

ISRAELI TECH REVIEW 2023

VC DATA AND INSIGHTS & LEUMI **TECH**

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Israeli Tech Investments

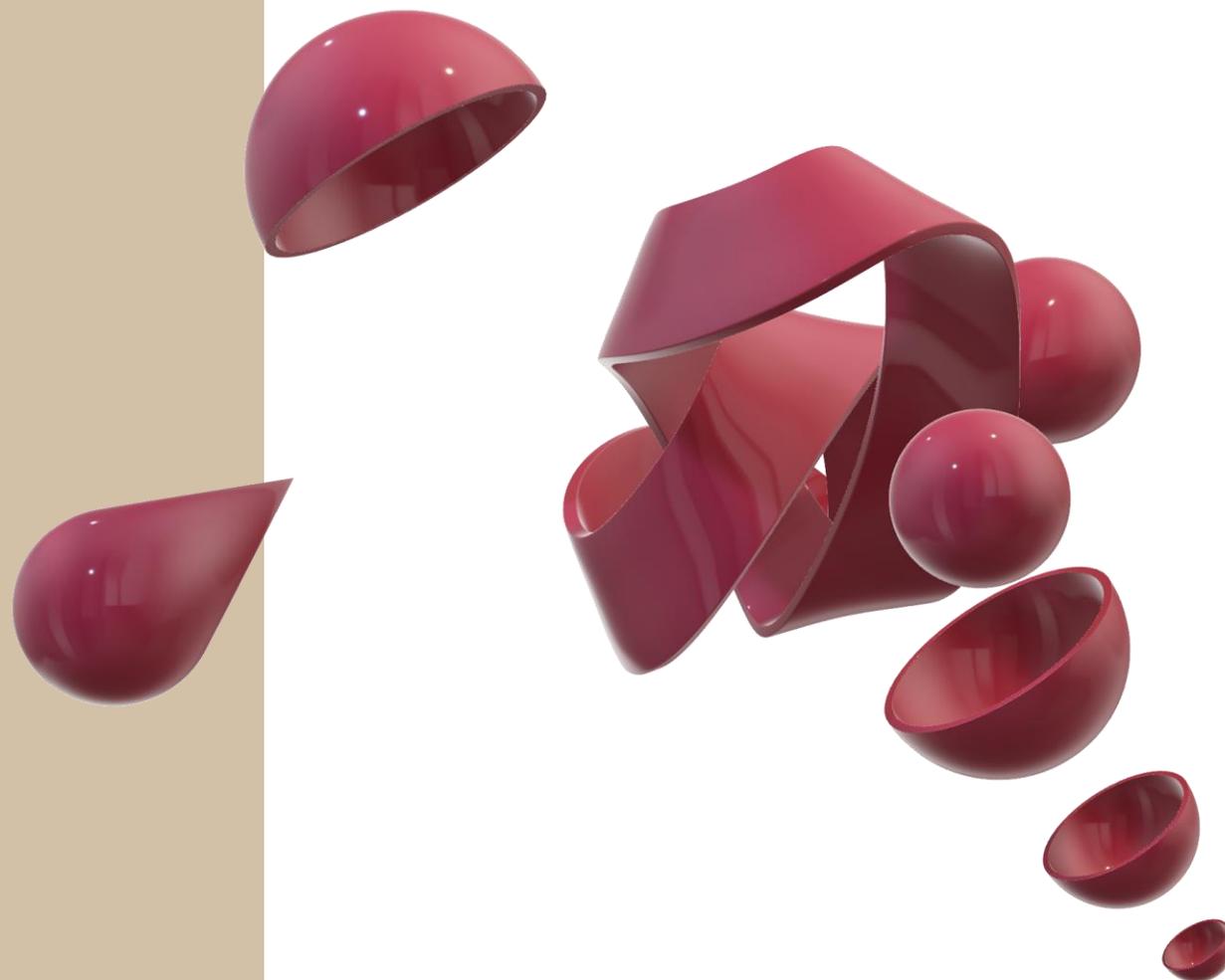
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Q4/2023 Israeli Tech Highlights



The Israeli Tech 'Magnificent' Group Saved the Day (or the Quarter)

In public capital markets, 2023 was the year of “the Magnificent Seven” – Apple, Microsoft, Amazon, Alphabet, Meta, Nvidia, and Tesla. These seven highly successful tech companies pushed the stock market indexes (especially NASDAQ and S&P 500) forward in the last year. Without these seven companies, the annual return of the S&P 500 index would have been much less impressive.

In Israel's private equity market for start-ups (AKA startup investments), the local equivalent of “high-

flying” companies pushed Israeli Tech forward in 2020-23 as well.

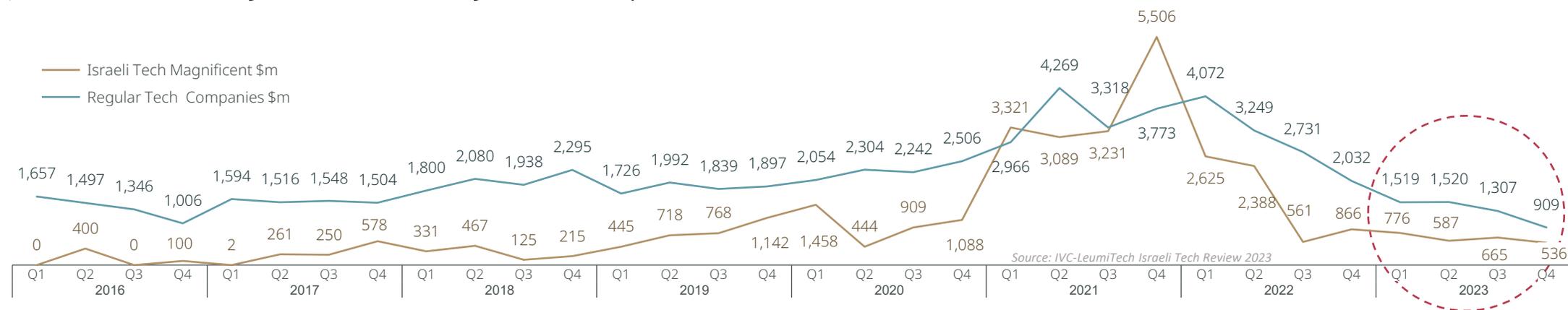
Some of the companies raised multiple mega rounds during 2020–2023 and accounted for a bigger percentage of invested amounts (see page 15).

To test this, we separated the group of companies that raised more than \$100m per year (some companies raised 2 or even 3 big rounds in a single year) from the rest – call it ‘the regular group’.

Over the years, the contribution of this special group was very meaningful, but it didn't change investment patterns. However, in Q3–Q4/2023 (see the red circle in the graph), the contribution of the top tier group to the overall market was much more significant.

While the dollar amount, raised by companies other than the top tier, dropped by around 40% in H2/2023, the local “Magnificent” Group supplied some stabilization in a problematic quarter.

► Israeli Tech: The 'Magnificent' Index Vs. Regular Tech Companies Q1/2016 – Q4/2023*



* The numbers for the graph are not normalized as in the report

The year in which the private tech and the big money part ways

War is a big deal for financial risk assets.

In 25 years or so in which IVC has been collecting data about Israeli tech, there has never been anything like 7/10, and the ensuing war in Gaza. As such, it's hard to say, if Israeli tech performed better or worse than expected.

But Q4 is one part of the Israeli tech story during 2023, a challenging year, in which the investment sentiment towards Israel – as a country, not a technology hub – certainly took a hit.

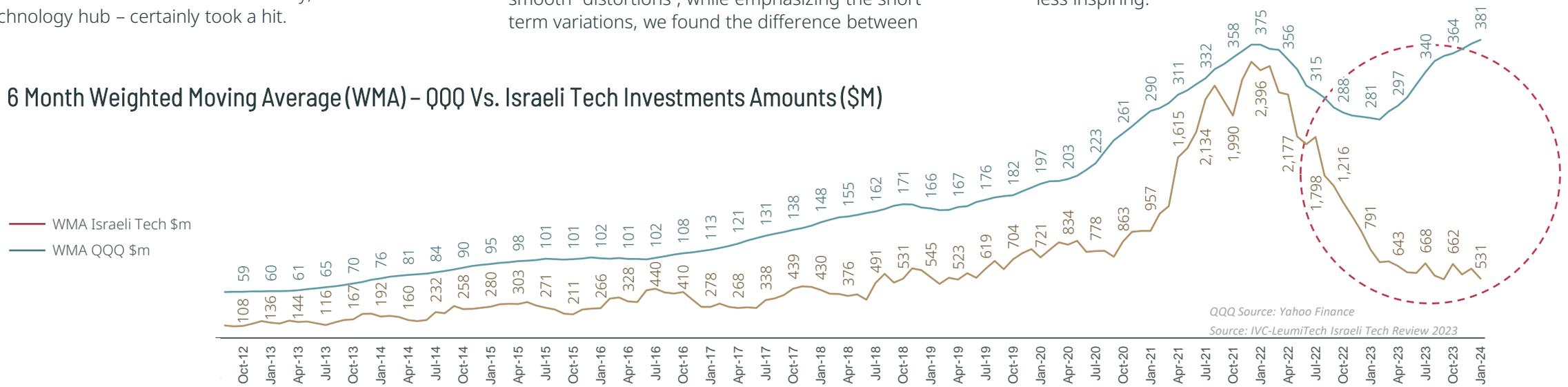
Some insight into the situation might come from a well-known financial tech public vehicle – QQQ (the exchange-traded fund [ETF] that tracks the NASDAQ 100 index) – which is highly correlated to the performance of the amounts that are invested in Israeli tech. Since 2012, the correlation between these two financial measures stood at nearly 90%. On the eve of 2024, it dropped to 73%.

Using a 6 month weighted moving average (WMA) to smooth "distortions", while emphasizing the short term variations, we found the difference between

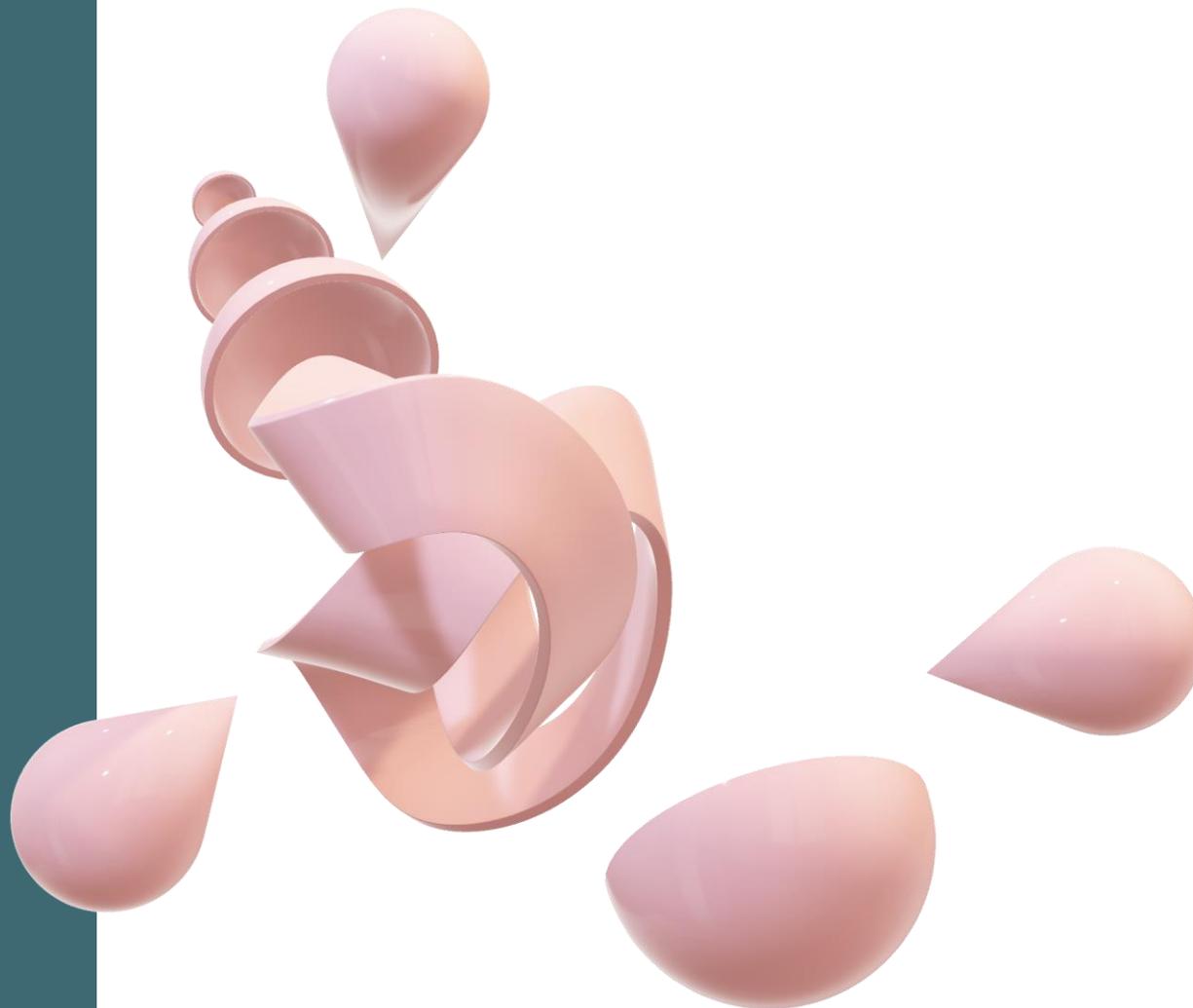
2012–2022 and 2023 striking: while the QQQ gained ground and moved to new heights, Israeli Tech investments are still in a long downtrend, even after a stabilization period during Q2–Q3/2023.

To be fair, the private tech investment patterns in the US and Europe didn't perform better. Nevertheless, the stabilization process in the US and Europe remained steady, while the numbers in Israel were less inspiring.

► 6 Month Weighted Moving Average (WMA) – QQQ Vs. Israeli Tech Investments Amounts (\$M)

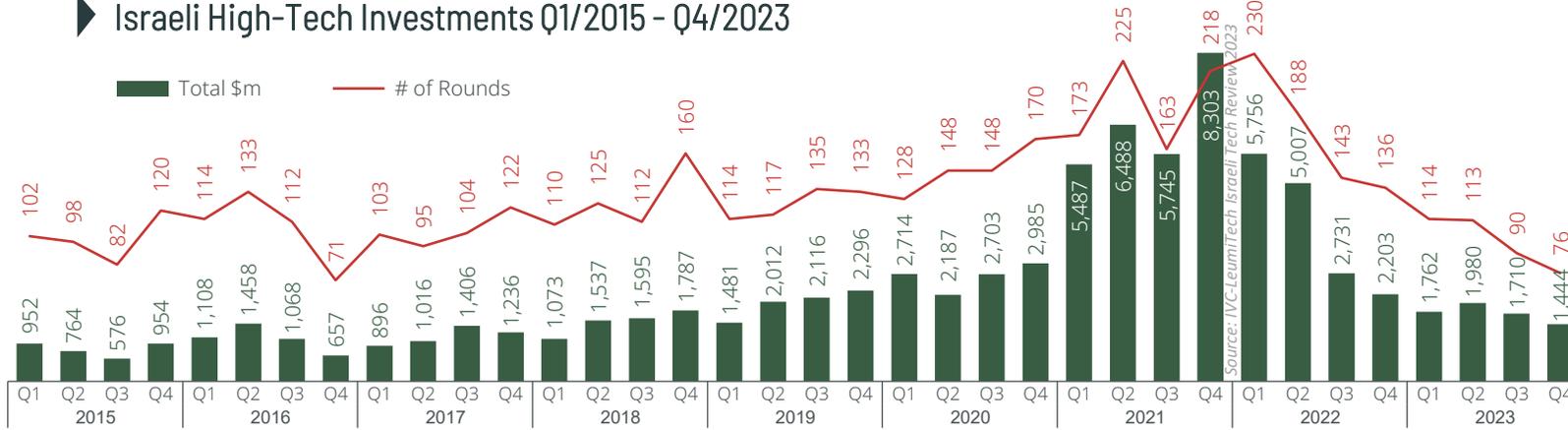


Q4/2023 Israeli High-Tech Investments

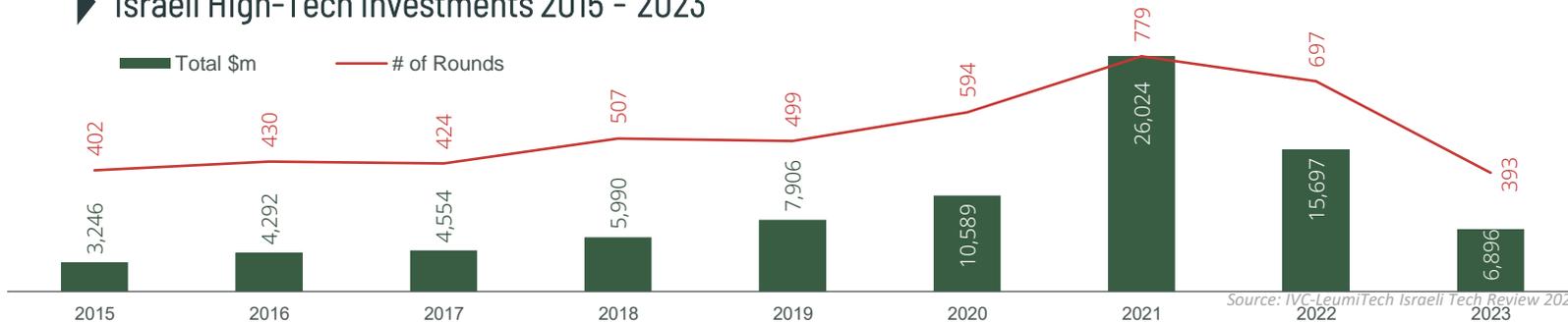


Israeli High-Tech Investments

▶ Israeli High-Tech Investments Q1/2015 - Q4/2023



▶ Israeli High-Tech Investments 2015 - 2023



In 2023, the downtrend continued throughout the year, with \$6.9 billion in 393 rounds.

