

Israel Tech Funding Report



Capital raising
analysis, trends
and insights

Q2
June 2019

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Overview

With continued investor capital inflows, Israeli tech witnessed the continuation of a six-year upward trend, with \$3.87 billion in 254 deals for H1. That's already more than 60% of the total investments amount in 2018.

For Q2/2019, there were 125 financial deals totaling \$2.32 billion (including two exceptional deals – a “PIPE” investment of \$186 million raised by Elbit Systems and \$110 million by Cellebrite Mobile), with 10 mega deals (more than \$50 million each) that accounted for 54% of the total capital for the quarter.

These Super-Sized rounds made a notable impact on VC-backed deals (deals in which at least one of the investors was a VC), which totaled in \$1.81 billion in Q2., More than 62% of the sum went to companies in growth stages.

However, the big money didn't trickle down to most start-ups. There were only 53 seed deals in H1, annual pace that's 20% less than the number of deals in 2018. Actually, only the amounts of A-round deals seem to grow during the last 5 years.

Total Capital Raising | Q1/13 - Q2/19

In Q2/2019, capital raising deals totaled \$2.32 billion*, a 44% rise from Q2/2018. There were 125 deals, a slight decline from Q2/2018.

Lemonade, Monday and Sentinel Labs—the start-ups that attracted the highest investment sums— collectively raised \$670 million and accounted for nearly 30% of the

total capital raised in Q2/2019.

* Q2/2019 includes two exceptional deals — a “PIPE” investment of \$186 million raised by Elbit System, and \$110 million by Cellebrite Mobile.



Source: IVC Research Center

■ Total Raised \$m — Median \$m ● # of Deals

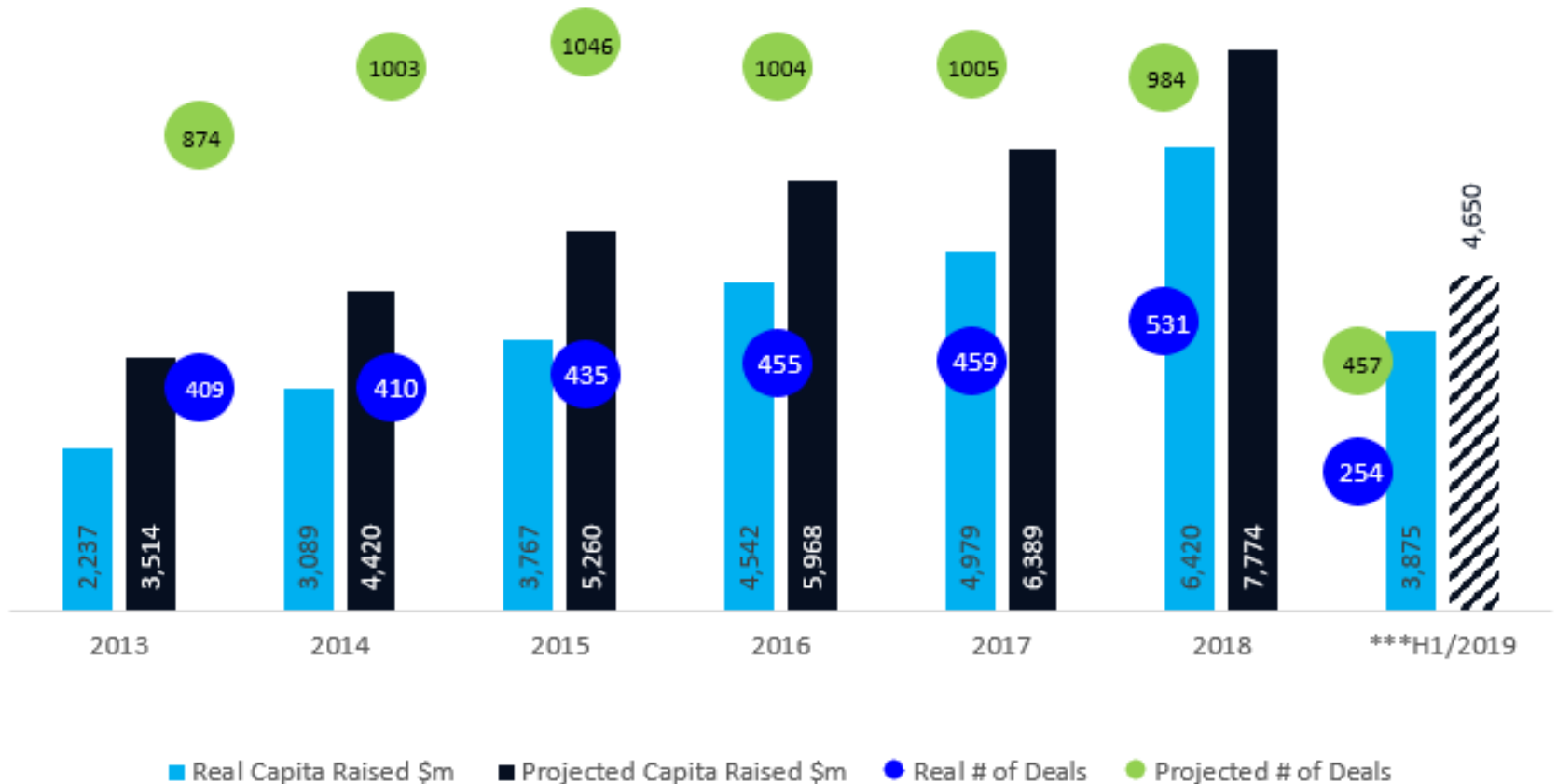
Projected vs. Real Capital Raising Data | 2013 – H1/2019

Looking at full year figures, it seems that the number of deals in 2019 will not match the levels seen during 2014 – 2018.

According to the projected data (that shows the full impact of seed deal activity over the long run), the number of deals for 2019 will be 10% short of the average

annual pace seen for this period.

However, the total value of deals for this year is sharply rising and on pace to reach nearly \$3.9 billion.

