

ISRAELI TECH REVIEW Q2 2022

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Q2/2022 Israeli Tech Big Picture

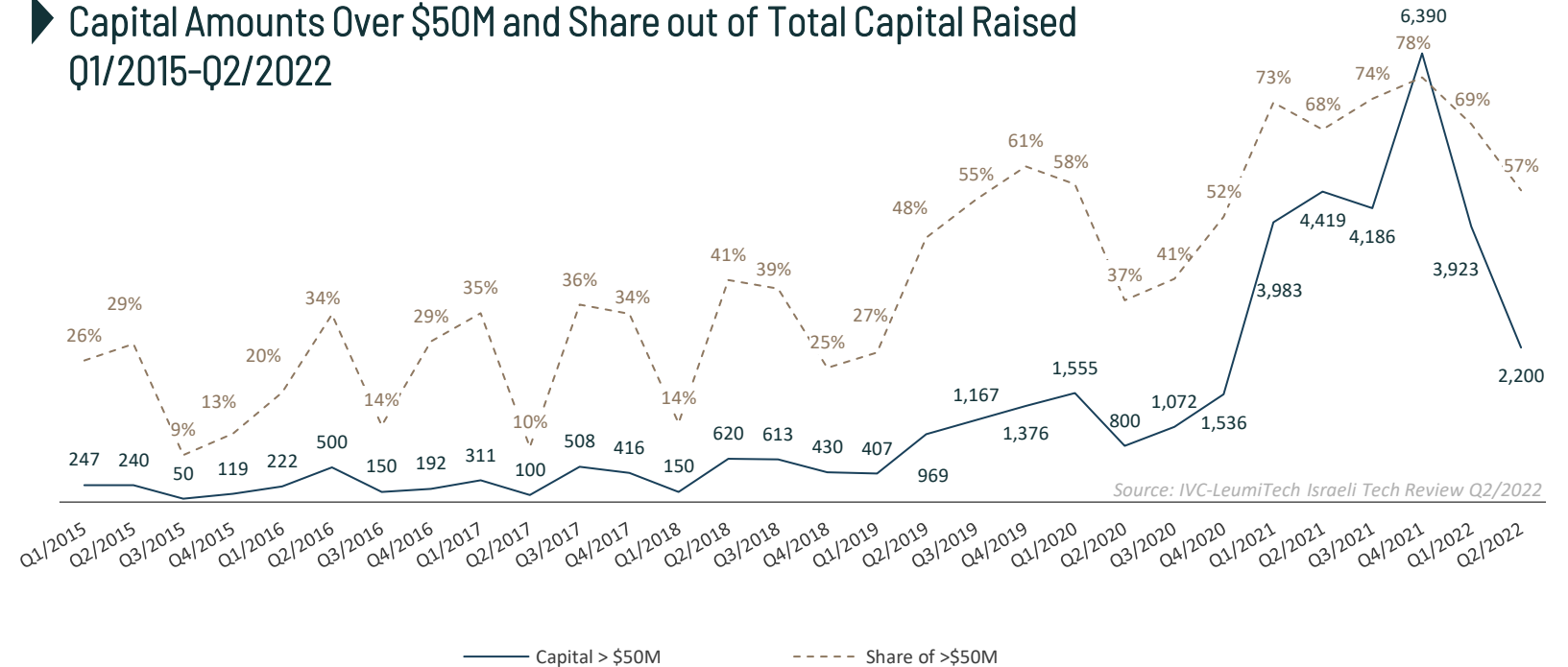
After a pronounced financial regime change, the capital market experienced its worst first half since the 1970s: from the beginning of the year, the S&P 500 lost 20% and the tech-heavy NASDAQ index fell 30%. The technology sector was the primary victim of this turmoil with companies losing 50% to 80% of their value within several months. Given this scenario, it's natural to wait for the music to stop in private company investments as well.

On the macro level, Israeli tech has done tremendously well during the first 6 month of 2022. With 395 investment deals adding up to \$9.8 Billion, we can already see the level of investment amounts for all of 2020. Yet, the details draw a different picture: almost all the components of the Israeli tech investment arena indicate that a sharp downtrend is underway.

Q2/2022 Israeli Tech Big Picture

The chart below tells the whole story for Israeli tech at the moment. Nearly 90% of the capital lost between the top of quarterly invested amounts from Q4/2021 to Q2/2022 came from larger rounds—\$50m each and over. These mega rounds are drying up quickly, and for the first time after five quarters they have returned to the level of 50% of overall amounts.

► Capital Amounts Over \$50M and Share out of Total Capital Raised
Q1/2015-Q2/2022



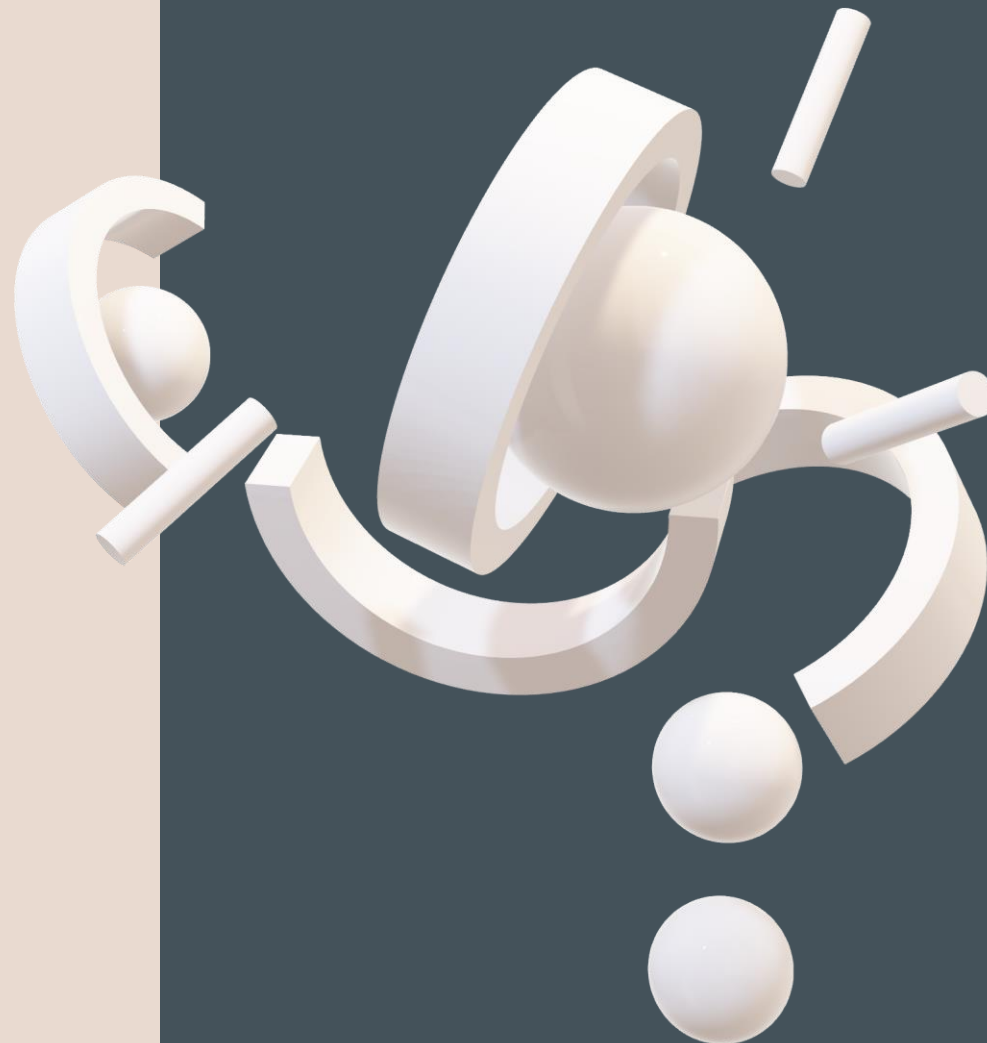
Q2/2022 Israeli Tech Big Picture

While the burn-rate of capital in Unicorn start-ups has been in the headlines for the last six months, the 'birth-rate' of new Unicorns is nevertheless interesting. Twenty new unicorns joined the pack in H1/2022, the same quarterly pace as in 2021. The infusion of fresh capital for the herd was down, relative to 2021 numbers.

M&A deals fell sharply from 2021 numbers, and it's not just the lack of IPO/SPAC deals. Public market unrest is likely affecting potential acquirers, and H1/2022 saw just 56 M&As, one of the lowest numbers for semi-annual exit statistics in the last decade.

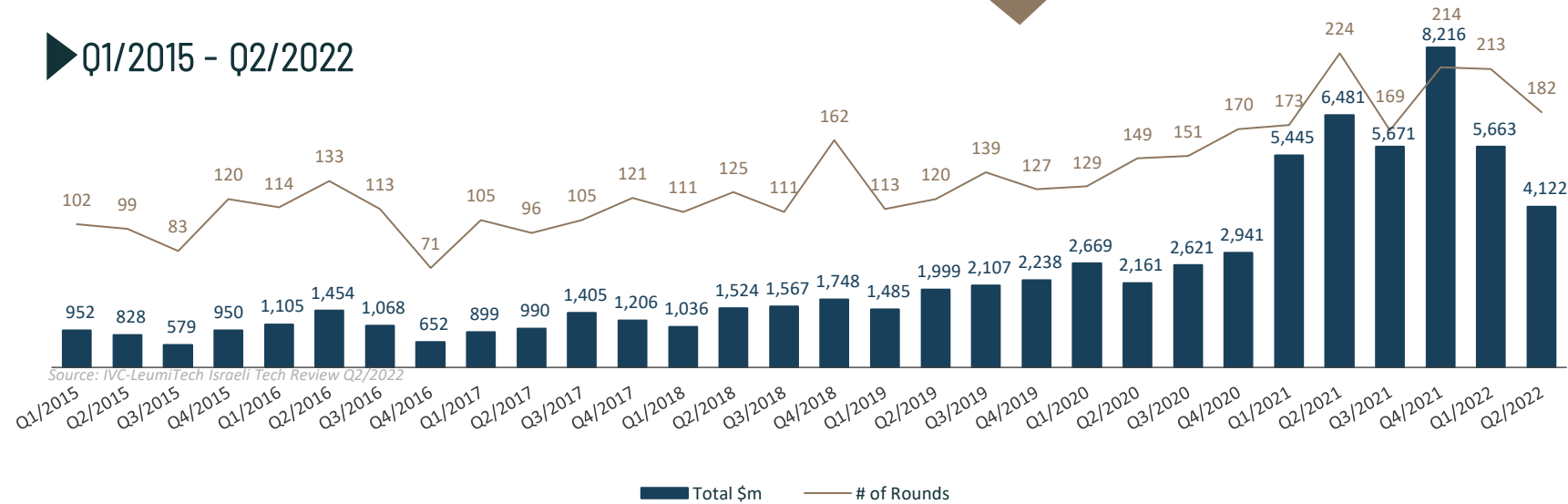
For the first time, we have added newly established companies' numbers and forecasts, and we encourage you to read the [methodology](#). We estimate that around 700 new start-up companies were established in 2021, and so far, the numbers for 2022 are looking similar.

Q2/2022 Israeli High-Tech Investments

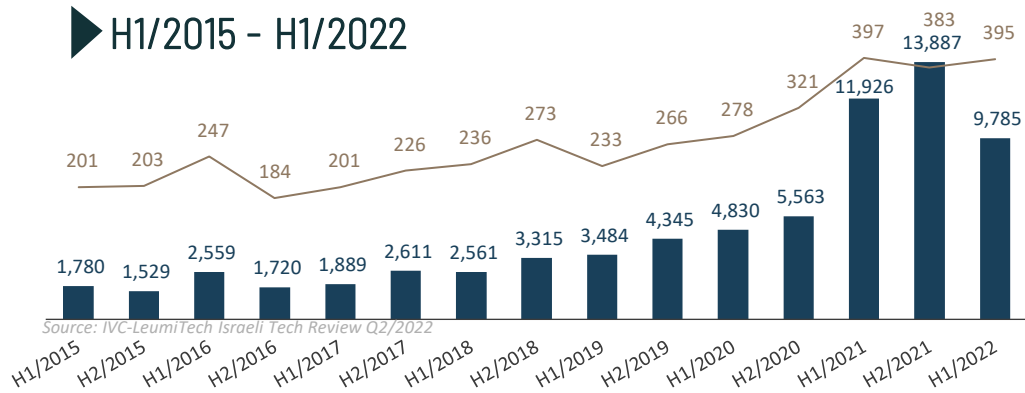


Israeli High-Tech Investments

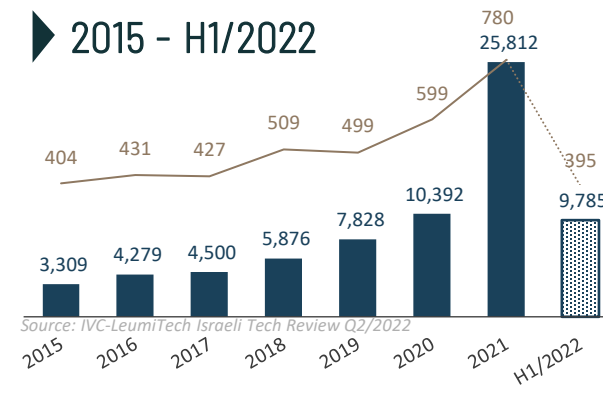
► Q1/2015 - Q2/2022



► H1/2015 - H1/2022



► 2015 - H1/2022



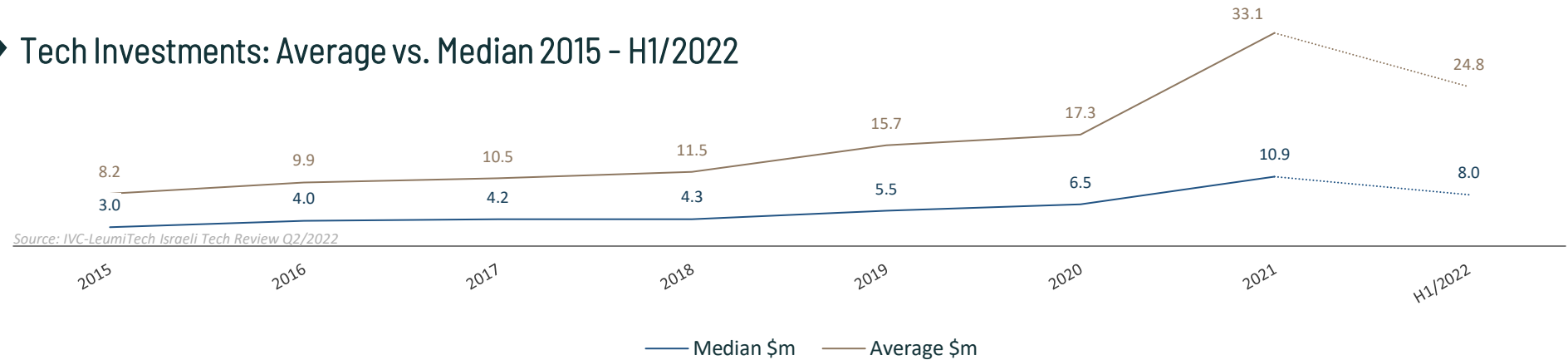
Israeli tech raised \$4.1 billion in 182 deals in Q2/2022, making it one of the best quarterly results ever. Looking at the bigger picture, we see that these impressive numbers are the lowest point since Q4/2020 and mark a steep downtrend since dollar invested amounts topped in Q4/2021.