The fundraising activity in 2023 is similar to pattern in 2018–2019, when there was a drop in investment activity. The data reflects a 44% decrease in the number of deals and a 56% drop in capital from 2022.

In Q2–Q3/2023, Israeli Tech fundraising began to stabilize, but the ongoing war in Gaza, which began at the outset of Q4/2023, changed this, and the downtrend from late 2022 has continued.

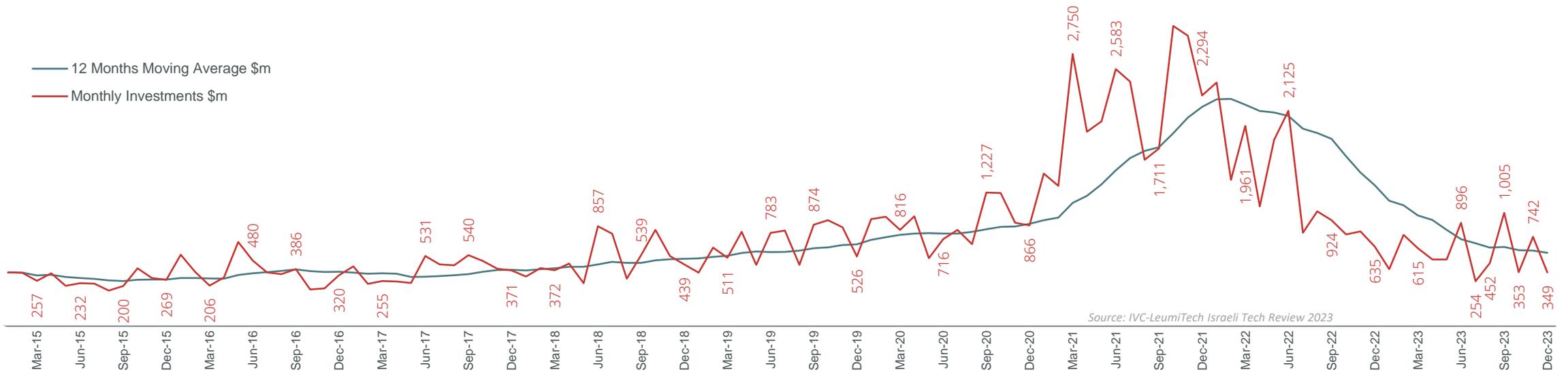
In Q4, just 76 deals took place, similar to the lower levels seen in 2015–2018. These deals accounted for \$1.45 billion, a decrease of 15% in capital raised and 16% in number of deals, respectively, compared to Q3/2023.

Monthly Investment amounts with 12 Month Moving Average

Using a long-term trendline with a 12-month moving average provides a clearer picture regarding the course of the market.

From a technical analysis viewpoint, the downtrend from Jan/2022 is still ongoing, although we saw some stabilization in H2/2023.

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



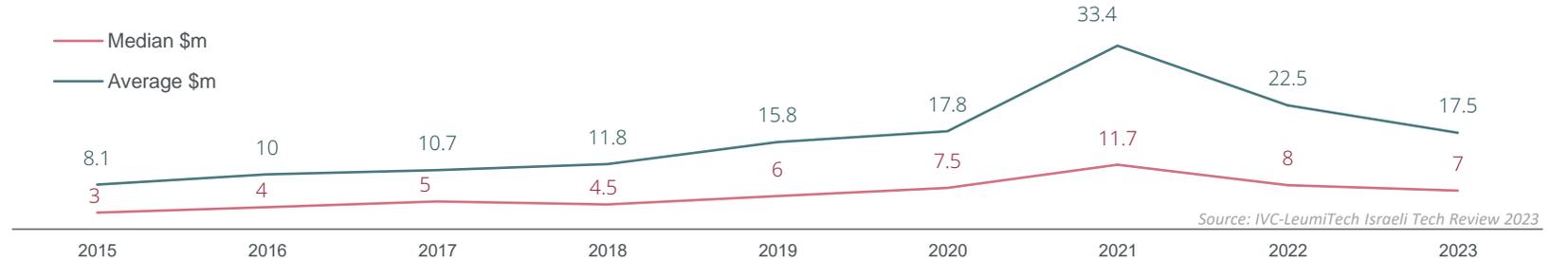
Source: IVC-LeumiTech Israeli Tech Review 2023

Israeli High-Tech Investments

Israeli high-tech capital raising median and average amounts in 2023 have decreased to 2020 levels.

On a quarterly level, however, 2023 has shown some stability in median figures over this year's course, as average capital continued to descend to 2020 figures.

Tech Investments: Average vs. Median 2015 - 2023

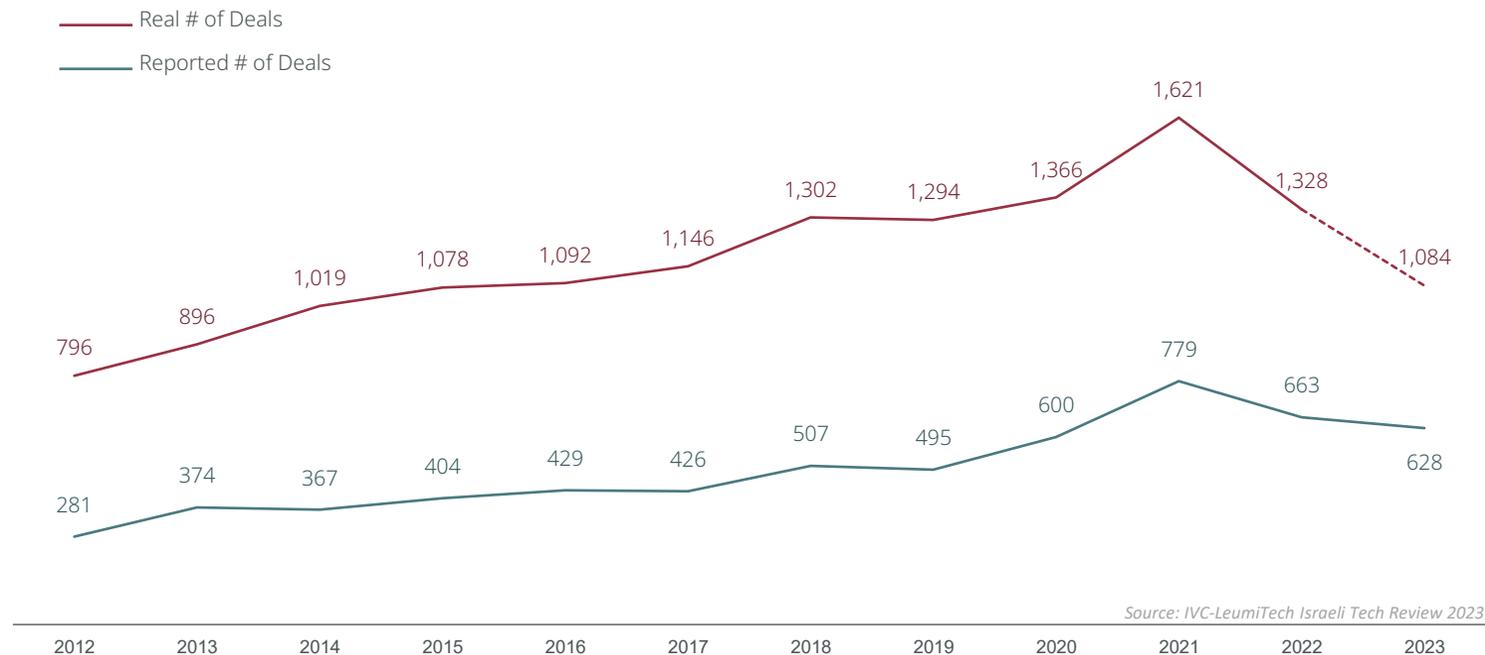


Tech Investments: Average vs. Median Q1/2015 - Q4/2023



Projections: Real vs. Reported # of Capital Investments

► Real vs. Reported # of Capital Investments 2012 - 2023



While our Time Series model usually provides accurate estimates of a change in trends, it will take 1 – 2 quarter to adjust for the “out-of-the-pattern” fall in deal numbers during Q4.

In order to estimate the projected number for 2023 (the final number of deals, which will be revealed only 24 to 36 months ahead; see our [Methodology](#) for more details), we evaluated the change in the usual pattern at a 40% reduction from the averages we saw in the number of “known deals” used for the report.

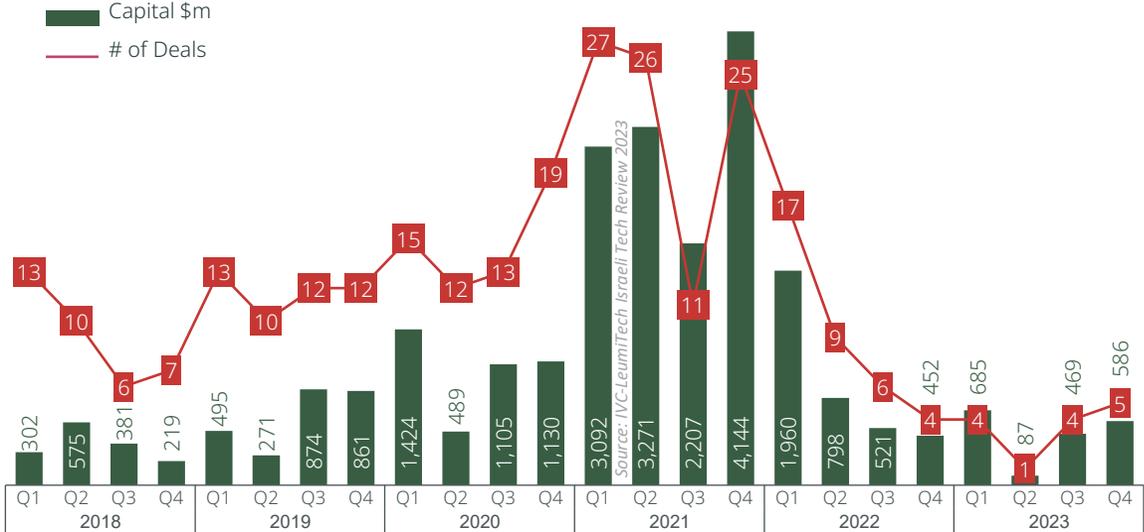
Hence, Q4 numbers received a weight of 0.8 related to Q3, instead of the last decade’s average of 1.2.

Israeli High-Tech Unicorns

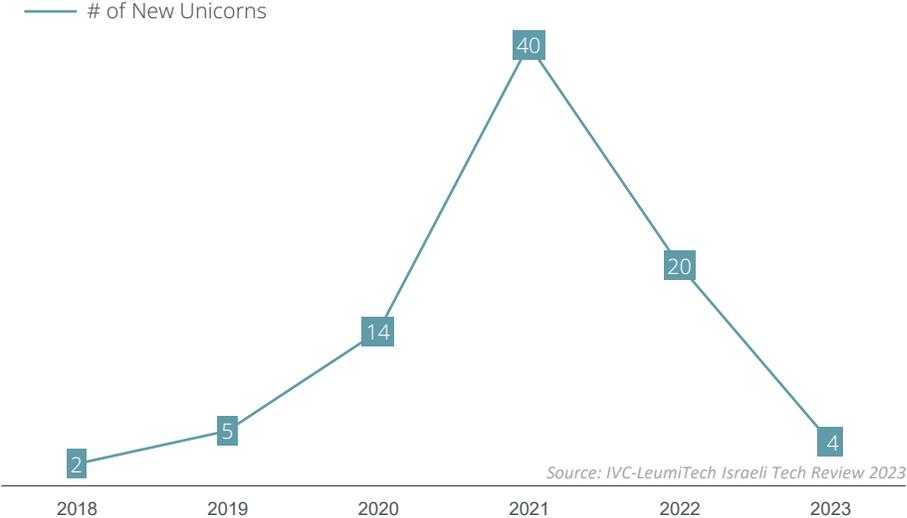
Israeli high-tech unicorns also had a tough year in 2023, with the lowest number of transactions since 2015 – just 14 rounds, compared to 36 in 2022. The amounts raised (\$1.83b) were down 51% from the \$3.73b raised in 2022.

In Q4/2023, 5 deals attracted \$586 million, at levels we saw during Q2–Q3/2022. Only 4 new Israeli high-tech unicorns were created in the course of 2023, similar to 2019

► Unicorns Capital Raising Q1/2018 – Q4/2023



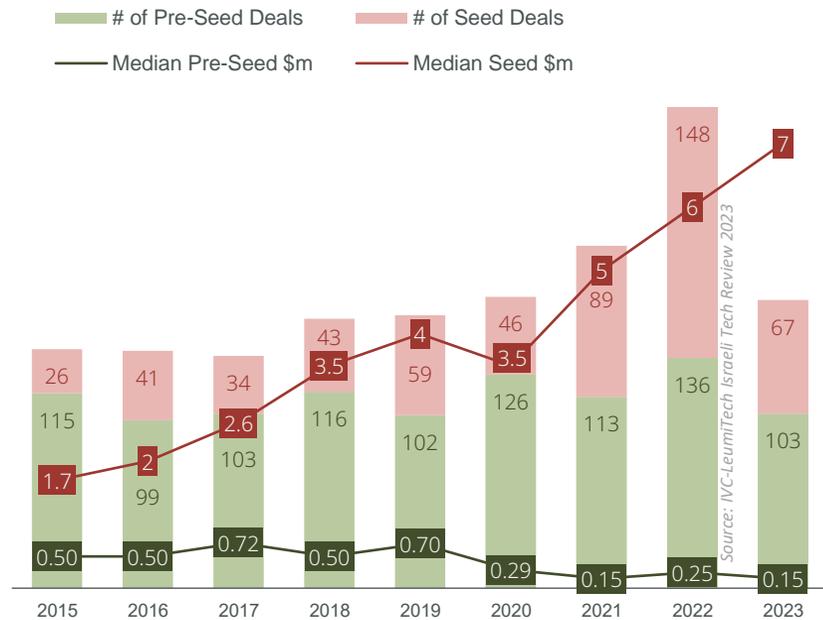
► # of New Unicorns by Valuation Date 2018 – 2023



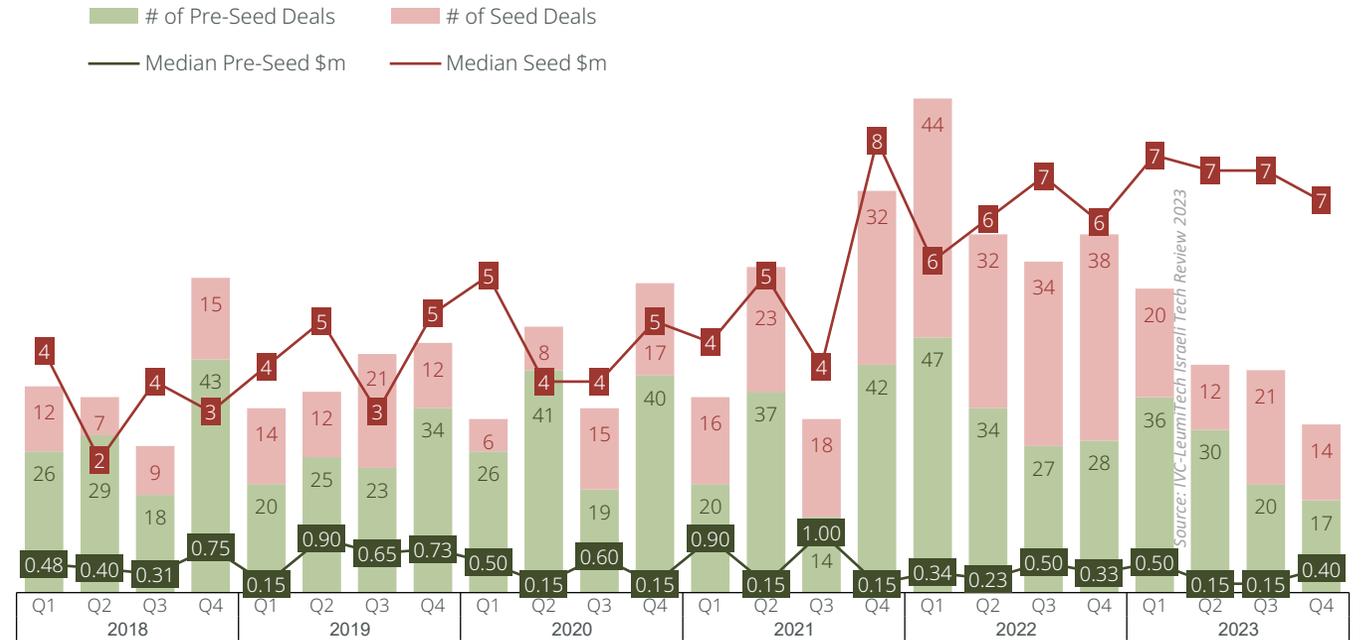
Pre-Seed & Seed Deals: Numbers and Median

The aggregate number of pre-seed and seed rounds continued to decline from their peak in Q4/2021. Seed amounts dropped in 2023, although they were still much higher than the ranges we saw before 2021, due to higher investments' ranges we saw in the last 3 years.