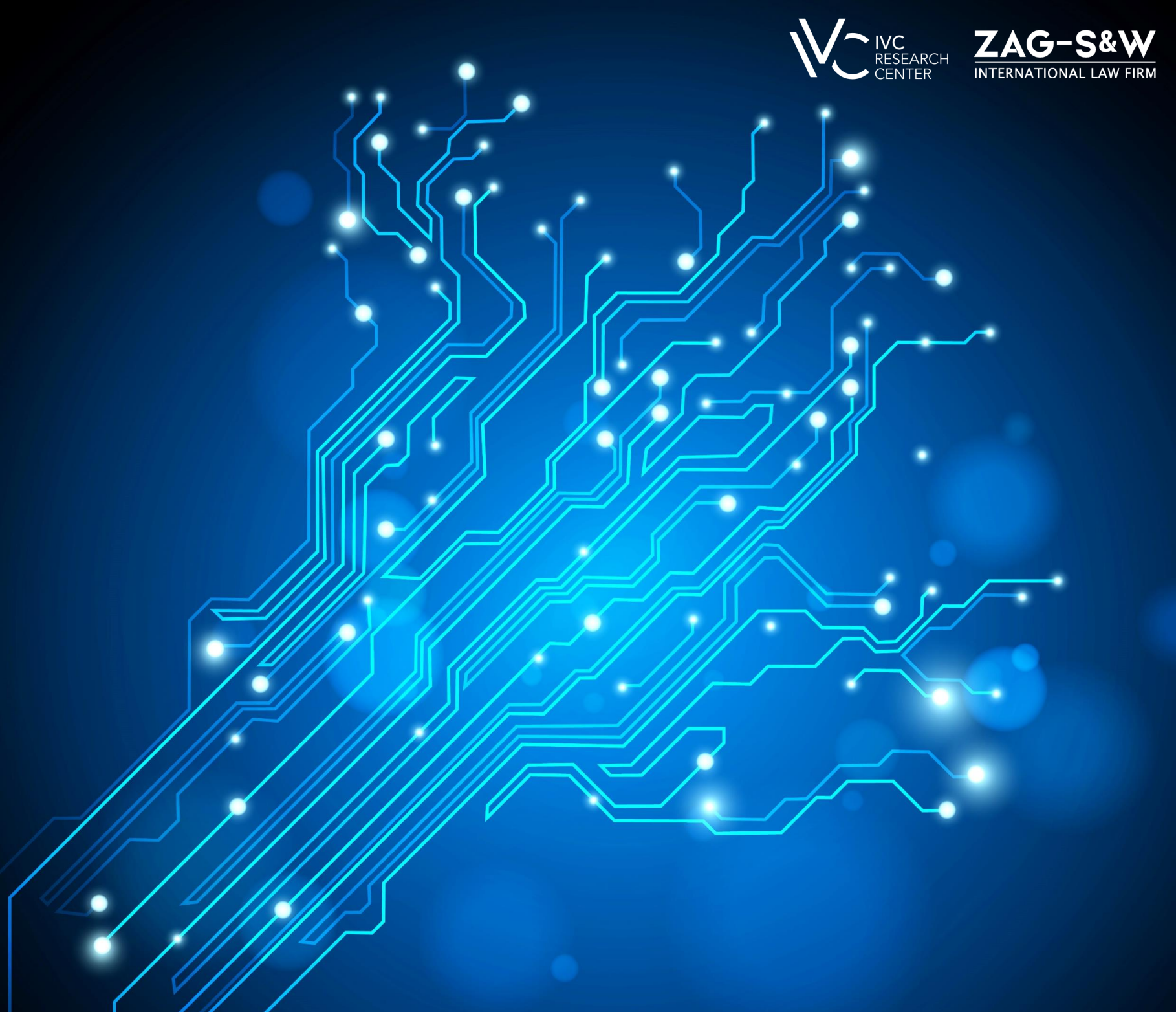


Source: IVC Research Center

* Real Data - based on financing data gathered by the end of each quarter

** Projected Data - based on financing data present at time of report preparation

*** H1/2019 - Projected Data estimate for H1/2019 by the year-end

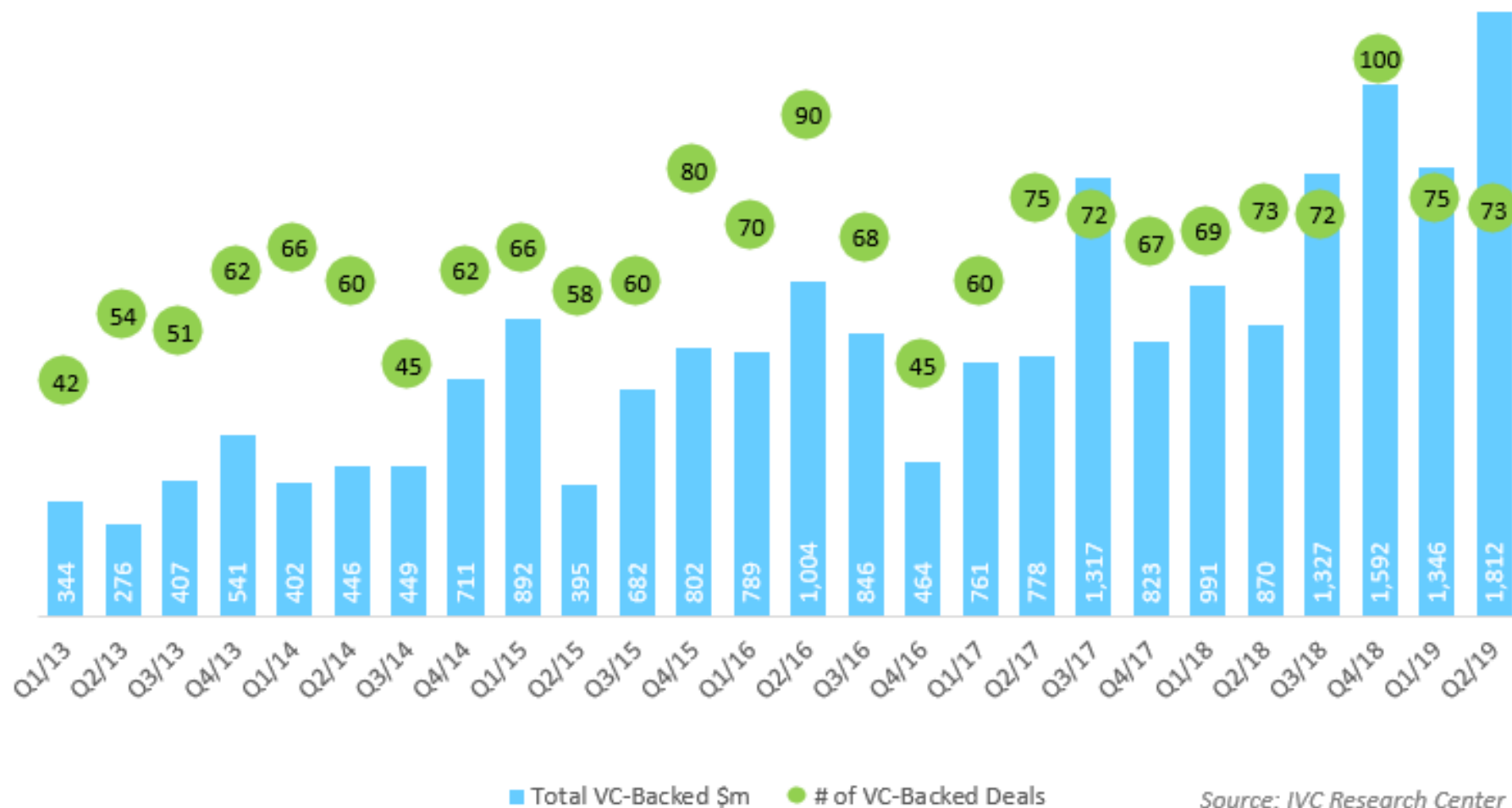


VC – Backed Transactions

VC-Backed Deals | Q1/13 – Q2/19

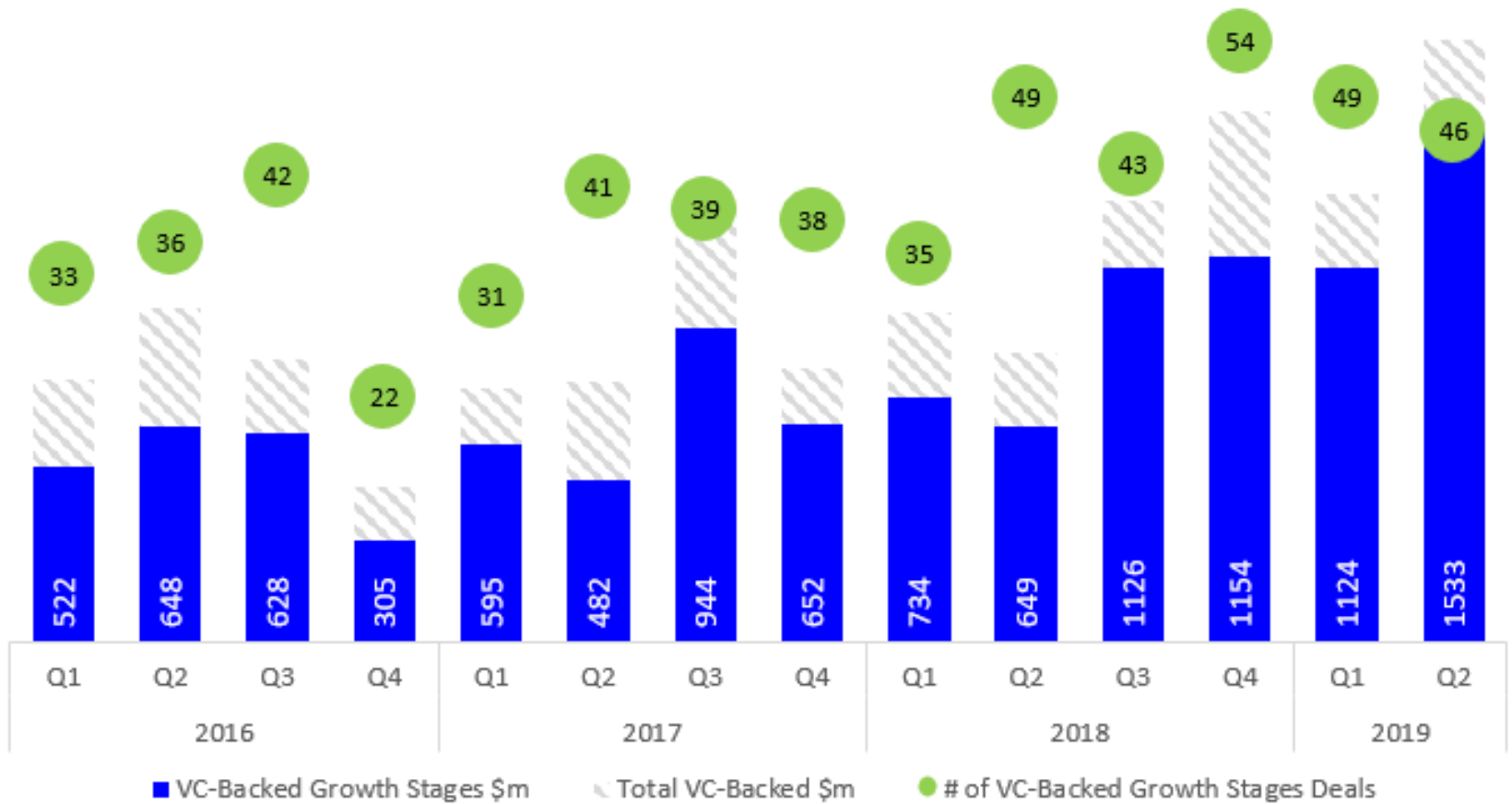
VC-backed deals made a notable impact during Q2. Venture capital funds were involved in 73 deals — near the quarterly averages since 2016 — but the dollar amount grew significantly to \$1.81 billion, a quarterly record of all times.