The amounts in H1/2022, dropped nearly 30% compared to the previous half year (H2/2021). This change is especially noticeable after a continuous uptrend since 2016.

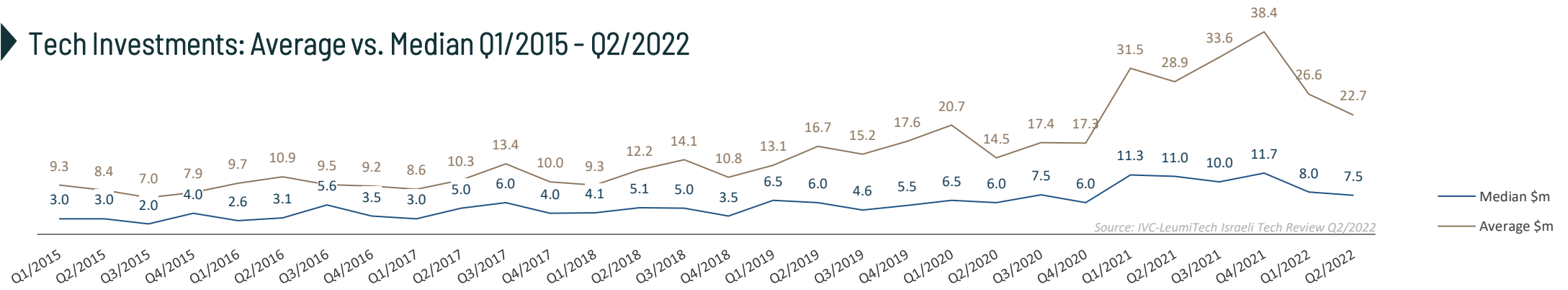
Israeli High-Tech Investments

Median investments – that are less sensitive to outlier investments effects on the data, show an apparent change in the investments pattern in the semi-annual analysis, after 7 years of an uptrend.

► Tech Investments: Average vs. Median 2015 - H1/2022



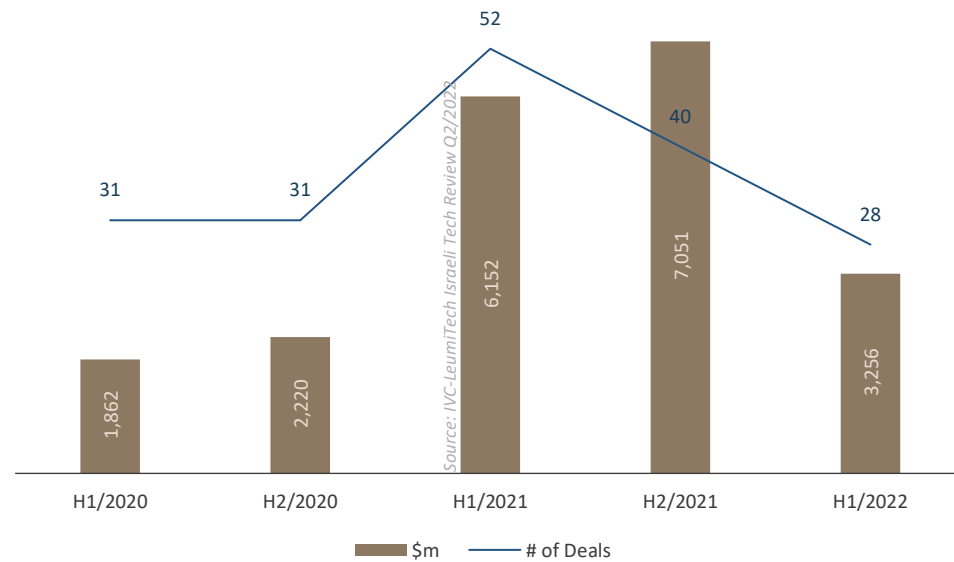
► Tech Investments: Average vs. Median Q1/2015 - Q2/2022



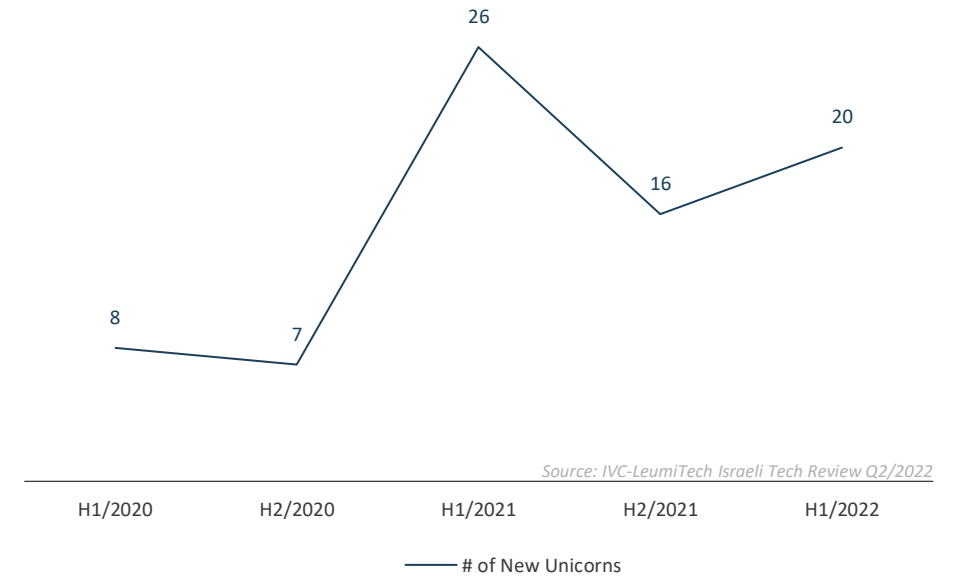
Israeli High-Tech Unicorns

Twenty new unicorns (start-up companies with a valuation of \$1 billion or over each), joined this exclusive group during H1/2022. While the number of new members in the herd continues the trend of 2021, the amount and number of funding rounds have fallen sharply from 2021 levels.

► Unicorns Capital Raising H1/2020 - H1/2022



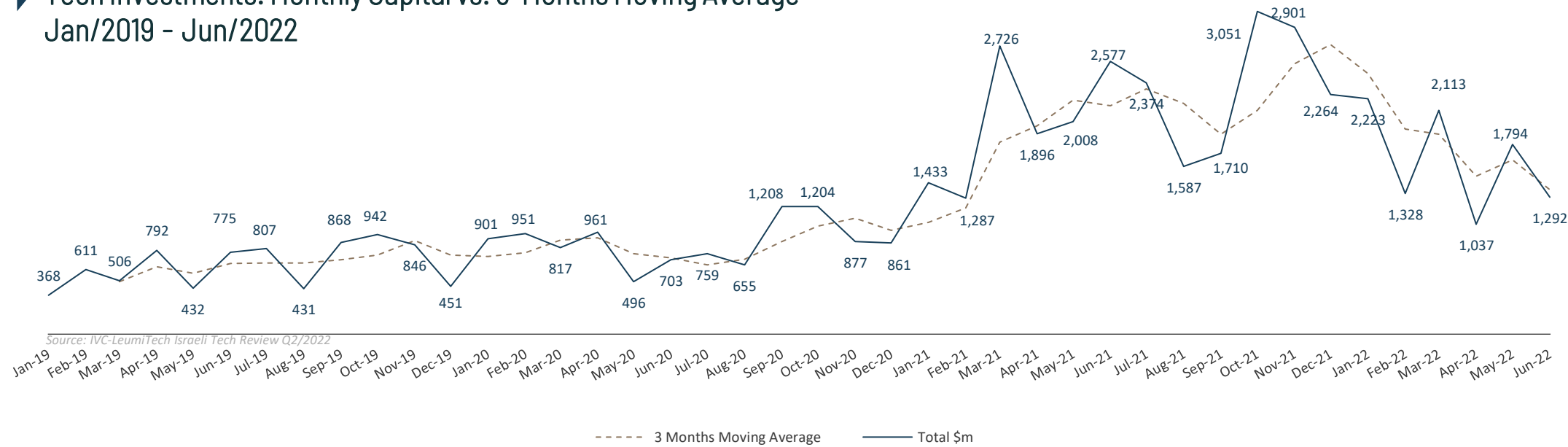
► # of New Unicorns by Valuation Date H1/2020 - H1/2022



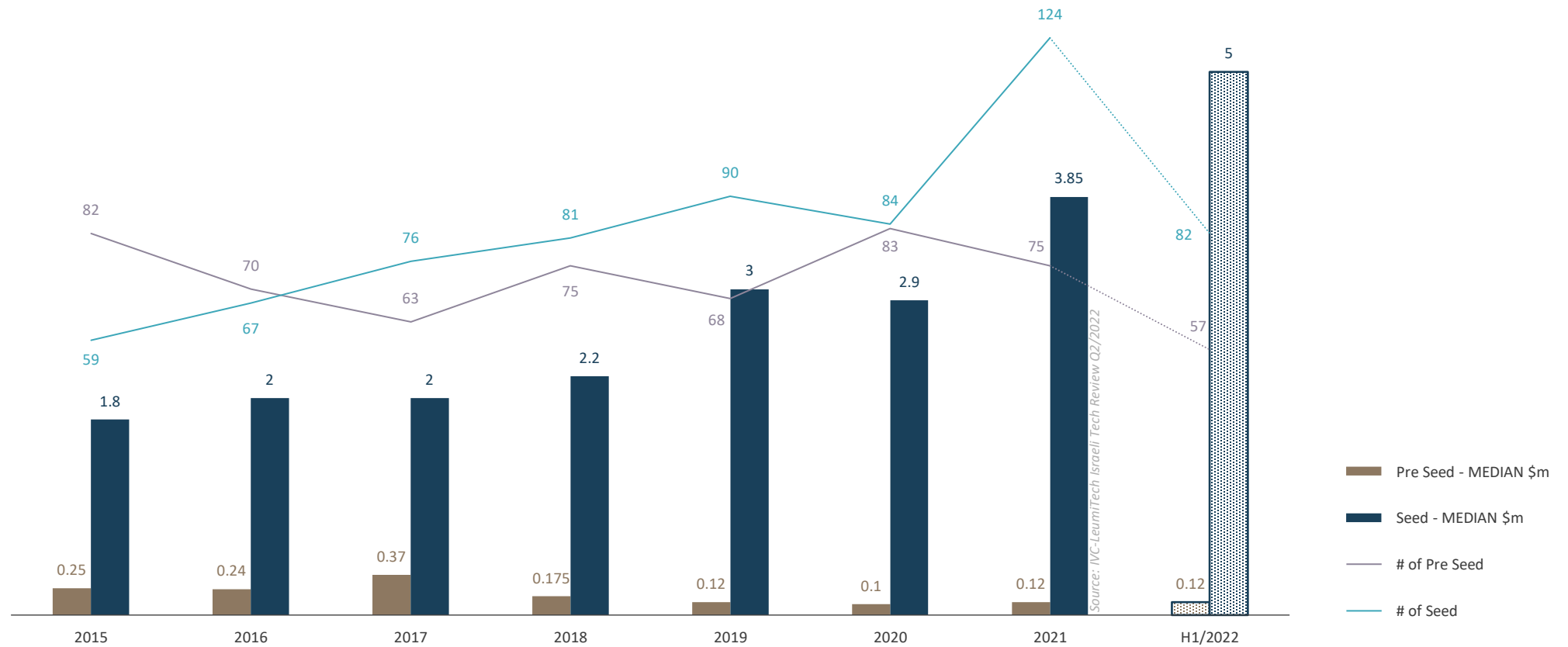
Israeli High-Tech Investments Jan/2019 - Jun/2022

On a monthly scale with a three-month moving average, the decline since December 2021 has become very apparent.
Average monthly dollar amounts were cut by nearly 60% between October 2021 and June 2022.

