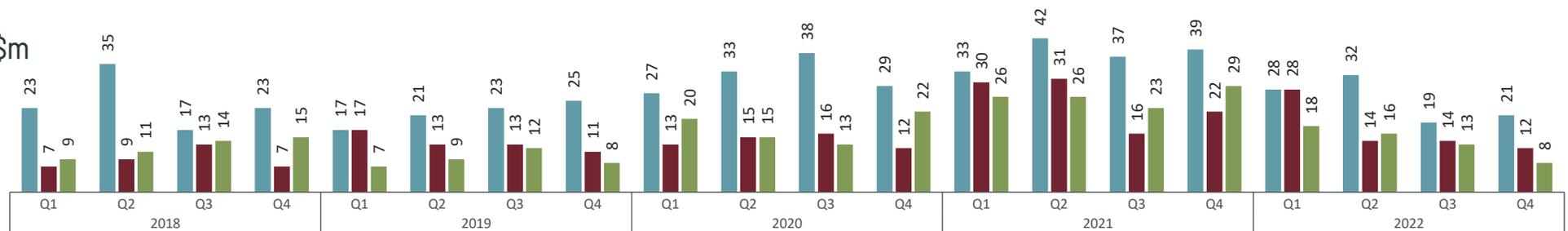
— # of B Rounds
— # of C Rounds
— # of Later Rounds



Source: IVC-LeumiTech Israeli Tech Review 2022

Mid-Later Rounds Median \$m Q1/2018 - Q4/2022

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



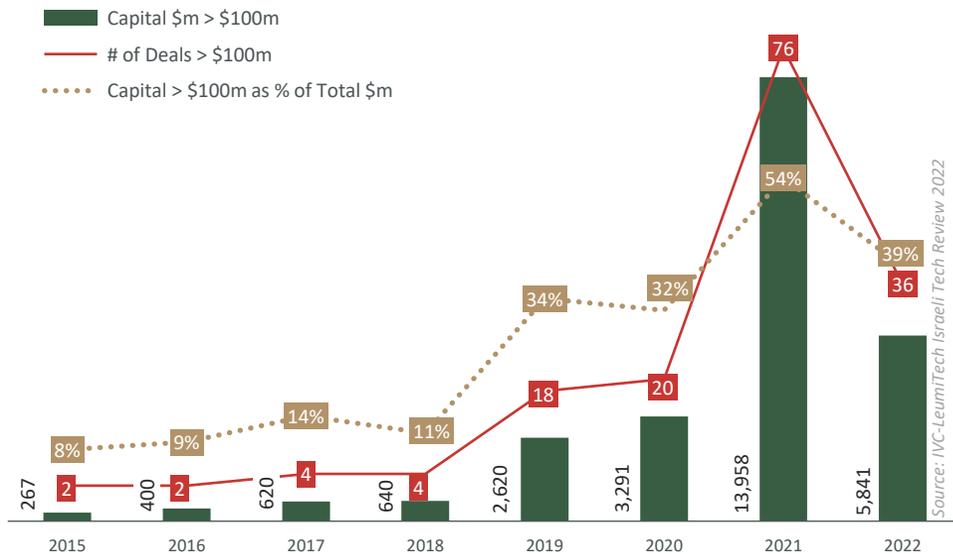
Source: IVC-LeumiTech Israeli Tech Review 2022

Capital Raising by Deal Size

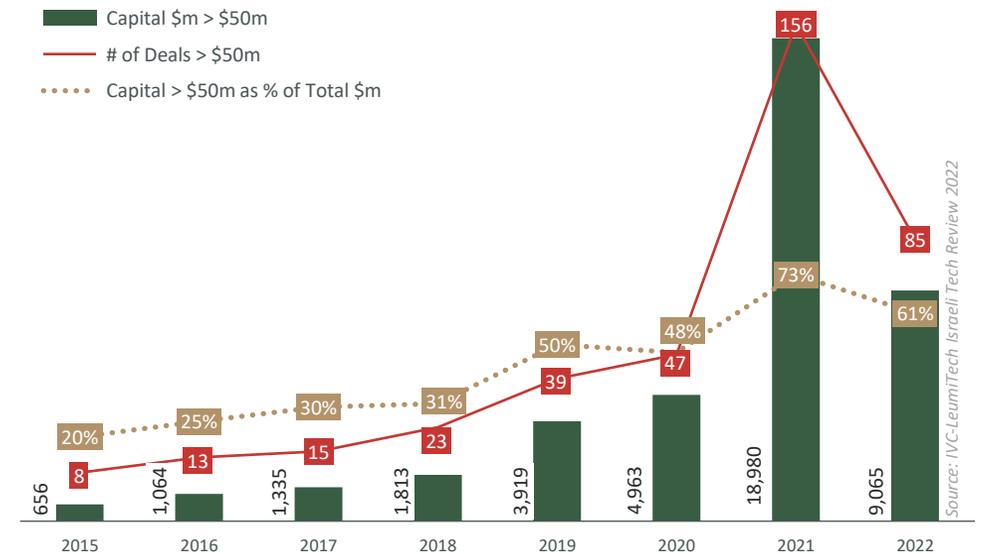
Capital raised in deals over \$50m continued to make up the majority of annual capital in 2022, significantly more than 50%.

Mega deals over \$100m, though much less significant for the overall numbers than in 2021, were still responsible for almost 40% of the total capital.

Deals over \$100m 2015 - 2022



Deals over \$50m 2015 - 2022



VC-Backed Deals

VC-Backed Deals 2015 - 2022



VC-backed deals aligned with the total activity in 2022, with a decline of 41% from capital amounts in 2021.

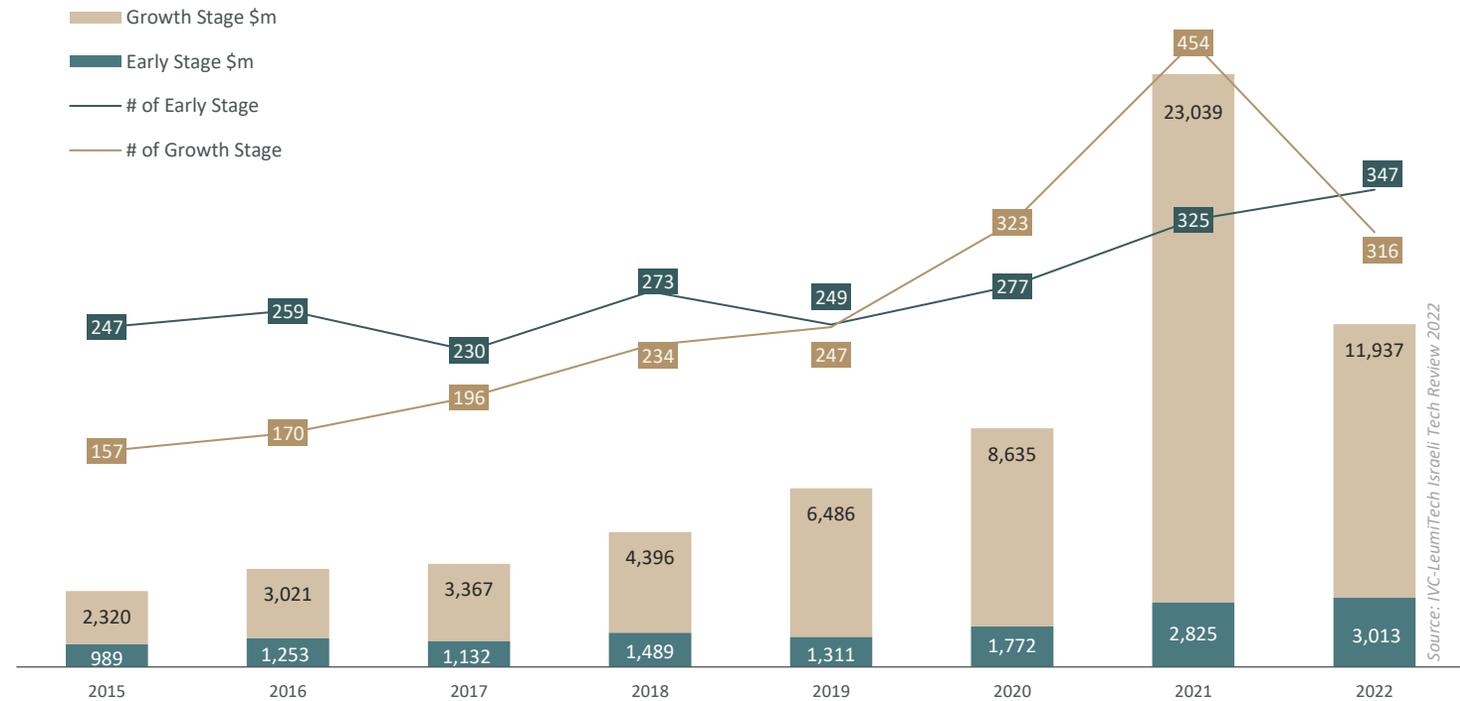
The number of non-VC-backed deals was equal to the 2019 figure, but with a smaller share (28%) compared to 2019 (34%).

Capital Investments by Operational Stage

In 2022, annual growth stage financing decreased notably in both the number of deals and amounts raised, compared to 2021.