Most of the VC money was invested, in deals involving companies in the revenue growth stage. This accounted for \$1.12 billion, more than double the amount in Q1/2019.



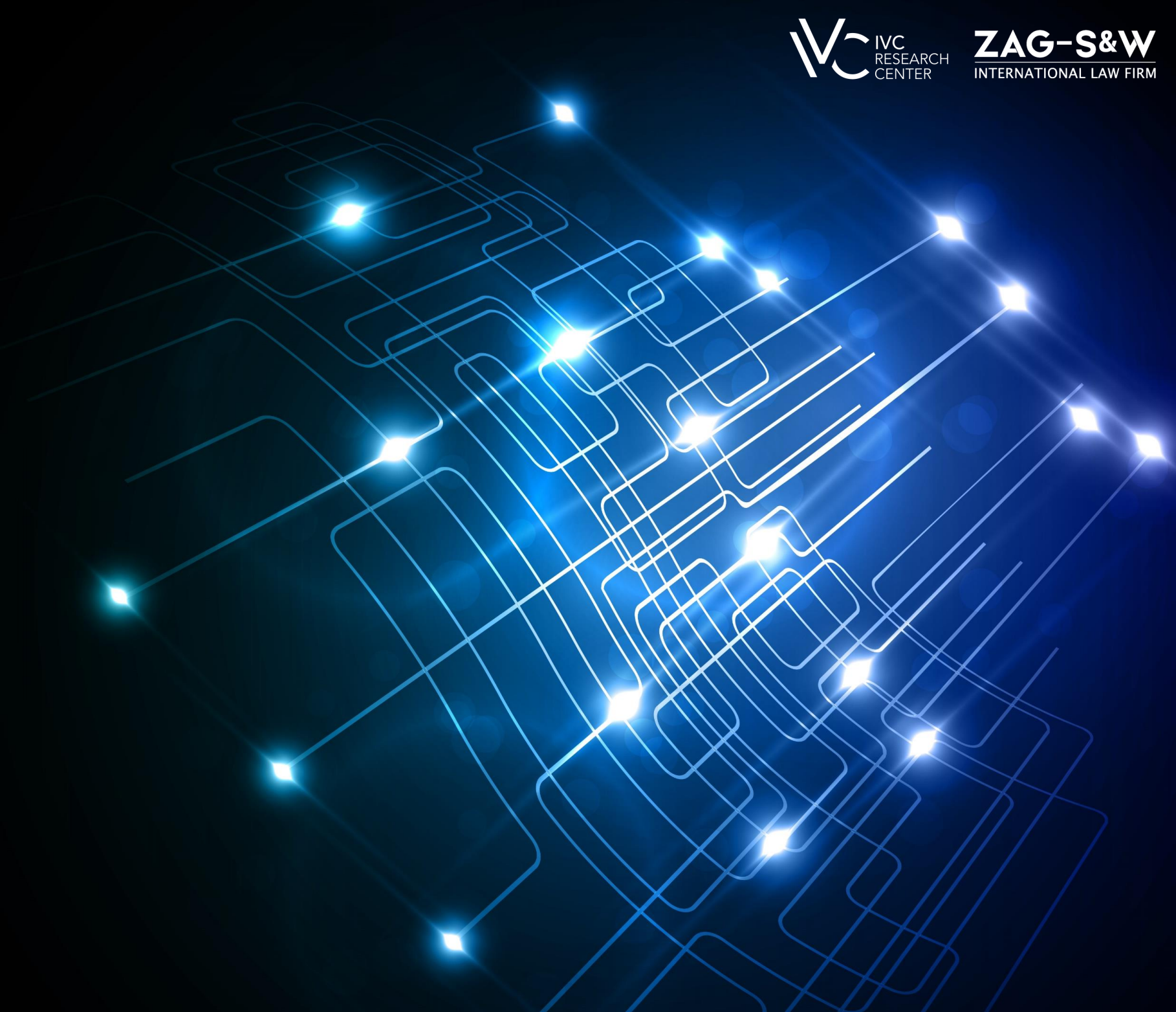
Source: IVC Research Center

VC-Backed \$m by Growth Stage | Q1/13 – Q2/19



Between 2016-H1/19, Growth stage represents **75%** of total amount

Source: IVC Research Center

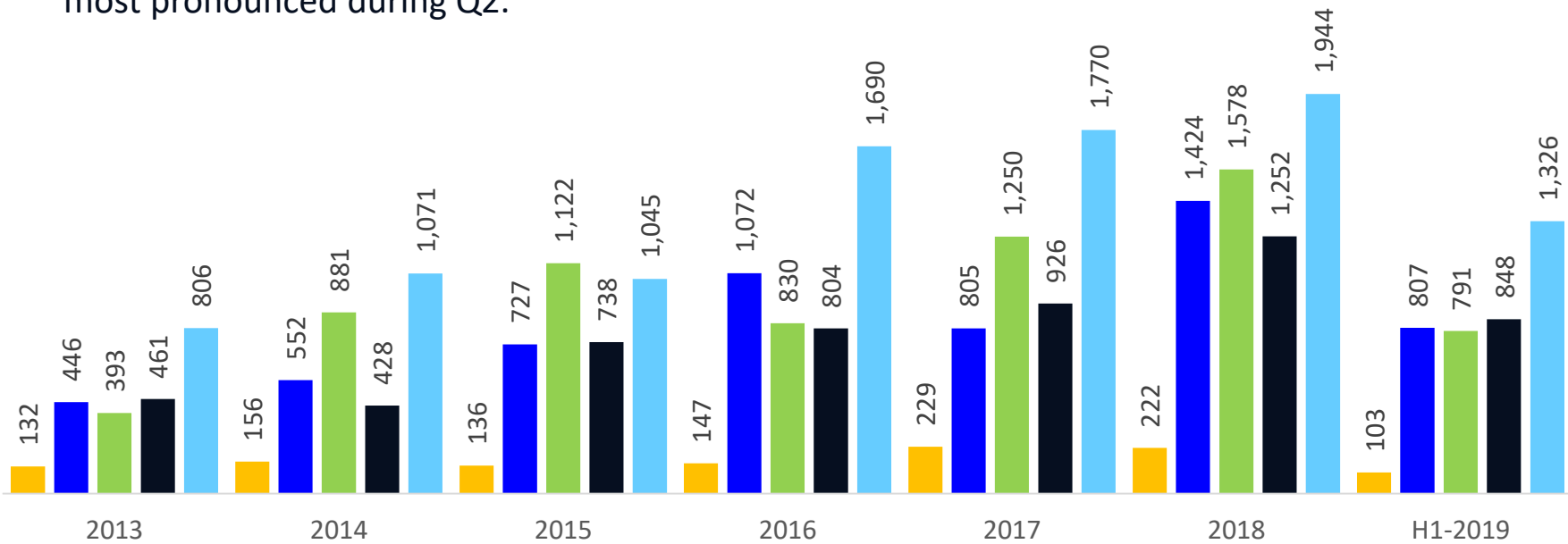


Capital Raising by Round

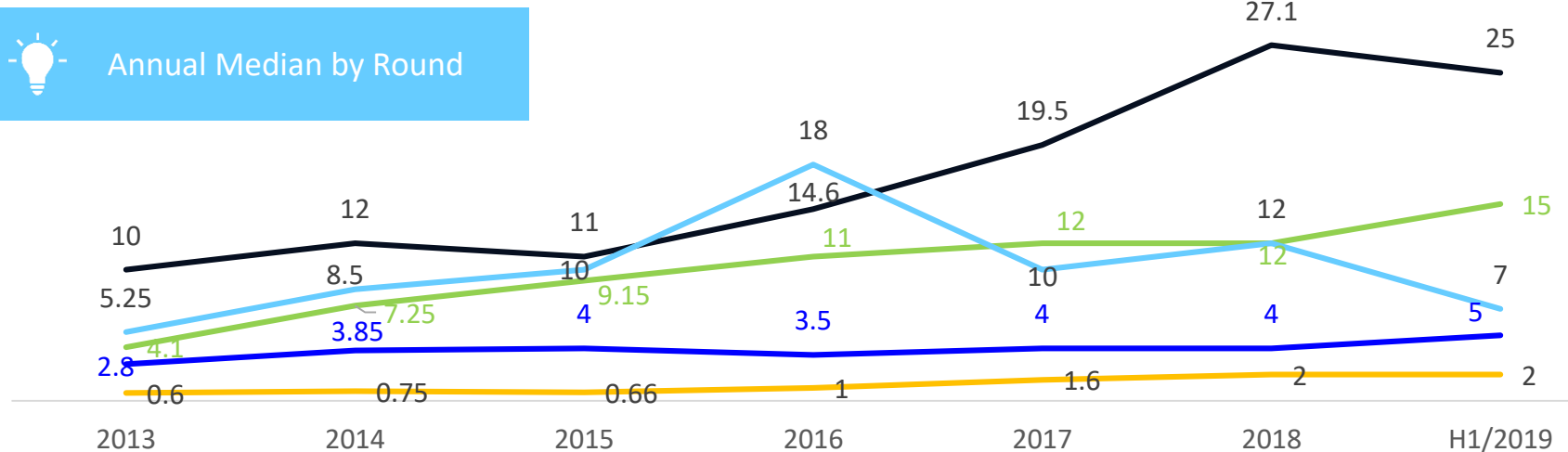
Capital Raising by Round \$m | 2013 – H1/2019

