
Israel Venture Capital Investments Report Q3 2017

NOVEMBER 2017

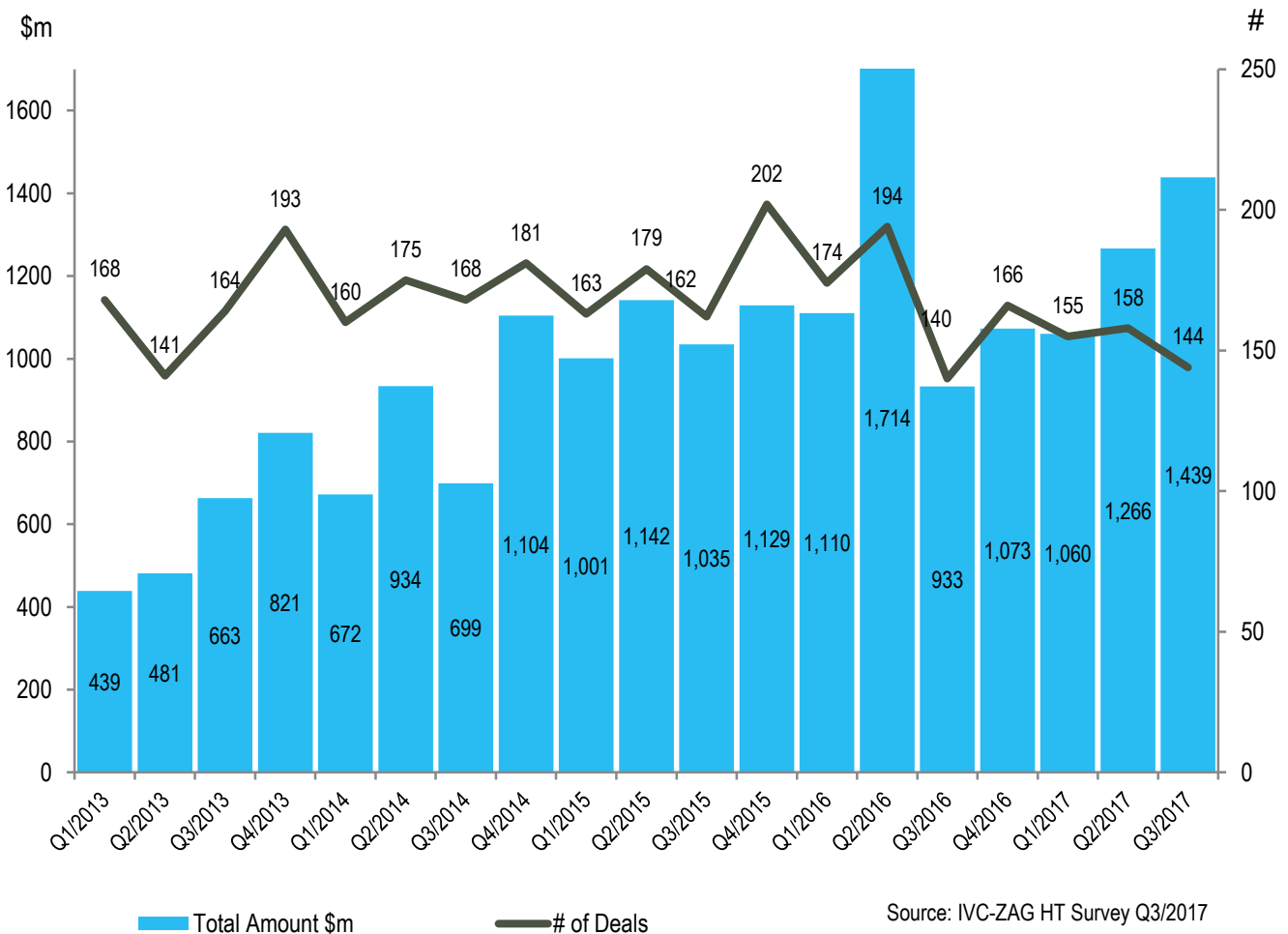
Summary of Israeli Venture Capital Raising Q3/2017

+14% from
Q2/2017

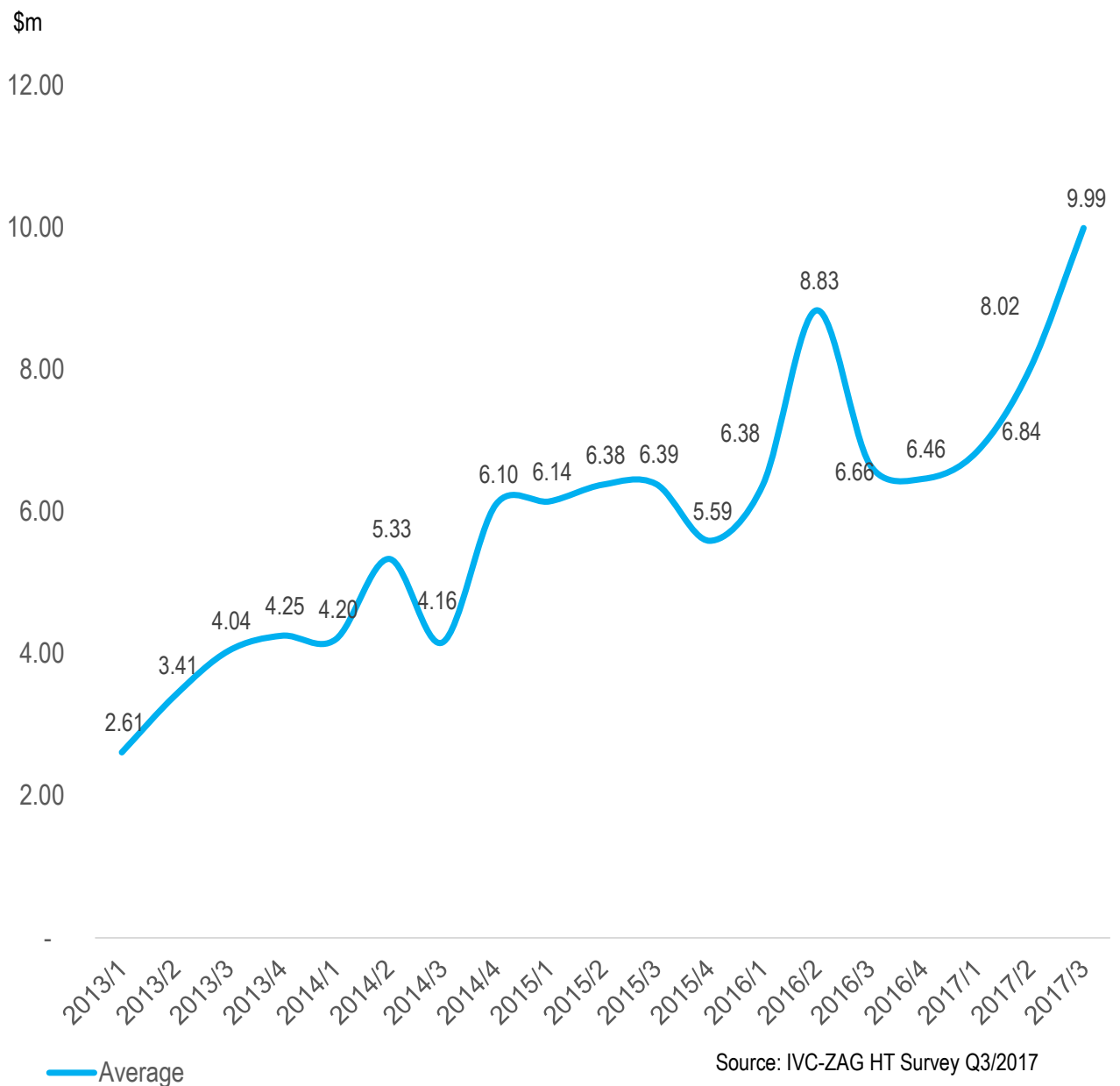
Israeli high-tech capital
raising summed up to
\$1.44B

Israeli high-tech capital raising Q3/2017

- In Q3/2017, \$1.44 billion were raised by 144 Israeli high-tech companies, an increase of 14 percent over the \$1.27 billion raised in Q2/2017, and a 54 percent surge from \$933 million raised in Q3/2016. The number of deals, however, decreased somewhat in Q3/2017.
- The average financing round reached a five-year high of \$10 million.

