

## Summary of Israeli High-Tech Company Capital Raising Q2/2014

IVC and KPMG report:

**Israeli high-tech companies attracted \$930 million in Q2/2014 –  
the highest quarterly amount since 2000**

## Key facts:

- Q2/2014 late stage deals led with \$450 million, an all-time high
- The Internet sector captured 26% of investments in H1/2014, compared with 18% in H1/2013
- H1/2014 Israeli VC fund share drops to 16% from 29% in H1/2013

**Tel Aviv, Israel, July 15, 2014.** \$930 million - the highest quarterly amount since 2000 - was raised by 175 Israeli high-tech companies in Q2/2014. This was a 38 percent jump from the \$673 million raised in Q1/2014, and 109 percent above the \$446 million attracted in Q2/2013. (Chart 1)

The average company financing round reached \$5.3 million in Q2/2014, compared to \$4.2 million in Q1/2014 and \$3.2 million in Q2/2013.

The quarterly figures included a \$135 million investment in Landa Digital Printing by Germany's ALTANA Group. However, even excluding this deal, the quarter's investments reached an exceptionally high \$795 million, 18 percent more than that of the previous quarter, and 78 percent above the amount in the year-earlier period. The average company financing, excluding the Landa deal, reached \$4.57 million.

One hundred and eight VC-backed deals accounted for \$572 million or 62 percent of total capital raised. While this was well below the five year average of 77 percent, the amount was 29 percent above the \$444 million quarterly average since the start of 2013.

The average VC-backed financing round was \$5.3 million, compared to \$6.1 million in Q1/2014 and \$4.2 million in Q2/2013.

In the first half of 2014, 335 Israeli high-tech companies raised \$1.6 billion, an increase of 81 percent from \$885 million in H1/2013, and 67 percent from \$962 million in H1/2012. This was the strongest capital raising period on record for Israel's high-tech industry.

In H1/2014, the average VC-backed company financing round reached \$5.64 million, compared with \$3.72 million in H1/2013.

Ofer Sela, partner in KPMG Somekh Chaikin's Technology group commented, "Mature, revenue growth companies are continuing to raise significant capital. While in the past, venture capital funds saw the M&A route as providing the best opportunity for revenue growth company exits, potential NASDAQ IPOs are now a major driver of VC investment.

SaaS and other companies operating in a recurring revenue model are dominating VC-backed investment. We are seeing a significant number of seed stage firms positioning themselves as recurring revenue model companies as the transition from a product company to a service company is very challenging at a later stage."

## **Israeli VC Fund Investment Activity**

In Q2/2014, Israeli VC funds invested \$153 million in Israeli high-tech companies, up 44 percent and 40 percent from investments in Q1/2014 and Q2/2013, respectively. The amount, though, accounted for only 17 percent of capital raised in the quarter, consistent with the record low 16 percent of the previous quarter.

First investments accounted for \$52 million or 34 percent of total Israeli VC investments – slightly above the 33 percent 2013 quarterly average. This compared with 37 percent and 25 percent of Q1/2014 and Q2/2013, respectively.

## **Capital Raised by Sector and Stage**

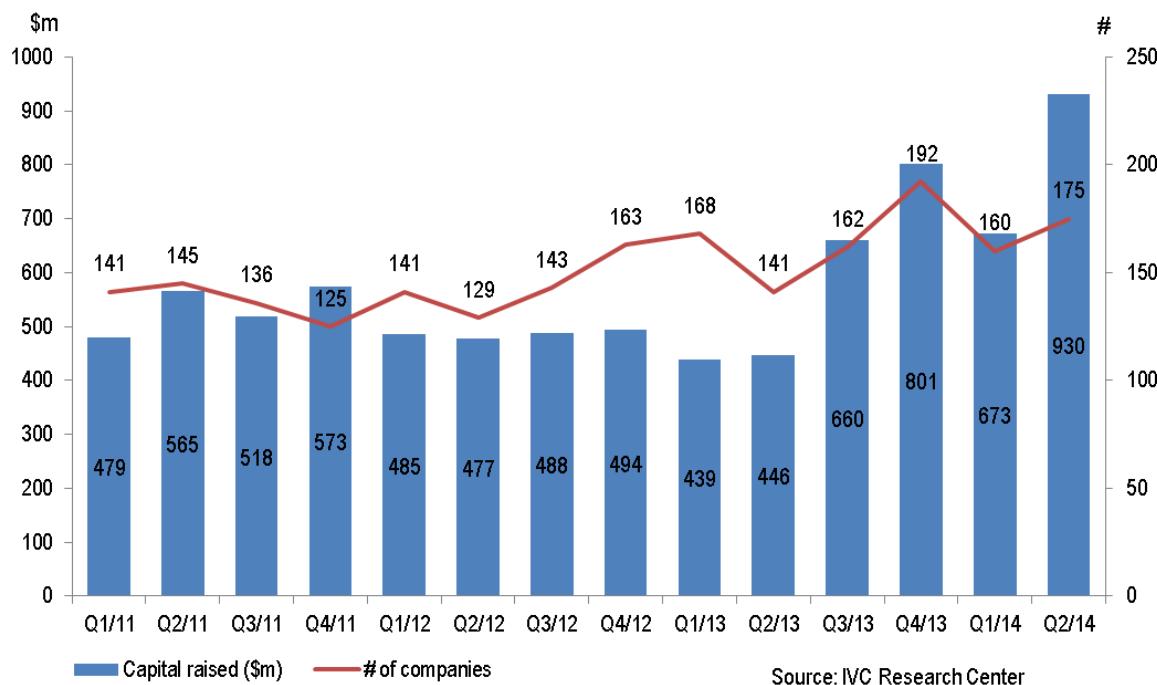
In Q2/2014, the life sciences stood out as the sector attracting the most investment. Forty-four companies raised \$251 million or 27 percent of total capital raised. The amount is 83 percent above the \$137 million invested in the sector in Q1/2014 and 156 percent more than the \$98 million raised in Q2/2013.

