

ISRAEL TECH FUNDING REPORT

Capital raising analysis, trends and insights

Q2 | 2020

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Q2 | 2020

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OVERVIEW

Despite the COVID-19 pandemic continues to send shudders across the world economy, there is some relief in the knowledge that Israeli high-tech funding, is behaving almost as usual. The positive trend in early and late rounds has continued in H1/2020, with \$5.25 billion in 312 deals.

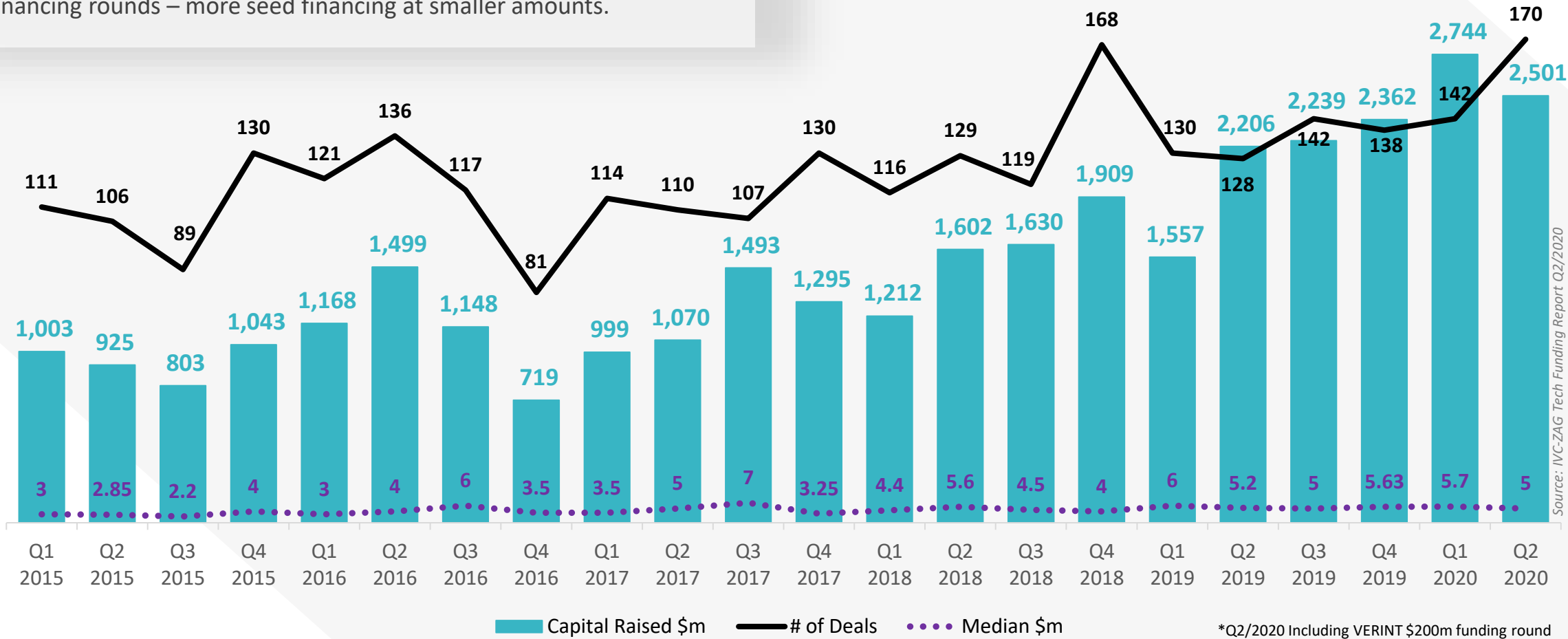
In February – March, the number of financing deals, especially for early financing rounds (Seed and A rounds), was down significantly. However, in April – May the number of deals for earlier rounds resumed normal ranges, and even compensated for the decline in Q1/2020.

Investor behavior was a major topic during H1. VC investors did not shy away from either first or follow-on investments, bringing the number of VC deals to a record in Q2/2020. This is an important point given the high level of economic uncertainty.

The data for H1 is solid, but in the current environment, they carry no promises for the rest of the year. The full magnitude of the economic impact could still be felt in Q3/Q4 and prove devastating to a large number of Israeli companies.