► # and Median \$m of Pre-Seed & Seed Deals 2015 – 2023



► # and Median \$m of Pre-Seed & Seed Deals Q1/2018 – Q4/2023



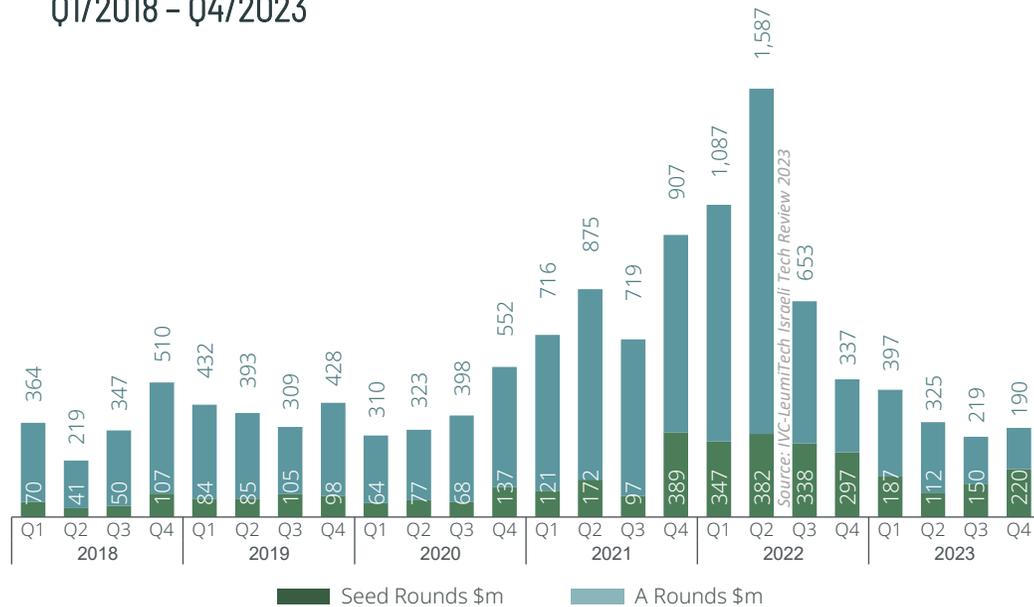
Early Rounds Totals: Amounts, Numbers and Median

In Q4/2023, the number of seed rounds continued to fall, declining to 31 rounds (66% down) from the peak of 91 deals in Q1/2022, and 24% from 41 rounds in Q3/2023. This aligned with the ranges in seed rounds in 2015–2019.

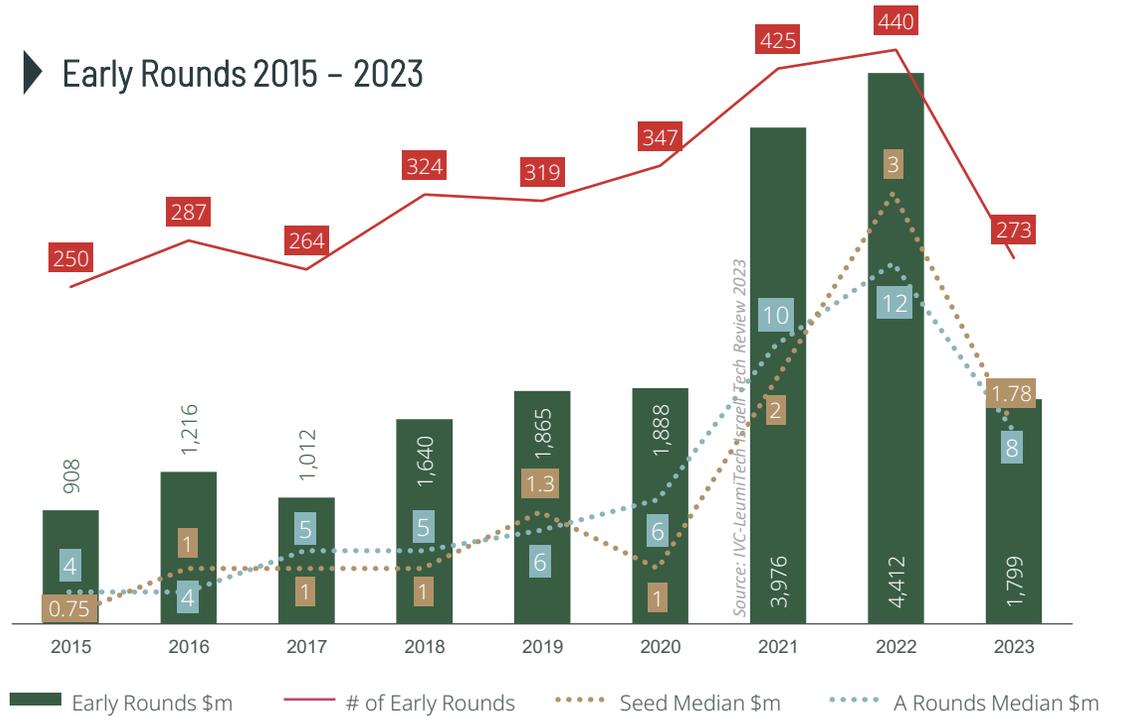
However, amounts totalled \$220 million, relatively high compared to the past few years' figures, due to two large Seed deals in Black Ore & Gutsy, that accounted for 51% share of total Seed capital.

Early rounds in 2023 decreased 64% in capital and 42% in numbers from the record figures in 2022.

► Early Rounds Capital: Seed & A Rounds \$m
Q1/2018 – Q4/2023



► Early Rounds 2015 – 2023



Investments in Mid - Later Rounds

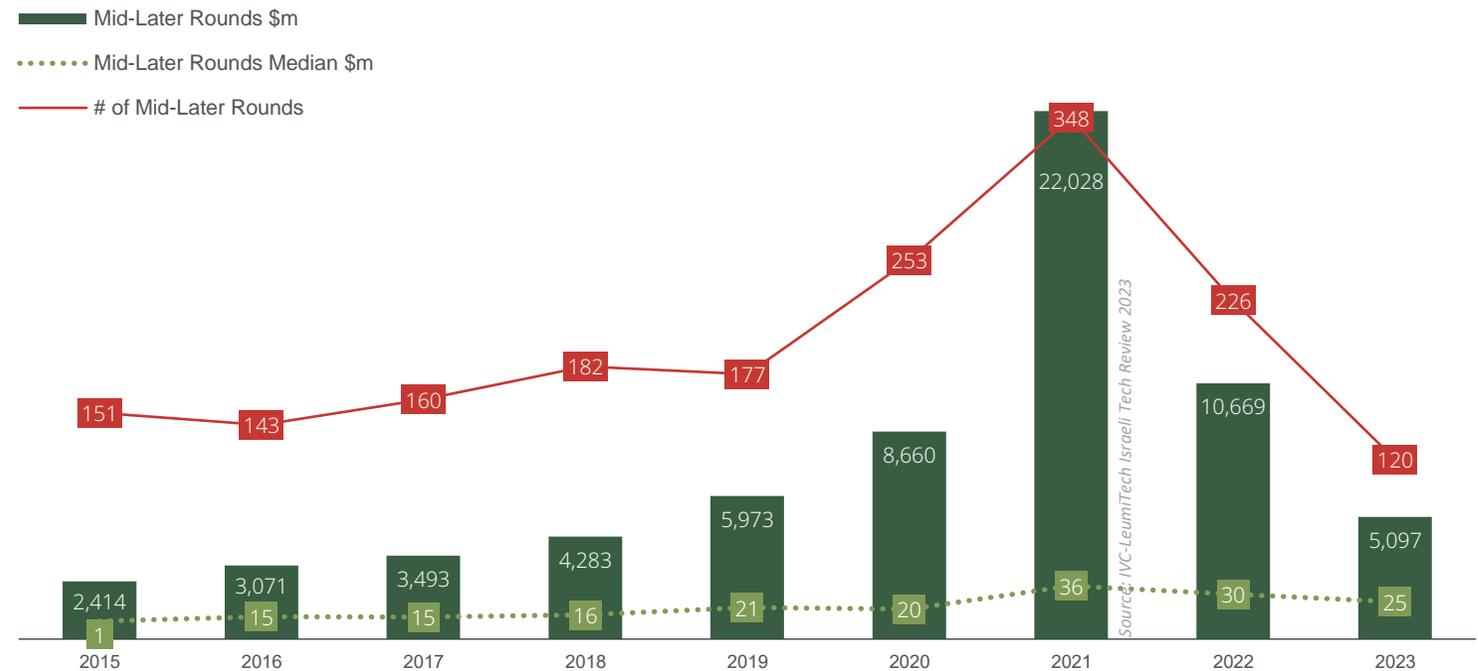
Israeli mid-later high-tech capital raising rounds weakened even more in 2023, compared to the two previous exceptionally successful years.

While \$5.1b raised in 2023 was 52% below 2022 amounts, down to 2018-19 levels, the number of mid-later rounds reached the lowest point since 2015.

In Q4/2023, mid-later rounds capital raising continued to decrease, at \$1.03b, similar to the quarterly average of \$1.07b in 2018.

The quarterly average number of mid-later rounds in 2023 was down to 30 deals – the lowest figure since 2015

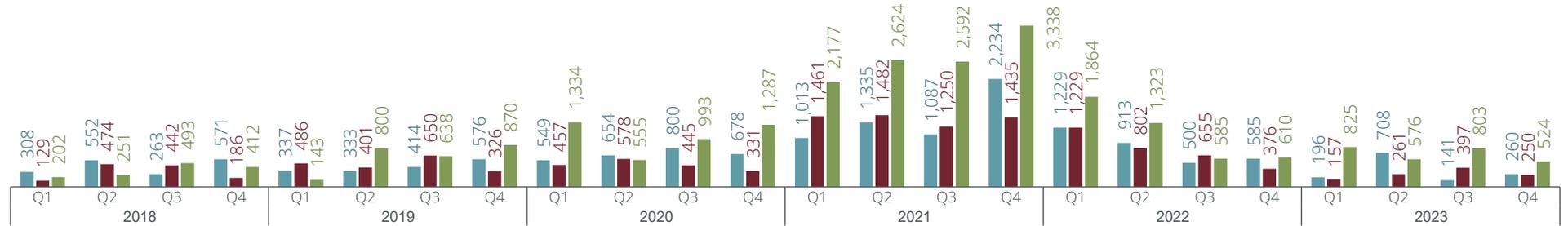
Investments in Mid - Later Rounds 2015 - 2023



Investments in Mid - Later Rounds

Mid - Later Rounds \$m Q1/2018 - Q4/2023

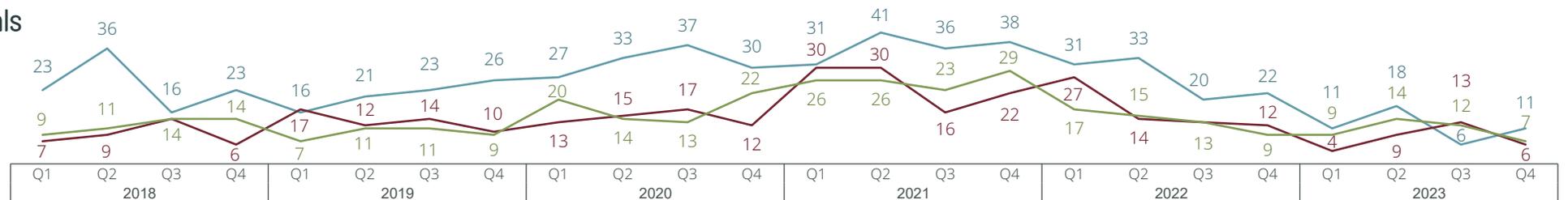
■ B Rounds \$m
■ C Rounds \$m
■ Later Rounds \$m



Source: IVC-LeumiTech Israeli Tech Review 2023

of Mid-Later Rounds Deals Q1/2018 - Q4/2023

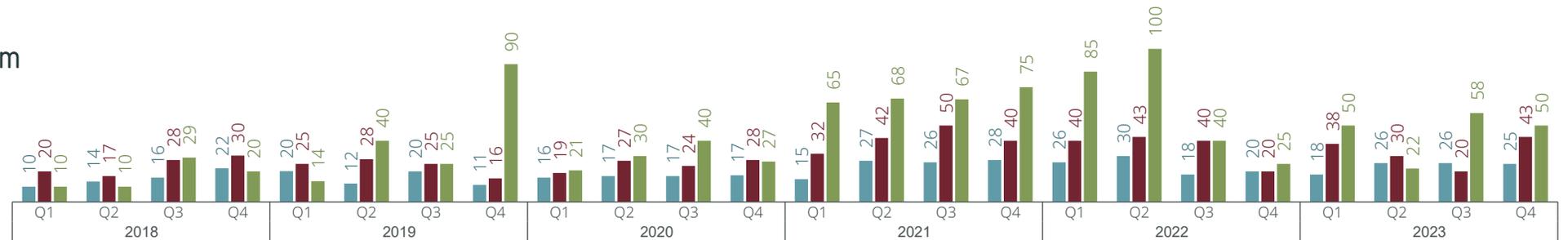
— # of B Rounds
— # of C Rounds
— # of Later Rounds



Source: IVC-LeumiTech Israeli Tech Review 2023

Mid-Later Rounds Median \$m Q1/2018 - Q4/2023

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



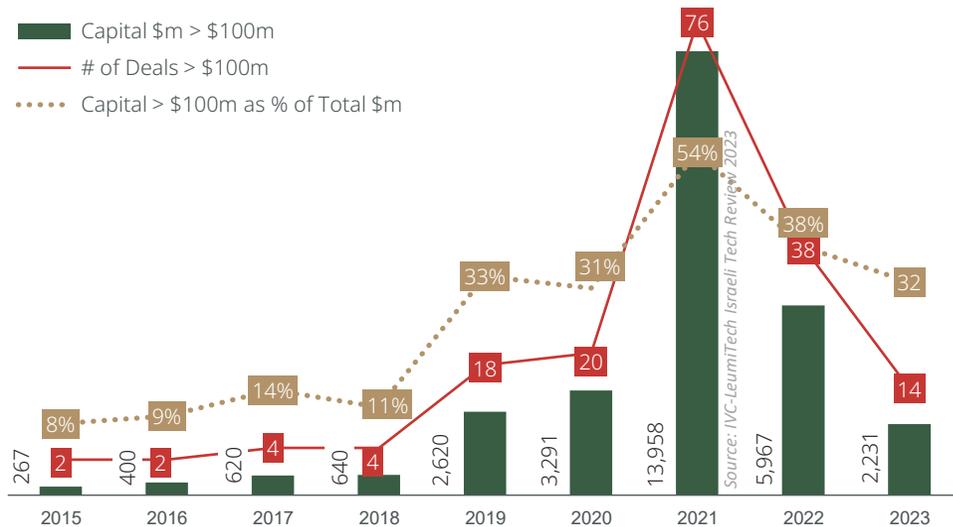
Source: IVC-LeumiTech Israeli Tech Review 2023

