



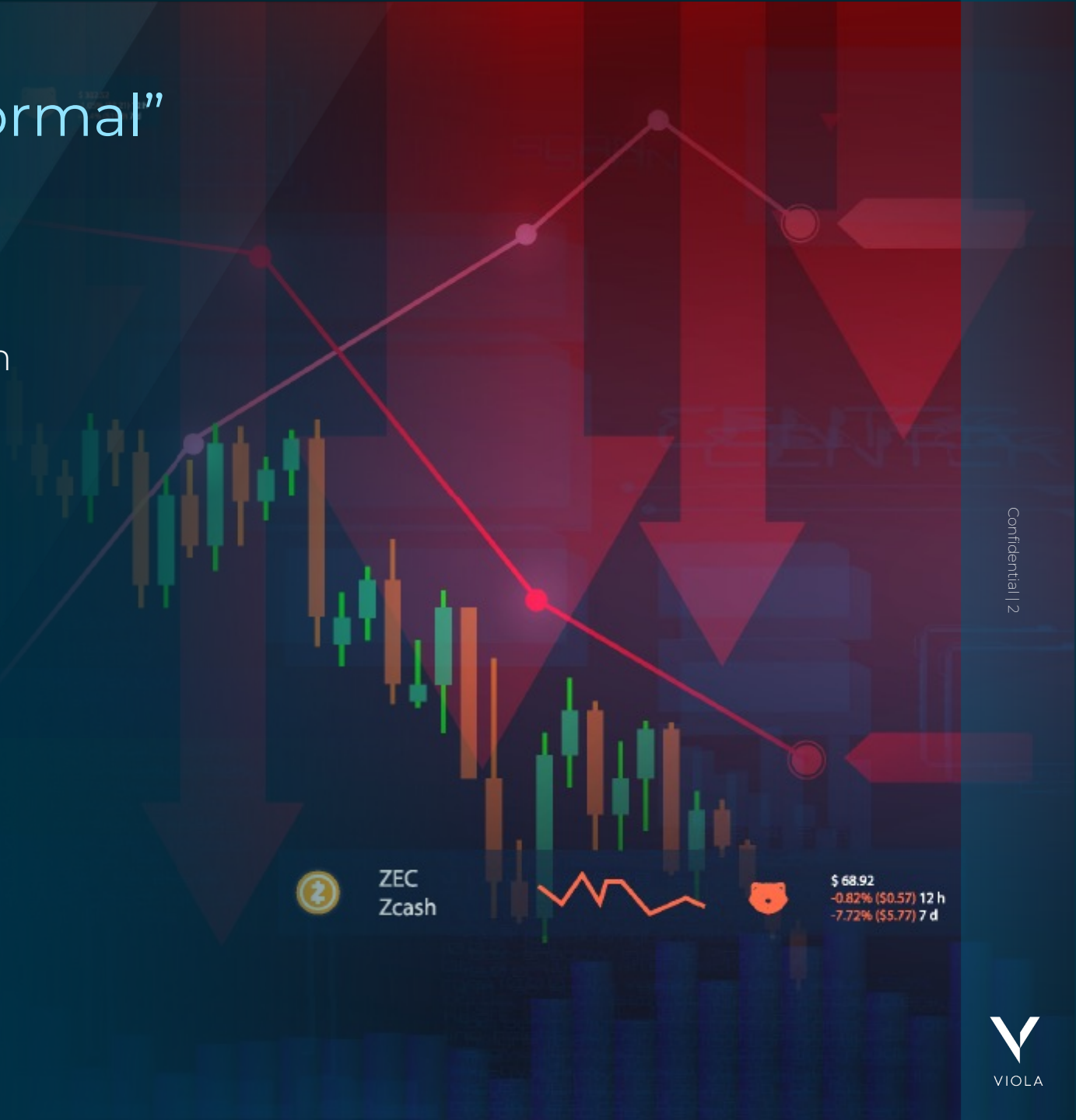
2022 Israeli FinTech Report



stock01	12,256	+25	+25	25,400
stock02	14,254	+5	+5	32,480
stock03	5,256	+25	+25	25,450
stock04	8,256	+25	-24	334,650
stock05	10,256	+25	-0.5	54,250
stock06	12,256	+25	+8.5	24,490
stock07	14,256	+25	+6.5	28,433

2022 has Brought a “New Normal”

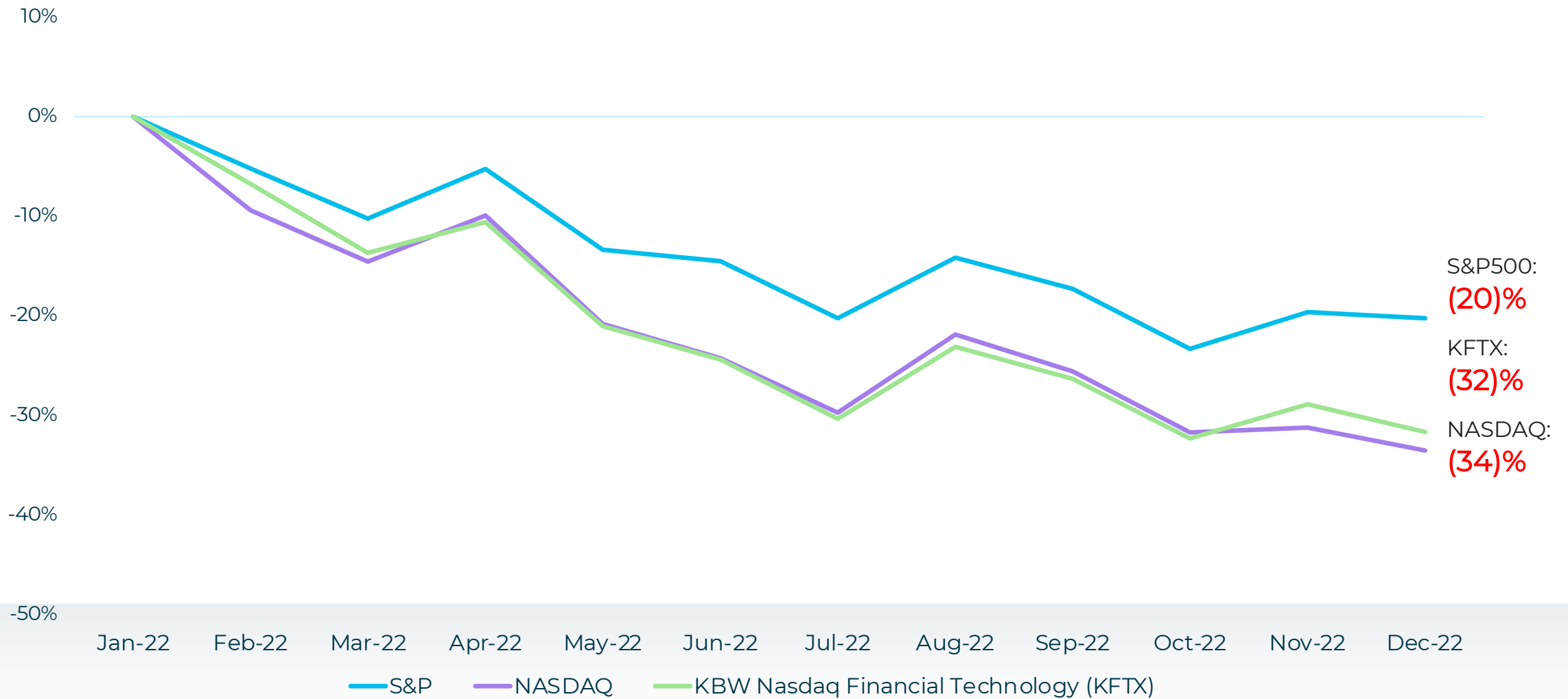
- Global geo-political tensions and crunch on supply chains, energy prices
- Decades-high inflation rates with uncertain macro environment
- Change of fiscal and monetary policy with increasing interest rates
- Higher unemployment
- Equity markets crash impacting valuations and pace of private investments
- Slower adoption of e-commerce and reversion of some Covid trends
- Lower disposable income; higher credit card balances
- Lower business spending → vicious circle



