

IVC-LeumiTech Israeli Tech Review Q3/2023

The full report will be published in early October.

A beginning of Stabilization

**First data from the IVC and LeumiTech report,
summarizing the third quarter of 2023 in the Israeli tech sector:**

- **Israeli high-tech companies raised \$1.676 billion in the third quarter of 2023 in 85 deals**
- **The volume of capital raising in the third quarter reflects a 14% decrease from the last quarter, but stability is evident compared to the first quarter of the year**
- **The volume of foreign investors has also stabilized compared to the last quarters**

The stabilization in capital raising by Israeli high-tech companies continues: Israeli high-tech companies raised 1.676 billion dollars in the third quarter of 2023 in 85 transactions. The amount of fundraising reflects a 38% decrease over the year and compared to the amount raised in Q3/2022, and a 41% decrease in the number of transactions compared to the corresponding quarter last year. However, in a quarterly comparison, the volume of capital raising in the third quarter reflects a decrease of only 14% compared to the second quarter of the year, and almost no change compared to the first quarter.

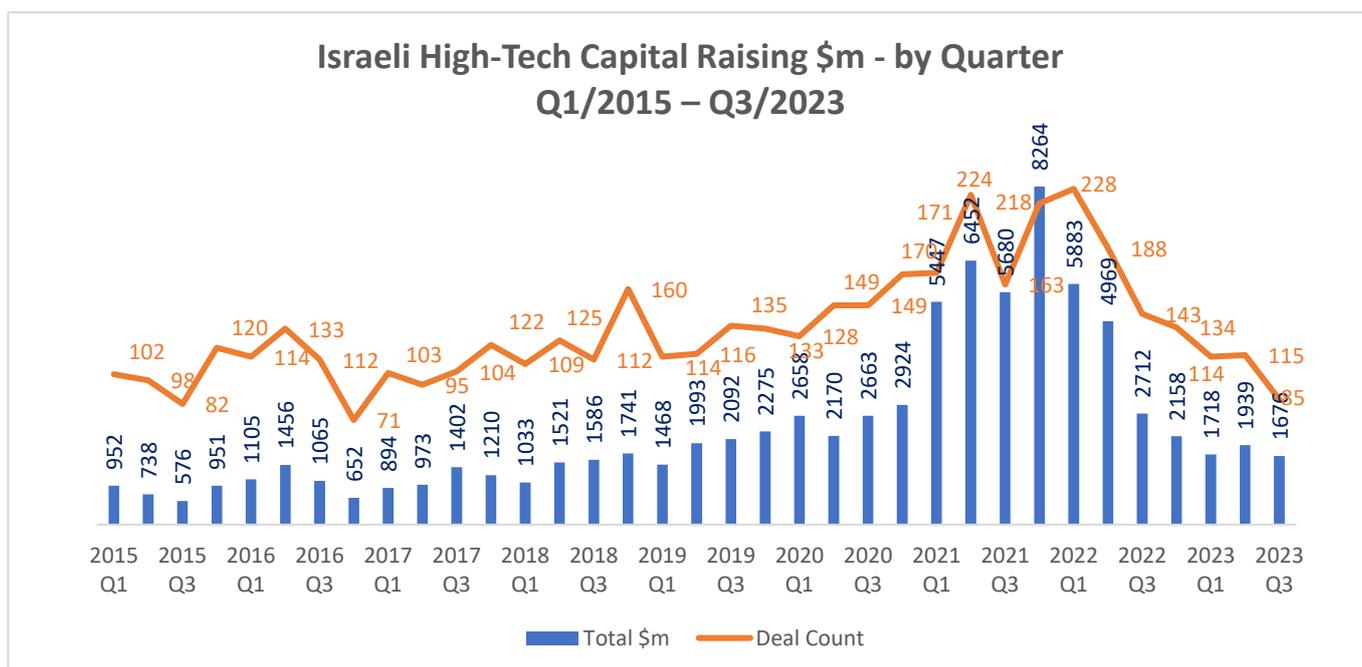
The data provide a first glimpse of investment activity in Israeli high-tech in the current quarter. The full results will be published in the full report - Israeli Tech Review for Q3/2023 - which is expected to be released towards mid-October.

LeumiTech CEO, Maya Eisen-Zafir:

"We continue to see in the 3rd quarter's data the first signs of stabilization in the amount and scope of capital raising, which bring us to the levels of 2018-19. Although there is still a decrease in initial investments (early rounds) - it is more moderate compared to what we saw in previous quarters. In addition, we recognize a stabilization in the rate of follow-on investments, an indication that the companies are beginning to adjust their value to the new interest rate environment."

