

Executive Insights – Israel Tech Review Q2/2025 ([IVC & LeumiTech](#))

Market Recovery – But Uneven

- Q2 2025 marks another step in Israel's tech rebound
- Israeli tech raised **\$3B in Q2 (98 deals)**, bringing H1 2025 to **\$5B+**, the strongest since 2022.
- Growth is clear, but money is **concentrated in a few big companies and just two sectors – Cyber & Generative AI**.

Capital Concentration – Few Big Winners

- **Five mega-deals** took almost half the money: Cyera (\$540M), AI21 Labs (\$300M), Cato Networks (\$239M).
- Investors prefer proven, late-stage companies.
- **Problem:** early-stage startups are struggling to raise, which could hurt Israel's future pipeline.

Sector Focus – Cyber & AI Dominate

- **85% of funding** went to Cybersecurity and Generative AI.
- Israel's global position in these fields is stronger than ever.
- Other areas (climate tech, agritech, healthtech) are left behind, even though global demand is growing.

Exits – Back on Track, Slowly

- H1 exits reached **\$5.55B**, including Melio's \$2.5B sale to Xero.
- Big deals like Google's pending **\$32B Wiz deal** and **Next Insurance's \$2.6B exit** show strong buyer interest.
- But exit numbers (62) are still below pre-2022 levels. IPOs remain rare (just 2 in Q2).

Investor Behavior – Playing It Safe

- Most investments are **follow-on rounds** into existing companies, not new startups.
- Shows risk aversion: VCs protect what they know, rather than back new ideas.
- Global investors are still active, but ongoing war and uncertainty make them cautious.

Main Sectors Breakdown

Sector	Current Trend	Main Opportunity	Main Risk
Cybersecurity	Attracts most funding, big exits & mega-rounds (e.g., Cyera \$540M, Wiz \$32B pending).	Strengthens Israel's global leadership in cyber defense and cloud security.	Early-stage startups squeezed out by late-stage giants → weaker future pipeline.
Fintech	Activity slowed, but big exits still happen (Melio \$2.5B, Next Insurance \$2.6B).	AI-driven automation, embedded finance, and digital banking still strong sub-trends.	Investor caution due to regulation and global financial headwinds → fewer new deals.
Generative AI	Second strongest sector, with huge rounds (AI21 Labs \$300M).	Expanding into real-world uses: enterprise tools, healthcare, defense, infrastructure.	Overcrowding at growth stage; lack of funding for early-stage GenAI innovation.
Defense Tech	Rising interest due to war and global security needs.	Strong demand from U.S./Europe for Israeli dual-use and defense AI.	Regulatory/export restrictions may limit global growth.
Healthcare / Digital Health	Solid innovation in hospitals + startups, but funding lags far behind cyber/AI.	AI in diagnostics and hospital efficiency can become global growth driver.	Long commercialization cycles + strict regulation discourage investors.
Foodtech / Climate Tech	Sharp funding drop after earlier boom years.	Global demand for sustainable food, alt-protein, and climate solutions.	If underfunded, Israel risks losing leadership in this global growth market.

Strategic Takeaways

- **Startups:** Funding is short for early-stage startups, even in investment heavy sectors such as Cyber & Generative AI. Without support, the next wave of Israeli innovation is uncertain.
- **Investors:** Foreign investors still lead the market. Yet, they are more cautious and focus mainly on follow-on investments rather than investing in new companies.
- **Policy Makers:** Should consider support for early-stage and underfunded areas to keep the ecosystem balanced.
- **Corporates:** The current trends make it a good time to buy or invest — strong opportunities outside of AI/cyber where competition is lower makes M&A deals or strategic investments more lucrative