



H1/2022 SUMMARY:

ISRAEL'S HIGH-TECH ECOSYSTEM IN TIMES OF MARKET VOLATILITY

WHAT'S IN THE REPORT:

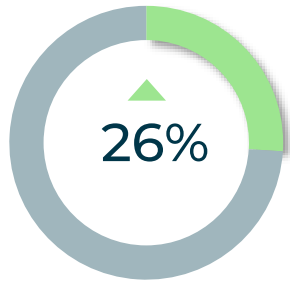
- 1 ISRAEL'S FUNDING TRENDS
- 2 PUBLIC MARKETS EFFECT ON PRIVATE MARKETS
- 3 INVESTMENT BREAKDOWN BY FUNDING STAGE
- 4 INVESTMENT BREAKDOWN BY CATEGORIES
- 5 EXITS & LIQUIDATION EVENTS



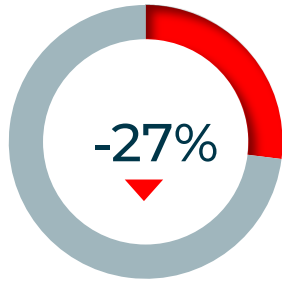
ISRAEL'S FUNDING TRENDS

Capital Raised Reached \$9.4B, Dropping from the Outlier H1-21

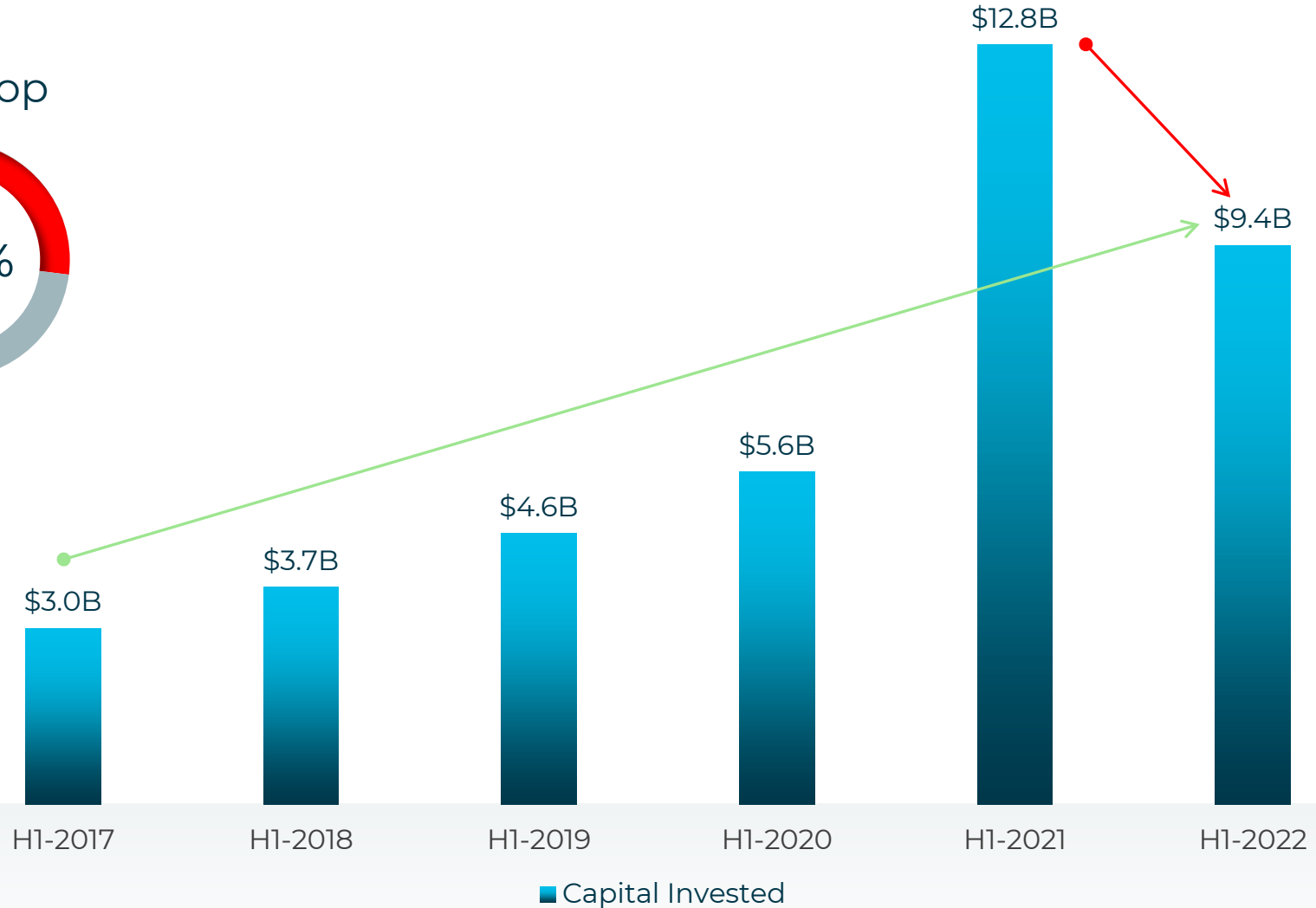
5 Year - CAGR



YoY Drop

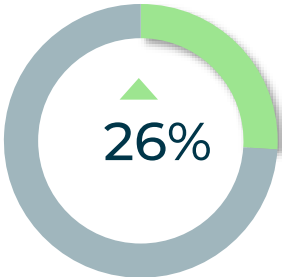