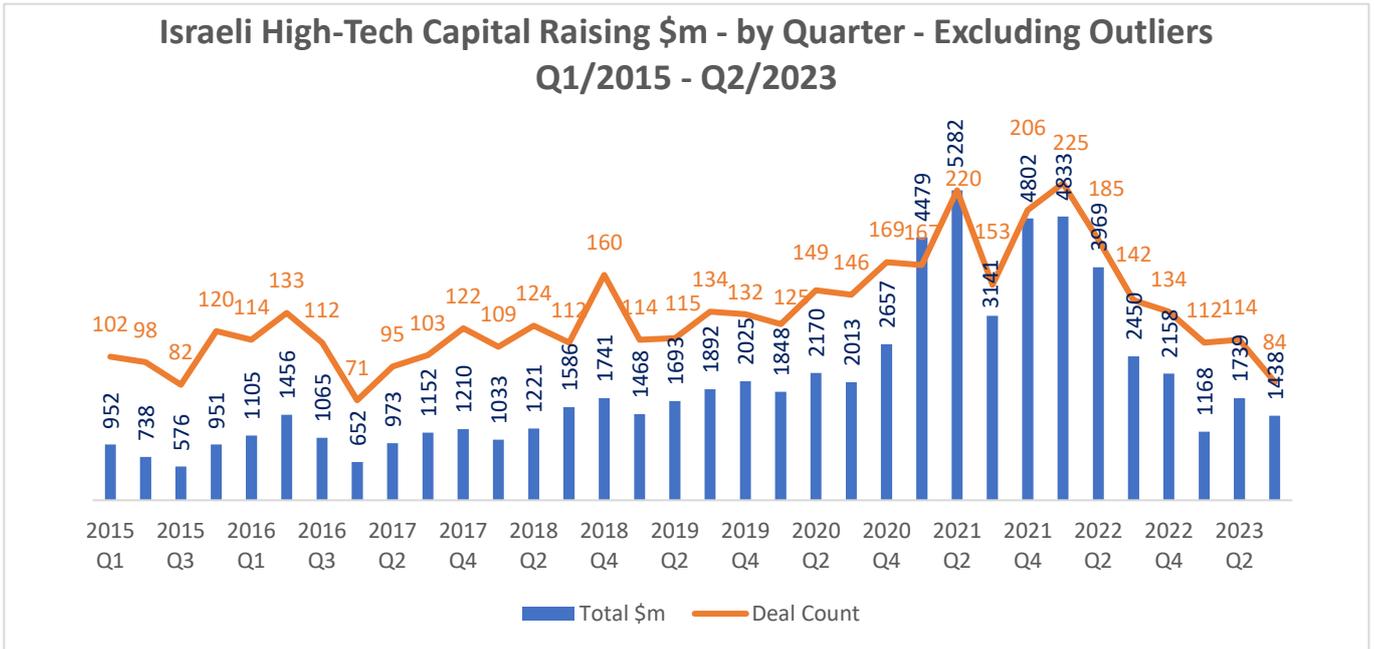
Highlights from the report

If we exclude the mega deals (over \$200 million), that have recently become rare (in the third quarter there is only one relevant deal: a \$238 million investment in Cato Networks), from the analysis of the last quarters we can see the change in trend more clearly from a downward slope to stabilization. The third quarter is significantly higher than the figures of the first quarter, and according to IVC's assessment, the final figures of the quarter will reflect a volume of investments close to what we saw in the second quarter.



Source: IVC-LeumiTech Israeli Tech Review Q3/2023

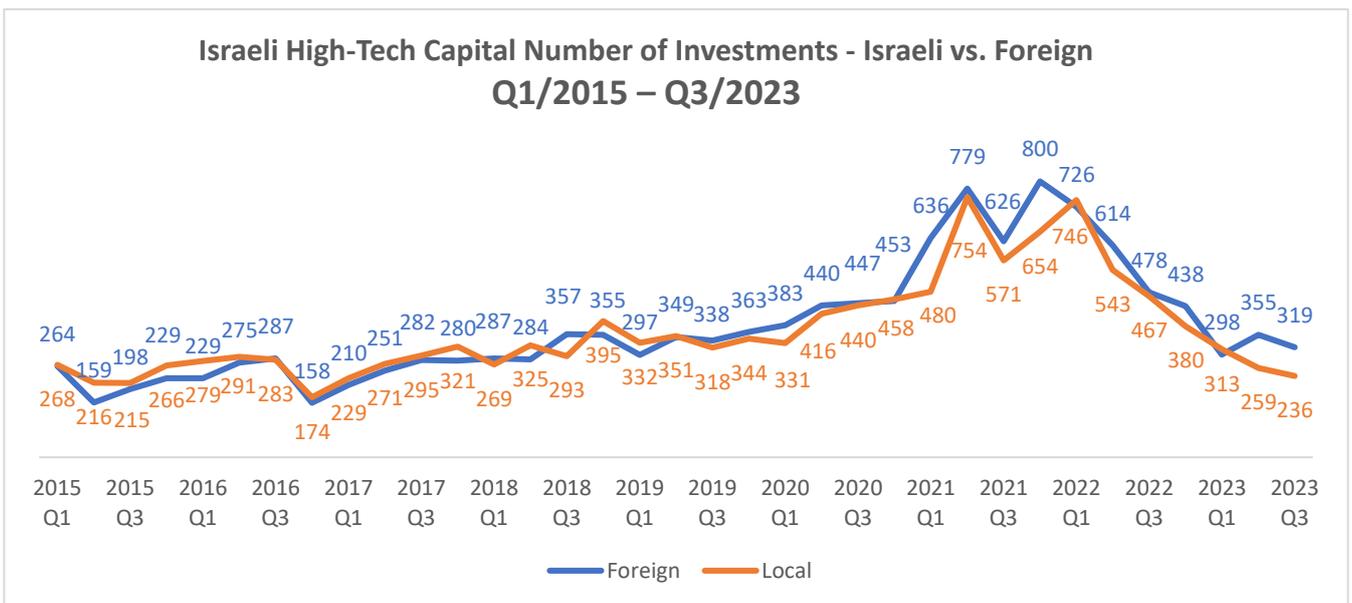
Fund Raising Volume – a lack of large transactions.



