Q1/2022: Israeli Tech Big Picture

• Q1/2022 provides a first glimpse into the Israeli tech scene under the new financial order: higher interest rates; geopolitical tensions; accelerating inflation; recession fears; and a brutal collapse in investment sentiment for tech.

• Given all of the above, it is astonishing to see Israeli tech investment numbers and amounts hold firm: Israeli start-ups raised $5.6 billion during Q1 – a 3% increase Y/Y – in 212 financing rounds. More importantly, those impressive numbers come after 5 months of a downtrend in monthly investment amounts.

• Mega-rounds of over $100m each were the main driver behind 2021 high valuations as well as being a leading indicator regarding the industry sentiment. In Q1/2022, mega-deals continued to play a major role in capital allocation. They accounted for 44% of the total amount of capital raised.

• On the exits front, just 7 companies went public through IPOs in Q1/2022, down considerably from the numbers we saw in 2021. In the current financial climate, it’s difficult to predict when IPOs will return as an attractive liquidation preference for Israeli start-up companies.

• The high correlation between the Nasdaq Index and amounts invested in Israeli tech set off an alarm with local tech investors. Their concern is that after a significant correction in late growth public companies, the valuation of privately held start-ups will follow. With the correction now in its fifth month – and in some cases even a year – this has yet to happen.
Israeli High-Tech Investments | Q1/2015–Q1/2022

The first three months of 2022 have demonstrated a certain cooldown after the robust activity in Israeli high-tech capital raising of October–December 2021. The first quarter has summed up to a solid $5.58 billion raised in 212 financing rounds by Israeli high-tech companies. It is still some 14% below the quarterly average figures recorded in 2021.

Source: IVC-LeumiTech Israeli Tech Review Q1/2022

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

- **Total $m**
- **# of Deals**

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

- **Total $m**
- **# of Deals**

Source: IVC-LeumiTech Israeli Tech Review Q1/2022
Israeli High-Tech Investments | Q1/2015–Q1/2022

Average and median figures declined in Q1/2022, indicating a certain slowdown in mega-round deal making. Confirmation of this is the greater number of transactions, some of them with lesser amounts this quarter, than the quarterly average for 2021.

Source: IVC-LeumiTech Israeli Tech Review Q1/2022
Activity from November 2021 to February 2022 shows evidence of a slowdown. The downward trend accelerated in February; however, there was a rebound in March, with 2.1 billion raised in 74 deals. It remains to be seen whether March signals the end of the correction in tech funding or is only "a dead cat bounce" to be followed by a longer downturn.
Early Round Financing & Pre-seed + Seed Investments | 2015 – Q1/2022

- 135 early rounds in Q1/2022 amounted to $1.2b, with a higher pace than in 2021. Median seed deals continued to rise, while pre-seed numbers (see IVC Methodology), remained muted.

Early Rounds Totals: Amounts, Numbers and Median 2015 – Q1/2022

Pre-Seed & Seed Deals: Numbers and Median 2015 – Q1/2022

Source: IVC-LeumiTech Israeli Tech Review Q1/2022
Later Funding by Rounds | Q1/2015 – Q1/2022

In Q1/2022, later funding (C and later rounds) accounted for 79% of total capital raised, down from the quarterly average of 2021, which remained at 85% for later capital raising series.

Investments in Mid - Later Rounds $m Q1/2015-Q1/2022

![Graph showing investments in mid-later rounds from Q1/2015 to Q1/2022, with a decrease in later funding (C and later rounds) accounting for 79% in Q1/2022, down from 85% in 2021.]

Source: IVC-LeumiTech Israeli Tech Review Q1/2022
Later Funding by Rounds | Q1/2015 – Q1/2022

Only 23 later rounds were made in Q1/2022, compared to 30 such quarterly rounds on average in 2021.

In total, Q1/2022 results pointed to a certain slowdown in later funding compared to the quarterly figures of 2021.

