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LEUMI **TECH**

ISRAELI TECH REVIEW Q2 2024

Highlights

Israeli Tech Investments

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Q2/2024 Israeli Tech Highlights



Highlights – H1/2024

From the aggregate point of view the M&As arithmetic should be simple. In good times - when financial markets welcome new public offerings and liquidity allocation for private companies is climbing – a motivation to get acquired could be related to high multiples on the investment (or sales/earnings) or in cases of fire sales. On the other hand, when things are less rosy in the public markets or liquidity is questionable, the main motivation for M&A proceeds should be to reduce risk, and as a side effect, it comes with lower multiples.

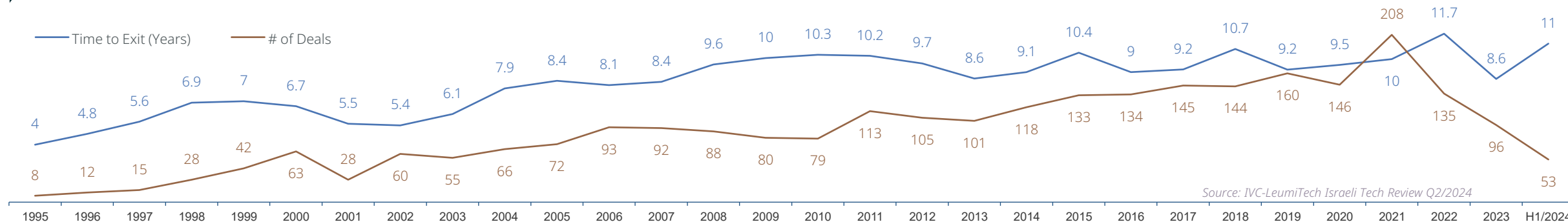
However, this arithmetic has another layer – the time to exit (TTE). According to the mentioned ideas, startups which expect higher valuation in the future, won't be motivated to sell. On the other side, when company stakeholders wish to minimize risks, they will be much more enthusiastic to sell. Analyzing Israeli M&A figures – the number of deals vs TTE – creates more complex observations. It seems as if the two arrays move in almost perfect correlation. While we should have expected high number of deals with lower TTE (in bad times) and vice-versa (in good times), we get large number of deals with increasing TTE along the years.

Though the relations between the two data sets are not linear, the trends offer us a bit more clarity regarding the Israeli M&As landscape:

1. Both figure types are heading up for the most part in the last 30 years. So, in the long run (10 – 20 years), more M&As are in line with higher TTE. This means that other forces enhance the motivation to sell companies' equity.
2. Sharp changes in the number of deals align with (sharp) moves in the average TTE.

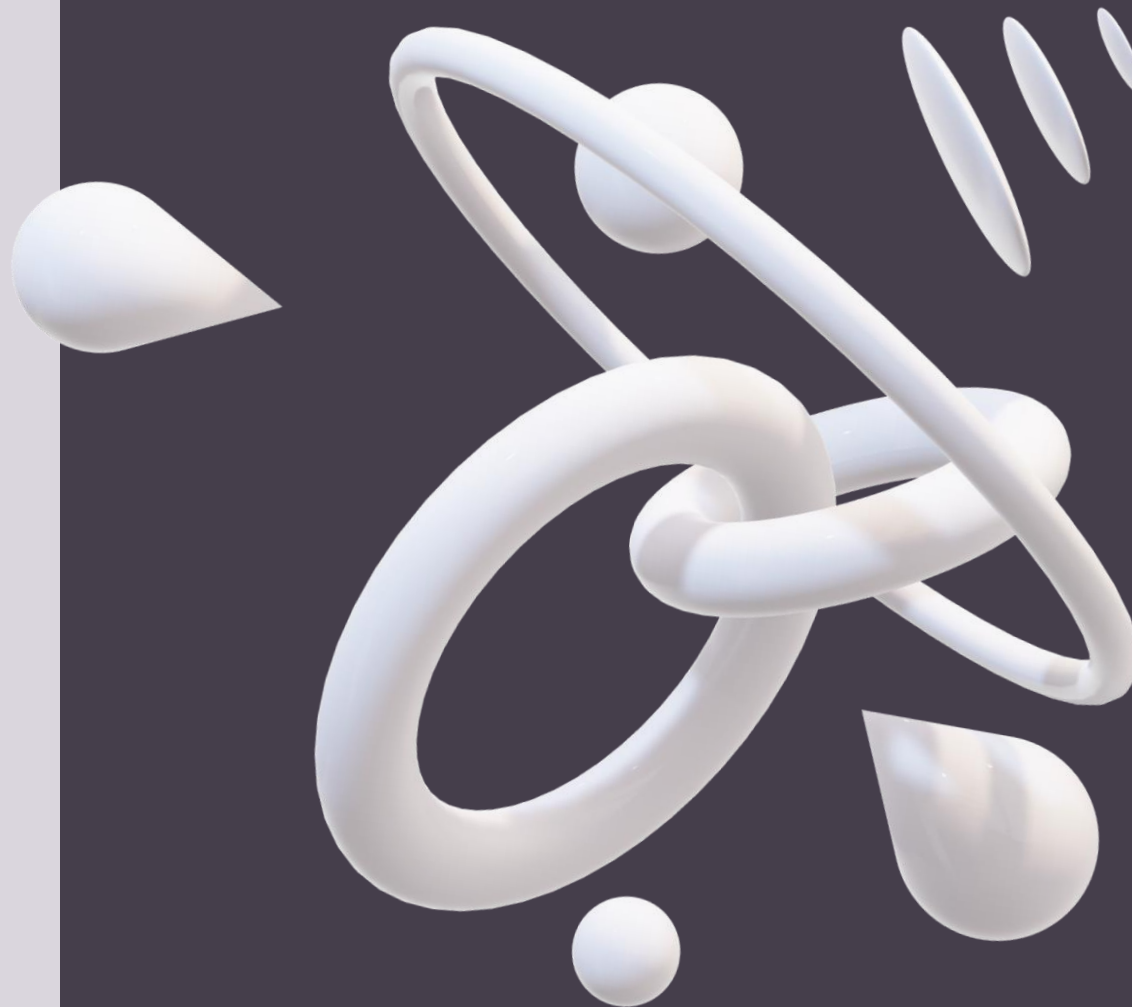
In H1/2024 the TTE moved sharply higher, while the number of deals increased compared to H1 – H2/2023 (not reflected in the plot). We saw this pattern several times in the local M&As arena. A sharp rise in the average TTE is followed by a higher number of M&As, same year or the next. And this is probably what we would find in 2024 – 2025.

► # of M&A Deals vs Average Time To Exit



Source: IVC-LeumiTech Israeli Tech Review Q2/2024

Q2/2024 Israeli High-Tech Investments



Israeli High-Tech Investments

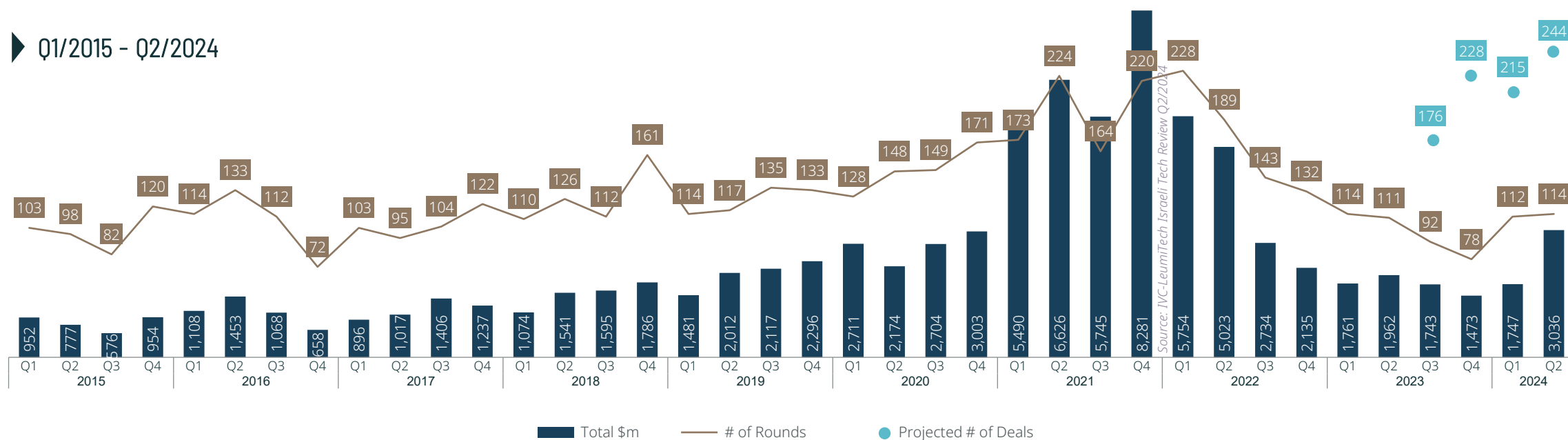
In Q2/2024, Israeli tech continued the turnaround we have been seeing over the last six months. H1/2024 was the first time since H2/2021, when total amounts and number of deals changed course and started to climb.

The recovery we saw in H1/2024 included some unique capital amounts, especially the \$965m investment in Wiz during Q2/2024. Nevertheless, excluding this deal, H1/2024

capital raised still exhibited a 19% growth compared to H2/2023, and 3% growth in Y/Y comparison.

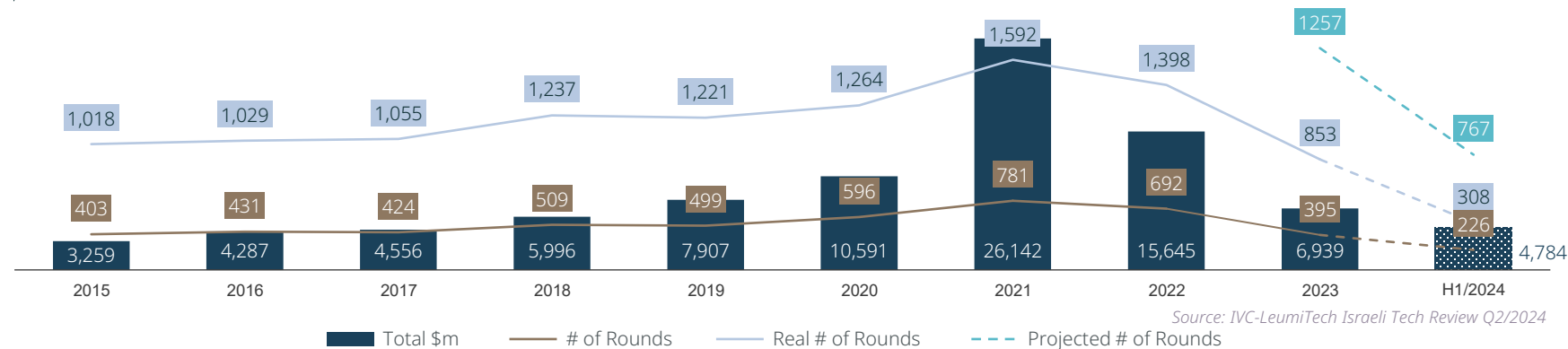
On the quarterly level, Q2/2024 was the first time since Q1/2022, when both amounts and number of deals were above their sequential (Q/Q) and annual (Y/Y) comparisons.

► Q1/2015 - Q2/2024



Israeli High-Tech Investments

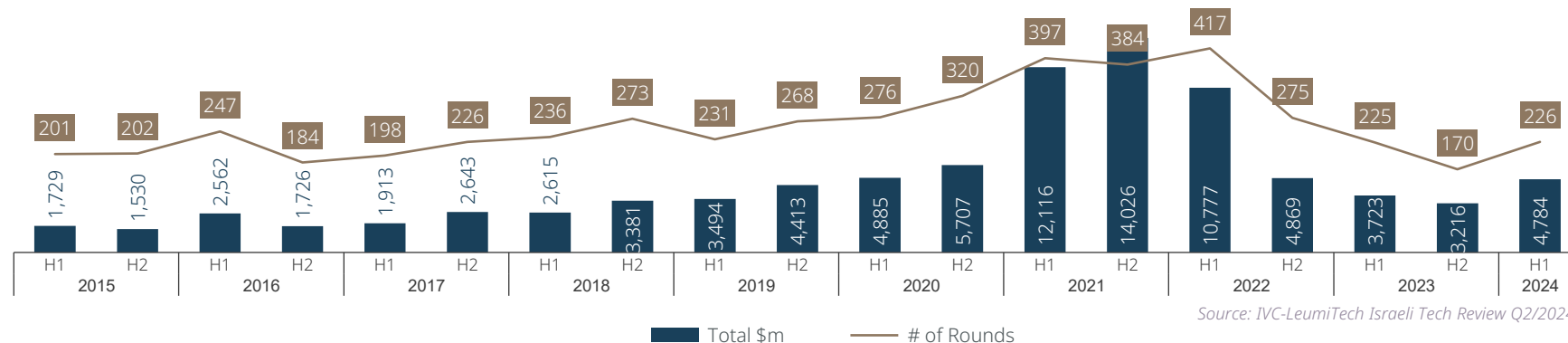
► 2015 - H1/2024



So far, 2024 is set to be a positive year compared to 2023, following the two years of the downtrend.

