

-FOR IMMEDIATE RELEASE-

## Summary of Israeli Venture Capital Investments - Q1/2012

### IVC and KPMG Report: Q1/2012 Israeli VC investments off 15 percent from Q4/2011 Israeli VC fund *first* investments reach 48 percent

Tel Aviv, Israel, April 23, 2012. The following are the findings of the *IVC-KPMG Quarterly Survey* conducted by the IVC Research Center in cooperation with KPMG Somekh Chaikin Israel. This survey reviews venture capital investments by Israeli venture capital funds, foreign and other investors, based on reports from 125 investors, of which 42 are Israeli management companies and 83 are other – including foreign – investment entities.

In the first quarter of 2012, venture capital investments amounted to \$483 million, up slightly from the amount invested in Q1/2011. Hundred and forty four Israeli high-tech companies raised \$483 million from Israeli and foreign venture investors, 15 percent below \$569 million raised by 124 companies in the previous quarter, but almost equal to \$479 million raised by 140 companies in Q1/2011. (Chart 1)

Eighty-eight companies attracted more than \$1 million each. Of these, three raised more than \$20 million, 14 raised between \$10 million and \$20 million and 13 raised from \$5 million to \$10 million each.

The average company financing round was \$3.40 million, compared to \$4.59 million in Q4/2011 and up slightly from \$3.42 million in Q1/2011.

#### Israeli VC Fund Investment Activity

In the first quarter of 2012, Israeli venture capital funds invested \$119 million in Israeli companies, 10 percent below the amount invested in the previous quarter, and 13 less than in the first quarter of 2011.

The Israeli VC fund share of the total amount invested in Israeli high-tech companies was 25 percent, compared to 23 percent (\$132 million) in Q4/2011 and 28 percent (\$137 million) in Q1/2011. The remainder of capital came from foreign as well as other Israeli investors.

Ofer Sela, partner in KPMG Somekh Chaikin's Technology group, said, "We've seen another strong quarter of technology investments. The drought that everyone feared hasn't materialized, and local industry is receiving significant reinforcement from foreign investors who are steadily increasing their investments in Israeli technology companies."

*First investments* by Israeli VC funds accounted for 48 percent of their total dollar investments in the first quarter, the highest percentage in the last four years. This compares to 44 percent and 23 percent in Q4/2011 and Q1/2011, respectively. The average first investment by Israeli VC funds was \$1.9 million, while the average *follow-on* investment was \$1.05 million. (Chart 2)

Koby Simana, CEO of IVC Research Center explains that "total investments by Israeli VC funds are still relatively low compared to the past, however both in Q4 2011 and Q1 2012 we noted that nearly half of the funds' investments went toward first

investments – i.e. new portfolio companies. The data is not enough to point to a new trend yet, but these are certainly encouraging news for the Israeli high-tech industry”

**Investment Rounds Excluding Israeli VC Fund Participation**

In the first quarter of 2012, investment transactions excluding Israeli VC fund participation reached \$236 million or 49 percent of all transactions, the highest share in a decade. This compares with \$218 million (38 percent) and \$157 million (33 percent) in Q4/2011 and Q1/2011, respectively.

**Capital Raised by Sector**

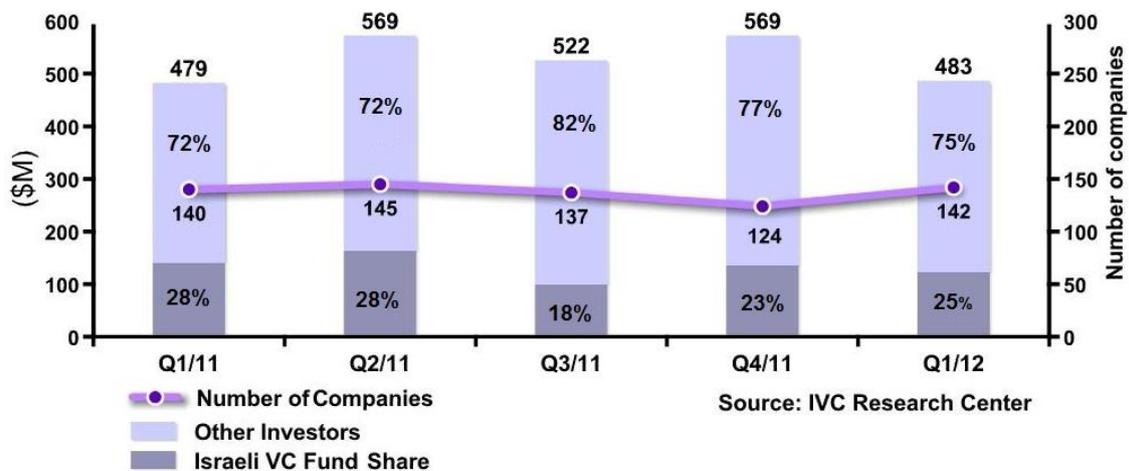
In Q1/2012, the **life sciences** sector led capital raising, as it did in the year-earlier period, with \$130 million or 27 percent of total capital raised. It was the highest quarterly amount raised by life science companies in the past two years. **Software** companies raised \$107 million or 22 percent, followed by **Internet** with \$78 million or 16 percent and **communications** with \$64 million or 13 percent of total capital raised in the quarter. Semiconductors attracted just 2 percent of total capital raised, as in previous quarter.