From the volume perspective, late series financing (fourth round and later), were the most pronounced during Q2.

Late round deals accounted for \$1.12 billion, among them 10 mega-size deals.

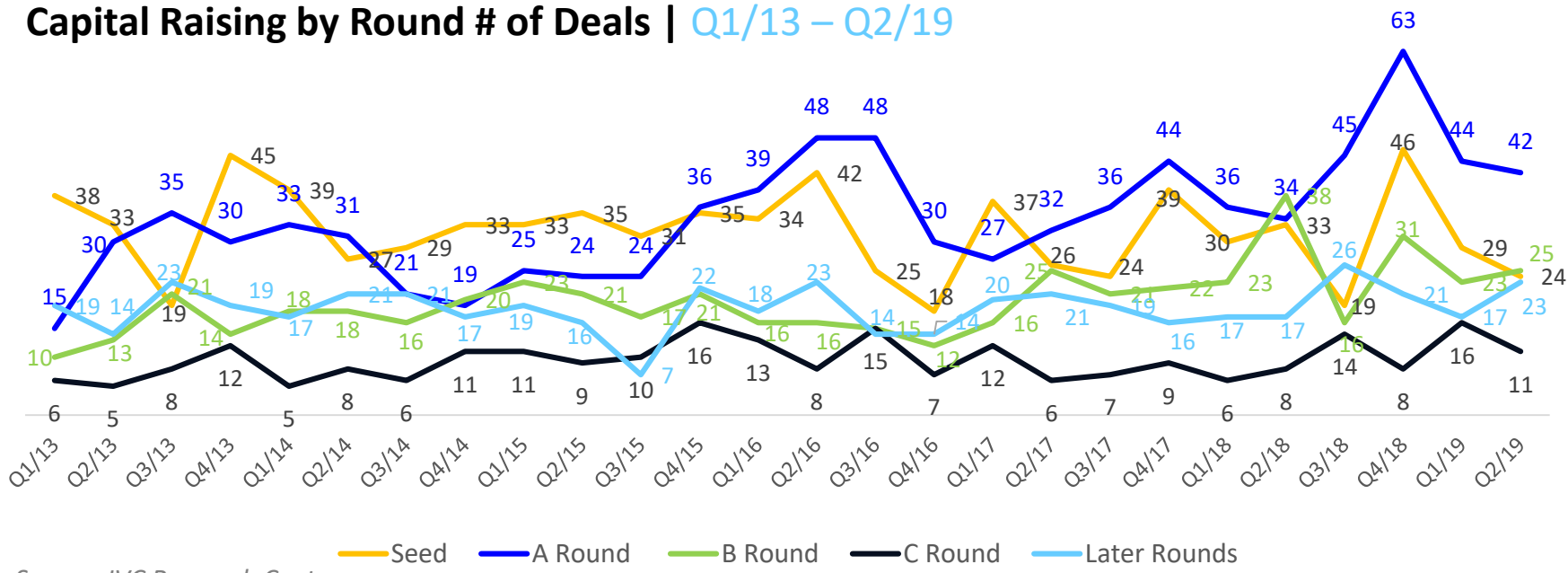


Source: IVC Research Center | Seed | A Round | B Round | C Round | Later Round



Source: IVC Research Center | Seed | A Round | B Round | C Round | Later Round

Capital Raising by Round # of Deals | Q1/13 – Q2/19



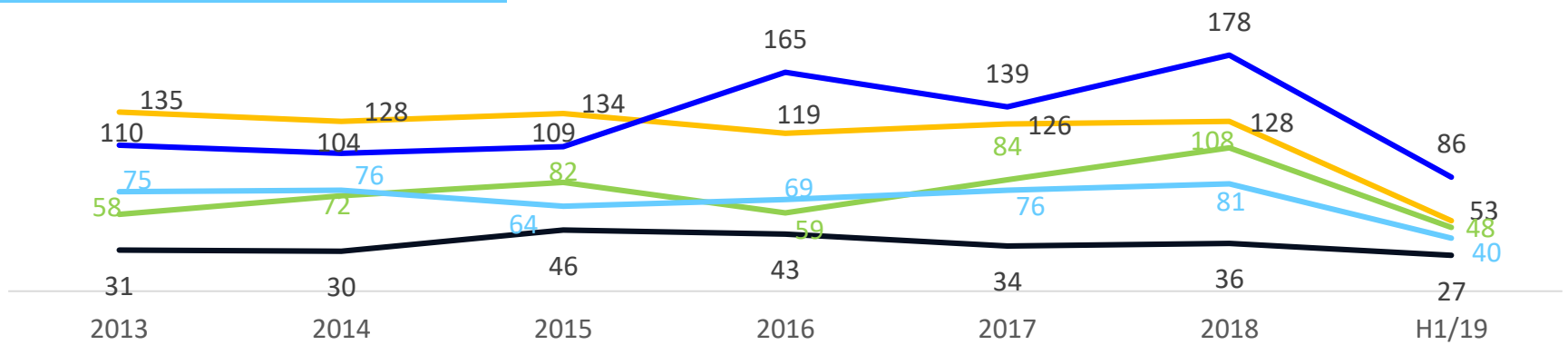
Source: IVC Research Center

Looking at the number of deals for the various funding rounds, it becomes clear that over the period since 2013

the only deal type that increased substantially is the A round (and the C round to a much lesser degree).

During H1/2019, there were 86 A-round deals, a pace of growth that's on track to eclipse the records set in 2018.

