

# Israeli High-Tech Funding Report

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**ZAG-S&W**  
INTERNATIONAL LAW FIRM

capital raising  
analysis, trends  
and insights

Q3 | 2019



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- Three-quarters into 2019, it's clear that 2019 is another year of growth in both value and number of investments in Israeli high-tech.
- Following the trend from 2017, the main focus of institutional investors is the relatively big rounds (over \$20 m). These rounds are in pace to reach more than 100 this year.
- A Rounds are becoming more dominant in early stage financing. Numbers for Q3 suggest more than 80% growth in deal numbers since 2015.
- However, the number of Seed Rounds descends. 2019 could be the first year in which we will witness a significant decline.

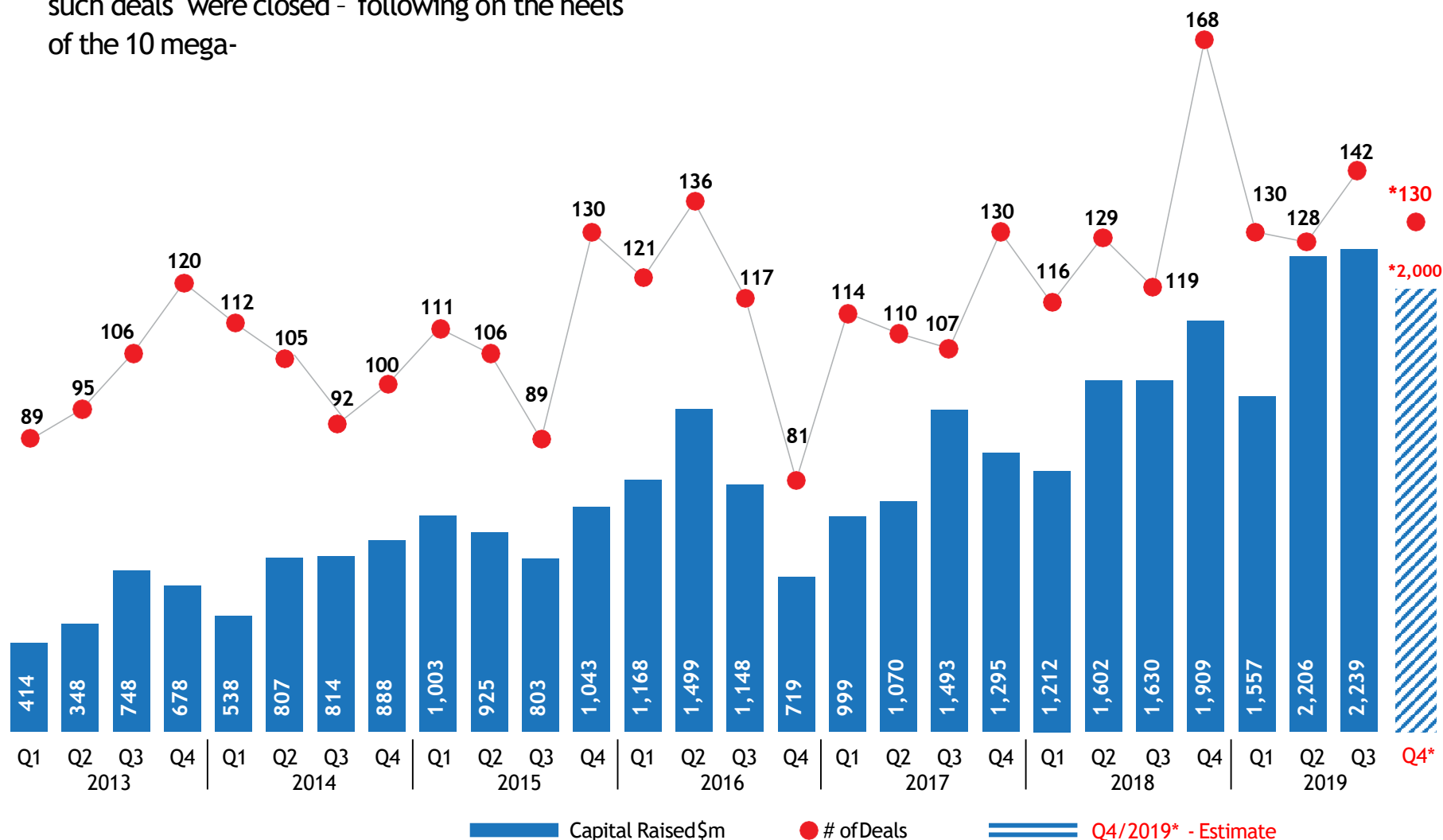
## Total Capital Raising | Q– 1/13 Q3/19

The third quarter of 2019 continued the growth trend, with 142 Israeli high-tech deals attracting \$2.24 billion, an increase of 19% and 37% from 119 deals capturing \$1.63 billion in Q3/2018, accordingly.

Once again, this quarter was marked by the large number of \$50 million and over deals - 13 such deals were closed - following on the heels of the 10 mega-

deals in Q2/2019. These deals accounted for 57% of the total capital raised this quarter, compared to the 9 mega deals that accounted for 38% of the total amount raised in Q3/2018.