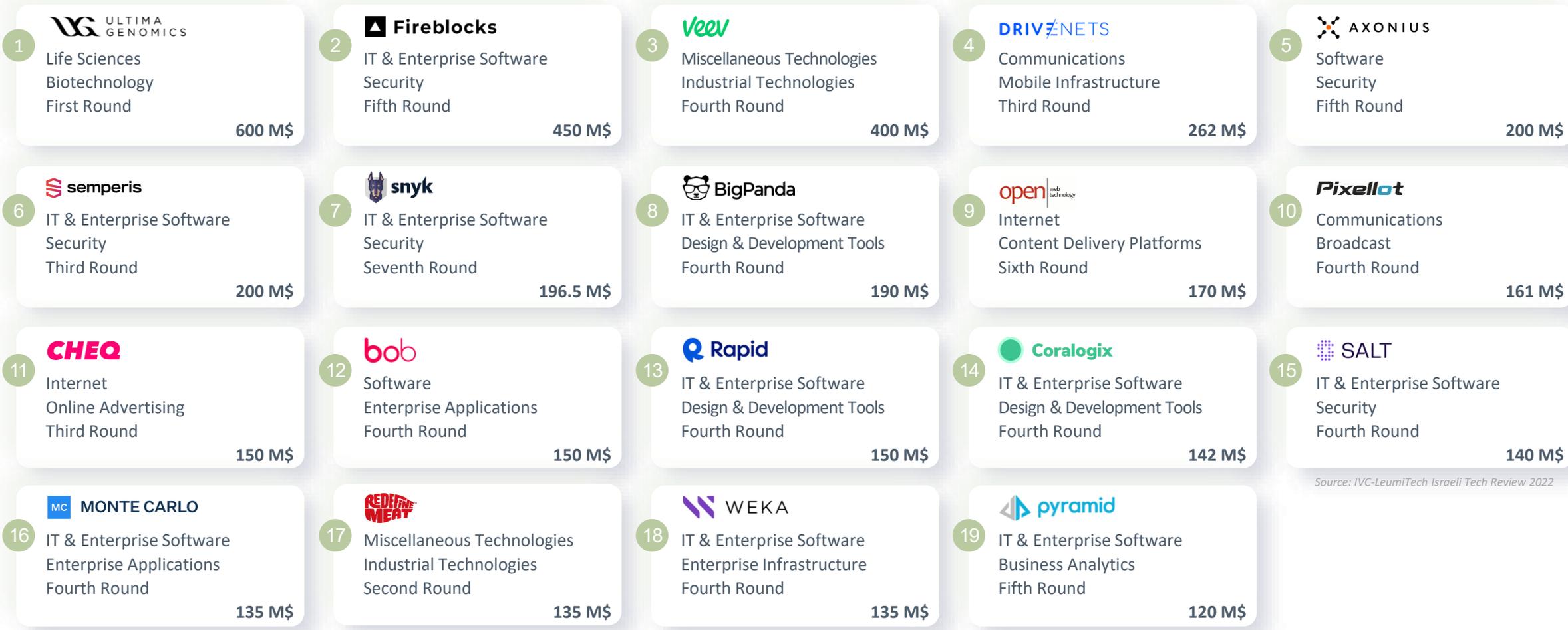
Early-stage capital raising continued its upward pace in 2022, with a growth of 7% in amount and number of deals. For the first time since 2019, the number of early-stage deals has surpassed the growth stage figure, another indicator of the change over this year.

Capital Raising by Stage 2015 - 2022



Source: IVC-LeumiTech Israeli Tech Review 2022

2022 Selected Top Investments

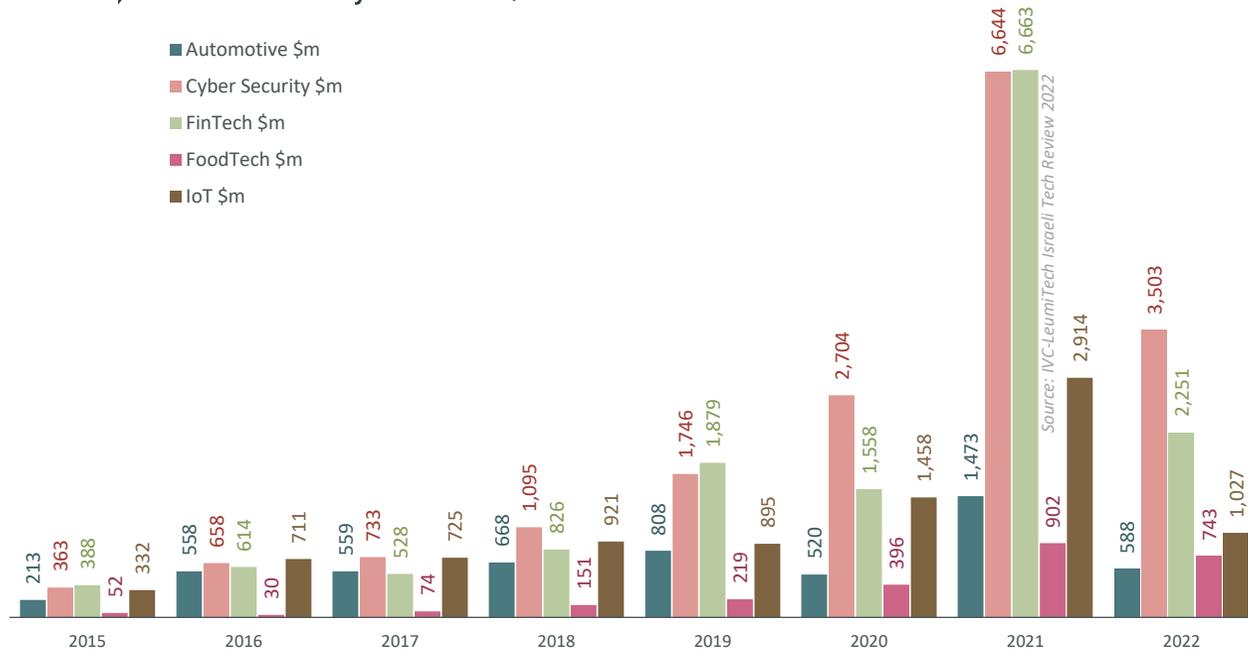


Source: IVC-LeumiTech Israeli Tech Review 2022

Investments by Verticals

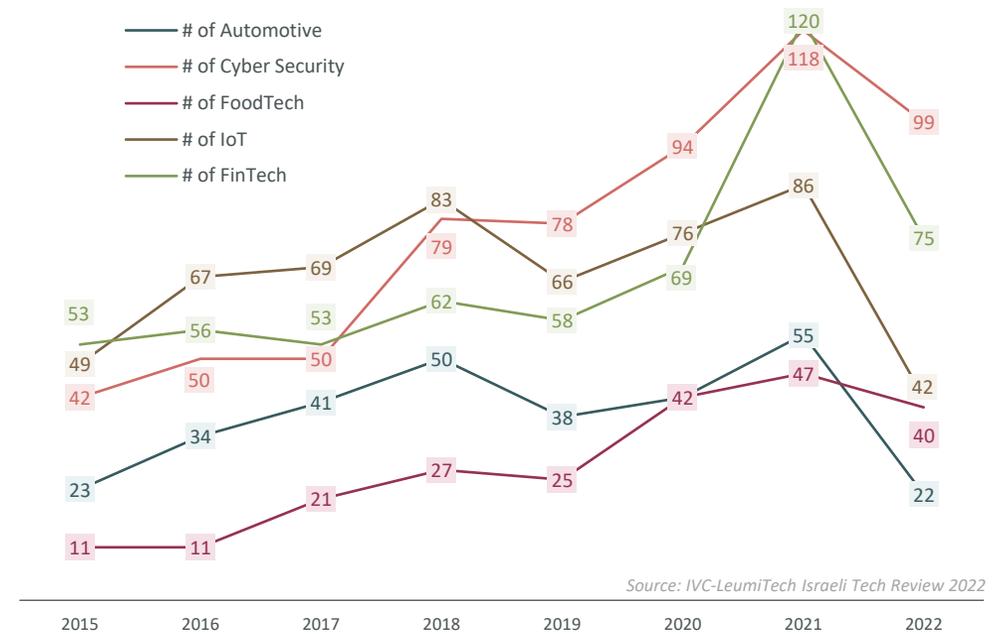
In 2022, capital raising amounts were nearly cut in half in the hot Cyber vertical and by two-thirds in the FinTech arena compared to 2021. However, the number of deals proved to be more resilient and decreased much less than the amounts invested. For some verticals, like Foodtech, deal numbers in 2022 were nearly unchanged compared to 2021.