Annual # of Deals by Round



Source: IVC Research Center

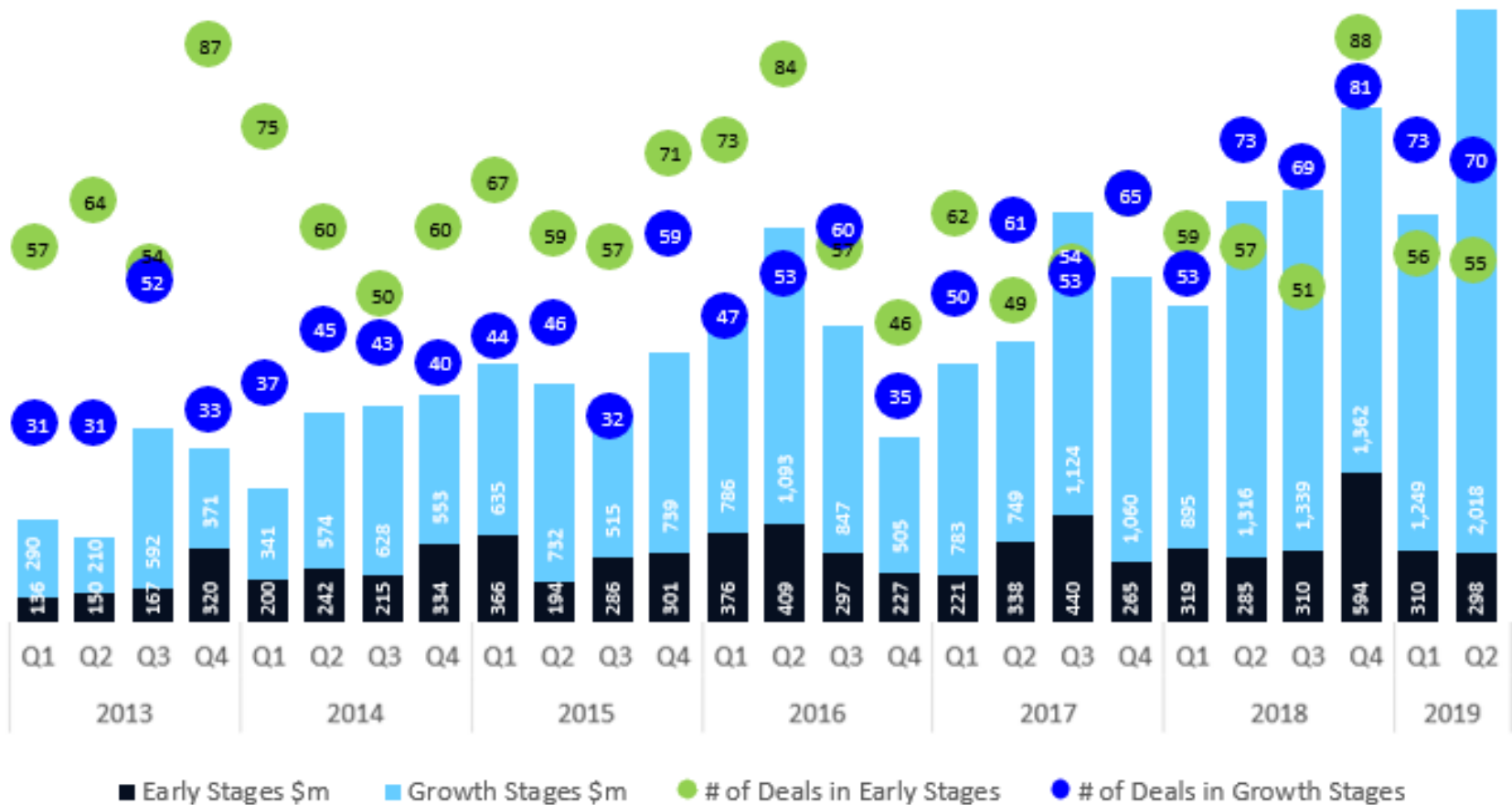


Capital Raising by Stage

Capital Raising by Stages | Q1/13 – Q2/19

During Q2, companies in in growth stages (initial revenues & revenue growth) raised \$2.02 billion. While the capital raised by these companies more than tripled the levels of 2014 and 2015, the amounts raised by early stage companies were little changed compared to the same time period.

The number of deals reflects the same trend: the number of deals in growth stages increased substantially, while the number of early stage deals was kept stable for the past 6 years.

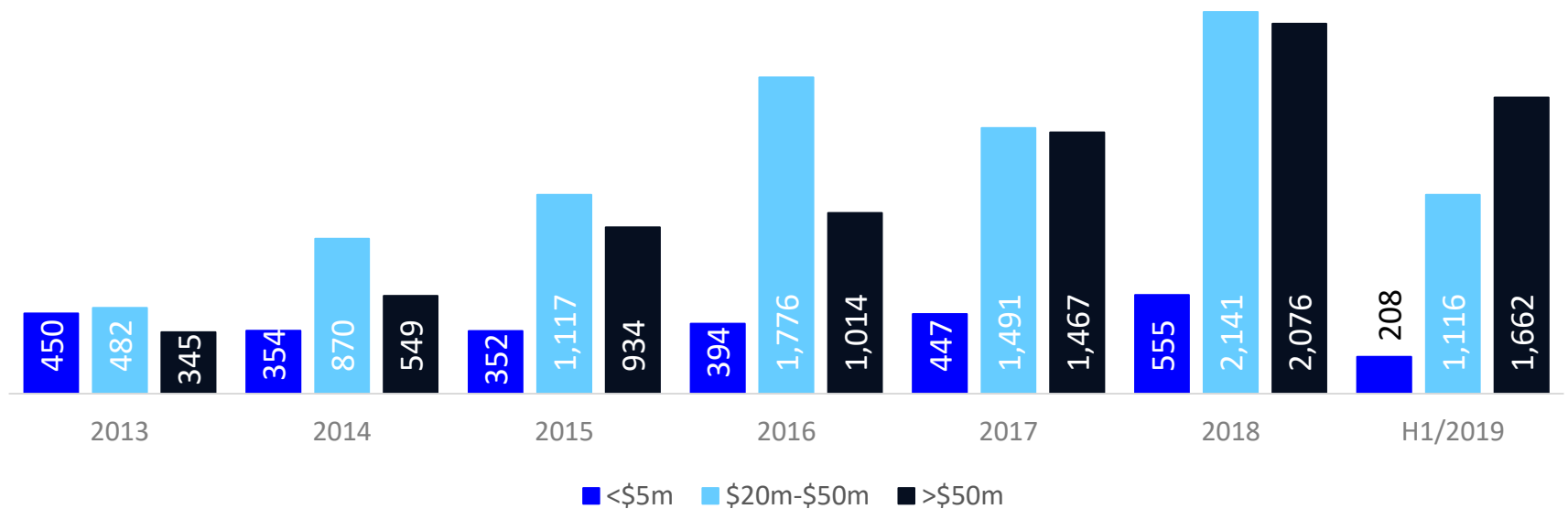


Source: IVC Research Center



Capital Raising by Deal Size

Capital Raising by Deal Size | 2013 – H1/19



Source: IVC Research Center

💡 Capital Raised by Deal Size, #

The 6-months investment numbers reflect investors' selective appetite for Israeli high-tech companies. In H1/2019, the mega-deals (including Elbit and Cellebrite deals) became more prominent while funding amounts for transactions less than \$5 million became less widespread in the Israeli tech ecosystem.



Source: IVC Research Center

Selected Deals Over \$50m | Q2/2019

Given the exceptional number of super-sized deals during Q2, it's not surprising that the highest amounts were limited to several deals that exceeded \$50 million each.

Some \$1.22 billion was raised in such deals during Q2.