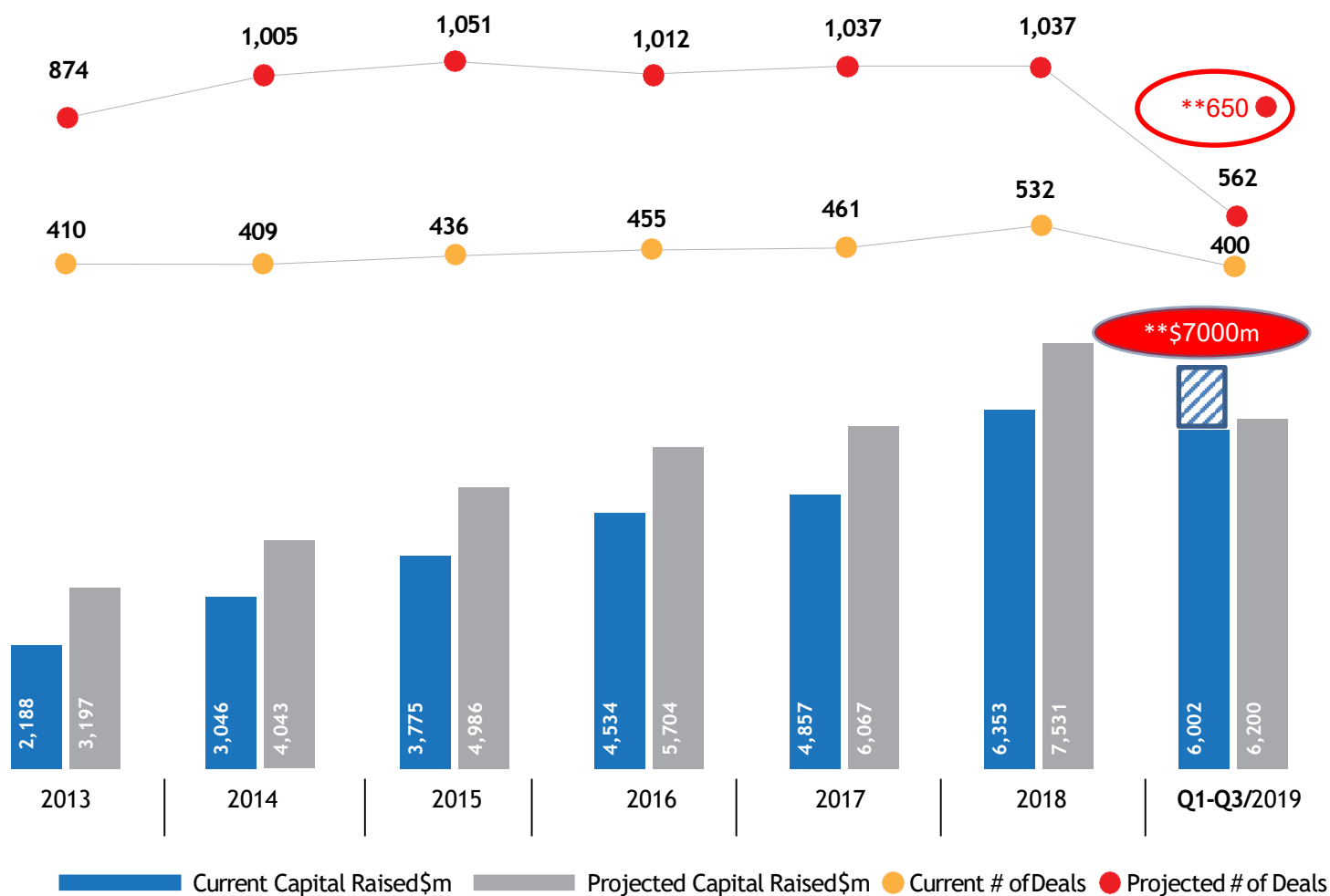
The largest deals were the \$200 million late round by Cyberreason and the \$176 million C round by Fundbox.



Source: IVC-ZAG High-Tech Report Q3/2019

## Projected vs. Current Capital Raising Data | 2013 – Q1-Q3/19

Capital raised in the first three quarters of 2019 totaled \$6 billion, the strongest period yet for Israeli high-tech capital raising - less than 6% short of the \$6.35 billion total raised in 2018.



Source: IVC-ZAG High-Tech Report Q3/2019

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

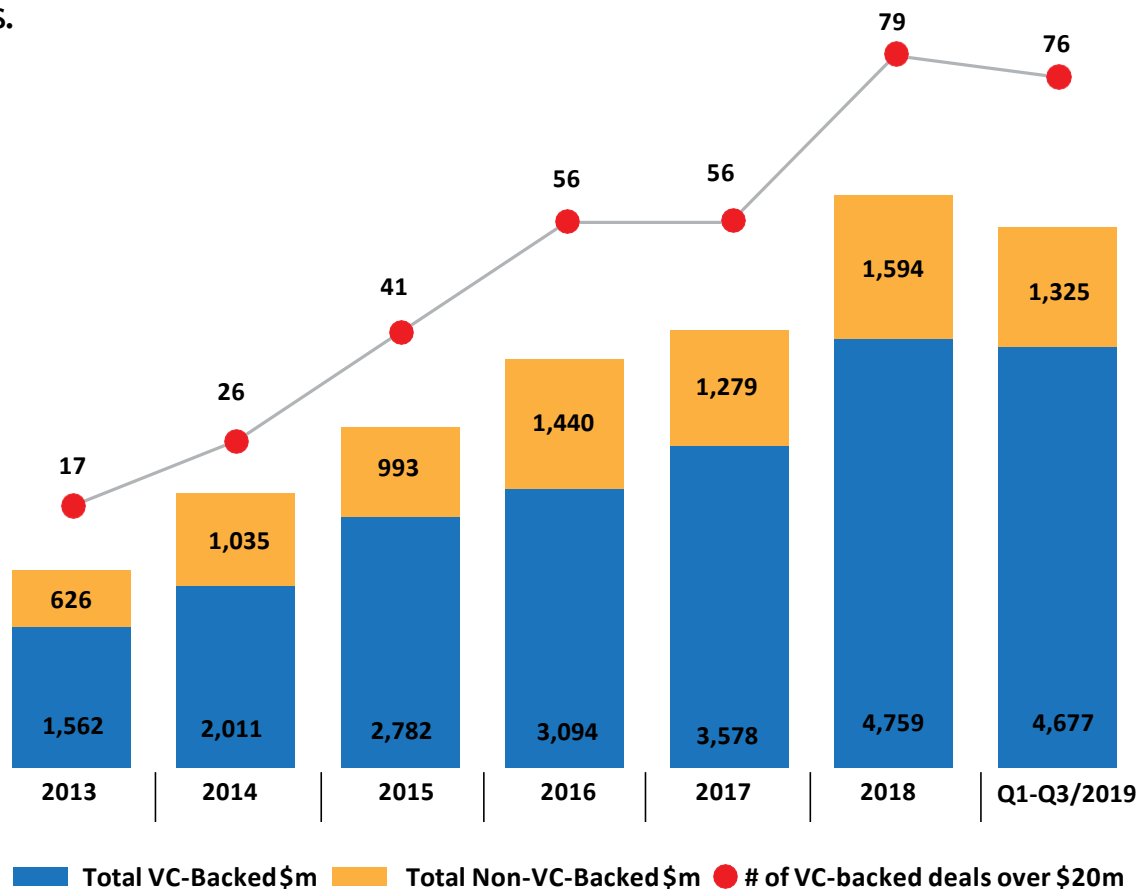
\*\*Q1-Q3/2019 Projected - estimate for Q1-Q3/2019 by the next year-end