 Funding Activity in
Israel H1, by Year

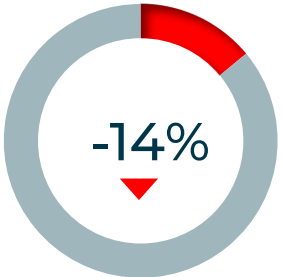


Israeli Trends Exhibit Similar Characteristics to Global Trend

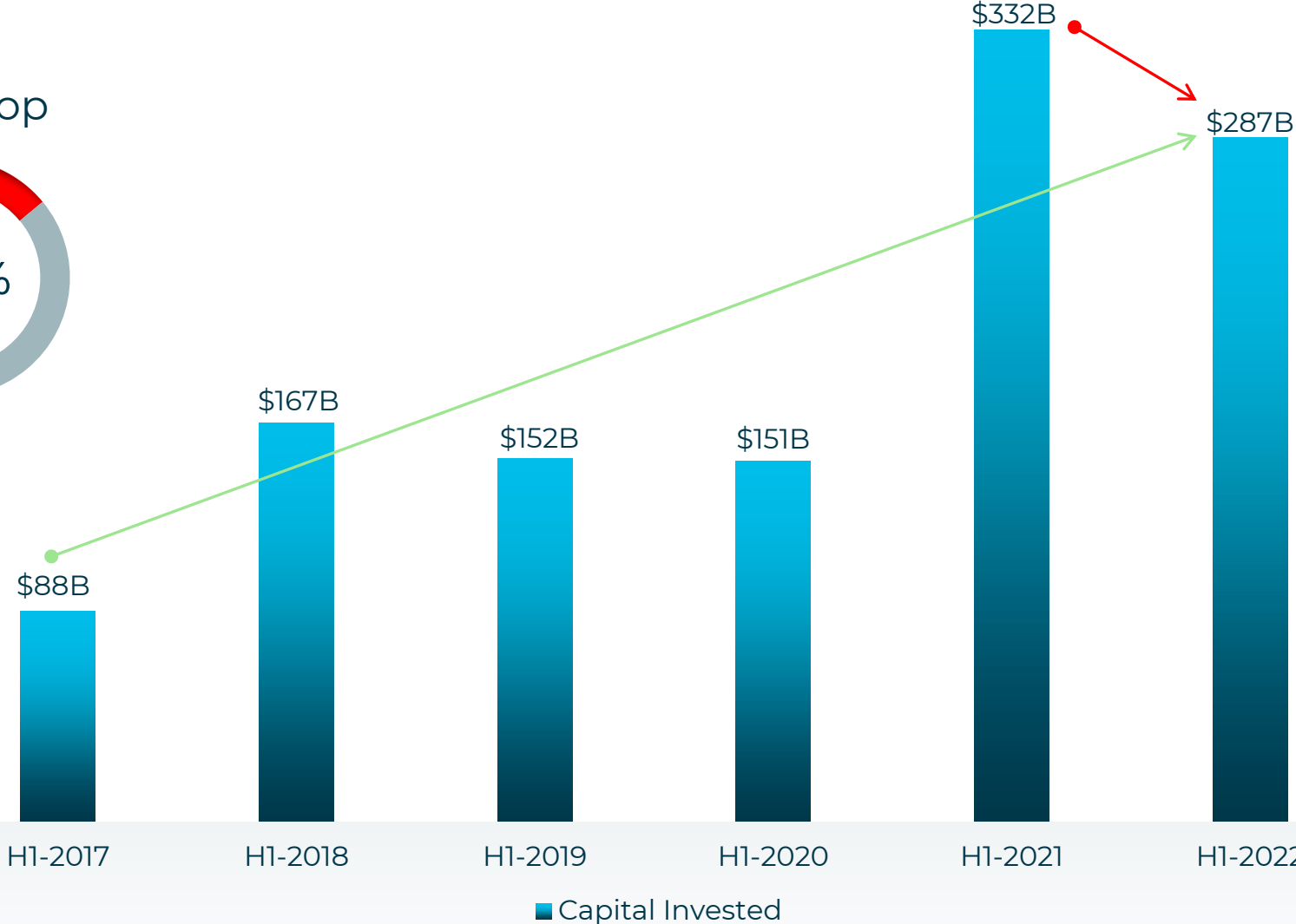
5 Year - CAGR



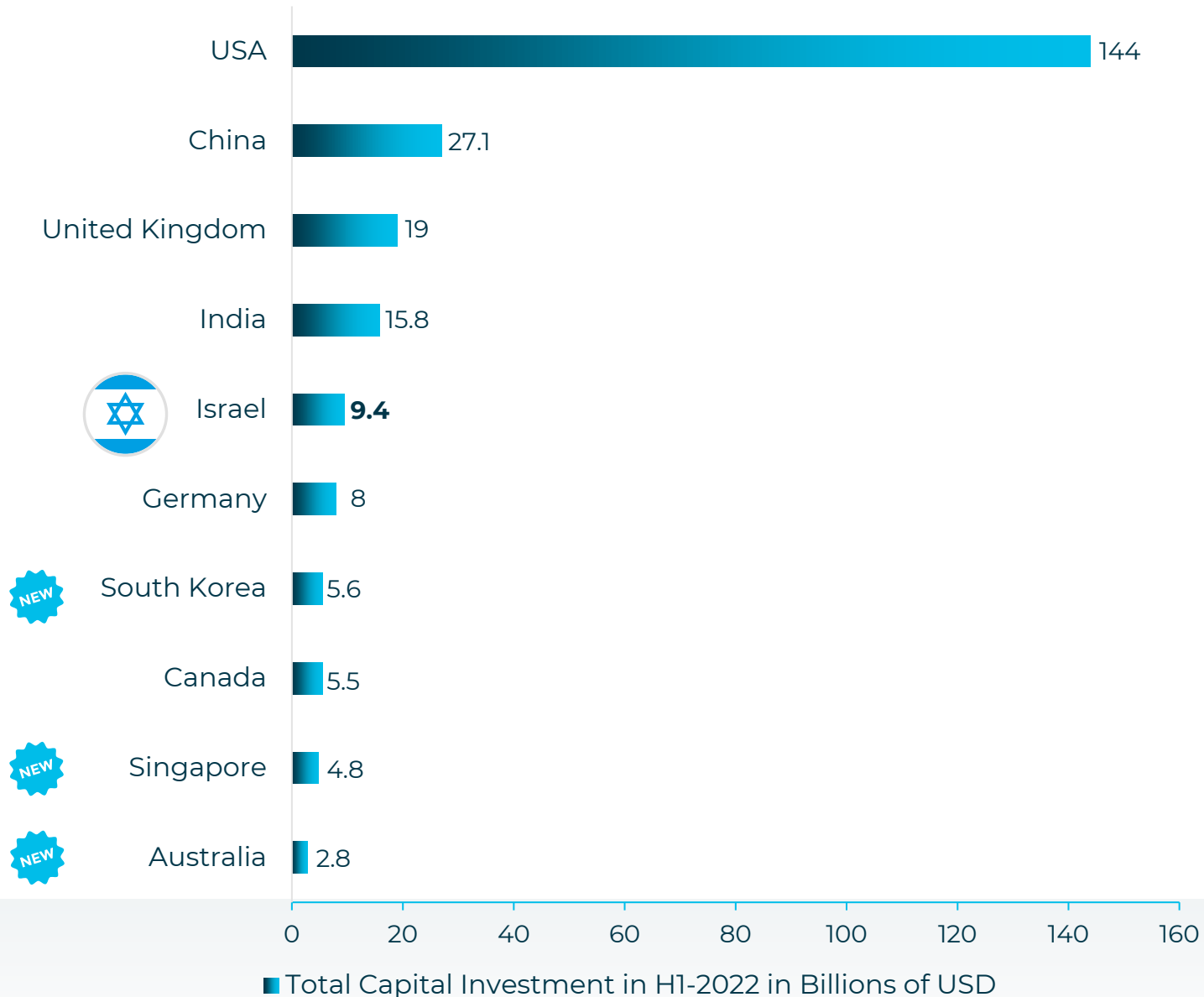
YoY Drop



 Global Funding Activity in H1, by Year



Israel Maintains Its Place as 5th Largest Tech Ecosystem



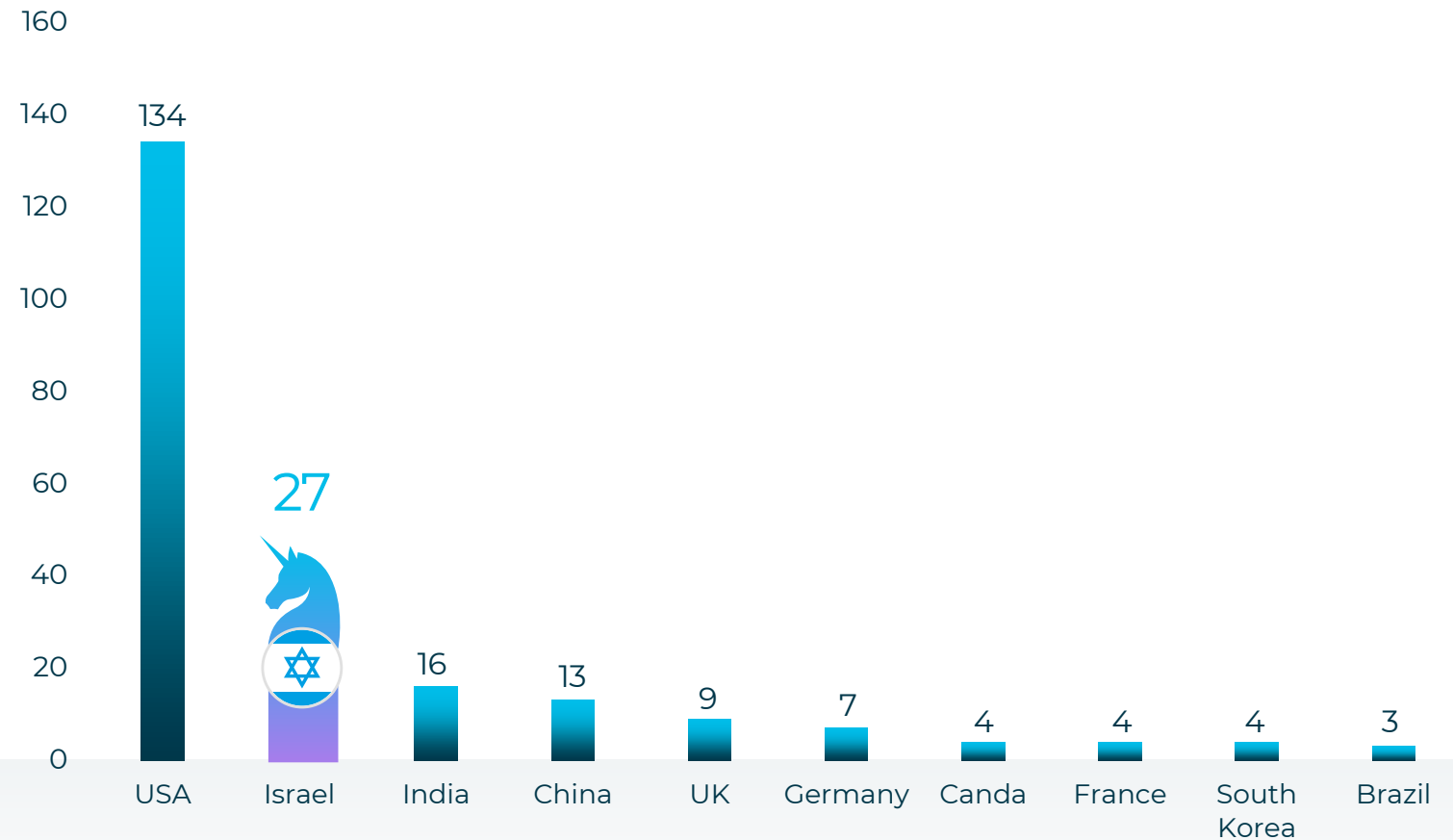
Ecosystems that Attracted the Most Capital in [H1-2022](#)

Source: Viola Data, IVC, PitchBook



Israel Ranks #2 Worldwide in Producing New Unicorns in H1-2022, Twice as Many as China