Capital Raising by Deal Size

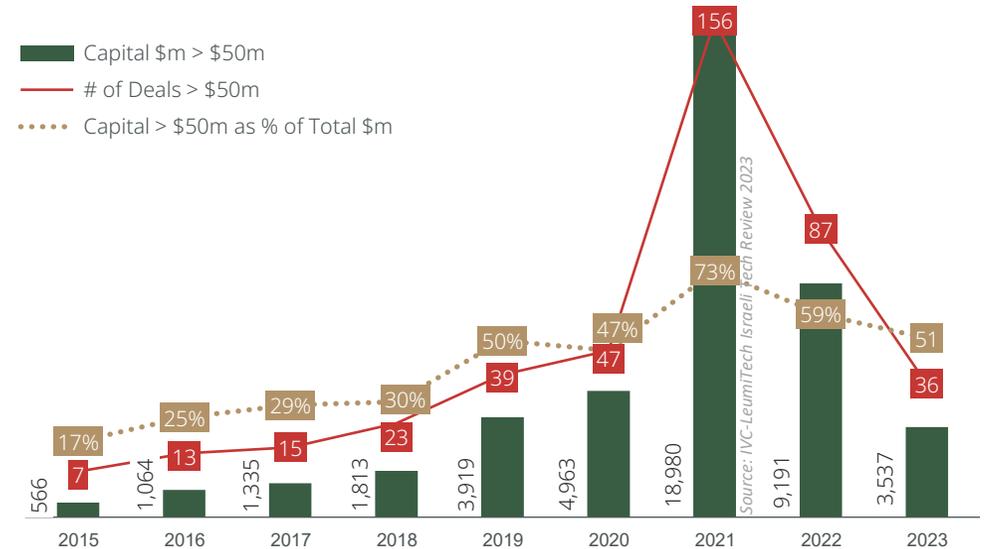
In 2023, Israeli high-tech capital raising in large rounds over \$50m accounted for 51% of total capital raised this year, similar to 2019–2020 share. Of these, 63% were from deals over \$100m, which shrank to 14 deals, following the robust years of 2021 and 2022.

Quarterly analysis shows the downtrend in rounds over \$50m, with 9 average quarterly rounds, continuing from the second half of 2022, when 15 and 9 deals were made in Q3–Q4/2022, respectively.

Deals over \$100m 2015 - 2023

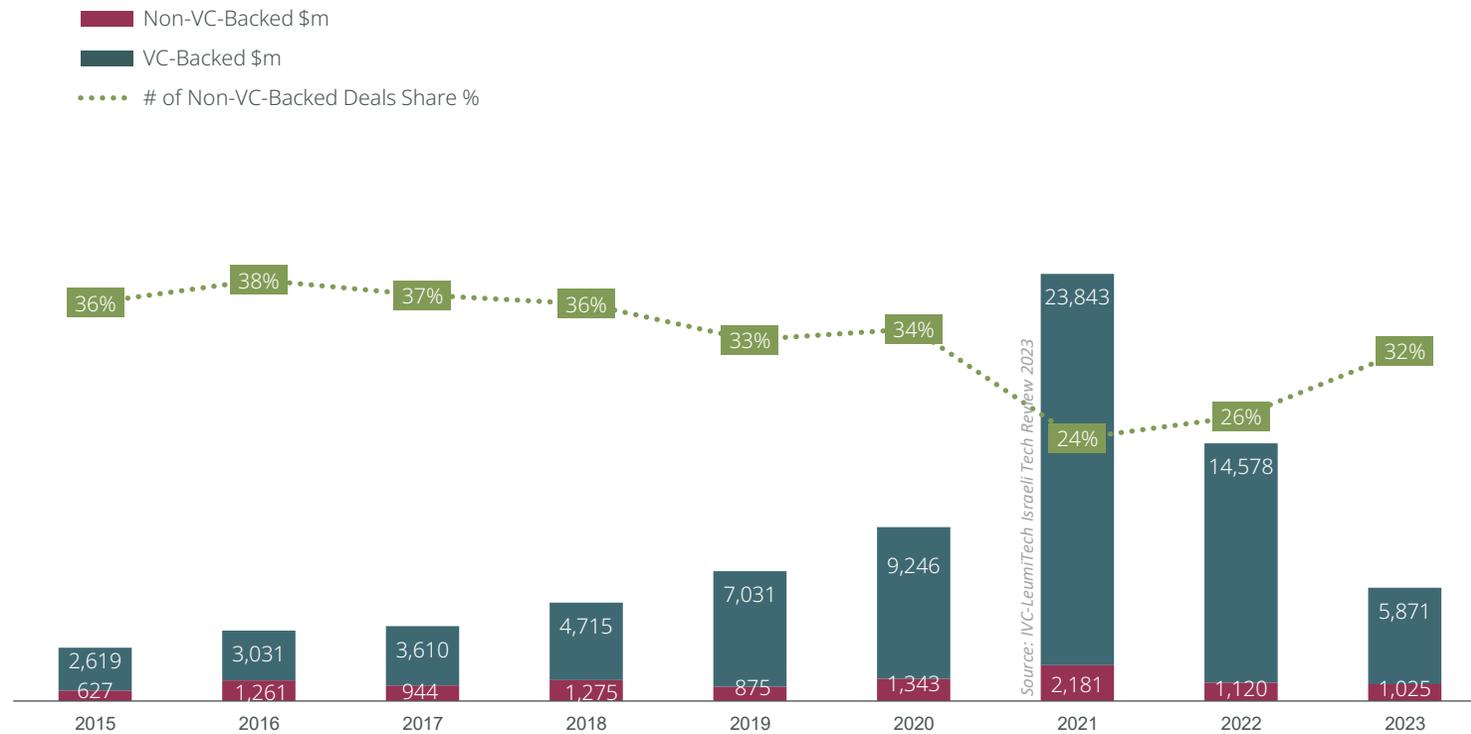


Deals over \$50m 2015 -2023



VC-Backed Deals

▶ VC-Backed Deals 2015 – 2023



In 2023, VC-backed deals captured 58% of total capital raised, a decrease of 60% from the amount raised in 2022.

This resulted from a sharp fall of 47% in the number of VC-backed deals, down to 269 deals, compared to 513 deals in 2022.

Non-VC-backed deals also declined to 124 deals – a 33% downturn from 184 such deals in 2022.

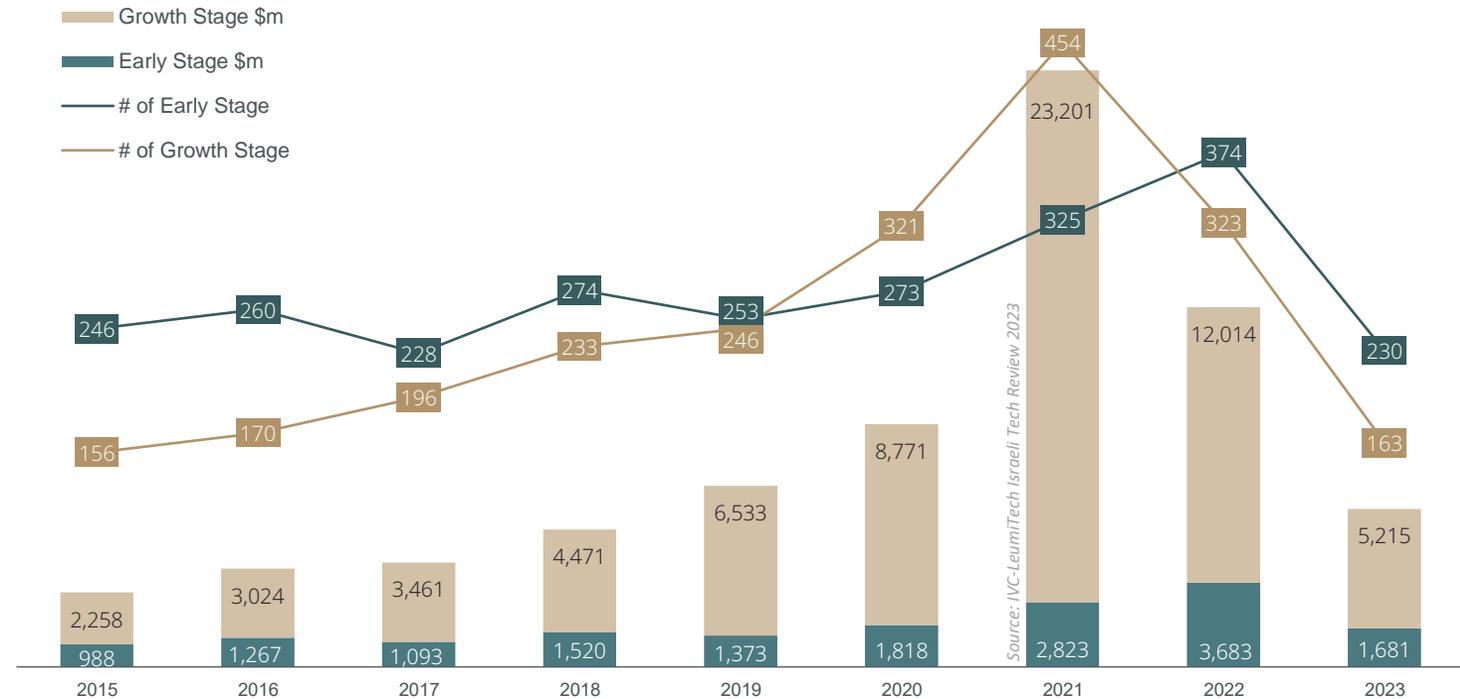
Capital Investments by Operational Stage

Both early stage and growth stage companies struggled for capital funding in 2023, especially towards the year's end.

Early-stage capital was cut by 54%, and growth stage was down 56% compared to 2022 amounts, reaching 2018–2019 figures.

Deal numbers decreased 39% from 2022 numbers, reversing the positive trend of 2020–2022.

Capital Raising by Stage 2015 – 2023



2023 Selected Top Investments



Source: IVC-LeumiTech Israeli Tech Review 2023

Investments by Verticals

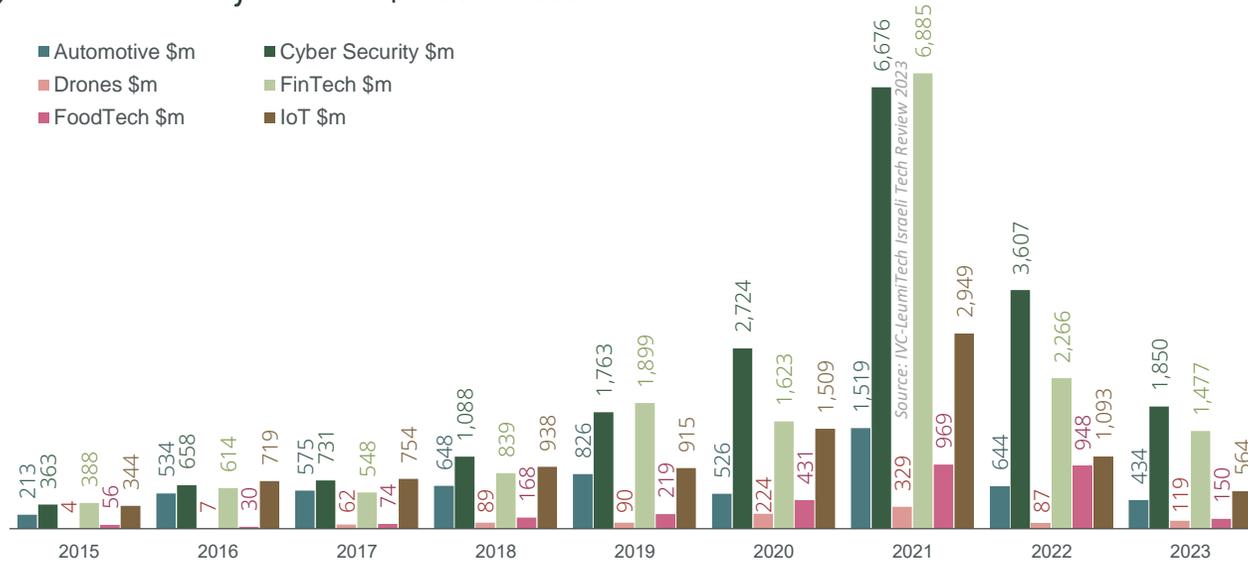
In 2023, IOT industry suffered the greatest decline in fundraising, with 24 deals, 50% below the 48 deals in 2022 and down from the 68 annual average over 2015–2022.

Nine Cyber funding rounds succeeded in attracting quite a solid amount this year – \$1.85b. Five companies with deals over \$100m each accounted for the lion's share of the funding for 2023, leading 2023 funding efforts, with Wiz and Cato Networks heading annual performance with \$300m and \$238m, respectively.

Fintech companies had 4 mega-rounds, led by Next Insurance (\$265m) and eToro (\$250m).

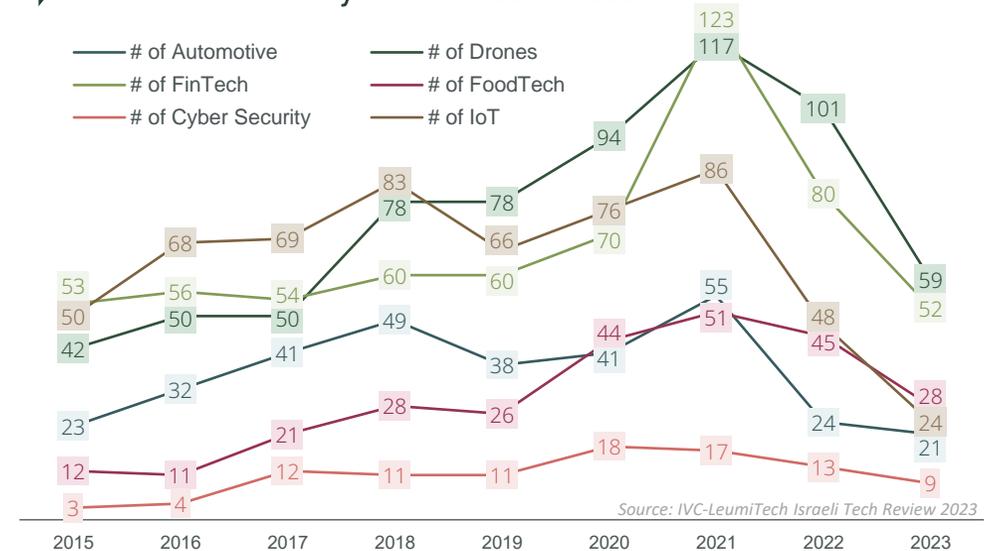
Automotive industry start-ups had a setback in capital raising activity compared to 2021–2022 figures.

