



New Israeli FinTech Map

June 2024

Israeli FinTech Outshines:

Sector Resilience Reflects
Investor Confidence, Driving
a New Wave of Innovation



Executive Summary

FinTech Resilience

Despite global challenges, the public FinTech sector remains robust. Public FinTech companies have shown strong revenue growth and maintained solid gross margins, demonstrating their resilience in a challenging economic environment. They've nearly matched their 2022 KFTX levels, recovering strongly, but still slightly lagging behind the NASDAQ and S&P 500.

Investor Confidence in Israeli Early-Stage FinTech

Early-stage funding has highlighted investor confidence in FinTech disruptors. The proportion of smaller funding rounds has increased, indicating strong early-stage investment. In addition, the size of early-stage investment amounts for Israeli companies has risen, reflecting growing investor confidence in the sector.

Israeli FinTech Acquisitions Surge

Israeli FinTech companies stand out from global peers by prioritizing buy-side acquisitions over exits during tough times, showcasing their financial stability and strategic foresight. This highlights the sector's maturity and innovation, demonstrating its ability to grow in challenging market conditions and indicating its continued cross-cycle pursuit of success.

The Return of Israeli FinTech Funding

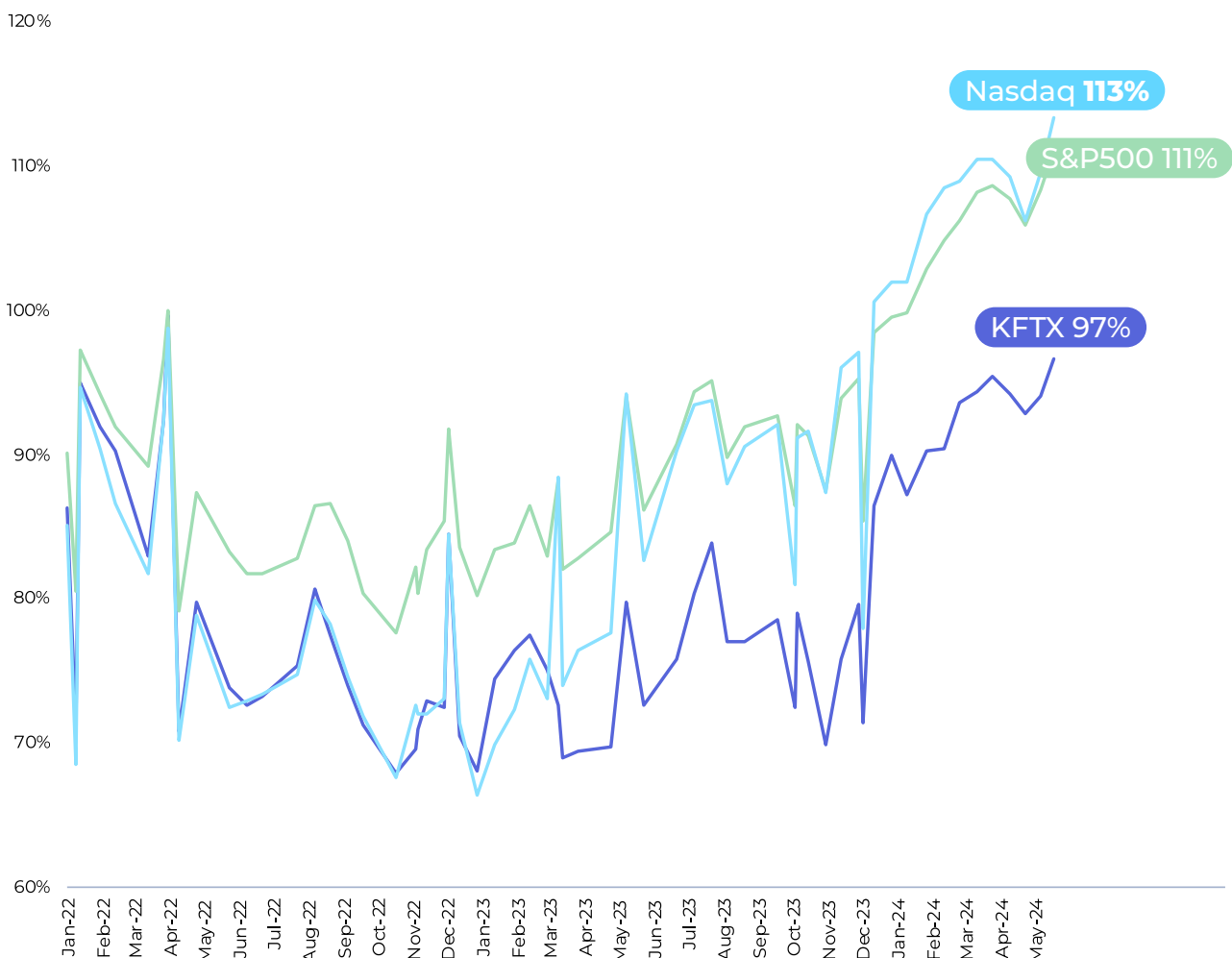
The early signs of recovery in funding activity in Q1 2024 are encouraging for the FinTech sector. Early and growth-stage rounds in Israel are nearing pre-2021 levels, indicating a positive trend in the funding landscape. This rebound suggests that the Israeli FinTech sector is on a path to regaining momentum, creating a conducive environment for growth and investment.

Public Global FinTech in 2023:

Strong Recovery, Outpaced by NASDAQ and S&P500

Public FinTech companies have demonstrated remarkable resilience in the face of global economic challenges. These companies nearly matched their 2022 KFTX levels, showcasing a strong recovery despite the tough environment. While the KFTX index slightly lagged behind the NASDAQ and S&P 500, the recovery trajectory of FinTech companies indicates their performance and adaptability.