Tech Investments: Monthly Capital vs. 3-Months Moving Average Jan/2019 - Jun/2022



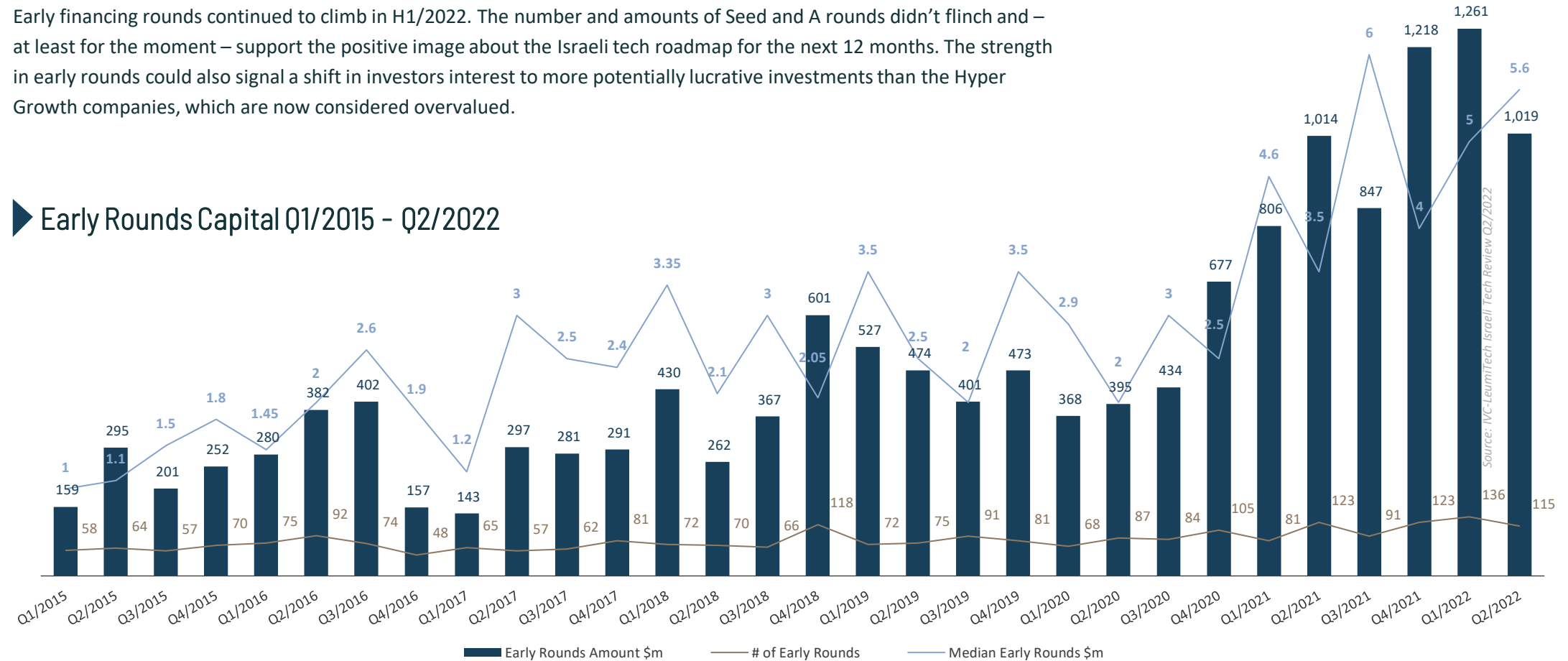
Pre-Seed & Seed Deals: Numbers and Median 2015 – H1/2022



Early Rounds Totals: Amounts, Numbers and Median

Early financing rounds continued to climb in H1/2022. The number and amounts of Seed and A rounds didn't flinch and – at least for the moment – support the positive image about the Israeli tech roadmap for the next 12 months. The strength in early rounds could also signal a shift in investors interest to more potentially lucrative investments than the Hyper Growth companies, which are now considered overvalued.

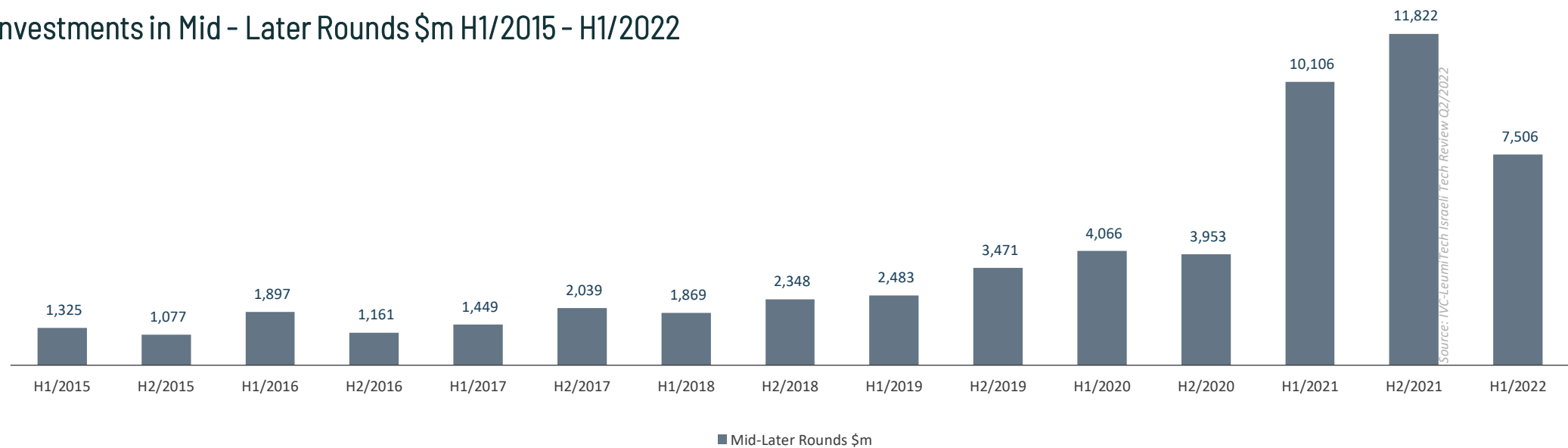
► Early Rounds Capital Q1/2015 - Q2/2022



Investments in Mid - Later Rounds

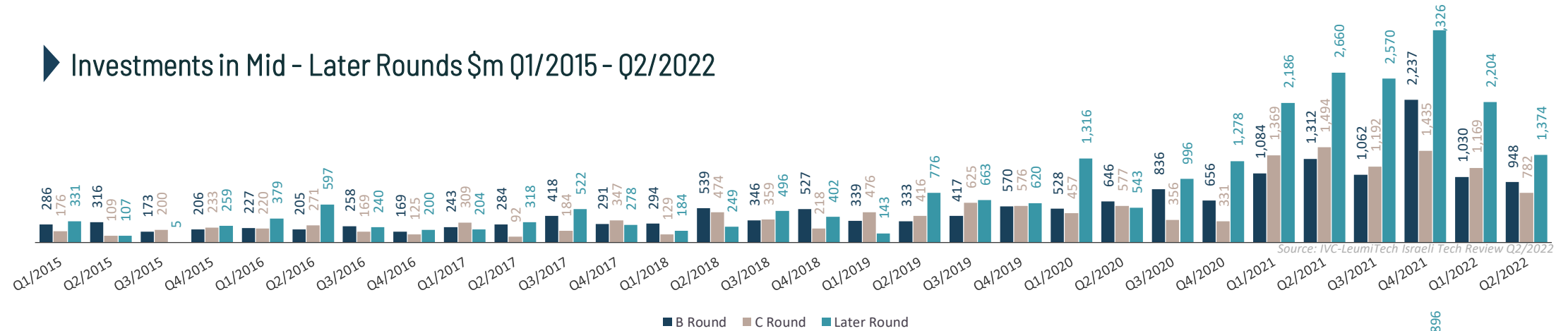
Mid-later rounds are the major target, so far, of this down cycle, reflected clearly in the inverted V-shape trend in the total investments line plot on the semi-annual chart. After a sharp rise from H2/2020, a shift in the exact opposite direction began in H1/2022.