# of Deals in Mid - Later Rounds Q1/2015 - Q12022

Median $m in Mid - Later Rounds Q1/2019 - Q1/2022
Mega-Deals Financing | Q1/2018 – Q1/2022

- Mega-rounds of over $100m were present in Q1/2022, although down from the exceptional Q4/2021, yet in line with the first three quarters of the previous year. The percentages of mega rounds out of the total decreased compared to last year’s Q3/Q4 but remain high in historical comparison.
In the first quarter of 2022, VC-backed deals continue the uptrend since 2016 and captured 95% of all capital raised.
Investments by Stages | Q1/2015 – Q1/2022

- In Q1/2022, figures showed that while the number of deals in early and late stage companies might compare to the previous record quarter, the amounts raised were lower.

Capital Investments by Stage Q1/2015 - Q1/2022

Early Stage: Seed & R&D Companies
Growth Stage: Companies with revenues
## Selected Top Investments | Q1 2022

<table>
<thead>
<tr>
<th>Company name</th>
<th>Sector</th>
<th>Sub-Sector</th>
<th>Round</th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fireblocks</td>
<td>IT &amp; Enterprise Software</td>
<td>Security</td>
<td>Later Round</td>
<td>450</td>
</tr>
<tr>
<td>Veev Group</td>
<td>Miscellaneous Technologies</td>
<td>Industrial Technologies</td>
<td>Later Round</td>
<td>400</td>
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<td>Axonius Solutions</td>
<td>IT &amp; Enterprise Software</td>
<td>Security</td>
<td>Later Round</td>
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<tr>
<td>BigPanda MS</td>
<td>IT &amp; Enterprise Software</td>
<td>Design &amp; Development Tools</td>
<td>Later Round</td>
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<tr>
<td>RapidAPI</td>
<td>IT &amp; Enterprise Software</td>
<td>Design &amp; Development Tools</td>
<td>Later Round</td>
<td>150</td>
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<tr>
<td>CHEQ AI Technologies</td>
<td>Internet</td>
<td>Online Advertising</td>
<td>C Round</td>
<td>150</td>
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<td>Salt Security</td>
<td>IT &amp; Enterprise Software</td>
<td>Security</td>
<td>Later Round</td>
<td>140</td>
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<tr>
<td>Redefine Meat</td>
<td>Miscellaneous Technologies</td>
<td>Industrial Technologies</td>
<td>B Round</td>
<td>135</td>
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<tr>
<td>Island</td>
<td>IT &amp; Enterprise Software</td>
<td>Security</td>
<td>B Round</td>
<td>115</td>
</tr>
<tr>
<td>Immpact Bio</td>
<td>Life Sciences</td>
<td>Biotechnology</td>
<td>B Round</td>
<td>111</td>
</tr>
<tr>
<td>Capitolis Technologies</td>
<td>IT &amp; Enterprise Software</td>
<td>Business Analytics</td>
<td>Later Round</td>
<td>110</td>
</tr>
<tr>
<td>WSC Sports Technologies</td>
<td>Internet</td>
<td>Content Delivery Platforms</td>
<td>Later Round</td>
<td>100</td>
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<tr>
<td>Firebolt Analytics</td>
<td>IT &amp; Enterprise Software</td>
<td>Business Analytics</td>
<td>C Round</td>
<td>100</td>
</tr>
<tr>
<td>Placer.ai</td>
<td>IT &amp; Enterprise Software</td>
<td>Business Analytics</td>
<td>C Round</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: IVC-LeumiTech Israeli Tech Review Q1/2022
In Q1/2022, capital raising in leading tech verticals reflected the slowdown in Israeli high-tech funding. Mega-deals making (over $100m) was still evident in these verticals in Q1/22: Cyber Security had 5 mega-rounds; Fintech & IOT had 2 mega-rounds each; and Foodtech had one mega-round.