Number of New Unicorns Formed in H1-2022, by Country

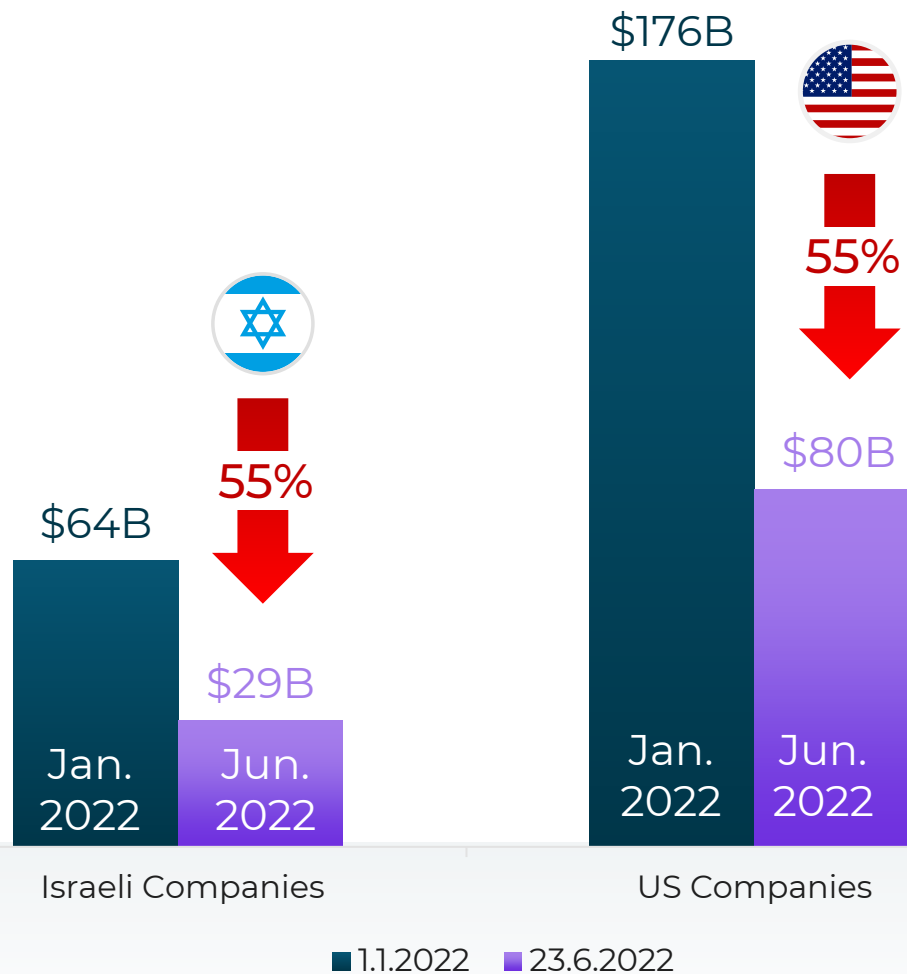




PUBLIC MARKETS EFFECT ON PRIVATE MARKETS

Both Israeli and US Companies that Went Public in 2021 Saw 55% Drop in Market Cap

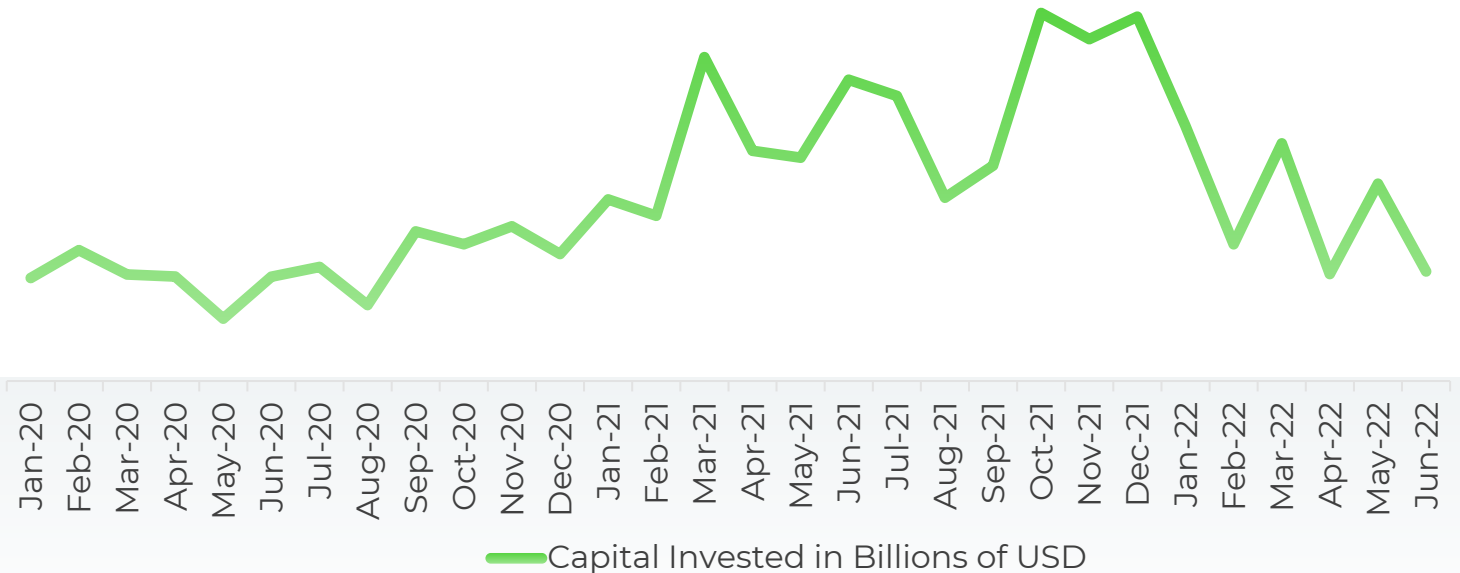
Top 10 Companies with IPO rounds in 2021 at NASDAQ or NYSE



How and When Changes in Public Markets Impact Private Markets

- Public and private markets are **intertwined**, but at times may seem disconnected; as was evident in the last few months, private capital investment was growing while public indices and valuations plummeted
- As we show in this report the spread between the markets is contracting as the **impact of changes in public markets materialized in the private markets**
- **The magnitude and the immediacy of impact vary by different segments of the private tech investment markets**
- This can be explained by several factors such as, investment and reporting lag, dry powder levels, deal dynamics, large outlier deals, amongst others.
- We sought to quantify the time it takes for public markets changes' to impact private markets, **by comparing changes in public markets valuations and capital raised in private markets**

Capital Invested Marks the Investment at the Time of Reporting



Funding Activity
in Israel by month ▶

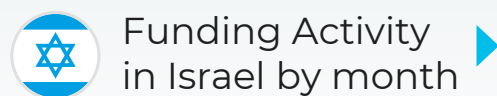
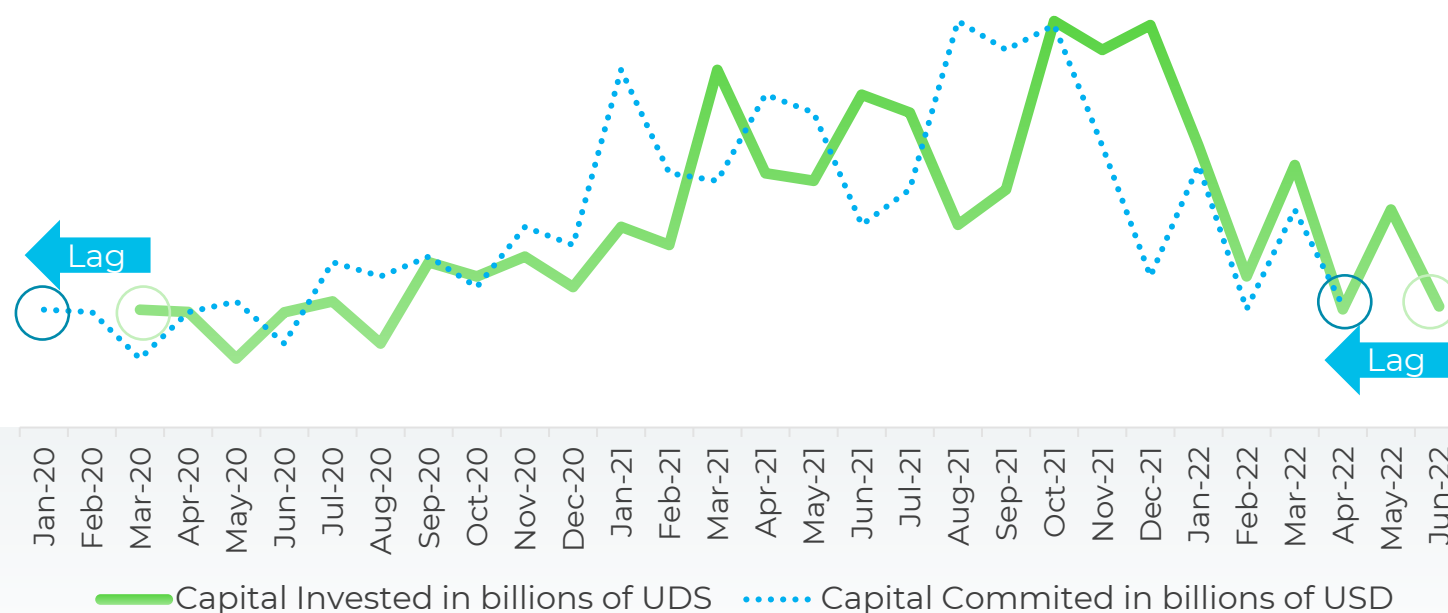
Capital Invested in Billions of USD



Real Time Capital Commitment Graph Predates Capital Investments by a few Months

On average, 2-3 months delay between commitment and announcement exists due to:

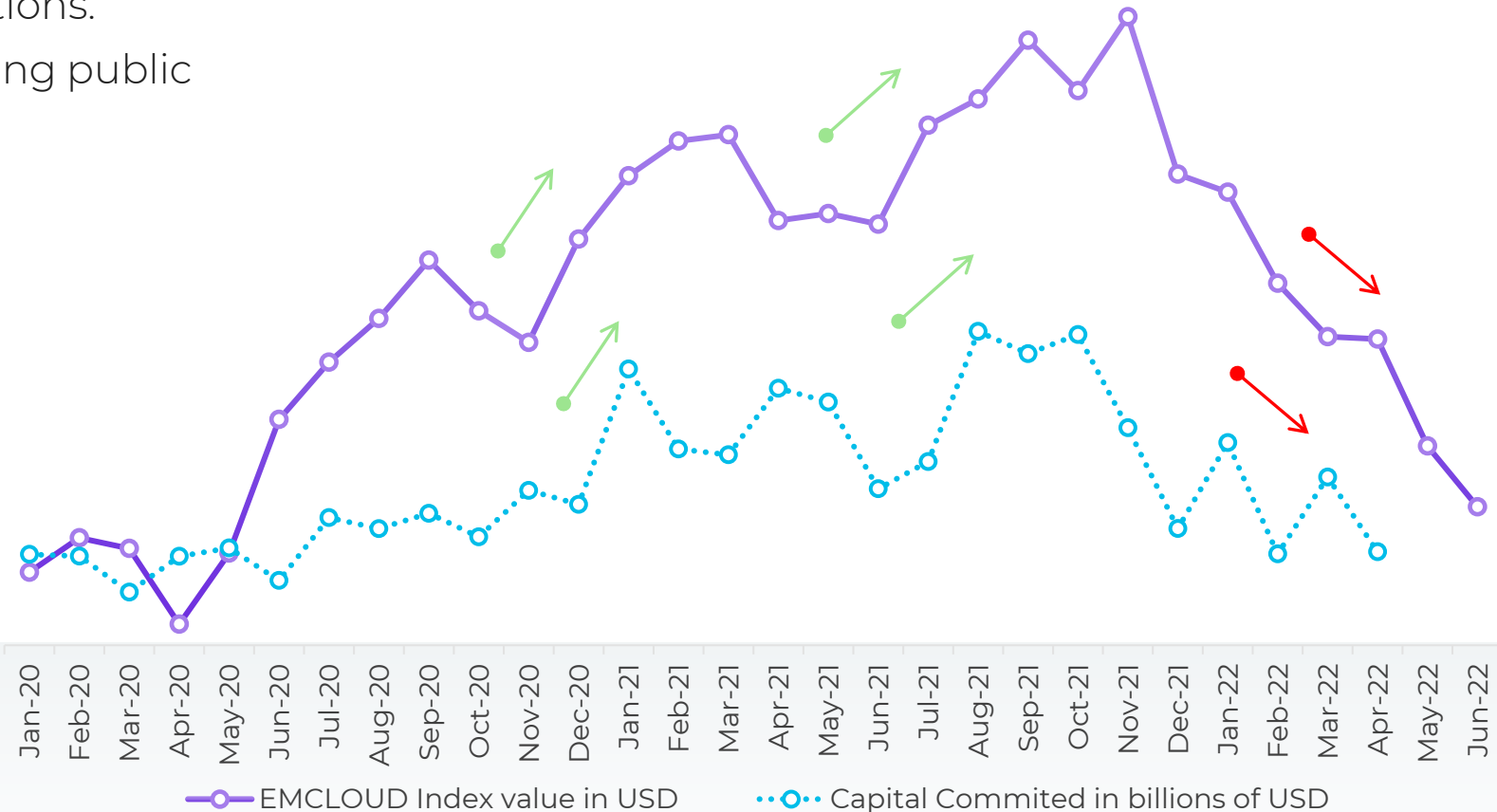
- DDs and legal process
- Choice to delay announcement and remain under the radar (mostly for early-stage)



While Reported Capital Investment Lags Public Markets, Real Time Investments React More Quickly

We used the BVP Nasdaq Emerging Cloud Index as proxy for changes of the most relevant public market valuations.

The index includes 75 emerging public cloud companies.



Funding Activity in Israel by month



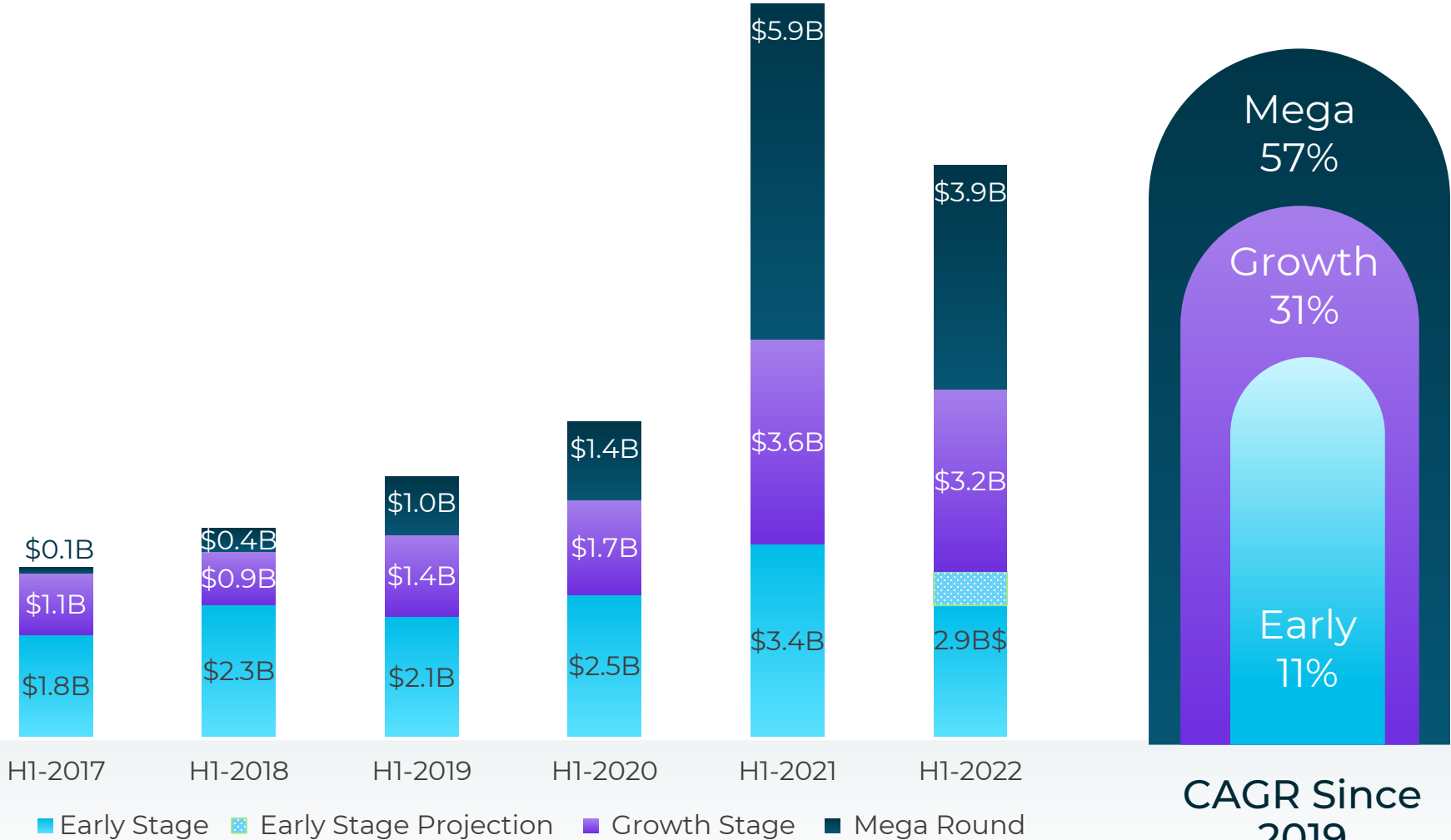


INVESTMENT BREAKDOWN BY FUNDING STAGES

Investments in Israel Show a Positive Long-Term Trend Across Stages With a Decline from 2021



Funding activity in Israel in H1, by stage



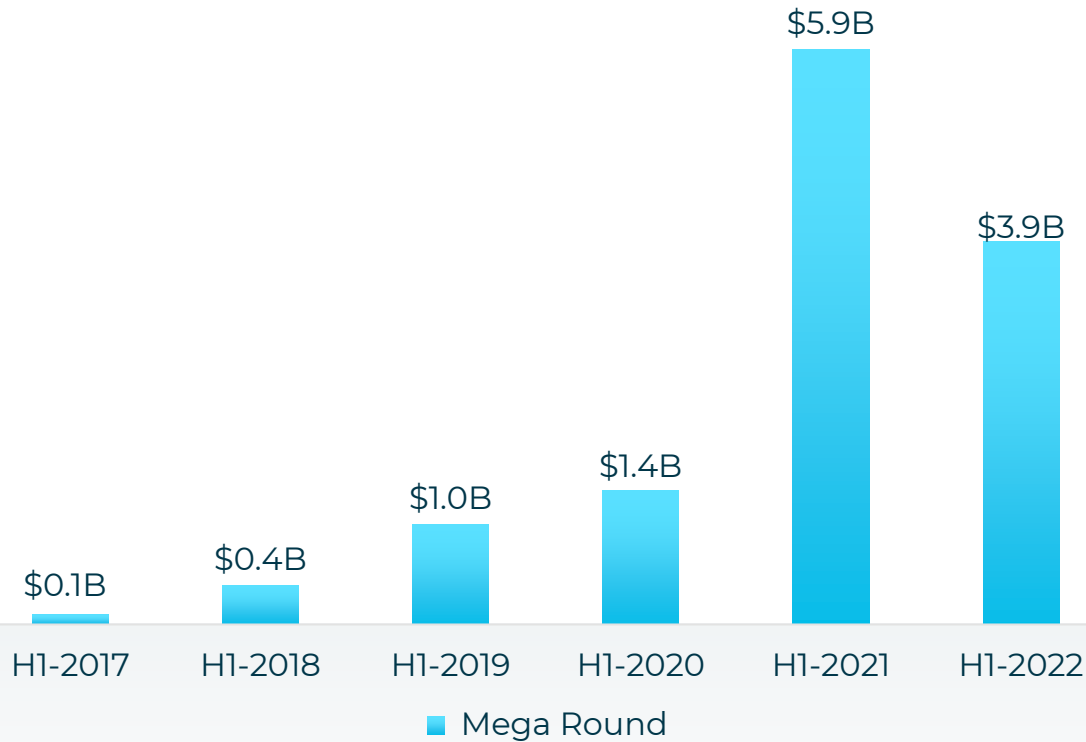
■ Early Stage ■ Early Stage Projection ■ Growth Stage ■ Mega Round