Global Markets

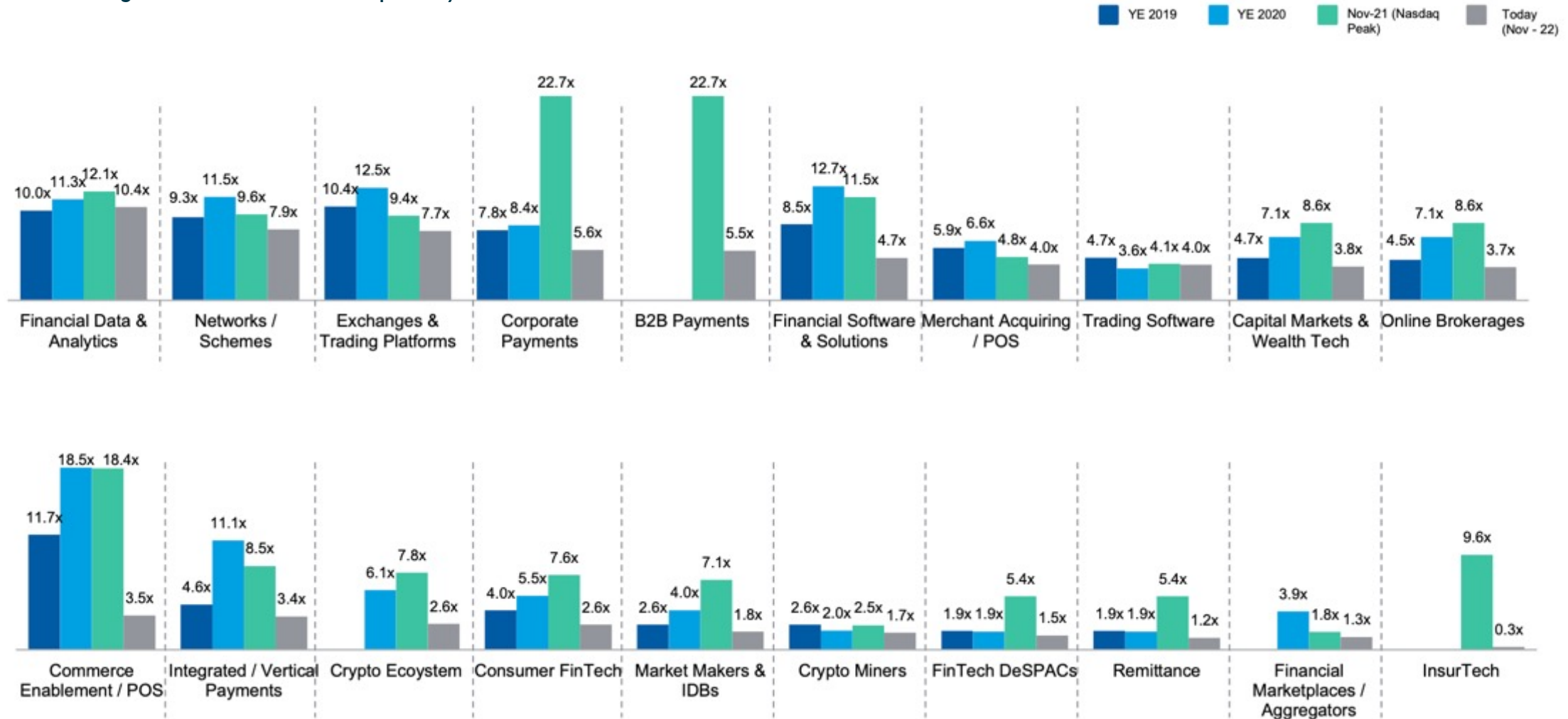


Bear public markets; fin/tech significantly impacted



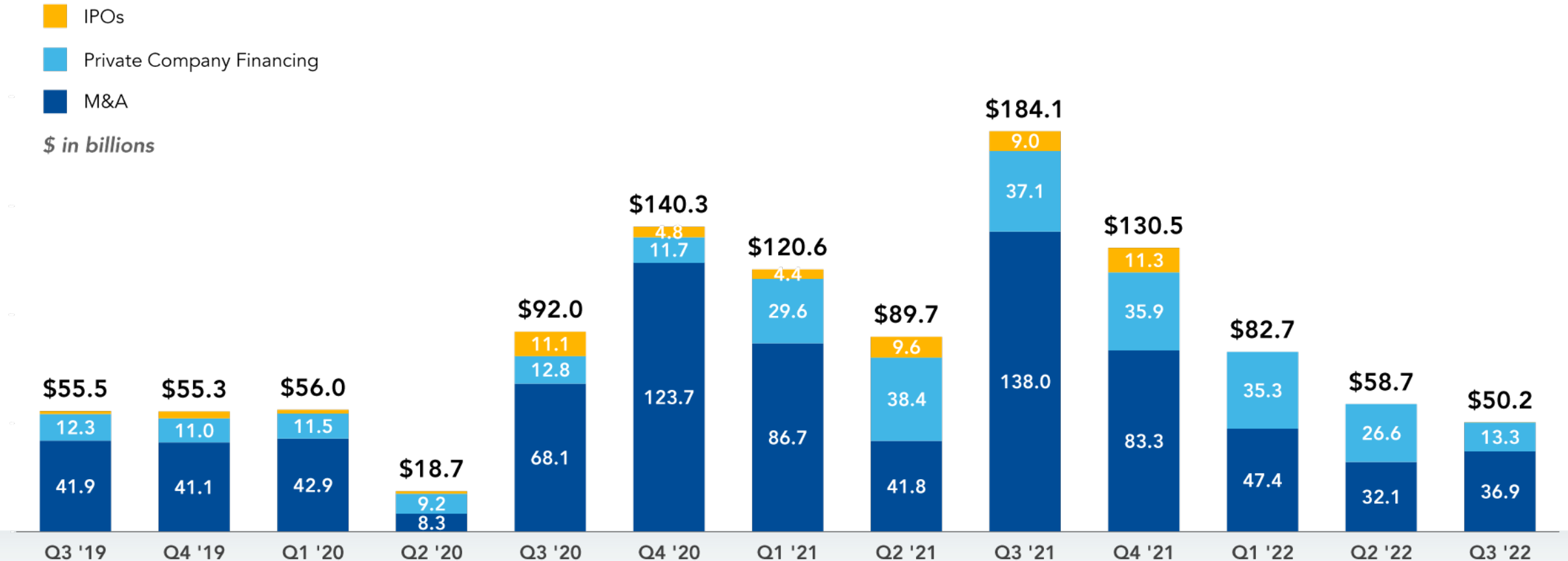
Fintech revenue multiples followed suit across the board