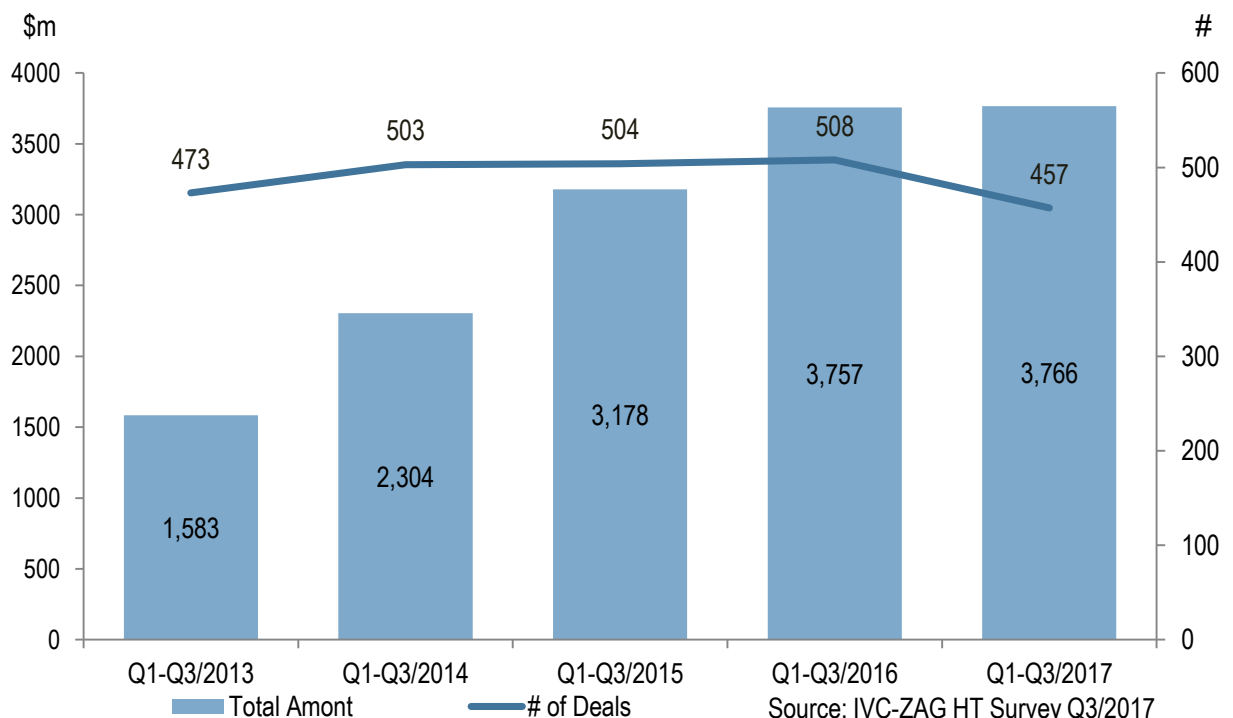


Average financing of Israeli high-tech company Q3/2017



Israeli high-tech capital raising Q1-Q3/2017

- In the first nine months of 2017, Israeli high-tech companies attracted \$3.8 billion, equal to the corresponding period of 2016.
- The number of deals in Q1-Q3/2017, however – 457 deals in total – declined to the lowest in the past five years.
- The average VC-backed financing round has been continuously increasing over the past five years to peak at \$10.4 million in Q1-Q3/2017, compared with \$8.4 million in Q1-Q3/2016.



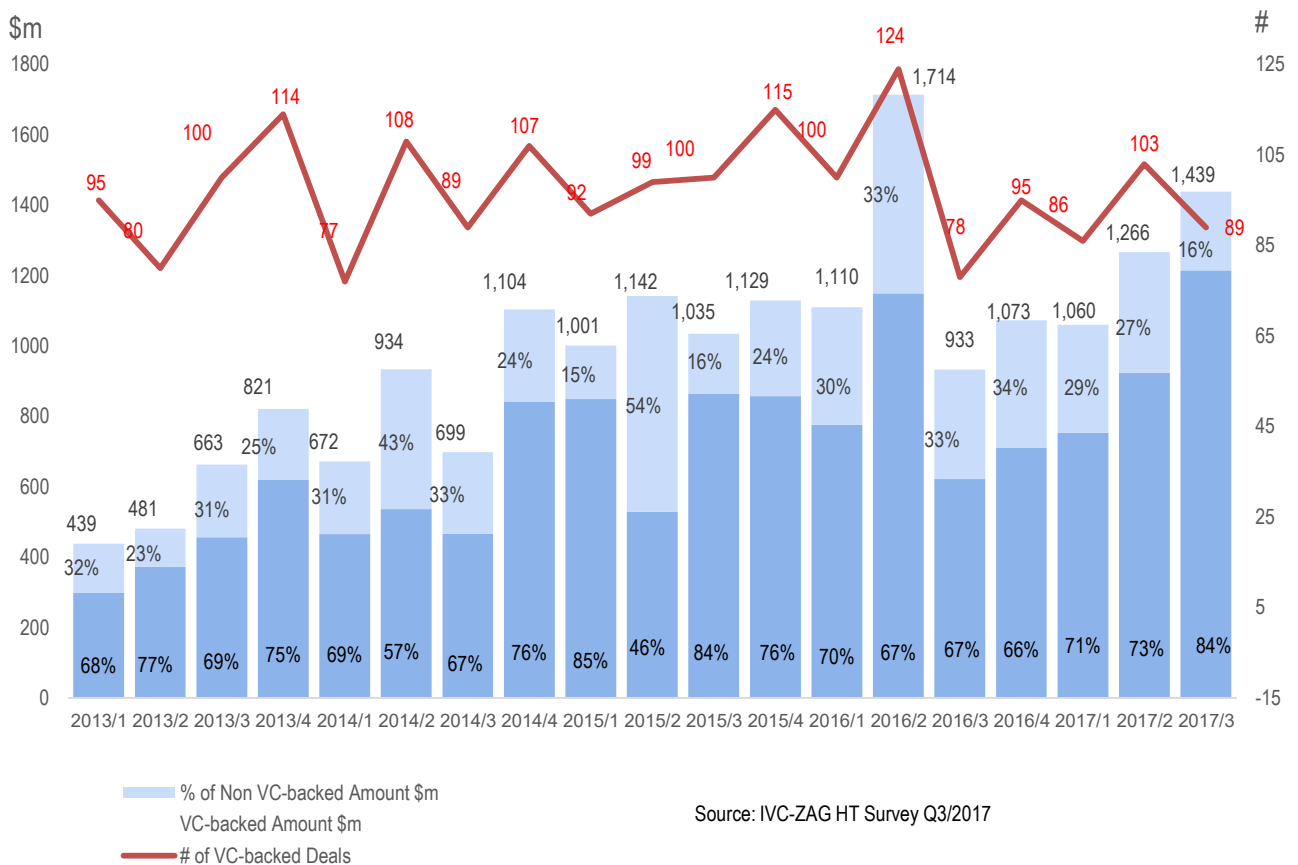
Israeli VC-Backed Transactions

+73% from
5-year
average

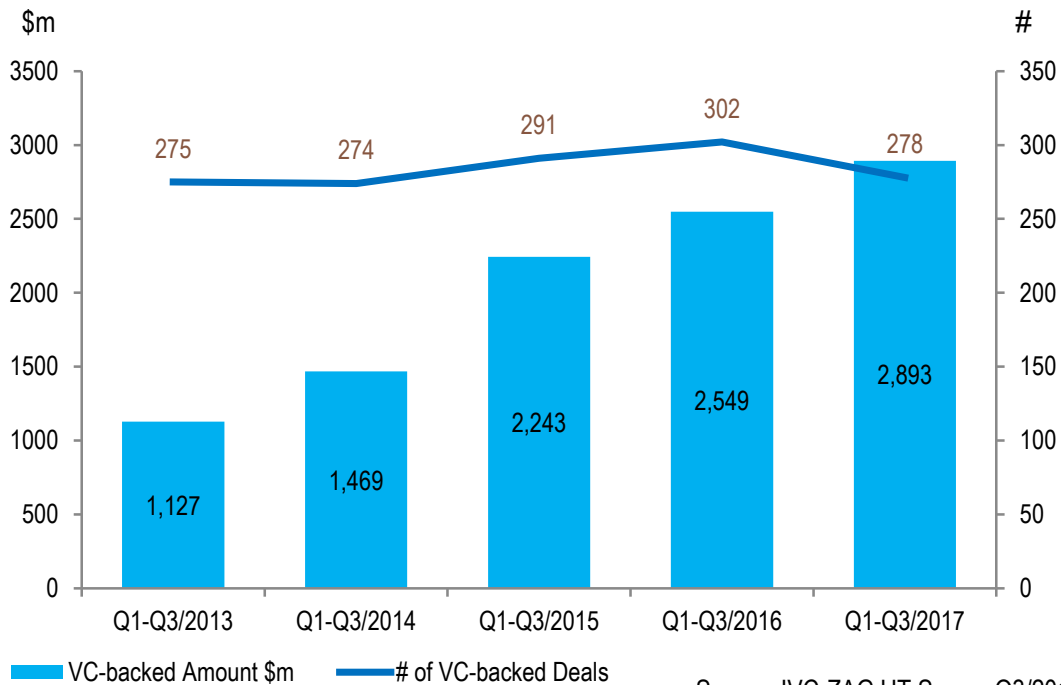
VC-backed deals peaked at \$1.2 billion in Q3/2017 – the highest in past 5 years