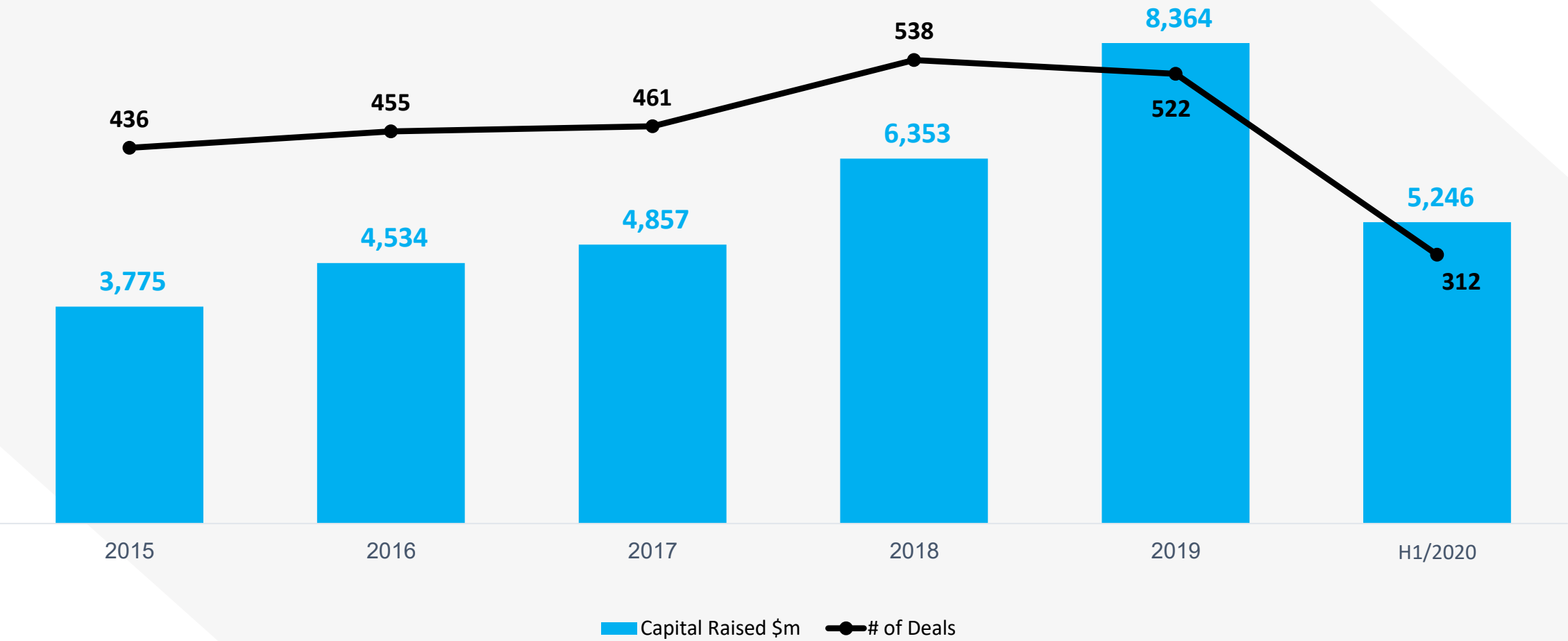
Total Capital Raising | Q1/2015 - Q2/2020

Israeli high-tech companies had a successful second quarter in 2020*, raising \$2.5 billion in 170 deals. This was the second strongest quarter in terms of total amounts raised. More deals were made, though the median amount decreased slightly due mostly to an increase at the lower end of the financing rounds – more seed financing at smaller amounts.



Source: IVC-ZAG Tech Funding Report Q2/2020

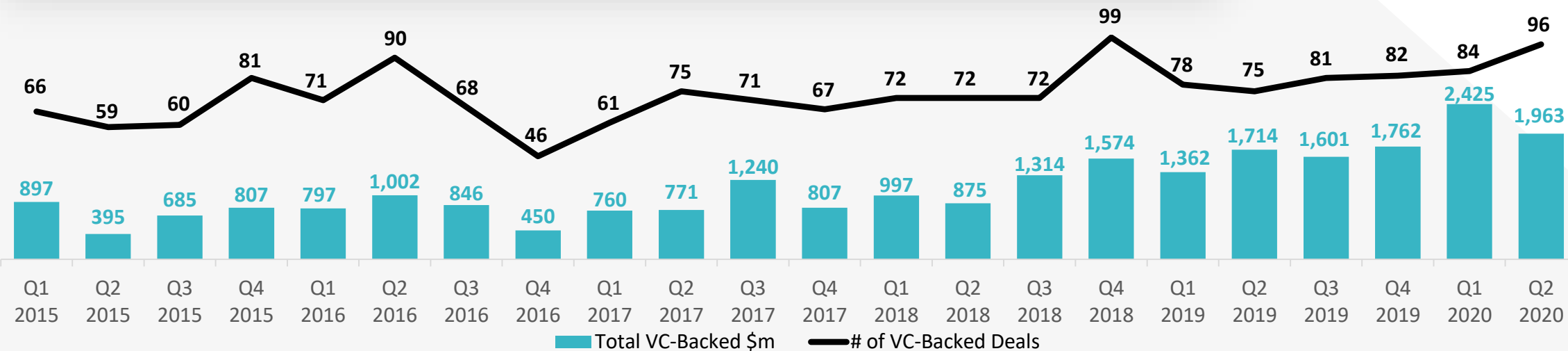
Total Capital Raising | 2015 – H1/2020



Source: IVC-ZAG Tech Funding Report Q2/2020

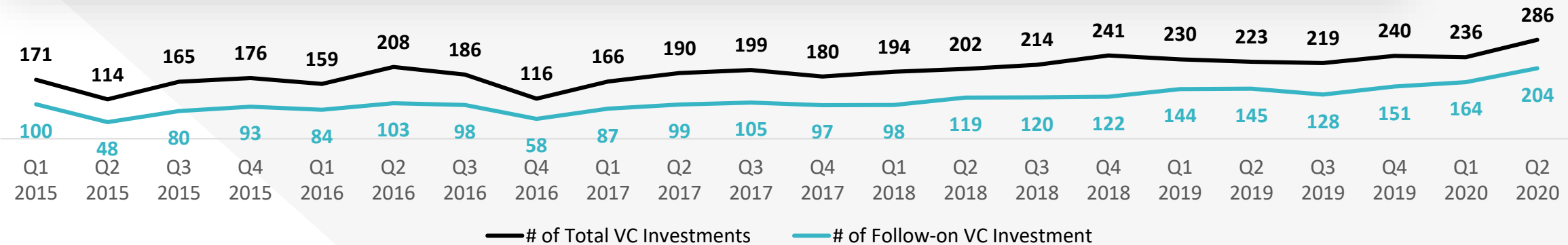
VC-Backed Deals | Q1/2015– Q2/2020

More deals in the last quarter involved VC funds, while capital raised was lower than in the first quarter of 2020.