(ordered by current multiples)

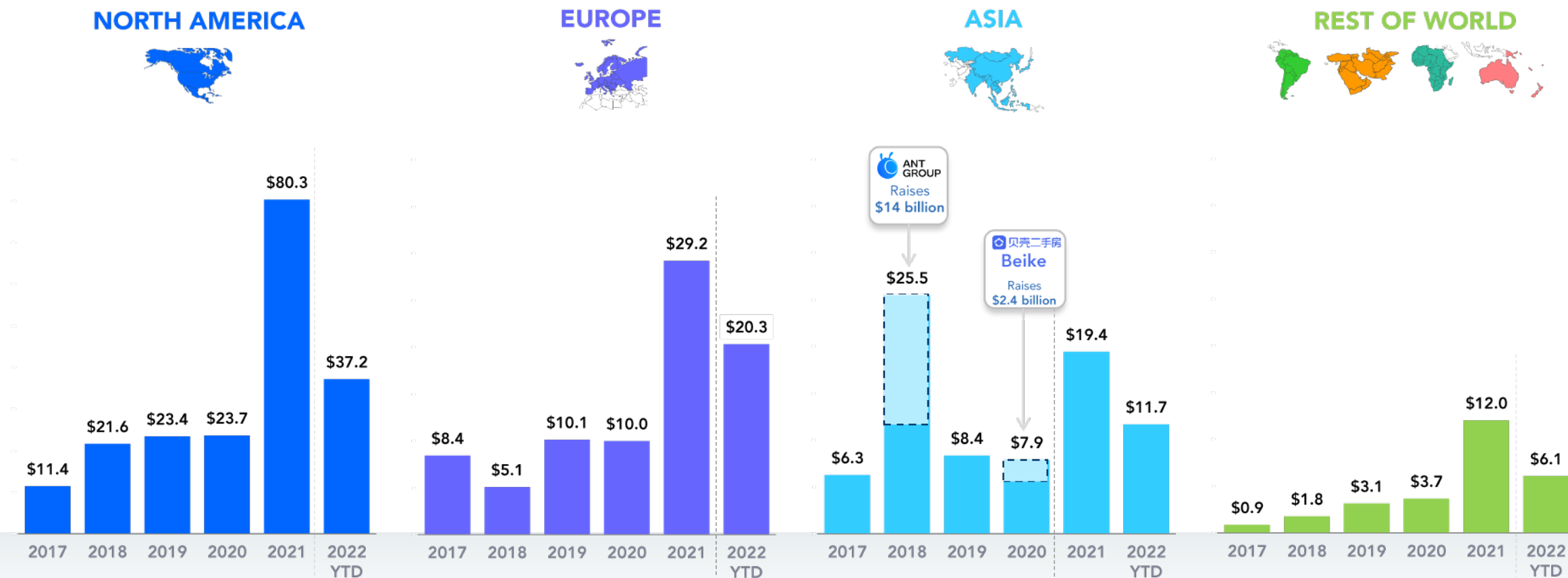


*Source: Morgan Stanley as of November 2022

Global IPO markets dried out; fintech private investments are on the decline; M&A expected to take larger piece of the pie



The decrease in private investments is consistent across all geographies; above 2018-2020 avg but in declining trend