## VC-Backed Deals | 2013 – Q1-Q3/19

Israeli high-tech companies enjoyed an even larger influx of capital in mostly VC-backed deals, continuing last year's trend. The amount of capital raised and the number of VC-backed deals peaked in Q1-Q3/2019 with \$4.68 billion in 234 deals, just slightly less than the \$4.76 billion raised in all of 2018.

76 VC-backed deals over \$20 million in Q1-Q3/2019, compared to 79 VC-backed deals for the entire 2018, underscored the continuing boost in growth deals.

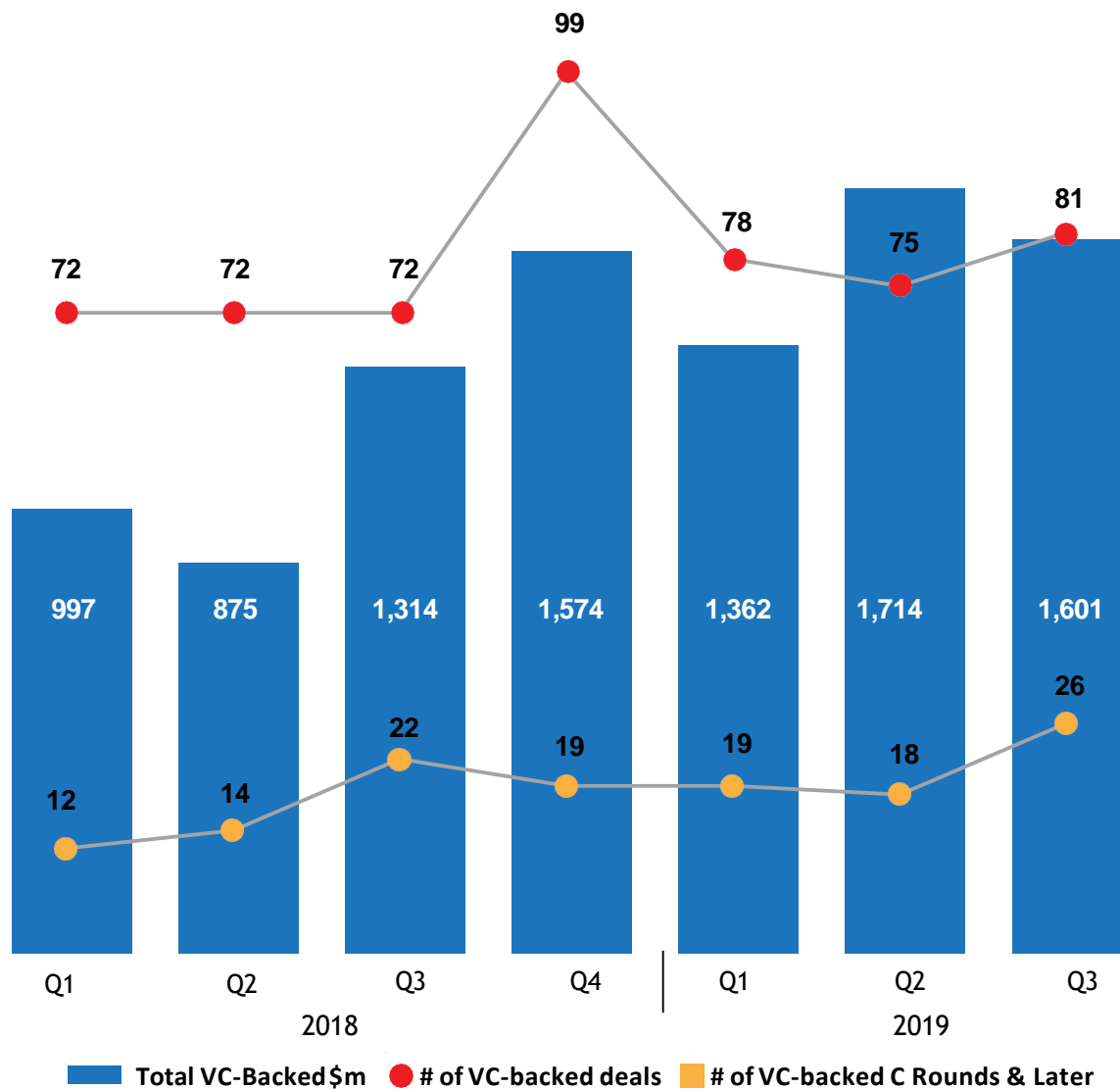
Revenue growth companies led capital raising in Q1-Q3/2019, with \$2.58 billion in 48 deals, an increase of 65% in capital and 23% in number of deals from last year's annual figures which were more favorable for companies at the initial revenues stages.