Investments by Verticals \$m 2015 – 2022



*Each company may belong to more than one tech vertical

of Investments by Verticals 2015 – 2022

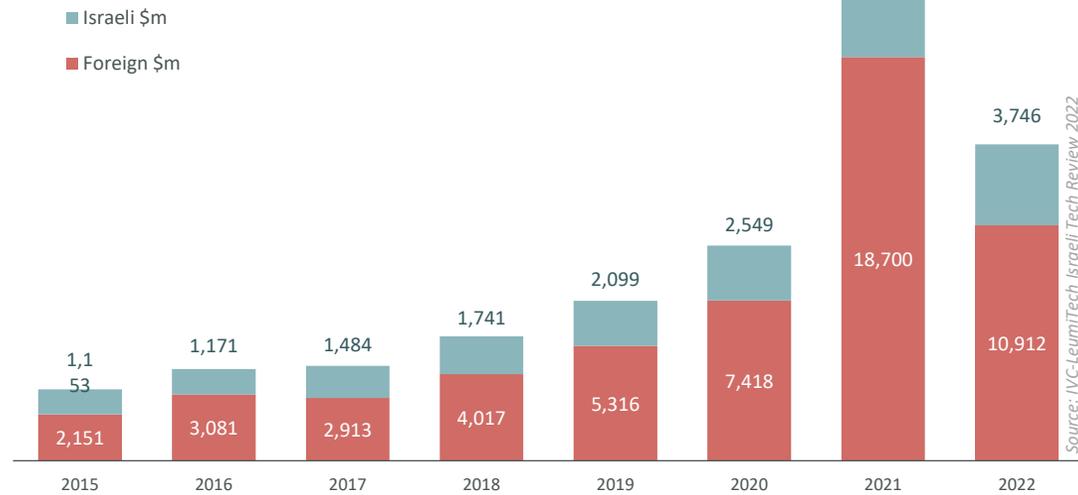


Israeli Vs. Foreign Investments

Foreign investments, responsible for the majority of the Israeli high-tech capital inflow in 2022, complied with the downtrend.

A regime shift was noted in the number of investors who took part in seed deals during the last quarters. The number of local investors—usually more active in seed deals—dropped significantly, narrowing the gap with the number of foreign investors. The last time this gap was so slim was in Q1/2021.

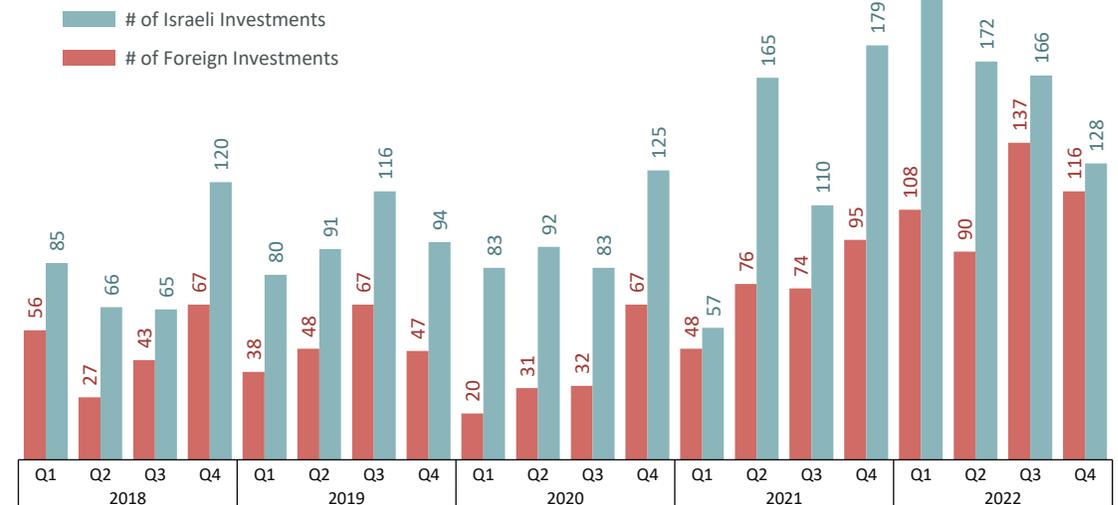
Israeli vs. Foreign Investments \$m 2015 - 2022



*Some Investors were undisclosed

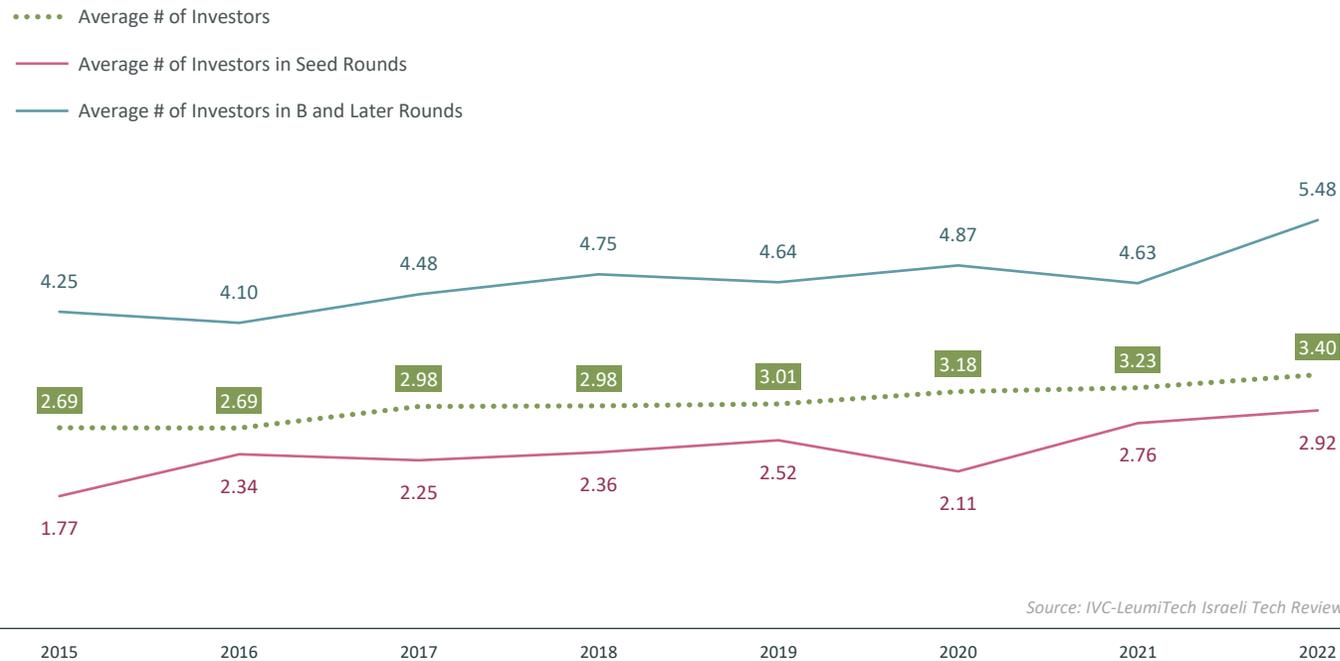
**Investments performed by Investor Region

Israeli vs. Foreign: # of Investments in Seed Rounds Q1/2018 - Q4/2022



Number of Investors per Deal

► Average # of Investors per Round Type



Source: IVC-LeumiTech Israeli Tech Review 2022

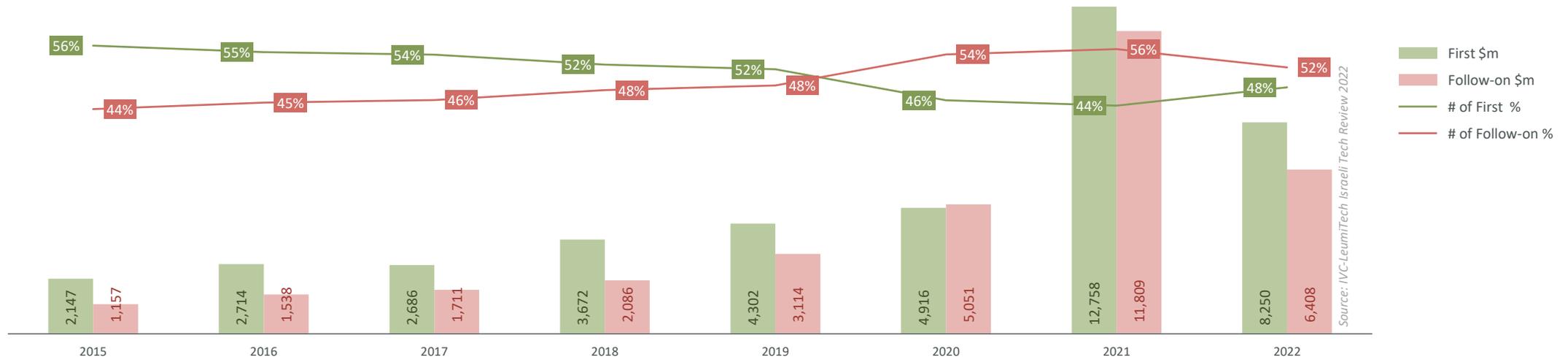
The average number of investors per deal could supply a meaningful signal about investors preferences, especially in risk-off environment like now. The performance of seed rounds during 2022 is also explained by the interest that institutional investors suddenly find in seed-stage companies corresponding to the high valuation in later rounds. Yet the graphs show that this change of hearts toward seed rounds was already underway from 2016 and is not related to 2021 – 2022 only.

Interestingly the average number of investors increased in mid- later rounds deals during 2022, while it seems that investors shied away from such transactions last year.

First Vs. Follow-on Investments

The share of follow-on number of investments out of the overall fell during 2022 to 52% and will probably continue to shrink, as a relative deficiency continues in follow-on investments, compared to first-time investments.