\$ in billions

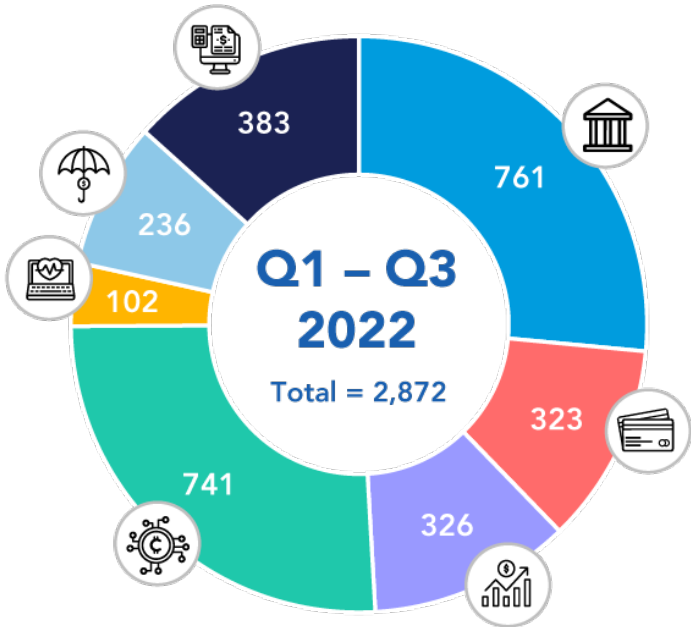
Source: FT Partners

Banking, crypto and financial management lead the way, globally, in 2022

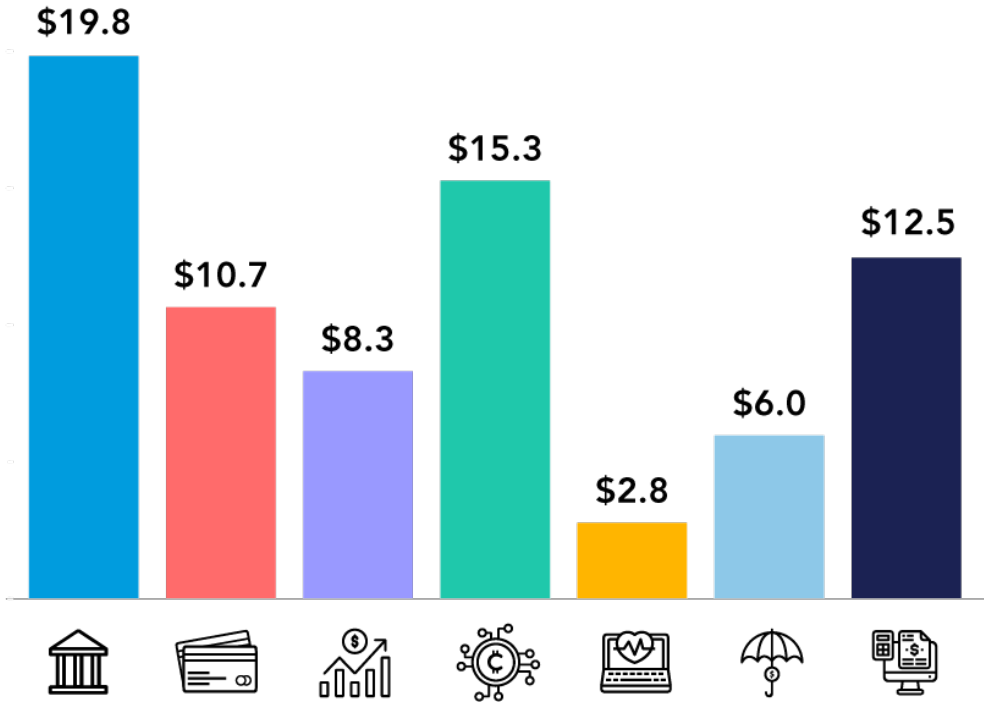
Key

- Banking / Lending Tech
- Payments
- Wealth & Capital Markets Tech
- Crypto & Blockchain
- Healthcare FinTech
- InsurTech
- Financial Management Solutions

Number of Financing Transactions



Financing Volume (\$ in billions)



The Israeli Ecosystem

Rocky but Optimistic



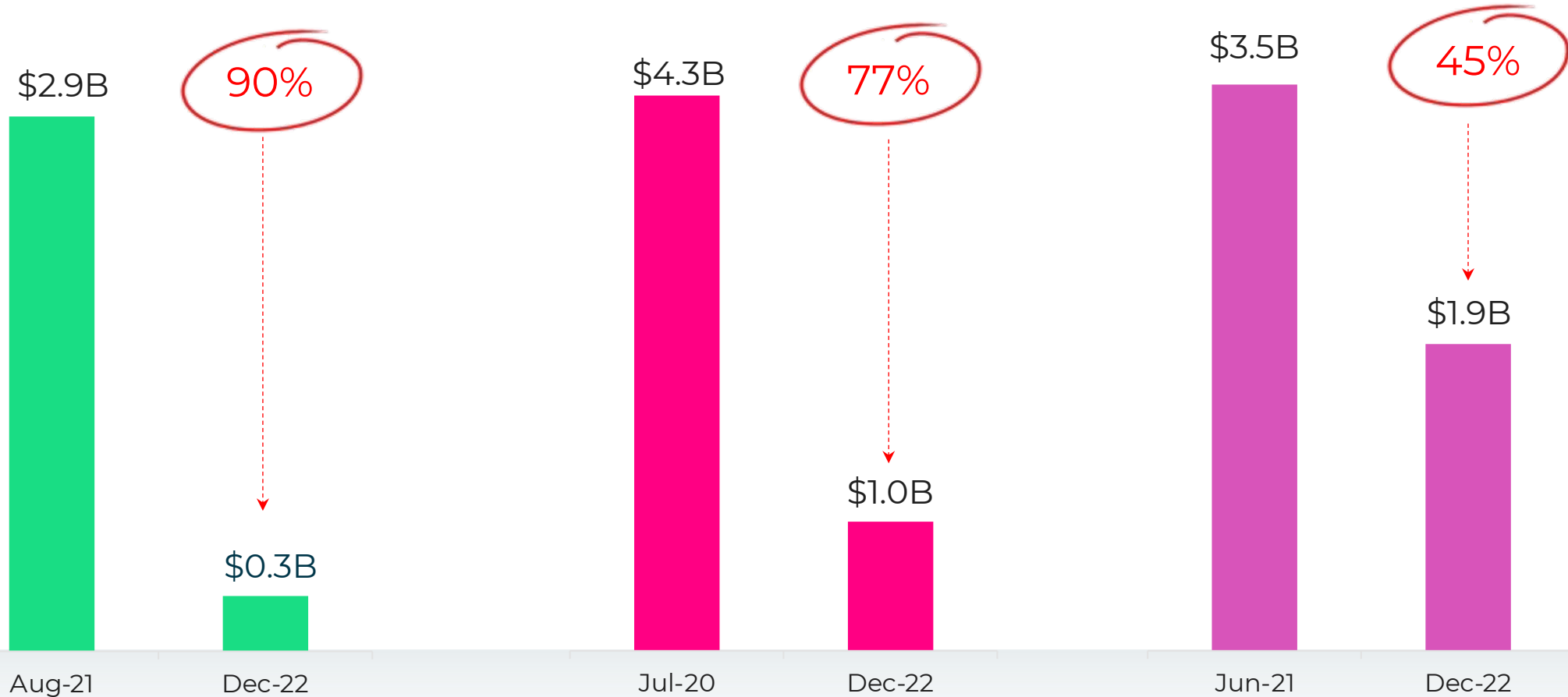
The Israeli market follows similar trends: Israeli public companies have seen valuation plummet in 2022



ITI is Viola's "Israeli Tech Index", consisting of 31 Israeli public companies



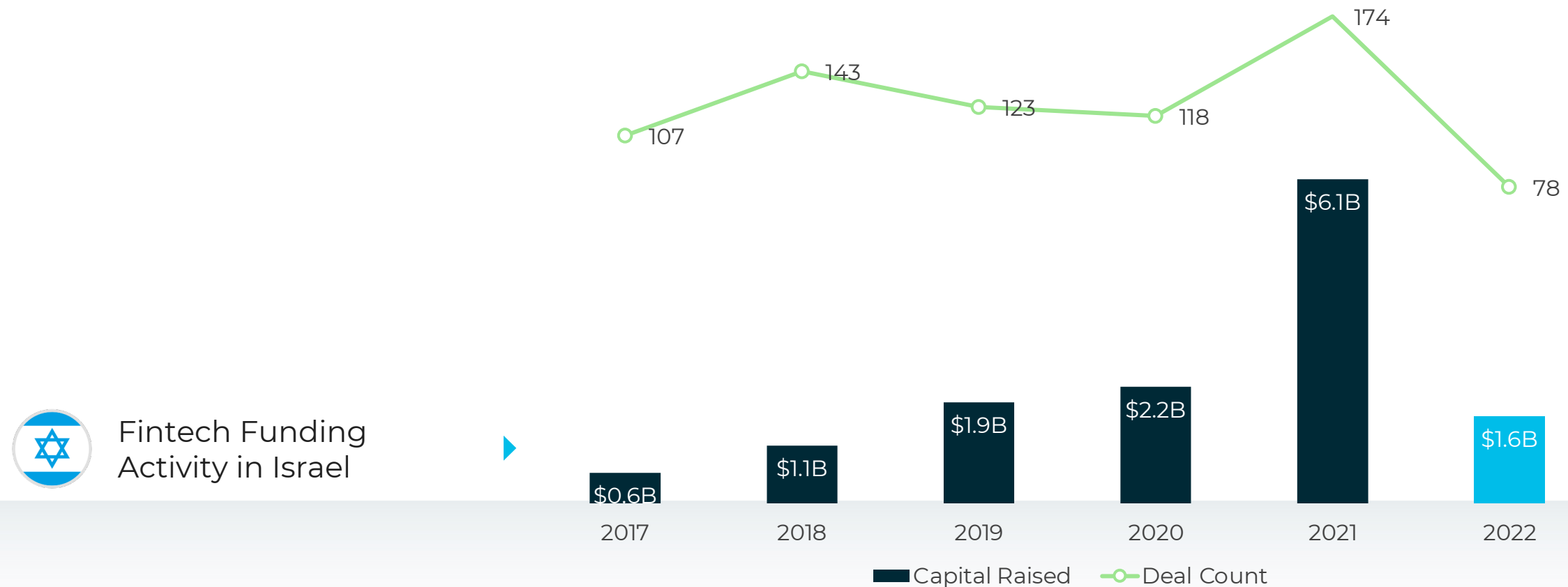
Public Israeli fintechs saw ~70% drop in market cap