Investments by Verticals \$m 2015 – 2023



*Each company may belong to more than one tech vertical

of Investments by Verticals 2015 – 2023

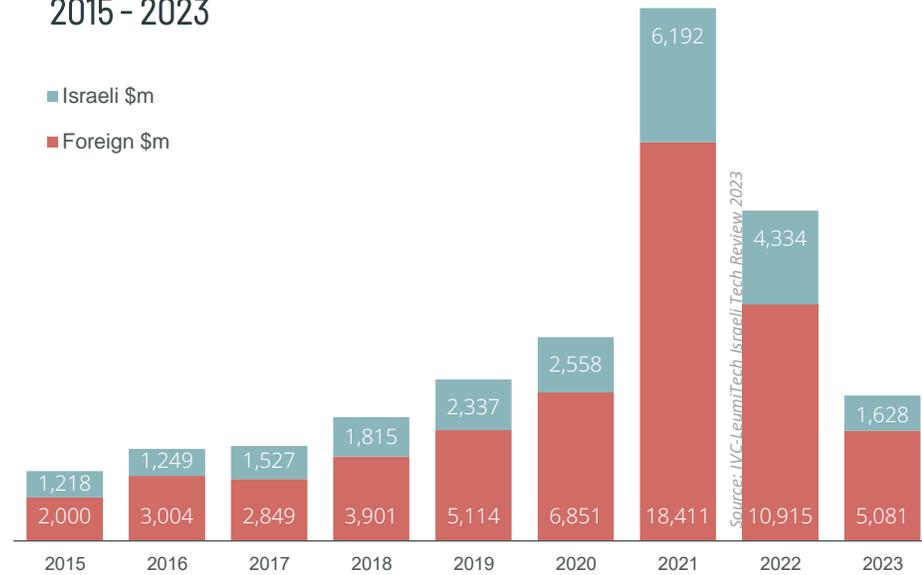


Source: IVC-LeumiTech Israeli Tech Review 2023

Israeli Vs. Foreign Investments

It appears that the war in Gaza did not scare off foreign investors, and their participation share in funding of Israeli tech companies increased (but is still down in comparison to the previous quarters). Participation by local investors dropped at a sharper rate in transactions in Q4/2023. Continued foreign investor presence is a significant indicator of potential funds for investments.

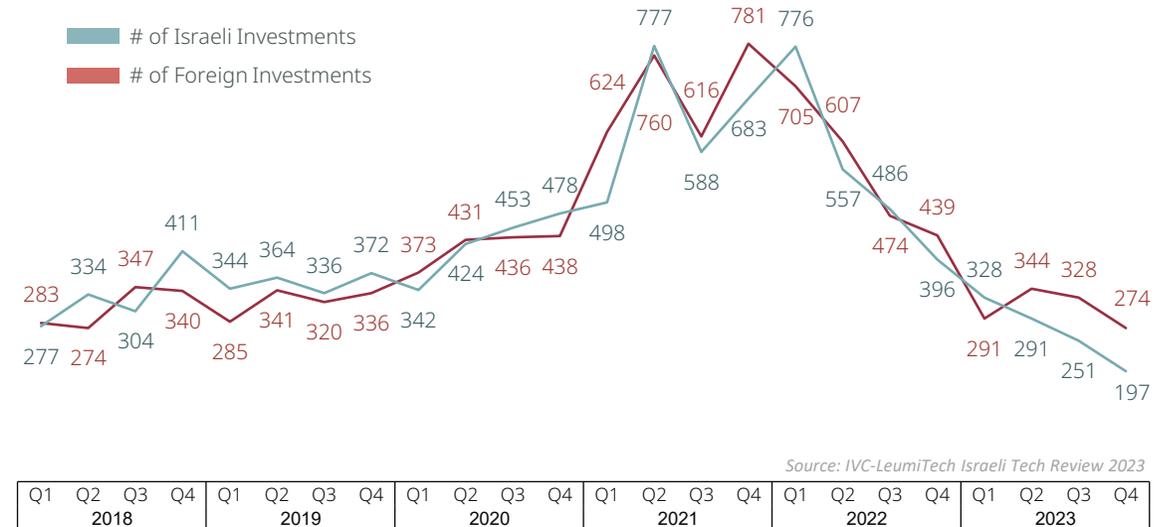
Israeli vs. Foreign Investments \$m 2015 - 2023



*Some Investors were undisclosed

**Investments performed by Investor Region

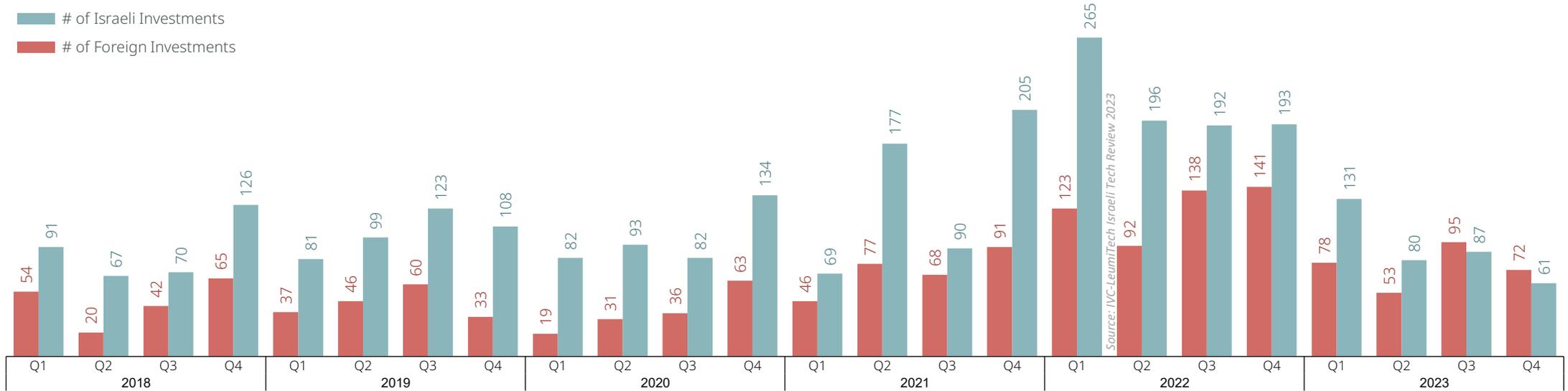
Israeli vs. Foreign: # of Investments Q1/2018 - Q4/2023



Israeli Vs. Foreign Investments – Seed Rounds

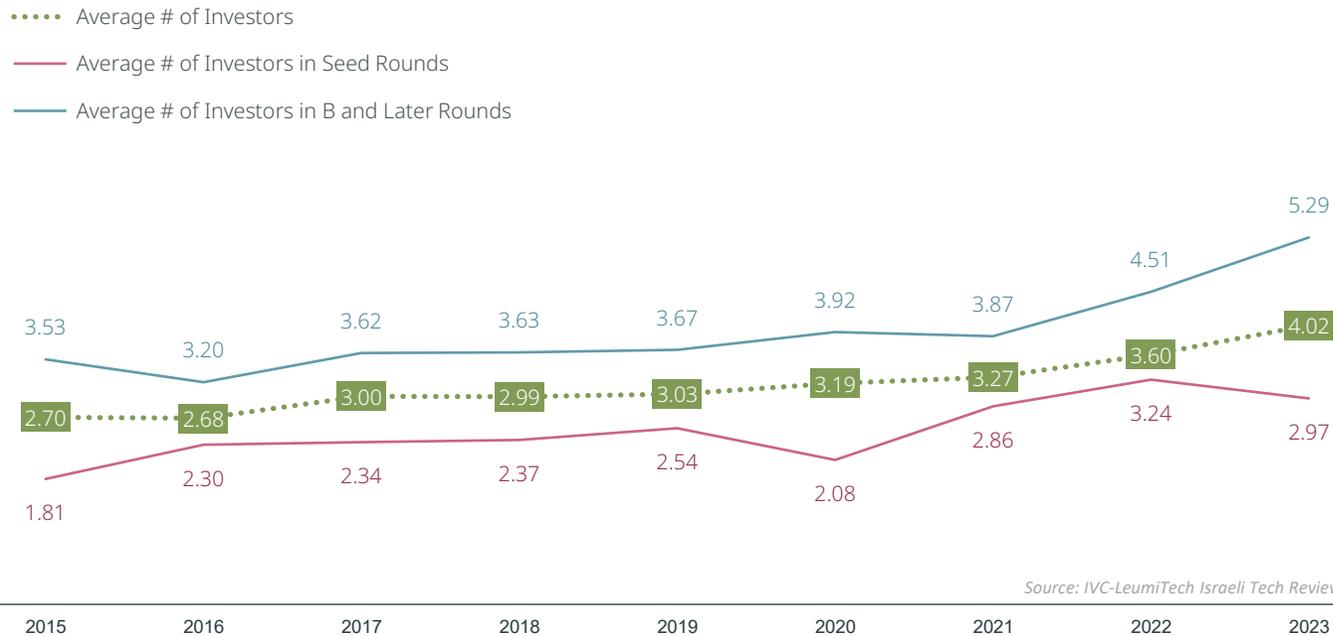
Israeli investors notably reduced their investments in seed rounds in 2023, compared to previous years and hence foreign based investments become more dominant in seed rounds during H2/2023.

▶ Israeli vs. Foreign: # of Investments in Seed Rounds Q1/2018 – Q4/2023



Number of Investors per Deal

► Average # of Investors per Round Type 2015 – 2023



Source: IVC-LeumiTech Israeli Tech Review 2023

In 2023, the average number of investors per round continued to grow, reaching a top of 4 investors compared to 2.7 in 2015.

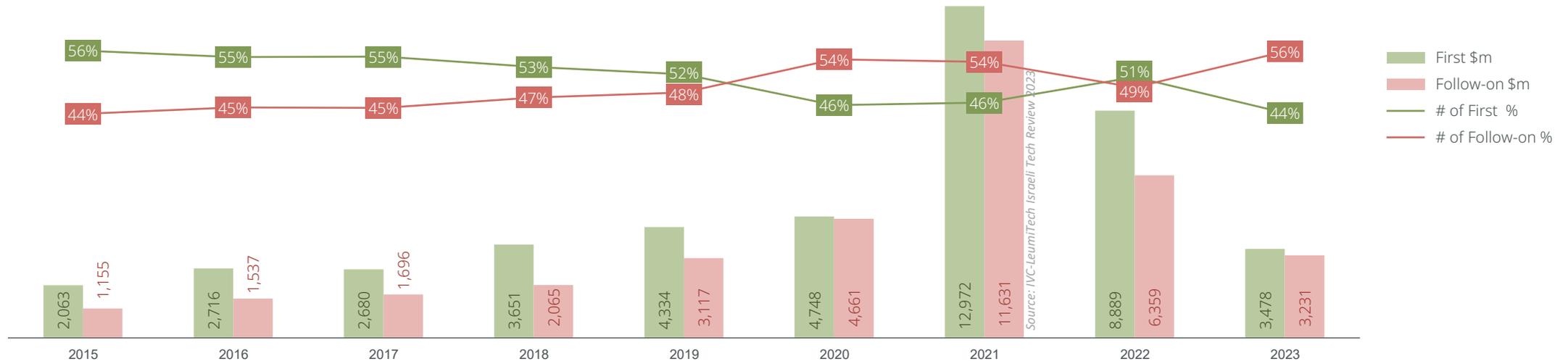
This was mostly due to the continued uptrend in B and later rounds, where the average reached 5.3 investors per deal.

Seed rounds maintained an average number of investors at 2021–2022 levels, which permitted raising necessary capital.

First Vs. Follow-on Investments

Investments in Israeli high-tech companies in 2023 contracted to 2018–2020 figures. Follow-on investments, however, experienced a turnaround, with shares growing to 56% of the total number of investments, compared to 49% in 2022.

► First Vs. Follow-on Investments 2015 – 2023

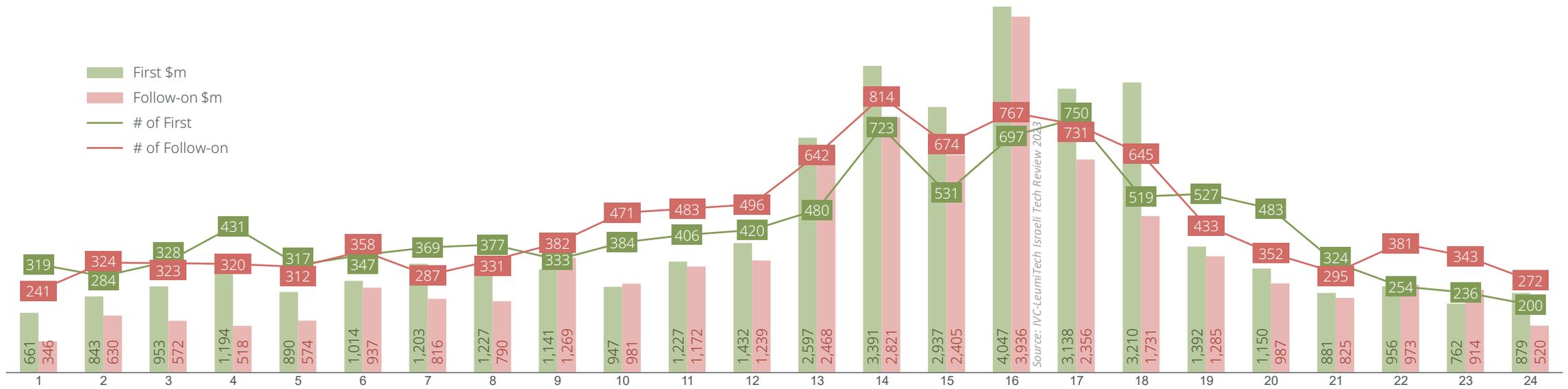


*Some Investors were undisclosed

First Vs. Follow-on Investments

The decline in investors' participants was in follow-on deals, where the numbers saw a significant drop to 2018 levels, while the number of participants in first investments didn't change.