Israeli VC-backed deals Q3/2017

- In Q3/2017, capital raised in VC-backed deals continued to grow, reaching \$1.2 billion raised in 89 deals. The amount was 32 percent up from the \$924 million raised in Q2/2017, and 95 percent above the \$622 million raised in Q3/2016.
- The VC-backed share of total capital increased gradually throughout the first three quarters of 2017, to account for 84 percent in Q3/2017, compared with 67 percent in Q3/2016.
- The number of VC-backed deals in Q3/2017, however, was 9 percent below the quarterly average of past five years.
- The average VC-backed financing round peaked at \$13.7 million in Q3/2017, compared with \$9 million in Q2/2017, and the \$8 million average in Q3/2016.



Israeli VC-backed deals capital raising Q1-Q3/2017



Source: IVC-ZAG HT Survey Q3/2017

- Notably, \$2.9 billion were raised in 278 VC-backed deals in the first nine months of 2017, 77 percent of total capital raised in this period, compared with \$2.6 billion (68 percent) raised in 302 deals in the corresponding period in 2016.
- Deals above \$20 million attracted the largest share of capital raised in VC-backed deals, with approximately 60 percent of the total dollar amount in Q1-Q3/2017.
- The average VC-backed financing round has been continuously increasing over the past five years to peak at \$10.4 million in Q1-Q3/2017, compared with \$8.4 million in Q1-Q3/2016.

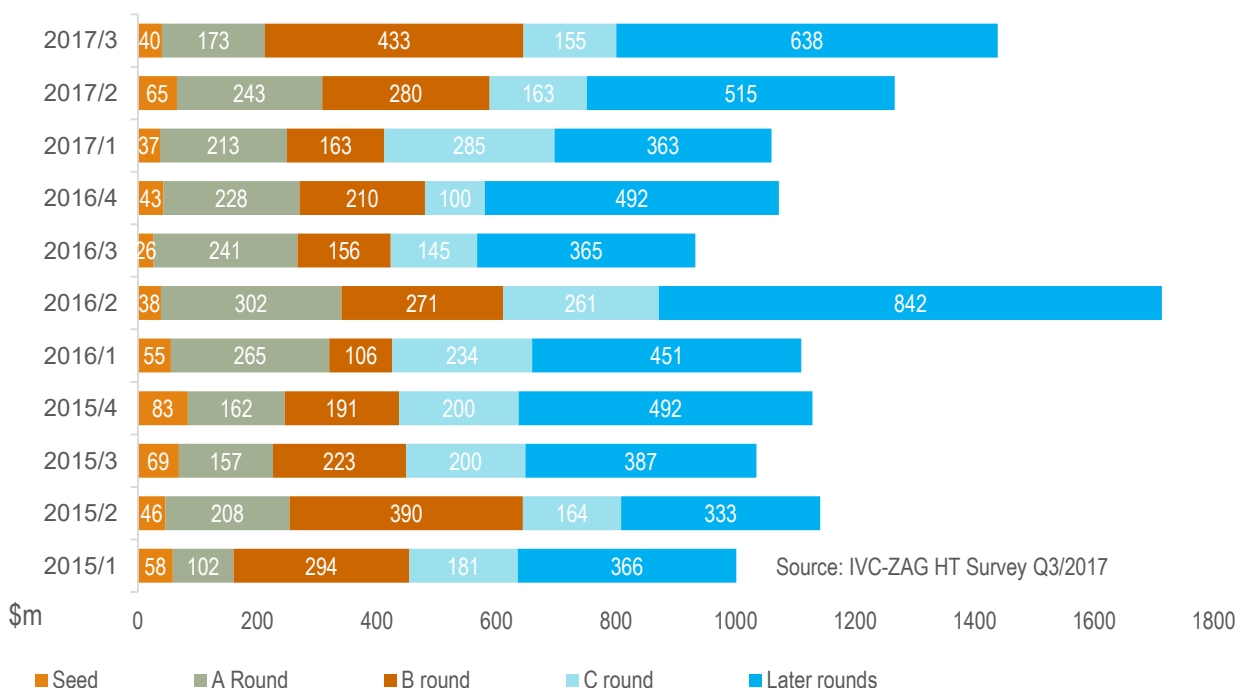
Capital Raised by Round

**\$433m
record for
B round**

The largest capital amount was raised in later rounds – \$638 million in Q3/2017

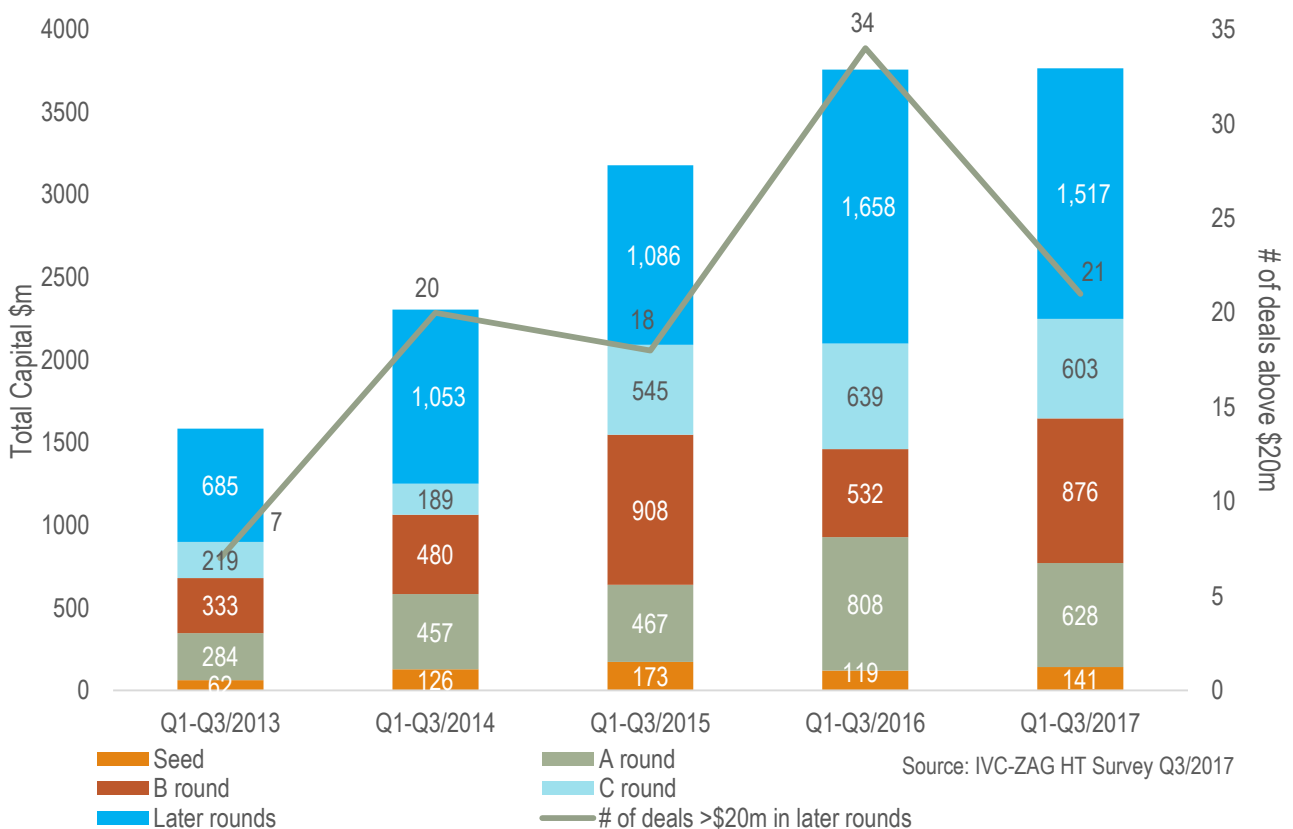
Capital raised by round Q3/2017

- In Q3/2017, the number of seed and A rounds experienced a moderate decrease – of 23 percent and 28 percent, respectively – compared with the quarterly two-year averages. Moreover, the amount attracted in A rounds was 27 percent below the two-year average.
- B rounds accounted for \$433 million in Q3/2017, placing second among all stages, the same as in Q2/2017. The amount was 75 percent above the three-year quarterly average.
- C round capital raising decreased further in Q3/2017, in line with the previous weak quarter, to 19 percent below the two-year quarterly average.
- Later rounds accounted for a notable \$638 million in Q3/2017, with number of deals unchanged at 40 (equal to the average of three past years).