Source: IVC-ZAG Tech Funding Report Q2/2020

VC funds have been highly involved in their portfolio companies starting from the last quarter of 2019. The number of investments, composed mostly of follow-on investments, peaked in Q2/20 (for more details see **First vs Follow-on analysis**)



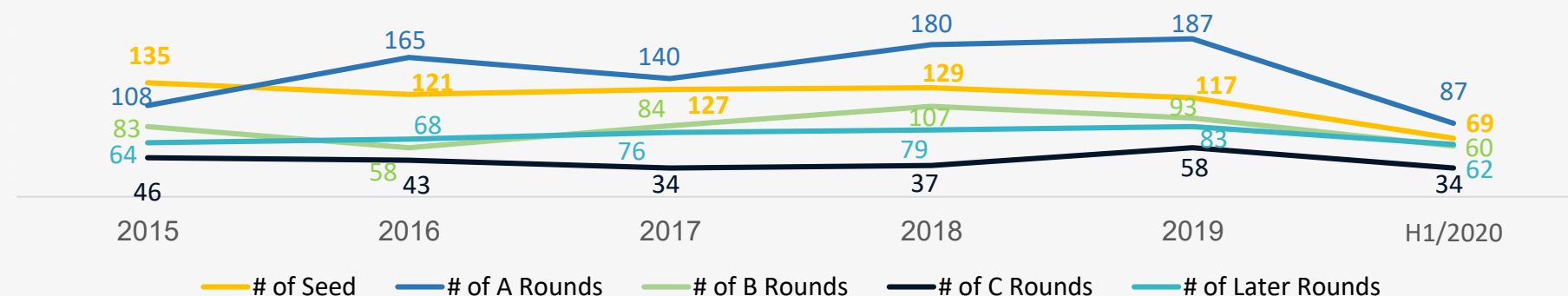
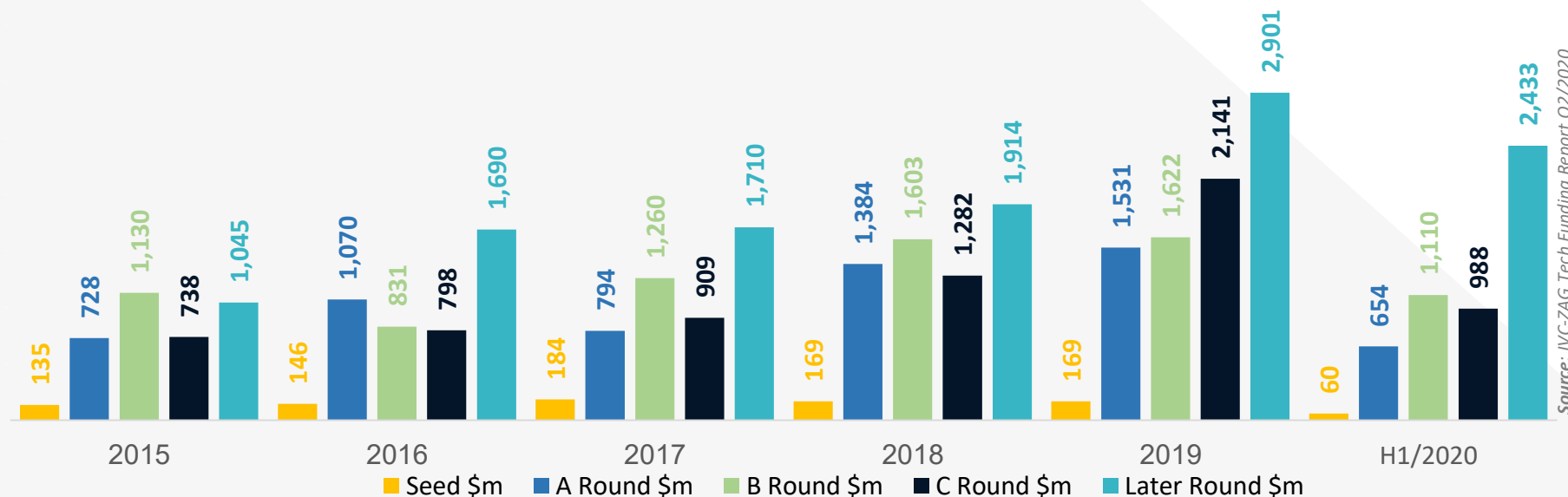
Source: IVC-ZAG Tech Funding Report Q2/2020