Source: IVC-ZAG High-Tech Report Q3/2019

## VC-Backed Deals | Q1/18 – Q3/19

In Q3/2019, 26 C Round and later deals attracted VC fund investments, above the average of 17 deals per quarter since the beginning of 2018.

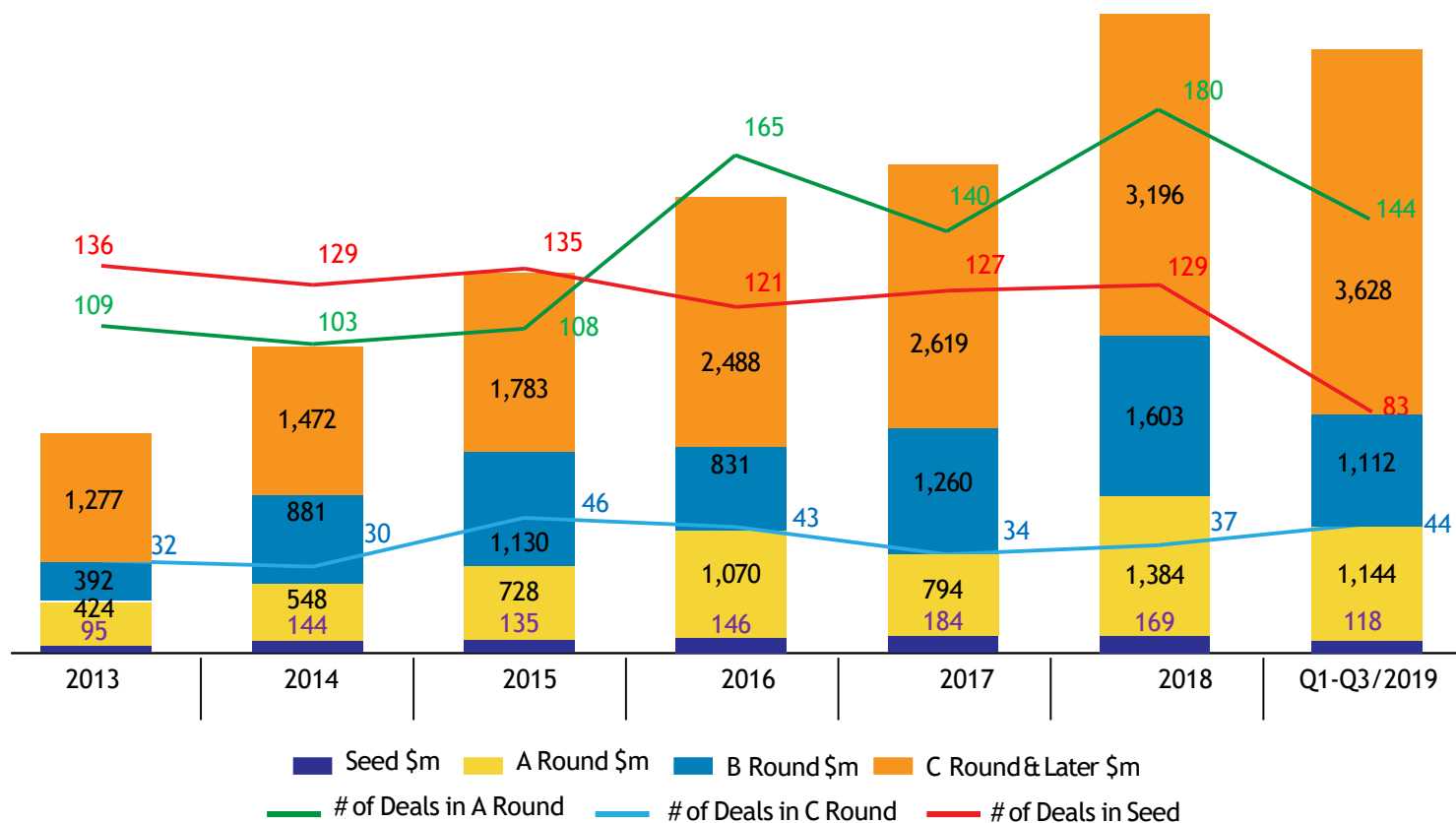


Source: IVC-ZAG High-Tech Report Q3/2019

## Capital Raising by Rounds | 2013 – Q1-Q3/19

In Q1-Q3/2019, the financing rounds A and C reached the upper scale figures in the five past years.

While seed rounds activity showed no growth in these quarters, IVC expects it will accelerate in the 4th quarter, according to historical patterns.