Capital raised by round Q1-Q3/2017

- Noticeably fewer seed rounds were made in Q1-Q3/2017 – 105 transactions, a decrease of 15 percent from the five-year average for this period . Nonetheless, the amount of seed capital raised was unchanged at the level of the three-year average for this period.
- The number of A round deals (109) in Q1-Q3/2017 returned to the average of the previous three years.
- In the first nine months of 2017, B round financing regained its second position, both in terms of amount and the number of deals.
- Later rounds were the strongest in Q1-Q3/2017, accounting for 40 percent of total capital.



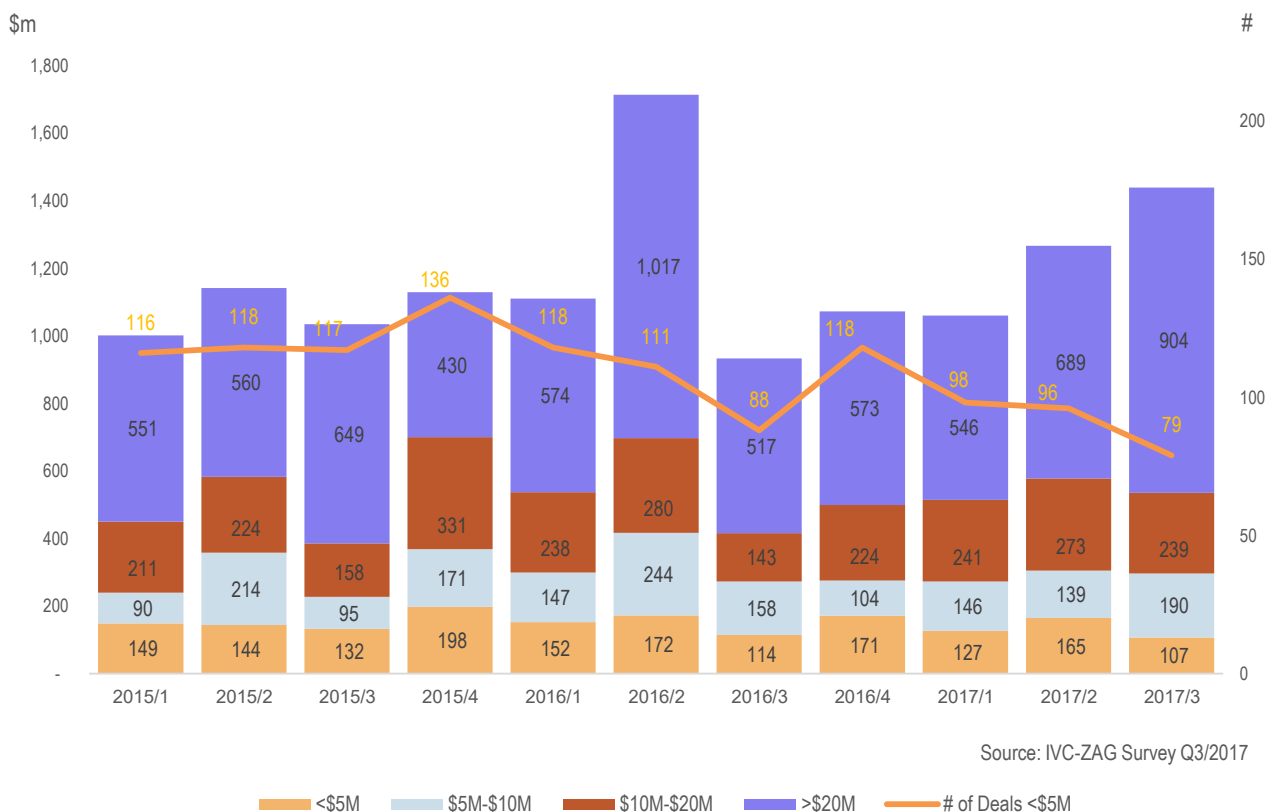
Capital Raised by Deal Size

<\$5m
-32%
from 5-year
average

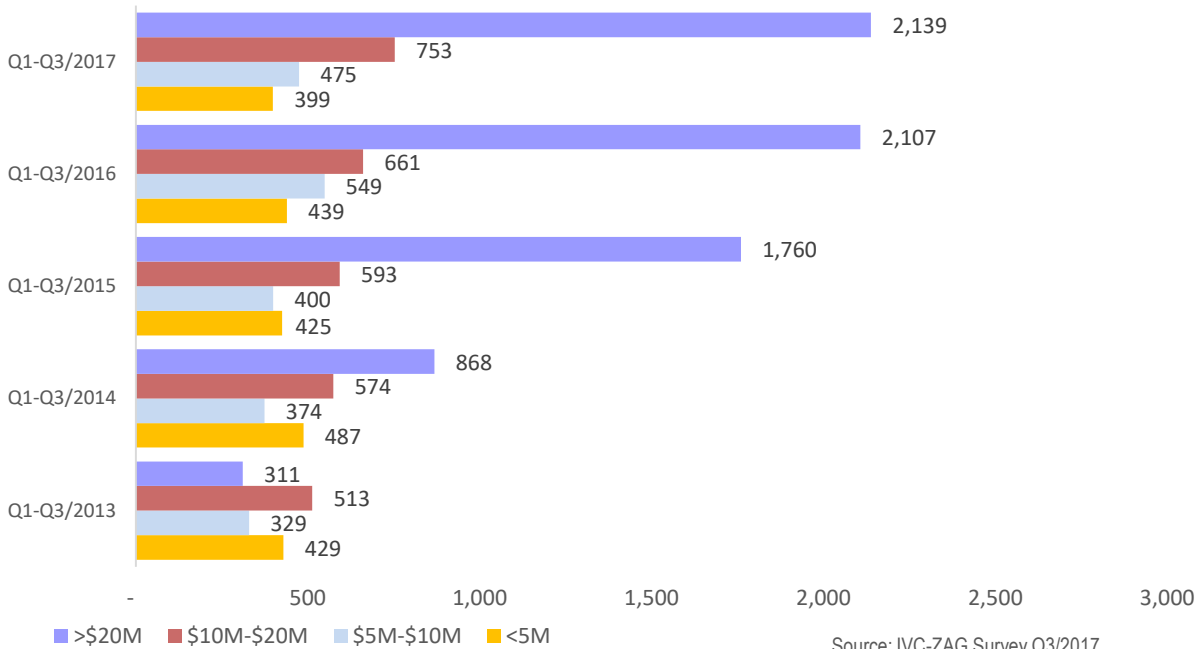
Deals above \$20M continue to lead in Q1-Q3/2017 – 57 deals accounted for 57% of total amount

Capital raised by deal size Q3/2017

- In Q3/2017, deals of less than \$5 million continued to shrink, with 79 transactions attracting just \$107 million. The amount composed just 7 percent share of total capital (below the 17 percent five-year quarterly average).
- Capital raising in deals ranging from \$5 million to \$10 million improved in Q3/2017, when \$190 million were raised in 26 deals.
- Deals ranging from \$10 million to \$20 million continued their capital raising pace in Q3/2017.
- In Q3/2017, 63 percent of total capital went to deals of over \$20 million each. The Via Transportation deal (\$250 million) accounted for 28 percent of this amount.