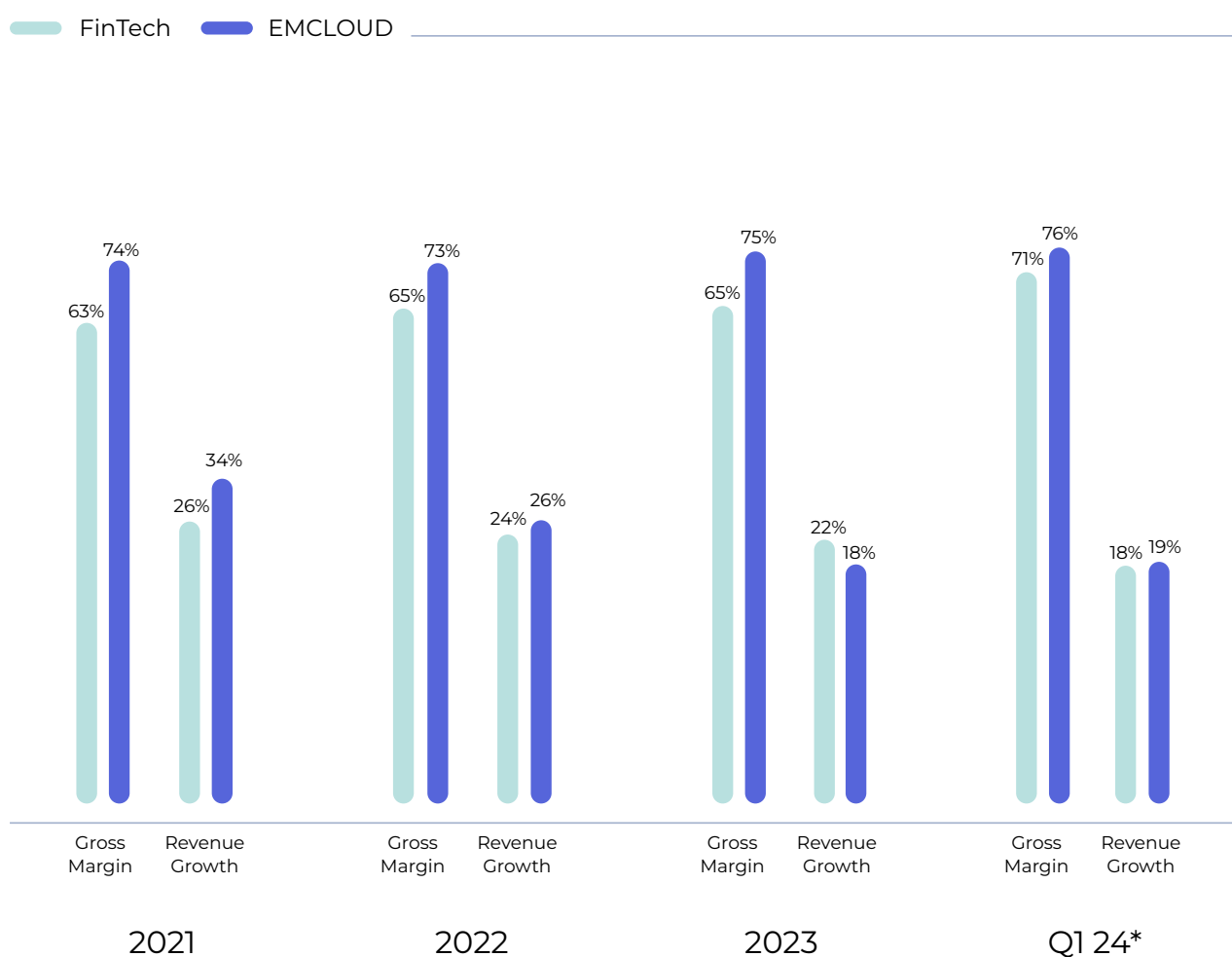
Cumulative share price performance (indexed for Jan 22)



Public Global FinTech Companies Demonstrate **Greater Resiliency**

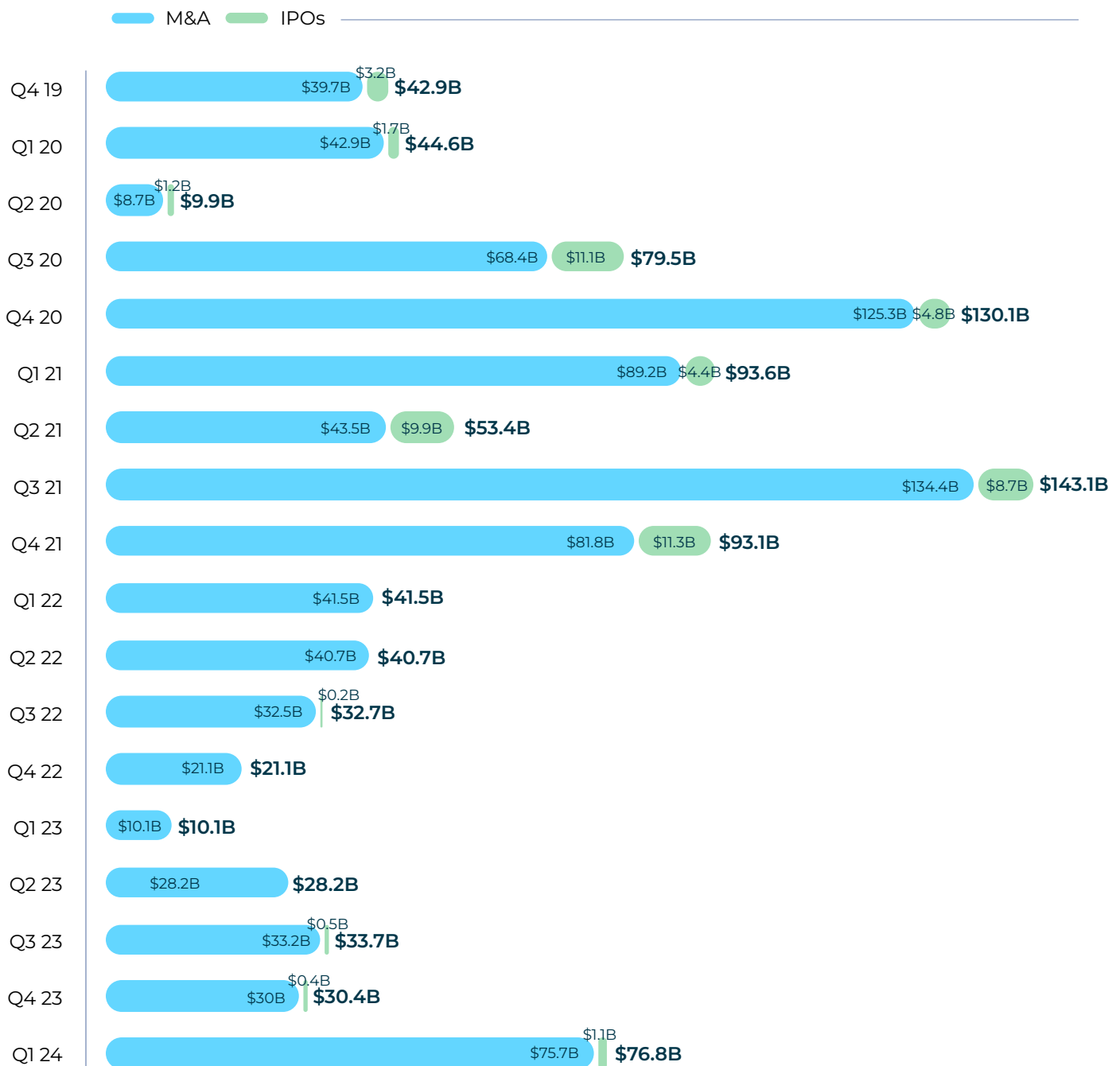
Since 2022, the gross margin of FinTech companies has grown more (from 65% to 71%) than the EMCLOUD Index, which only grew by 3% in the same period.