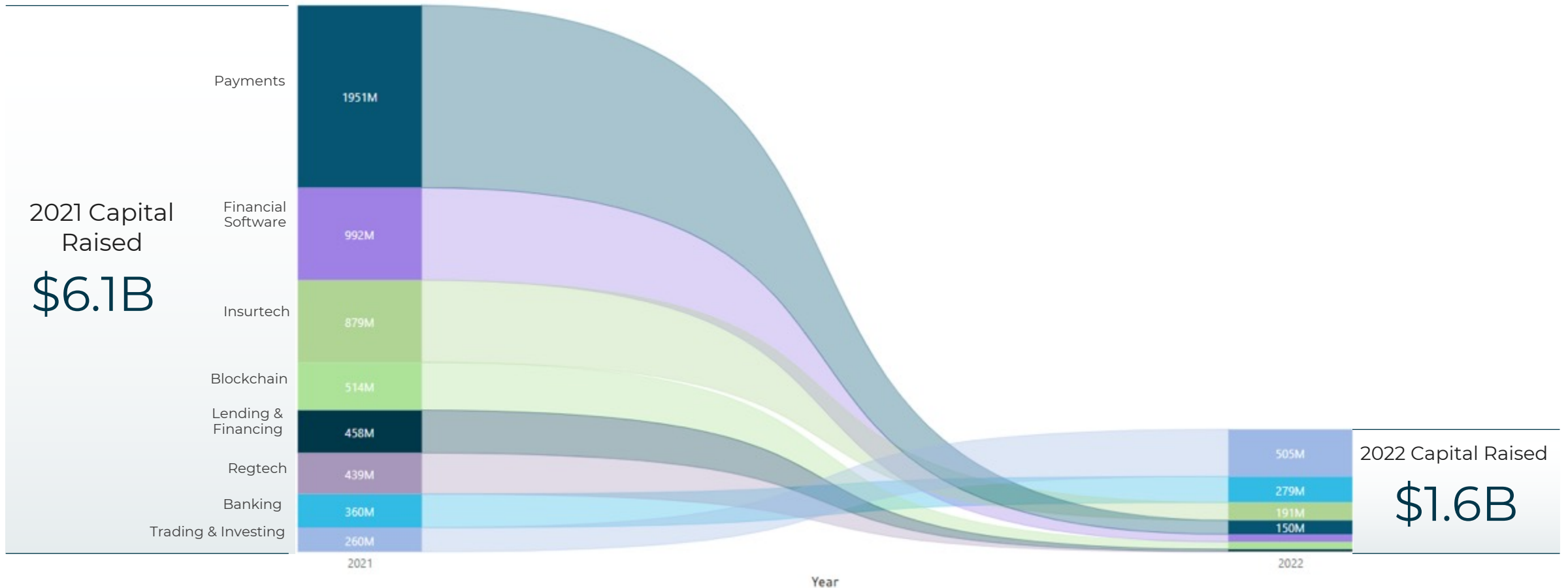
Lemonade

Payoneer

Private Israeli Fintech investments are also trending back to the 2018-2020 average



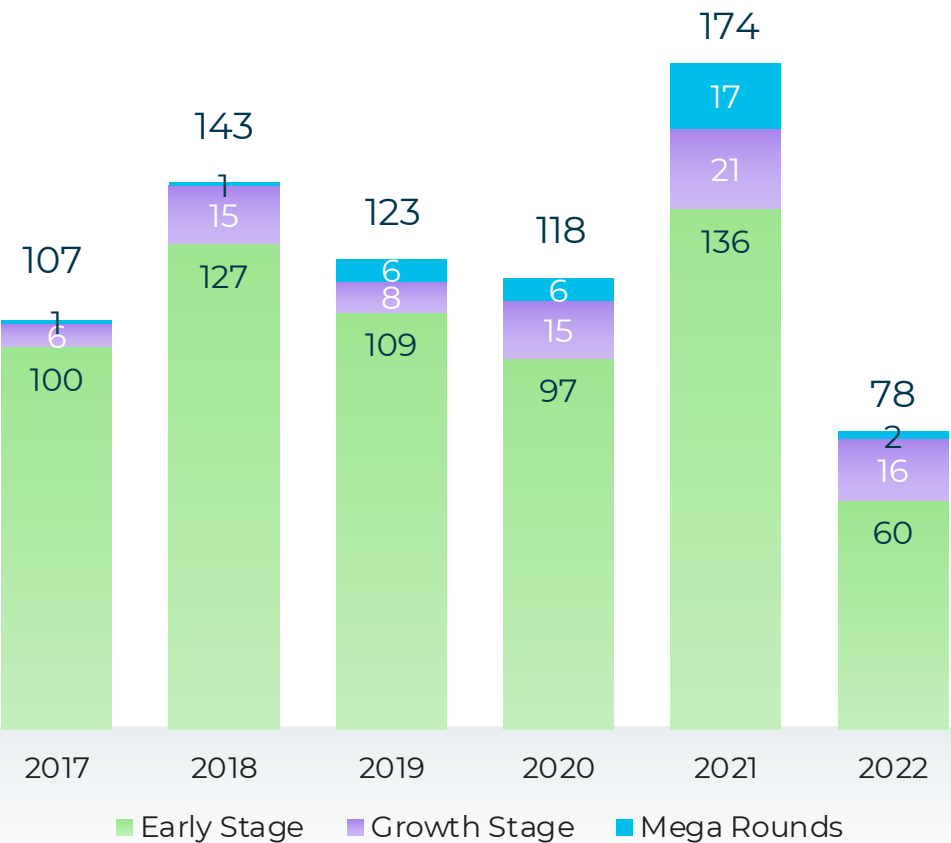
Smaller scale investments with change in subsector activity:
Payments, SW and Insurtech down while **Trading and Banking**
show resiliency (driven by 1-off deals)