Capital raised by deal size Q1-Q3/2017



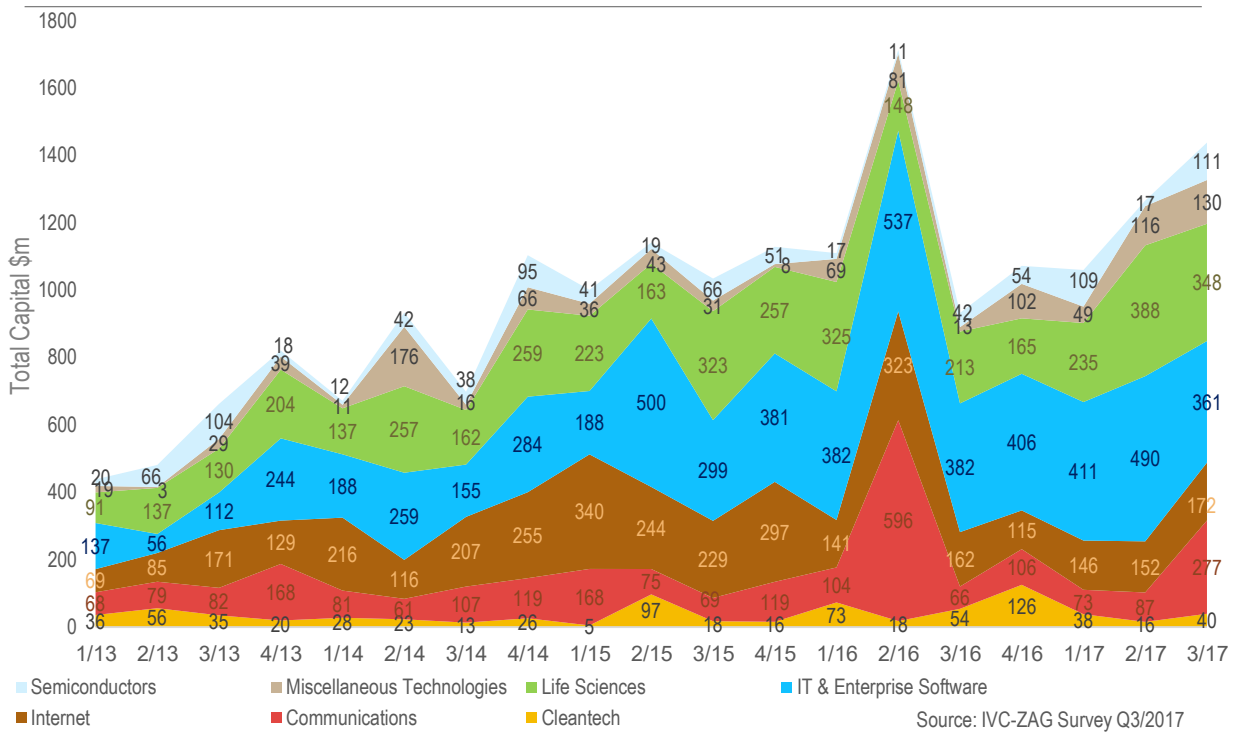
- Deals of less than \$5 million have been decreasing over the four past years, reaching the lowest number (273) in Q1-Q3/2017.
- Interestingly, the number of life sciences deals ranging from \$5 million to \$10 million increased 50 percent from Q1-Q3/2016, reaching 34 percent in the same period of 2017, with \$164 million, the highest amount for this sector, almost equal to software figures.
- In Q1-Q3/2017, there was an upsurge in B and later round deals ranging from \$10 million to \$20 million, to a record \$308 million and \$243 million, respectively.
- In Q1-Q3/2017, deals of over \$20 million led all capital raising with the record amount of \$2.14 billion, slightly above the previous record of \$2.11 billion from the same period in 2016.
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Capital Raised by Sector

Q3/2017
Software
-15%

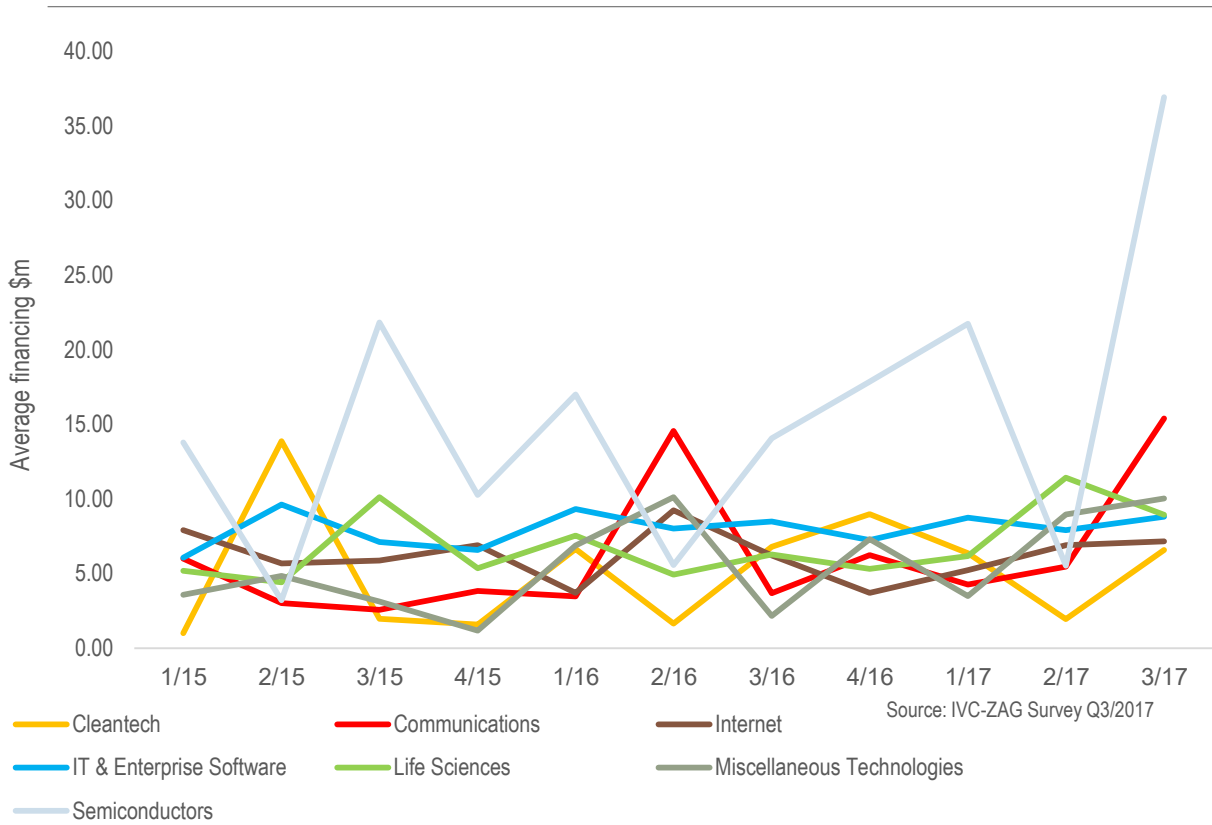
Software & life sciences
lead capital raising in
Q1-Q3/2017