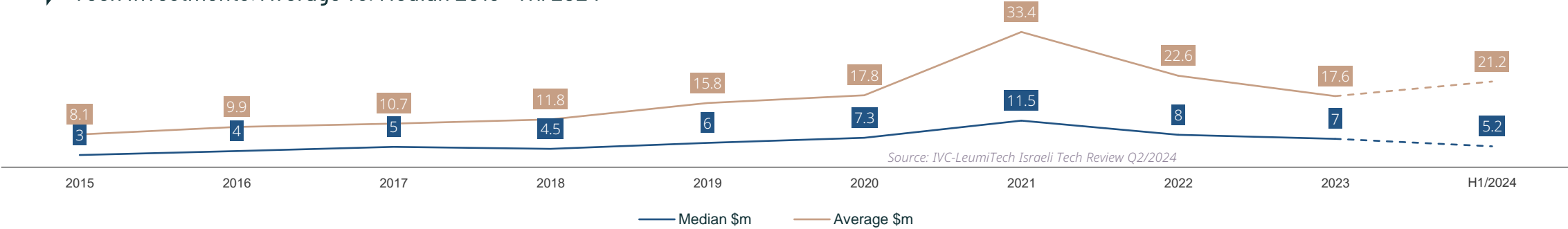
The number of deals in H1/2024 is on pace to be much higher than 2023. IVC's estimation for the real number of deals (including deals which are excluded from the report, (view IVC [methodology](#) for more details), shows a clear directional change in the number of deals for 2024.

► H1/2015 - H1/2024

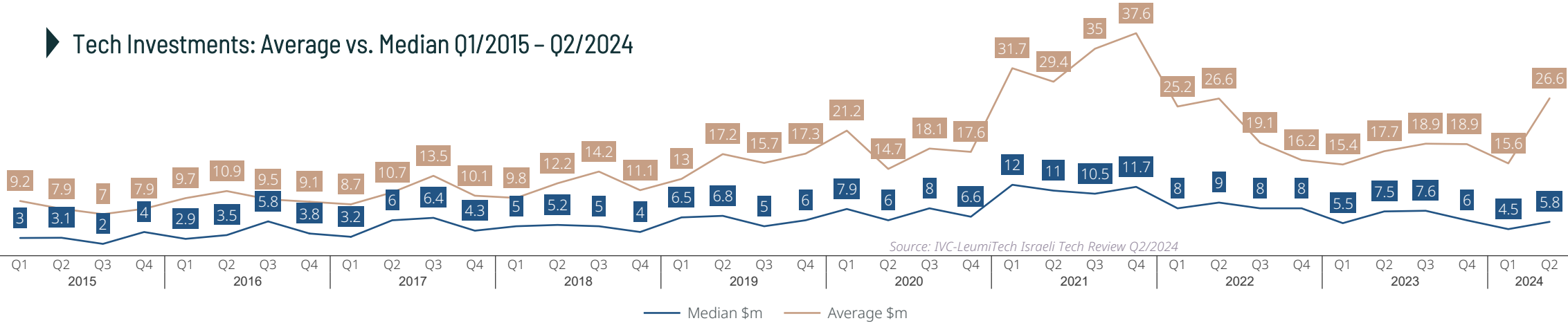


Israeli High-Tech Investments: Average/Median Figures

Tech Investments: Average vs. Median 2015 - H1/2024



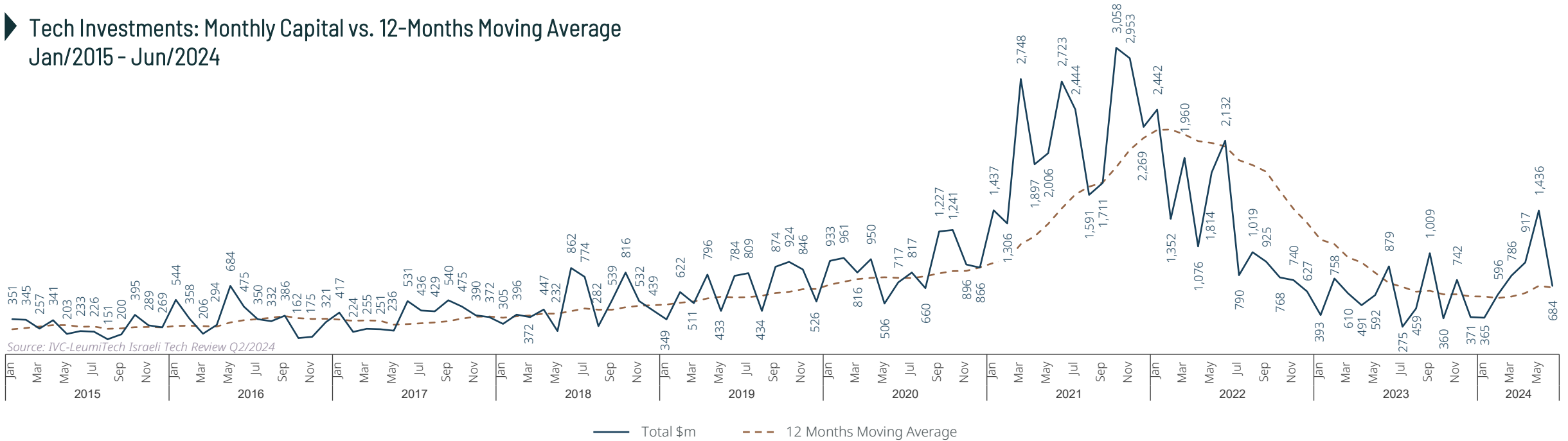
Tech Investments: Average vs. Median Q1/2015 - Q2/2024



Monthly Israeli High-Tech Investments

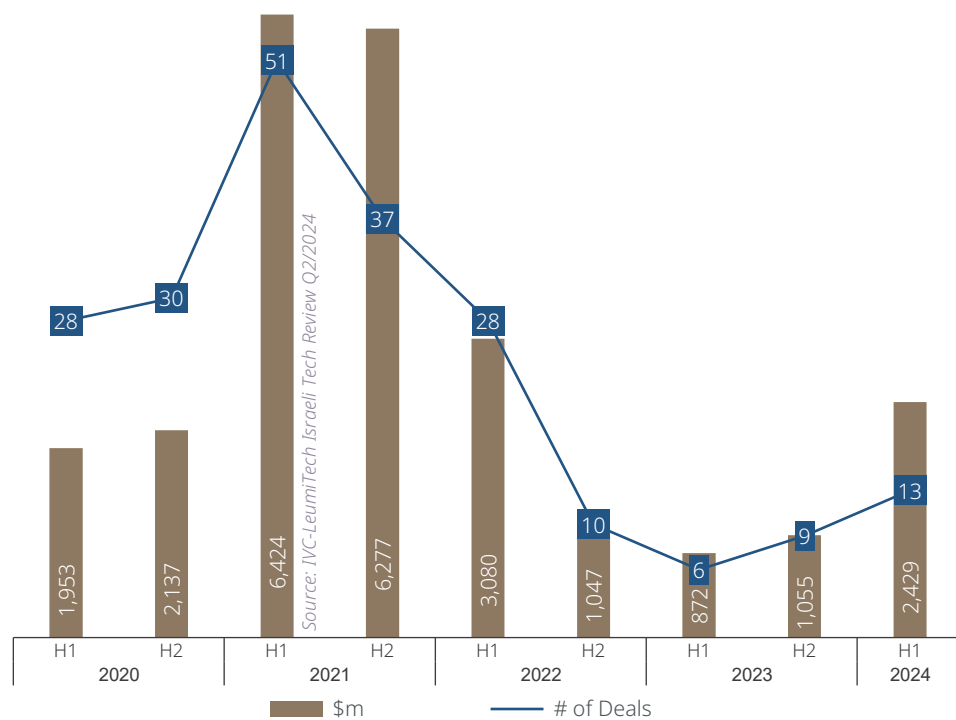
The long-run trend – represented by the 12-month moving average – stabilized over the last six months and has started to climb, while behaving in a pattern similar to what we saw in 2017–2019.

► Tech Investments: Monthly Capital vs. 12-Months Moving Average Jan/2015 - Jun/2024

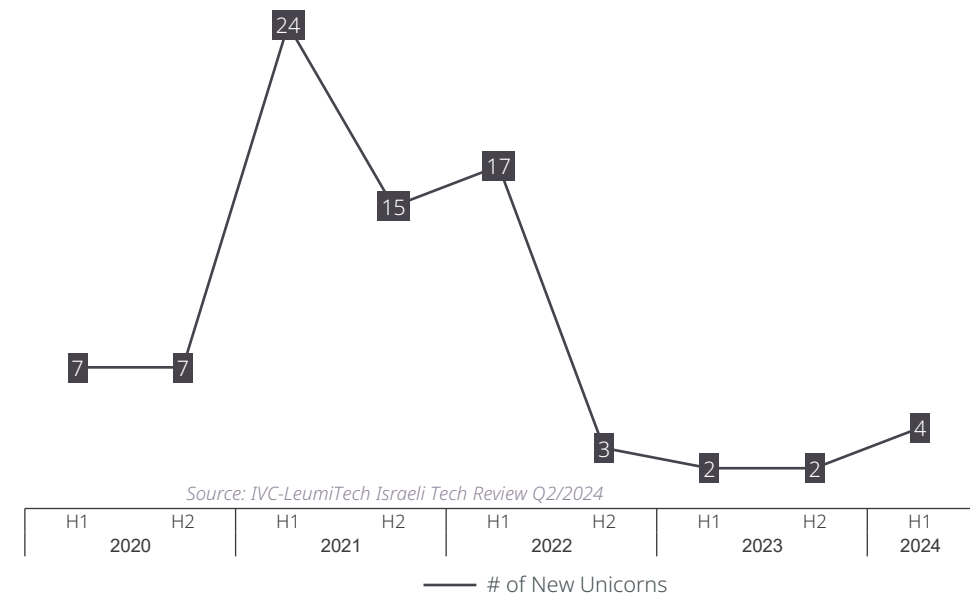


Unicorns

► Unicorns Capital Raising H1/2020 - H1/2024



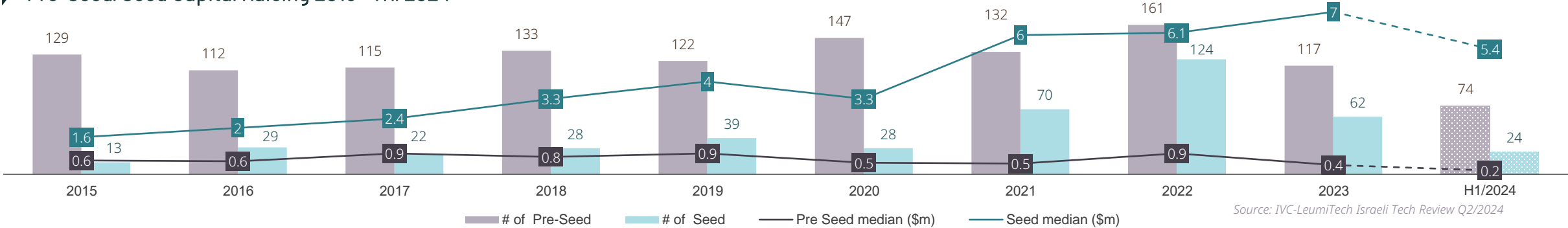
► # of New Unicorns by Valuation Date H1/2020 - H1/2024



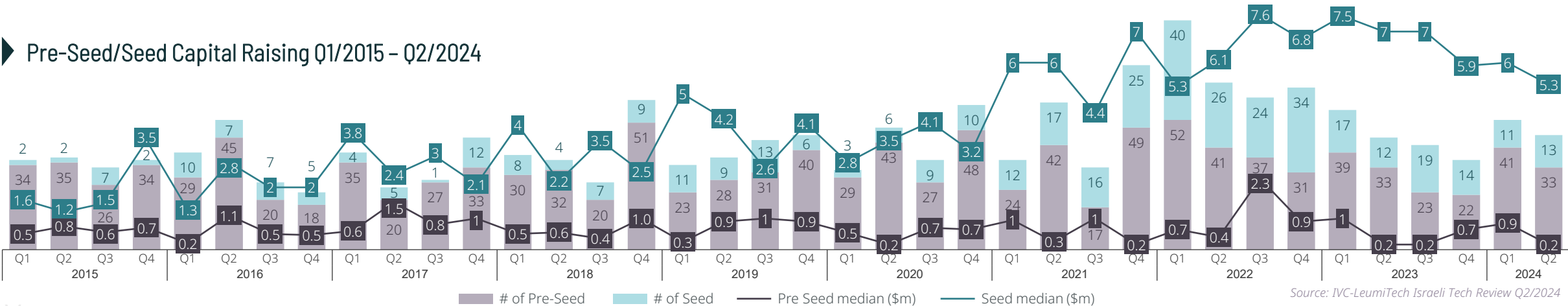
Pre-Seed & Seed Deals: Numbers and Median

The Seed median continued to decline in H1/2024 in a similar pattern since mid 2023.
For details see IVC methodology [here](#).