Capital Raising by Round

2015 – H1/2020

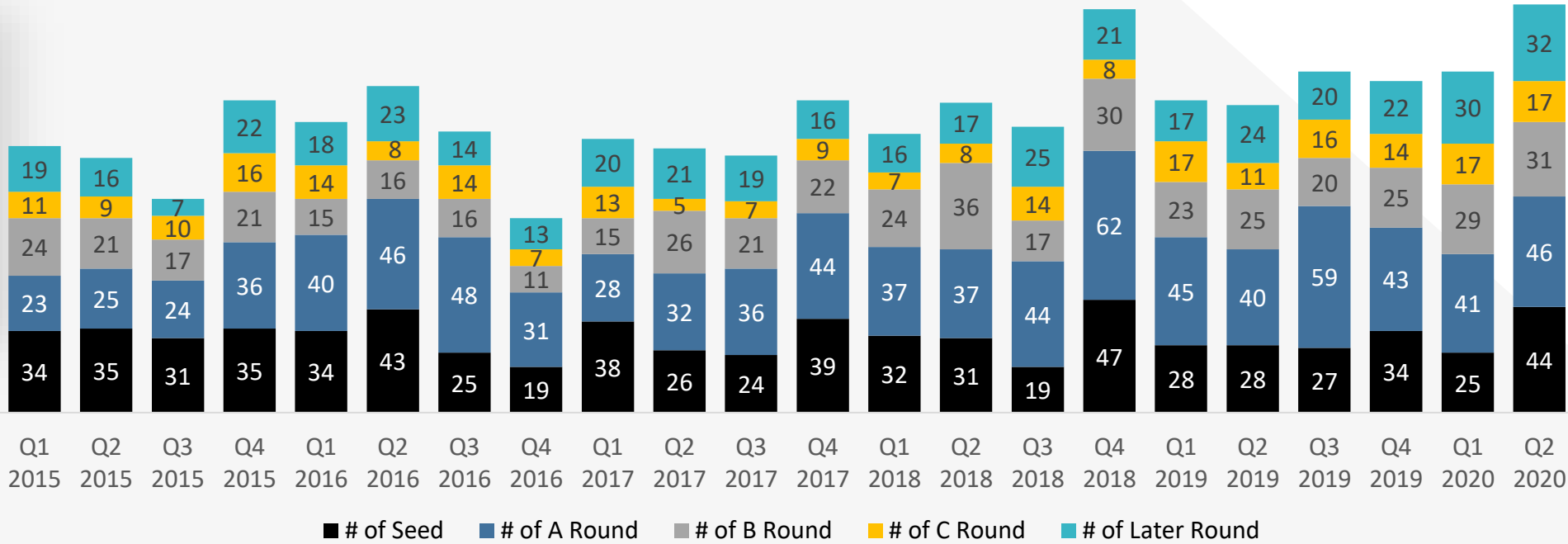
Late round capital raising stood out in H1/2020, approaching the annual 2019 figure.

13 deals over \$50 million each, drove up the average compared to 18 such deals over the course of the entire 2019.



Capital Raising by Round, # of Deals Q1/2015 – Q2/2020

The number of deals has shown a continuous rise during H1/2020.



Source: IVC-ZAG Tech Funding Report Q2/2020

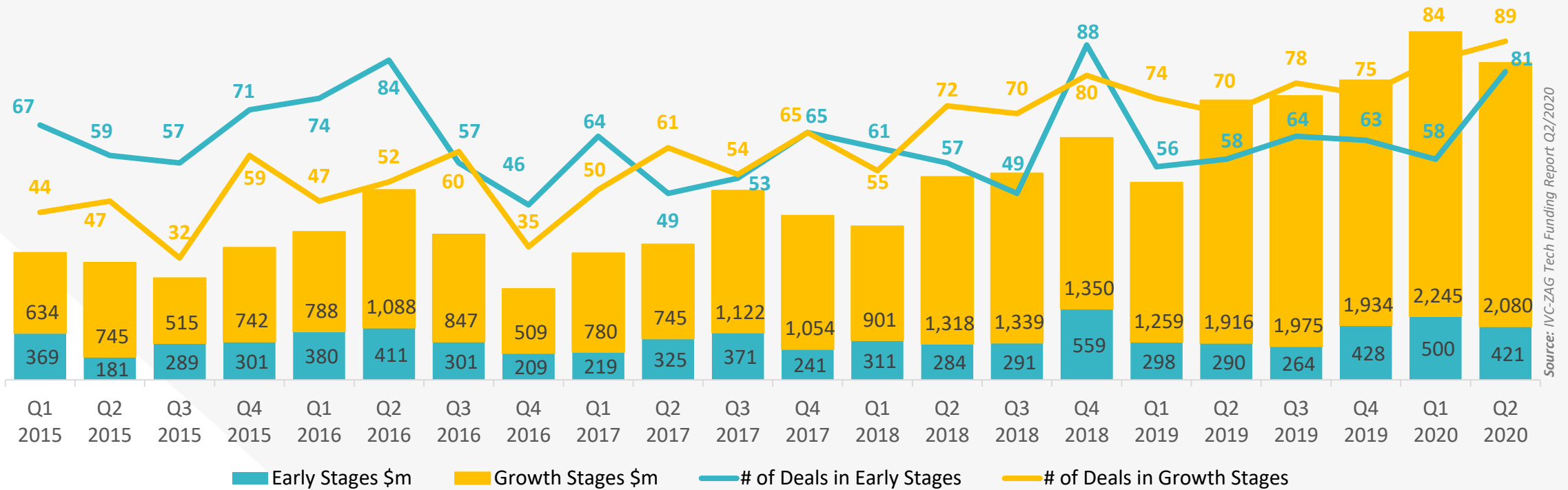
Seed and A rounds proved particularly interesting following a decline in Q1/2020. The monthly data reveals that Seed rounds during April – May compensated for the relative weakness in February – March.