Furthermore, in 2023, they achieved greater revenue growth (22%) compared to the EMCLOUD companies (18%), underscoring their ability to maintain strong financial health under challenging conditions.



2023: Global M&A Rebounds to 2020 Levels, IPOs Remain Sluggish

M&As grew to \$75.7 billion in Q1 of 2024, up from \$30 billion in Q4 of 2023, marking a return to 2020's quarterly average level of \$61.3 billion. Meanwhile, IPOs remain sluggish, peaking at \$1.1 billion in Q1 of 2024.

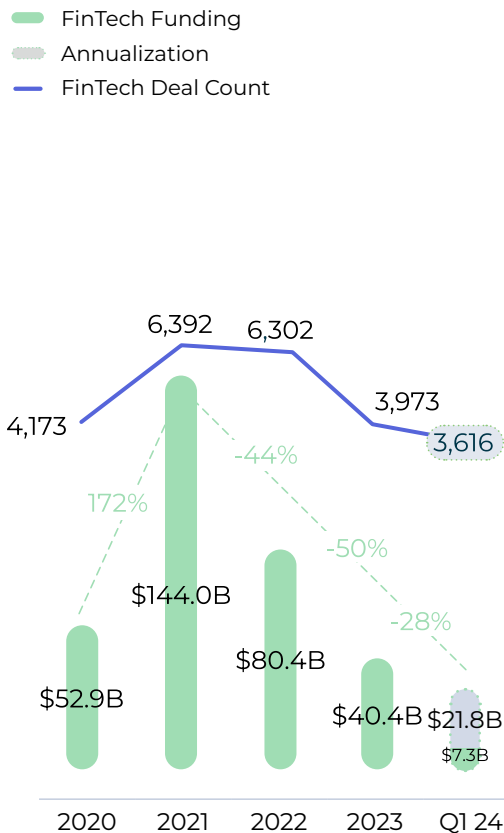


Private Financing Worldwide: FinTech Lags Behind and Continues Declining

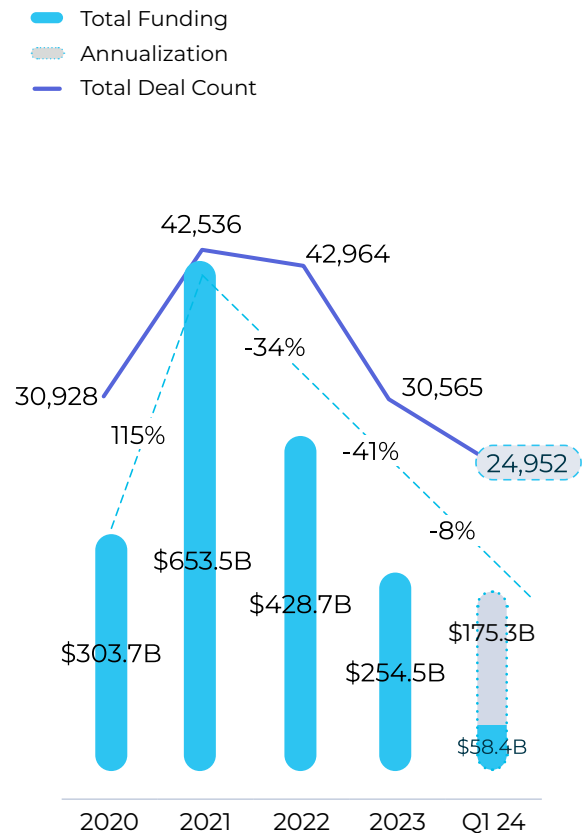
Worldwide, FinTech financing lagged behind funding in other sectors. While total funding reached \$254.5 billion in 2023, a decrease of 41% from 2022's \$428.7 billion, FinTech funding halved from \$80.4 billion in 2022 to \$40.4 billion in 2023.

Q1 2024 funding data supports this downward trend, with annualized FinTech funding projected to reach \$29.2 billion in 2024.