► First Vs. Follow-on Investments Q1/2018 – Q4/2023

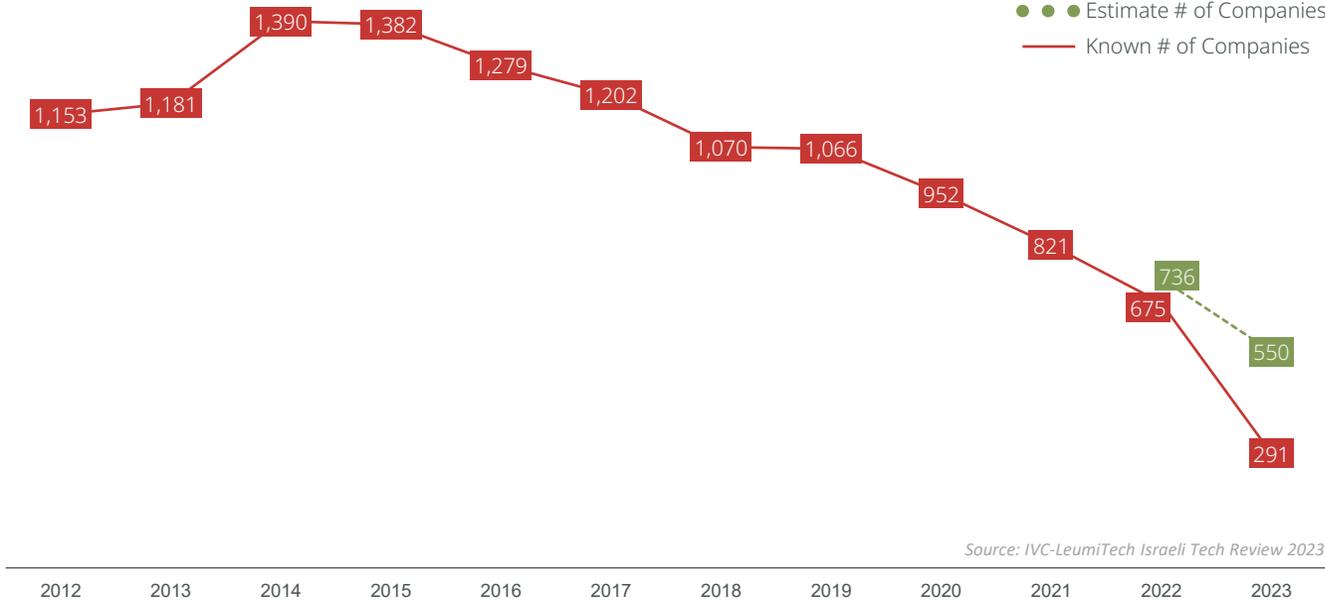


*Some Investors were undisclosed

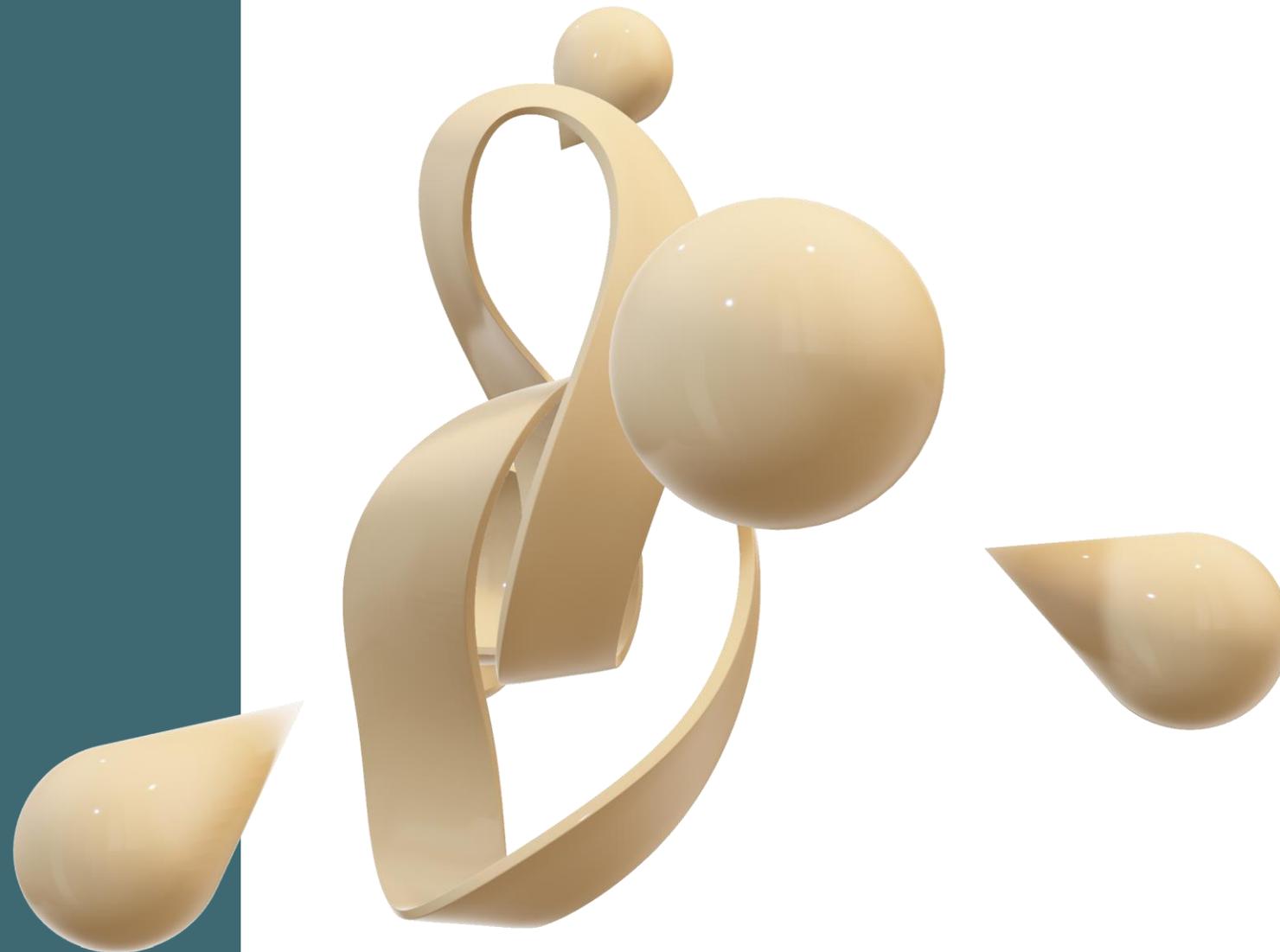
New Companies: Known and Estimation

According to IVC's estimate (see [Methodology](#)), the numbers will show nearly 550 companies for 2023, following more than 700 new companies in 2022.

► New Companies 2012 – 2023

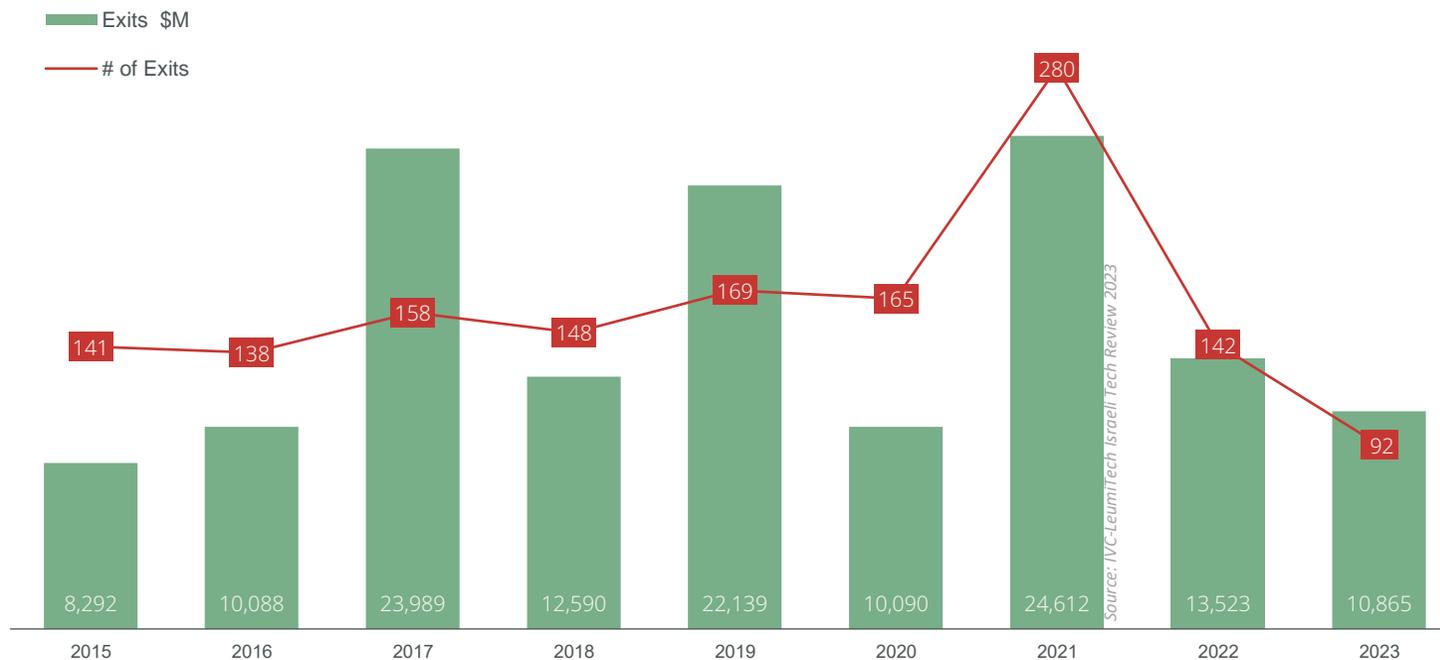


Q4/2023
Israeli
High-Tech
Exits



Israeli High-Tech Exits

▶ Israeli High-Tech Exits (M&As, Buyouts, IPOs) 2015 – 2023



In 2023, M&A capital proceeds summed up to \$9.77b, only 22% below 2022 amount. This was mostly due to the M&As over \$100m each, which amounted to \$8.95b this year.

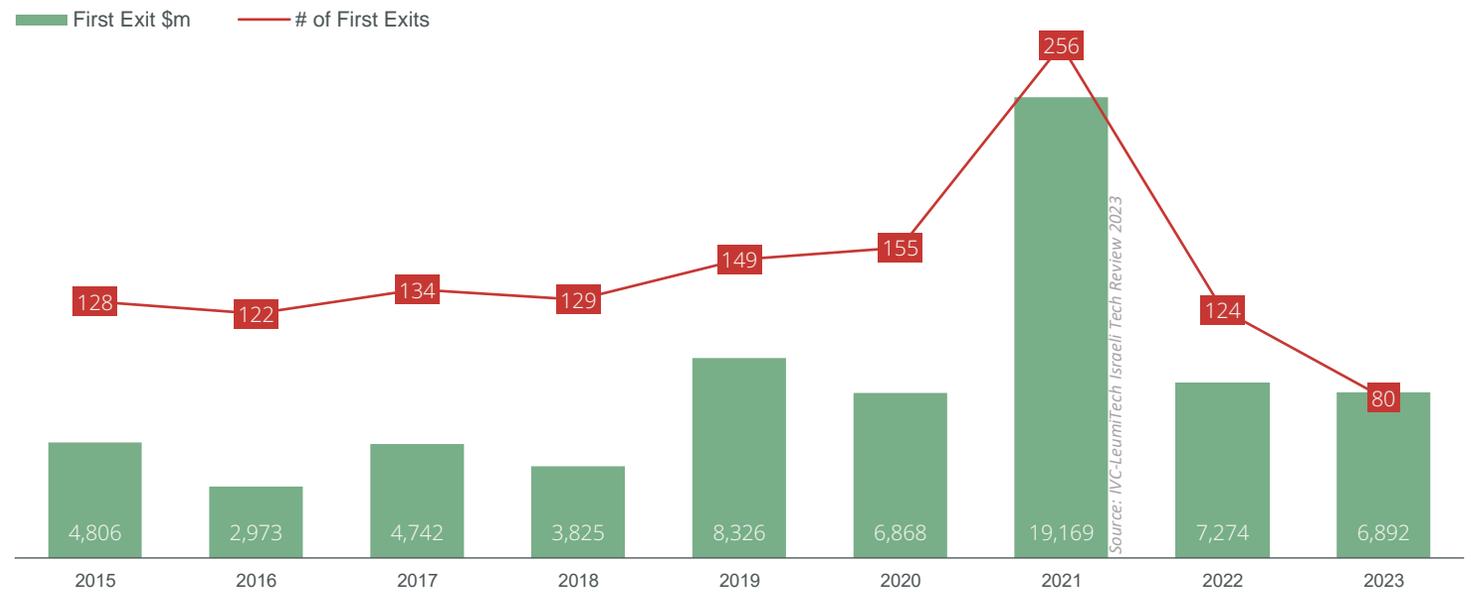
The most prominent was the acquisition of Imperva by Thales for \$3.6b in Q3/2023.

Only four Israeli high-tech companies went public in 2023, continuing the downtrend from 2022.

First Israeli High-Tech Exits

Excluding companies with exits which were not their first (i.e., M&A of a public company or a PE fund sale of a portfolio company that went through a buyout), dollar amounts from exits in 2023 seem much improved when compared with earlier years.

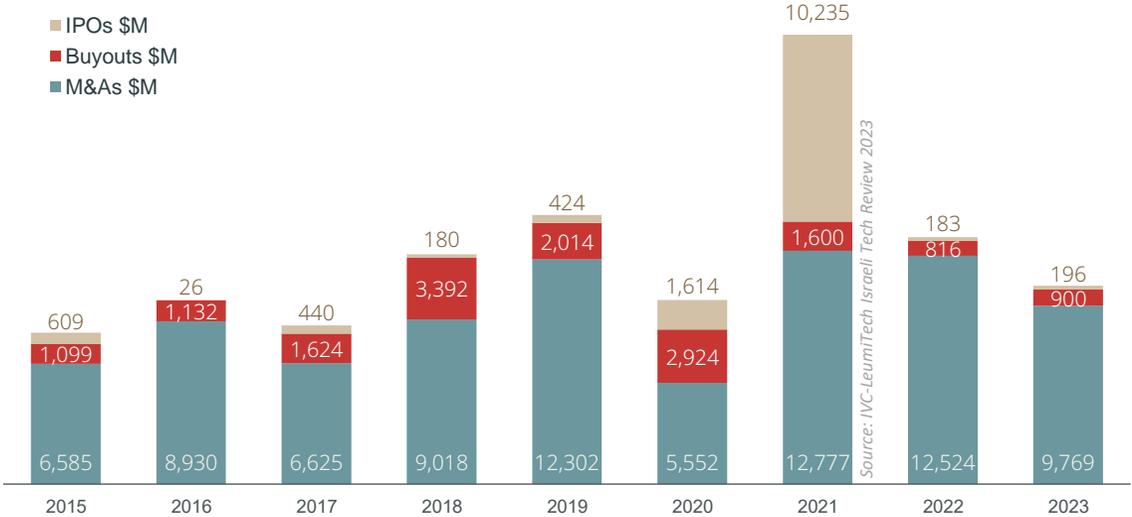
▶ Israeli High-Tech Exits (M&As, Buyouts, IPOs) 2015 - 2023



Israeli High-Tech Exits

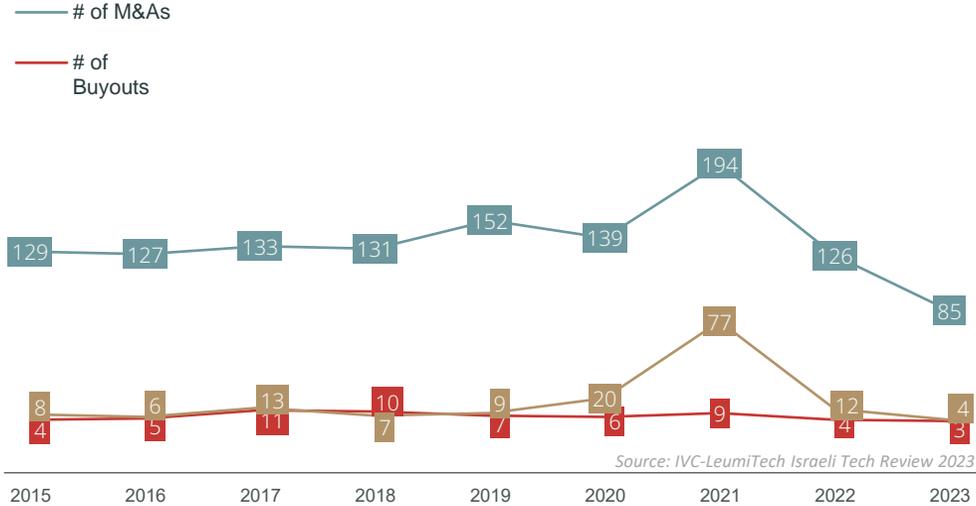
Just 85 M&A deals performed in 2023, a record low since 2015. Global capital markets were not a viable option for IPOs of Israeli high-tech companies in 2023.