H1/2018							H1/2019						H1/2020					
Month	Jan	Feb	Mar	Apr	May	Jun	Jan	Feb	Mar	Apr	May	Jun	Jan	Feb	Mar	Apr	May	Jun
# of Seed	14	7	11	9	16	6	10	12	6	11	9	8	21	2	2	18	17	9
# of A Round	13	10	14	12	7	18	14	10	21	12	12	16	18	13	10	13	16	17

Source: IVC-ZAG Tech Funding Report Q2/2020

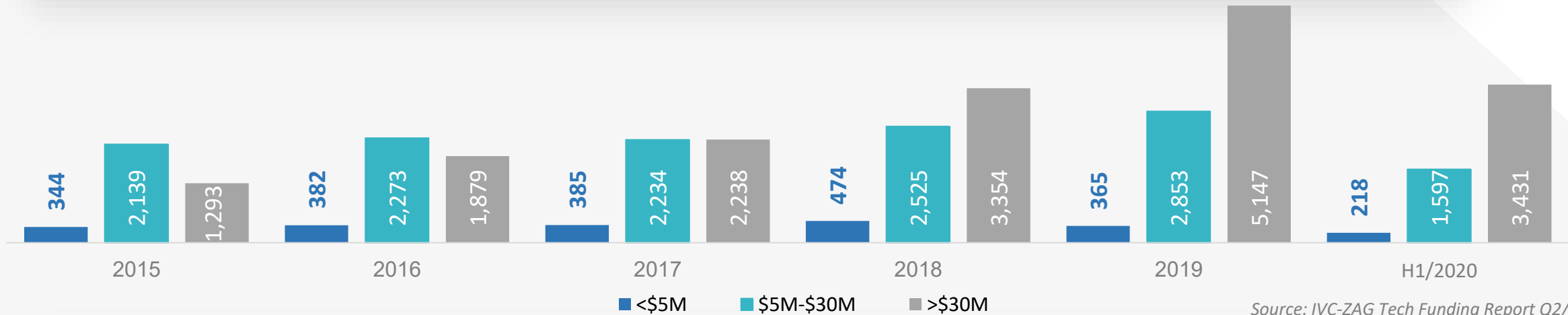
Capital Raising by Stages | Q1/2015 – Q2/2020

While capital raising for Early stage companies weakened in February – March, Q2/2020 has shown a notable recovery in the number of deals – 81 deals compared to 58 in Q1/20. Growth stage not only lead in capital amounts, it continued the upward trend in the number of deals over the years.

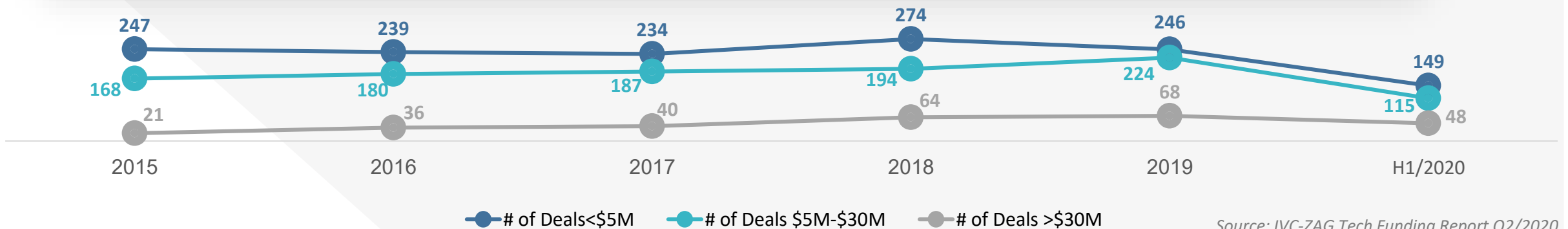


Capital Raising by Deal Size | 2015 – H1/2020

The total amount raised in deals over \$30m in the first half of 2020 has surpassed the annual amounts of previous years and stands just 33% short of the annual 2019 value. This was due in large part to the 22 mega deals over \$50 million each in the first half of 2020, compared to 15 such deals in H1/2019.



The number of deals under \$5m grew, reaching 149 deals, compared to 116 deals in H1/2019. This was due mostly to 83 deals in Q2/2020, compared to the 62-deal quarterly average since 2015.