Source: IVC-ZAG High-Tech Report Q3/2019

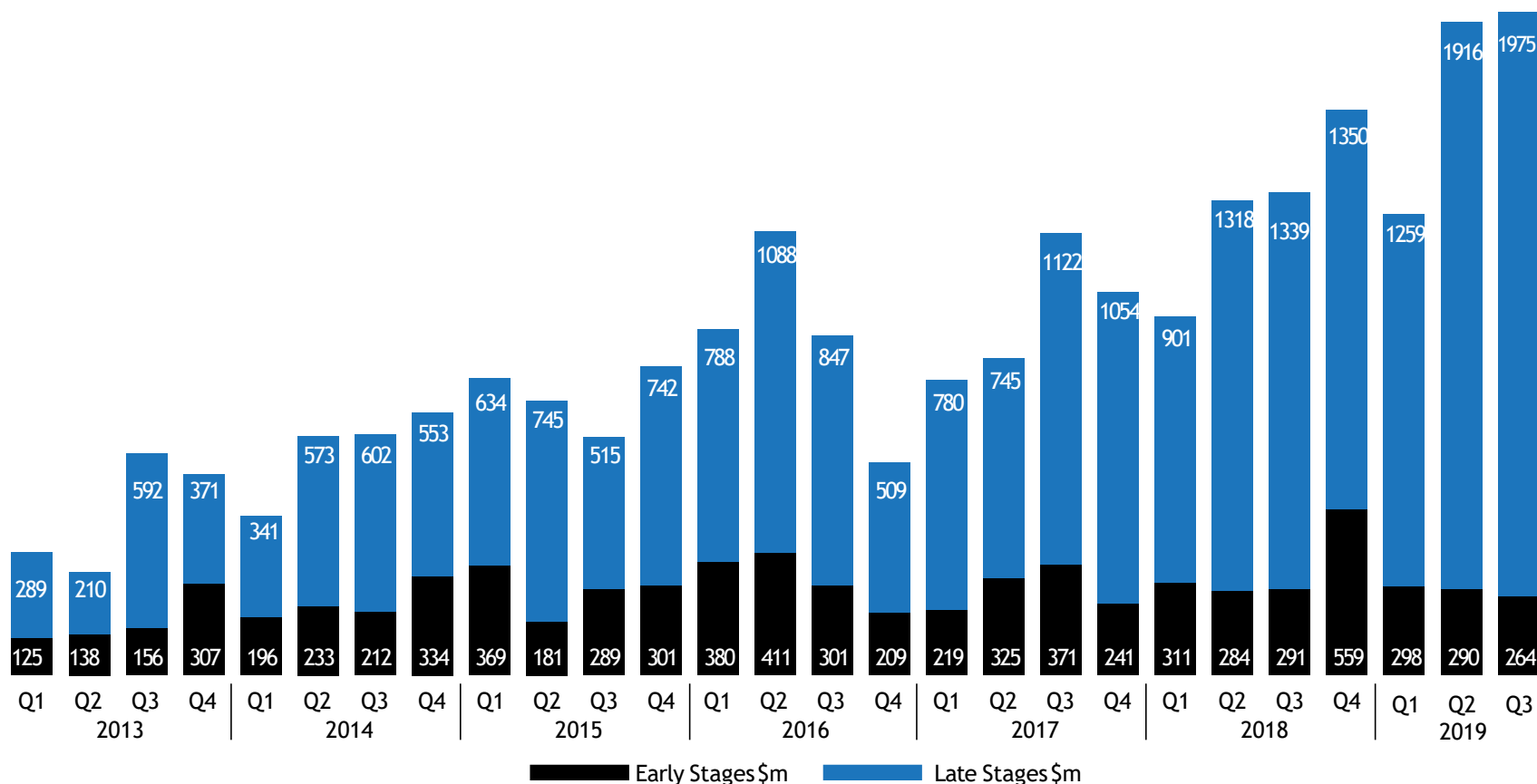


## Capital Raising by Stages | Q1/13 – Q3/19

There was a slight increase in the number of deals in the early (10%) and growth (11%) stages in Q3/2019 from the previous quarter. Compared to the number of early stage company deals in Q3/2018, this quarter demonstrated an upsurge of 30%, but remained in the average range of the three past years.

The amount raised by companies in the revenue growth stage in Q1-Q3/2019 reached \$3.26 billion in 63 deals.

This was mostly due to an increase in the number of deals of \$50 million and over in this stage - totaling 23 deals in the current period.