Exits by Type \$m 2015 - 2023



* Exits under \$5B

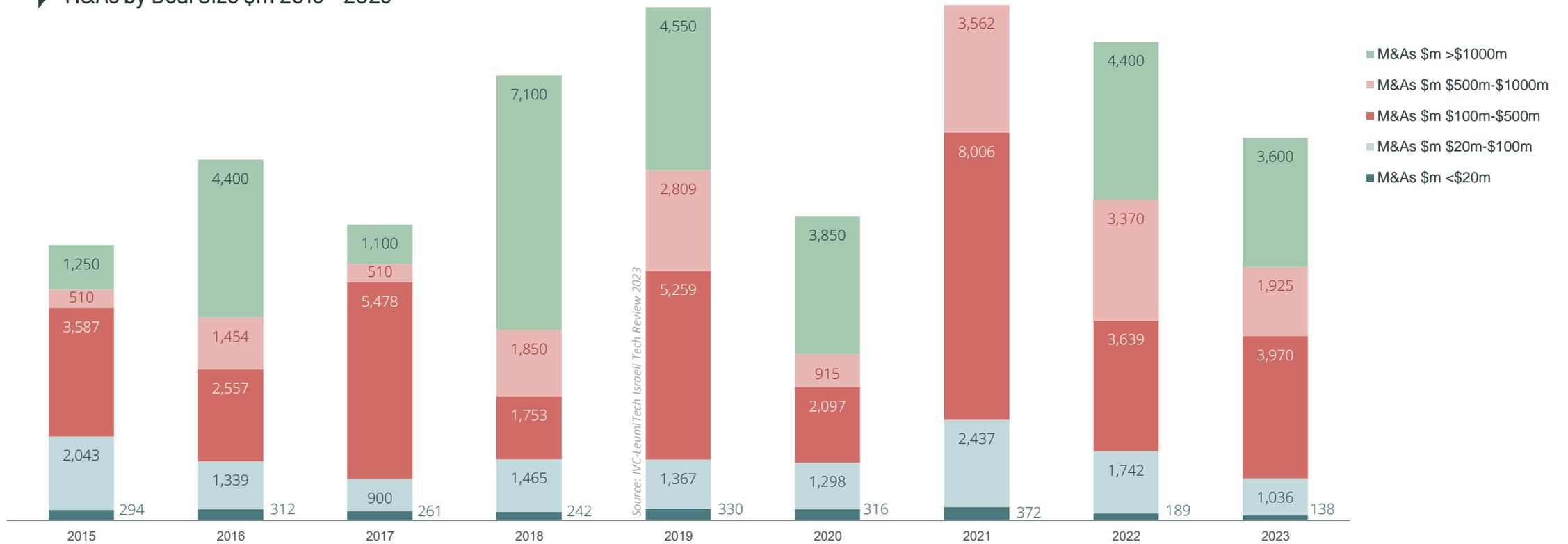
of Exits by Type 2015 - 2023



* Exits under \$5B

Israeli High-Tech M&As

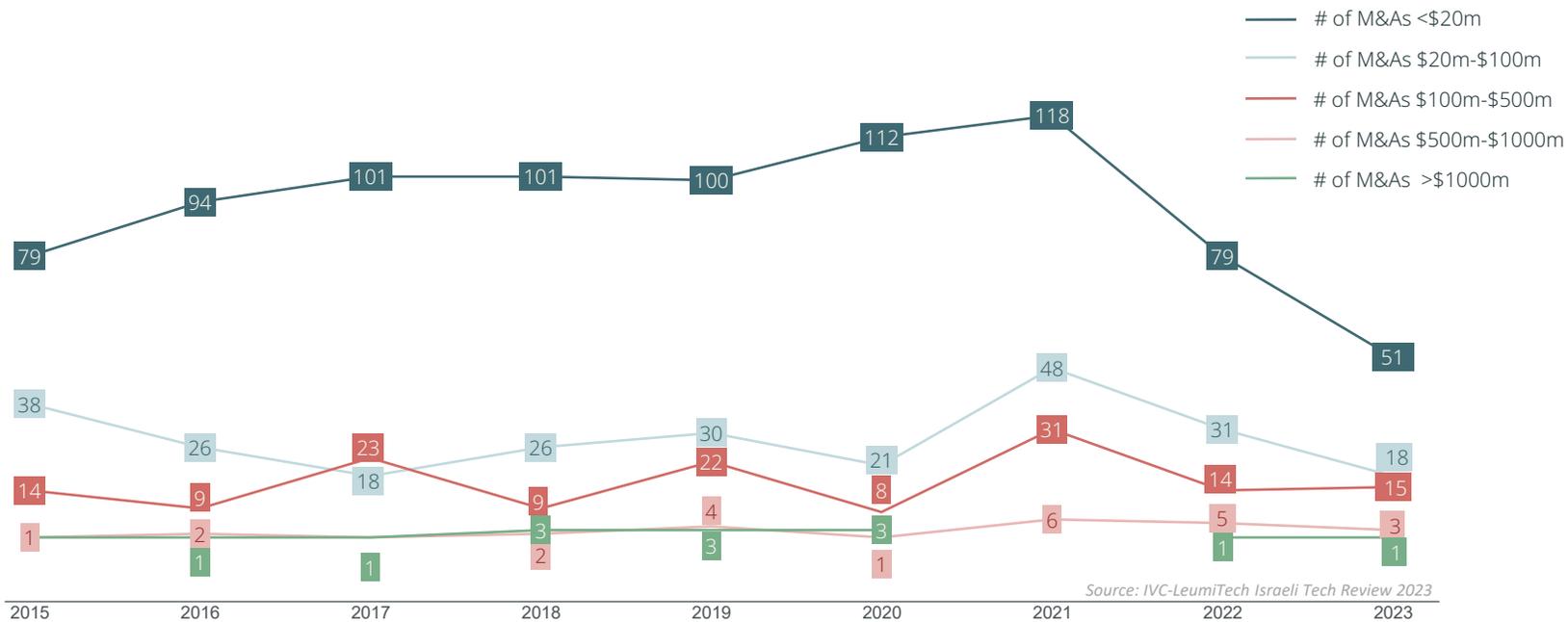
► M&As by Deal Size \$m 2015 – 2023



* M&A under \$5B

Israeli High-Tech M&As

► # of M&As by Deal Size 2015 - 2023



* Exits under \$5B

In 2023, there were 19 Israeli high-tech M&As over \$100m each, almost equal to 2022 with 20 M&A proceeds. Four M&As were above \$500m each this year.

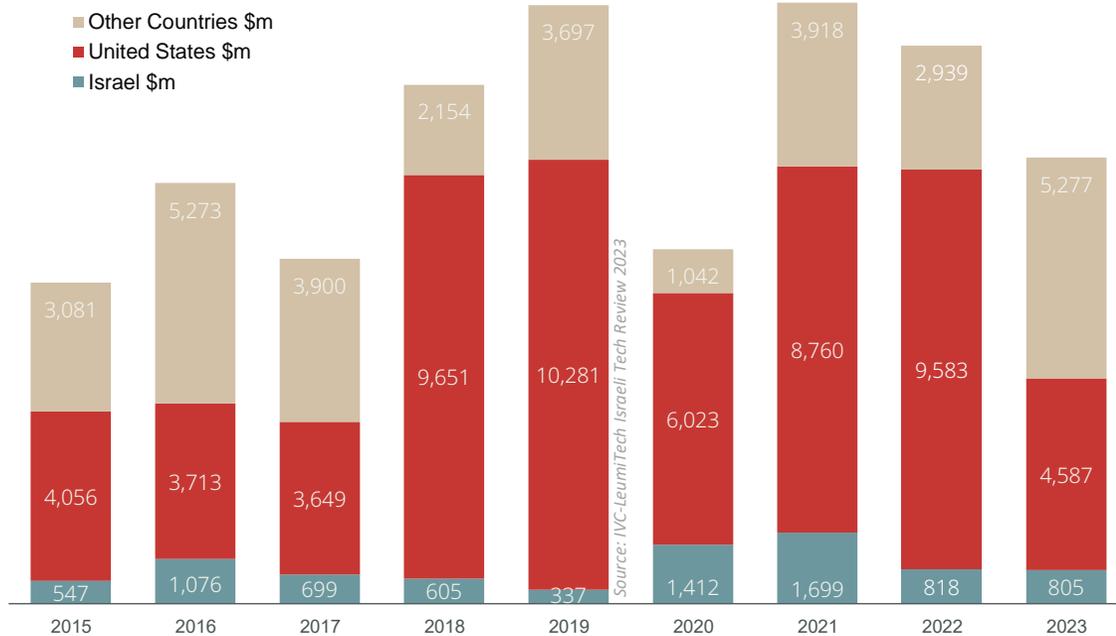
The major decrease in 2023, continuing the downtrend from 2022, resulted from M&As below \$20m, which were 35% down from 79 M&As in 2022.

M&A deals under \$100m each dropped significantly from the record numbers seen in 2021.

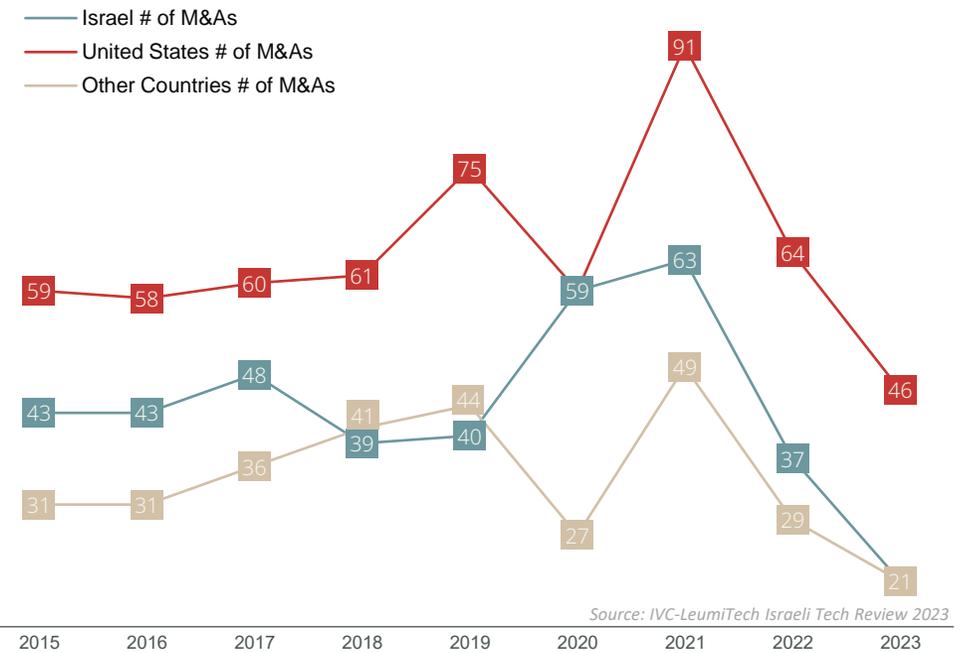
Israeli High-Tech M&As by Acquirer Country

The largest decrease in Israeli high-tech M&As occurred in the local market – 43% down in Israeli acquisitions by other Israeli companies. However, most significant was the 28% decrease in US acquisitions, as these compose the majority of annual acquisitions of Israeli high-tech companies.

▶ M&As by Acquirer Country \$m 2015 – 2023



▶ # of M&As by Acquirer Country 2015 – 2023



* Exits under \$5B

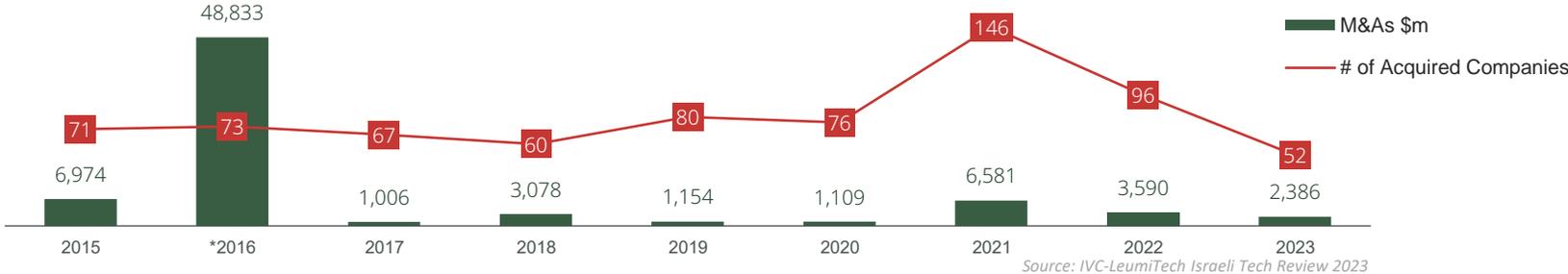
* Exits under \$5B

Israeli High-Tech Acquirers Activity

2023 was the weakest year for Israeli high-tech acquisitions since 2015. There were only 7 acquisitions over \$100m each, comprising 23% of total capital proceeds.

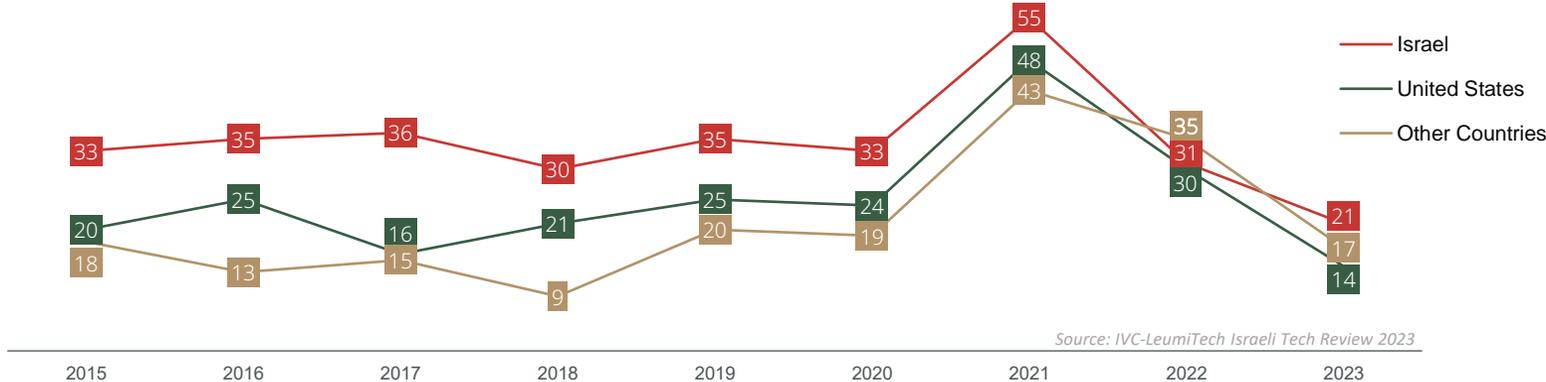
The largest acquisition was made by Rapyd Financial – the company acquired PayU GPO from Netherlands for \$610m. Second was Check Point with a \$490m acquisition of Israeli Perimeter 81. The third acquisition was made by NICE Systems, which acquired LiveVox from the US for \$350m.

Israeli High-Tech Acquirers Activity 2015 - 2023



* 2016 - Including 7 Teva acquisitions of over \$1B each

Israeli High-Tech Acquirers Activity by Acquired Company Region 2015 - 2023



Top M&As 2023

 Imperva Ltd. by Thales SA France \$3,600m	 CartiHeal Ltd. by Smith & Nephew UK \$330m	 Tigo Energy Inc. IPO NASDAQ \$117m
 Syqe Medical Ltd. by Philip Morris USA \$650m	 Dig Security Solutions Ltd. by Palo Alto Networks USA \$315m	 Spera Cybersecurity Ltd. by Okta USA \$115m
 Serverfarm Ltd. by Manulife Investment Management Canada \$650m	 Ermetic Ltd. by Tenable USA \$265m	 Sorrel Medical Ltd. by LTS Lohmann Therapie-Systeme Germany \$110m
 Talon Cyber Security Ltd. by Palo Alto Networks USA \$625m	 Telroaming Advanced Communication Solutions Ltd. (Webbing Inc.) by Wireless Logic UK \$225m	 youAPPi Ltd. by Affle India India \$110m
 Axis Cyber Security Ltd. by HPE USA \$500m	 Laminar Ltd. by Rubrik USA \$225m	 Veev Group Inc. by Lennar USA \$100m
 Perimeter 81 Ltd. by Check Point Israel \$490m	 Lightspin Technologies Ltd. by Cisco USA \$225m	 Cloudify Platform Ltd. by Dell Inc. USA \$100m
 Bionic Inc. by CrowdStrike USA \$350m	 Cobwebs Technologies Ltd. by Spire Capital USA \$200m	 PowerInbox Ltd. (Jeeng) by OpenWeb Israel \$100m
 Autotalks Ltd. by Qualcomm Inc. USA \$350m	 365scores Ltd. (SportsArena) by Entain UK \$160m	

Source: IVC-LeumiTech Israeli Tech Review 2023

Israeli High-Tech Companies Public Offerings

IPOs Q1/2018 - Q4/2023



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

Source: IVC-LeumiTech Israeli Tech Review 2023

In 2023, one Israeli high-tech IPO exceeded \$100m – Tigo Energy SPAC Offering on NASDAQ amounted to \$117m. No IPOs were made in Q4/2023.