► First Vs. Follow-on Investments 2018 - 2022



Source: IVC-LeumiTech Israeli Tech Review 2022

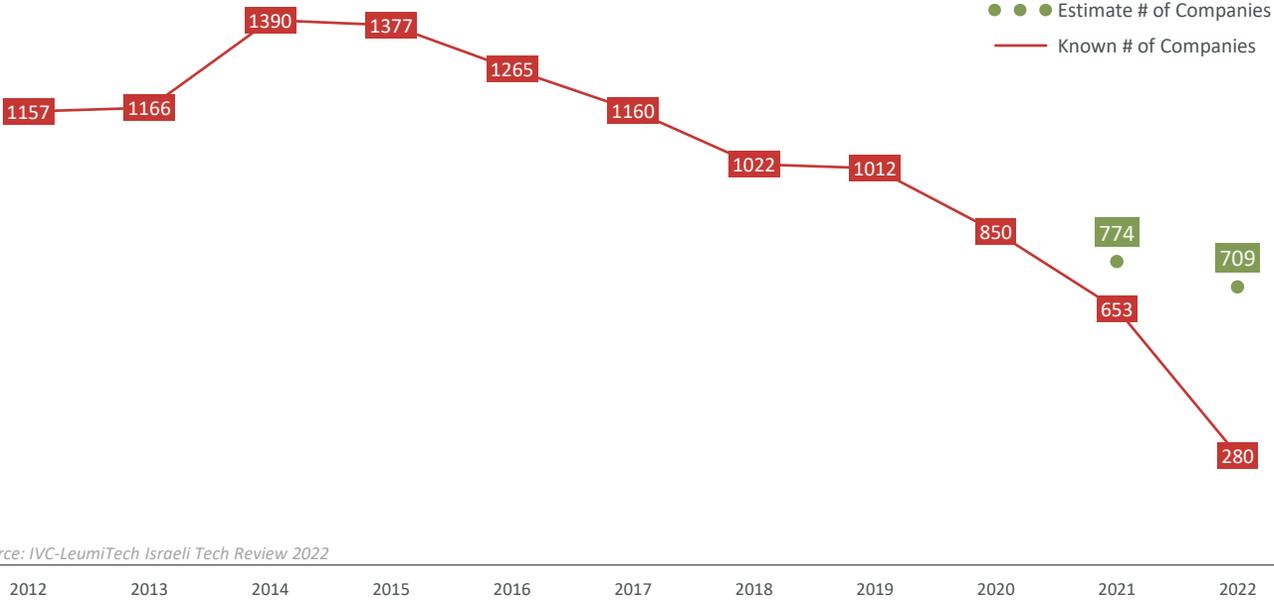
*Some Investors were undisclosed

New Companies: Known and Estimation

Current numbers of newly established companies for 2021–2022 were at a lower level than in past years.

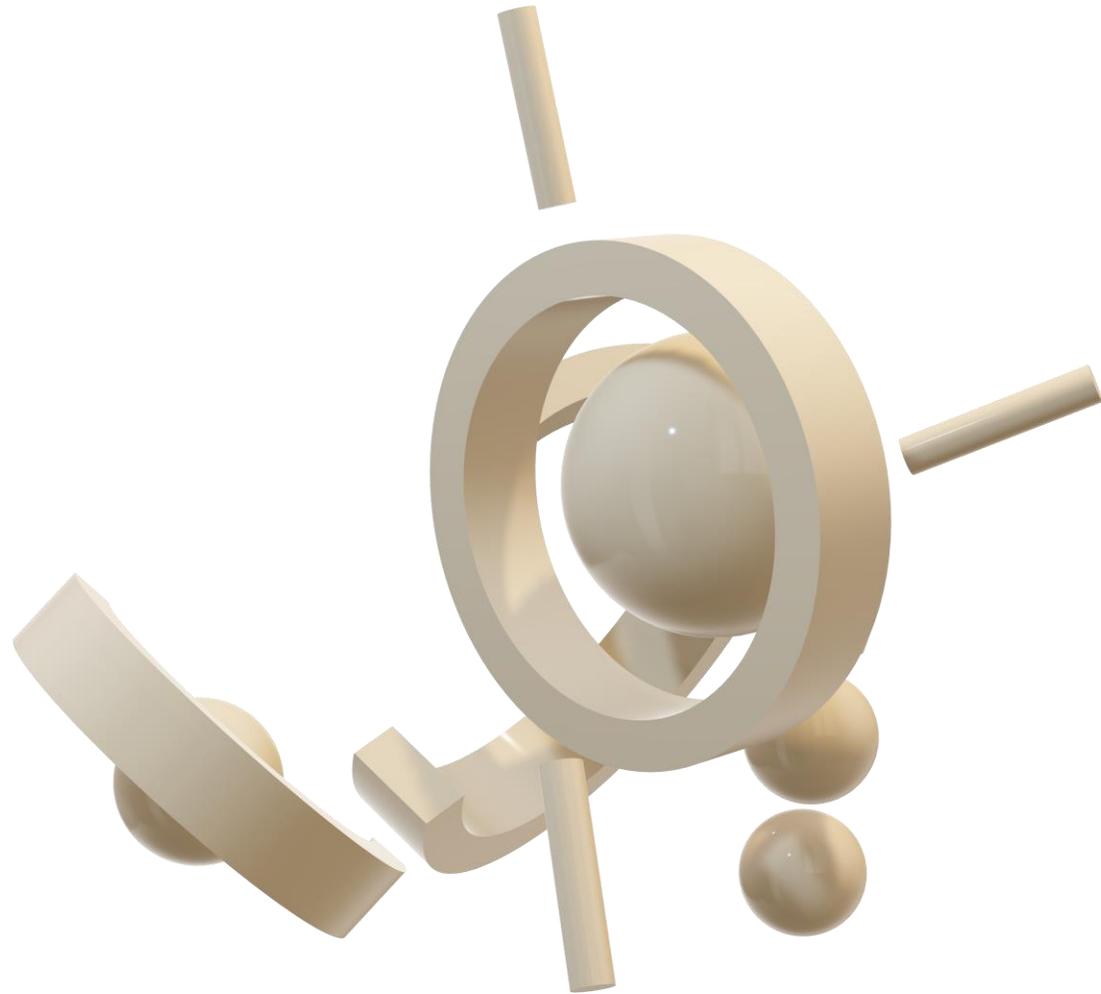
According to IVC’s estimate (see [Methodology](#)), the numbers will show nearly 800 companies for 2021 and around 700–750 new companies for 2022.

► New Companies 2012 – 2022



Source: IVC-LeumiTech Israeli Tech Review 2022

Q4/2022 Israeli High-Tech Exits



Israeli High-Tech Exits

▶ Israeli High-Tech Exits (M&As, Buyouts, IPOs) 2015 – 2022

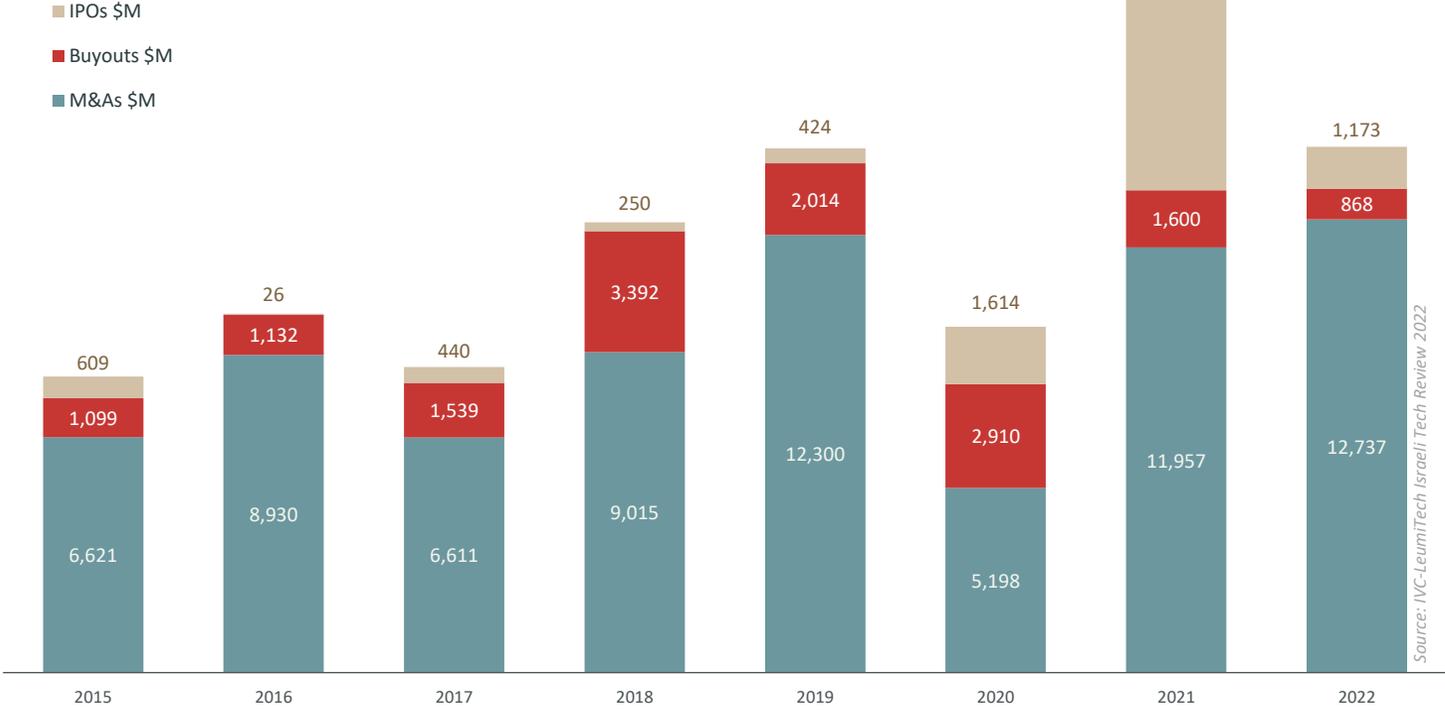


Israeli high-tech exit activity in 2022 saw its lowest point since 2014, with only 120 exits completed. Capital proceeds from the exits were still impressive and reached \$20.6 billion.