FinTech Funding Worldwide



Total Funding Worldwide

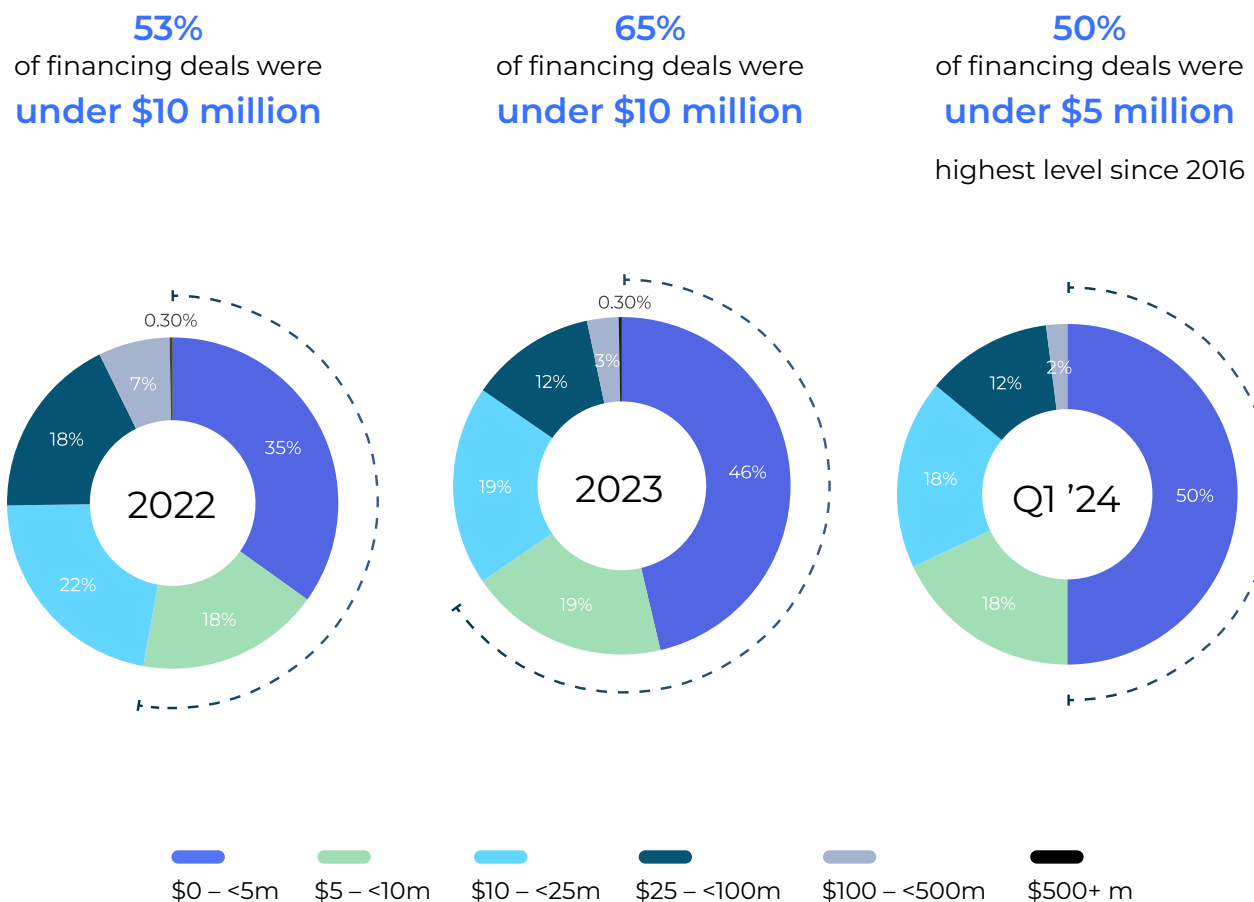


Early-Stage Deals Take a Bigger Slice: Investors Bet on New Disruption

Investor confidence in early-stage FinTech has remained robust, even amid broader economic uncertainties.

There has been a notable increase in the proportion of funding deals under \$10 million, growing from 53% in 2022 to 65% in 2023.

In Q1 of 2024, 68% of FinTech financing deals were under \$10 million, while 50% were under \$5 million, the highest level since 2016.





Israel

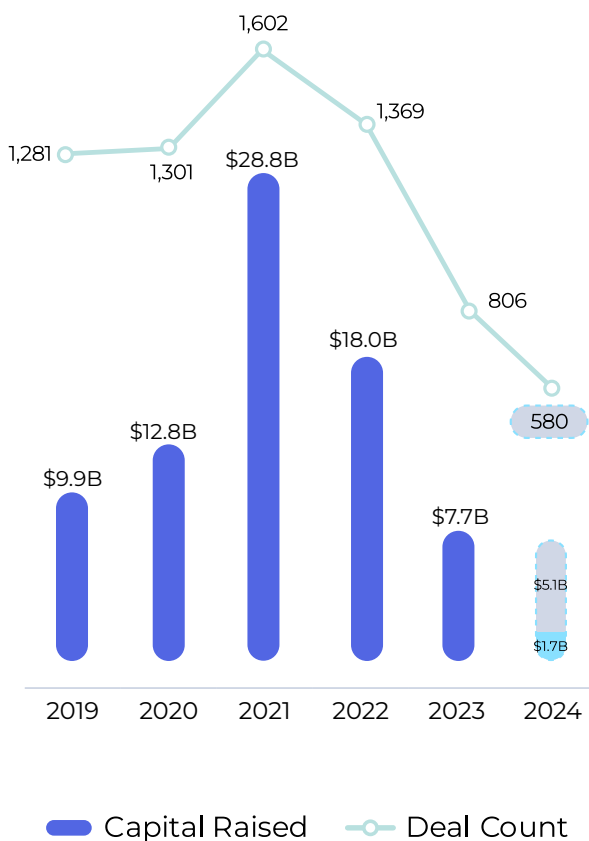


Israeli Funding Shows **Continued Decline** — FinTech Followed Suit, Reflecting Similar Trend