► Investments in Mid - Later Rounds \$m H1/2015 - H1/2022

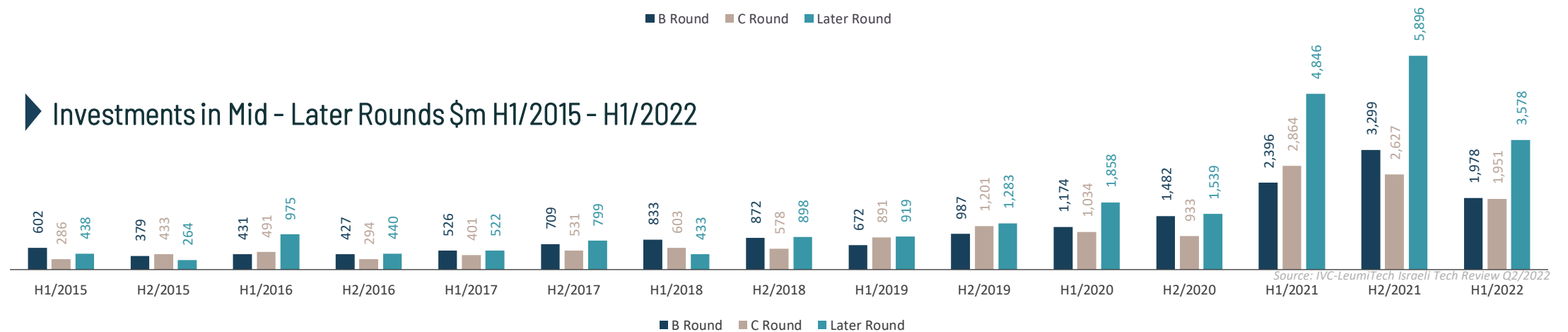


Investments in Mid - Later Rounds 2015 - H1/2022

Investments in Mid - Later Rounds \$m Q1/2015 - Q2/2022

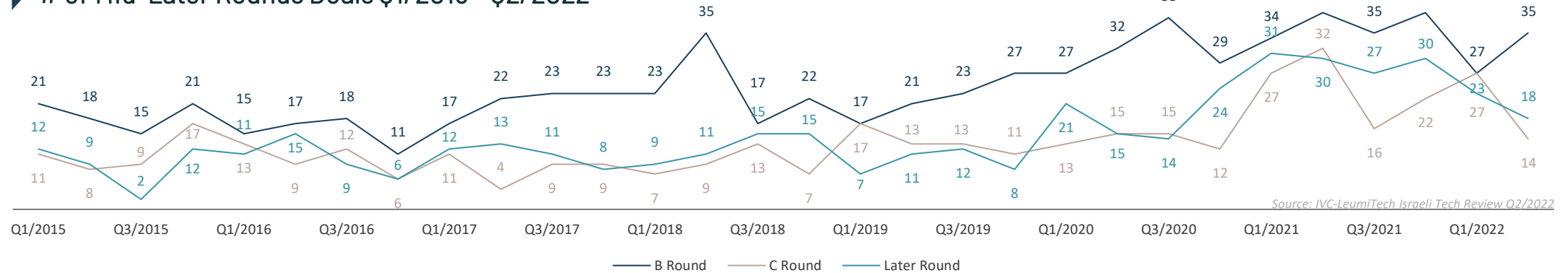


Investments in Mid - Later Rounds \$m H1/2015 - H1/2022

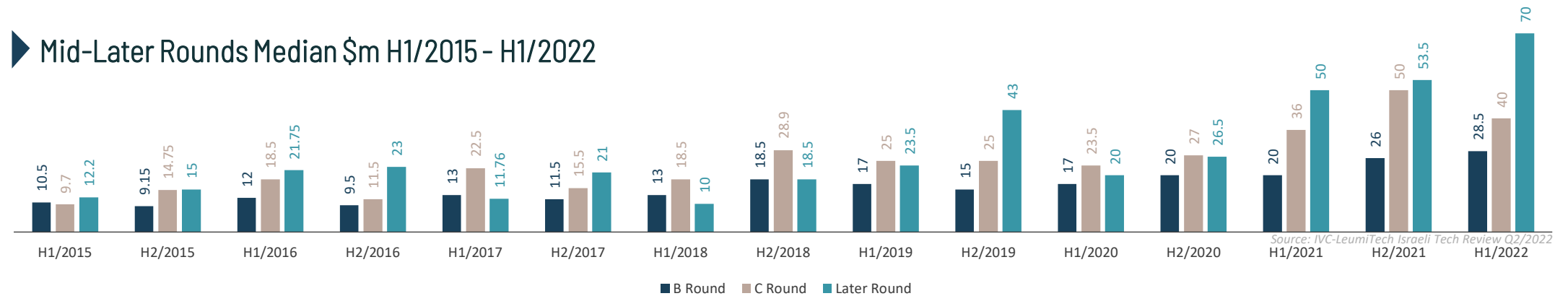


Mid - Later Rounds 2015 -H1/ 2022

► # of Mid-Later Rounds Deals Q1/2015 - Q2/2022

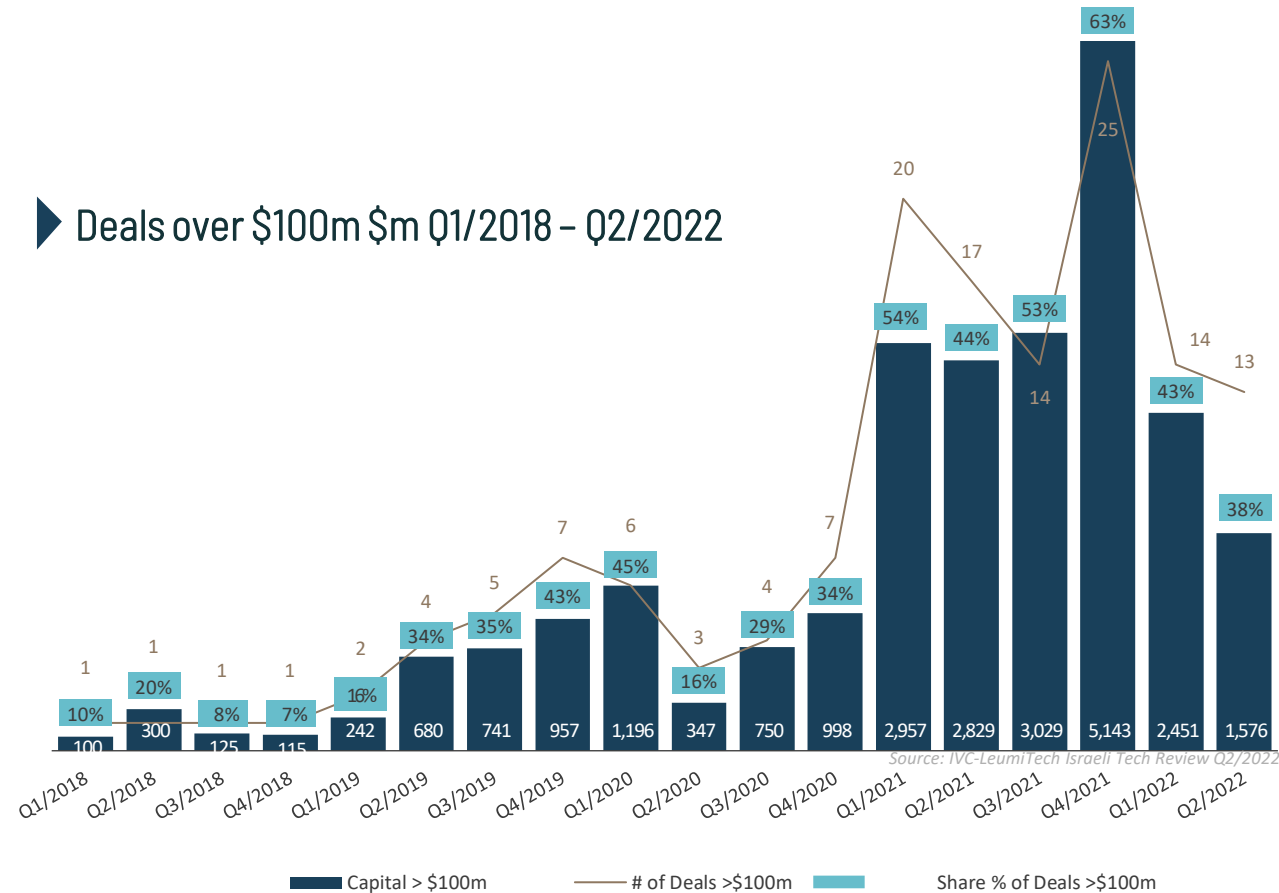


► Mid-Later Rounds Median \$m H1/2015 - H1/2022

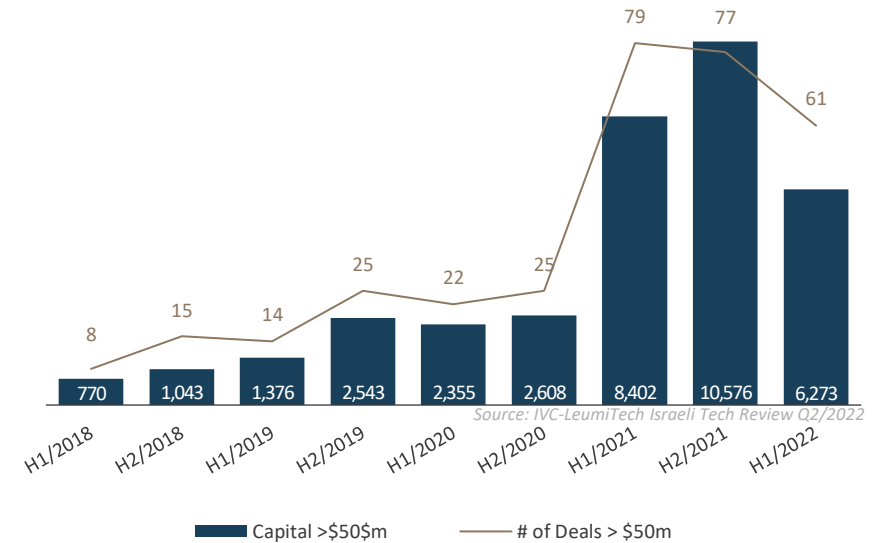


Deals by Size 2018-H1/2022

► Deals over \$100m \$m Q1/2018 – Q2/2022



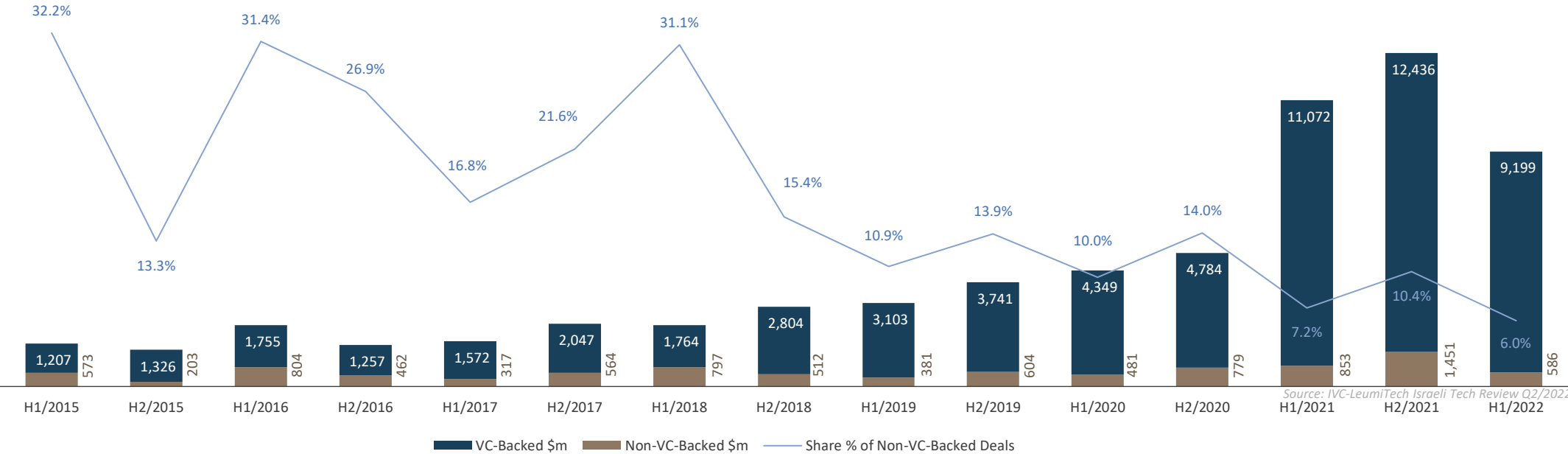
► Deals over \$50m \$m H1/2018 – H1/2022



The number of mega deals in Israeli tech fell by almost 50% on a quarterly basis from Q4/2021 to Q2/2022. Big deals amounts took a major hit from every aspect in the last 6 months, but there may still be a long way to the bottom.

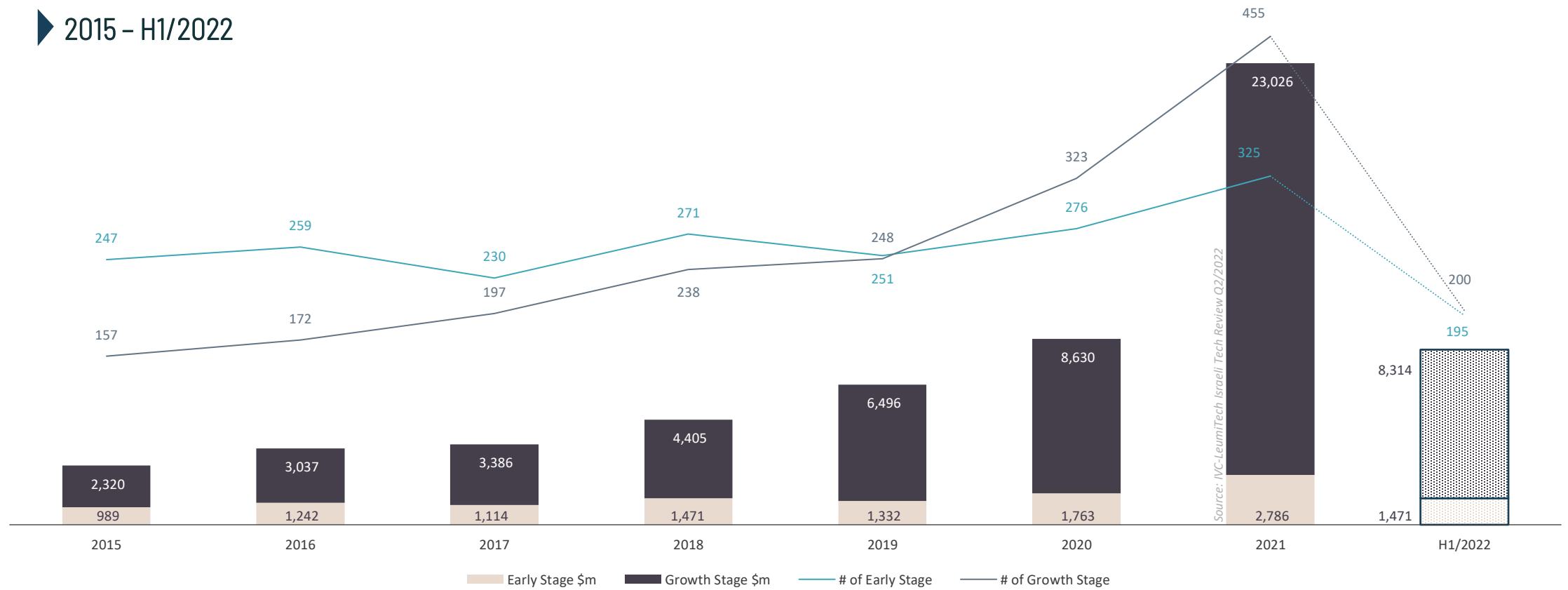
VC-Backed Deals H1/2015 – H1/2022

The overall share of non-VC investors activity came in at a record low, with just 6% of deal amounts done without VC involvement. This could point to several issues: a runoff of non-VC investors due to high multiples in the market; a sharp rise in the number of available VCs; or a decision by less sophisticated investors to stay away for the moment.



Capital Investments by Stage 2015 –H1/2022

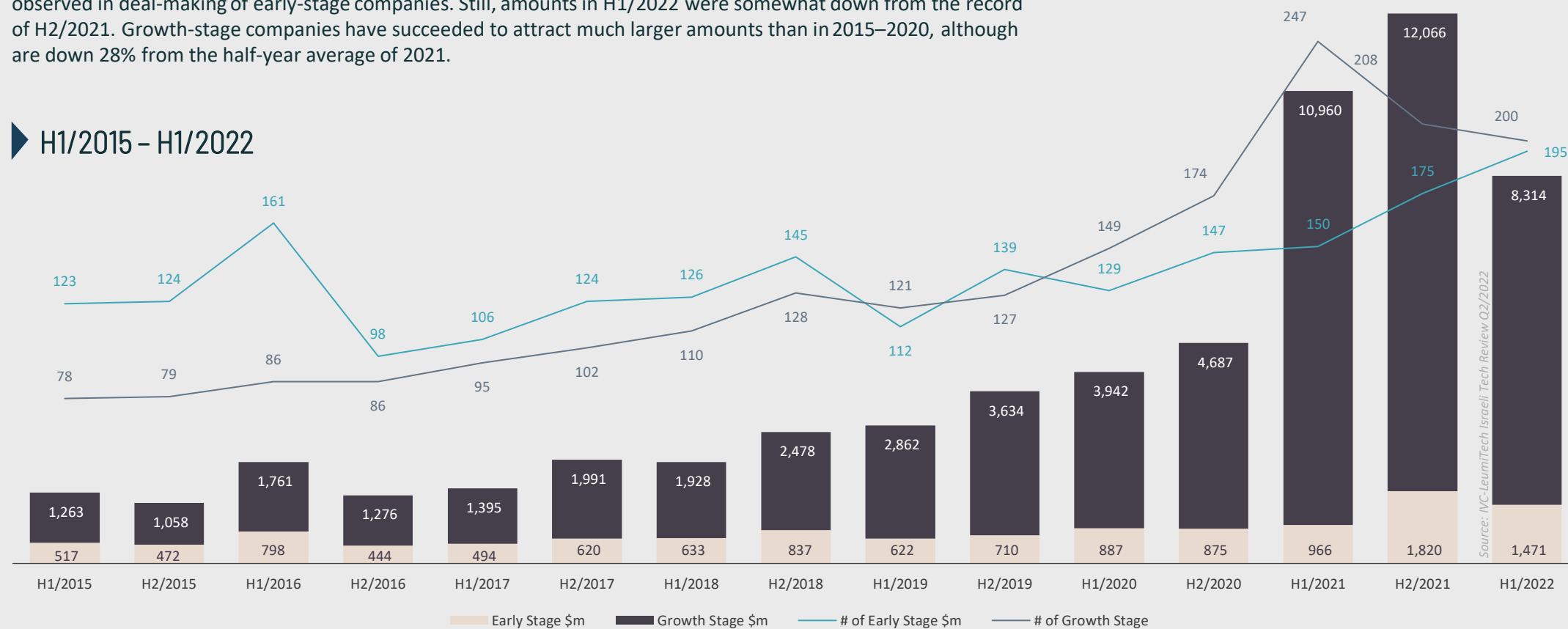
► 2015 – H1/2022

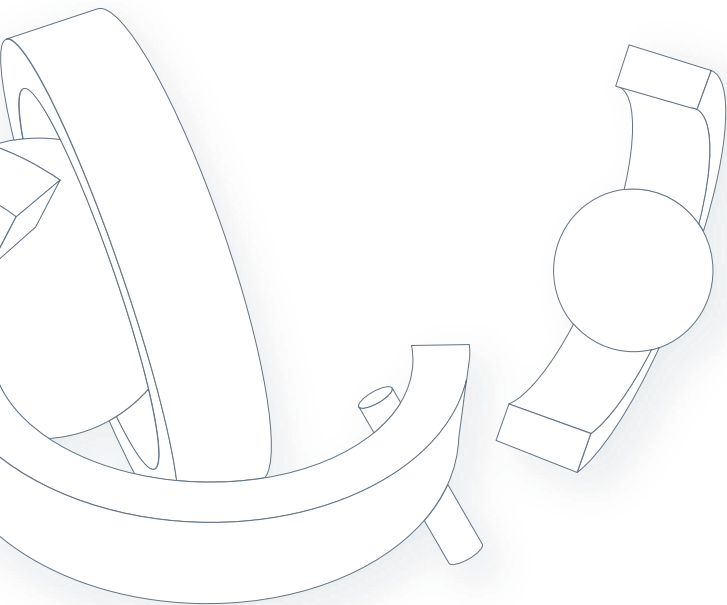


Capital Investments by Stage H1/2015 – H1/2022

In the period between H1/2019 to H1/2022 (with 112 and 195 deals, respectively), a continuous positive trend was observed in deal-making of early-stage companies. Still, amounts in H1/2022 were somewhat down from the record of H2/2021. Growth-stage companies have succeeded to attract much larger amounts than in 2015–2020, although are down 28% from the half-year average of 2021.