Seven deals, over \$500m each, were responsible for almost 71% of the total exit amount. Two acquisitions summed up to \$10.2 billion – each over \$4 billion (The Tower Semi - Intel deal isn't finalized yet) – and contributed 50% of the total exit proceeds in 2022.

Israeli High-Tech Exits

Exits by Type \$m 2015 - 2022



Source: IVC-LeumiTech Israeli Tech Review 2022

* Exits under \$5B

In 2022, Israeli IPO activity followed the global trends and experienced a slowdown, following an exceptional 2021.

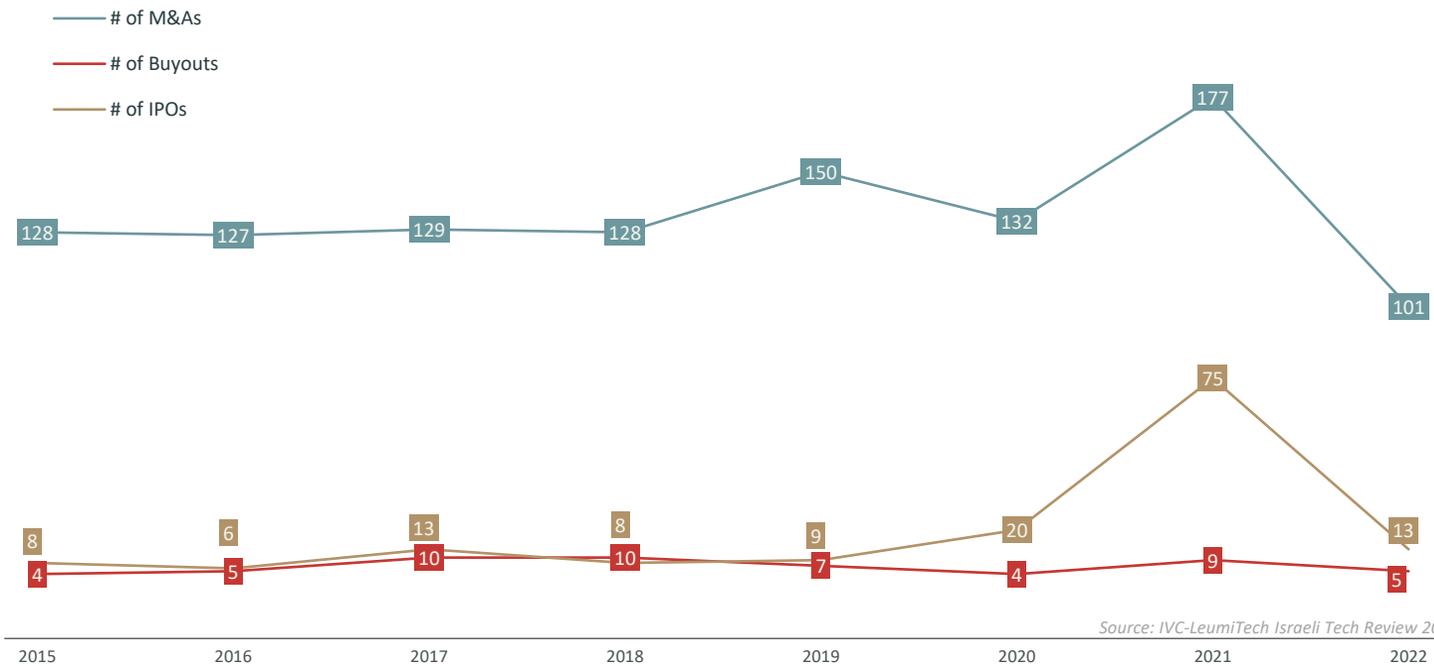
M&A capital proceeds exceeded last year's amount, mostly due to the \$4.4b acquisition of Iron Source by Unity.

Israeli High-Tech Exits

In 2022, a slowdown in the Israeli exit scene was on par with the decrease in the number of IPOs, and returned to the average historical numbers, compared to the exceptional 2021 figures.

In the current environment, as mature companies struggle to raise more capital or to make a public offering, more M&As are expected in 2023.