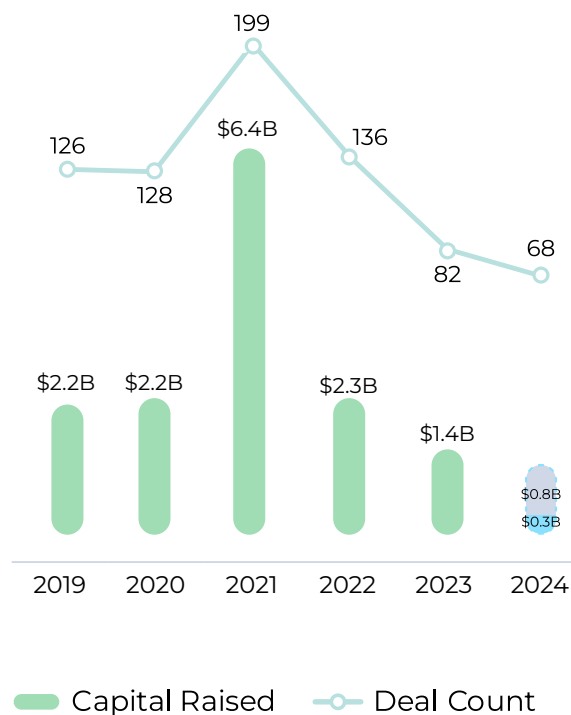
Funding in Israel continued to decline, dropping from a peak of 1,602 deals totaling \$28.8 billion in 2021 to 806 deals worth \$7.7 billion in 2023. In 2024, the annualized number of deals will decrease further to 580, totaling \$6.8 billion.

A similar trend is reflected in FinTech funding specifically, which dropped from a peak of 199 deals worth \$6.4 billion in 2021 to 82 deals worth \$1.4 billion in 2023. The annualized data for 2024 predicts a further decline to 68 deals worth \$1.3 billion.

Total Funding Activity in Israel



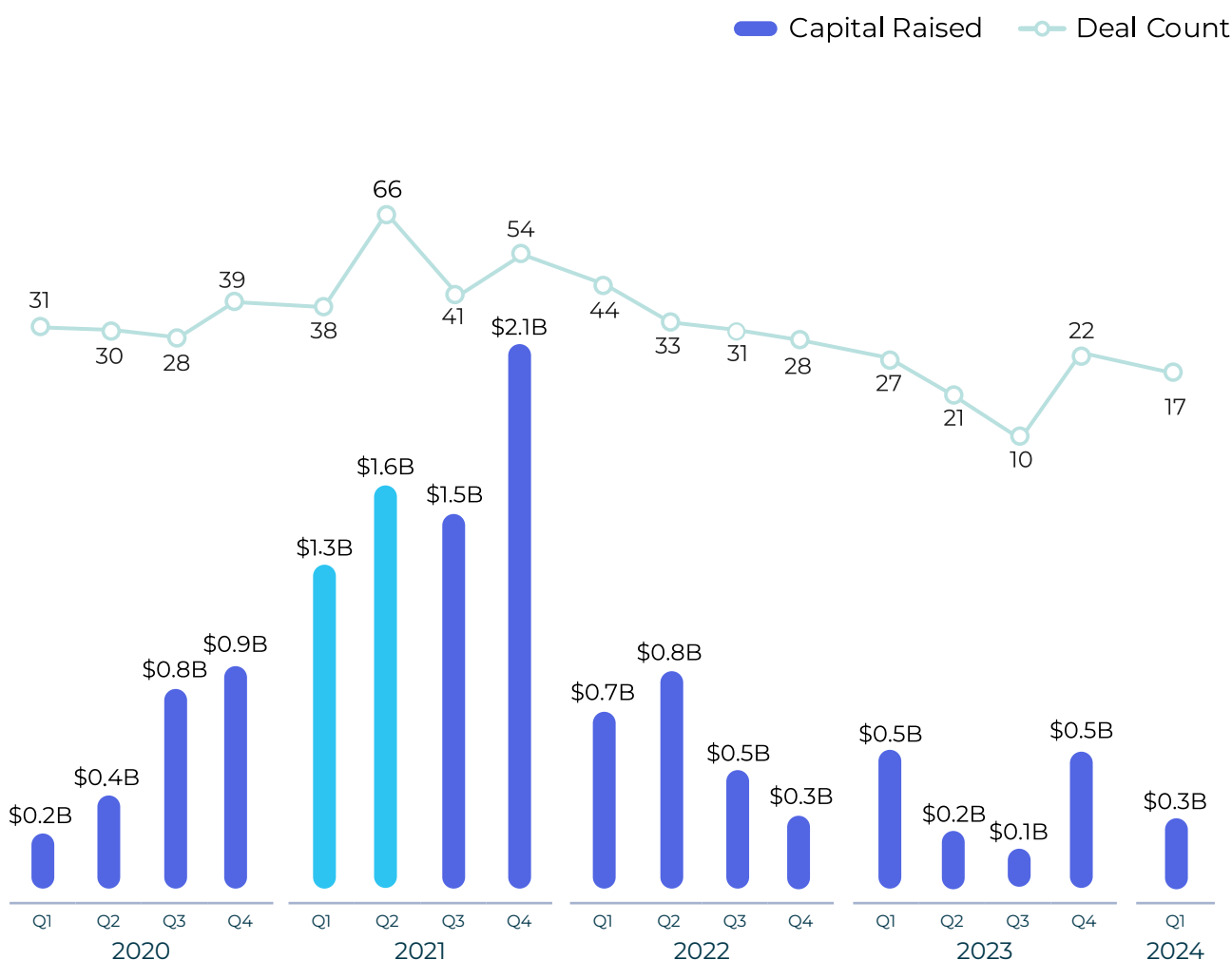
FinTech Funding Activity in Israel



However, Quarterly Analysis Reveals Signs of Recovery

An analysis of quarterly funding in Israel reveals signs of recovery, with 22 deals worth \$0.5 billion in Q4 2023 and 17 deals worth \$0.3 billion in Q1 2024, up from 10 deals worth \$0.1 billion in Q3 2023.