► H1/2015 – H1/2022





Q2/2022 Selected Top Investments

Semperis

IT & Enterprise Software
Security
Third Round

1

200 m\$

Pixellot

Communications
Broadcast
Fourth Round

2

161 m\$

Coralogix

IT & Enterprise Software
Design & Development
Fourth Round

3

142 m\$

Monte Carlo

IT & Enterprise Software
Enterprise Applications
Fourth Round

4

135 m\$

Pyramid Analytics

IT & Enterprise Software
Business Analytics
Fifth Round

5

120 m\$

Aidoc Medical

Life Sciences
Digital Health
Fourth Round

6

110 m\$

Vayyar Imaging

Semiconductors
Processors & RFID
Fifth Round

7

108 m\$

Masterschool

Internet
E-Learning
Seed

8

100 m\$

Optibus

IT & Enterprise Software
Enterprise Infrastructure
Forth Round

9

100 m\$

Perimeter 81

IT & Enterprise Software
Security
Third Round

10

100 m\$

StarkWare Industries

IT & Enterprise Software
Miscellaneous Software
Fourth Round

11

100 m\$

Unit Finance

IT & Enterprise Software
Enterprise Applications
Third Round

12

100 m\$

Viz.ai

Life Sciences
Digital Health
Fourth Round

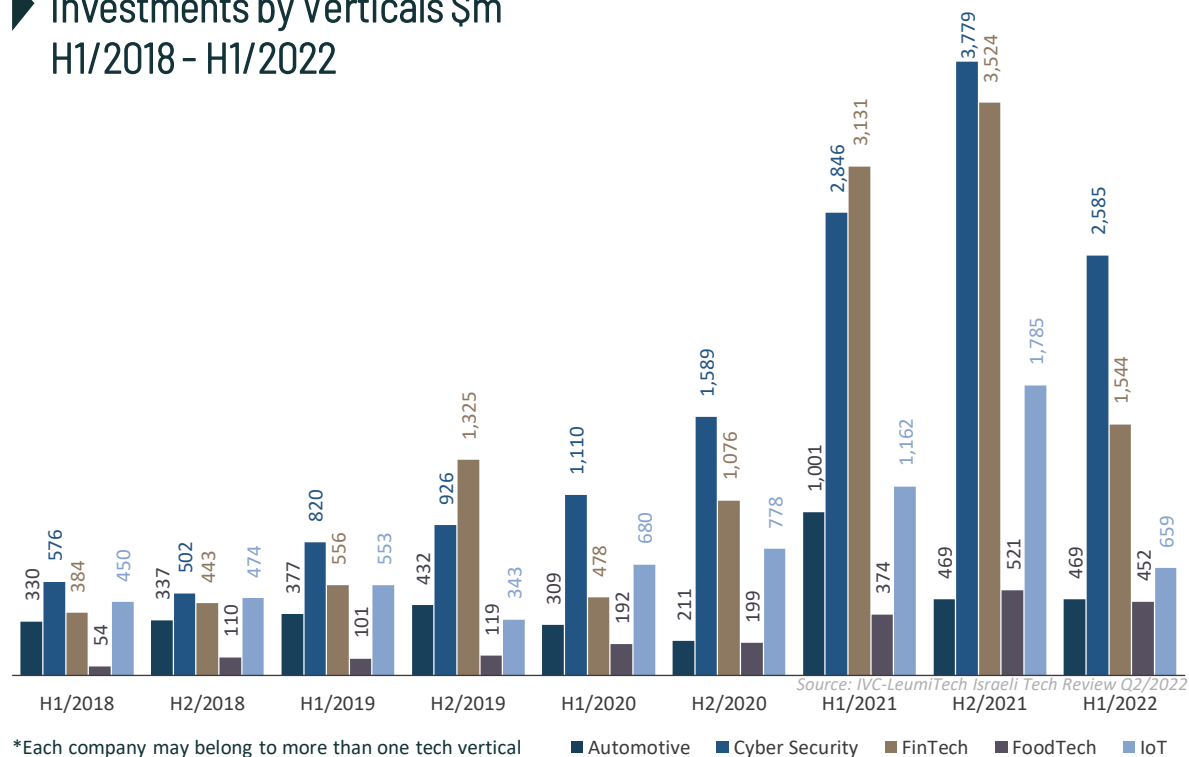
13

100 m\$

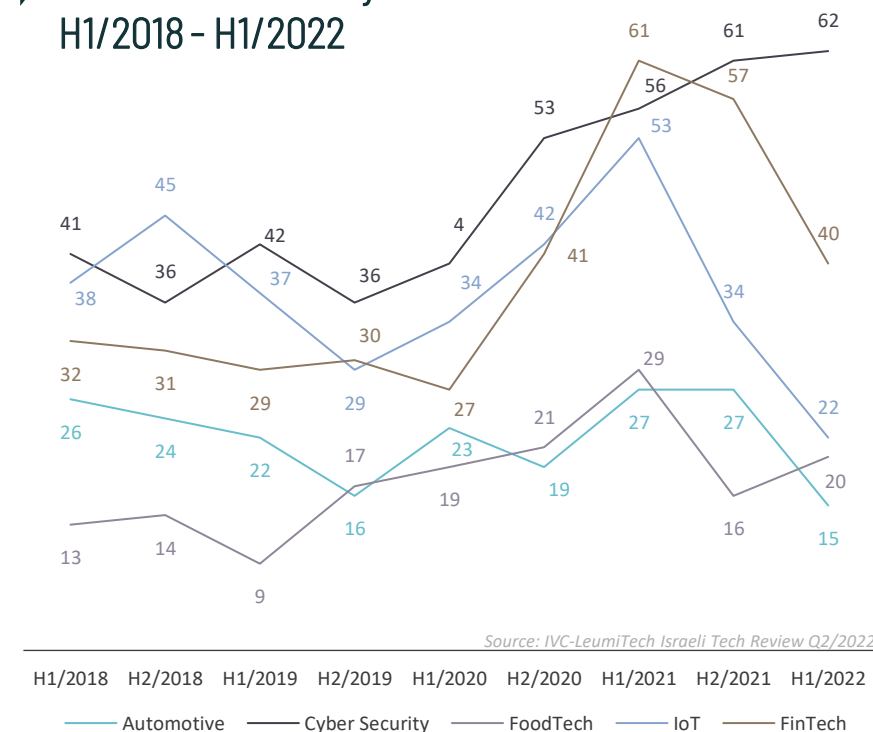
Investments by Verticals

Capital raising in Automotive, Fintech and IoT verticals has somewhat slowed in H1/2022, compared to 2021. The valuation of Fintech companies contracted significantly in H1, following the downtrend in the public markets and accordingly the capital raised. Cyber companies continued to attract investors, with almost no change in investments amounts from H1/2021.

► Investments by Verticals \$m H1/2018 - H1/2022



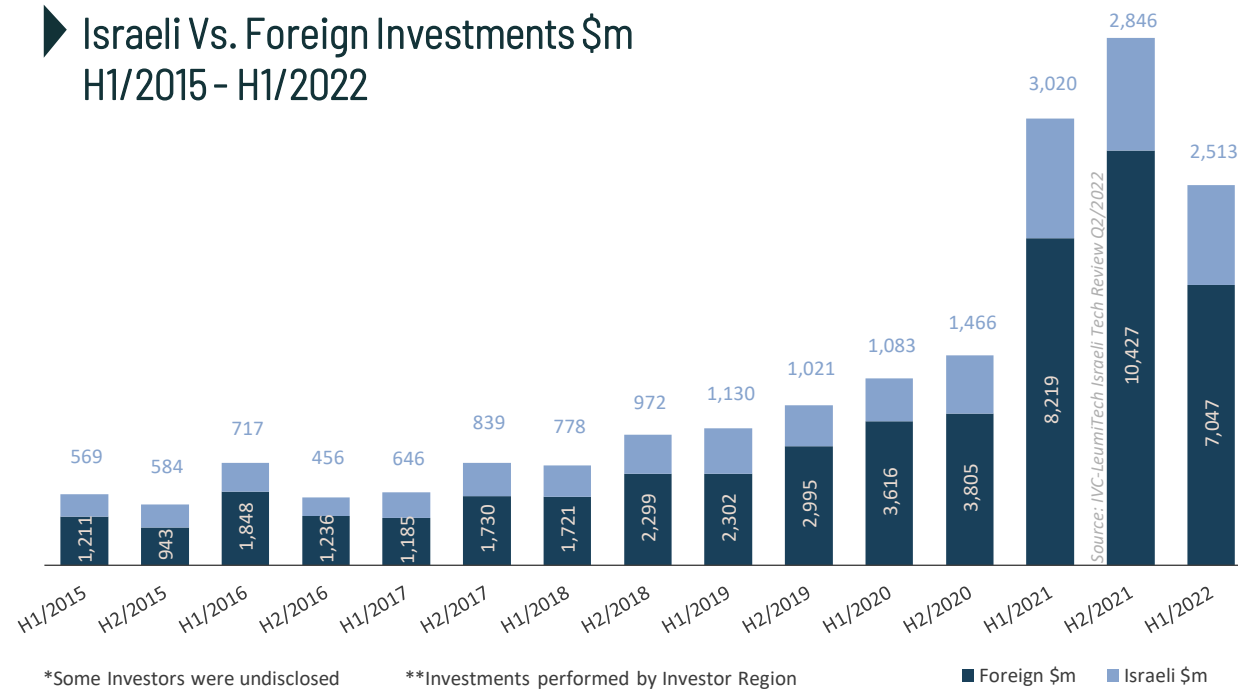
► # of Investments by Verticals H1/2018 - H1/2022



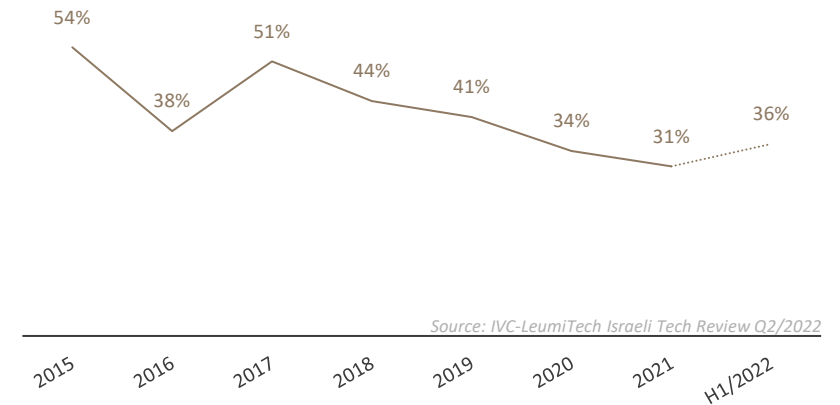
Israeli Vs. Foreign Investments

Traditionally, foreign capital is responsible for the biggest amounts arriving directly to Israeli tech. When the dynamics of the industry push for bigger and bigger checks, foreign capital (e.g., investors) does the heavy lifting. Accordingly, when there is change in this trend, foreign capital is the first to dry up. Percentages of local capital out of the foreign declined since 2017 but changed direction in H1/2022.