Q1/2020



\$400m



\$210m



\$200m



\$150m



\$150m



\$100m

Q2/2020



\$145m



\$100m



\$102m

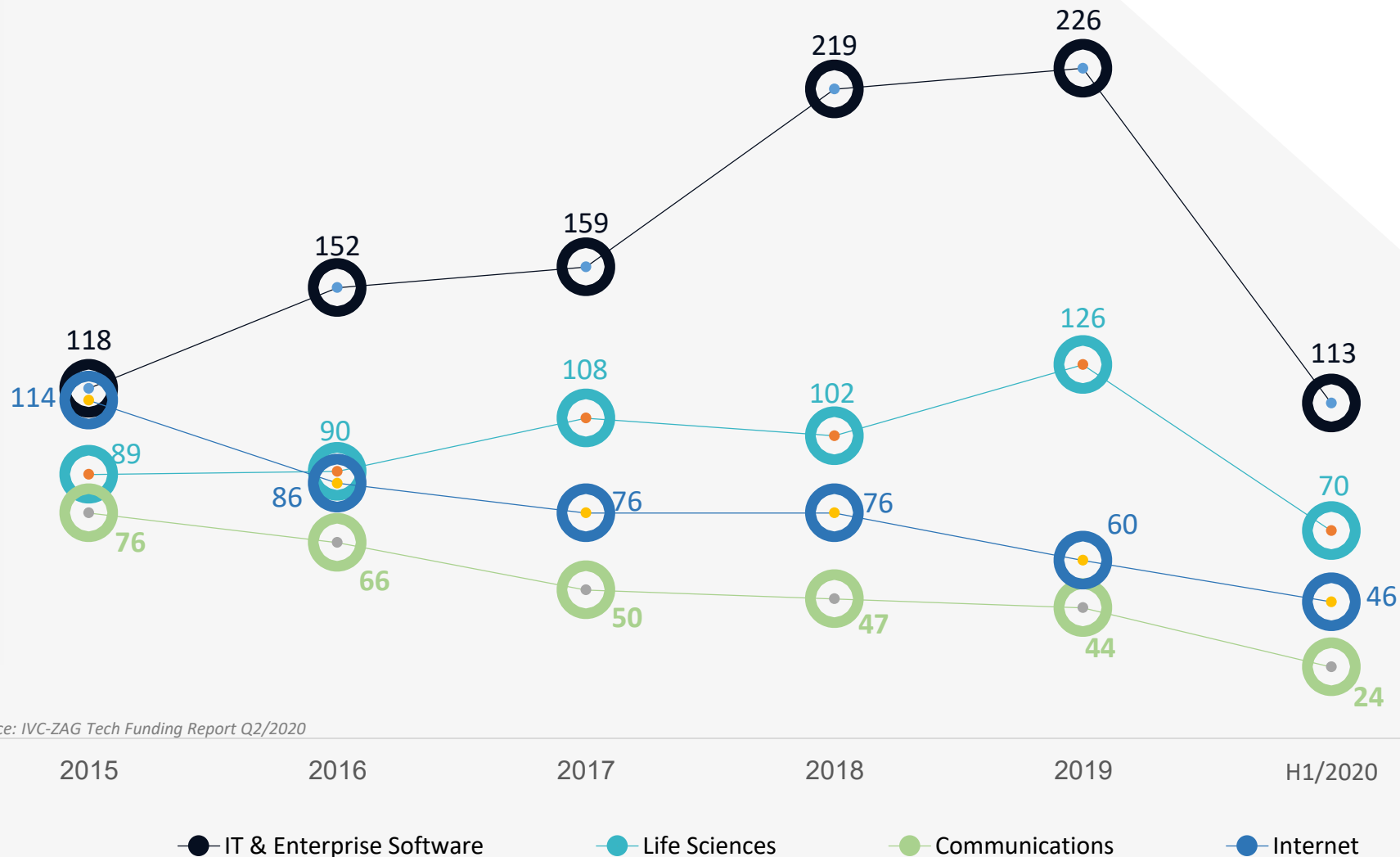
Source: IVC-ZAG Tech Funding Report Q2/2020

Capital Raising in Leading Sectors, # of Deals

2015 – H1/2020

The sector investment pattern was different in H1/2020 compared with the last years. The number of Life Sciences investments is in pace for a record year, following 70 deals in the last six months.

The number of investments deals in IT companies is in a range similar to recent years.