IPOs Valuations Q1/2018 - Q4/2023

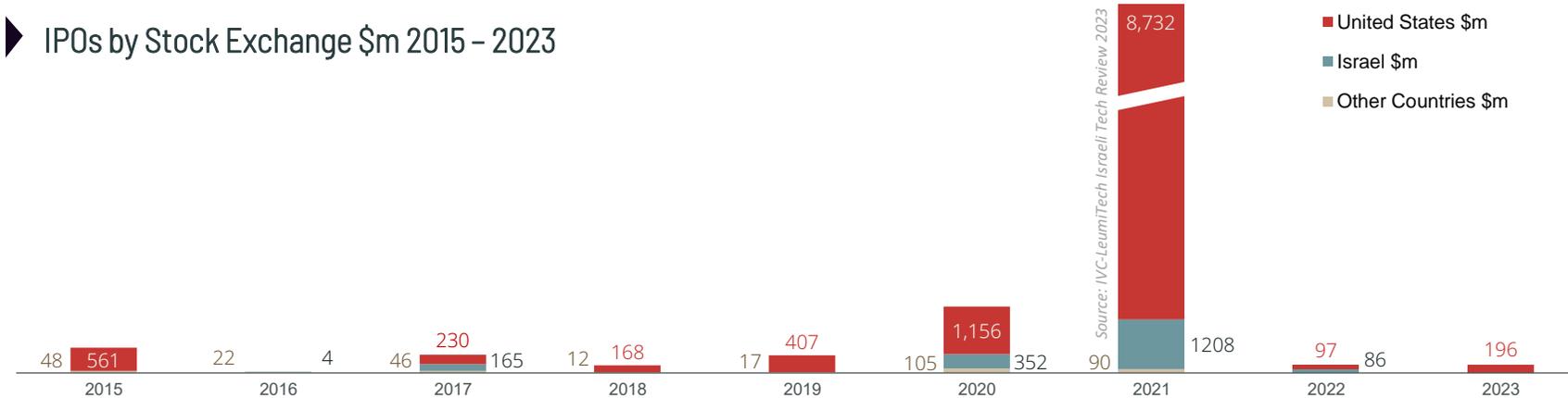


*IPOs under \$5B
**Including SPAC deals

Source: IVC-LeumiTech Israeli Tech Review 2023

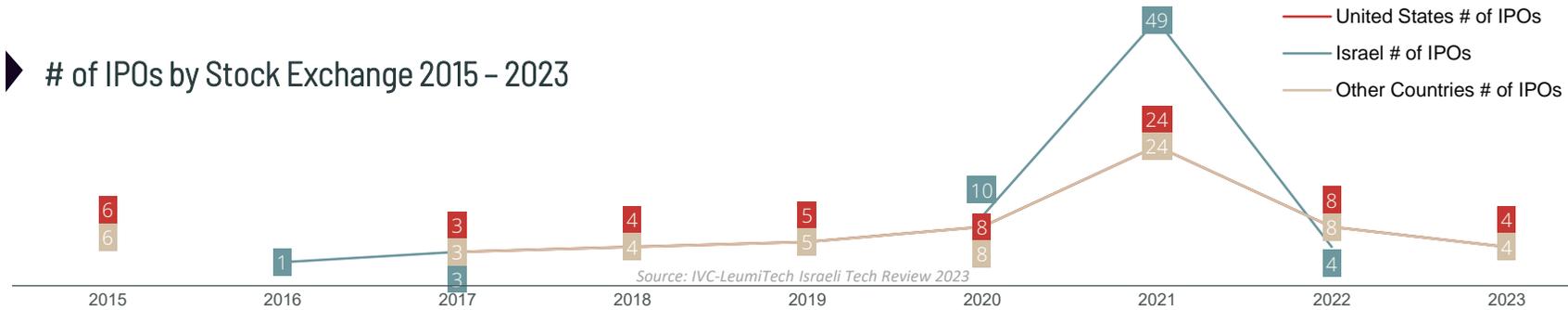
Israeli High-Tech Companies Public Offerings

IPOs by Stock Exchange \$m 2015 - 2023



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

of IPOs by Stock Exchange 2015 - 2023

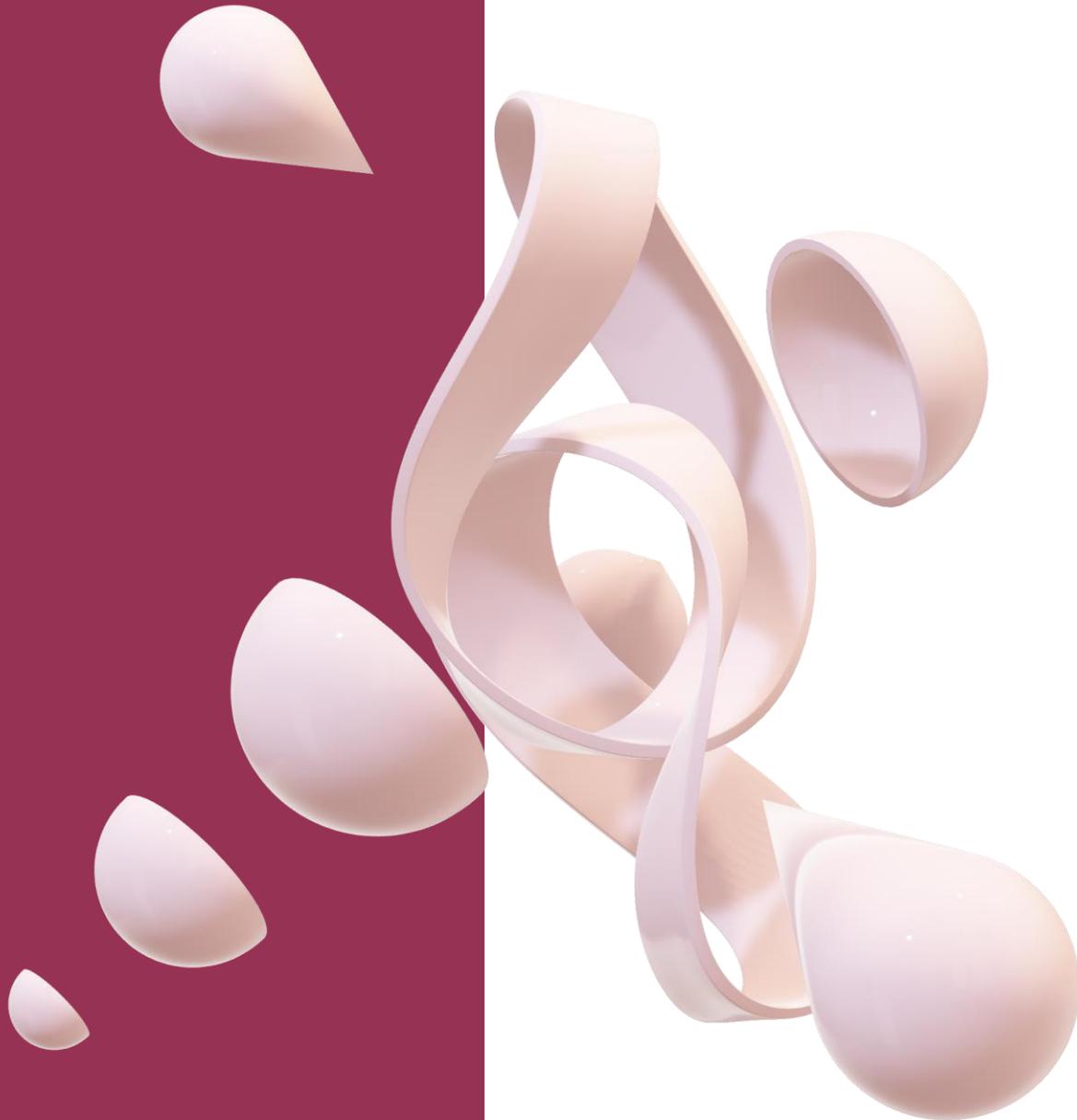


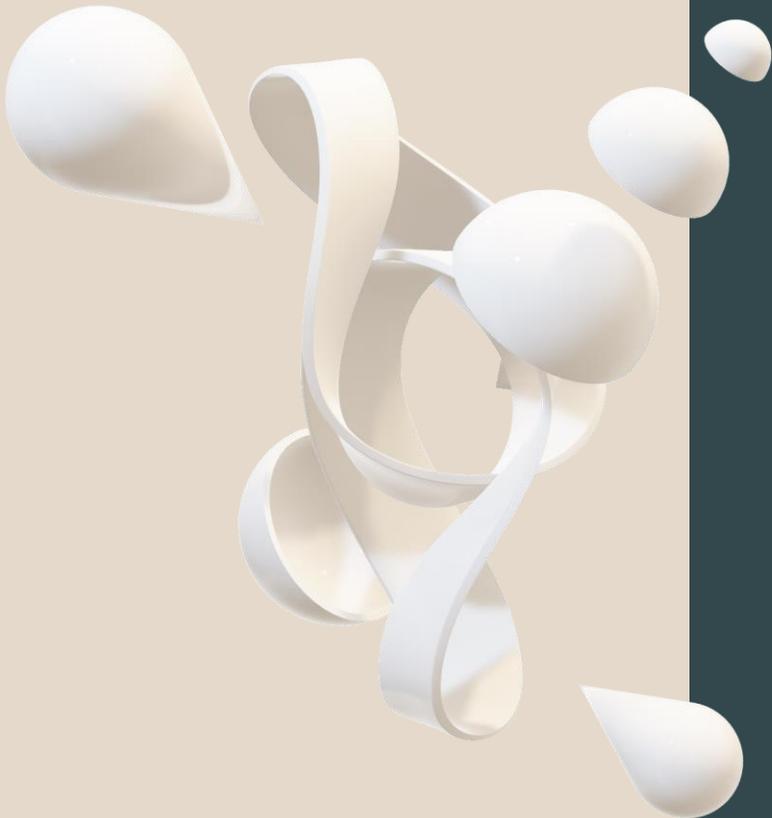
*IPOs under \$5B
**Including SPAC deals

In 2023, all 4 Israeli high-tech IPOs were performed at US Stock markets.

Q4/2023 ended with no Israeli tech IPOs.

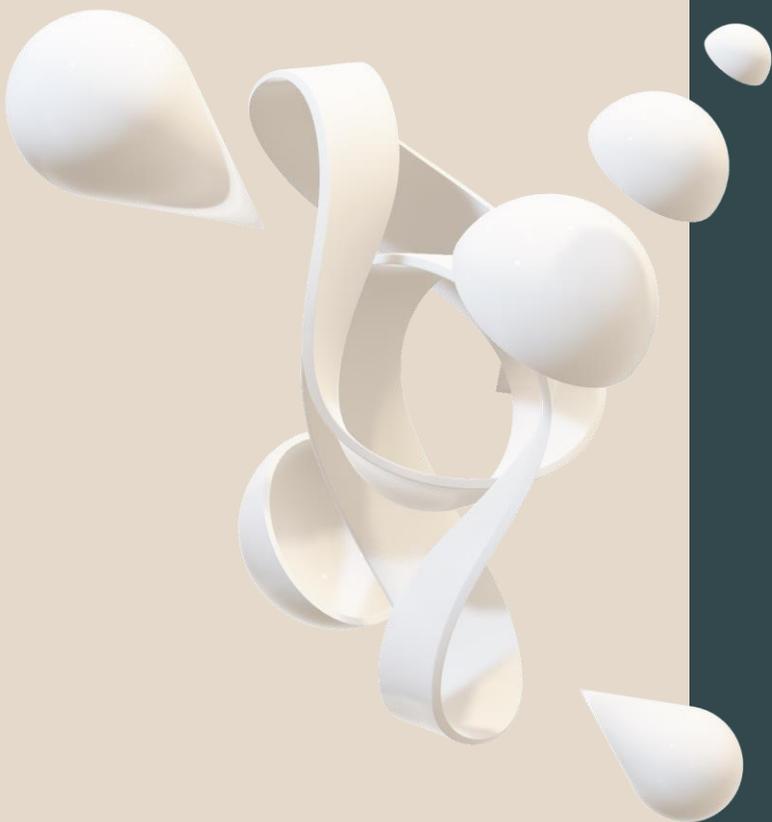
2023 Methodology





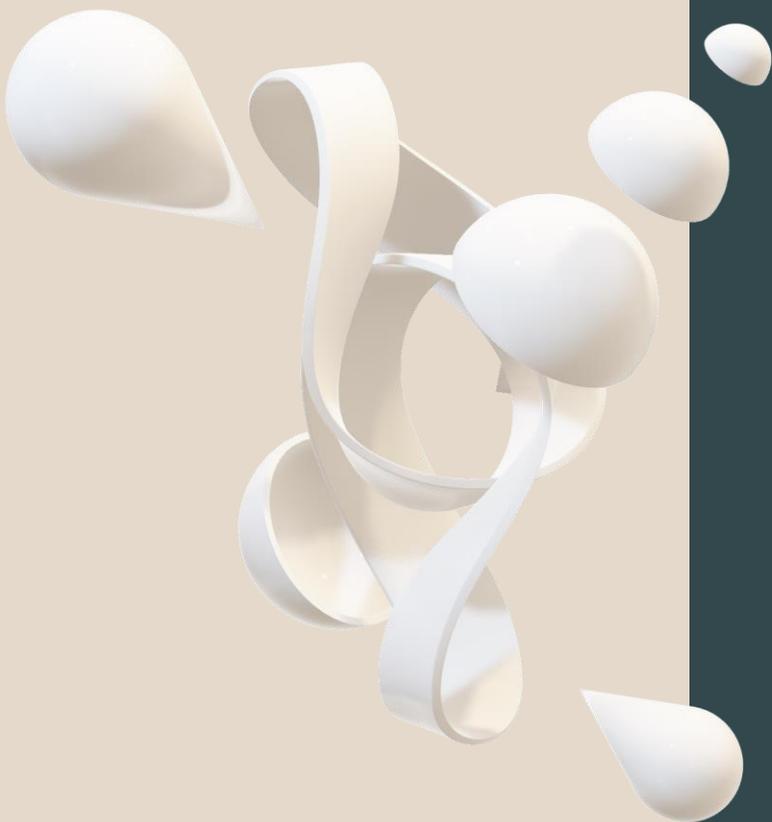
Methodology | General

- 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 - 2023. "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

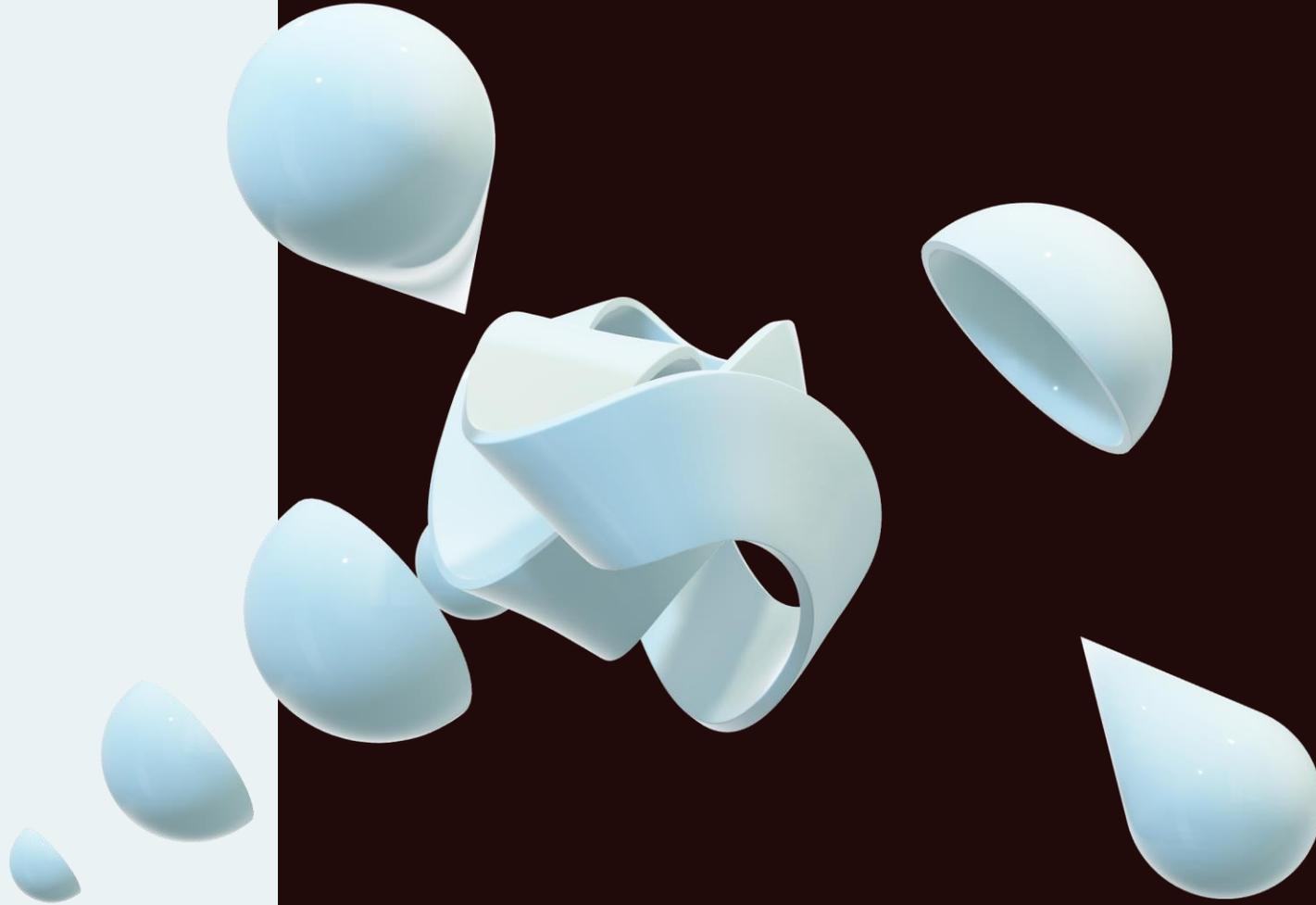
- This report reviews capital raised by Israeli tech companies from Israeli and foreign venture capital funds as well as from other investors, such as investment companies, corporate investors, incubators and angels.
- Reported data presents the investments activity IVC collects from reliable media sources, 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 402 investors of which 65 were Israeli VC funds and 337 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 25 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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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



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