► Pre-Seed/Seed Capital Raising 2015 - H1/2024



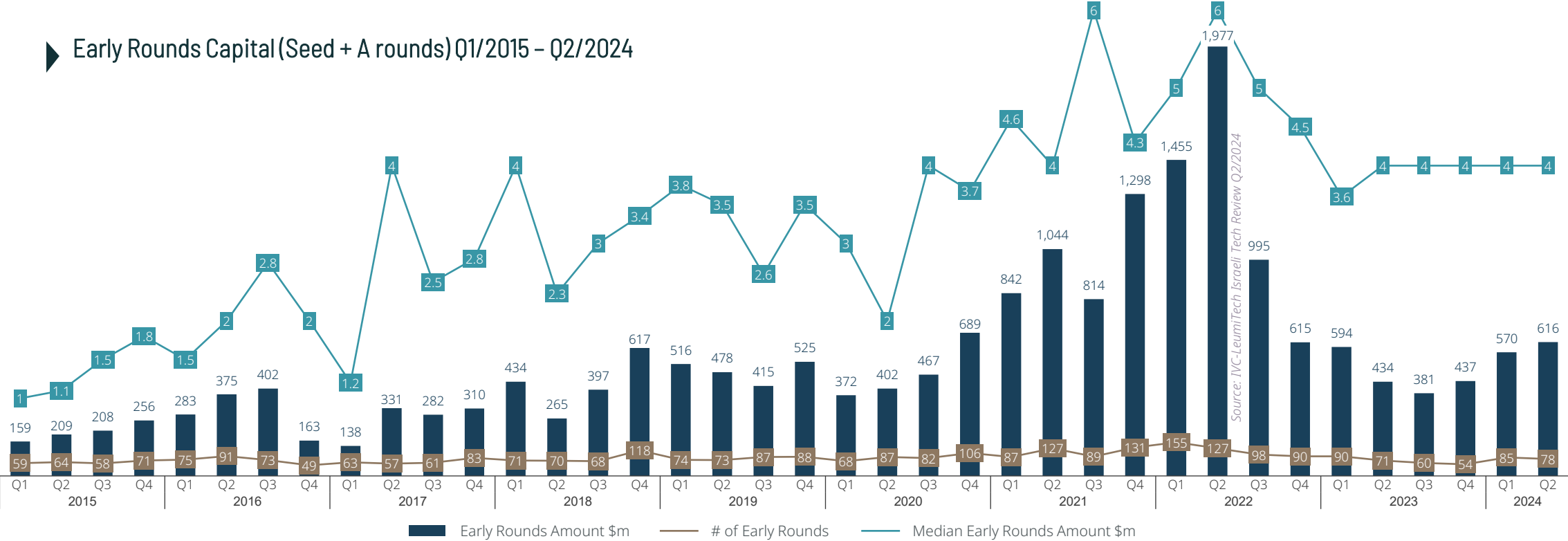
► Pre-Seed/Seed Capital Raising Q1/2015 - Q2/2024



Israeli High-Tech Investments by Round Type

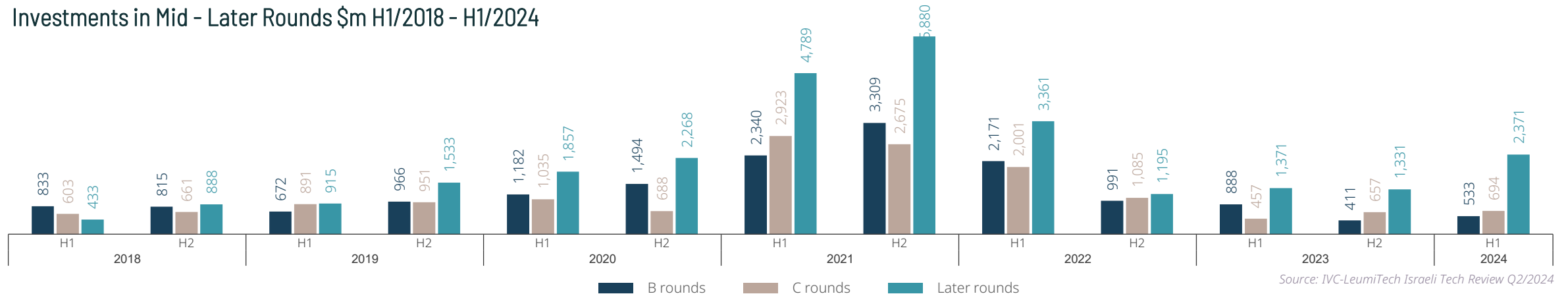
Early rounds capital raising started to recover in Q4/2023, and the increase continued this year.
In H1/2024 early round capital raising totaled \$1.18 billion in 163 deals, compared to \$818 million in 114 deals in H2/2023.

► Early Rounds Capital (Seed + A rounds) Q1/2015 – Q2/2024

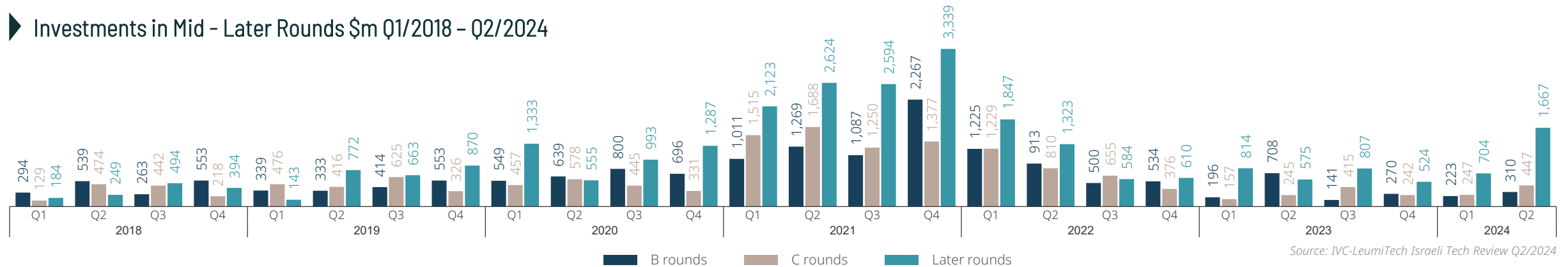


Investments in Mid - Later Rounds

Investments in Mid - Later Rounds \$m H1/2018 - H1/2024

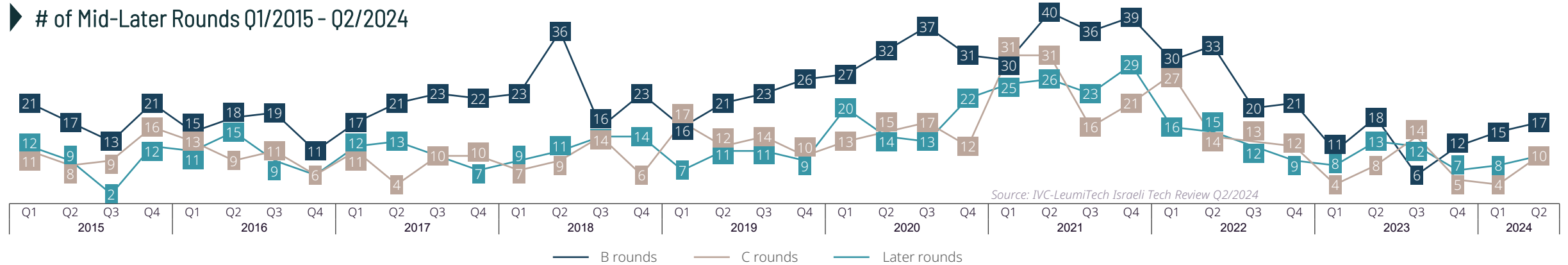


Investments in Mid - Later Rounds \$m Q1/2018 - Q2/2024

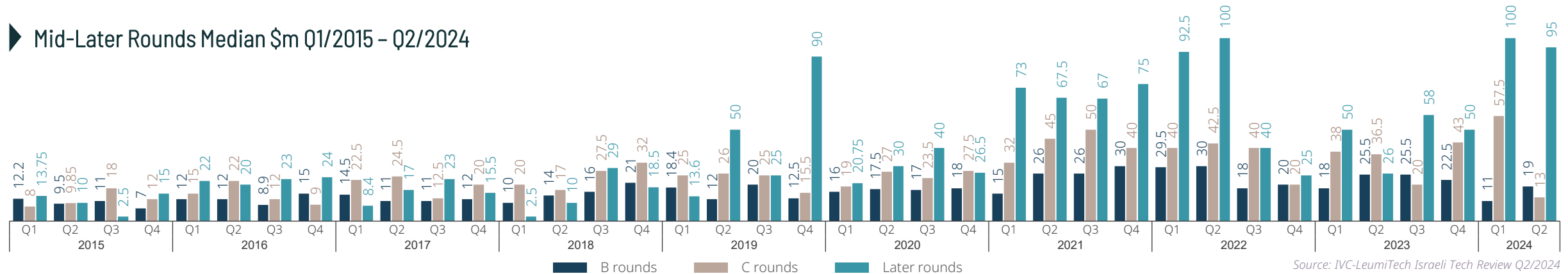


Investments in Mid - Later Rounds

► # of Mid-Later Rounds Q1/2015 - Q2/2024



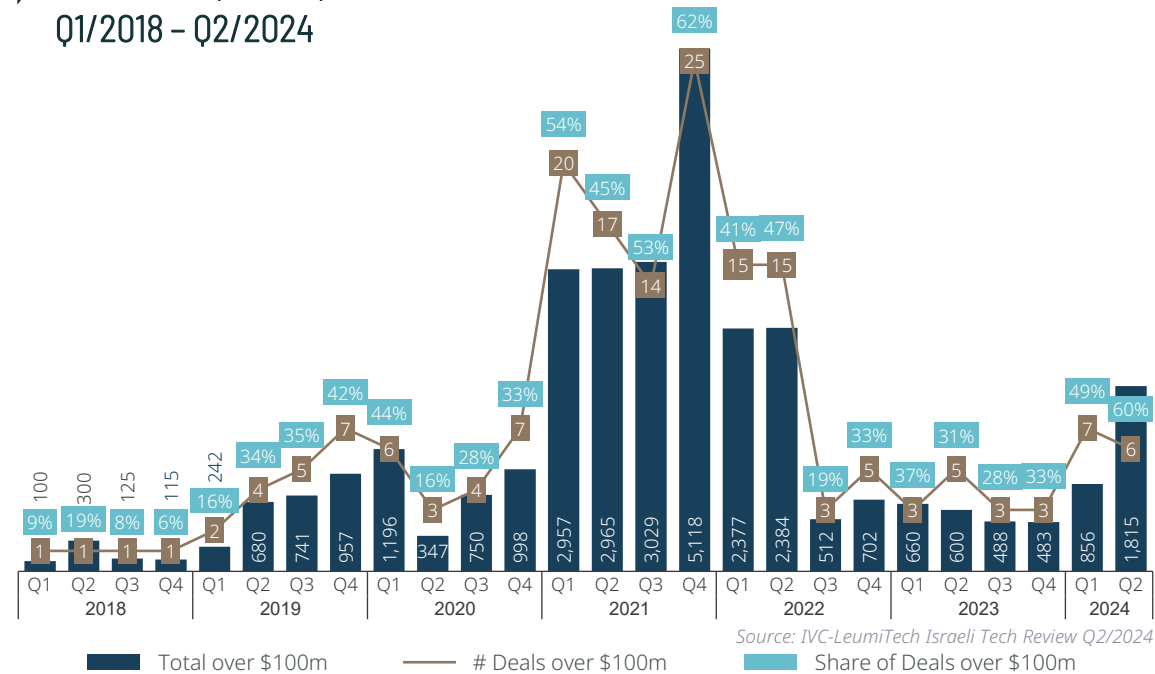
► Mid-Later Rounds Median \$m Q1/2015 - Q2/2024



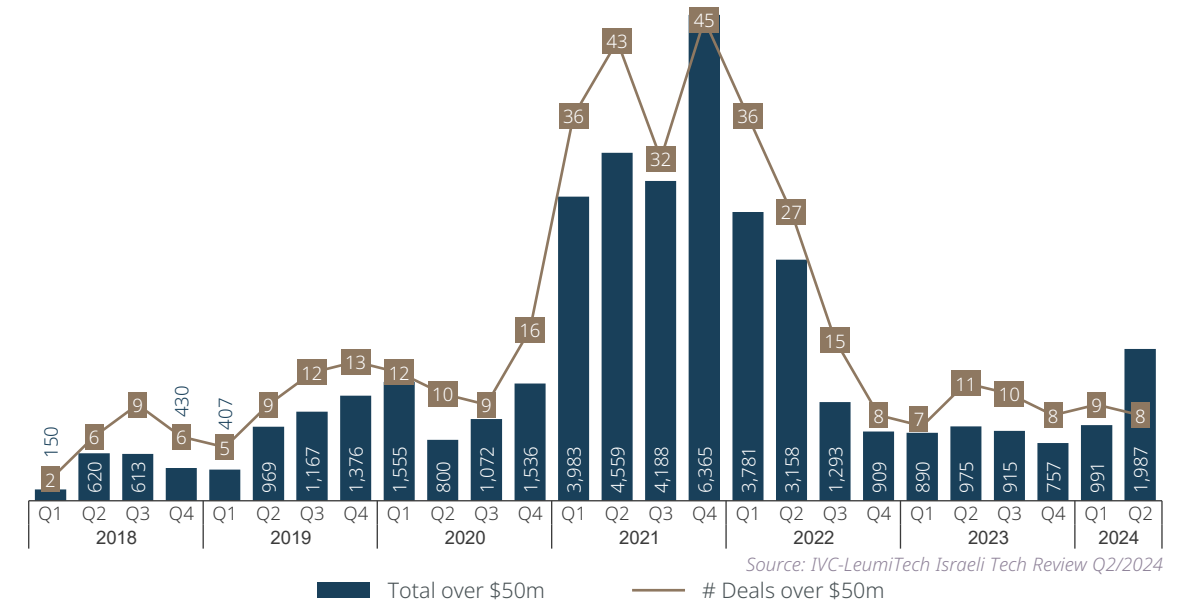
Investments by Round Size

In Q2/2024 we saw six mega deals (over \$100m each), that accounted for nearly 60% of the total in the quarter. Excluding the outlier deal of Wiz in May, amounts and the number of deals are like figures in Q1/2024.