► Israeli Vs. Foreign Investments \$m H1/2015 - H1/2022

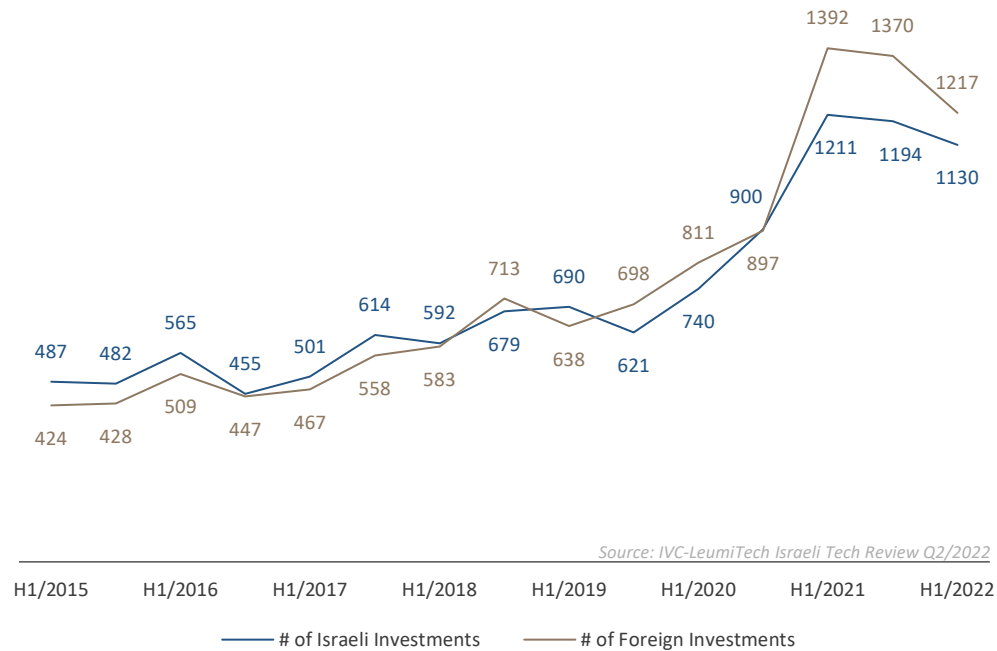


► Share of Israeli Capital out of Foreign Capital Investments \$m 2015 - H1/2022

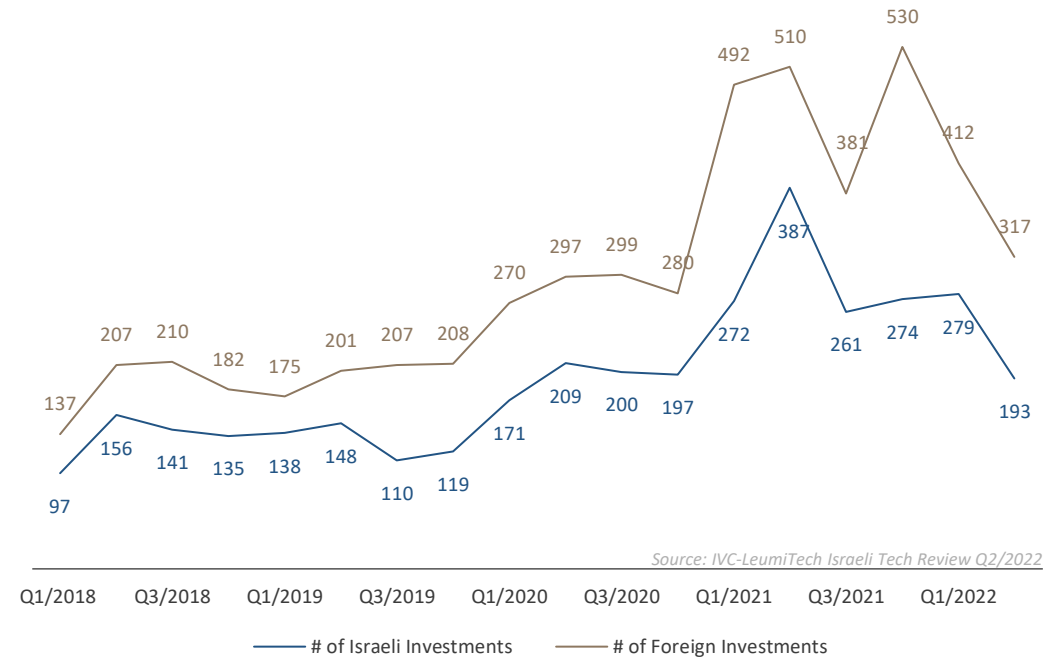


Israeli Vs. Foreign Investments

► Israeli vs. Foreign: # of First-Half Year Investments H1/2015-H1/2022



► Israeli vs. Foreign: # of Investments in Later Rounds Q1/2018-Q2/2022



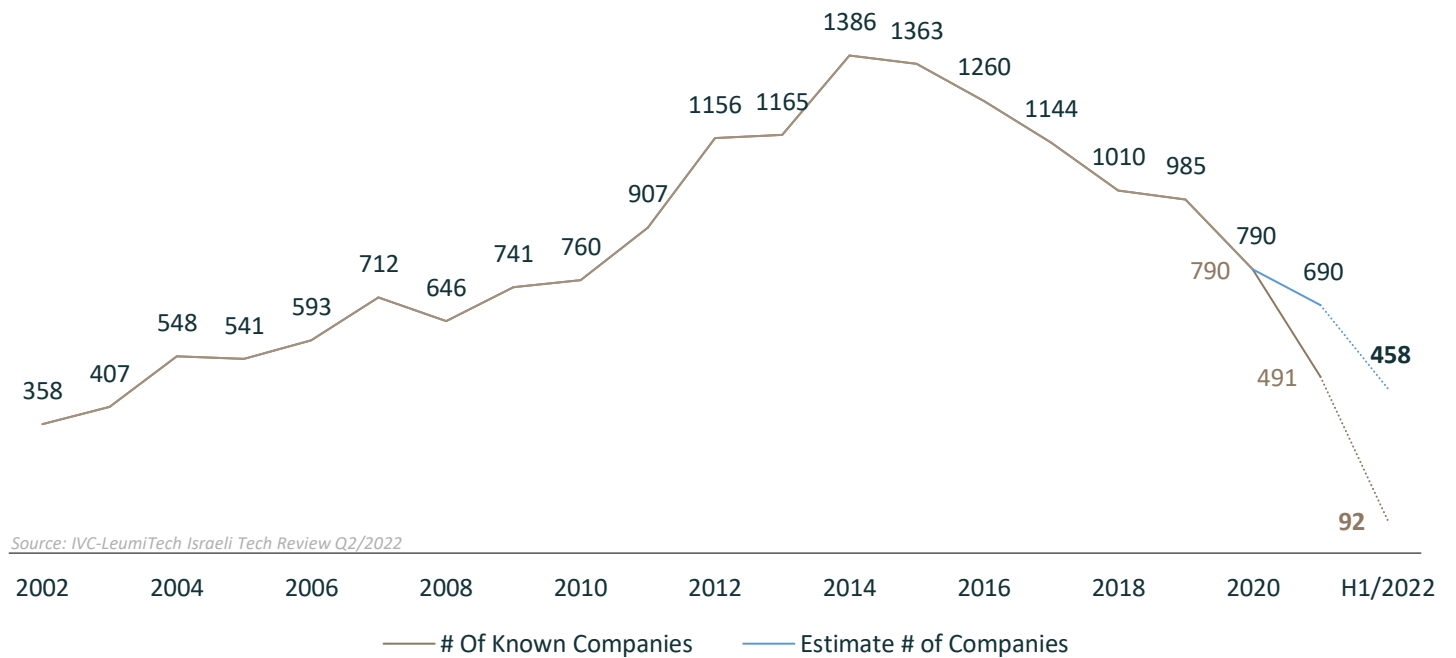
*Some Investors were undisclosed

**Investments performed by Investor Region

Number of Companies Established

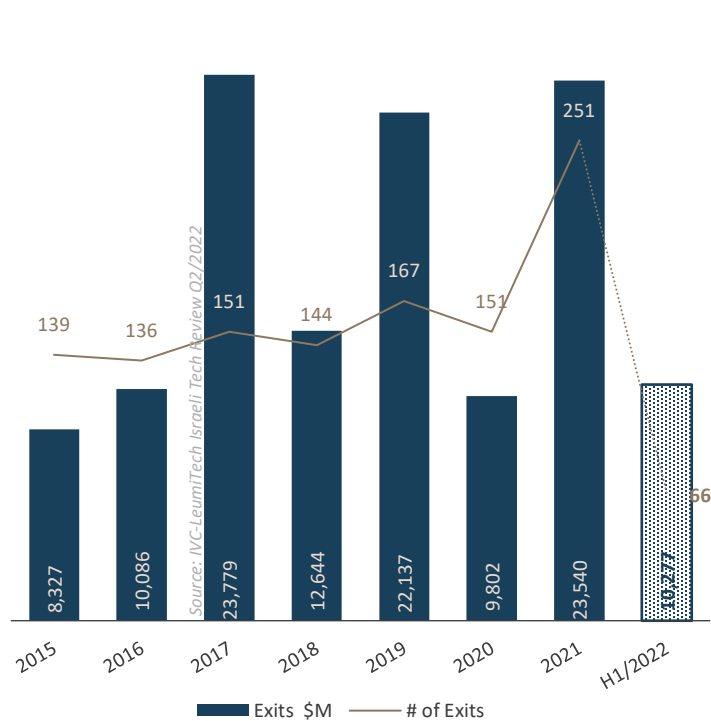
Periodic tracking of the number of newly established companies provides important information for analysis of the local tech industry. From 2012 to 2018, more than 1000 new companies were established each year. The outcome of the companies from these years is shaping the current Israeli tech industry. While the final figures for the number of companies established during 2021 is not yet known (see our [methodology](#)), our estimate is that ~700 companies were established last year. For H1/2022, we forecast that ~ 450 new companies will be added to this population.

► 2002 - H1/2022

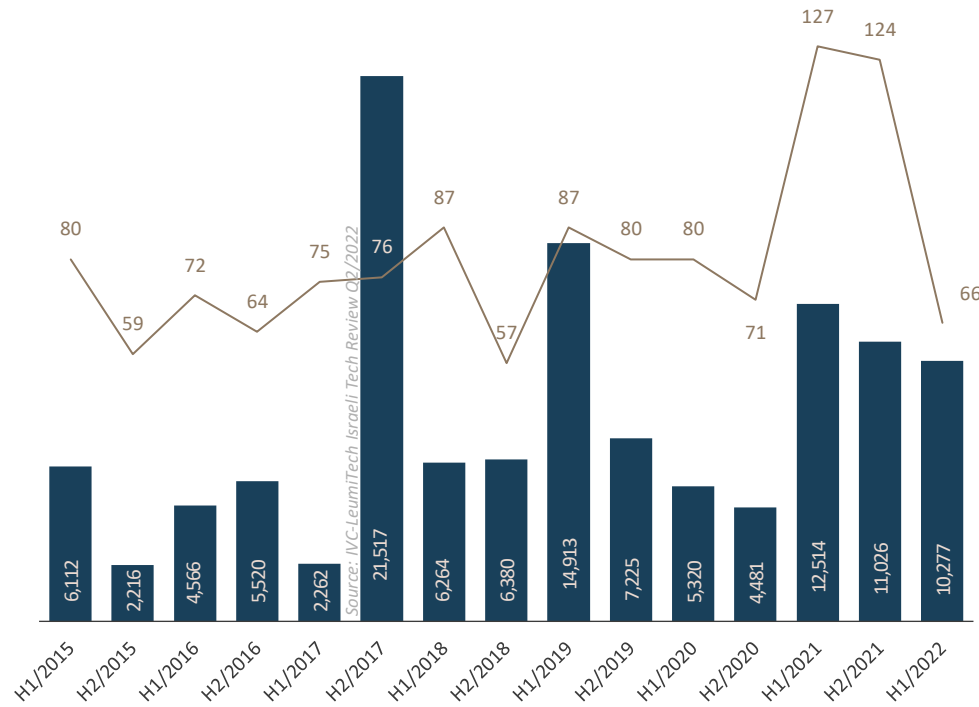


Israeli High-Tech Exits

► Israeli High-Tech Exits (M&As, Buyouts, IPOs) 2015 – H1/2022



► Israeli High-Tech Exits (M&As, Buyouts, IPOs) H1/2015 – H1/2022



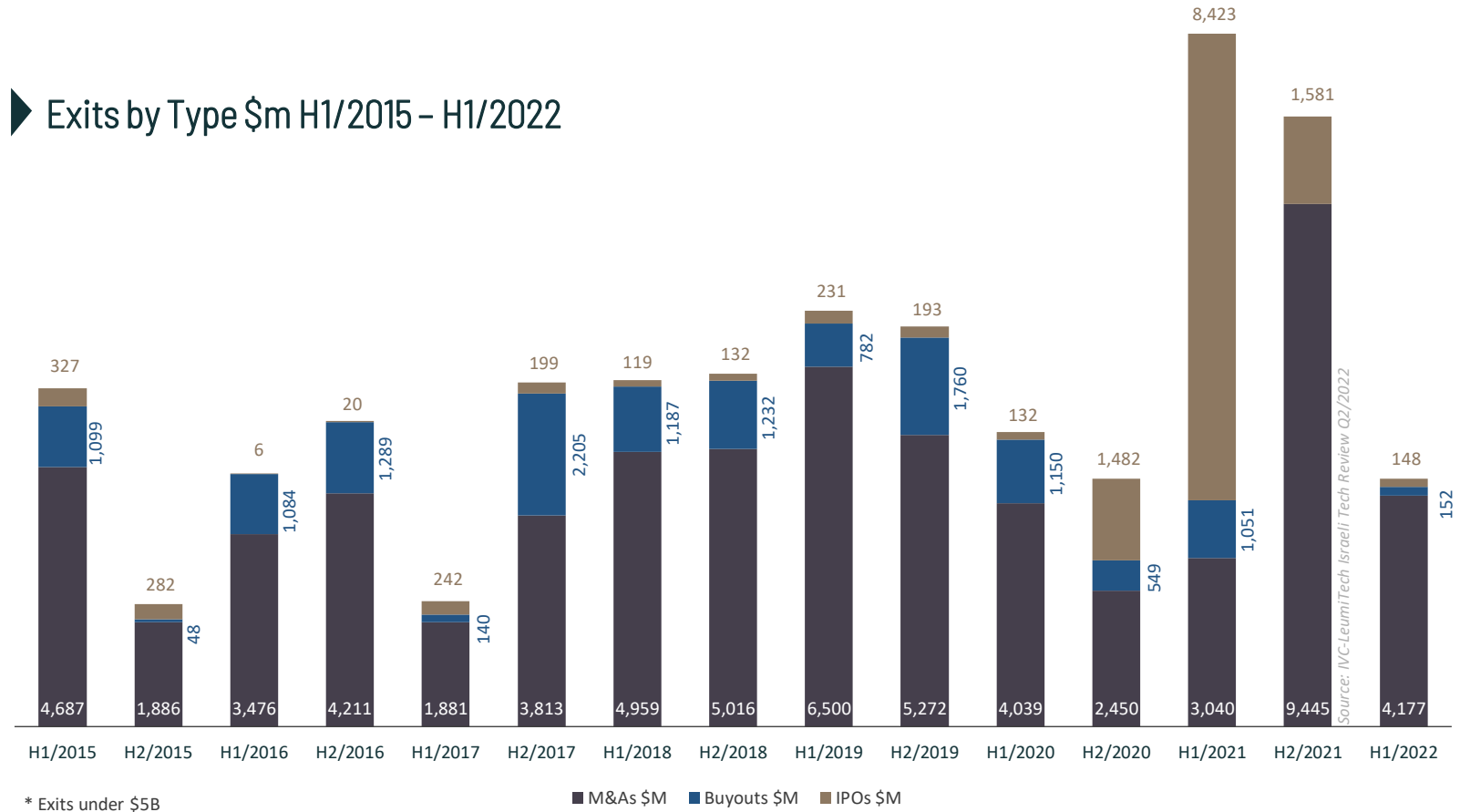
The first half of 2022 saw 66 Israeli high-tech exit proceeds totaling \$10.28 billion (the \$775 m planned merger of RADA with Leonardo is excluded from this report).

The largest acquisition this quarter was of Cellwize Wireless by Qualcomm for \$350 million.

Israeli High-Tech Exits

Excluding exceptional acquisitions of over \$5 billion, 65 Israeli high-tech exits amounted to \$4.48 billion in capital proceeds in H1/2022. Following very robust exit activity in 2021, the beginning of this year showed a slowdown.

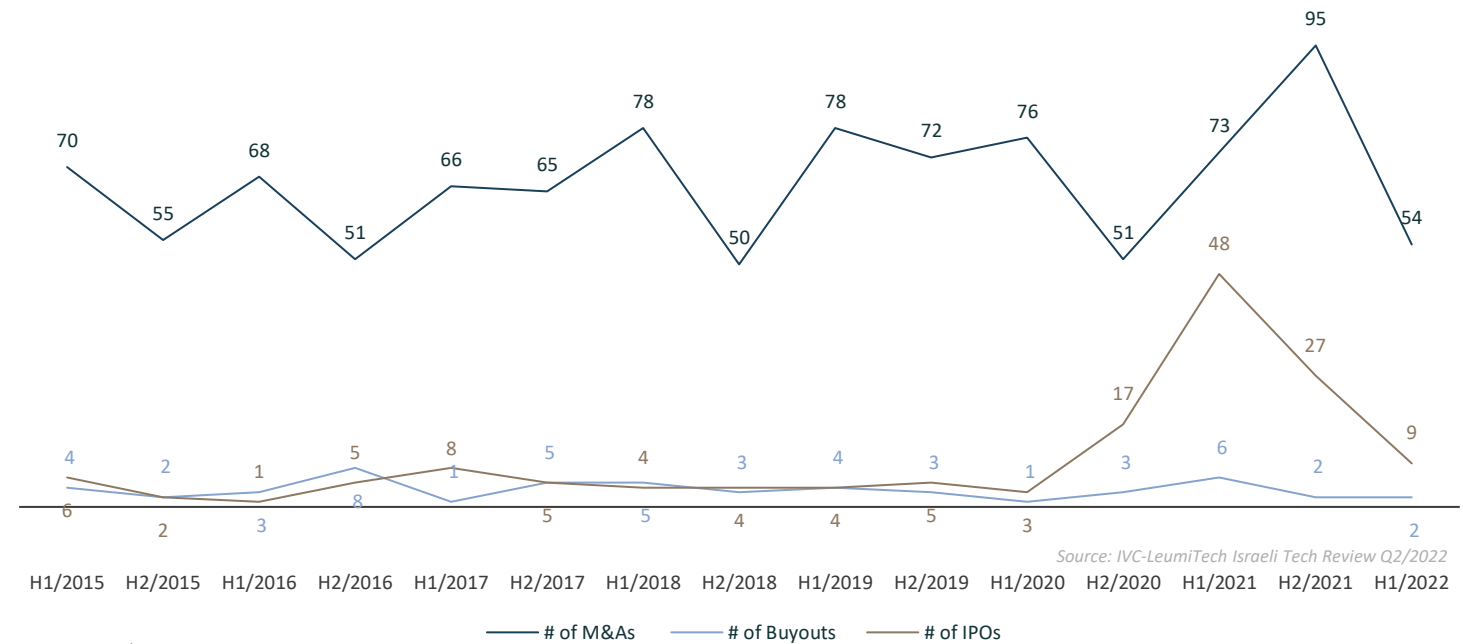
Exits by Type \$m H1/2015 – H1/2022



Israeli High-Tech Exits

Just 56 M&A deals took place in H1/2022, substantially low in historical range since 2015. As for IPOs, just nine companies made their debut in the last six months, a large draw down following the NASDAQ's entry into Bear market territory and the shift in investors' sentiment.