of Exits by Type 2015 - 2022

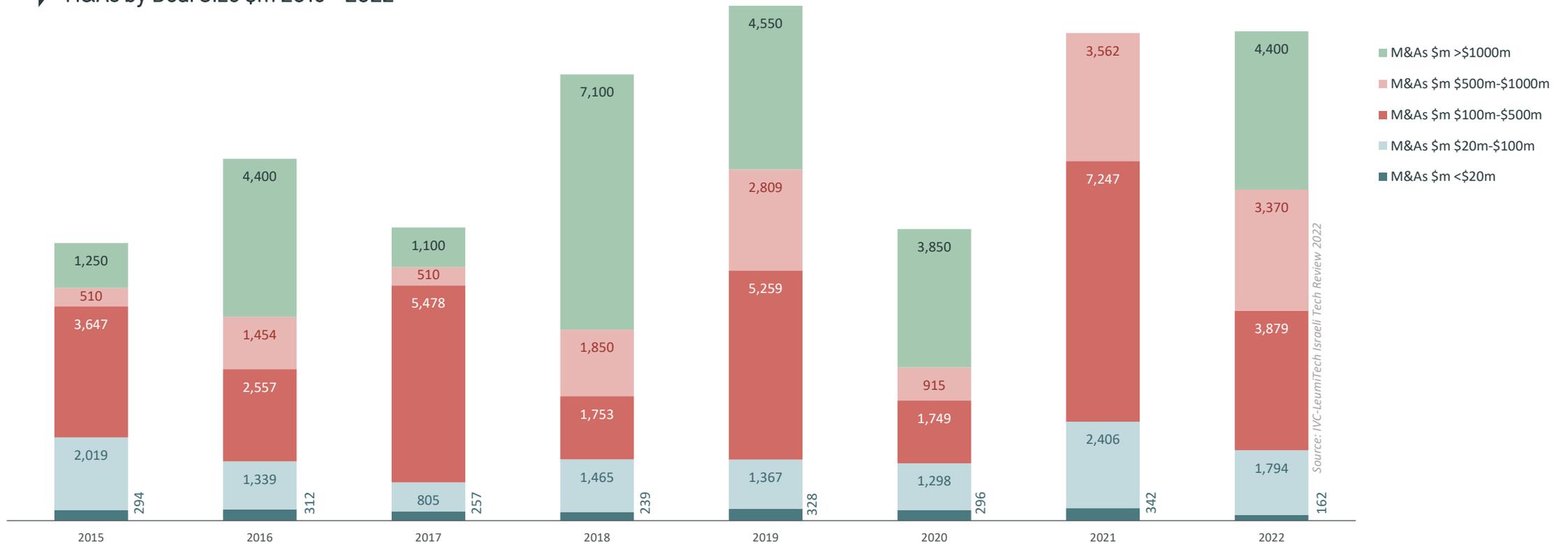


Source: IVC-LeumiTech Israeli Tech Review 2022

* Exits under \$5B

Israeli High-Tech M&As

► M&As by Deal Size \$m 2015 – 2022

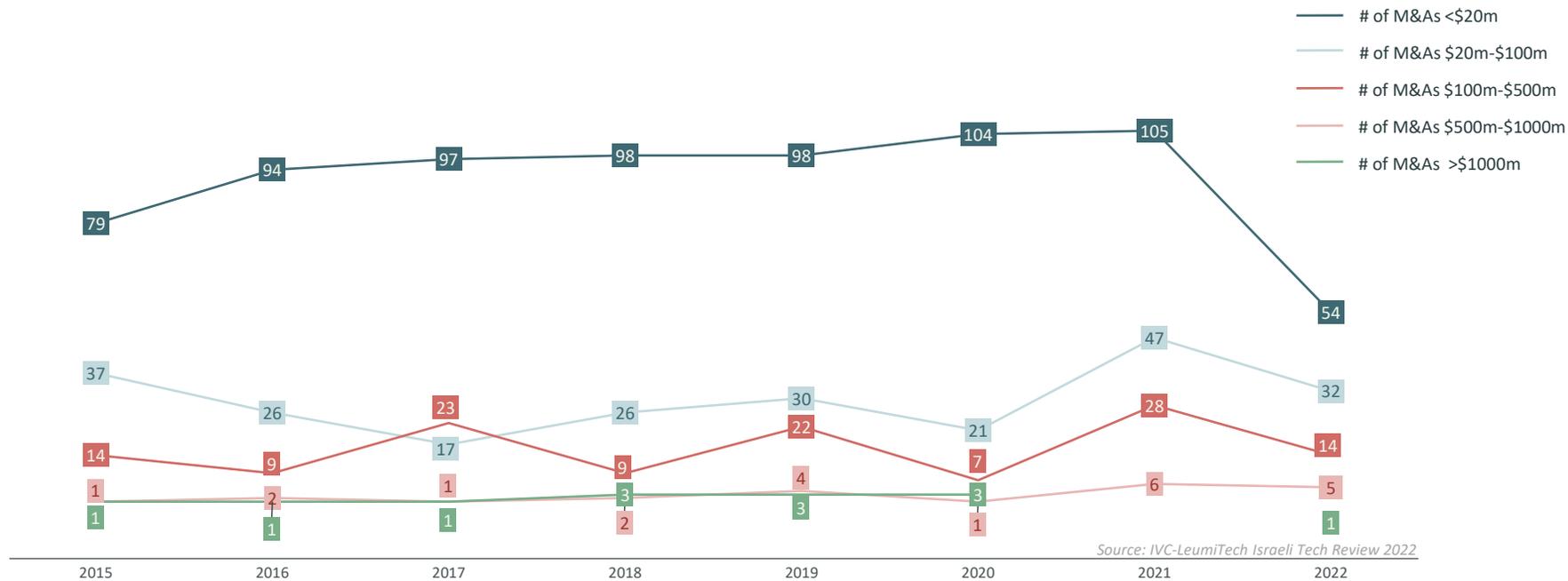


* M&A under \$5B

Source: IVC-LeumiTech Israeli Tech Review 2022

Israeli High-Tech M&As

► # of M&As by Deal Size 2015 – 2022



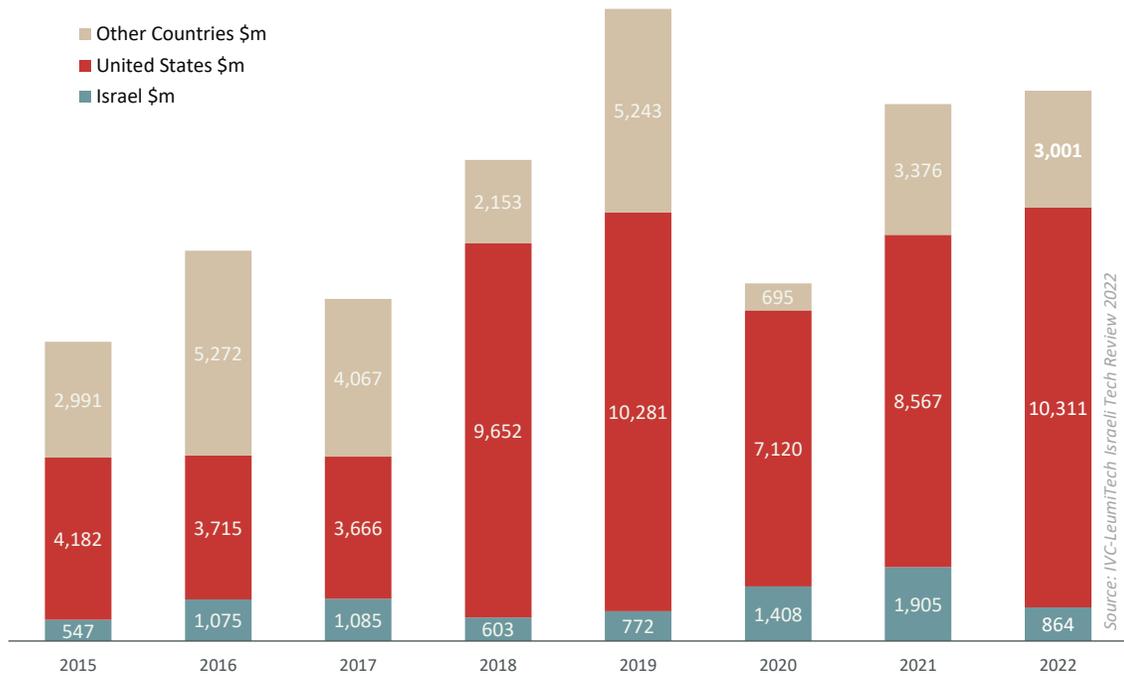
Source: IVC-LeumiTech Israeli Tech Review 2022

* Exits under \$5B

Between 2015–2022, a total of 18 Israeli exits, each amounting to more than \$1b, were registered. Thirteen of these were in the \$1b–\$5b range.

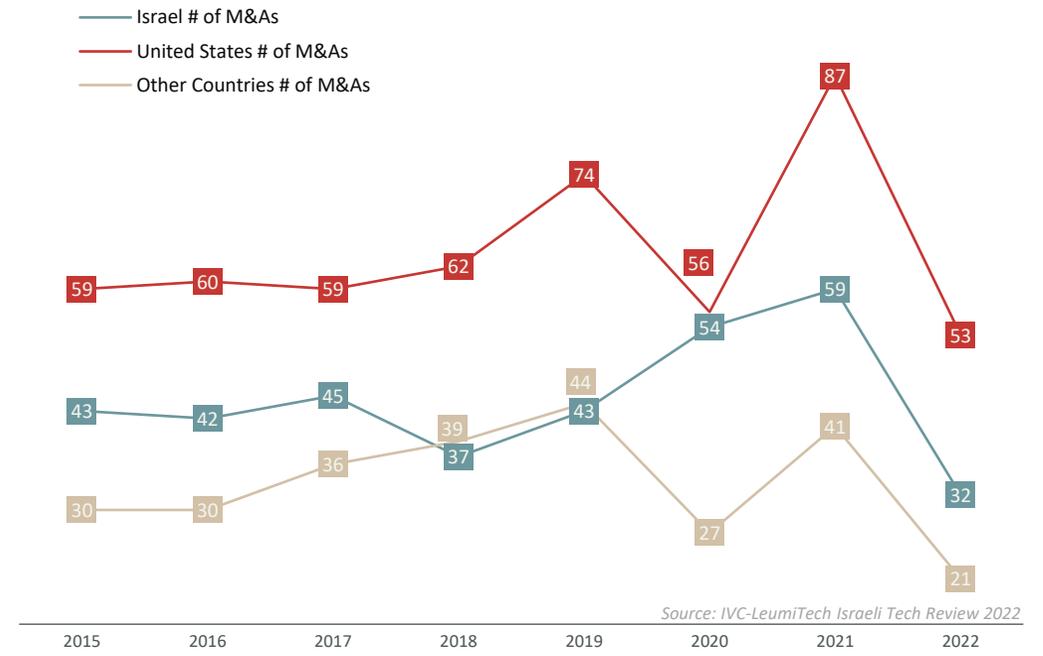
Israeli High-Tech M&As by Acquirer Country

► M&As by Acquirer Country \$m 2015 – 2022



* Exits under \$5B

► # of M&As by Acquirer Country 2015 – 2022



* Exits under \$5B

Israeli High-Tech Acquirers Activity

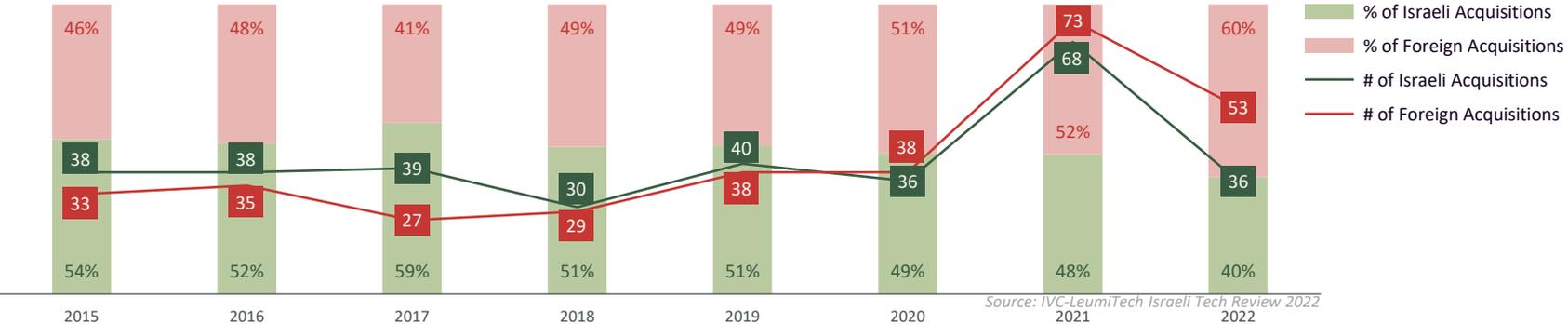
Israeli high-tech acquirers have shifted their attention in 2022 to foreign markets, with 60% of acquisitions of non-Israeli assets.