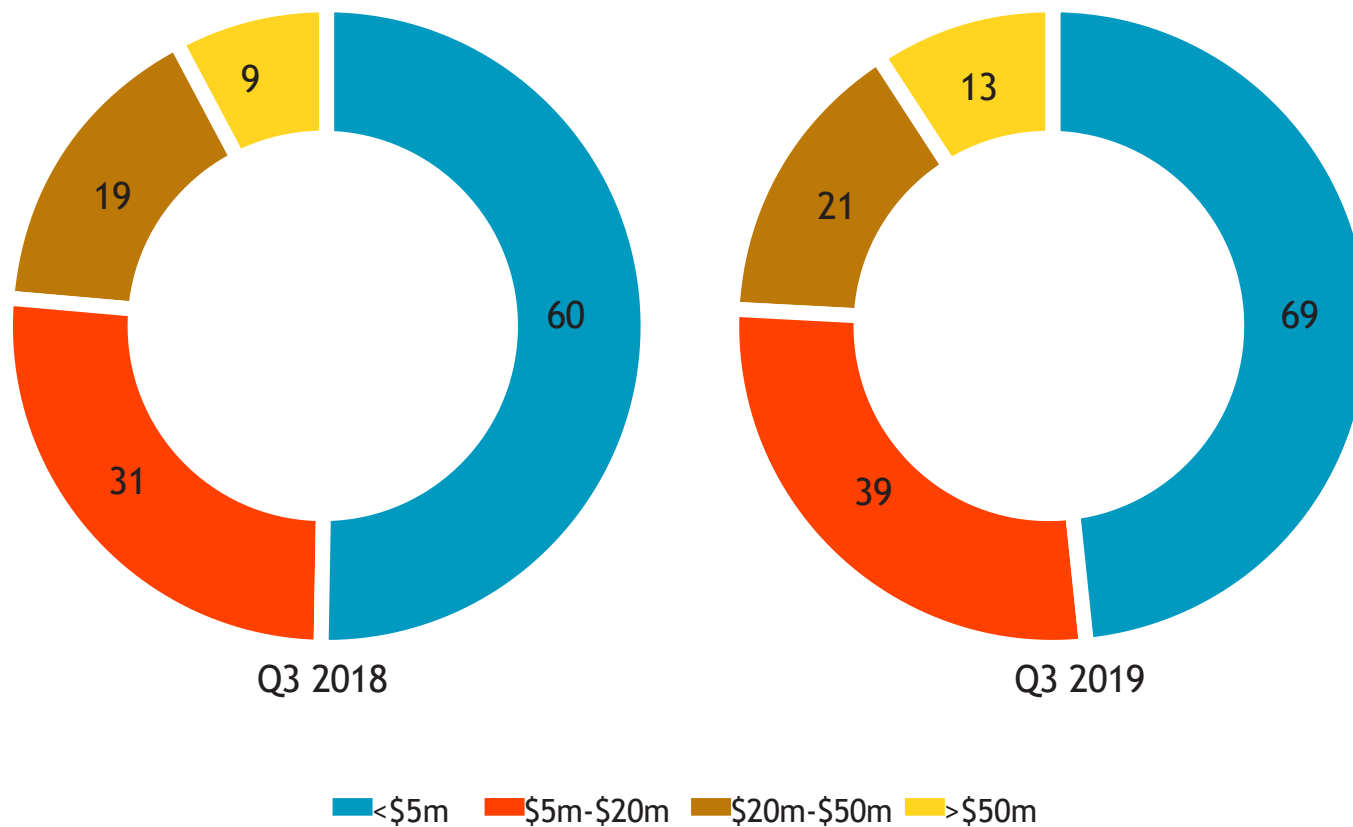


Source: IVC-ZAG High-Tech Report Q3/2019

## Capital Raising by Deal Size | Q3/19

Q3/2019 continued the growth trend in deal ranges over \$50 million, with 13 deals attracting \$1.3 billion. In Q3/2018, nine such deals accounted for \$613 million in total.

# of Deals by Size

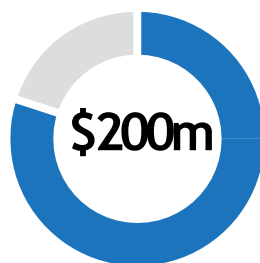
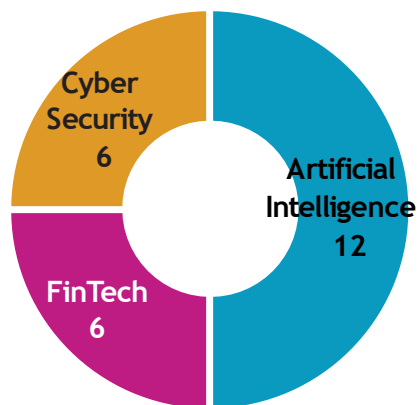


Source: IVC-ZAG High-Tech Report Q3/2019

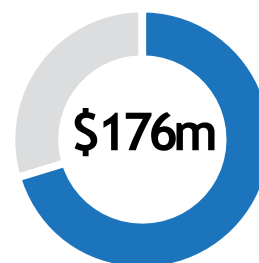
Source: IVC-ZAG High-Tech Report Q3/2019

# Deals Over \$50m | Q3/2019

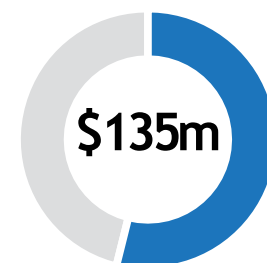
# of Deals > \$20m in Leading Tech Clusters



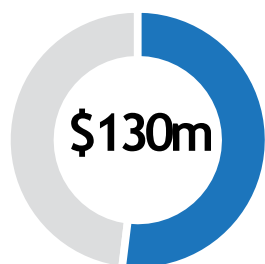
**cybereason**  
Security  
Later Round



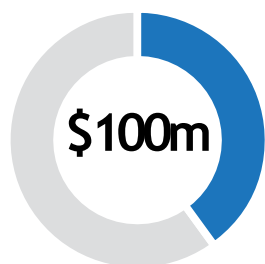
**Fundbox**  
Business Analytics  
C Round



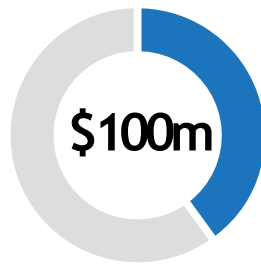
**Lightricks**  
Mobile Applications  
C Round



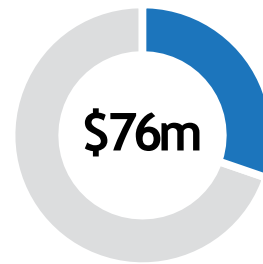
**lendbuzz**  
Business Analytics  
Later Round



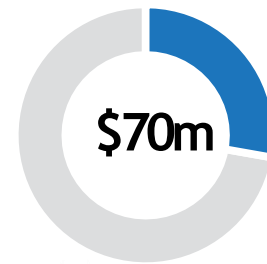
**Hippo**  
Business Analytics  
Later Round



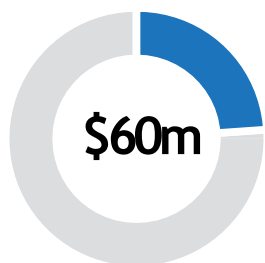
**trax**  
Enterprise Applications  
Later Round