Lemonade

Internet Applications
Later Round



monday.com

Enterprise Applications
Later Round



Elbit Systems

Defence
Later Round



SentinelOne

Security
Later Round



Cellebrite

Mobile Applications
A Round



ARMIS

Wireless Applications
C Round



aqua

Security
C Round



Guardicore

Security
C Round



logz.io

Design & Dev. Tools
Later Round



talkspace

Healthcare IT
Later Round

Source: IVC Research Center

 VC-Backed

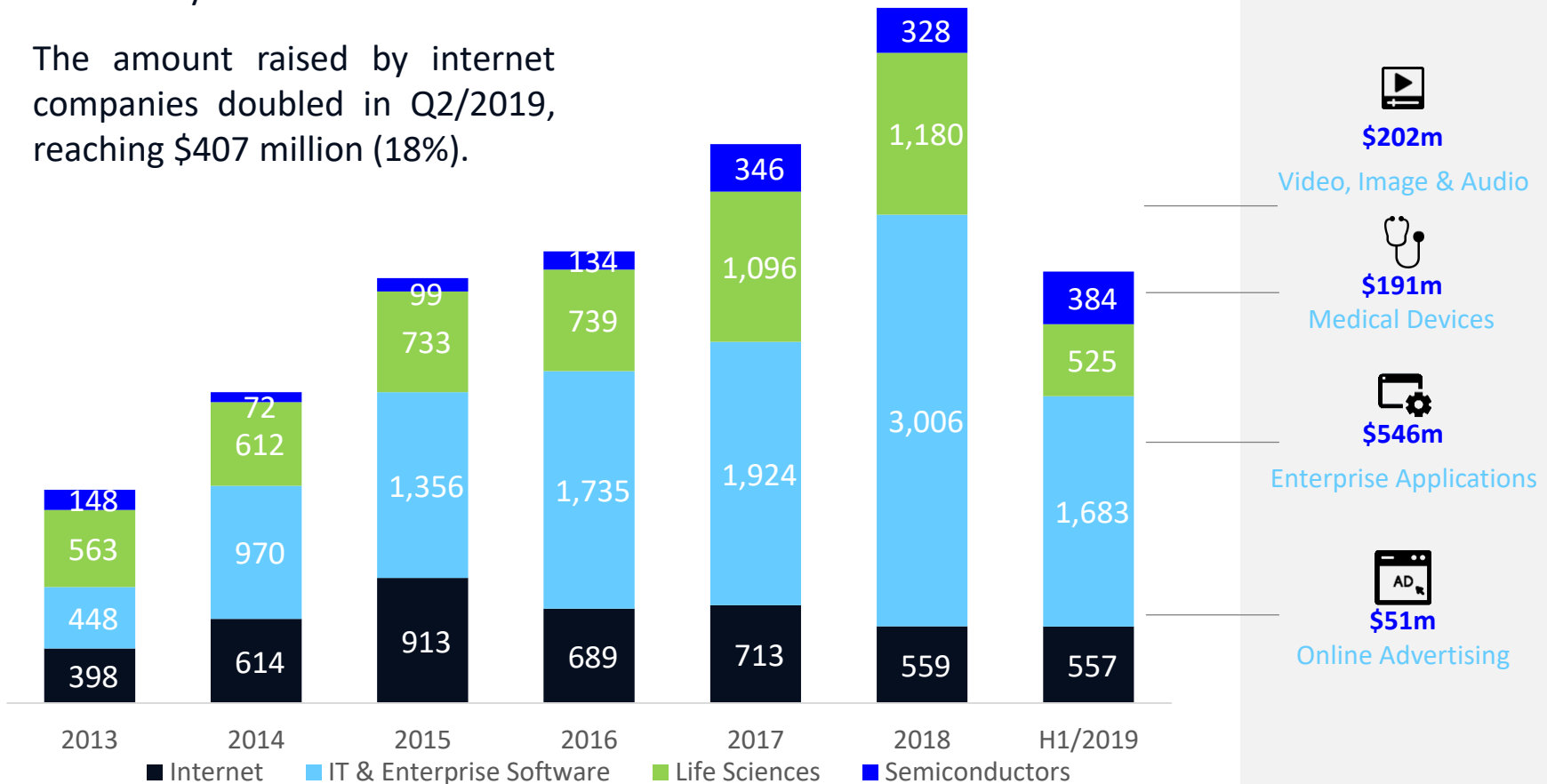
Capital Raising by Sector

Capital Raising in Leading Sectors, \$m | 2013 – H1/2019

Software companies exceeded previous records for capital inflows, as 5 out of the 10 largest deals during the quarter involved software companies. The number of deals, however, remained stable at the same quarterly average that prevailed during the last three years.

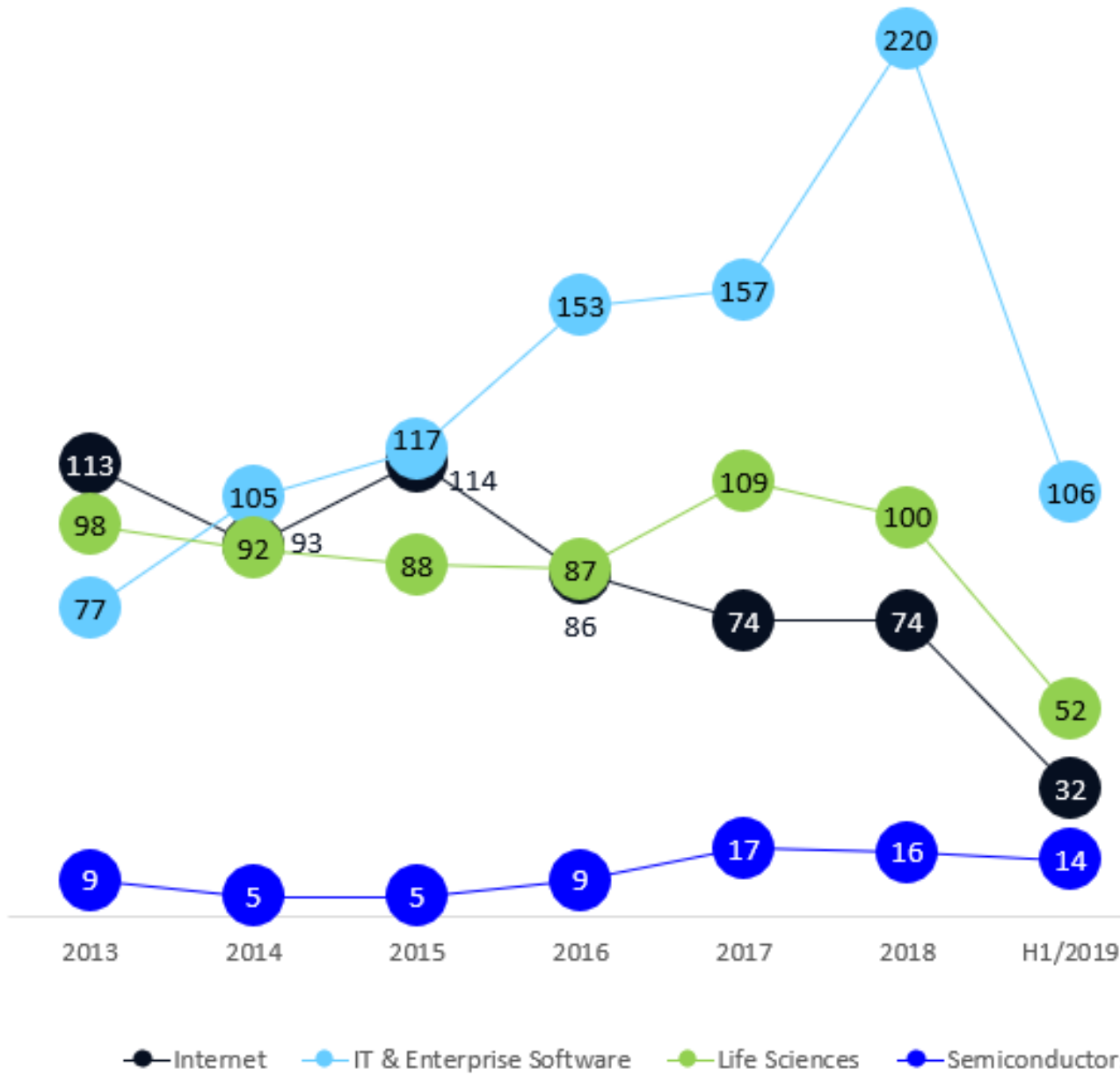
Life science companies experienced a modest quarter, both in terms of capital raised (11%) and in terms of number of deals (22%). Medical devices were somewhat weaker in H1/2019, reaching only 38% of the amount they attracted in 2018.

The amount raised by internet companies doubled in Q2/2019, reaching \$407 million (18%).