FinTech funding activity in Israel

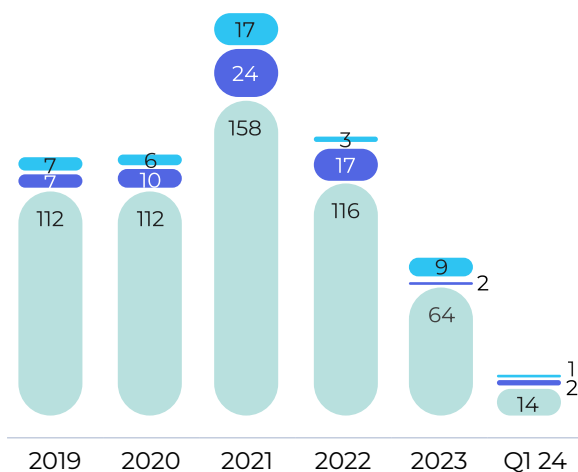


Mega Rounds Decline Significantly; Early and Growth Stage Rounds Return to Pre-2021 Levels

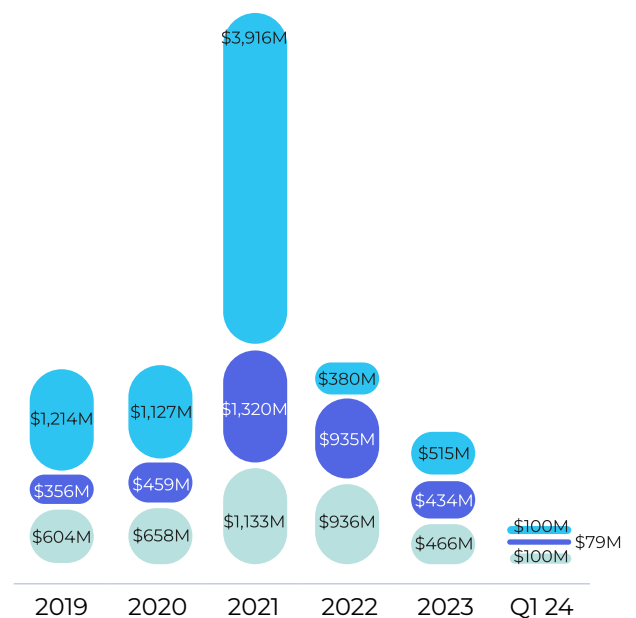
While mega-rounds have declined significantly, dropping to \$515 million in 2023 from \$3.9 billion in 2021, early-stage and growth-stage rounds are on the rise, returning to pre-2021 levels.

Growth-stage funding reached \$434 million in 2023, nearly matching 2020's \$459 million. Early-stage funding totaled \$466 million in 2023, compared to \$658 million in 2020.

of deals - FinTech in Israel,
by stage



Capital raised - FinTech in Israel,
by stage



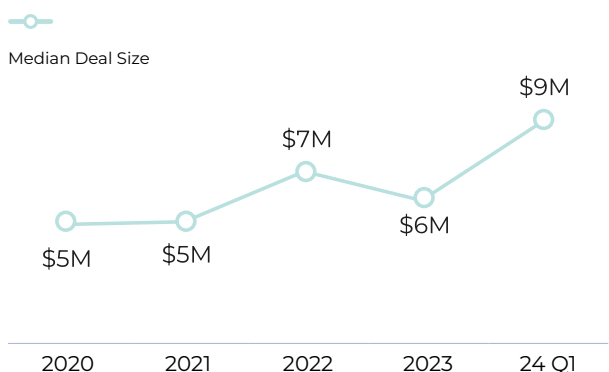
Early Stage Growth Stage Mega Rounds

Early-Stage Deal Sizes Continue to Rise

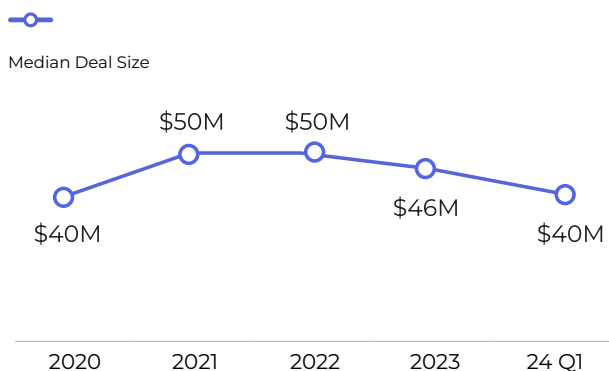
Early-stage FinTech investment amounts have risen consistently since 2020, with the median deal size increasing to \$9 million in Q1 of 2024. Growth-stage investments have remained more stable, hovering between \$40 million and \$50 million since 2020.

Meanwhile, mega-stage funding has fluctuated significantly, dipping to \$110 million in 2022 before peaking at \$258 million in 2023.