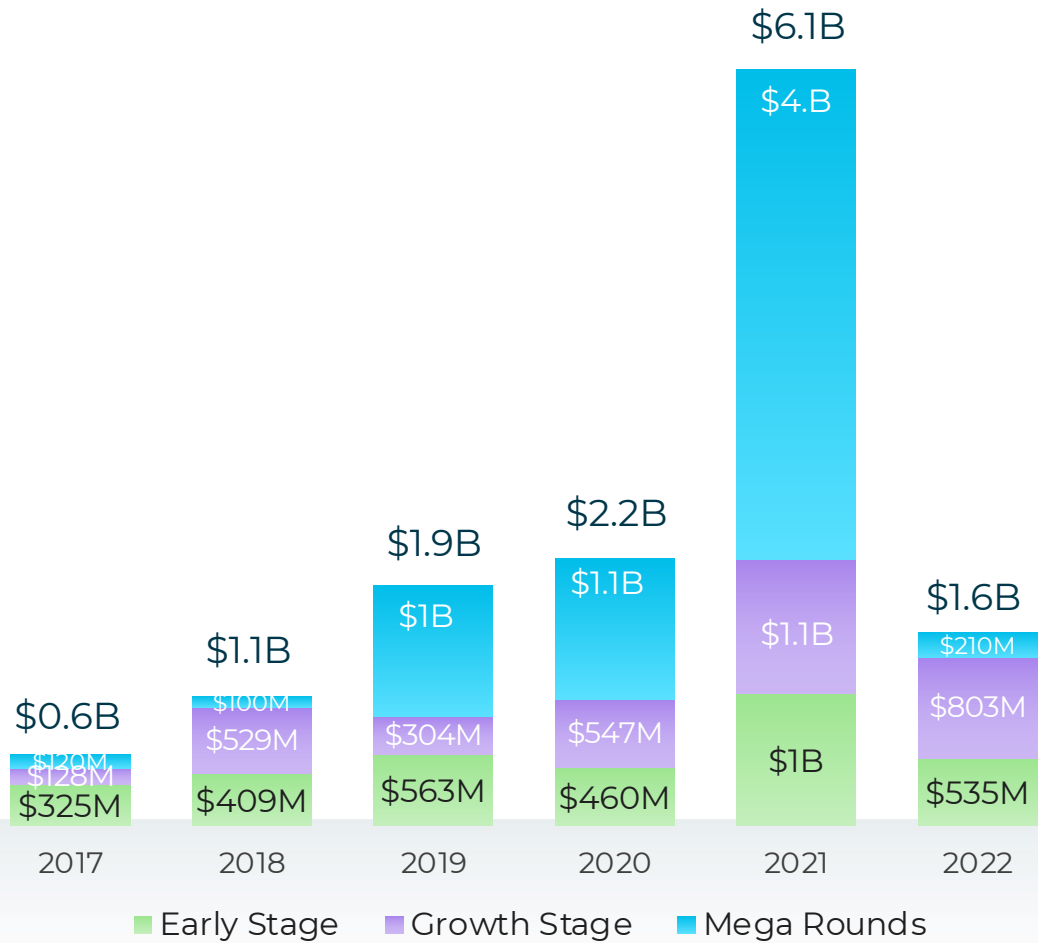
● Banking ● Blockchain ● Financial Software ● InsurTech ● Lending & Financing ● Payments ● RegTech ● Trading & Investing

Decline was caused by fewer “mega rounds”, while growth and early-stage rounds are back at pre-2021 levels

of Deals - Fintech in Israel, by stage



Capital Raised - Fintech in Israel, by stage

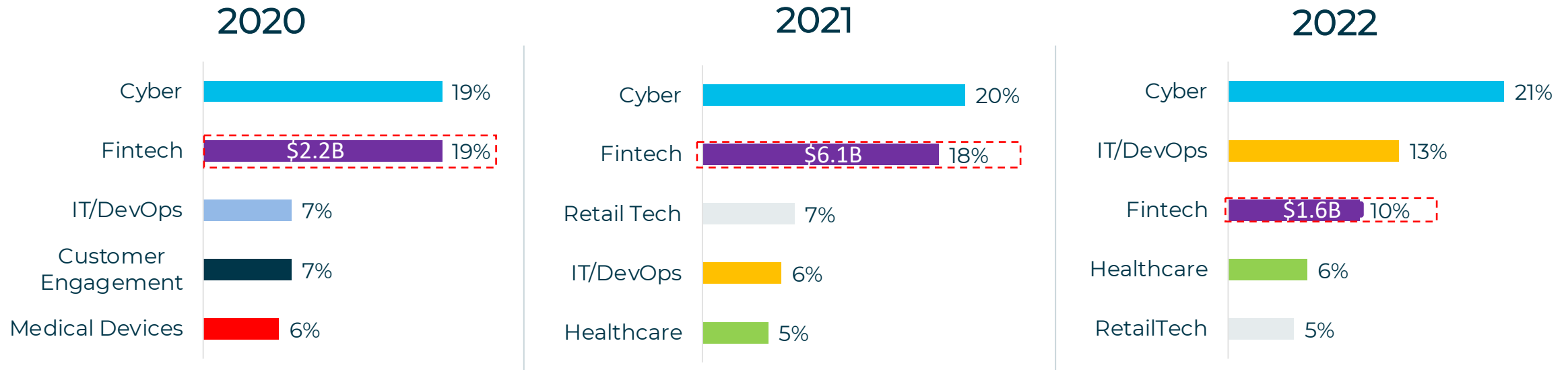


Source: Viola Data, IVC

Fintech investments in Israel have also seen a decline in share compared with more “recession proof” sectors like Cyber