Source: Viola Data, IVC

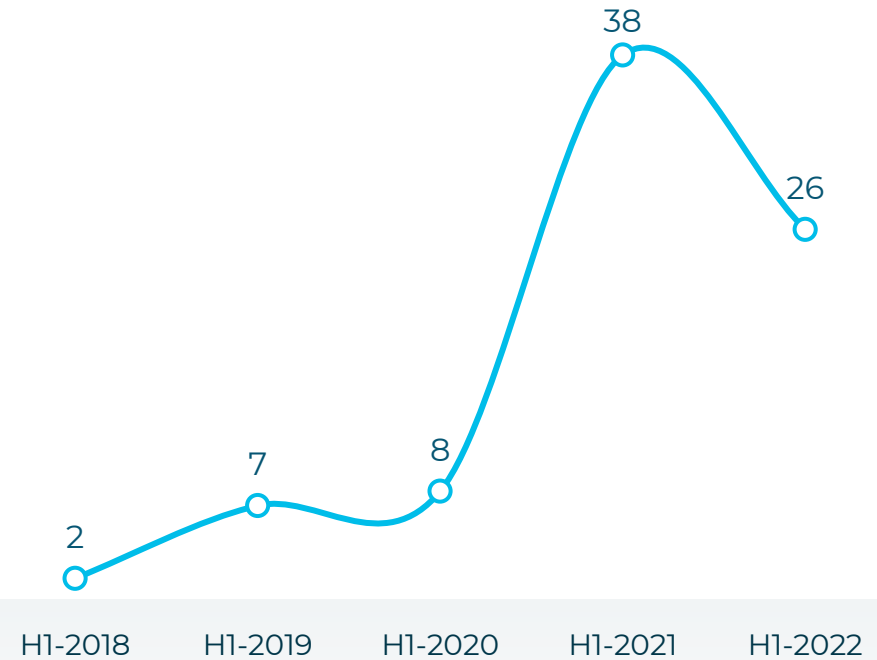


Mega Rounds React Immediately to Public Markets; Dropped by ~35%

Mega Rounds Funding Activity in Israel, H1

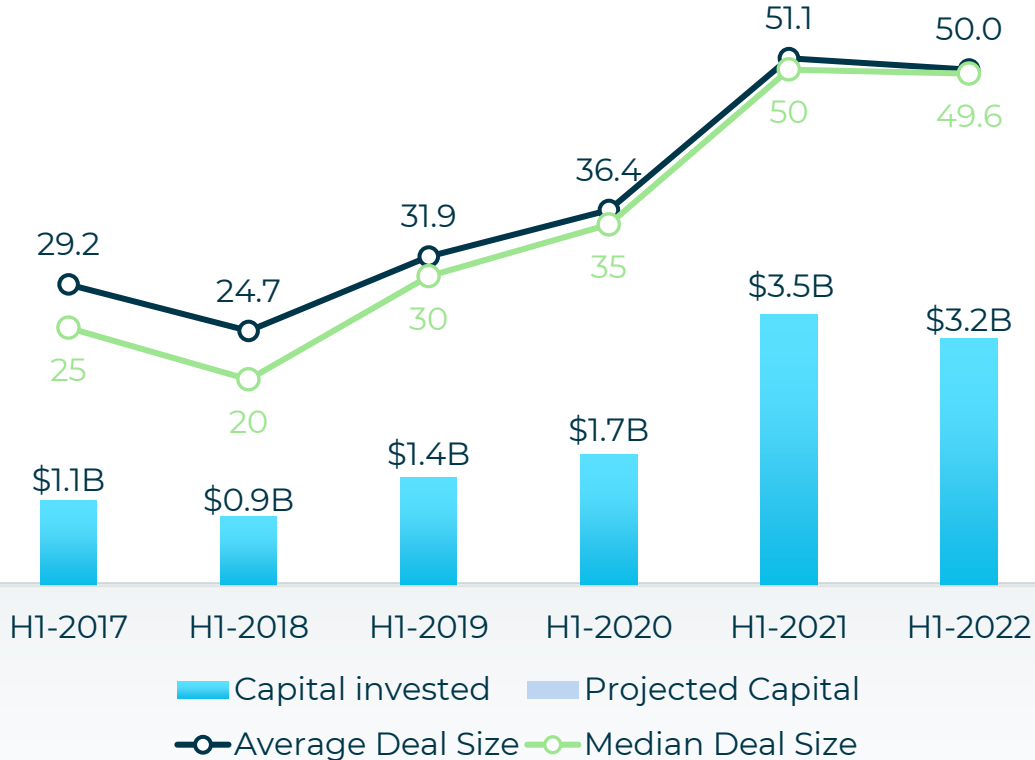


Mega Rounds Deal Count

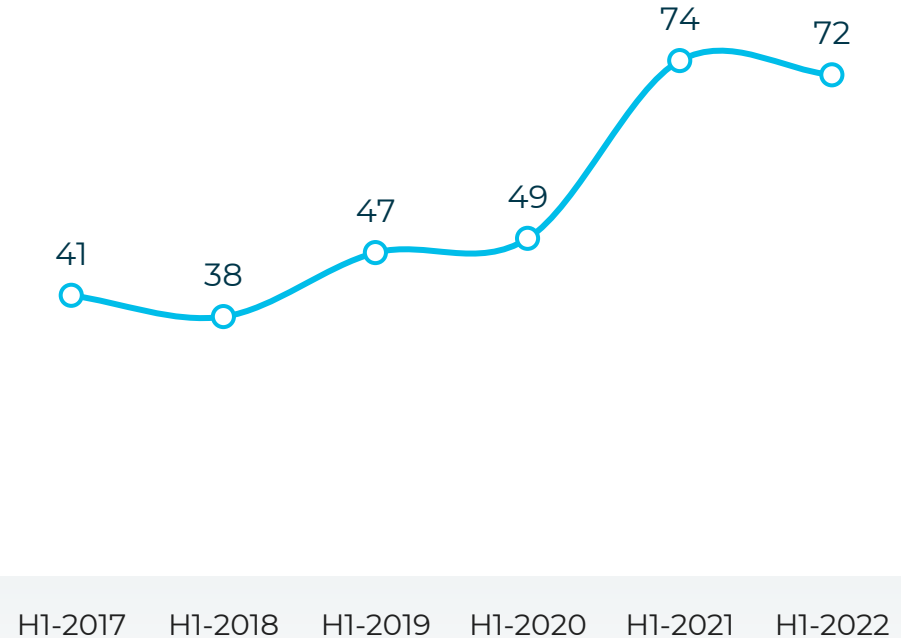


Growth Stage Slowing Down; Slight Decrease in H1, Expected to Continue in H2

Growth Funding Activity in Israel ,H1



Growth Rounds Deal Count

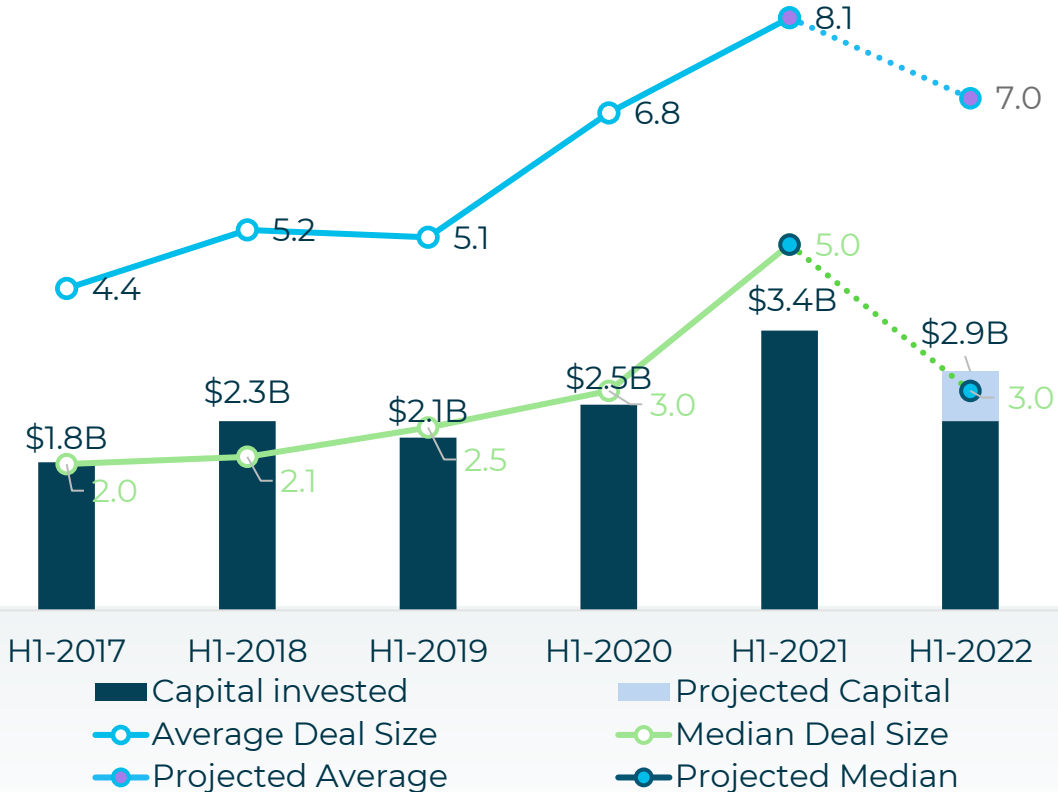


- 2021-2 data relate to funding rounds between \$30M - < \$100M
- previous years rely on the traditional categories with older data