► Deals over \$100m \$m
Q1/2018 – Q2/2024



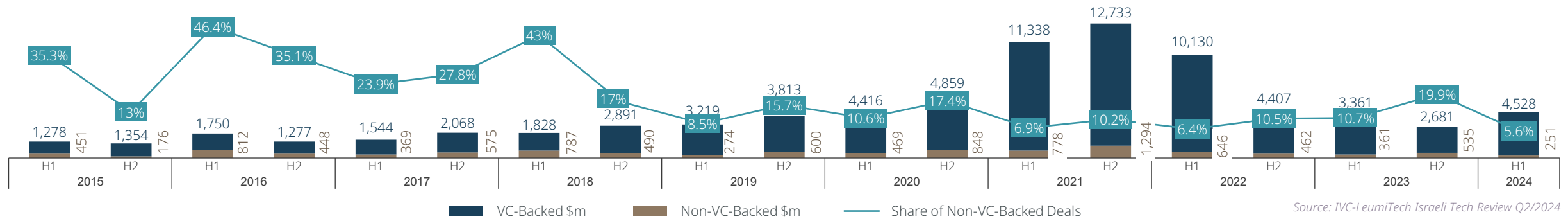
► Deals over \$50m \$m
Q1/2018 – Q2/2024



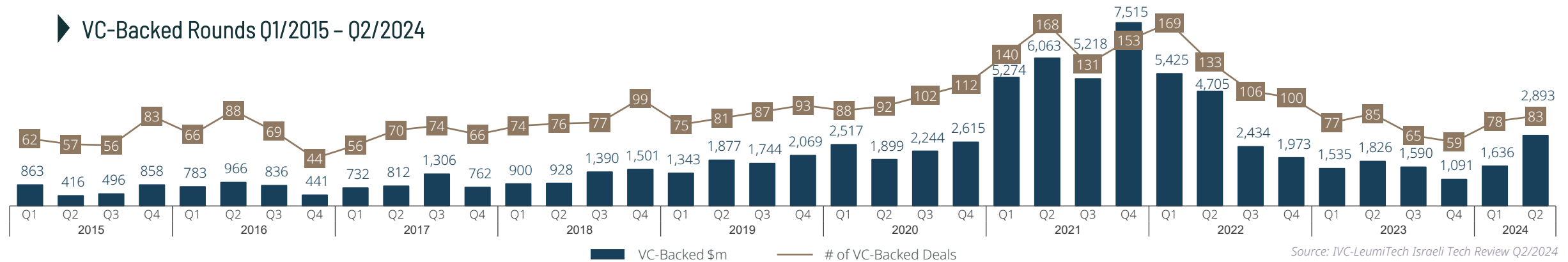
VC-Backed Deals

VC-Backed Rounds H1/2015 – H1/2024

In H1/2024, following the sharp decline in number of VC-backed deals in the 2nd half of 2023, the deals returned to H1/2023 activity levels, exceeding H2/2022-H2/2023 in capital amounts raised in VC-backed deals.



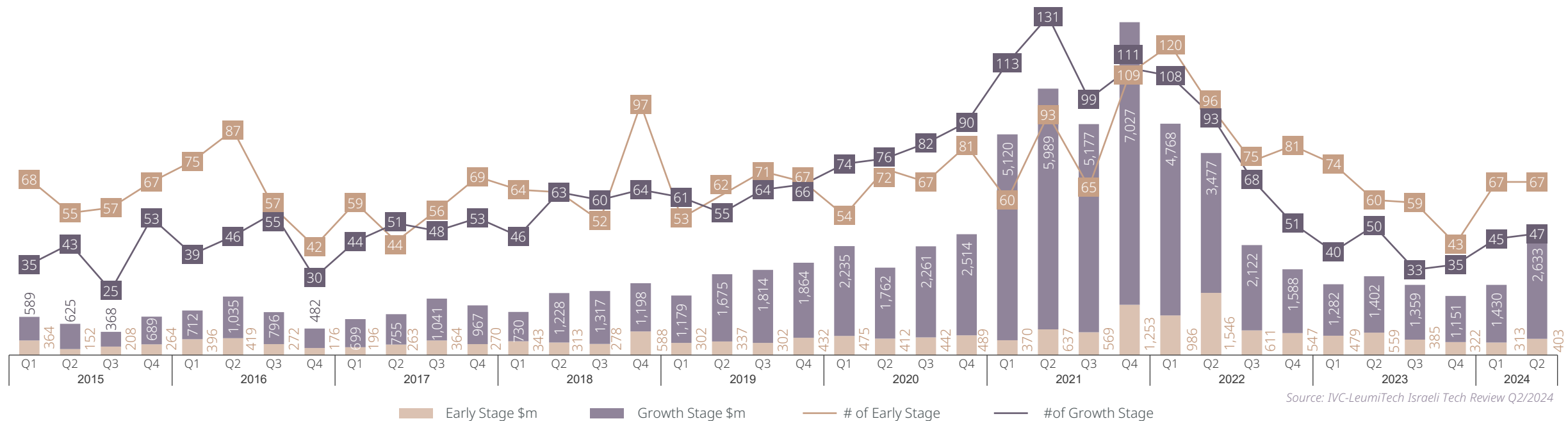
VC-Backed Rounds Q1/2015 – Q2/2024



Capital Investments by Stage

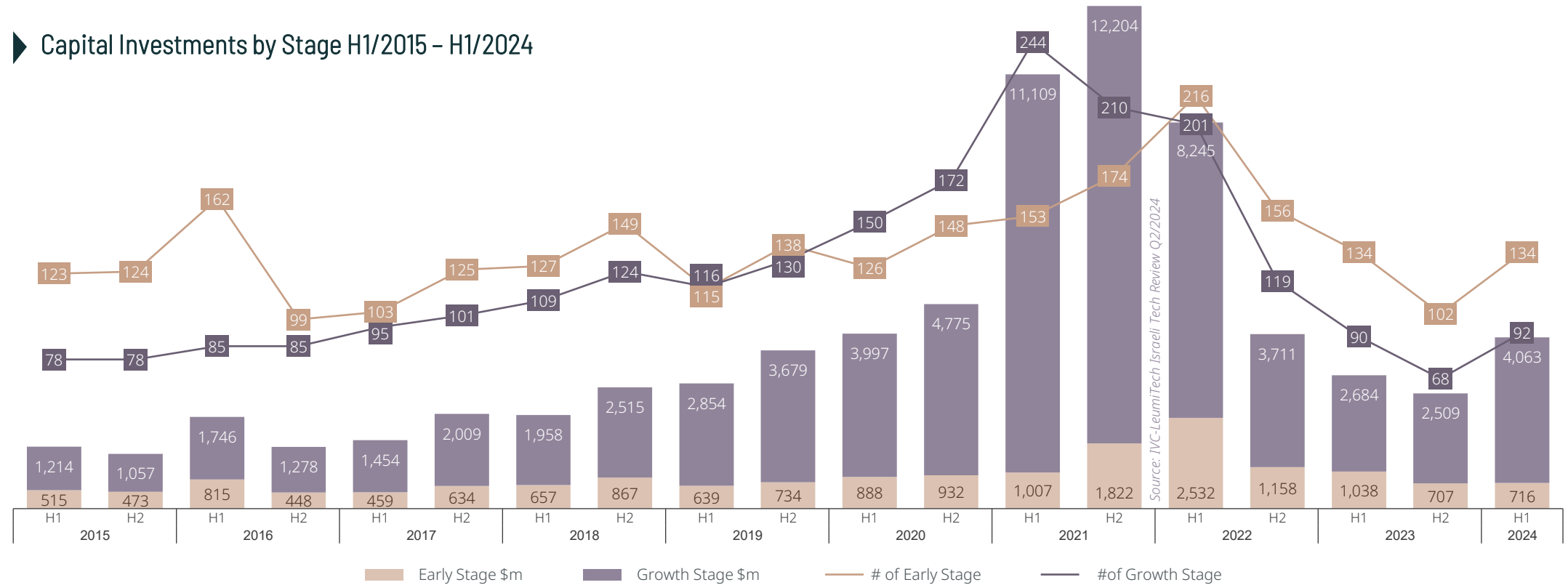
Growth-stage companies continued to increase their deal-making in Q2/2024, raising the highest capital since Q3/2023, when the sharp downtrend developed.

Capital Raising: Early Stage vs. Growth Stage Q1/2015 – Q2/2024



Capital Investments by Stage

► Capital Investments by Stage H1/2015 – H1/2024



Q2/2024 Selected Top Investments



1

Software
Security
Later Round

*Additional \$35m via a secondary deal

\$965m



2

Software
Security
C Round

\$300m



3

Software
Security
Later Round

\$175m



4

Life Sciences
Medical Devices
Later Round

\$150m

Source: IVC-LeumiTech Israeli Tech Review Q2/2024



5

Software
Security
Later Round

\$125m



6

Software
Enterprise Infrastructure
Later Round

\$100m



7

Software
Enterprise Applications
Later Round

\$90m



8

Life Sciences
Biotechnology
A Round

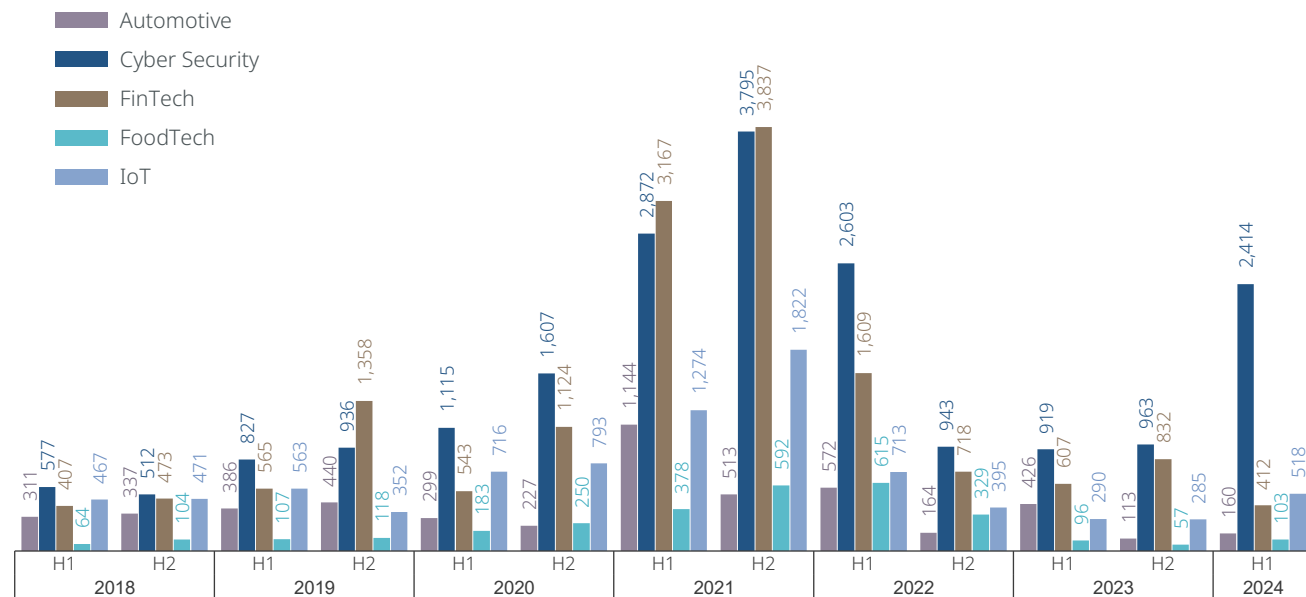
\$82m

Investments by Verticals

H1/2024 was a great period for Israel-based Cyber Security startups. However, the impressive numbers in this vertical were mainly due to seven mega deals (Wiz, Island, Semperis, Cyera, Coronet, Axonius, Claroty), which totaled 81% of capital raised. Interestingly, the Q2/2024 mega-deal amounts (over \$100m each) that went to the Israeli cyber universe, were the highest ever, reaching \$1.56b.