KPMG's Sela added, "The low level of investment in the semiconductor industry is worrying. This is an area in which many Israeli companies excel. The decreasing trend of semiconductor investments could cause Israeli industry to lose its position as a center of global innovation in this area."

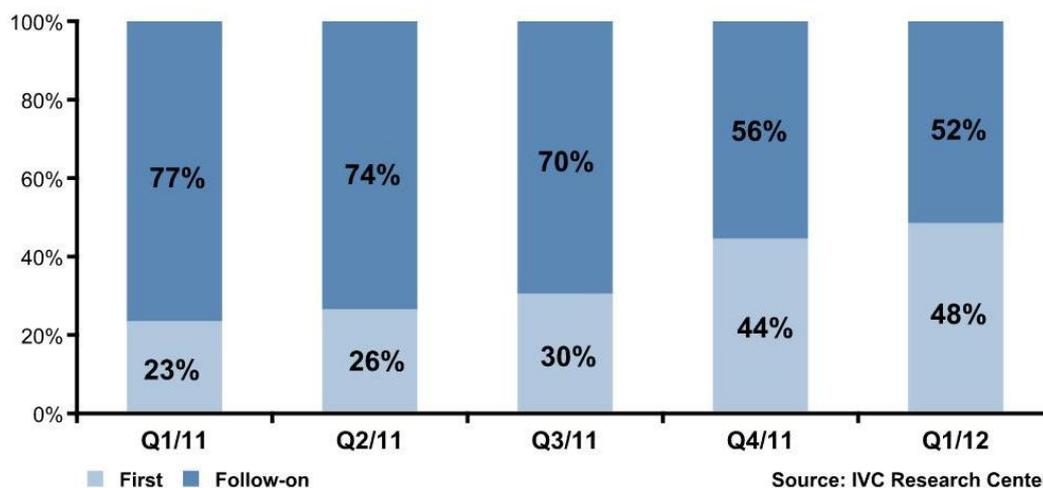
**Capital Raised by Stage**

In the first quarter of 2012, **seed** companies attracted 6 percent of total capital raised, compared with 4 percent in the previous quarter and 3 percent in the fourth quarter of 2011. **Early Stage** companies accounted for \$174 million or 36 percent of the total capital raised, reaching the highest quarterly amount for early stage companies in the past two years.

**Chart 1: Israeli venture capital investments (\$m)**



**Chart 2: Distribution of first and follow-on Israeli VC fund investments (%)**



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**About the authors of this survey:**

**IVC Research Center** is Israel’s leading research center providing business leaders with an unmatched wealth of data on Israeli high-tech, startup, venture capital and private equity industries. IVC products and services are used regularly by high-tech companies, venture capital funds, private investors, financial investors and institutions, as well as public entities such as the Central Bureau of Statistics, the Bank of Israel and the Office of the Chief Scientist.

IVC owns and operates the **IVC Online Database** ([www.ivc-online.com](http://www.ivc-online.com)) containing over 8,500 Israeli high-tech companies, venture capital funds, investment companies, angels and technology incubators, as well as news updates and lots more. Among IVC products and publications are the **IVC Quarterly Survey**, which for over 15 years has been analyzing capital raising trends by Israeli high-tech companies, as well as the most comprehensive guide to Israeli high technology and venture capital – the **IVC 2012 Yearbook**.

**KPMG Somekh Chaikin’s** technology professionals offer insights and experience accumulated from a long history of work with technology and life science companies. Through a global network of highly qualified professionals in Israel, the Americas, Europe, the Middle East, Africa and Asia-Pacific, KPMG helps clients address the opportunities and challenges driven by new business models such as cloud computing mobile services and others. KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates in 146 countries and has 140,000 people working in member firms throughout the world.