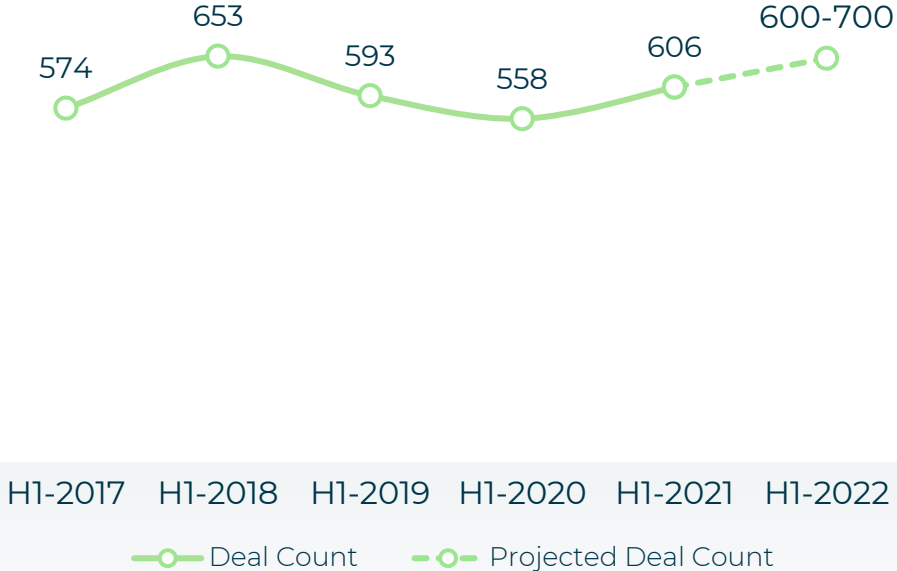


Early Stage Shows Initial Signs of Change; Likely to be More Significant in H2

Early Funding Activity in Israel ,H1



Early Rounds Deal Count



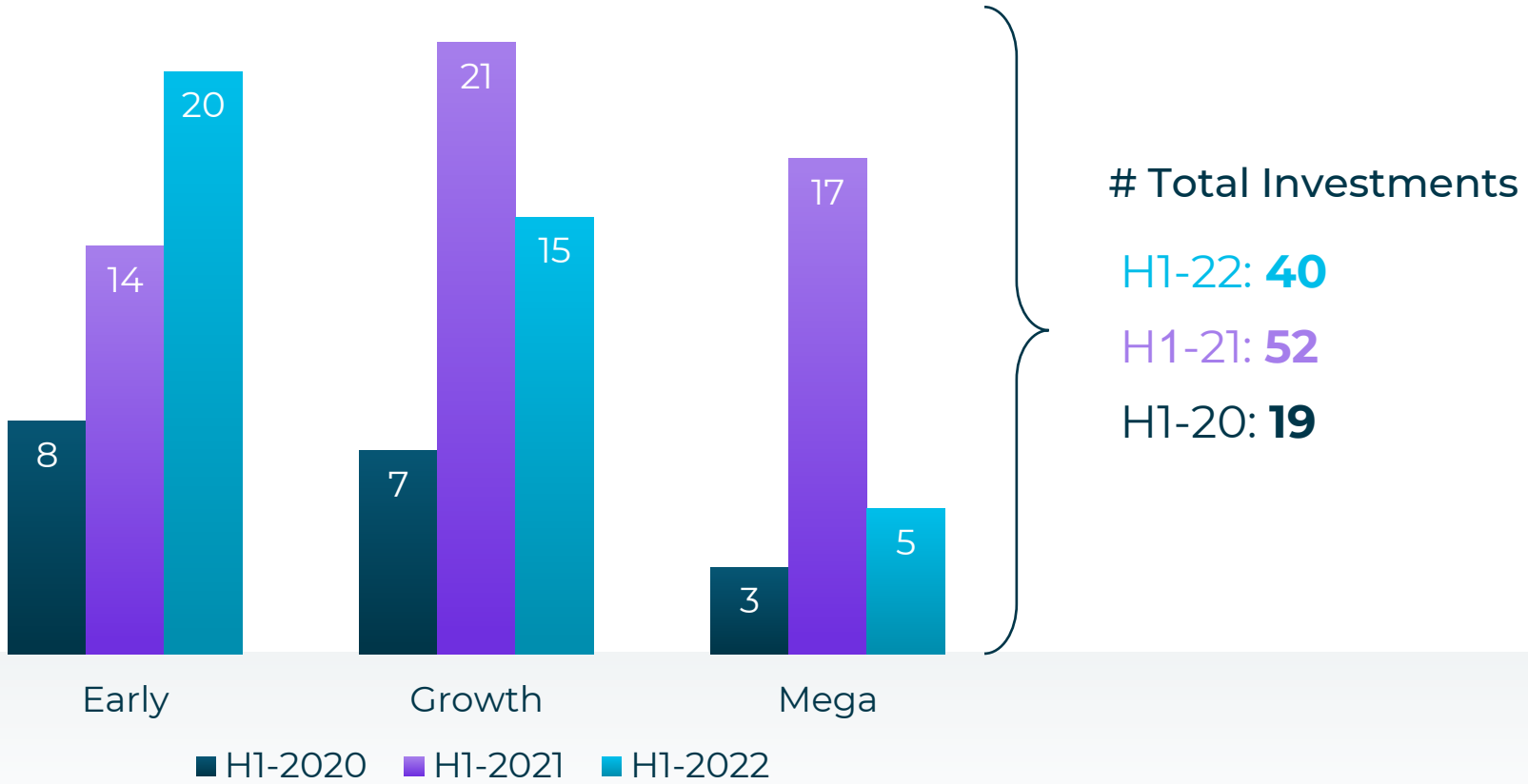
Source: Viola Data, IVC



Top USA VC's Activity In Israel Increasing Since 2020, **Focusing on Early Stage**



of investments of top VC'S in Israel in H1, by stage



Q1-2022 Mega Rounds

 **Fireblocks**

\$450M
(\$8B)



\$400M
(\$1.1B)


AXONIUS

\$200M
(\$2.6B)


bigpanda

\$190M
(\$1.2B)



\$150M

 **RapidAPI**

\$150M
(\$1B)

 **SALT**

\$140M
(\$1.4B)



\$135M


Island

\$115M
(\$1.3B)



\$111M

 **CAPITOLIS**

\$110M
(\$1.6B)

 **Placer.ai**

\$100M
(\$1B)



\$100M
(\$1.4B)

 **WSC Sports**

\$100M

Q2-2022 Mega Rounds



\$200M



\$161M
(\$0.5B)



\$142M



\$135M
(\$1.6B)



\$120M



\$110M



\$108M
(\$1.5B)



\$100M
(\$1.3B)



\$100M
(\$1.2B)



\$100M
(\$1.2B)



\$100M
(\$8B)



\$100M
(\$1B)