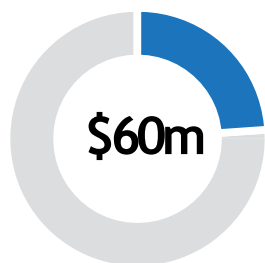
**Tipalti**  
Enterprise Applications  
Later Round



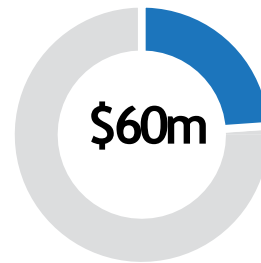
**snyk**  
Security  
C Round



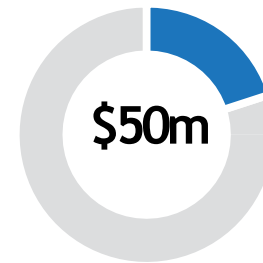
**AUTOTIX**  
Security  
A Round



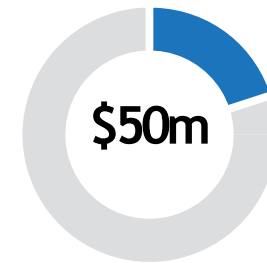
**Graduway**  
Empowering Alumni Networks  
Enterprise Applications  
C Round



**Healthy.io**  
Healthcare IT  
C Round



**BigID**  
Security  
C Round



**POLYPID**  
Therapeutics  
Later Round

Source: IVC-ZAG High-Tech Report Q3/2019

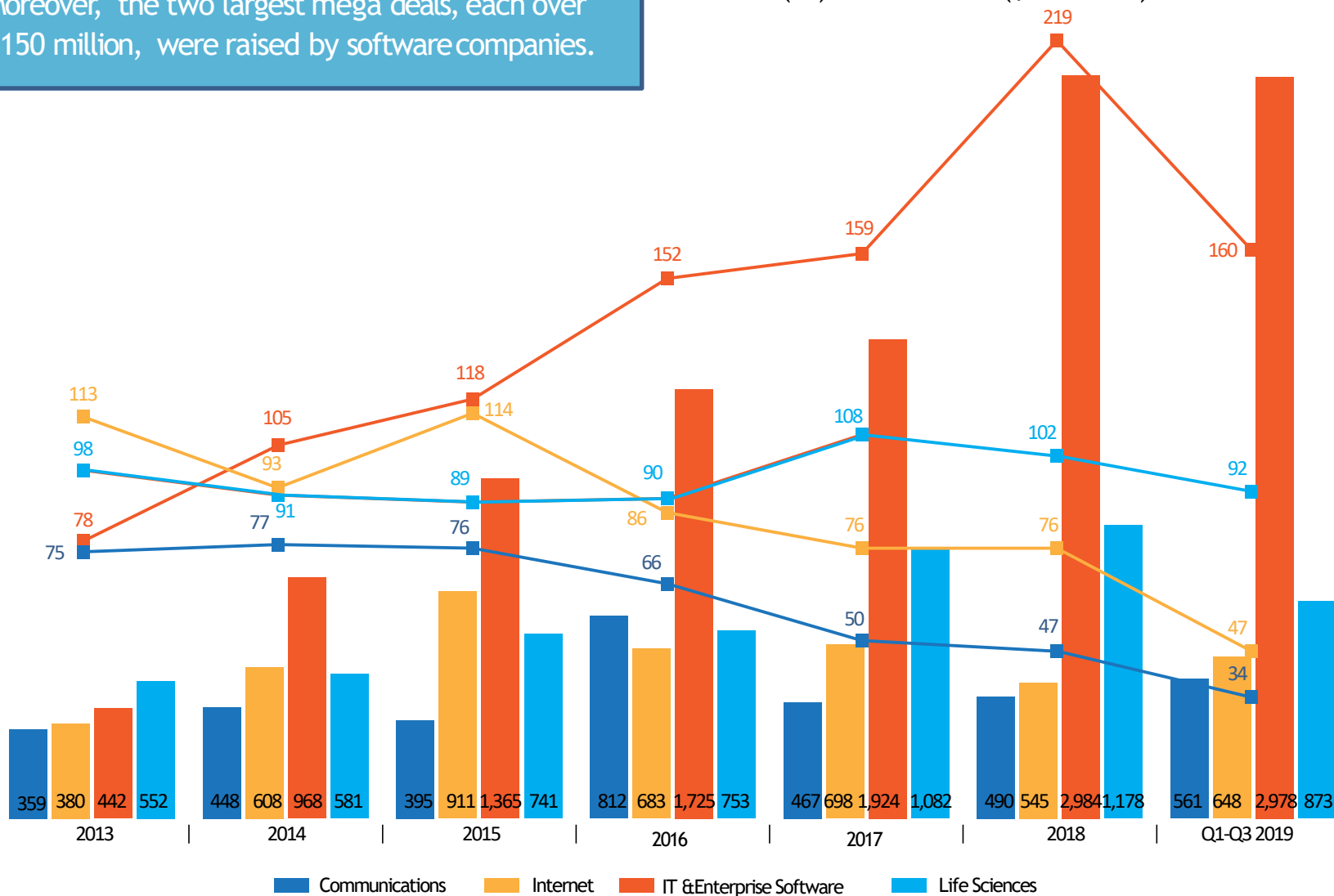
## Capital Raising in Leading Sectors | Q3/19

The software sector has continued to lead capital raising in 2019, breaking the \$1 billion threshold in Q3 and raising almost \$1.4 billion in 52 deals. This was due to 10 deals, each over \$50 million, that captured 73% of the total amount raised in the software sector.

Moreover, the two largest mega deals, each over \$150 million, were raised by software companies.