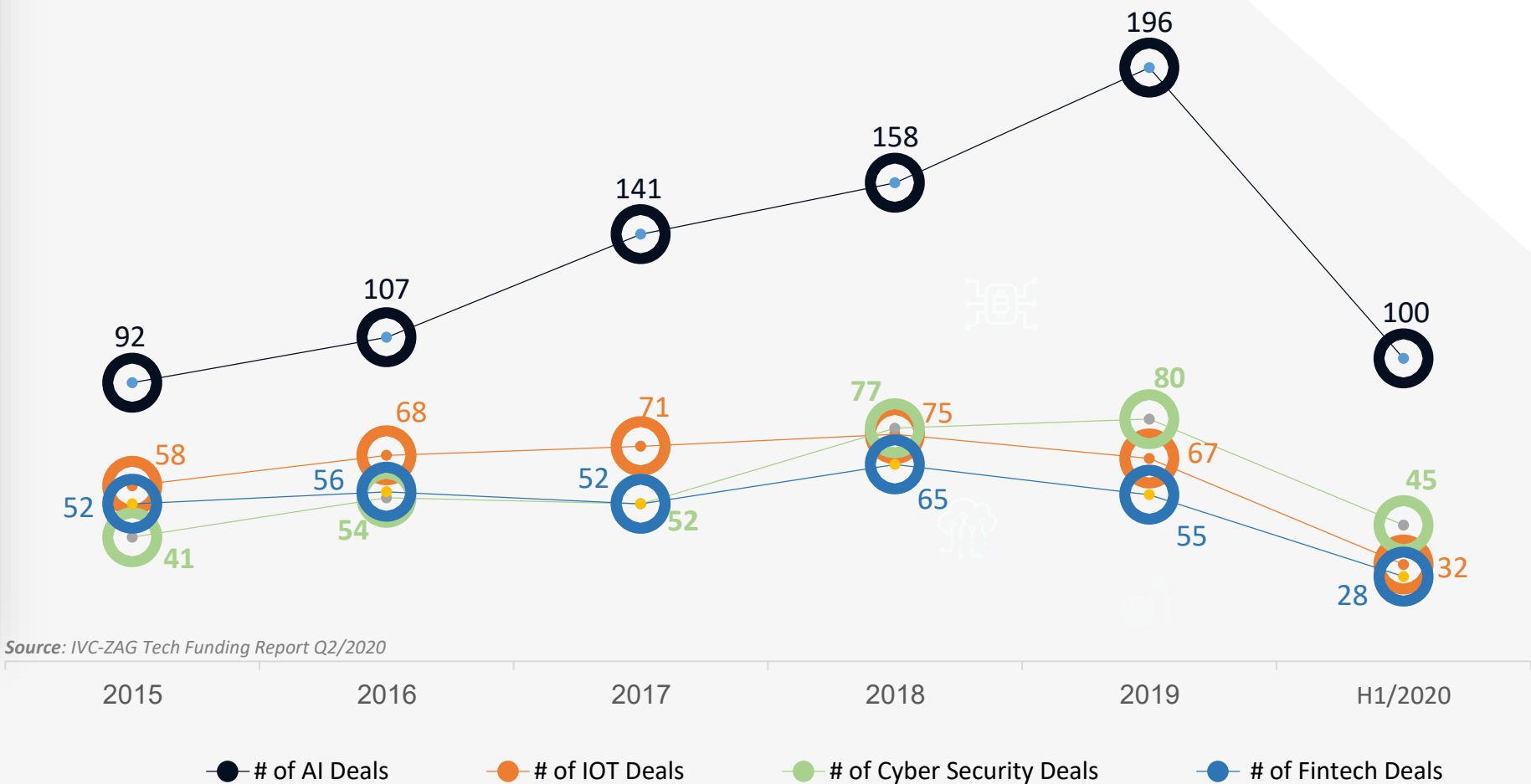


Source: IVC-ZAG Tech Funding Report Q2/2020

Capital Raising in Leading Clusters, # of Deals 2015 – H1/2020

Artificial Intelligence continues strong capital raising with 100 deals, while other notable tech clusters are keeping the same pace of deal making as the last years.

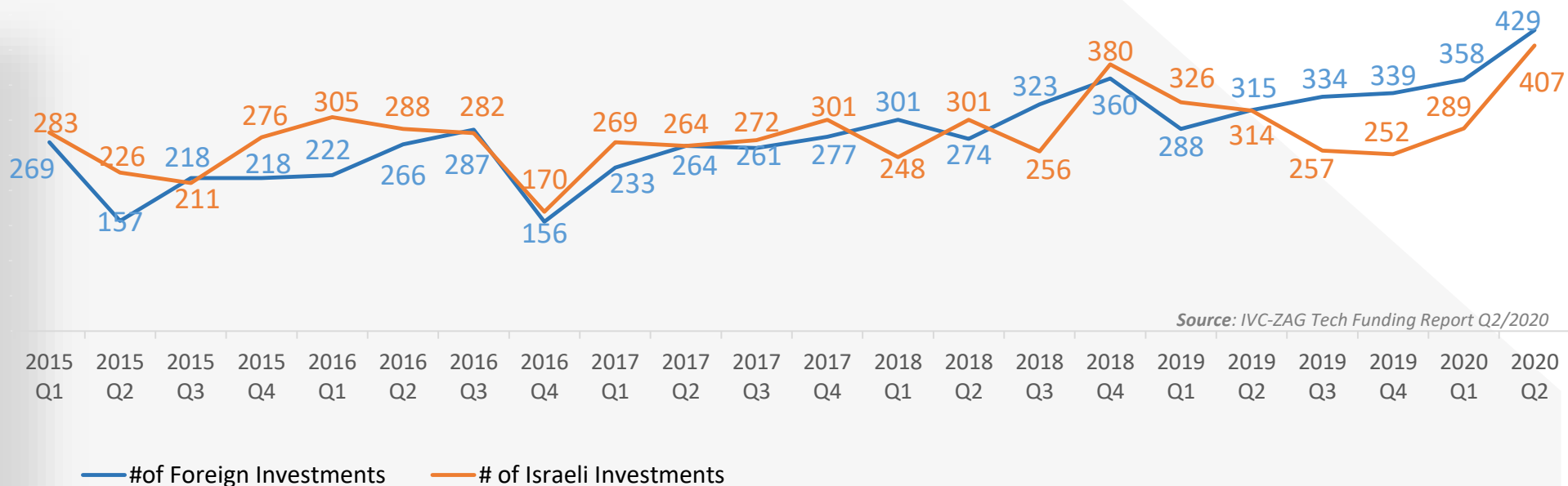
During H1/2020, 7 deals over \$50m each were made in Cyber Security and Artificial Intelligence companies.