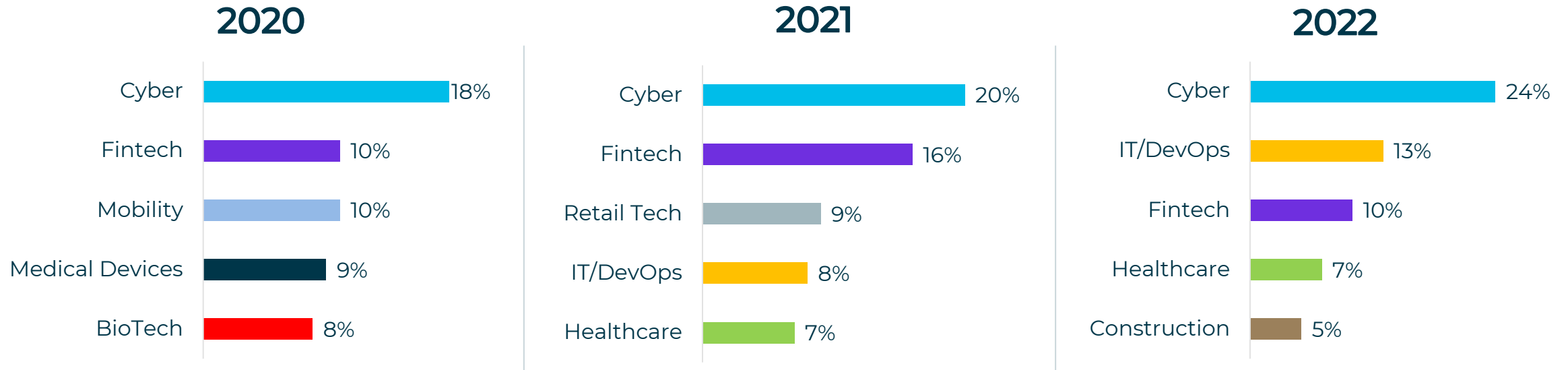


INVESTMENT BREAKDOWN BY DOMAINS

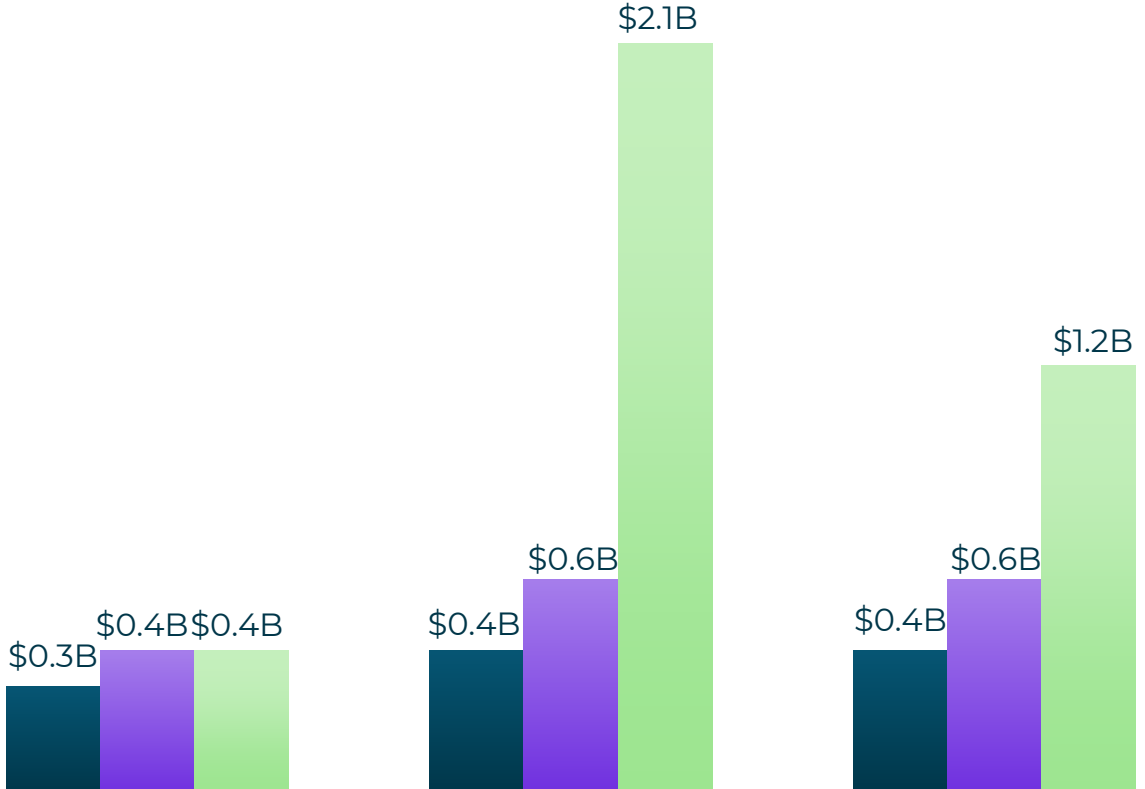
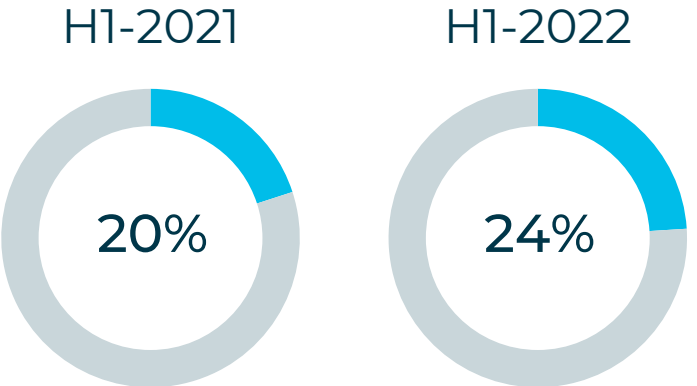
Cyber Security Companies continue to Lead



% of total capital raised in Israel H1, by Year and Category



Cyber Security Early and Growth Rounds Staying Stable, While Mega Rounds Decreased