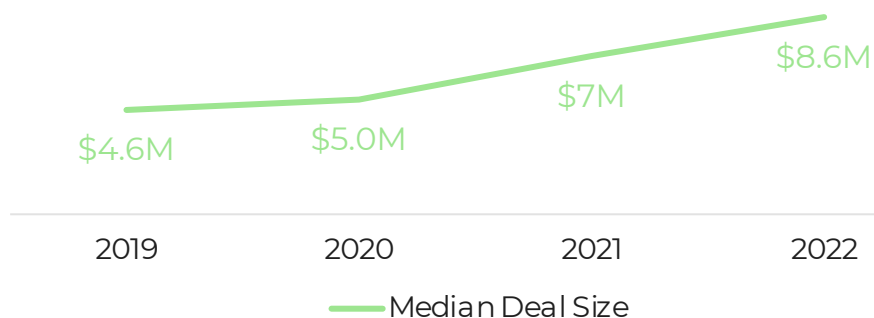


% of total capital raised in Israel, by Year and Category

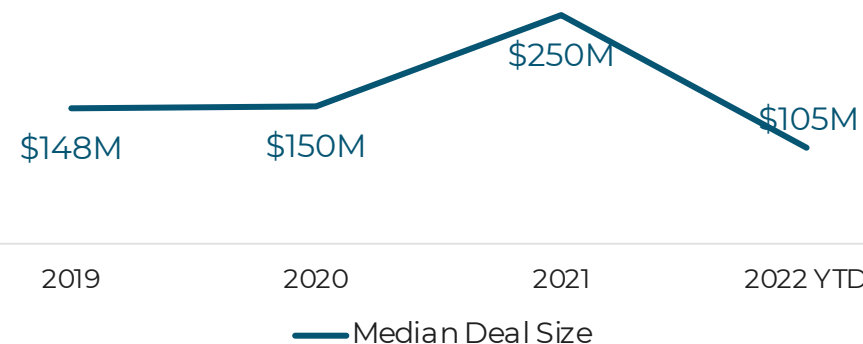


Deal sizes are also returning to pre-2021 levels, especially in Mega and Growth rounds

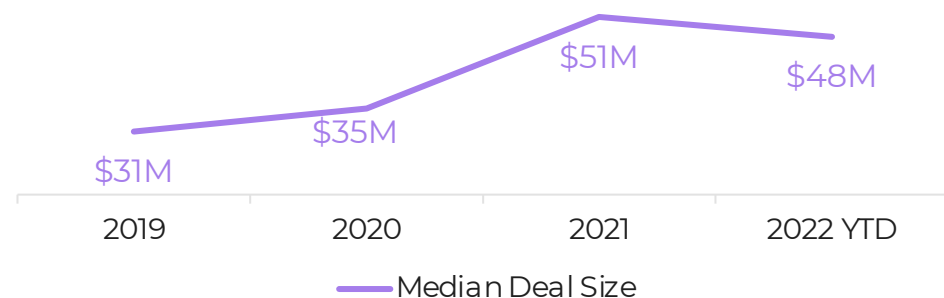
Early Stage



Mega Rounds



Growth Stage



unit

\$100M
(\$1.2B)

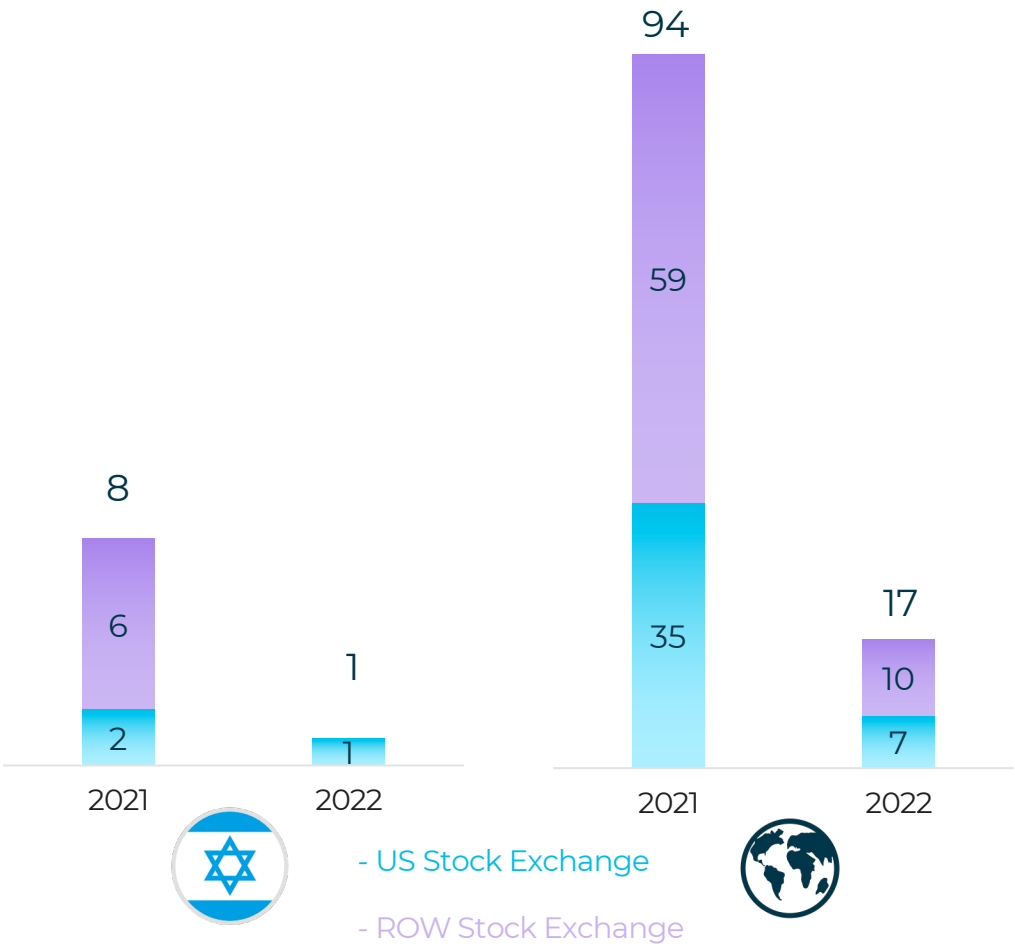
CAPITOLIS

\$110M
(\$1.6B)

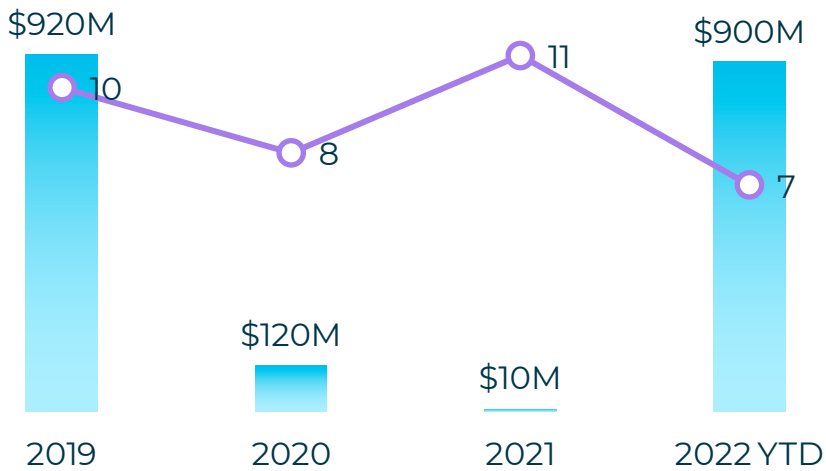
*Based on a small sample size given market dynamics and timing lag