Other tech verticals did not show similar success and most of them are still suffering from the downtrend since H1/2022.

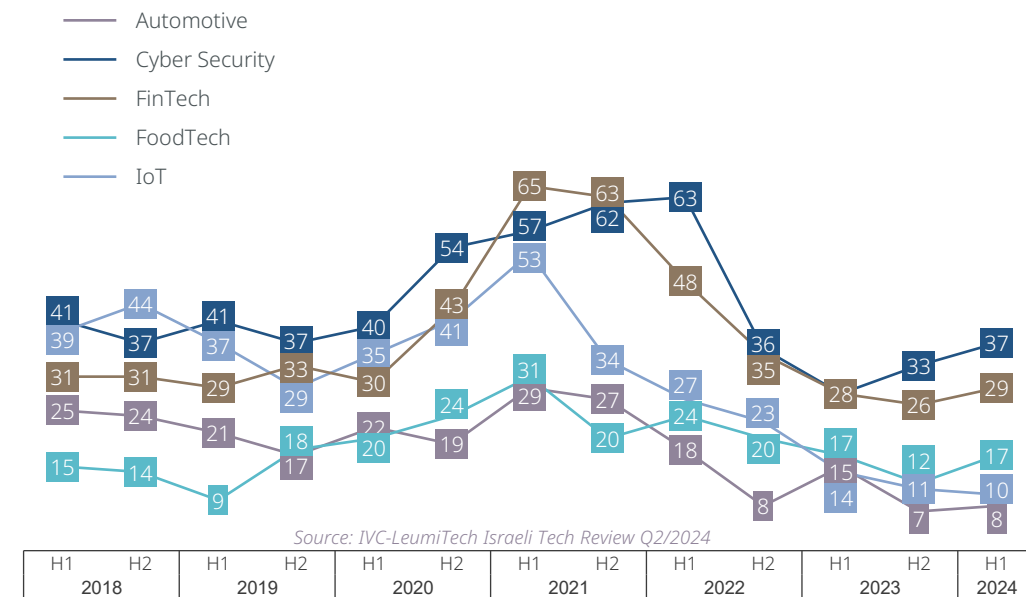
Investments by Verticals \$m H1/2018 - H1/2024



*Each company may belong to more than one tech vertical

Source: IVC-LeumiTech Israeli Tech Review Q2/2024

of Investments by Verticals H1/2018 - H1/2024



*Each company may belong to more than one tech vertical

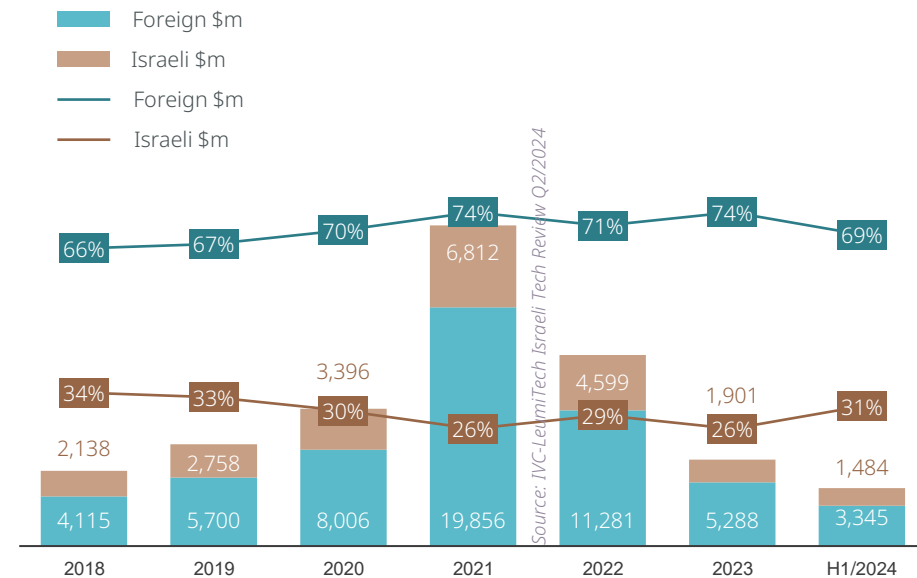
Source: IVC-LeumiTech Israeli Tech Review Q2/2024

Israeli Vs. Foreign Investments

In Q4/2023, we saw the lowest level of foreign investor participation so far in this cycle. Foreign investment sentiment can be estimated by using both the number of investors and the number of investments (each deal includes several investments). Both factors show that the participation level of foreign investors has recovered in the last six months.

Israeli investor participation, on the other hand, is still stabilizing following Q4/2023, but has not yet returned to 2018–2019 levels.

► Israeli Vs. Foreign Investments \$m 2018 - H1/2024

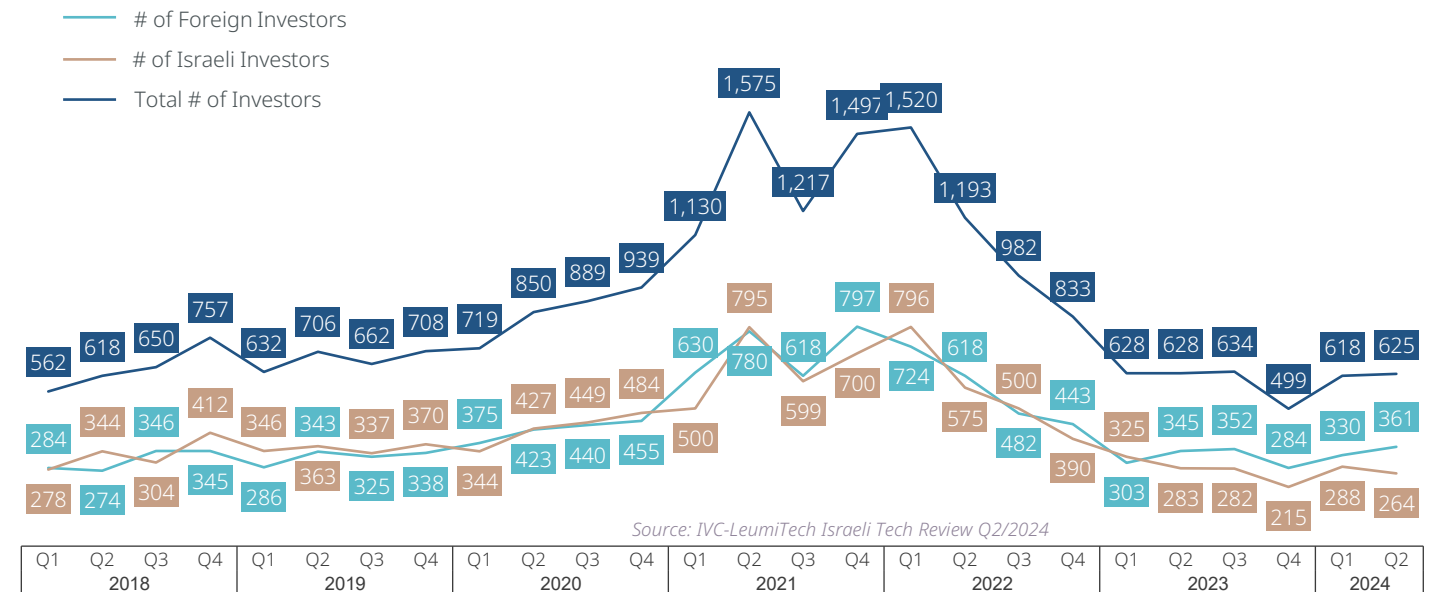


*Some Investors were undisclosed

**Investments performed by Investor HQ Region

***The amounts are based on IVC's investors activity model, on average, at 95% accuracy

► # of Israeli vs Foreign Investors Q1/2018 - Q2/2024



*Some Investors were undisclosed

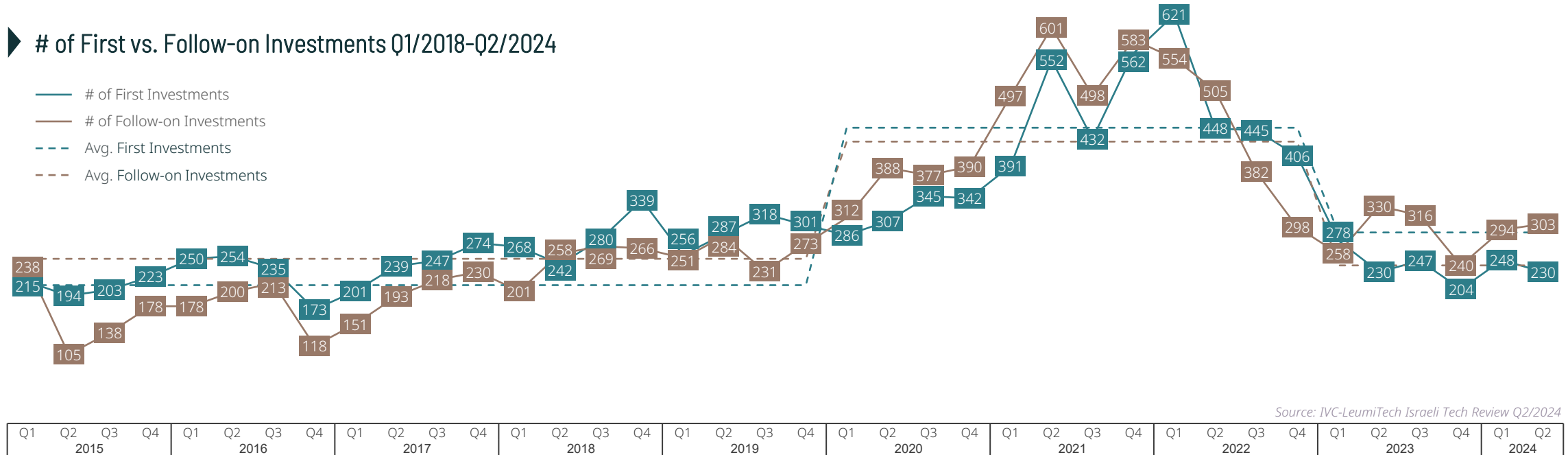
**Based on Investor HQ Region

First vs Follow-on Investments

The positive trend continues in both first and follow-on investments in H1/2024. On an annual scale, the pace of investments in both investment types is similar to 2023 levels. The leading position of follow-on investments over first signals positive investor sentiment toward past investment.

The investor participation level, which can be learned from the number of investors by investment type plot, stabilized in 2015–2019 levels, although the average follow-on investor numbers has started to edge higher in the last six months.

► # of First vs. Follow-on Investments Q1/2018-Q2/2024



Source: IVC-LeumiTech Israeli Tech Review Q2/2024

*Some Investors were undisclosed

**Investments performed by Investor HQ Region

Number of Companies Established

So far, we know of about 81 companies that were established in H1/2024, but our estimation suggests 500–600 companies will be established this year.

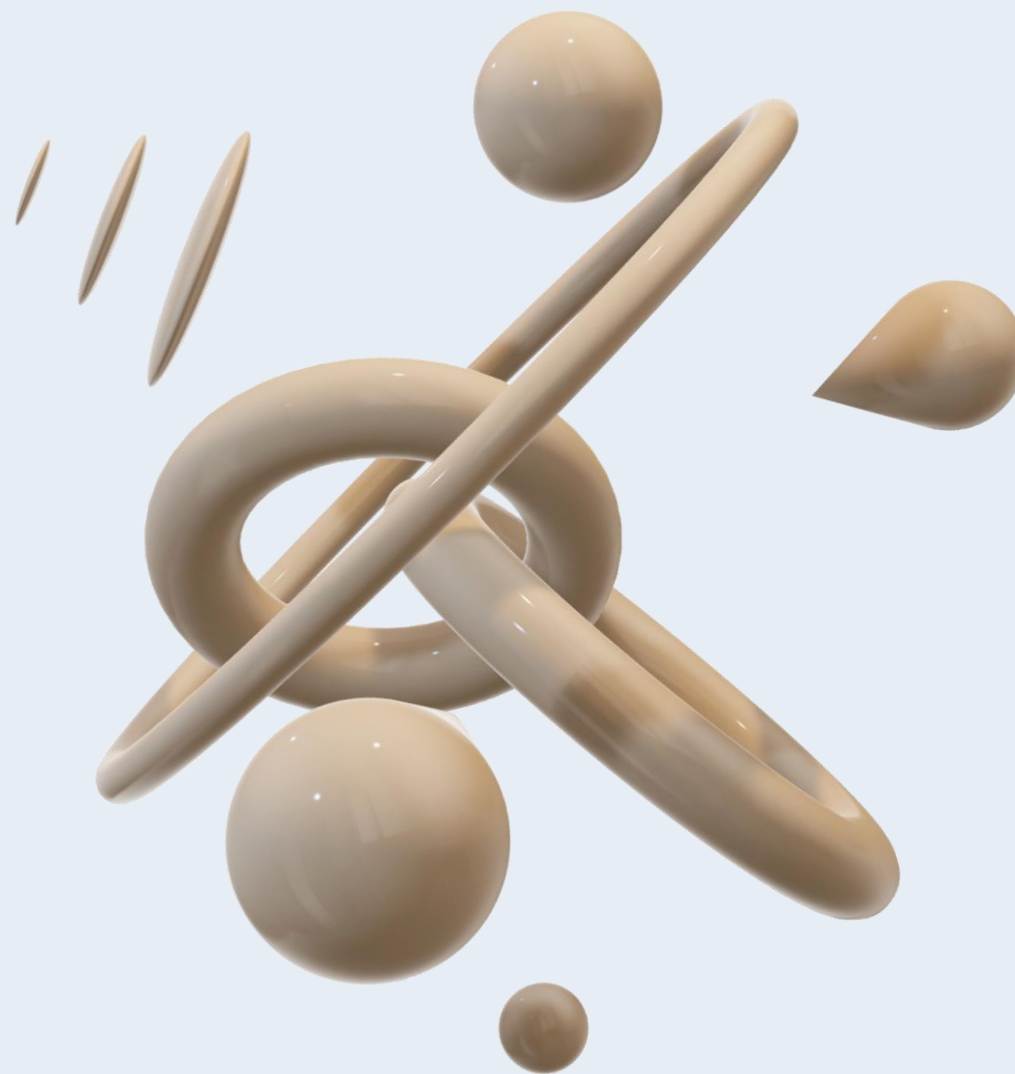
IVC estimates that 600–650 companies were established in 2023 – above our initial expectations – in a continuing downtrend noted since 2015. The flow of capital in 2021–2022 created the potential for a change in the trend’s direction during 2022–2023, but the change did not materialize.