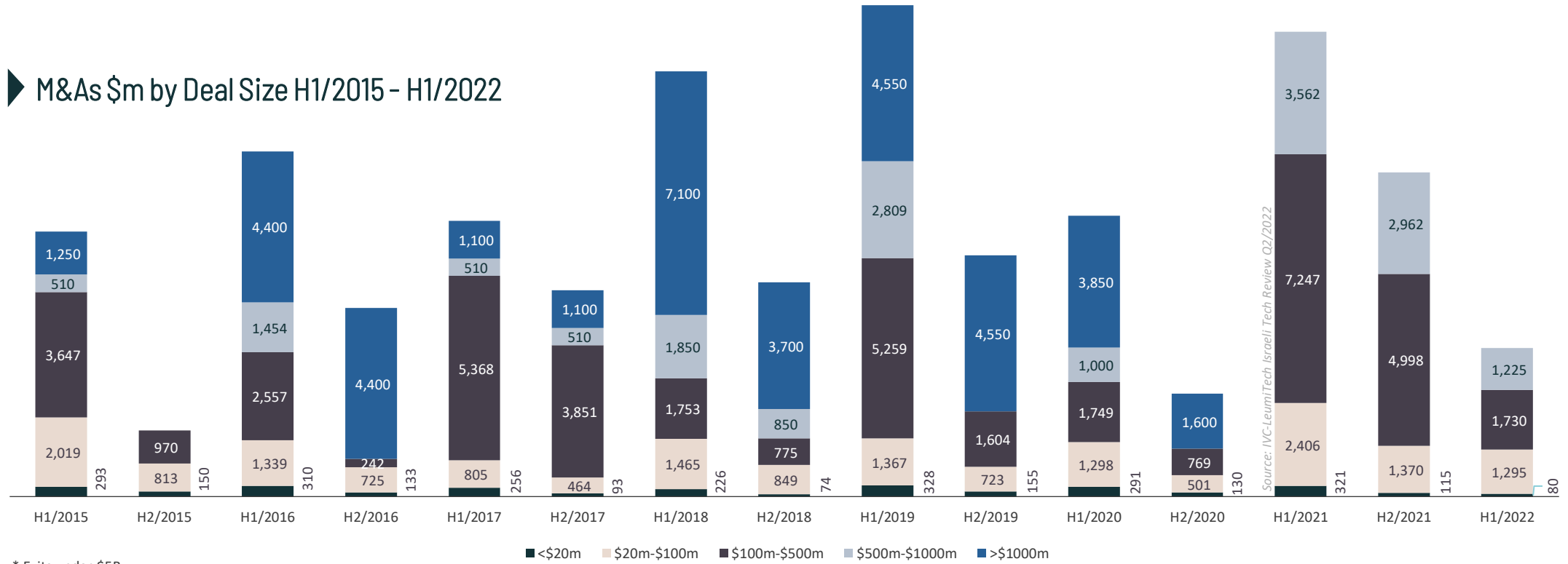
► # of Exits by Type H1/2015 – H1/2022



Israeli High-Tech M&As

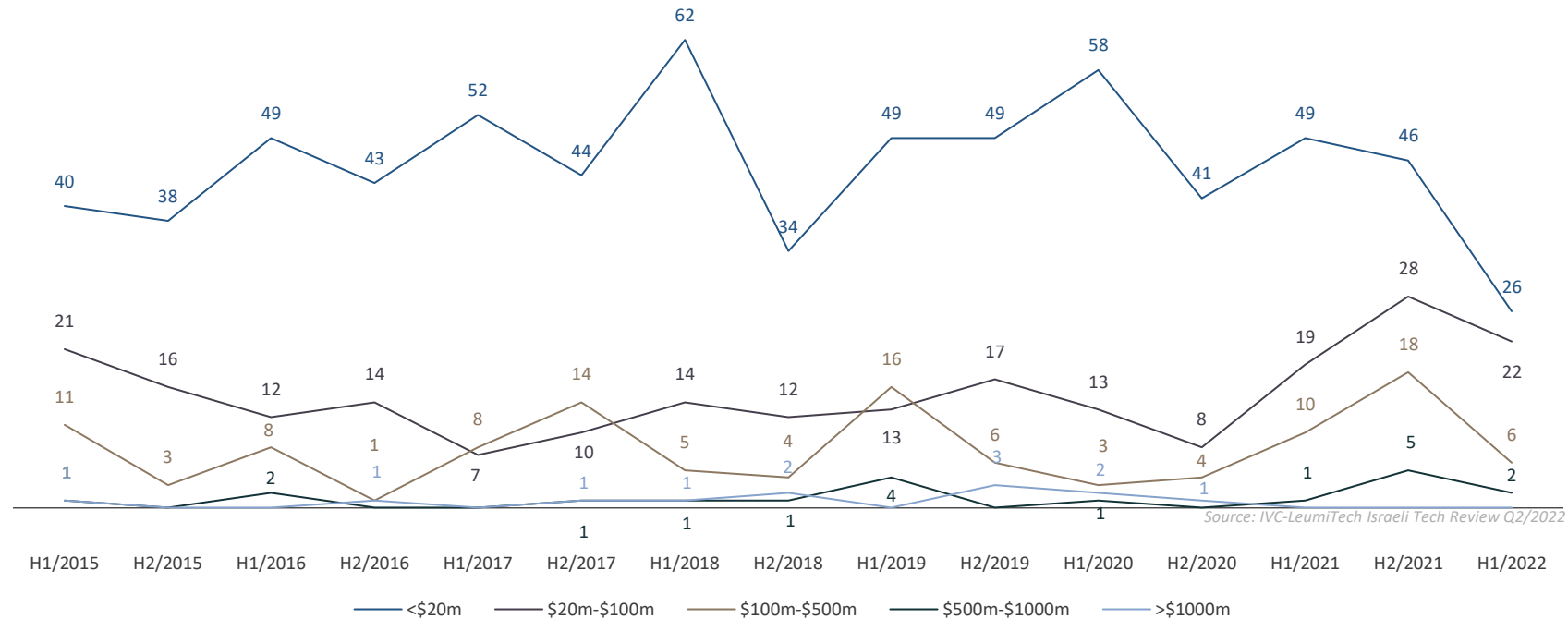
From a deal-size perspective, fewer Israeli companies chose the M&A route during H1/2022 than the last six years in small size deals (lower than \$20m). In medium-large size amounts (\$100m-\$1000m), deal numbers are small but remain firmly within the historical range.

► M&As \$m by Deal Size H1/2015 - H1/2022



Israeli High-Tech M&As

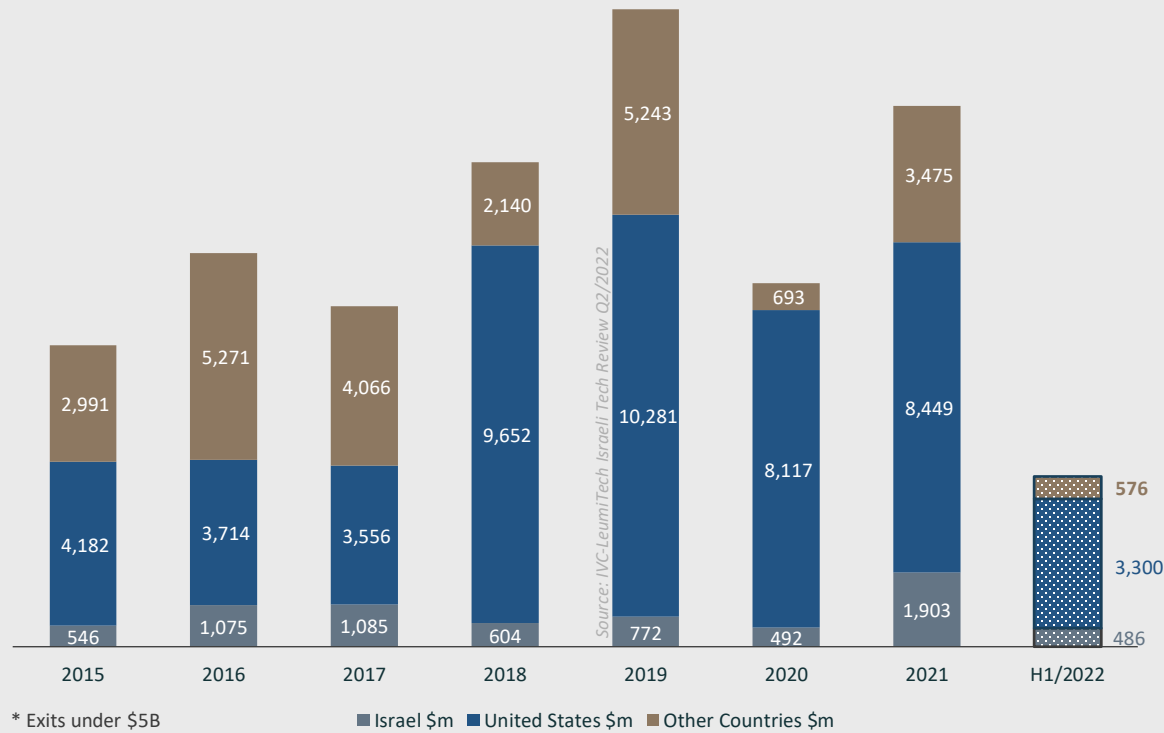
► # of M&As by Deal Size H1/2015 - H1/2022



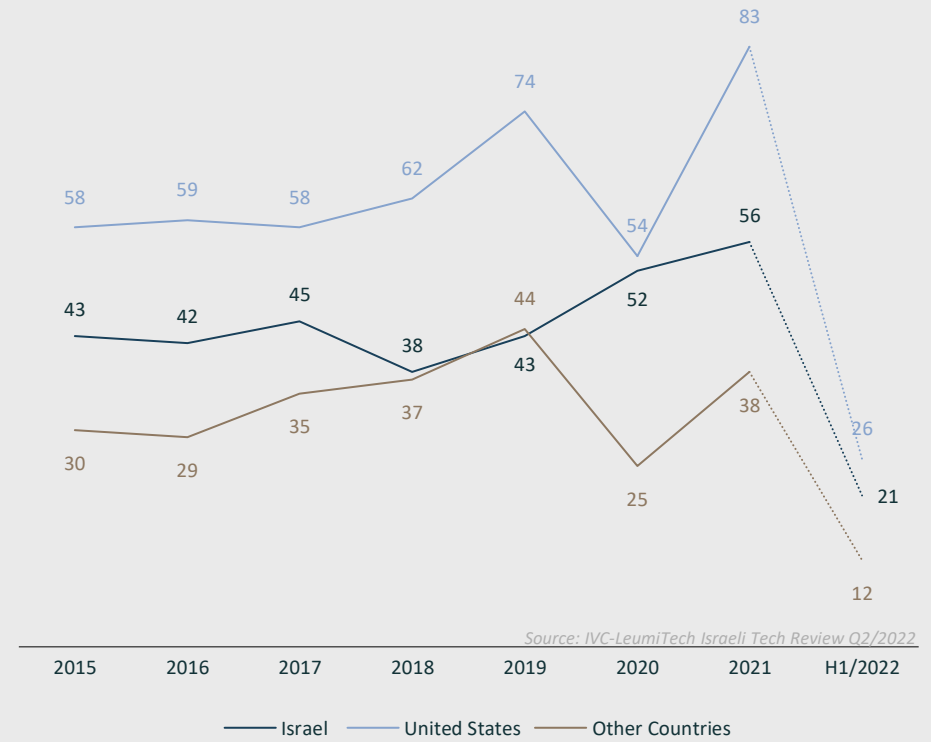
* Exits under \$5B

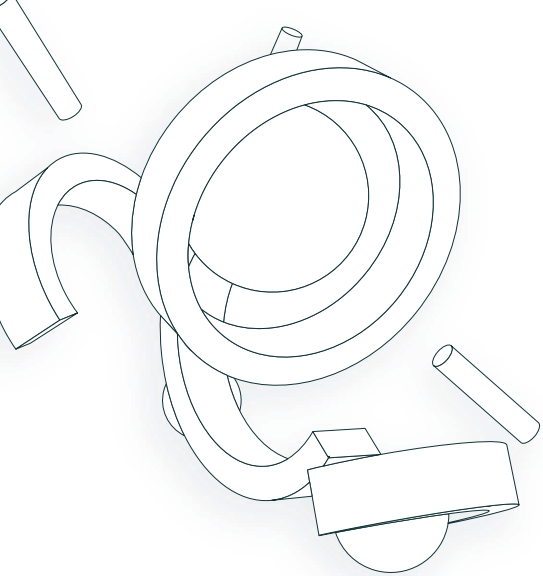
Israeli High-Tech M&As by Acquirer Country

► M&As by Acquirer Country \$m
2015 – H1/2022



► # of M&As by Acquirer Country
2015 – H1/2022





Top M&As H1/2022

13 M&As over \$100m each
summed up to \$9.2B



Semiconductors
\$5800m



Software
\$650m



Internet
\$575m



IT & Enterprise Applications
\$500m



communications
\$350m



life sciences
\$350m



IT & Enterprise Applications
\$250m



IT & Enterprise Applications
\$150m



Internet
\$130m



Internet
\$100m



IT & Enterprise Applications
\$100m



IT & Enterprise Applications
\$100m

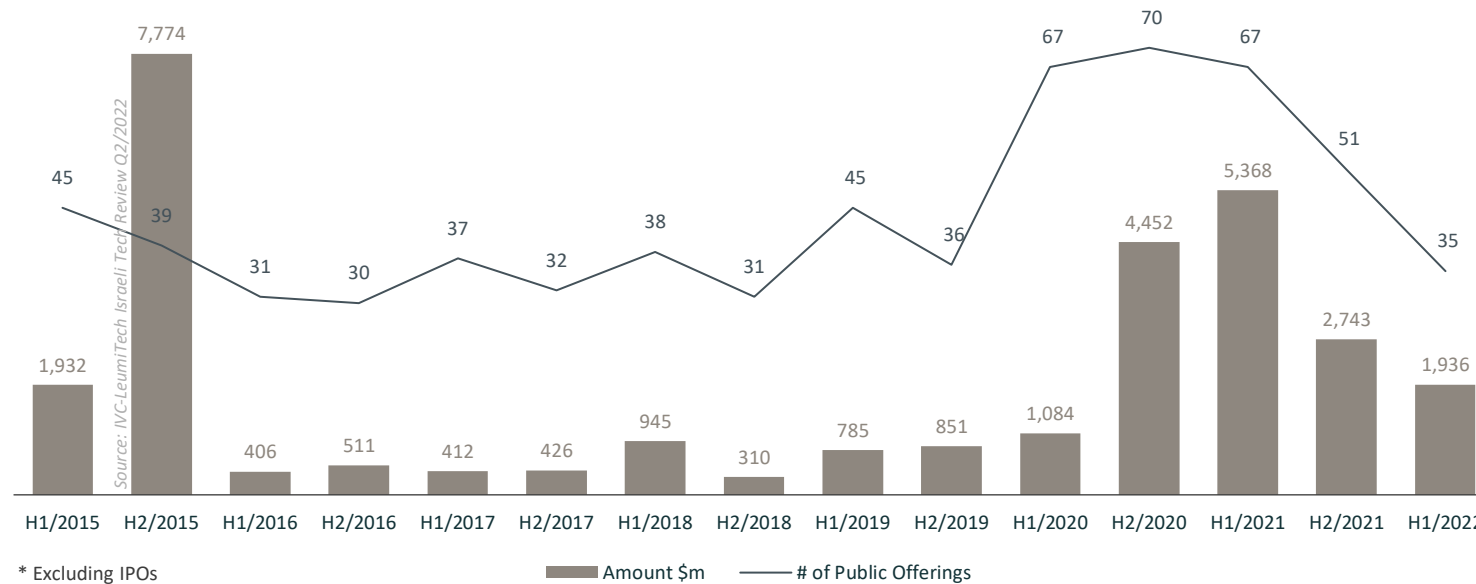


life sciences
\$100m

Israeli High-Tech Companies Public Offerings

While the IPO window is currently closed, public follow-on offerings saw robust activity in H1/2022.