Israeli vs Foreign Investments

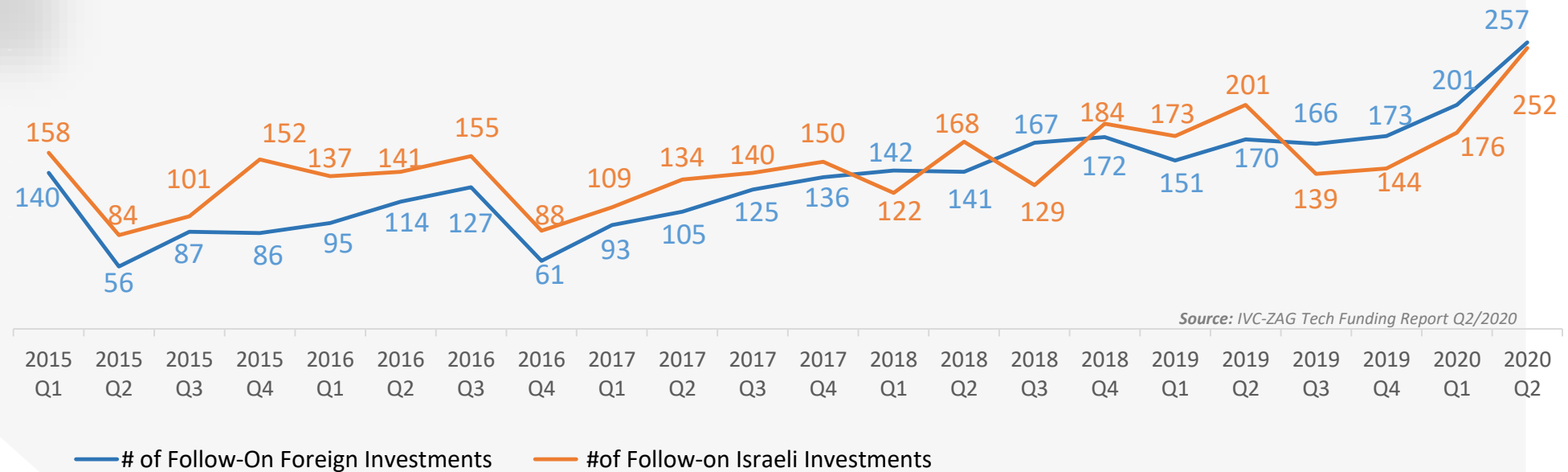
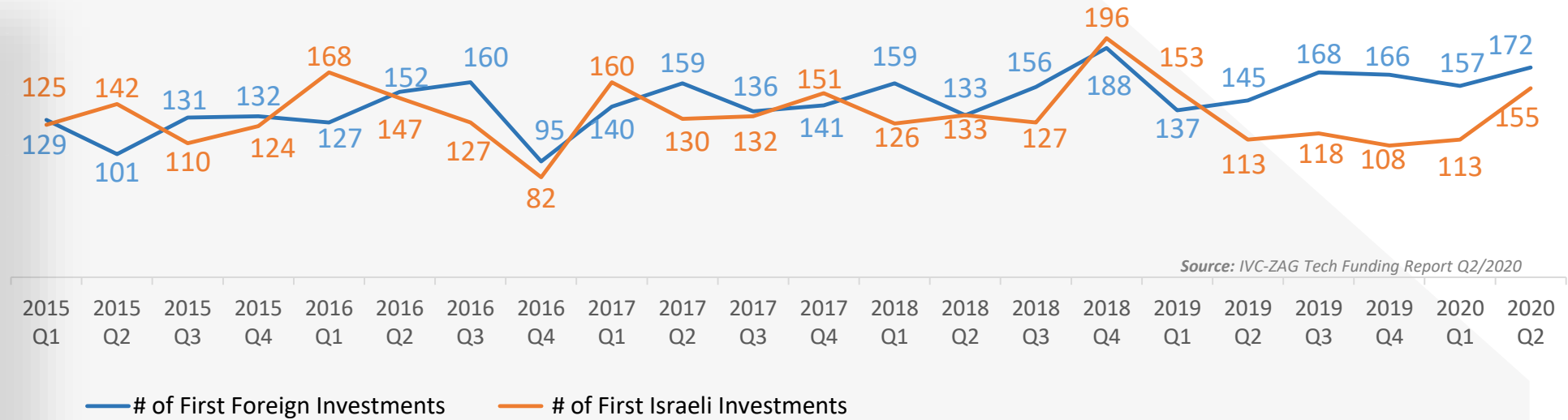
Q1/2015 – Q2/2020

Foreign investors captured 52% of investments made by all investors in Q2/2020. The share of Israeli investors increased in Q2, returning to the historical range of 45% – 52%.



of Israeli vs Foreign Investments, First vs Follow-on Q1/2015 – Q2/2020

Israeli and foreign investors brought follow-on investments during Q2 to record levels, probably to support portfolio companies. The first investments were relatively high but remained within the regular range.



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 June 30, 2020) 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 635 investors of which 71 were Israeli VC funds and 564 were other entities. The report data was last updated on June 30, 2020.
- 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 cluster, therefore the data regarding tech clusters should be viewed separately per cluster.

For more on our methodology,
[please click here](#)

IVC Research Center

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 9,000 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

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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