See IVC [methodology](#)

► New Israeli High-Tech Companies 2002 - H1/2024



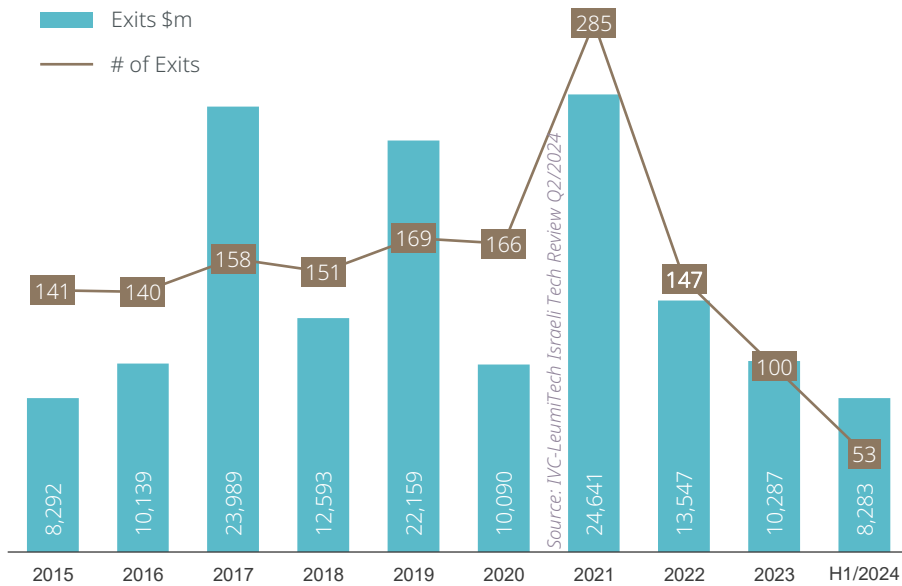
Q2/2024 Israeli High-Tech Exits



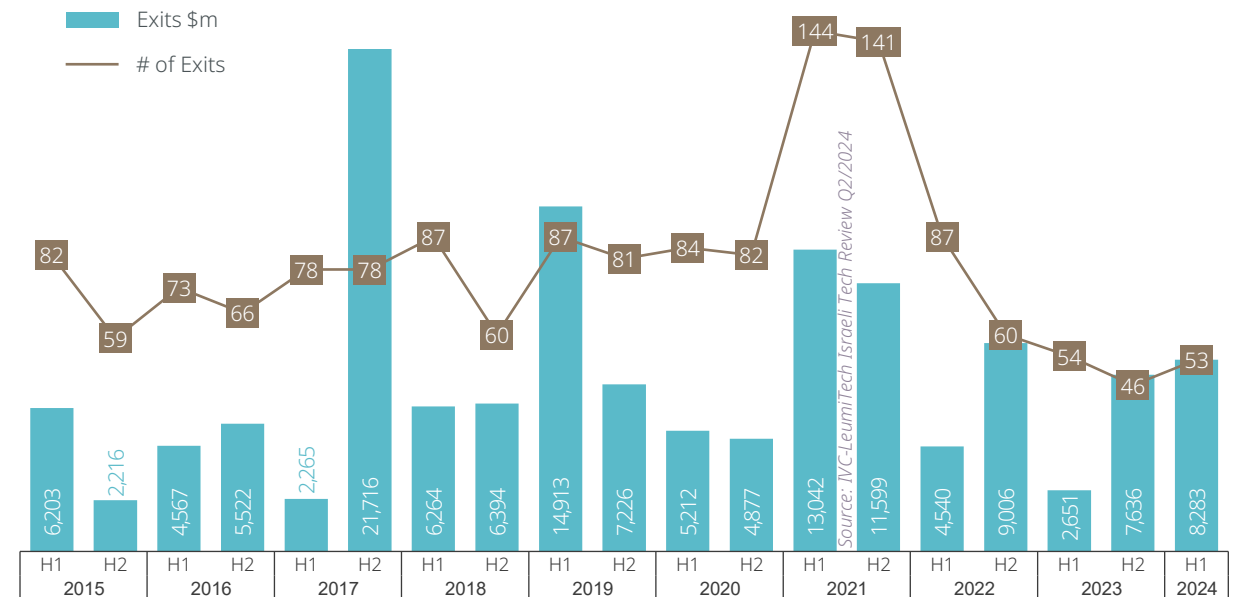
Israeli High-Tech Exits

Since H2/2021, the number of Israeli high-tech exits continued to drop, up till H1/2024. This pivot is not all that remarkable and is still far below the numbers in 2017–2020 (a “normal” period), however this change in course supports the recovery perception we are seeing in other parts of the local industry.