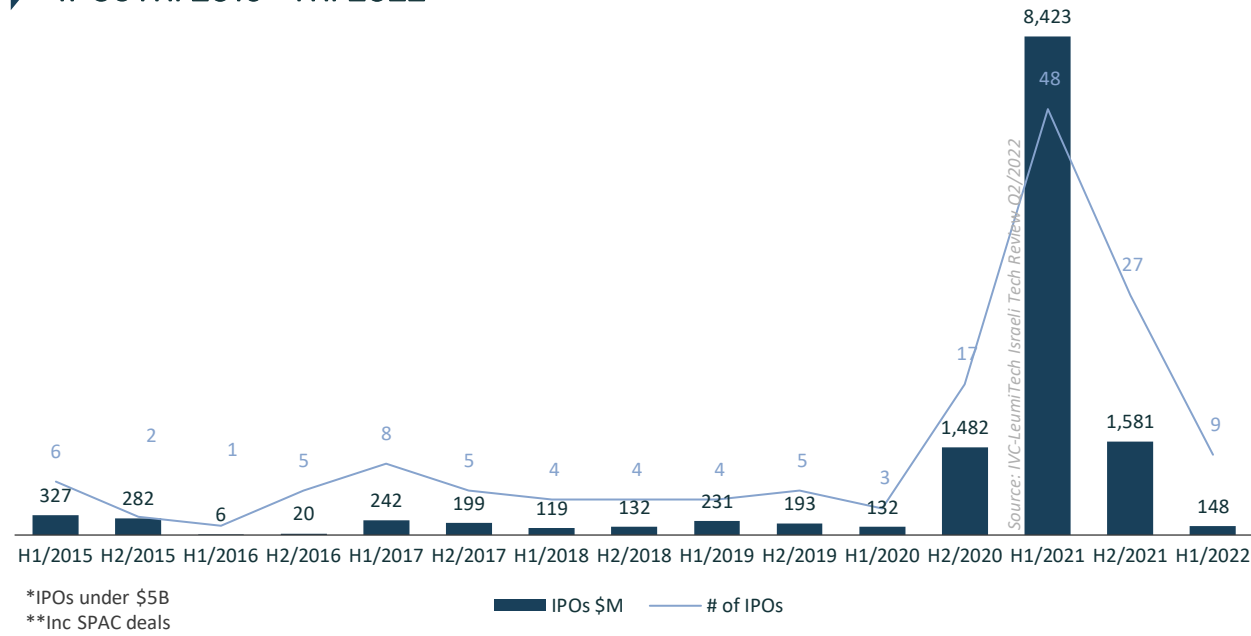
► Israeli Public Follow-on Offerings H1/2015 – H1/2022



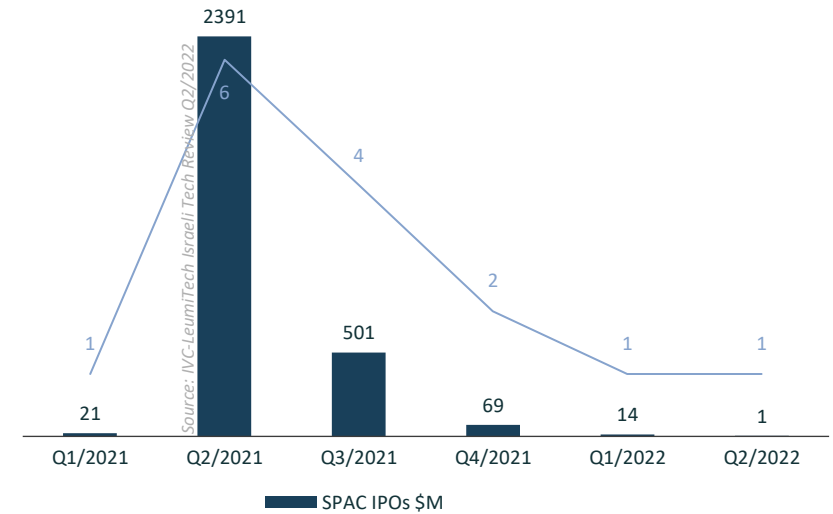
Israeli High-Tech Companies Public Offerings

Compared to 2020–2021, when SPAC deals peaked on Wall Street, this year's number of SPAC deals decreased significantly, with only one SPAC deal by Pagaya in Q2/2022 and another by Alpha Tau in Q1/2022.

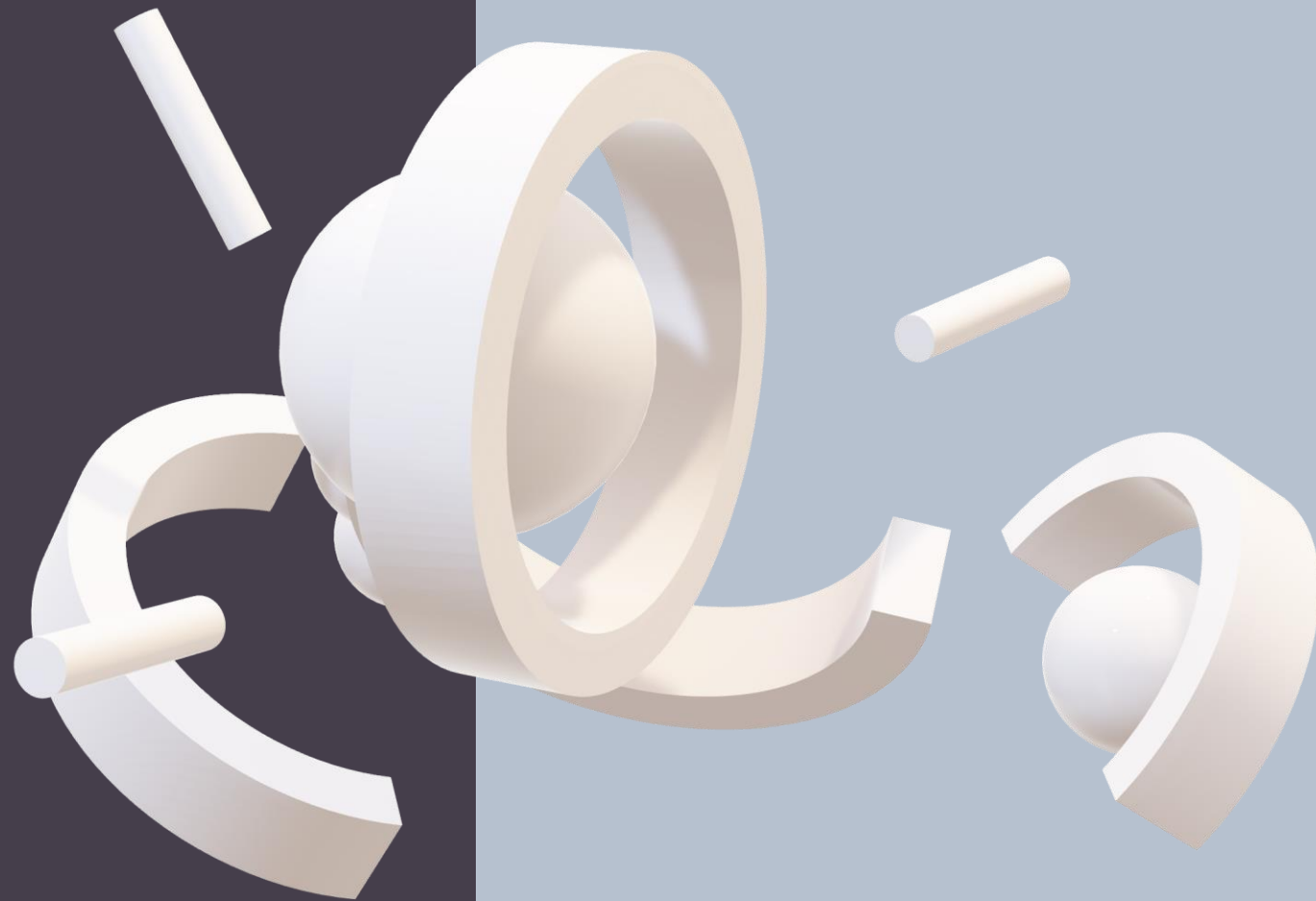
► IPOs H1/2015 – H1/2022



► SPAC IPOs Q1/2021 – Q2/2022



Q2/2022 Methodology



An abstract line drawing of various mechanical components, including a cylindrical tube, a curved bracket, a circular disc, and a small rectangular piece, arranged in a dynamic, overlapping composition.

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-H1/2022. "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 .

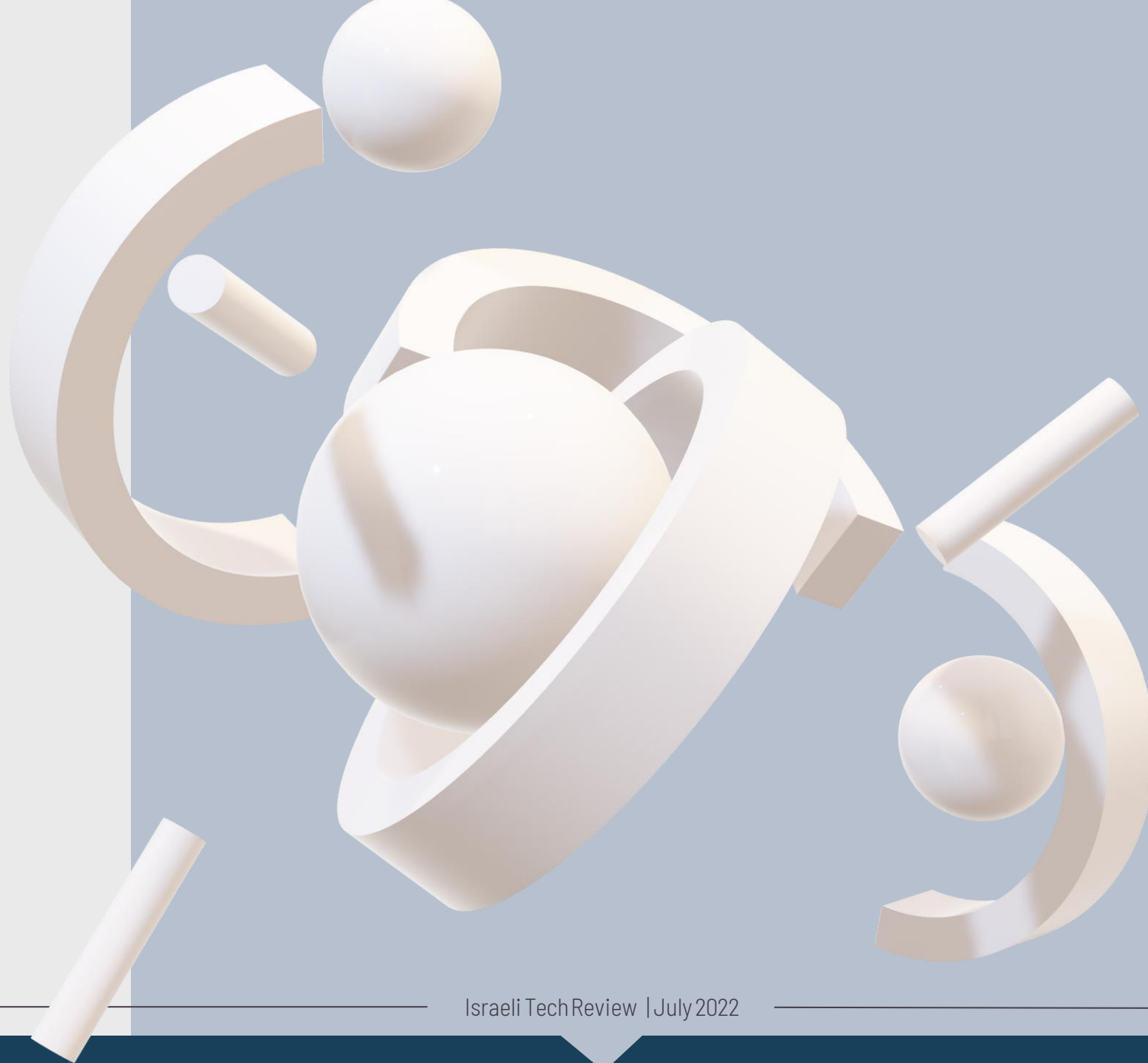
Methodology | Investments

- 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 786 investors of which 99 were Israeli VC funds and 687 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.

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

(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 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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LEUMI**TECH**

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