Source: IVC-LeumiTech Israeli Tech Review Q3/2023

Presence of foreign investors in the third quarter

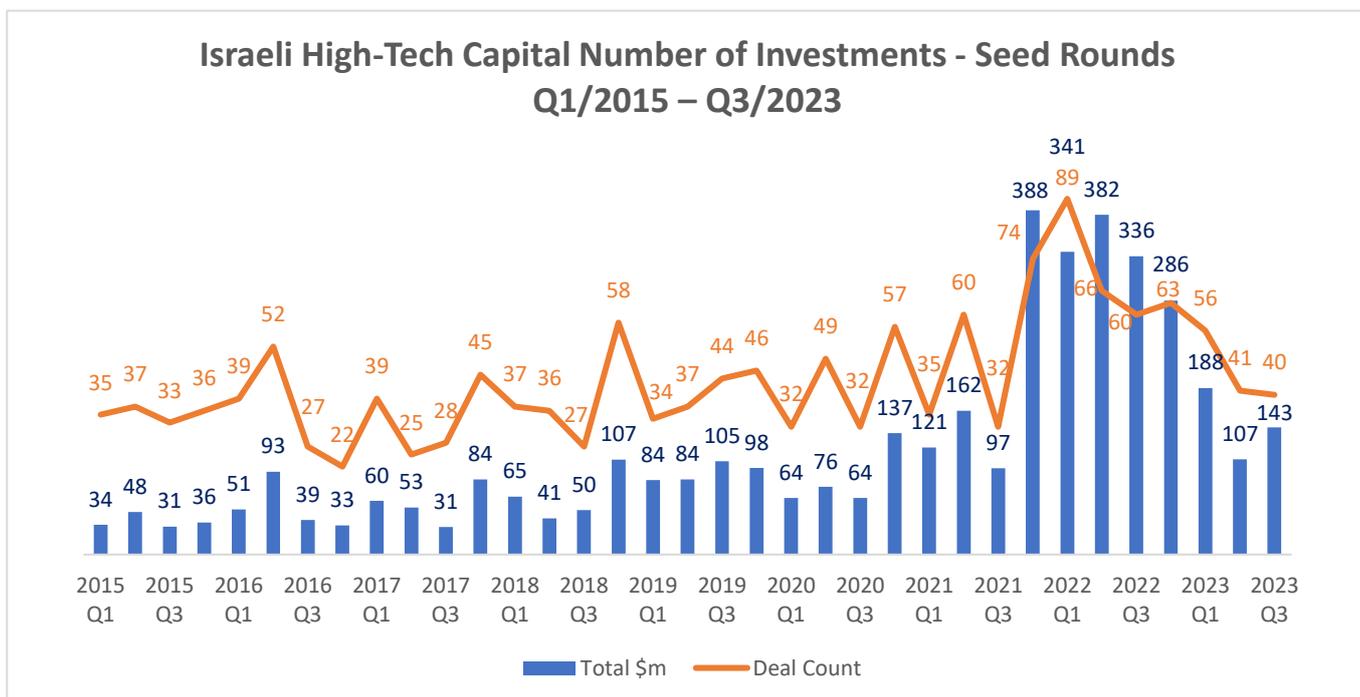
The presence of foreign investors, which is reflected in the amount of transactions carried out by investors who are not in Israel, is often a significant sign of the availability of money for investment and this decreased slightly compared to the second quarter. However, the figure in the third quarter for the volume of transactions by foreign investors was higher than in the first quarter this year, and supports the continuation of the stabilization trend.



Source: IVC-LeumiTech Israeli Tech Review Q3/2023

Seed funding after a 5-quarter consecutive decline

A positive trend is also evident in the seed fundraising rounds, which indicate the sentiment of investors to take risks in start-up companies, and the ability of new companies to grow. The amount of capital raised in these rounds rose for the first time in the third quarter, after 5 consecutive quarters of decline. The number of rounds is somewhat lower than those in the second quarter, but according to IVC's assessment, the numbers at the end of the quarter will indicate a change in trend in the number of companies that raised capital.



Source: IVC-LeumiTech Israeli Tech Review Q3/2023