Capital raised by sector Q3/2017

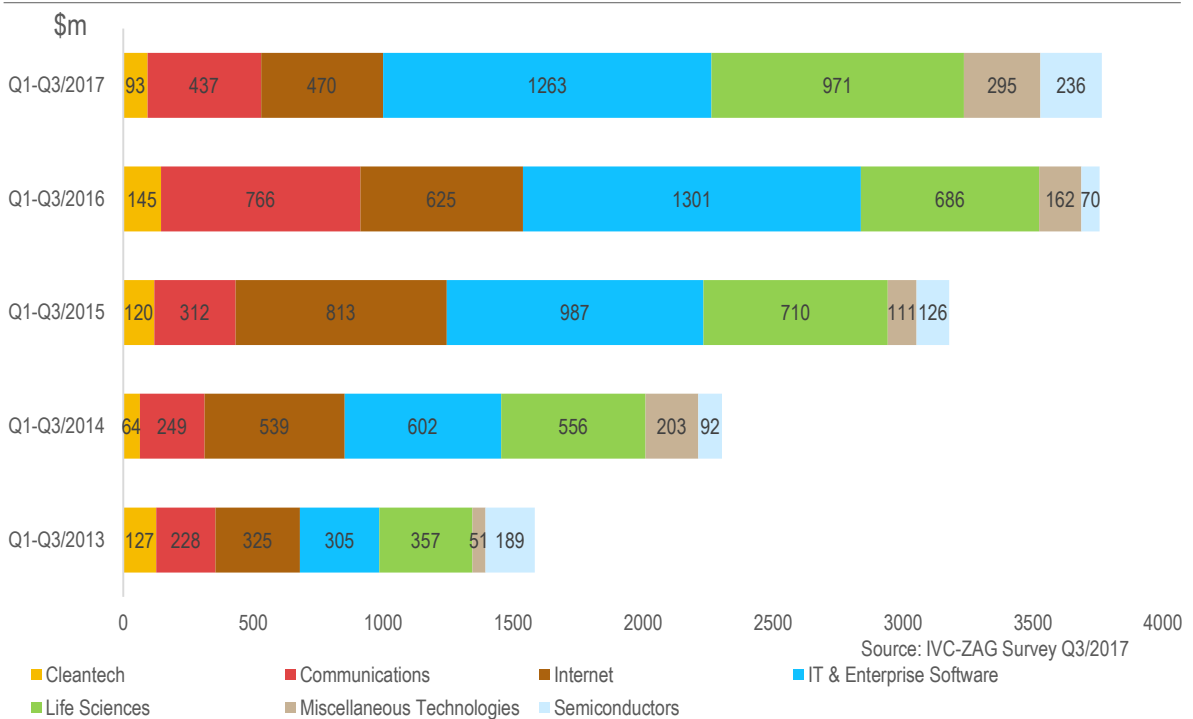


- In Q3/2017, 41 software companies led all capital raising, as in previous four quarters. The amount and the share of capital (just 25 percent), however, were the lowest for this sector in the past two years. Security was the most attractive subsector in Q3/2017, with 38 percent share of the entire software capital raised.
- Life sciences companies closely followed with \$348 million (24 percent) in 39 deals, the second highest amount in the past two years. The number of deals was 15 percent above the quarterly two-year average. Medical devices companies accounted for 50 percent of the entire capital raised by the life sciences in Q3/2017.
- Q3/2017 was the best quarter for communications companies since Q3/2016, with \$277 million (19 percent) raised in 18 deals. This was mostly due to the exceptional \$250 million late round by Via Transportation, which boosted the Q3/2017 results.
- Twenty-four Internet companies raised \$172 million (12 percent) in Q3/2017. Internet applications led all Internet capital raising with 49 percent of total capital. The number of deals was close to the quarterly average of 2017.
- In Q3/2017, 13 other technologies transactions accounted for \$130 million (9 percent). The capital share was somewhat above the two-year quarterly average of 6 percent.
- Semiconductors capital raising increased in Q3/2017, reaching \$111 million, or 8 percent of total capital. In terms of number of deals, the quarterly average stayed at the two-year quarterly average.
- Six cleantech deals followed with \$40 million (3 percent) in Q3/2017, above the mere \$16 million (1 percent) the sector attracted in Q2/2017.

Capital raised by sector Q3/2017 – Contd.



Capital raised by sector Q1-Q3/2017



- In Q1-Q3/2017, software and the life sciences led all capital raising, with the life sciences accounting for the record amount for this sector.
- The number of software deals kept its lead, as in the corresponding period of 2016, with 150 transactions, 33 percent of all deals.
- Internet capital raising shrank even further in Q1-Q3/2017, both in terms of capital and in the number of deals.
- Communications continued to shrink throughout Q1-Q3/2017, hitting the lowest share in past five years for this period - 6 percent of total capital, with the number of deals 35 percent below the average of the same period in the past five years.
- Q1-Q3/2017 was better for semiconductors, as capital raising increased, and more deals were made.
- The number of deals in the other technologies sector grew 54 percent, resulting in a noticeable increase compared with the first nine months of the past five years.
- Cleantech accounted for the remaining 3 percent share of total capital raised in Q1-Q3/2017; the number of deals in this period was 23 percent below the five-year average.

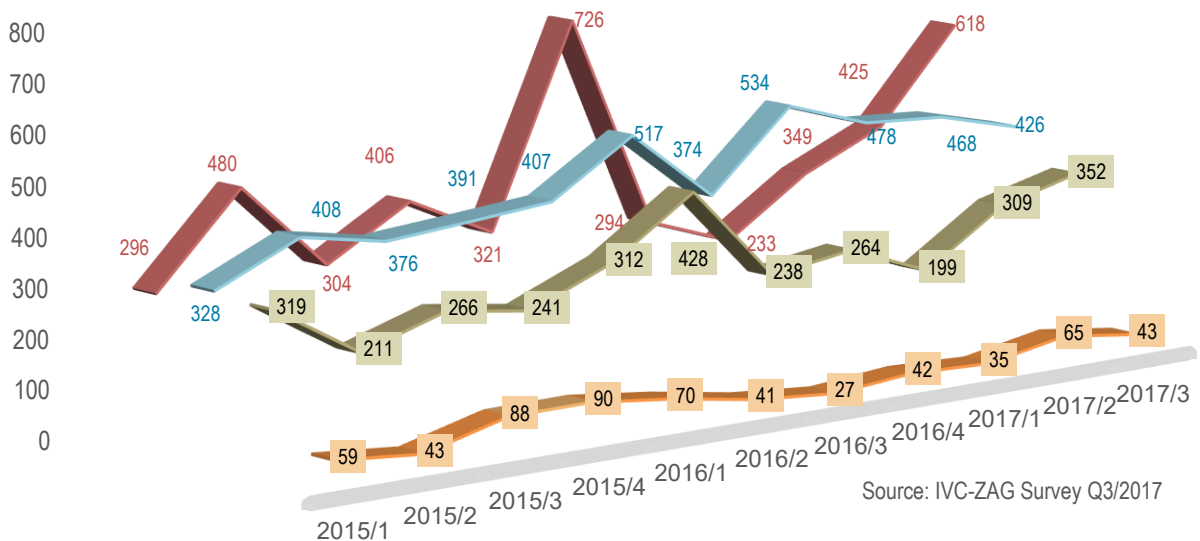
Capital Raised by Stage

Less seed & early stage deals in Q1-Q3/2017

Late stage lead capital raising with \$618 million in Q3/2017 – 1st time in 5 quarters

Quarterly capital raising by stage

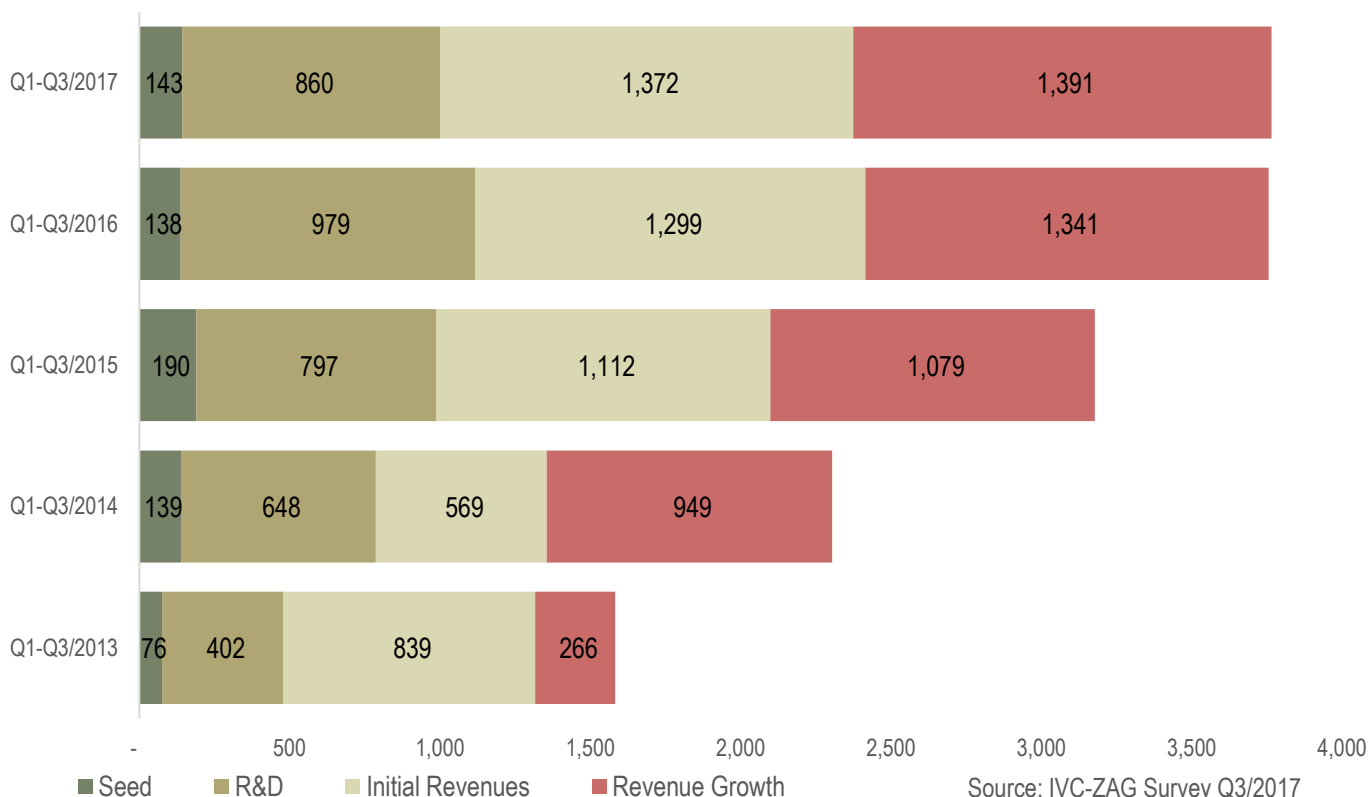
- Almost half (43 percent) of the total capital raised in Q3/2017 was invested in late stage companies, reaching a record of \$618 million, compared with \$425 million in Q2/2017 and \$294 million in Q3/2016. The \$250 million Via Transportation mega-deal significantly increased the share of this stage in Q3/2017. This also caused an upsurge in the average financing in late stage, which peaked at \$33 million.
- Noticeably fewer deals were made in mid-stage companies – 15 percent below the three-year quarterly average. At 30 percent, the share of capital raised by mid-stage companies was also down, below the four previous quarters.
- In Q3/2017, deals in early stage kept their pace, with the number of transactions (43) almost equal to the two-year quarterly average, and the share of total capital in this quarter remained at the average of 24 percent. Still, early stage attracted more capital - \$352 million - compared with \$238 million in Q3/2016.
- Seed companies capital raising showed poor results in Q3/2017, with both the number of deals (30) and the amount below the quarterly averages of the past five years. Seed stage, however, maintained the same 3 percent share of total capital raised as in Q3/2016.