Israeli High-Tech Acquirers Activity 2015 - 2022



* Including 7 Teva acquisitions of over \$1B each

Israeli High-Tech Acquirers Activity by Acquired Company Region 2015 - 2022



Top M&As 2022

Tower Semiconductor by **intel**

USA

5800M\$

is **ironSource** by **Unity**

USA

4400M\$

BrainPOP by **KIRKBI**

Denmark

875M\$

Elmo Motion Control by **rexroth** A Bosch Company

Germany

700M\$

GRANULATE by **intel**

USA

650M\$

credorax by **Shift4** PAYMENTS

USA

575M\$

Source: IVC-LeumiTech Israeli Tech Review 2022

tufin The Security Policy Company. by **TURN** // **RIVER LION** INVESTMENT PARTNERS

USA

570M\$

CYAR X by **Google**

USA

500M\$

shamir by **ESSILOR** MIEUX VOIR LE MONDE

France

500M\$

Israeli High-Tech Companies Public Offerings

IPOs Q1/2018 - Q4/2022



Source: IVC-LeumiTech Israeli Tech Review 2022

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

IPOs Valuations Q1/2018 - Q4/2022

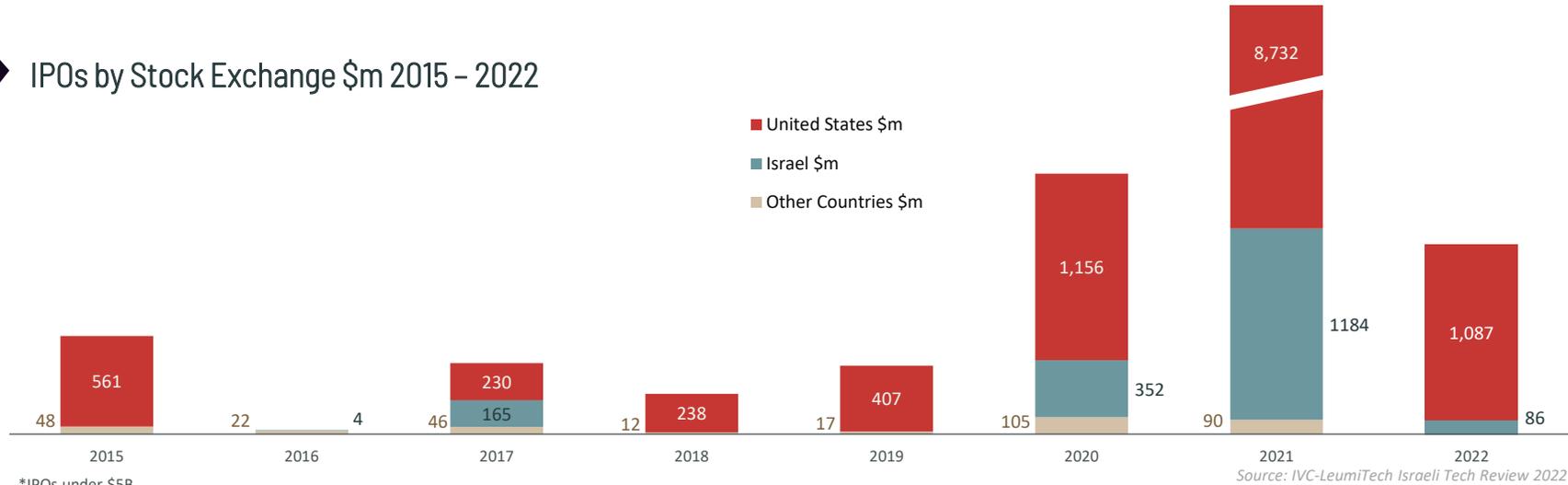


Source: IVC-LeumiTech Israeli Tech Review 2022

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

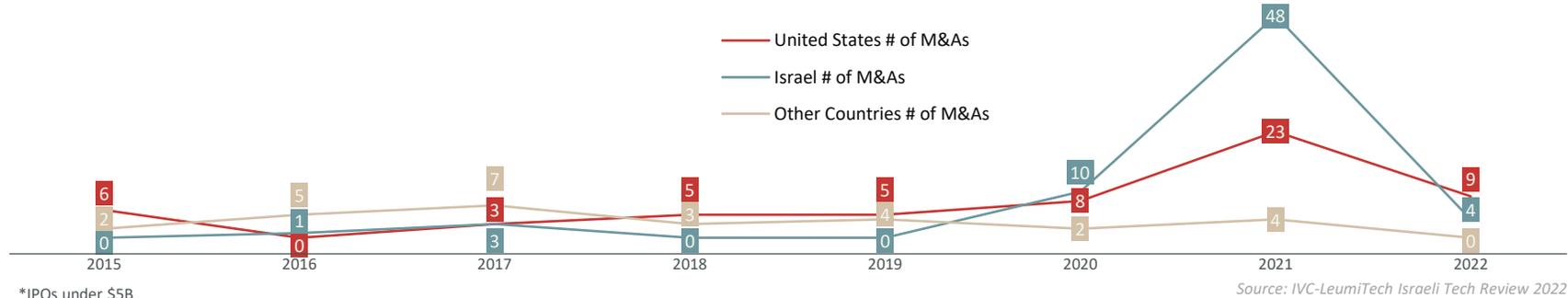
Israeli High-Tech Companies Public Offerings

IPOs by Stock Exchange \$m 2015 – 2022



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

of IPOs by Stock Exchange 2015 – 2022



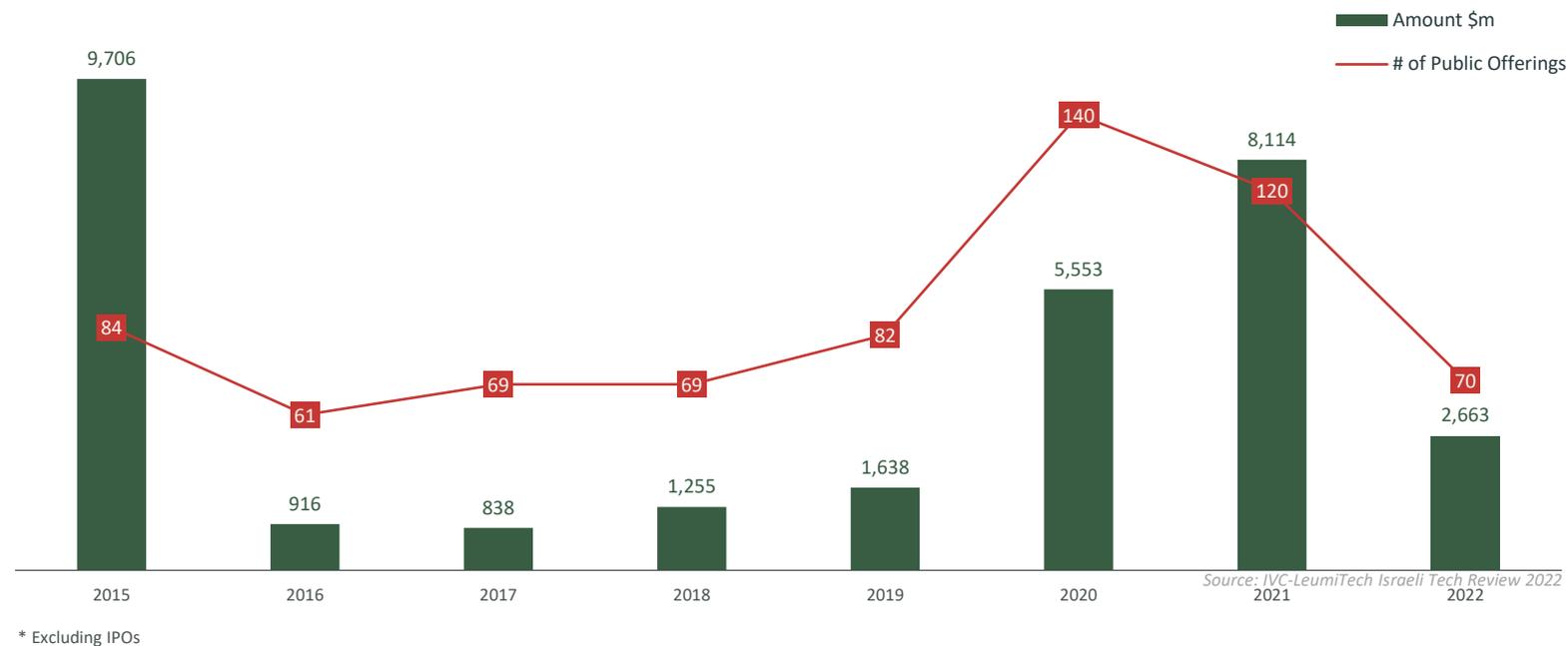
*IPOs under \$5B
**Including SPAC deals

Only four tech public offerings took place in the TASE stock exchange in 2022. This number is in sharp contrast to the tide of 48 IPOs in 2021, more than double the IPO number in the US.

While 2022 is in no way a reliable indicator, TASE has yet to become the stock exchange of choice for Israeli tech.

Israeli High-Tech Follow-on Public Offerings

▶ Israeli Public Follow-on Offerings 2015 – 2022

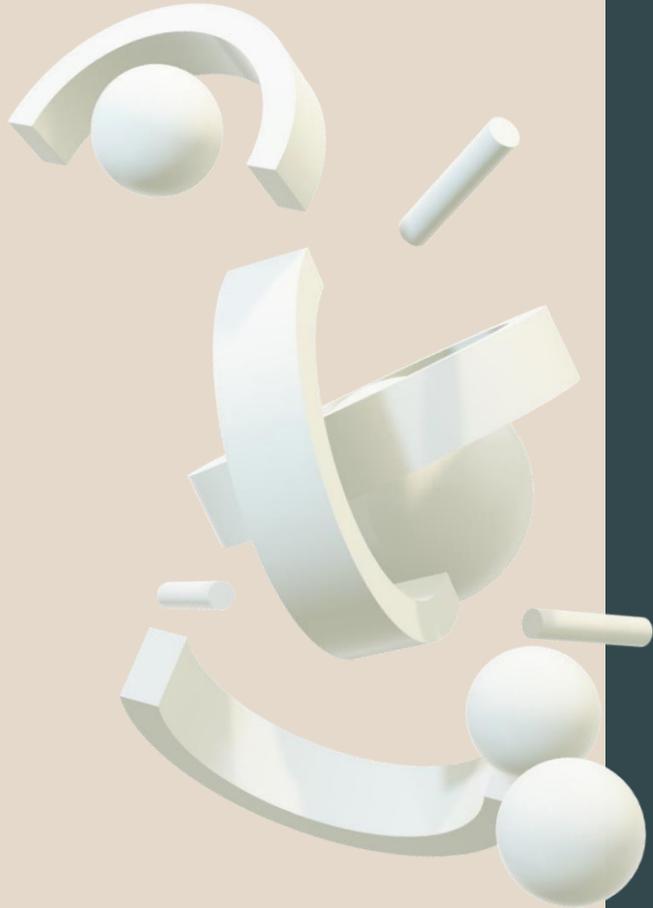


In 2022, global public markets experienced a notable slowdown, which had an effect on Israeli companies activity as well. Seventy Israeli follow-on public offerings were registered overall, half the number of offerings in 2020, falling back to the 2016–2018 levels.