Source: IVC Research Center

Capital Raising in Leading Sectors, # of Deals | 2013 – H1/2019



Leading Sub-Sectors in H1/2019

- 

23 Deals
Enterprise Applications
- 

19 Deals
Medical Devices
- 

5 Deals
Online Advertising
- 

5 Deals
Video, Image & Audio

Source: IVC Research Center

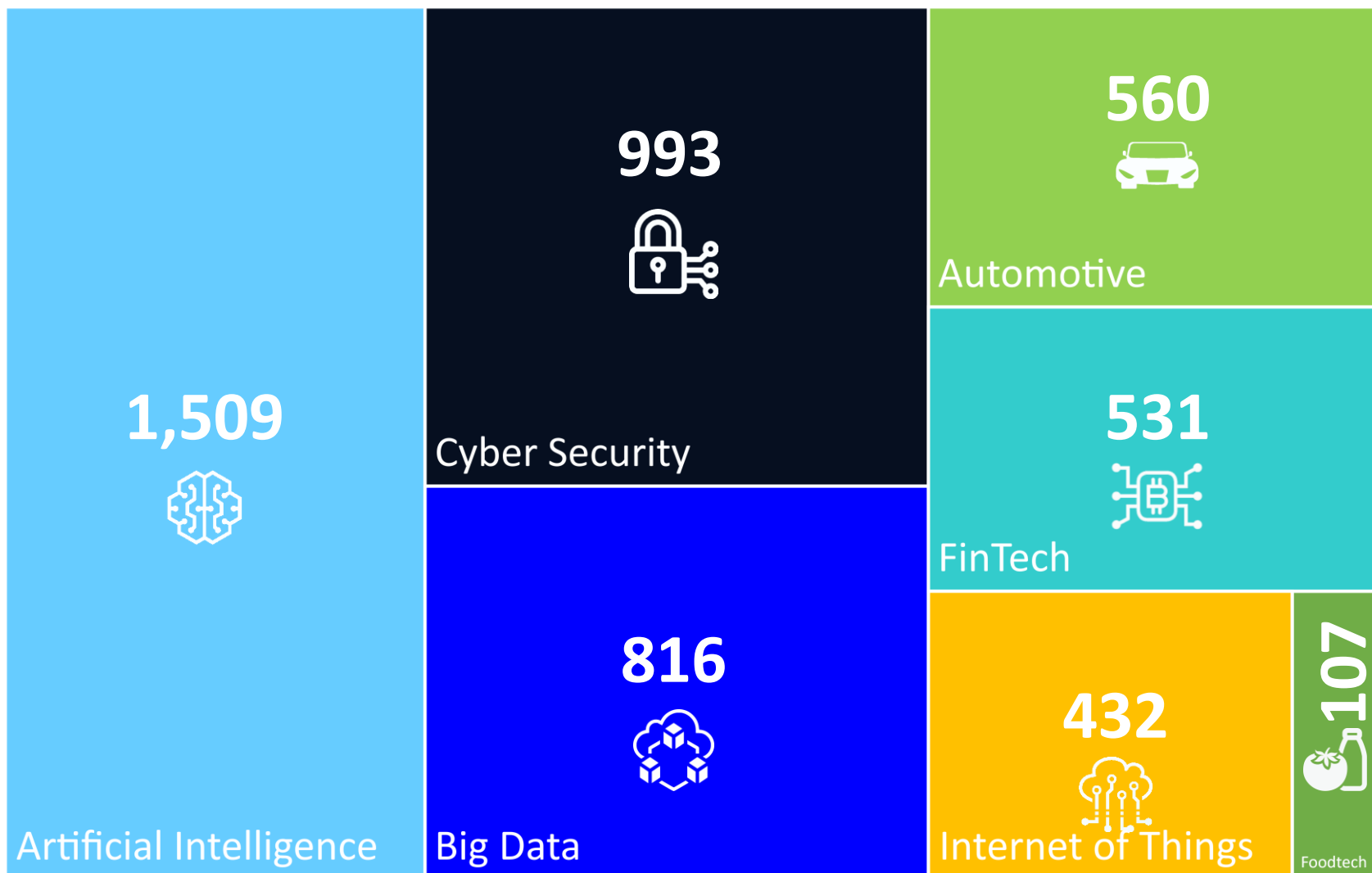


Capital Raising by Selected Clusters

Capital Raising by Leading Clusters \$m | H1/19

The most attractive technology clusters in Israel over the past seven years are Artificial Intelligence, big data, and cyber security. During Q2/2019, some of the largest deals included Lemonade (\$300m), Innoviz (\$132m) and SentinelOne (\$120m).

Artificial Intelligence and cyber security lead with the largest number of Seed to A round financing throughout the entire period of 2019.