	2015/1	2015/2	2015/3	2015/4	2016/1	2016/2	2016/3	2016/4	2017/1	2017/2	2017/3
Seed	59	43	88	90	70	41	27	42	35	65	43
R&D	319	211	266	241	312	428	238	264	199	309	352
Initial Revenues	328	408	376	391	407	517	374	534	478	468	426
Revenue Growth	296	480	304	406	321	726	294	233	349	425	618

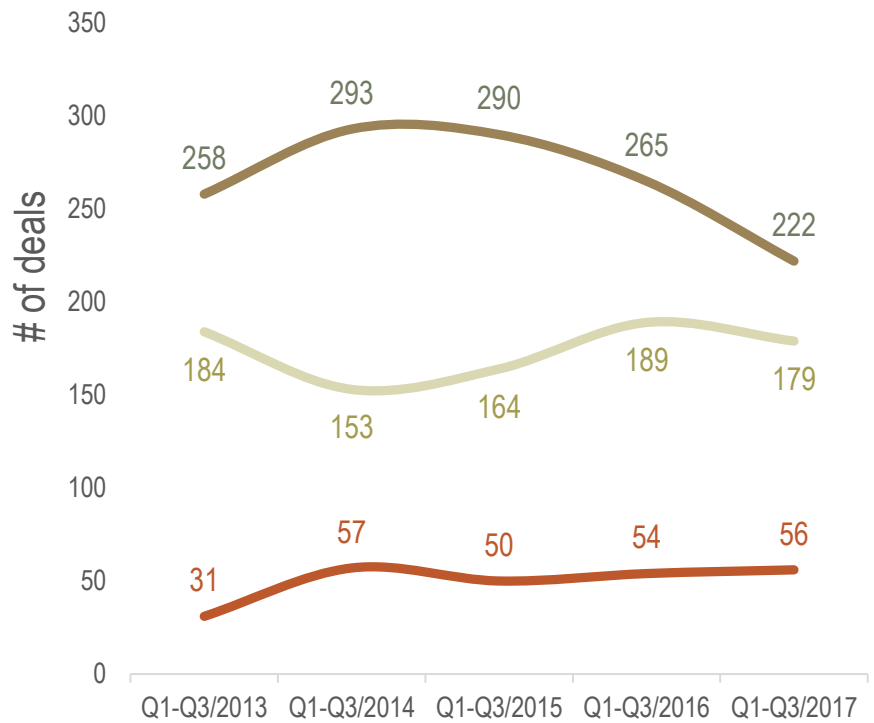
Capital raising by stage Q1-Q3/2017

- Late stage companies led all capital raising, capturing 37 percent of the total amount, closely followed by mid-stage companies, with a 36 percent share in Q1-Q3/2017. Both stages were strong, improving slightly from 2016 in capital raised.
- Mid-stage kept leading all stages in the number of deals (179), while 56 deals in late stage were in line with the past four years.
- In Q1-Q3/2017, joint seed and early stage deal-making was 17 percent down from the five-year average for this period, while the amounts raised in each stage were above the averages. Seed also kept its share of capital at 4 percent, as in 2016.



Capital raising by stage Q1-Q3/2017

IVC findings show a decline in the numbers of deals made in the first nine months of 2017. The IVC analysis found that most of this decrease stems from seed and early stage deals.



Source: IVC-ZAG Survey Q3/2017

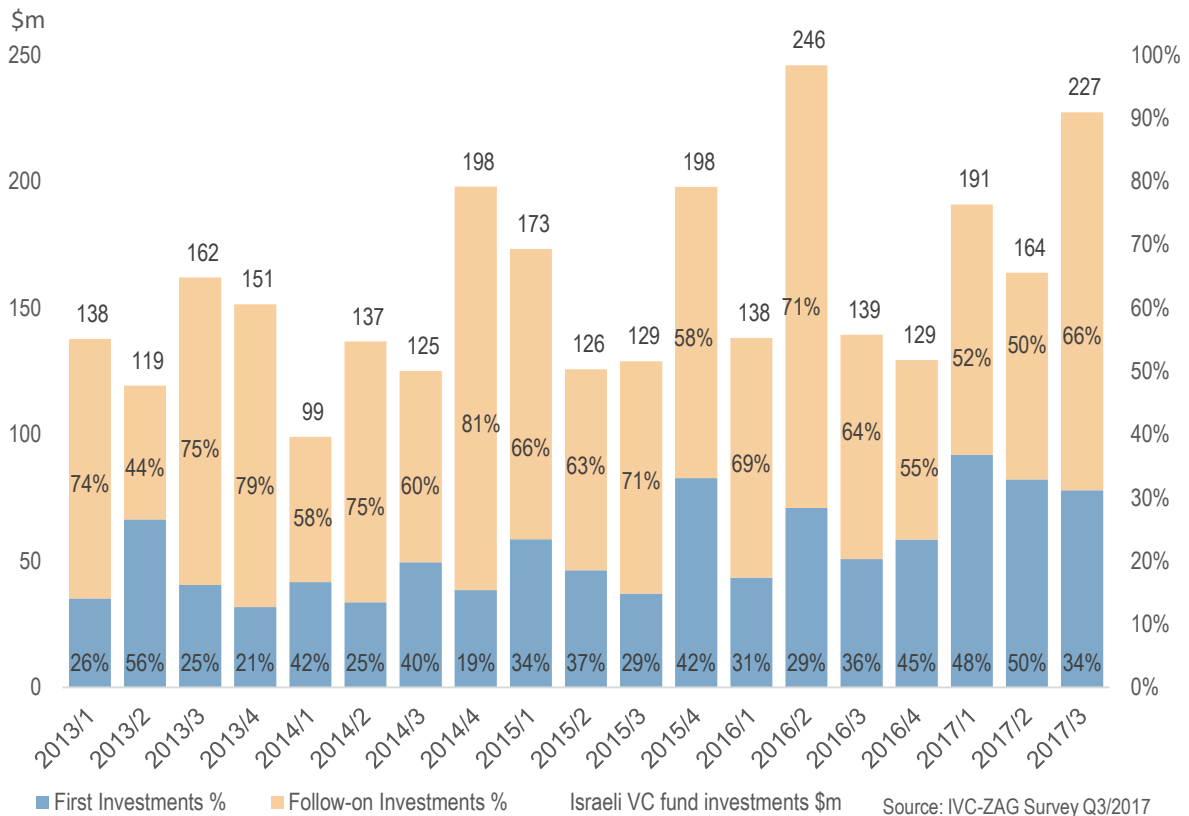
— Seed & R&D — Initial Revenues — Revenue Growth