In terms of average public capital proceeds, 2022 was equal to the 2020 level of \$37m per deal, yet was much below the \$68m average in 2021.

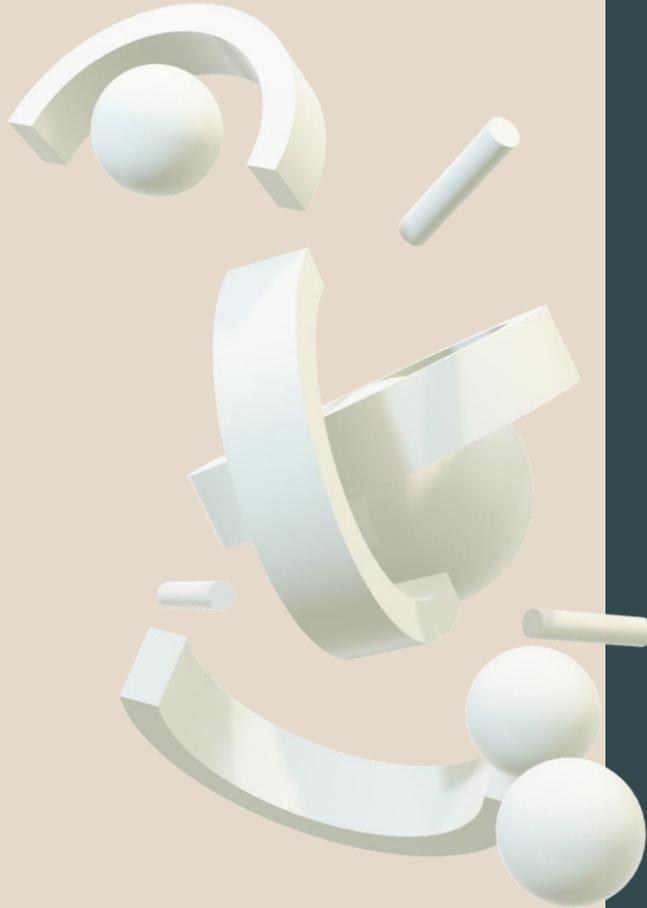
2022 Methodology





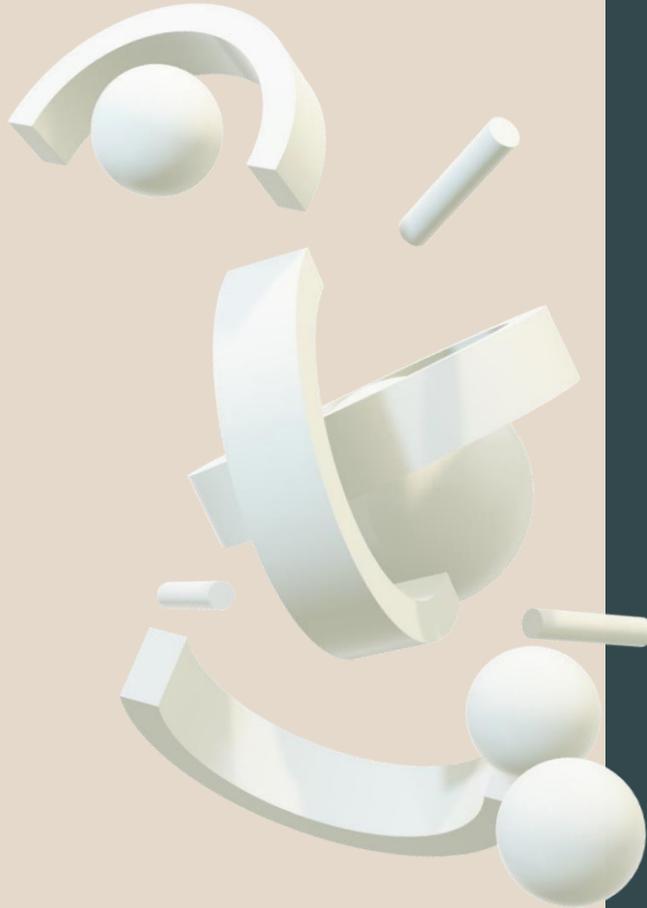
Methodology | General

- 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.



Methodology | Investments

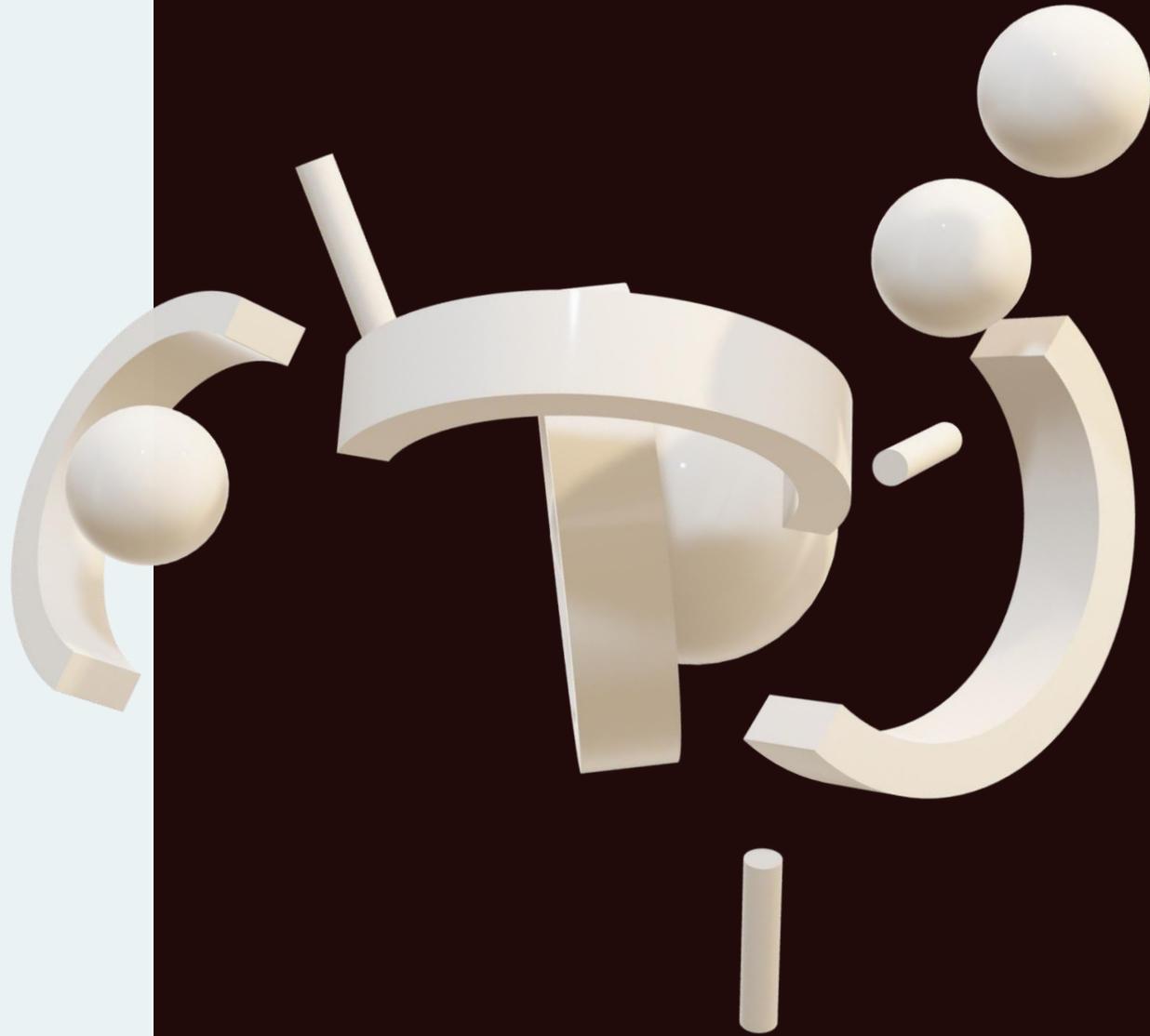
- This report reviews capital raised by Israeli tech companies from Israeli and foreign venture capital funds as well as from other investors, such as investment companies, corporate investors, incubators and angels.
- Reported data presents the investments activity IVC collects from reliable media sources,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

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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.

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