Late stage companies continued to lead investments by stage, capturing a record \$450 million or 48 percent of all investments made in Q2/2014. Mid-stage companies raised \$182 million, while their share decreased to an all-time low of 20 percent.

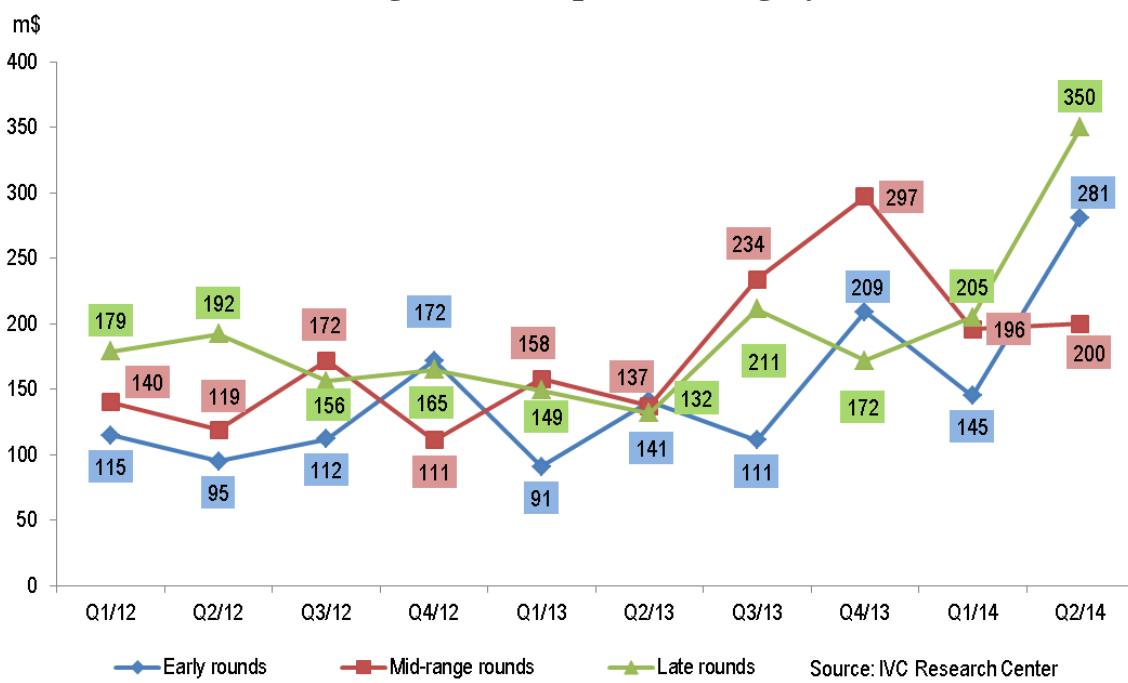
Koby Simana, IVC Research Center's CEO points to an analysis of capital raised by round (Chart 2): "In Q2/2014 we saw consistent increases in capital raised at all stages, from early rounds – such as seed and A-round – to later rounds. The increase in early rounds is explained by the Landa deal, which was an A-round for the company. The rise in mid-stage rounds is relatively minor, which means most of the increase in capital raised in the second quarter is a result of more late stage deals from D-round and up." Simana offers an explanation of the survey findings: "We found a direct correlation between deal size and round type. It seems a sizable portion of the late-round hike is a direct result of the increase in the number of deals above \$20 million. In the first six months of 2014, we counted 15 deals above \$20 million, nearly equal to the number of such deals for the entire 2013. "

In H1/2014, mid and late stage companies accounted for \$1.1 billion of total capital raised, a 77 percent increase from \$611 million invested in these stages in H1/2013. Seed companies garnered only five percent of capital raised, down from seven percent in H1/2013.

**Chart 1: Israeli High-Tech Capital Raising (\$m)**



**Chart 2: Israeli High-Tech Capital Raising by Round (\$m)**



## 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 88 investors of which 42 were Israeli VC management companies and 46 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. *For more on our methodology please [click here](#).*

## For additional information:

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About the authors of this survey:

**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 11,000 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.
- IVC Industry Analytics – analysis, research and insights into the status, main trends and opportunities related to exits, investments, investors, sectors and stages

**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.