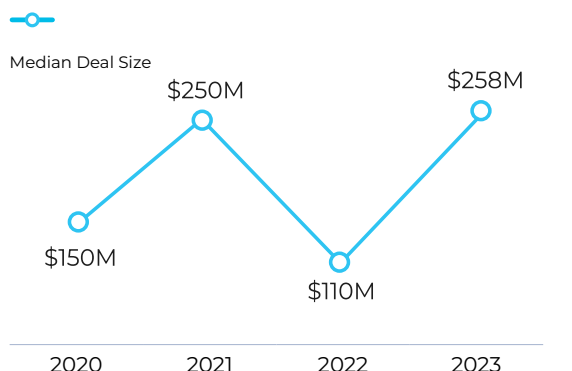
Early Stage



Growth Stage



Mega Stage



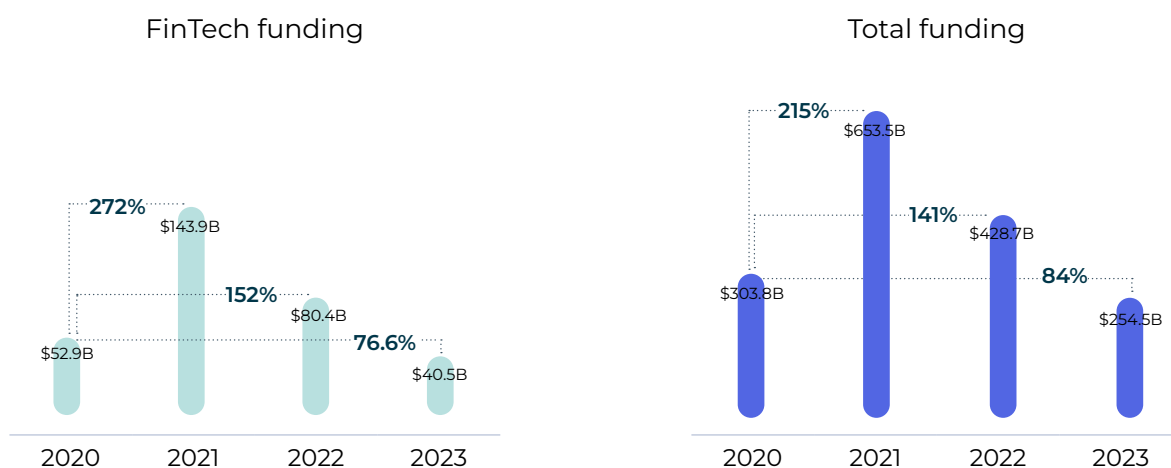
Israeli FinTech Shows Stronger Trend When Compared to Total Funding

Israeli FinTech funding has demonstrated remarkable resilience, outperforming overall funding across all sectors.

This is particularly notable given the opposite trend globally where overall funding outperformed the FinTech sector.