Solid activity in fintech M&A; Expected to increase

IPO Markets Froze in 2022, Fintech Included



Notable Fintech M&As in 2022



Source: Viola Data, IVC, Pitchbook

Total Deal Size Deal Count

Looking ahead at new opportunities in 2023

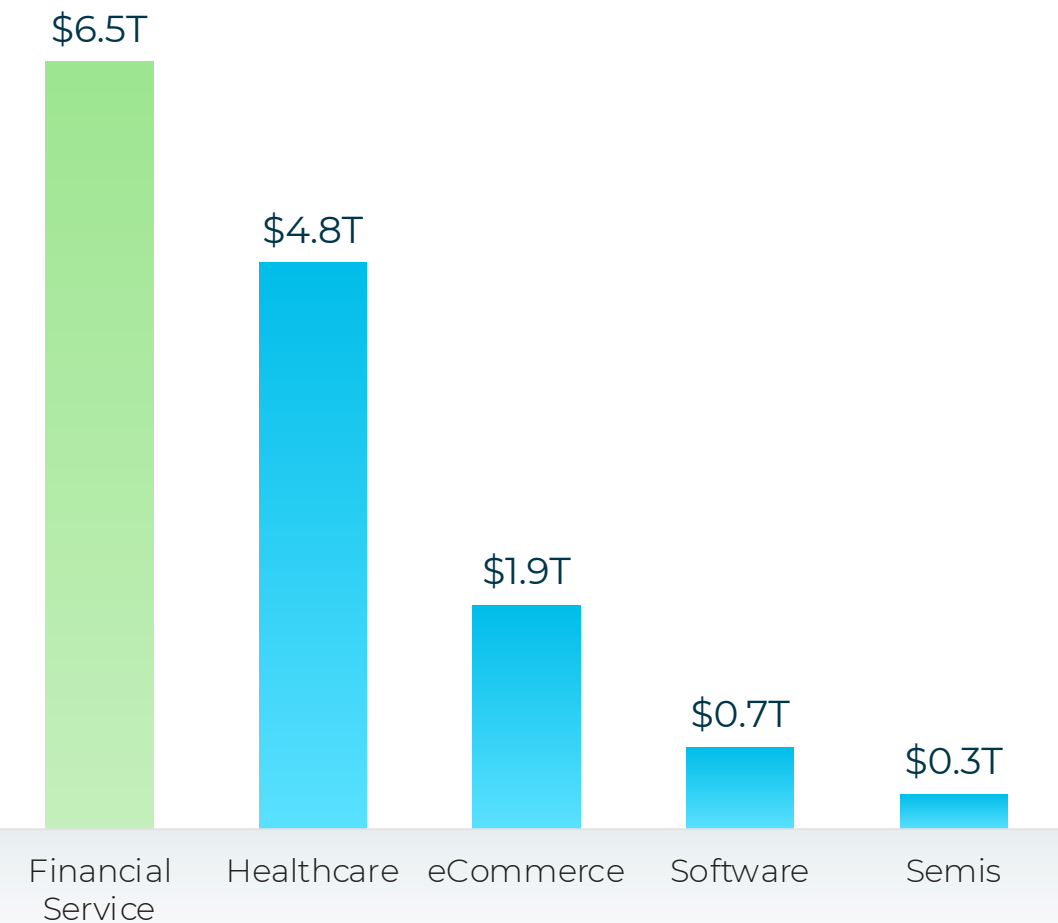


Moving into 2023, Fintech will face new realities

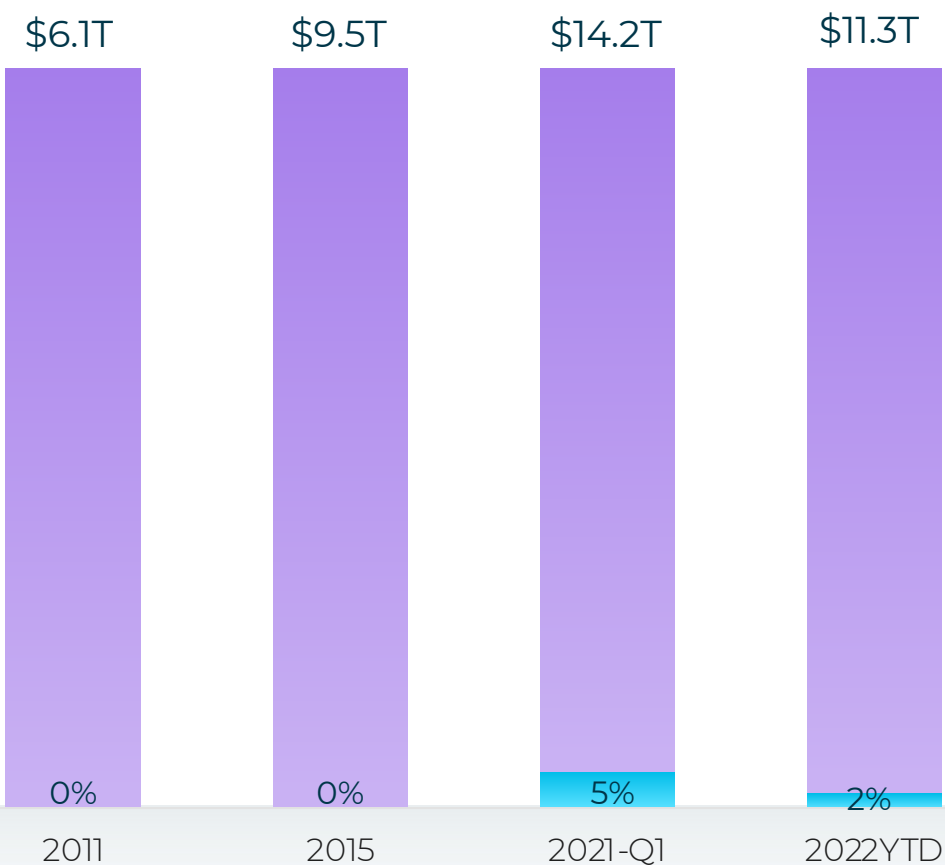
- Higher cost of capital jeopardizes business models that relied on cheap cash
- Consumer credit: higher defaults, lower disposable income and potentially unemployment rising
- Business credit: higher defaults, lower spending and significant cost cutting
- Slower growth due to shrinking marketing budgets and spending cuts in B2B
- Focus shift from growth to profitability – emphasis on margins!

But... fintech opportunity is still massive

Financial services have the largest gross profit pool across main sectors



Modern fintech market cap as % of total financial services is still tiny



Source: Coatue

A person in profile, wearing glasses, is shown in a dark blue, semi-transparent overlay. Overlaid on the person's face and hand are various financial data visualizations, including candlestick charts, line graphs, and numerical values. The background is a dark blue gradient with diagonal lines.

Stay tuned for our next blog: 2023 FinTech Predictions

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