Investments by Tech Verticals | Q1/2018 – Q1/2022

In Q1/2022, capital raising in leading tech verticals reflected the slowdown in Israeli high-tech funding. Mega-deals making (over $100m) was still evident in these verticals in Q1/22: Cyber Security had 5 mega-rounds; Fintech & IOT had 2 mega-rounds each; and Foodtech had one mega-round.
Investments by Tech Verticals | Q1/2018 – Q1/2022

The most prominent deal in Q1/2022 as well as the top deal in Cyber Security was Fireblocks at $450 million; Axonius Solutions ($200m) ranked second in Cyber Security; CHEQ AI ($150m) made another successful deal in Cyber Security.

# of Deals by Verticals Q1/2018 - Q1/2022
In Q1/2022, Israeli investors kept their regular pace of investments in local high-tech companies, while the major decrease from Q4/2021 level was in foreign investments – $3.99 billion were invested – a 16% decline from the average quarterly amounts in 2021.

*Investors Activity
*Some Investors are undisclosed

Source: IVC-LeumiTech Israeli Tech Review Q1/2022
In the last quarters, foreign investments pattern has changed, following a steady growth till Q2/2021. Israeli investments continued their slow upward pace from Q4/2021.
Both Israeli and foreign investors maintained their activity patterns in seed rounds. However, a decline in the number of investments in later rounds by Israeli investors has been ongoing since Q2/2021, and noted in the last few months in foreign investors activity.

*Investors Activity | *Some Investors are undisclosed
The number of first and follow-on investments kept their pace throughout the past quarters. Both first and follow-on investments declined in accordance.

*Investors Activity | *Some Investors are undisclosed
The first quarter of 2022 saw 39 Israeli high-tech exit proceeds totaling $8.96 billion. The amount was driven up by the exceptional acquisition of Tower Semiconductor by Intel for $5.8 billion.

**Israeli High-Tech Exits 2015 – Q1/2022**

<table>
<thead>
<tr>
<th>Year</th>
<th>Exits Amount $m</th>
<th># of Exits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>8,327</td>
<td>139</td>
</tr>
<tr>
<td>2016</td>
<td>10,007</td>
<td>136</td>
</tr>
<tr>
<td>2017</td>
<td>23,779</td>
<td>151</td>
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<tr>
<td>2018</td>
<td>12,643</td>
<td>143</td>
</tr>
<tr>
<td>2019</td>
<td>22,136</td>
<td>166</td>
</tr>
<tr>
<td>2020</td>
<td>9,859</td>
<td>152</td>
</tr>
<tr>
<td>2021</td>
<td>23,464</td>
<td>247</td>
</tr>
<tr>
<td>Q1/2022</td>
<td>8,960</td>
<td>39</td>
</tr>
</tbody>
</table>

Source: IVC-LeumiTech Israeli Tech Review Q1/2022
Excluding exceptional acquisitions of over $5 billion, 38 Israeli high-tech exits amounted to $3.16 billion in capital proceeds in Q1/2022. Following very robust exit activity in 2021, the beginning of this year showed a slowdown, especially in the number of IPOs.
Israeli High-Tech M&As by Deal Size | 2015 – Q1/2022

31 M&A deals were made in Q1/2022. As an IPO route seems less beneficial to entrepreneurs and investors right now, we might see more M&As later on this year (than in 2020 – 2021), as the major liquidation option.

* M&As & buyouts under $5B

Source: IVC-LeumiTech Israeli Tech Review Q1/2022
In 2020 and 2021 more Israeli tech companies became acquirers as larger amounts were raised for strategic purposes. In case the valuation multiples will decrease this year, we might witness more Israeli companies making strategic acquisitions.
# Selected Top M&As | Q1/2022