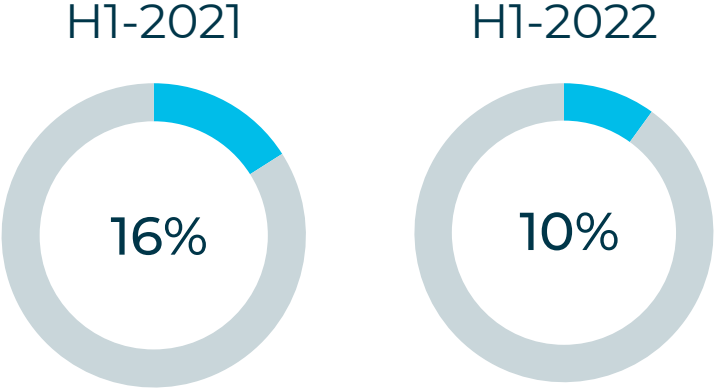



Funding Activity in Israel H1, by Year and Category

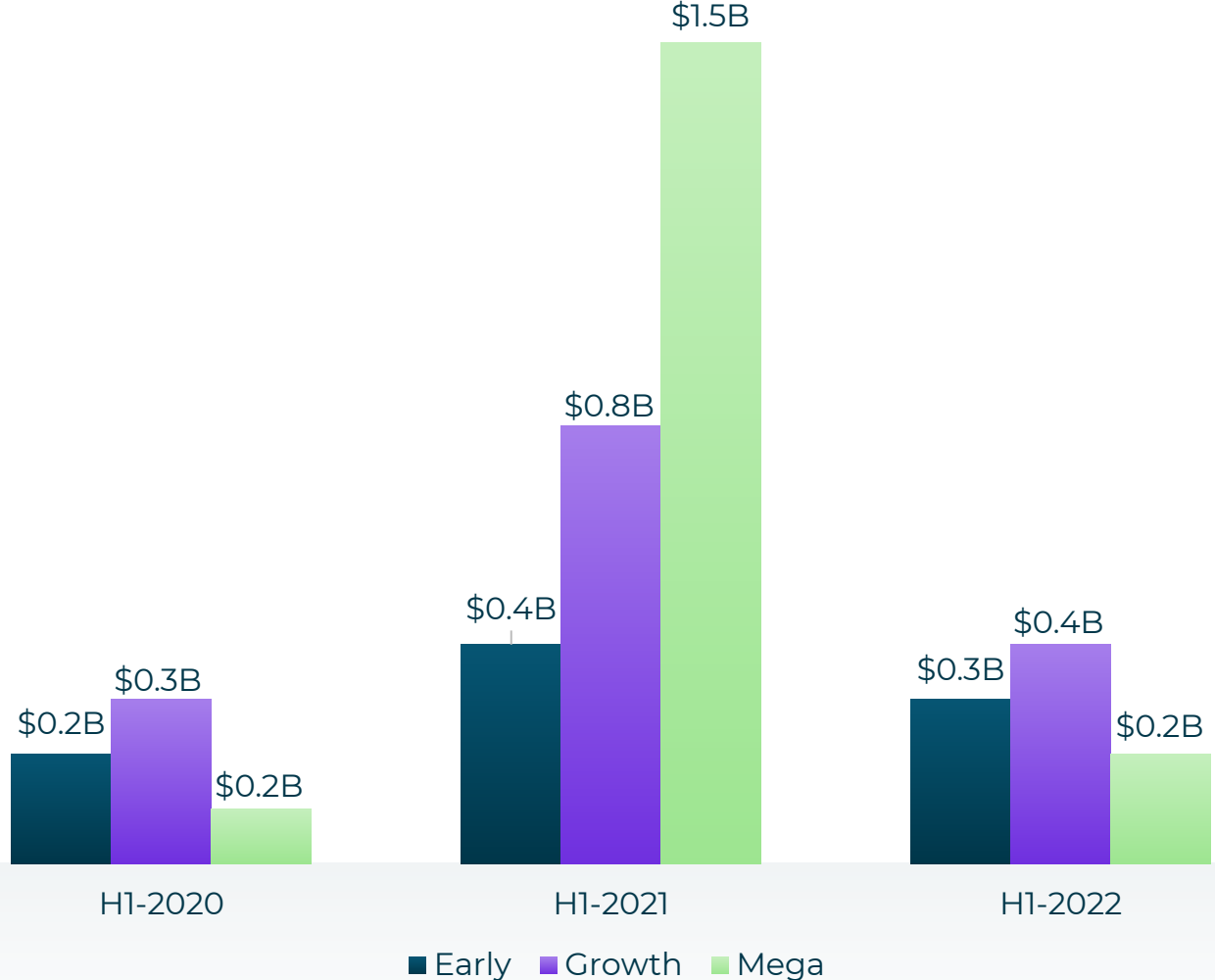
■ Early ■ Growth ■ Mega



Fintech Investments are Down from 2021 with a Slight Increase Compared to 2020



 Funding Activity in Israel H1, by Year and Category

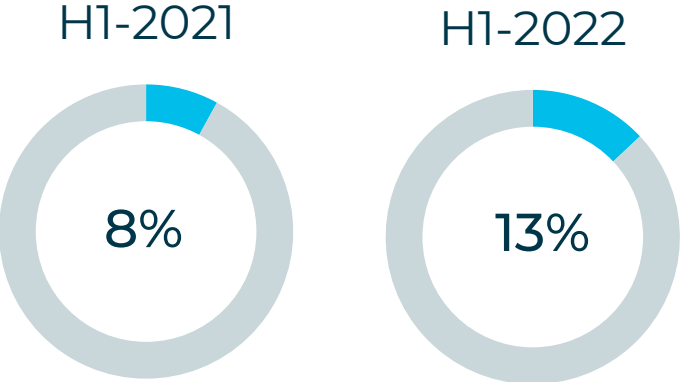


Source: Viola Data, IVC

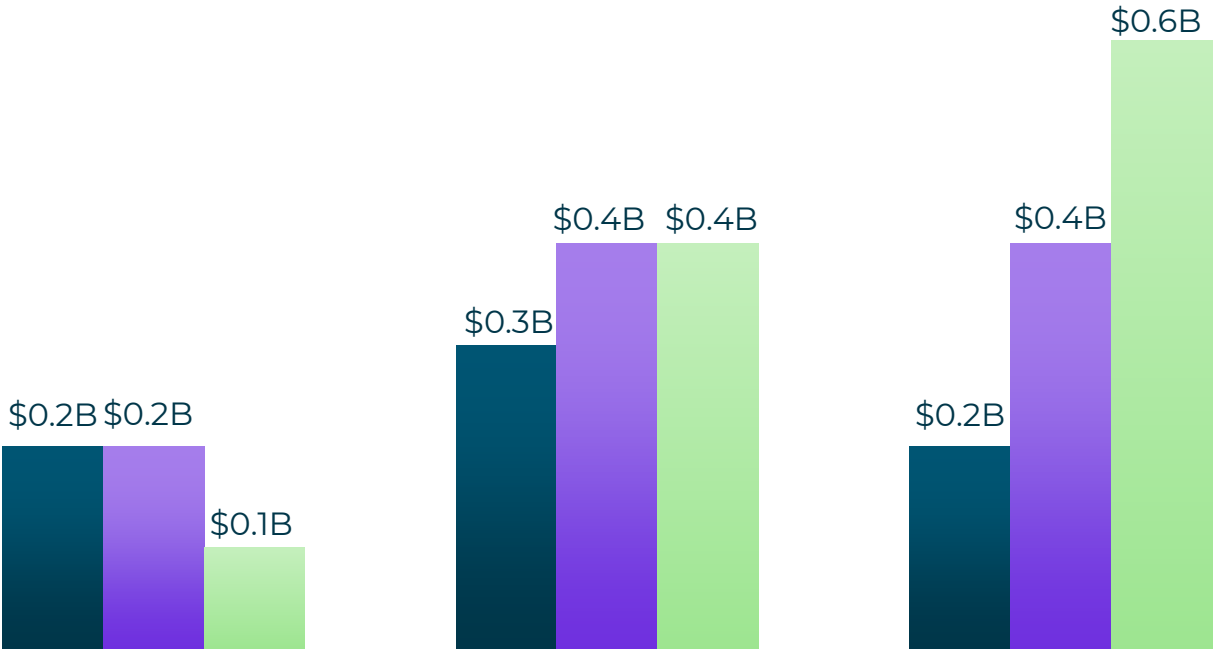


RISING STAR – IT/DevOps and Data Infrastructure

Increased from H1-21 , Growth-Driven By Mega Rounds



 Funding Activity in Israel H1, by Year and Category



■ Early ■ Growth ■ Mega

Source: Viola Data, IVC

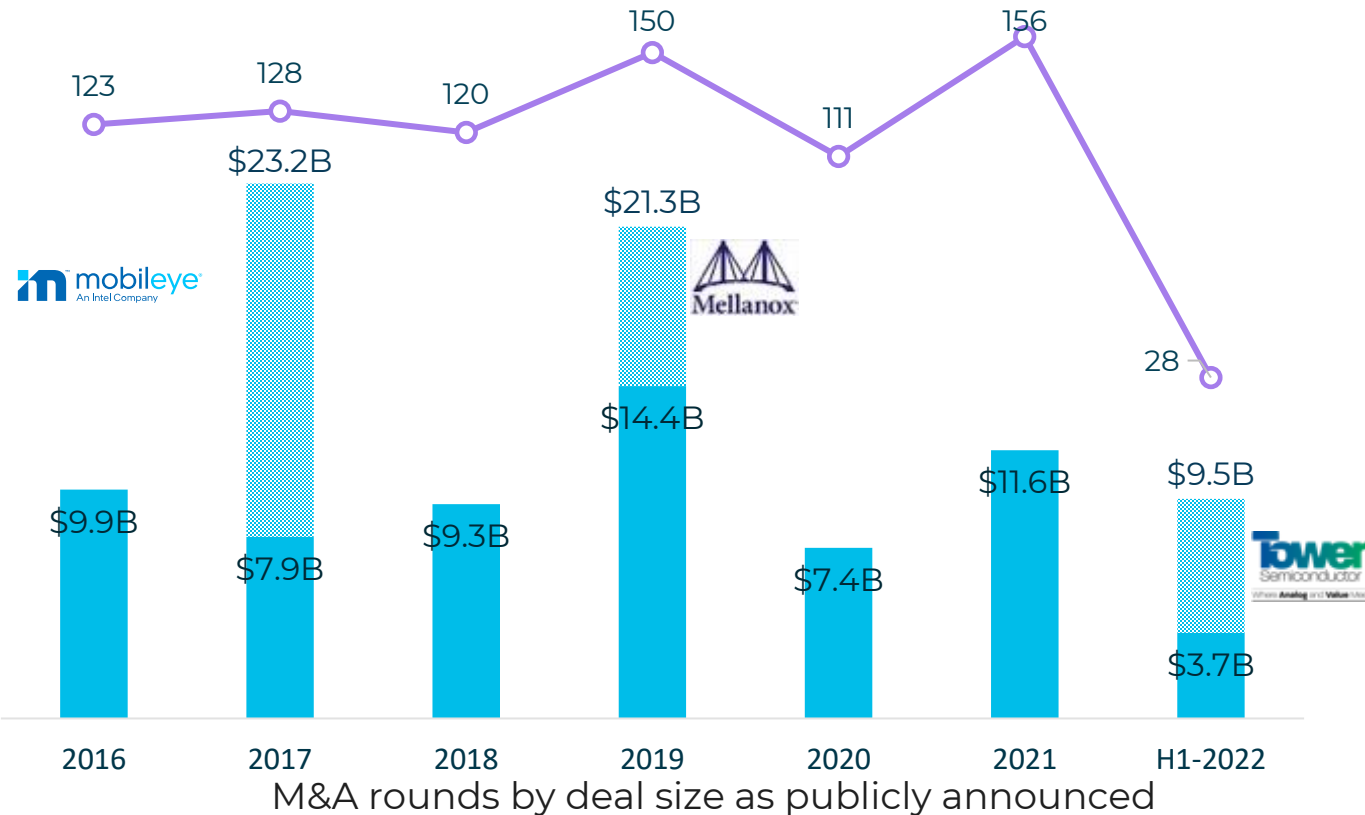




EXITS & LIQUIDITY EVENTS

As Public Markets Froze, the M&A Market is Getting Stronger

M&A in Israel by Year



Notable M&As in 2022



575M\$ **Shift4** PAYMENTS



5.8B\$ **intel**



525M\$ **LIBERTY**



650M\$ **intel**



350M\$ **Qualcomm**



500M\$ **Google**



SUMMARY

- 1 Funding volume decreased from 2021, but is still higher than 2020
- 2 Israel trends are aligned with global ones
- 3 H2 funding activity is expected to drop, due to a lag from public market
- 4 Mega-rounds are already affected by public markets while growth and early rounds expect to respond as well
- 5 Cyber & Fintech remain strong domains in IL; IT/DevOps emerging
- 6 M&As activity is accelerating and will drive liquidity in the near future



ABOUT VIOLA

Viola is Israel's leading technology-oriented investment group with over \$3B AUM, dedicated to building global category leaders. The group is comprised of 4 separate investment arms, focused on the different stages of the technology industry: Early stage, growth stage, debt & alternative lending and also a dedicated FinTech fund.

Founded in 2000, Viola has backed over 200 technology companies, including some of Israel's unicorns.

As part of our efforts to support our portfolio companies and entrepreneurs in their daily challenges, we leverage our extensive experience, know-how and BI database on Israel's tech ecosystem to create and share reports, industry maps, best practices and insights.

For questions or clarifications, please email us at OmriF@viola-group.com

To keep up with the latest on Israel's tech ecosystem, visit our website at www.viola-group.com