Source: IVC Research Center

 **Artificial Intelligence**



Later Round of \$120m
Q2/19

IT & Enterprise Software: Security

 **Cyber Security**



A Round of \$110m
Q2/19

Communication: Mobile Applications

 **Fintech**

Lemonade

Later Round of \$300m
Q2/19

Internet: Internet Applications

 **Automotive**



C Round of \$132m
Q1/19

Semiconductors: Video, Image & Audio

 **Foodtech**



C Round of \$25m
Q1/19

IT & Enterprise Software: Enterprise Software



B Round of \$31m
Q2/19

Life Sciences: Healthcare IT

 **IoT**

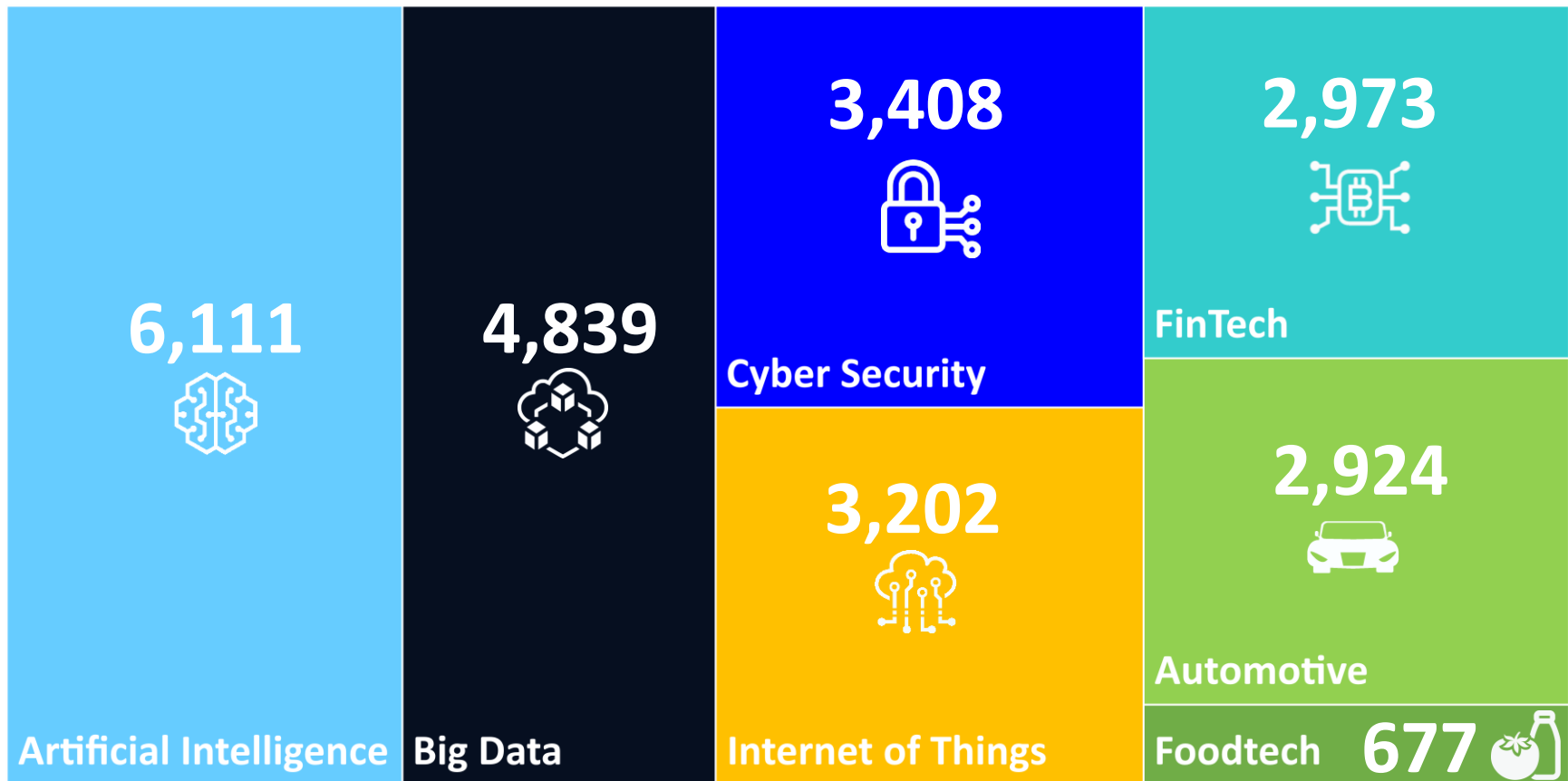


C Round of \$65m
Q2/19

Communication: Wireless Applications



Source: IVC Research Center



Capital Raising by Leading Clusters \$m | 2013 – 2018



Source: IVC Research Center

Capital Raising: Leading Rounds | 2013 - 2018


 better place 

 **Gett** 
\$150m

 **INFINIDAT**
\$150m

 **iS ironSource**
\$85m

 **CHECKMARX**
\$84m

 **kaminario.**
\$79m

 **behalf**
\$119m

2013

2014

2015

 **Gett**  **VIA** 
\$100m \$300m

 **Lemonade**
\$120m

 **SISENSE**
\$80m


 **SKYBOX SECURITY**
\$96m

 **VIA**  **StoreDot**
\$250m \$120m

 **eToro** **NEXT INSURANCE**
\$100m \$83m

 **PaVoneer**
\$90m

 **INFINIDAT**
\$95m

 **trax**
\$125m

 **FORESCOUT.**
\$76m

 **cybereason** **SKYBOX SECURITY**
\$100m \$150m

 **CLAROTY**
\$60m

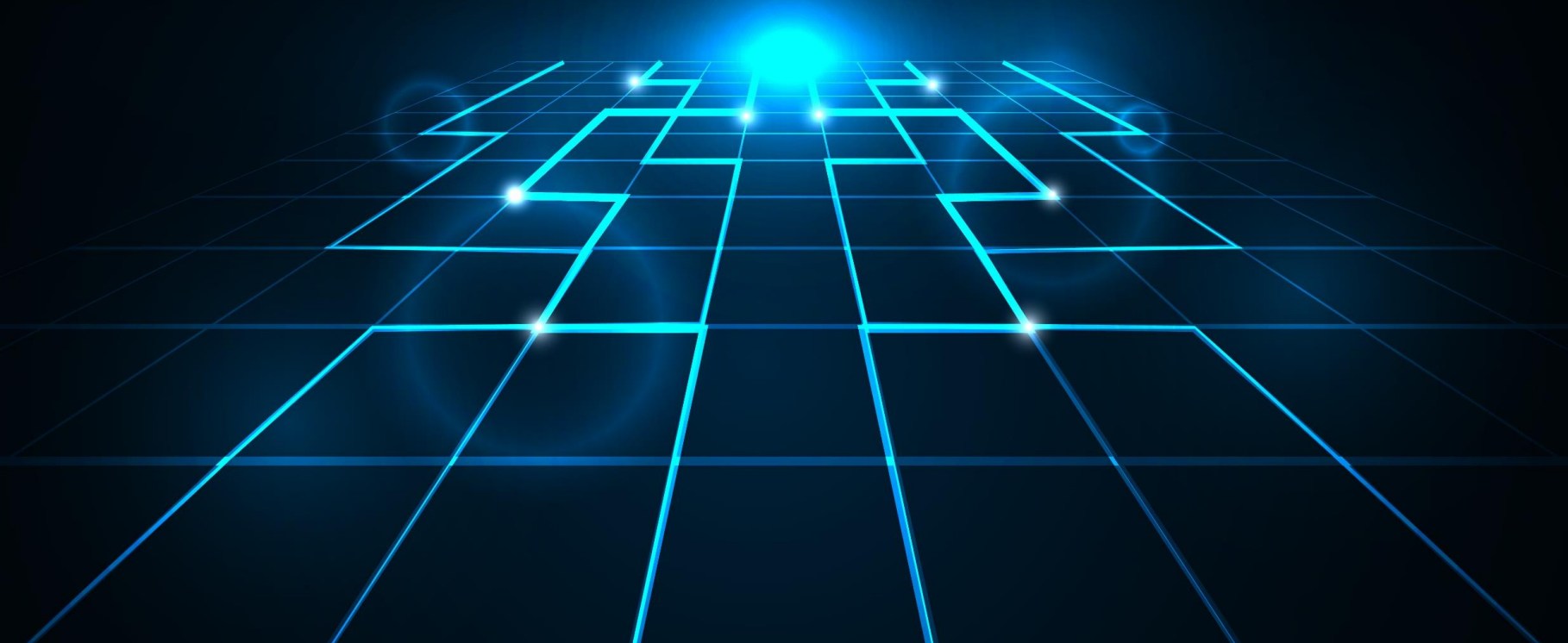
 **CNOGA MEDICAL** **kaminario.**
\$50m \$75m

2016

2017

2018

Source: IVC Research Center



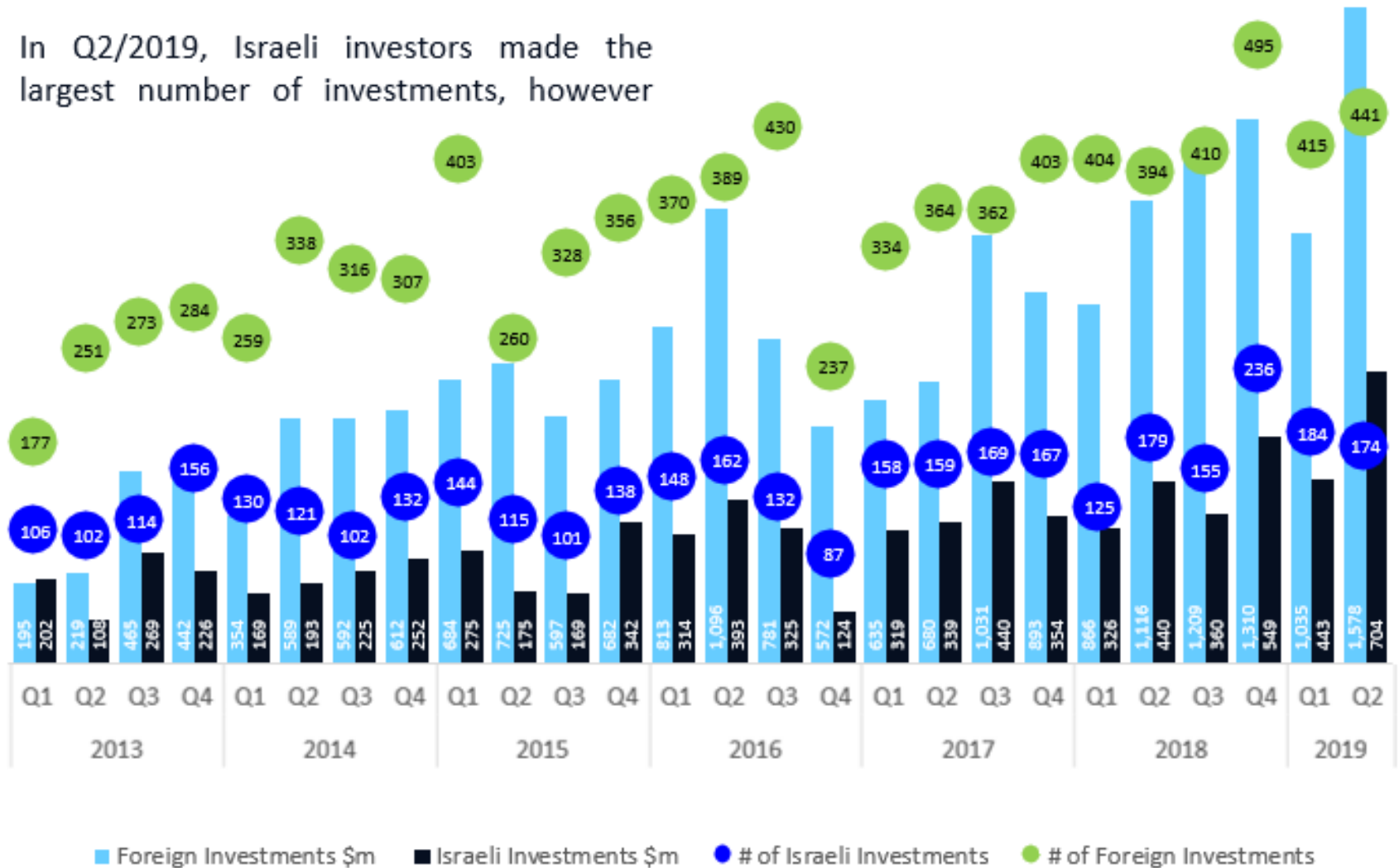
Investors Activity

Israeli vs Foreign Investments | Q1/13 – Q2/19

Of the 10 mega-deals over \$50 million, eight were VC-backed with 30 foreign VC fund participants. Activity of foreign investors has been increasing in the recent years, both in number of investments and the amount invested.

In Q2/2019, Israeli investors made the largest number of investments, however

the amounts were roughly similar to the previous two quarters. Interestingly, the majority of their capital went to new portfolio companies (68%), while the number of investments decreased even further compared to previous quarters.




Source: IVC Research Center

Leading Investors by # of Investments | H1/2019



Methodology

- This report reviews capital raised by Israeli high-tech companies from Israeli and foreign venture capital funds as well as other investors, such as investment companies, corporate investors, incubators and angels.
- The data for this report consists of two layers: reported (last updated on March 31, 2019) and projected.
- **Reported data** present the investments activity IVC collects from reliable media sources, and direct reports gathered by IVC's information specialists' team.
- **Projected data** cover 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 activity took place, the projected data shows the reported data multiplied by a constant that helps to understand the real impact of activity in Seed companies over the long run.
- The report is based on data from 458 investors of which 60 were Israeli VC funds and 398 were other entities. The report data was last updated on June 30, 2019.
- 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 belong to more than one technology vertical, therefore the data regarding verticals should be viewed separately per vertical.

For more on our methodology,
please click here 



IVC Research Center is the leading online provider of data and analyses on Israel's high-tech, venture capital and private equity industries. Its information is used by all key decision-makers, strategic and financial investors, government agencies and academic and research institutions in Israel.

IVC-Online Database (www.ivc-online.com) showcases over 8,400 Israeli technology startups, and includes information on private companies, investors, venture capital and private equity funds, angel groups, incubators, accelerators, investment firms,

professional service providers, investments, financings, exits, acquisitions, founders, key executives and R&D centers.

Publications include newsletters; *Daily Alerts*; *the IVC Magazine*; surveys; research papers and reports; and interactive dashboards.

IVC Industry Analytics – analysis, research and insights into the status, main trends and opportunities related to exits, investments, investors, sectors and stages.

ZAG-S&W

INTERNATIONAL LAW FIRM

ZAG-S&W (Zysman, Aharoni, Gayer & Co.) is a leading international law firm specializing in all areas of commercial and business law and is one of Israel's leading commercial law firms.

The firm has earned its international standing due to its global presence in the US, China and England. The firm's attorneys specialize in all disciplines of commercial law for both publicly held and private companies, with particular expertise in hi-tech, life science, international transactions, and capital markets.

ZAG-S&W provides result-driven legal and business advice to its clients, addressing all aspects of the clients' business activities, including penetration into new markets in strategic locations. In recent years, the firm has acted on a majority of the equity and debt financing transactions by Israeli technology companies on the NASDAQ.

It has been the firm's experience that the best results, those that give our clients the competitive advantage they need, are attained by coupling professional experience, global presence, and connections with the investor communities in Israel and abroad.

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