Israeli VC Funds Investment Activity

First
investments
at \$252m in
Q1-Q3/17

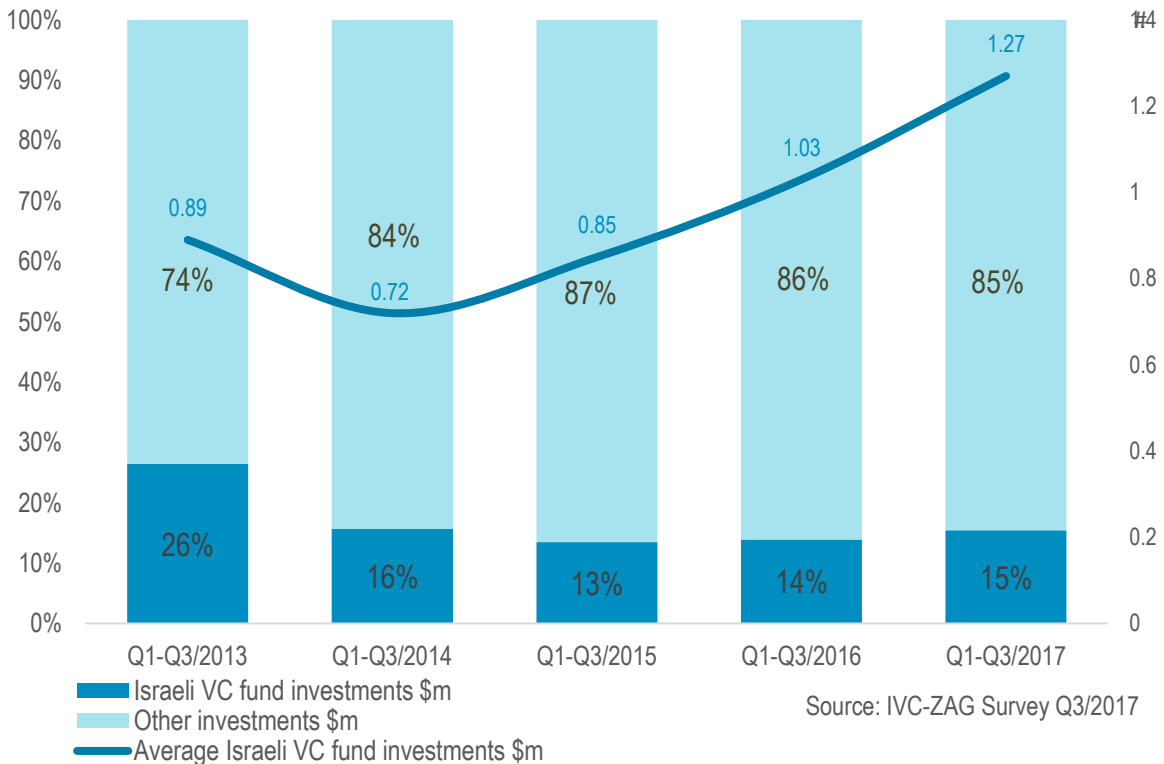
Israeli VC funds invested
\$227 million in Q3/2017 –
the highest in 5 quarters

Israeli VC funds investments Q3/2017



- Israeli VC fund investments increased in Q3/2017, with \$227 million invested (16 percent of total capital), compared with \$164 million (13 percent) and \$139 million (15 percent) in Q2/2017 and Q3/2016, respectively.
- Israeli VC funds preferred follow-on investments (66 percent) in Q3/2017, with most of this capital (91 percent) going to mid and late-stage companies.
- In Q3/2017, the first investment average reached \$1.1 million, and the average follow-on investment was up as well, at \$2.02 million.
- Israeli VC fund participated in 45 percent of deals in Q3/2017. Interestingly, just 36 percent of capital was raised in deals without involvement of Israeli VC funds in Q3/2017, compared with the five-year quarterly average share of 50 percent.

Israeli VC funds investments Q1-Q3/2017



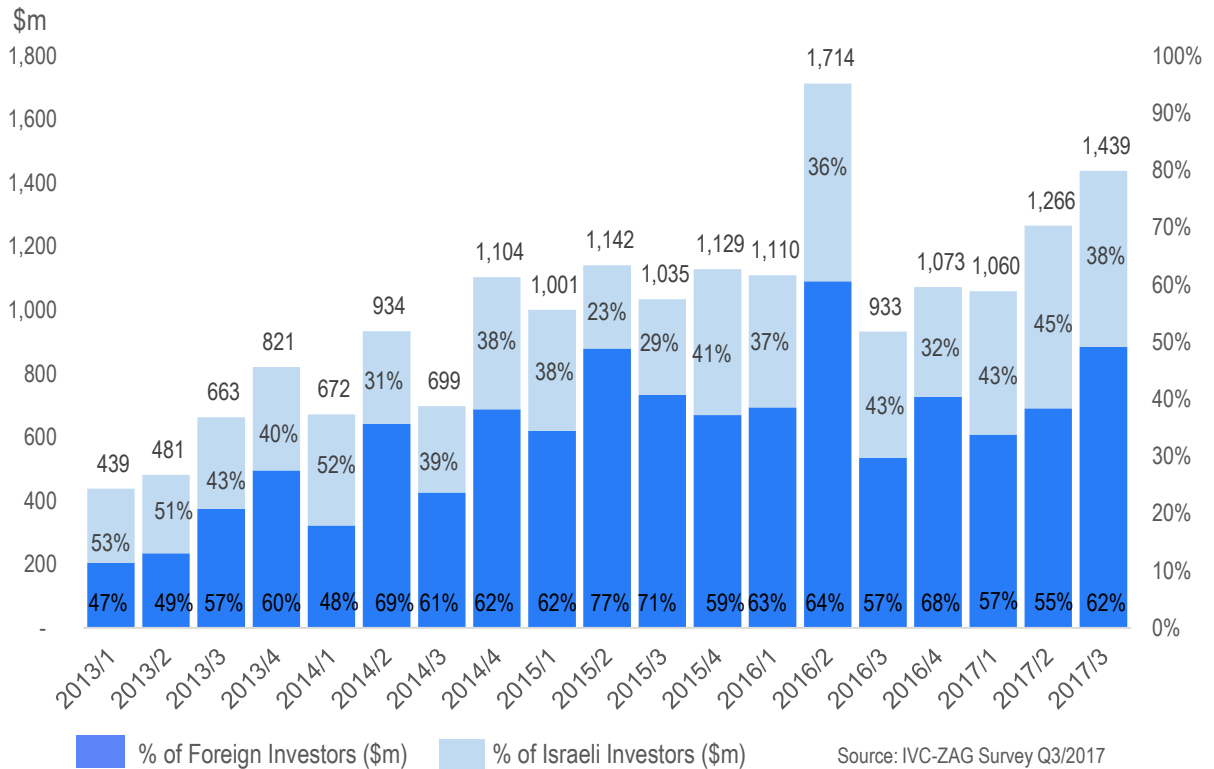
- The capital invested by Israeli VC funds has steadily increased over the past four years, reaching \$582 million in Q1-Q3/2017, growing 11 percent from the \$523 million invested in Q1-Q3/2016. Yet, their share of total capital stayed stable and modest.
- In Q1-Q3/2017, the number of deals involving Israeli VC funds shrank to 183 transactions, a decrease of 11 percent from the average for this period in past five years. This was due to the 23 percent decline in follow-on investments by Israeli VC funds.
- Israeli VC funds enlarged their first investments in Q1-Q3/2017, placing \$252 million in 81 transactions, an upsurge of 53 percent in amount and almost 8 percent in the number of deals, compared with the averages of the past five years for this period.

Capital Raised From Investors: Israeli vs. Foreign

42%

\$1.58 billion were raised
from Israeli investors in
Q1-Q3/2017

Capital raising from Israeli vs. foreign investors



- In Q3/2017, the majority of capital invested in Israeli high-tech companies - \$885 million - came from foreign investors, while Israeli investors were responsible for \$554 million. Both amounts were above the quarterly averages of past three years, increasing 20 percent and 28 percent, respectively.
- In the first three quarters of 2017, foreign investors led capital investments, with \$2.19 billion (58 percent), some 6 percent below the \$2.32 billion invested in the corresponding period of 2016.
- Investments by Israeli investors actually increased throughout the first three quarters each year, peaking at \$1.58 billion in Q1-Q3/2017.

Methodology

- This survey 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 survey is based on reports from 378 investors, of which 52 were Israeli VC management companies and 326 were other entities.
- The survey covered total investment 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 survey includes amounts received by each company directly, and doesn't count direct transactions performed between companies' shareholders.

[For more on our methodology, please visit Survey methodology webpage.](#)

About 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 16,000 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 High-Tech Yearbook](#) – *the Israel High-Tech, Venture Capital, Startup and Private Equity Directory*; surveys; research papers and reports; and interactive dashboards
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