<table>
<thead>
<tr>
<th>Sector</th>
<th>Company</th>
<th>Acquirer</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Semiconductors</td>
<td>Tower Semiconductor</td>
<td>Intel</td>
<td>$5800m</td>
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<tr>
<td>Life Sciences</td>
<td>CartiHeal</td>
<td>bioventus</td>
<td>$350m</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>PERFLOW</td>
<td>unnamed Chinese private equity firm</td>
<td>$100m</td>
</tr>
<tr>
<td>Software</td>
<td>GRANULATE</td>
<td>Intel</td>
<td>$650m</td>
</tr>
<tr>
<td>IT &amp; Enterprise</td>
<td>testim</td>
<td>Tricentis</td>
<td>$150m</td>
</tr>
<tr>
<td>Internet</td>
<td>Oribi</td>
<td>linkedin</td>
<td>$80m</td>
</tr>
<tr>
<td>IT &amp; Enterprise</td>
<td>credorax</td>
<td>Shift4 Payments</td>
<td>$575m</td>
</tr>
<tr>
<td>Software</td>
<td>CyberMDX</td>
<td>FORESCOUT</td>
<td>$80m</td>
</tr>
<tr>
<td>Internet</td>
<td>KRYON</td>
<td>nintex</td>
<td>$100m</td>
</tr>
<tr>
<td>IT &amp; Enterprise</td>
<td>CYARX</td>
<td>Google</td>
<td>$500m</td>
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<tr>
<td>Semiconductors</td>
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</tbody>
</table>

Source: IVC-LeumiTech Israeli Tech Review Q1/2022

10 M&As summed up to $8.5B
ISRAELI TECH IN CAPITAL MARKETS Q1/2022
Following an impressive 2021, the number of public offerings (IPOs and secondaries) decreased drastically in Q1/2022 - with just 7 IPOs - totaling $1.05 billion. The largest IPO was made by ImageSat International raising $66 million on TASE. Only one SPAC IPO was made in Q1/2022 – Alpha Tau Medical, which performed a SPAC deal with Healthcare Capital on NASDAQ.

* Including: IPOs, Follow-ons (including registered direct), PIPEs, Equity and Debt
Methodology | General

- This report contains information derived from the IVC-Online Database. Deal numbers and values may vary across our reports due to continuous updates of historical numbers in the IVC database.
- This report summarizes activities of Israeli and Israel-related high-tech companies between 2015-Q1/2022.
- "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 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 908 investors of which 122 were Israeli VC funds and 786 were other entities.
- The term ‘Early-Stage Companies’ refers to high-tech companies in the process of development and not yet offering products to the market.
- The report covered total investments in the Israeli venture capital sector, including both VC-backed rounds where at least one investor participating in the round was a VC fund, as well as deals not backed by venture capital funds.
- The report includes amounts received by each company directly, including direct transactions performed between company shareholders.
- Most companies fall within more than one technology cluster, therefore the data regarding tech clusters should be viewed separately per cluster.
Methodology | Exits

- Our Exits Report historically referred to “Exits” as including M&A, Buyouts and IPO. This report is now dedicating a separate chapter for IPOs, as part of the Public Capital Market activity.
- The report summarizes M&As of Israeli and Israel-related high-tech companies in merger & acquisition deals, as well as buyouts performed by private equity and financial investors in Israeli and Israeli related high-tech companies between 2015-Q1/2022.

Methodology | Capital Markets

- numbers and proceeds are extracted from public records.
- Registered direct deals and Follow-On Deals are bundled together.
- Primary transactions (both IPOs and follow-ons) include any secondary offerings consummated therewith.
- PIPE deals are analyzed as part of public Israeli high-tech companies’ capital markets activity section
About IVC

Founded in 1997, IVC Research Center 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 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.

www.ivc-online.com

(Registered Database #366723)
About LeumiTech

LeumiTech, the banking arm of Leumi Group, specializes since 2014 in banking for high-tech companies and servicing companies from early stage through fast growing to giant corporates. We provide a comprehensive, personalized, tech-specific banking products and financing services as part of our complete solution for all of our clients’ financial needs. Such services include high-tech credit expertise, hedging and investment tech center and access to global and local ecosystems.

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

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2022

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