Life sciences companies also attracted more capital, raising \$350 million in 38 deals in Q3/2019, compared to \$238 million in 29 deals in Q3/2018.

Cleantech sector has also grown in both number of deals (10) and amount (\$85 million).



Source: IVC-ZAG High-Tech Report Q3/2019

## Israeli Venture Capital Funds | Q1/14 – Q3/19

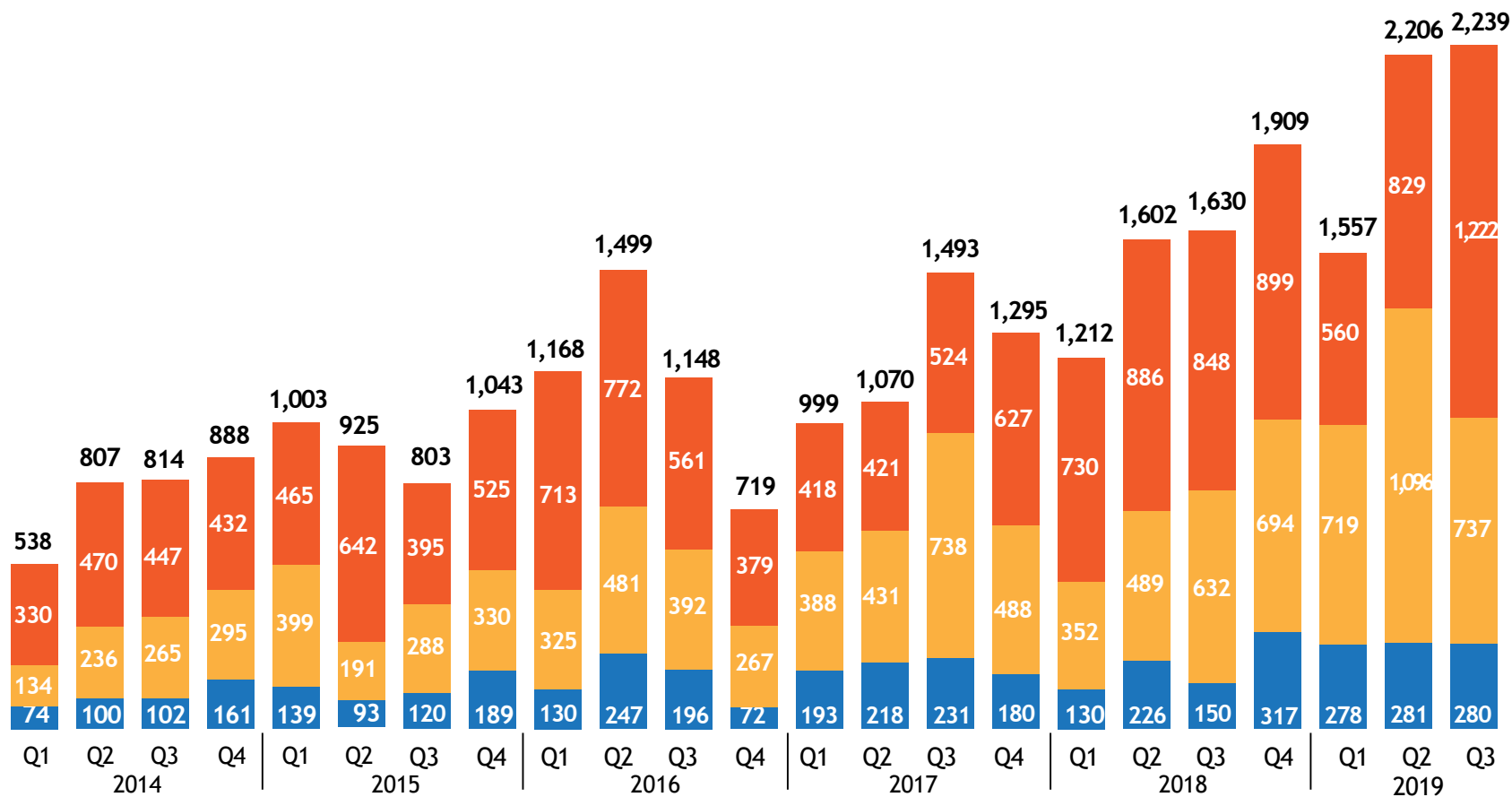
In Q3/2019, 58 Israeli VC funds continued their investments at the pace of the last quarters and were involved in 56 deals that attracted \$1.02 billion.

They made 75 investments, 21% less than the previous quarter, in range with the 72 investments made by 54 VCs in Q3/2018. However, the amount invested reached \$280million,

close to previous quarterly amounts for 2019.

The majority of Israeli VCs' capital (49%) went to companies at the initial revenue stage.

Israeli VCs have accelerated their involvement in Israeli high-tech companies in Q1-Q3/2019, with 267 investments, a growth of 18% compared to 226 investments in Q1-Q3/2018.



■ Israeli VCs (\$m) ■ Other with Israeli VCs (\$m) ■ Without Israeli VCs (\$m)

Source: IVC-ZAG High-Tech Report Q3/2019

## 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 September 30, 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 from investors and high-tech companies.

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.

This report is based on data from 482 investors of which 58 were Israeli VC funds and 424 were other entities. The report data was last updated on September 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.



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](http://www.ivc-online.com)) showcases over 8,600 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, financing, exits, acquisitions, founders, key executives and multinational corporations.

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

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### 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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## **CONTACT US**

Marianna Shapira  
Research Director, IVC Research Center  
[marianna@ivc-online.com](mailto:marianna@ivc-online.com)

[www.ivc-online.com](http://www.ivc-online.com)  
+972-(0)73-212-2339