► Israeli High-Tech Exits (M&As, Buyouts, IPOs) 2015 – H1/2024

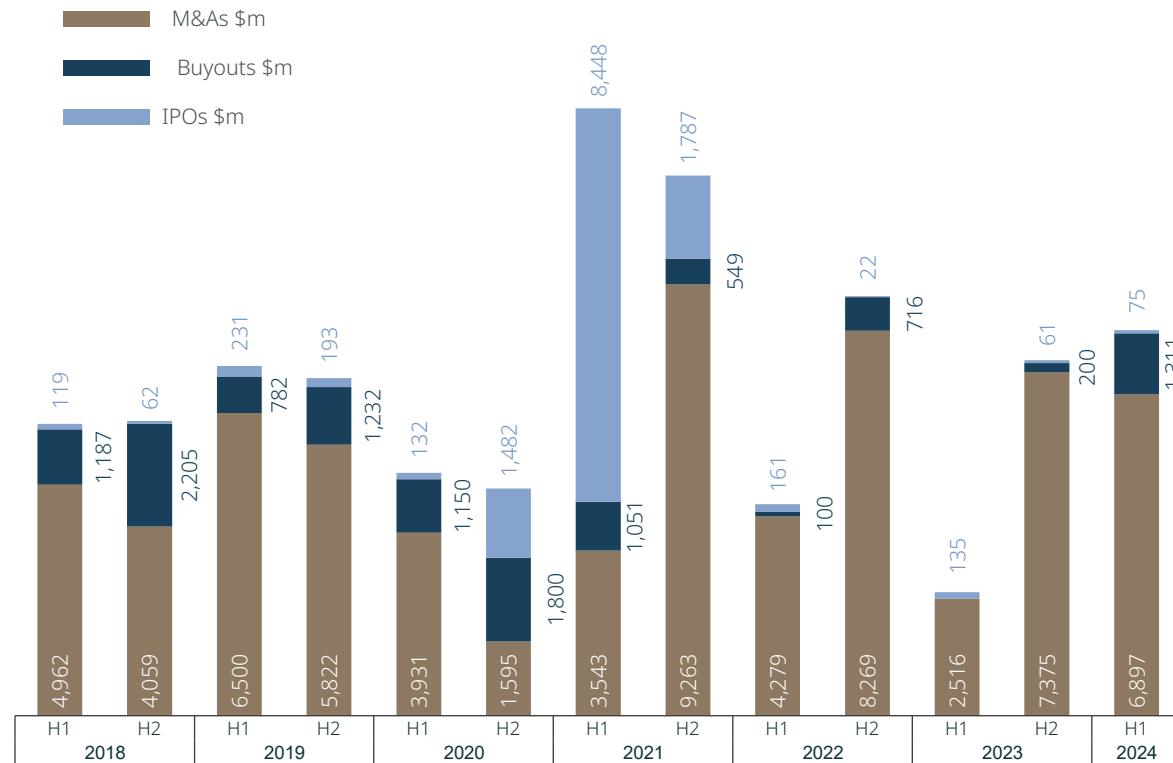


► Israeli High-Tech Exits (M&As, Buyouts, IPOs) H1/2015 – H1/2024



Israeli High-Tech Exits by Type

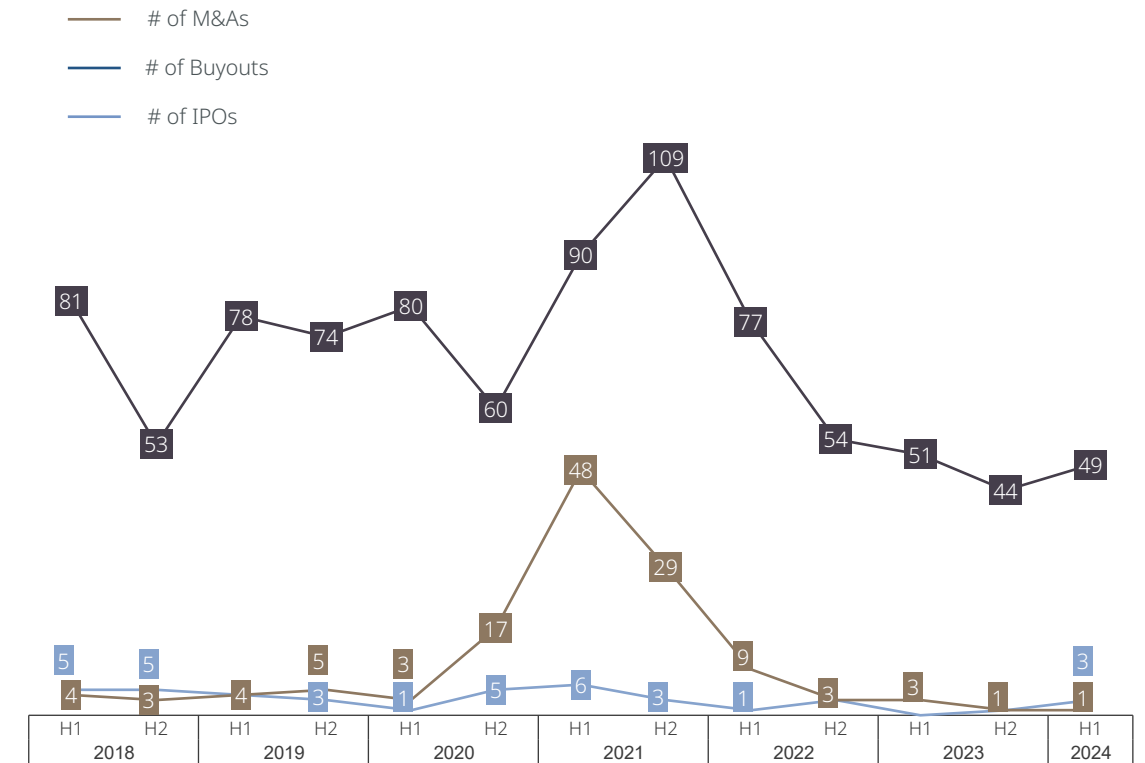
Exits by Type \$m H1/2018 - H1/2024



* Exits under \$5B

Source: IVC-LeumiTech Israeli Tech Review Q2/2024

of Exits by Type H1/2018 - H1/2024

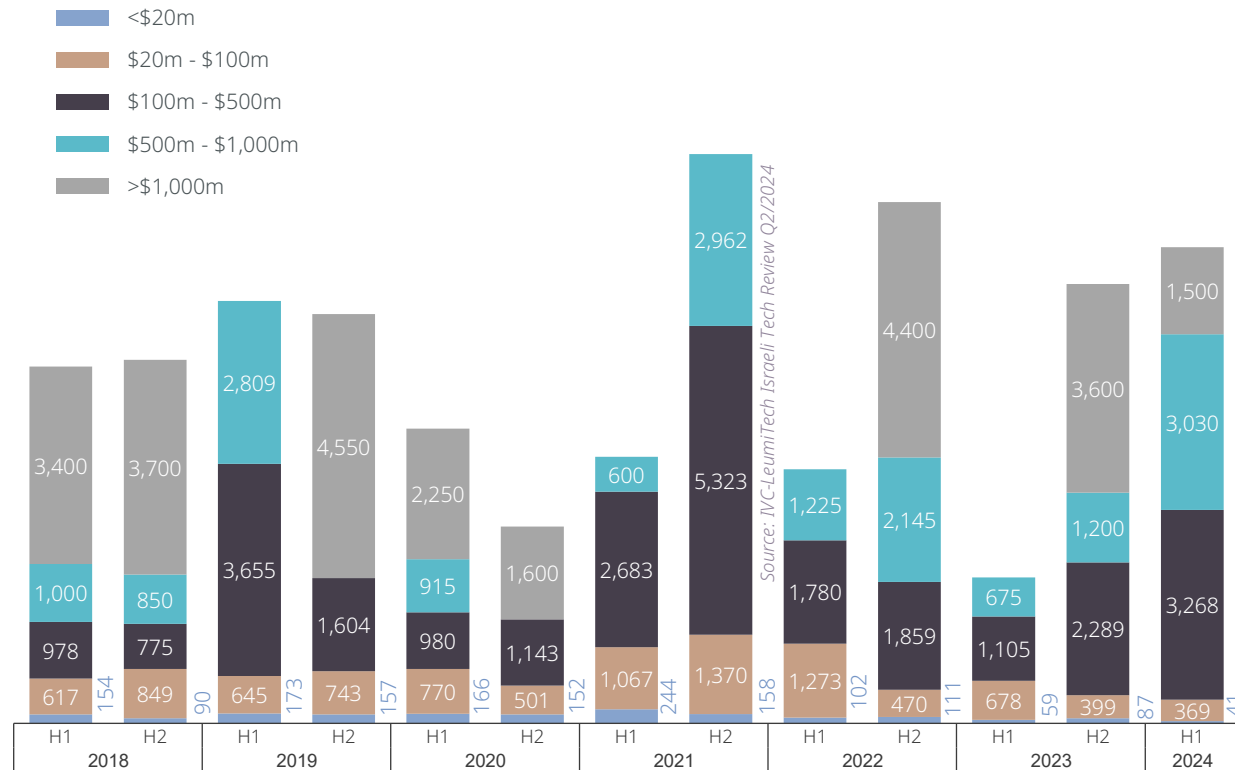


* Exits under \$5B

Source: IVC-LeumiTech Israeli Tech Review Q2/2024

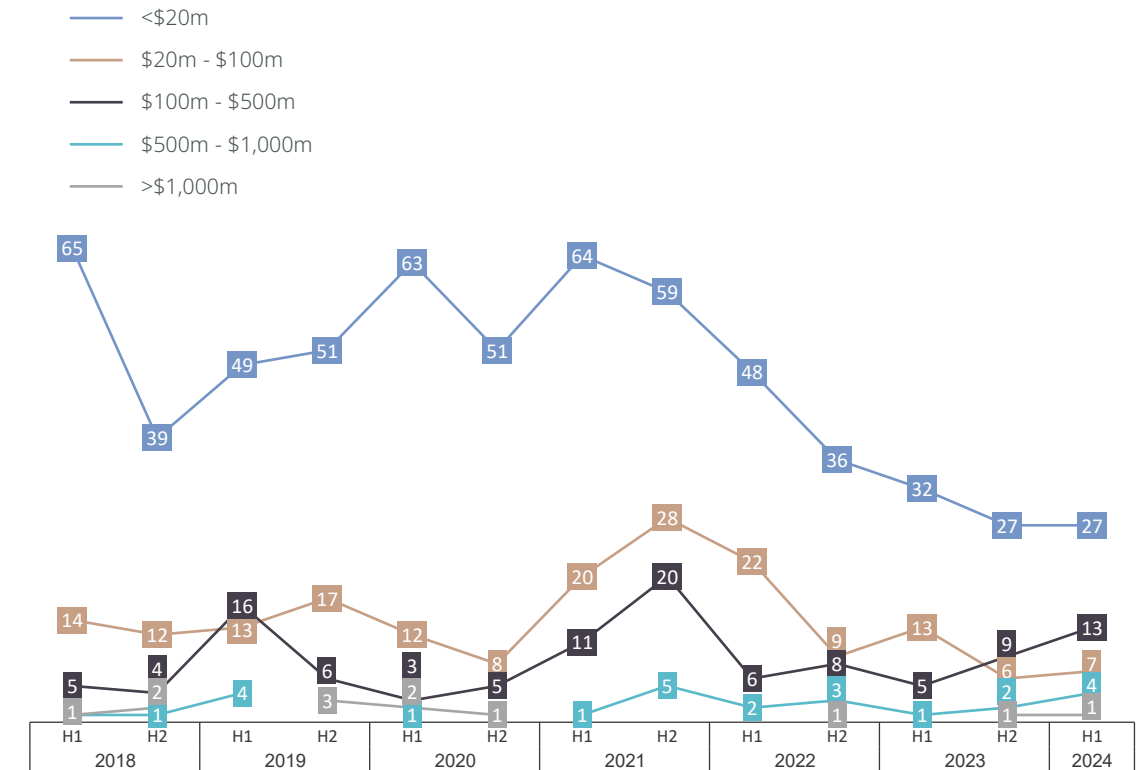
Israeli High-Tech M&As by Size

► M&As \$m by Deal Size H1/2018 - H1/2024



* Exits under \$5B

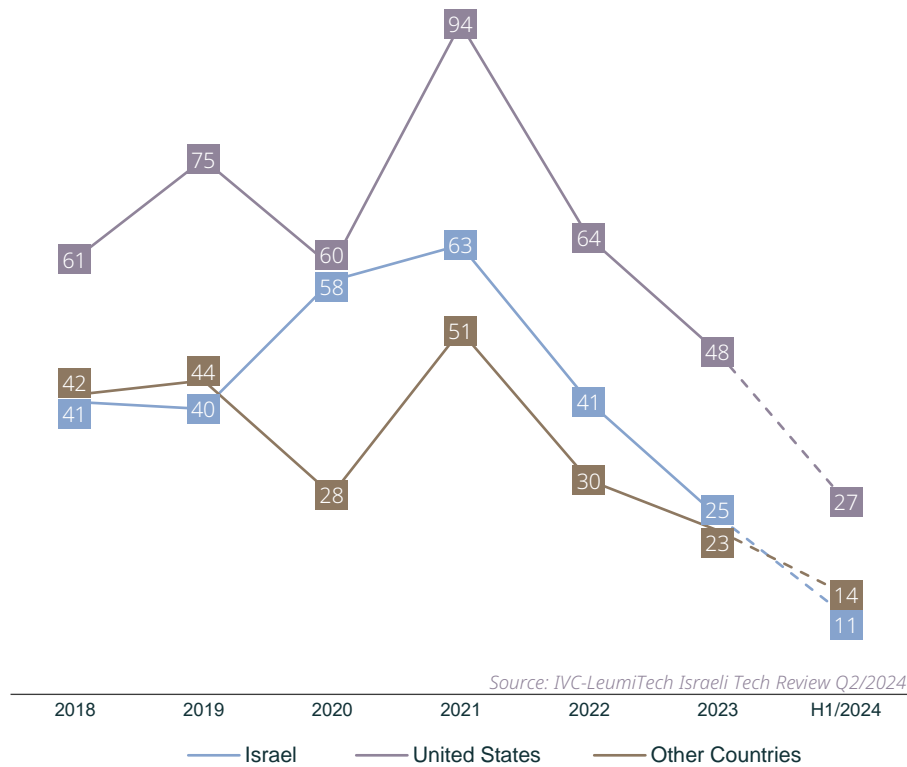
► # of M&As by Deal Size H1/2018 - H1/2024



* Exits under \$5B

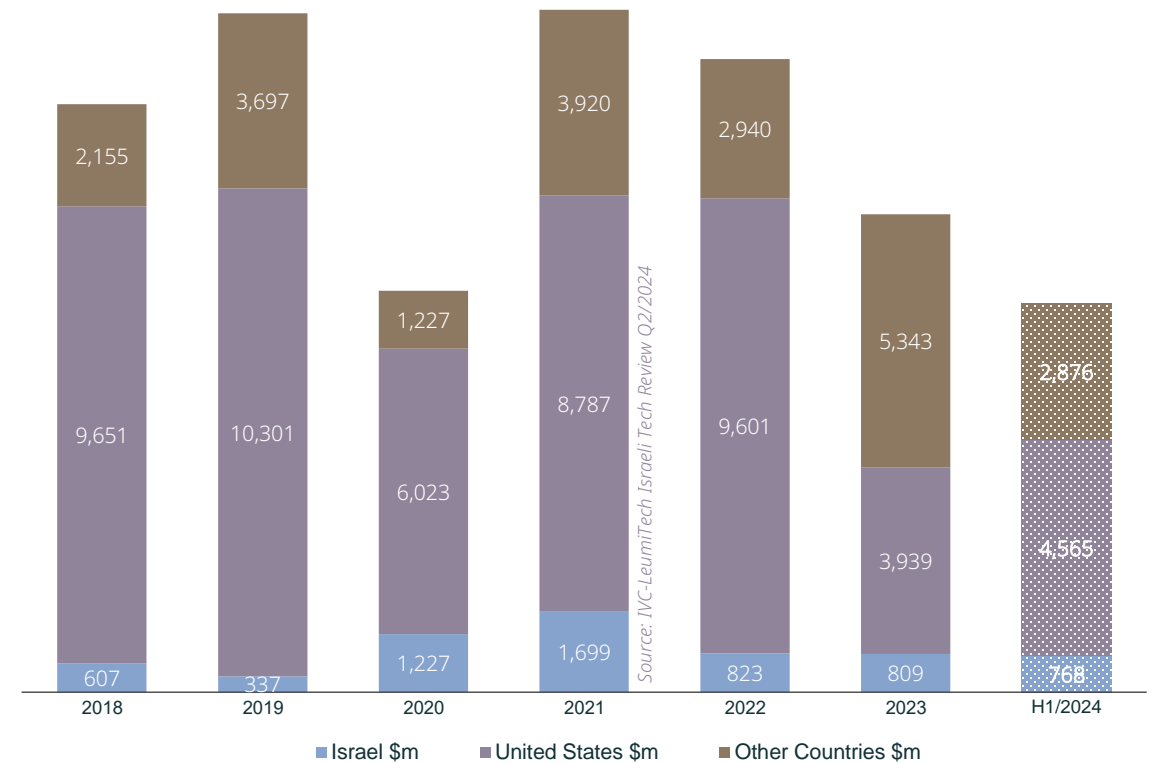
Israeli High-Tech M&As by Acquirer Country

► # of M&As by Acquirer Country 2018 – H1/2024



* Exits under \$5B

► M&As by Acquirer Country \$m 2018 – H1/2024



* Exits under \$5B

Top M&As H1/2024

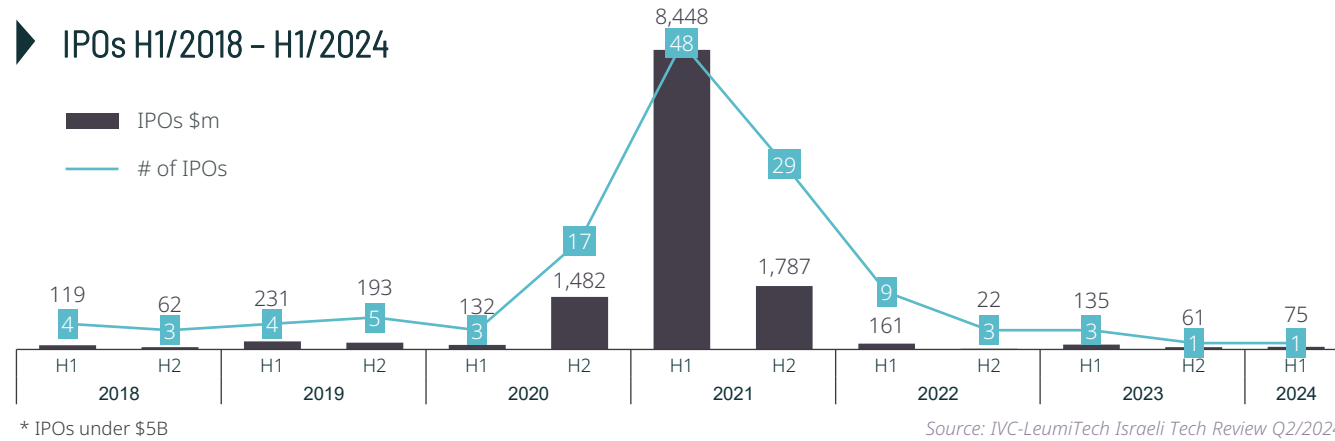
17 M&As over \$100m each summed up to \$7.5B



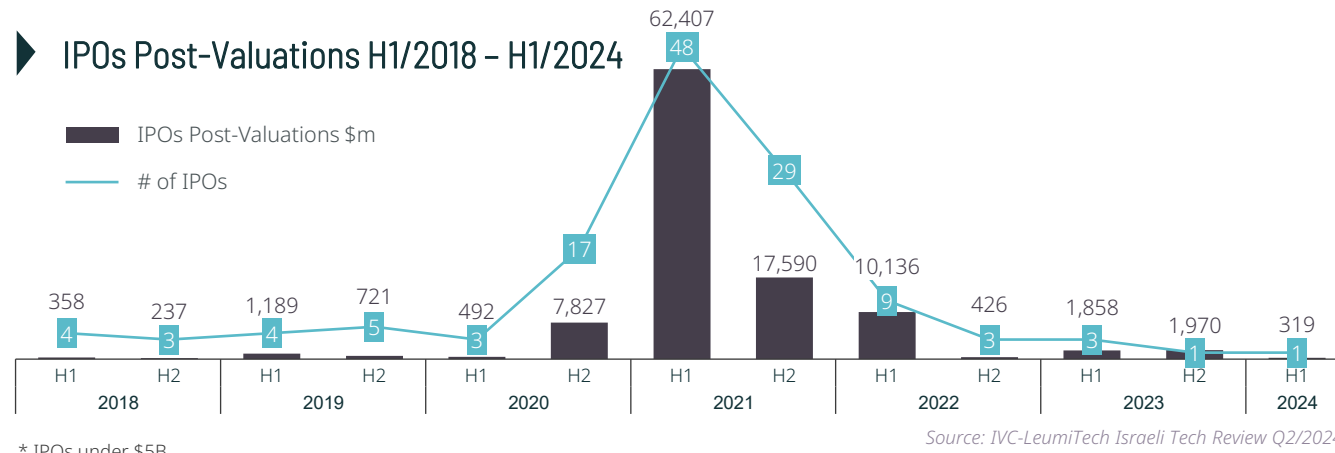
Source: IVC-LeumiTech Israeli Tech Review Q2/2024

Israeli High-Tech Public Companies Offerings

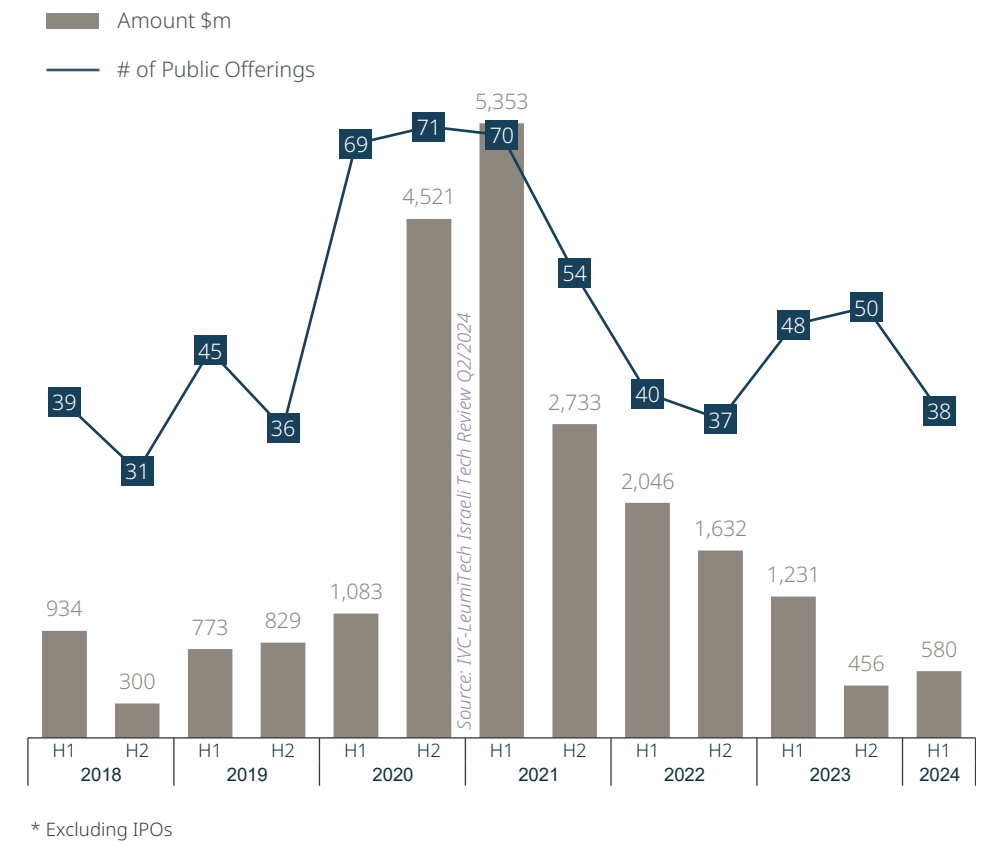
IPOs H1/2018 – H1/2024



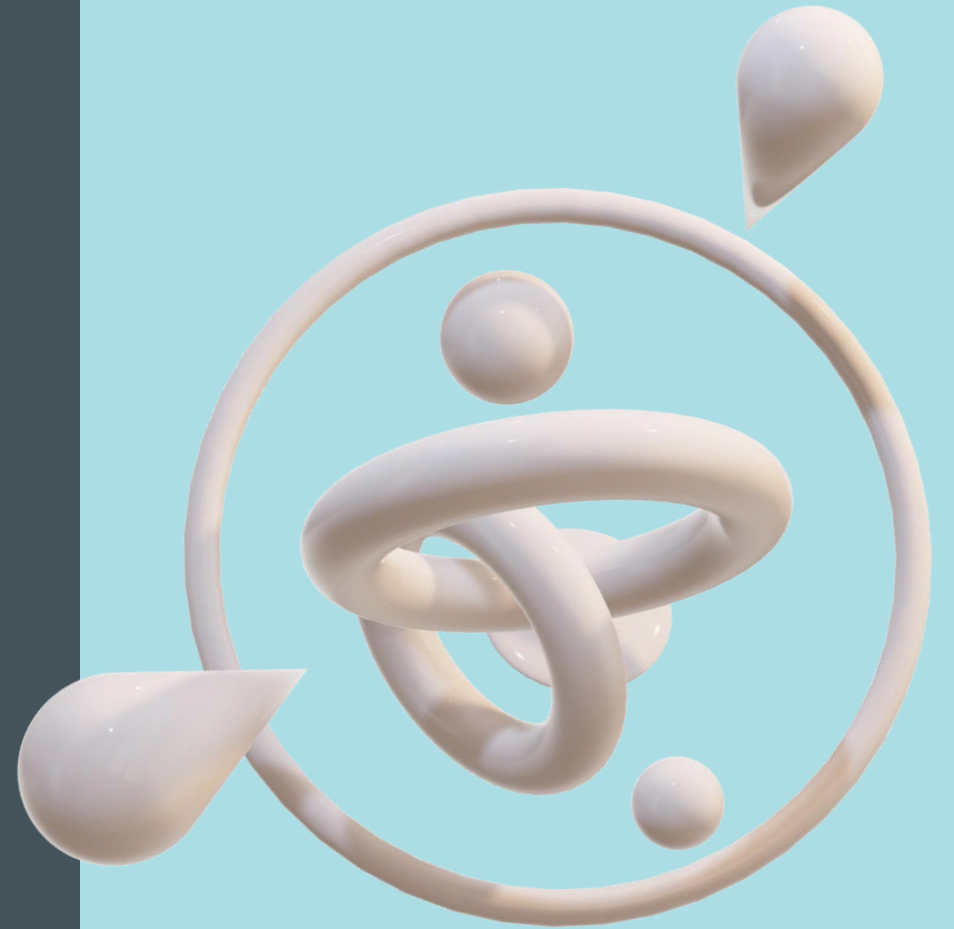
IPOs Post-Valuations H1/2018 – H1/2024



Israeli Public Follow-on Offerings H1/2018 – H1/2024

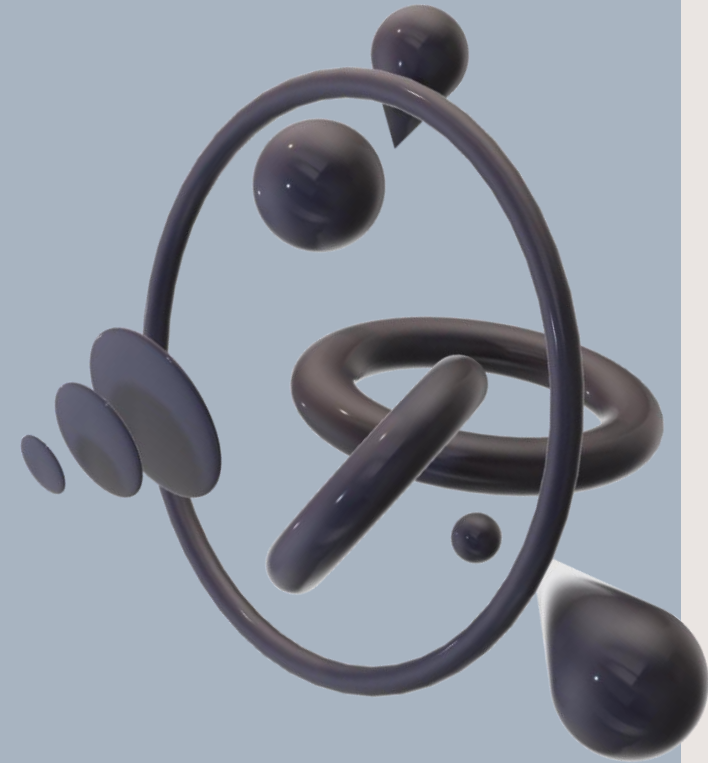


Q2/2024 Methodology



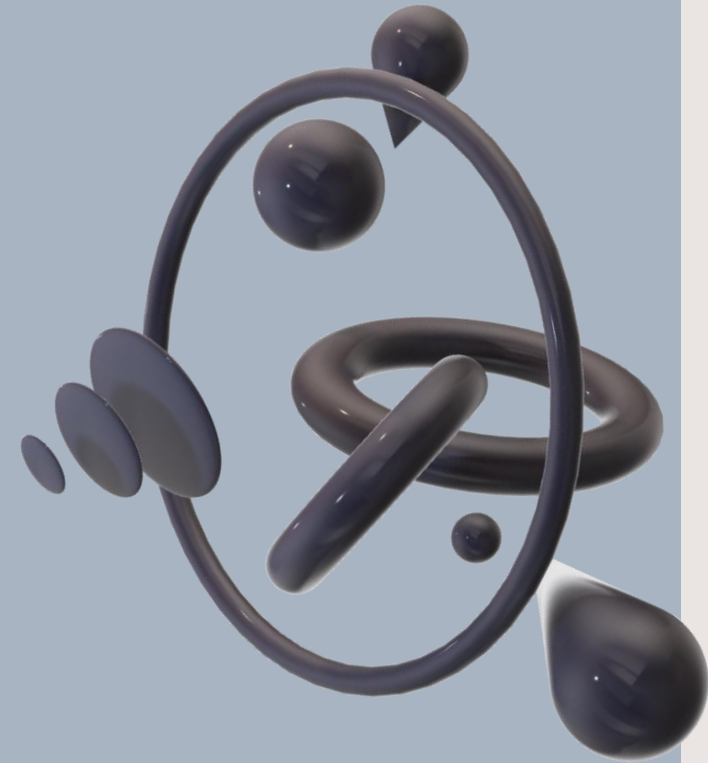
Methodology | General

- 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-H1/2024. "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.



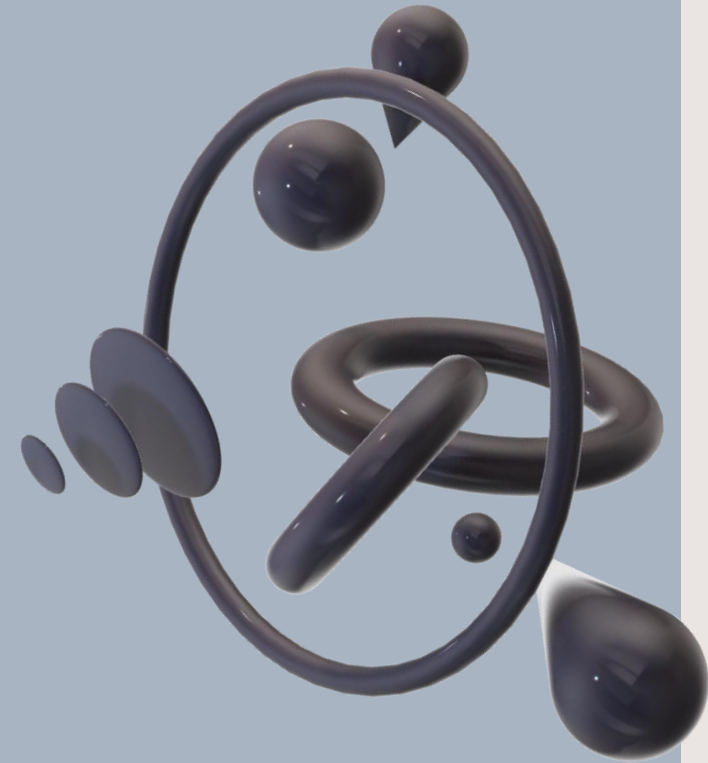
Methodology | Investments

- 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 516 investors of which 108 were Israeli VC funds and 408 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 | 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.
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About



About 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

(Registered Database #366723)

www.ivc-online.com



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.

www.leumitech.com



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