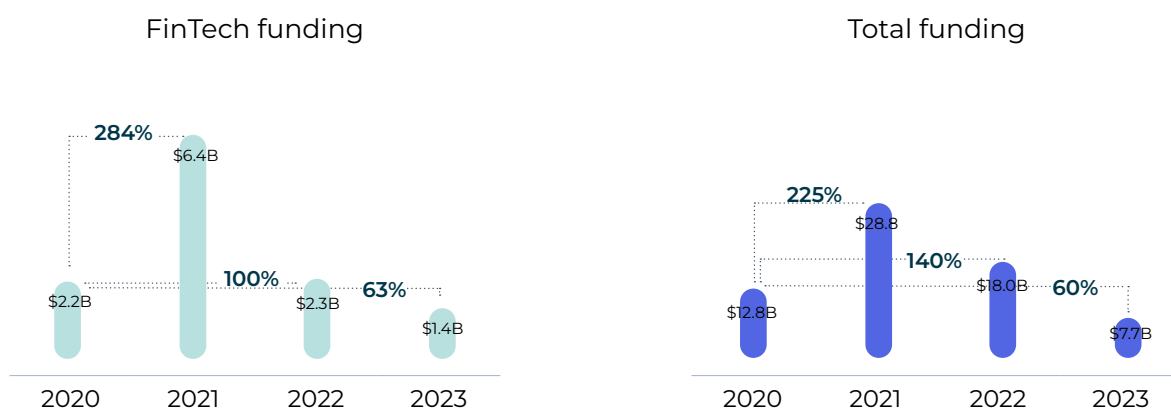
Worldwide

Calculations are based on 2020 as the reference year



Israel

Calculations are based on 2020 as the reference year

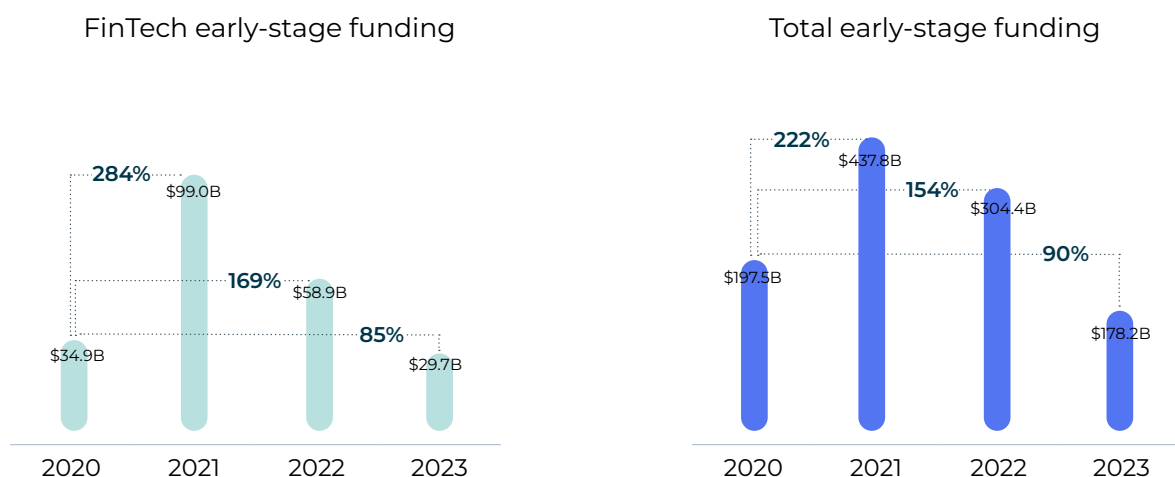


Israeli FinTech Strength is Even More Evident in Early-Stage Funding

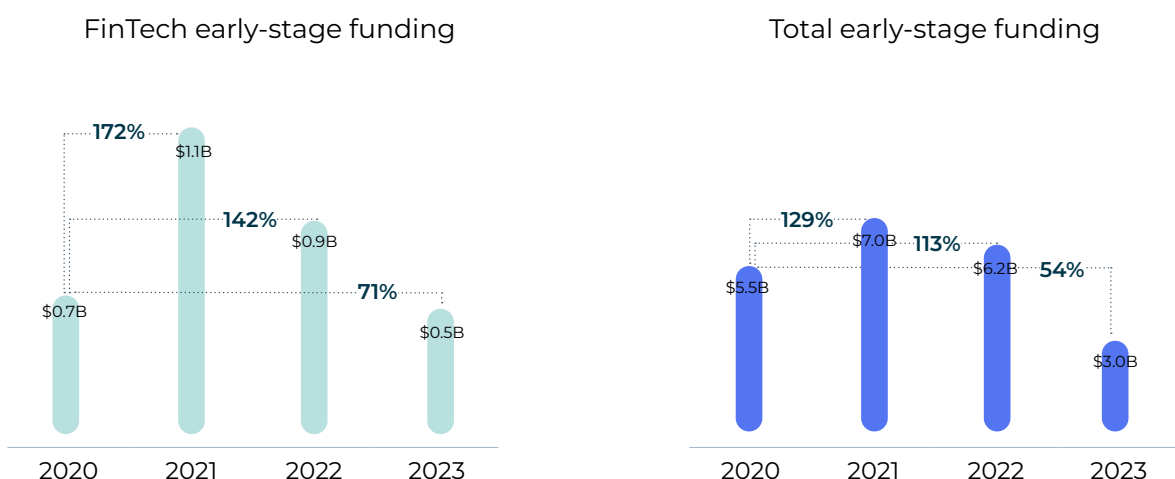
Early-stage funding dropped by 29% in Israel from 2020 to 2023, compared to 46% in total funding.

This trend contrasts with global patterns, where FinTech funding declined by 15%, compared to a 10% decline in total funding worldwide.

Worldwide _____ Calculations are based on 2020 as the reference year



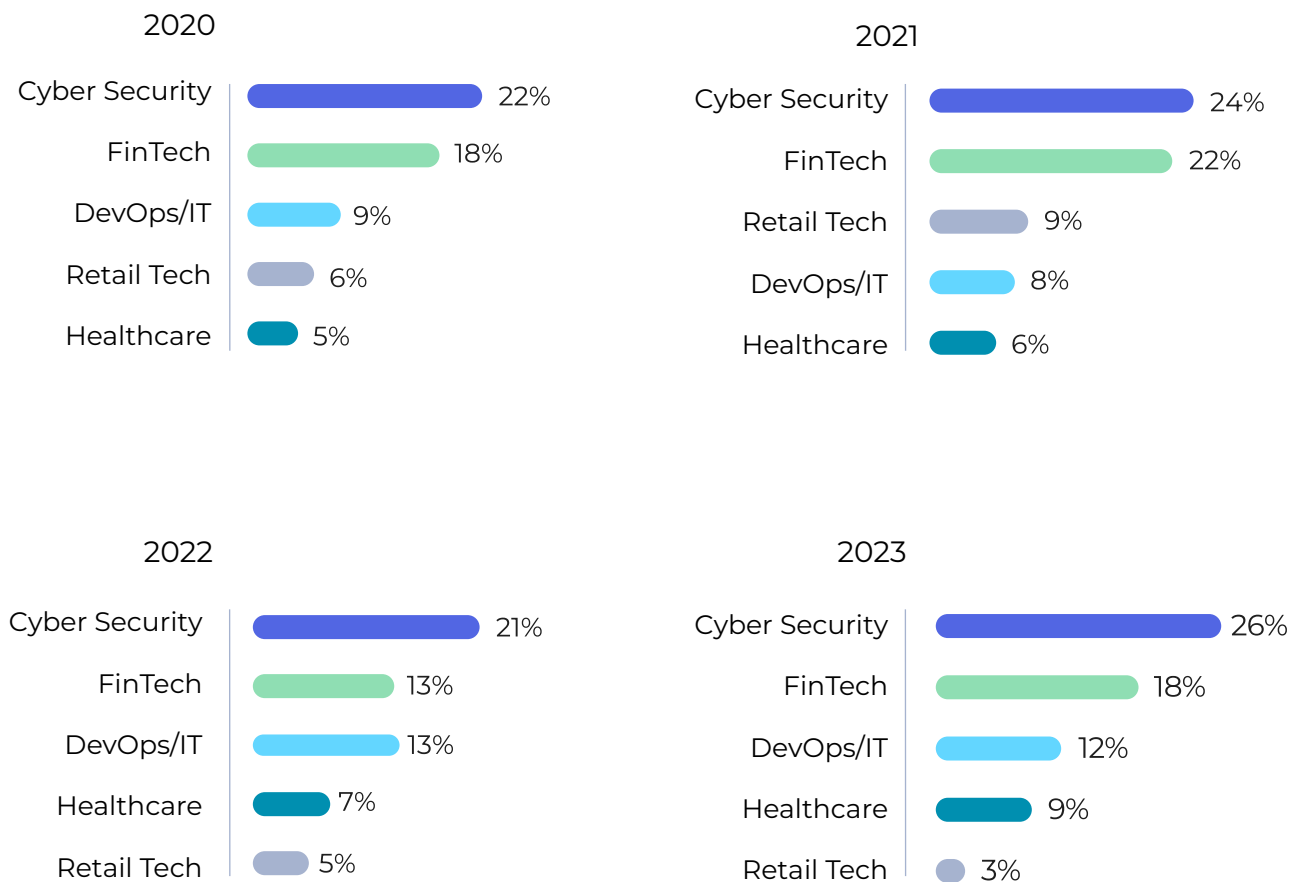
Israel _____ Calculations are based on 2020 as the reference year



FinTech Secures its Position in Funding, Second to Cyber

In terms of total capital raised, FinTech secured the second-place position in 2023, accounting for 18% of all fundraising, surpassed only by Cyber Security, which constituted 26% of the total.

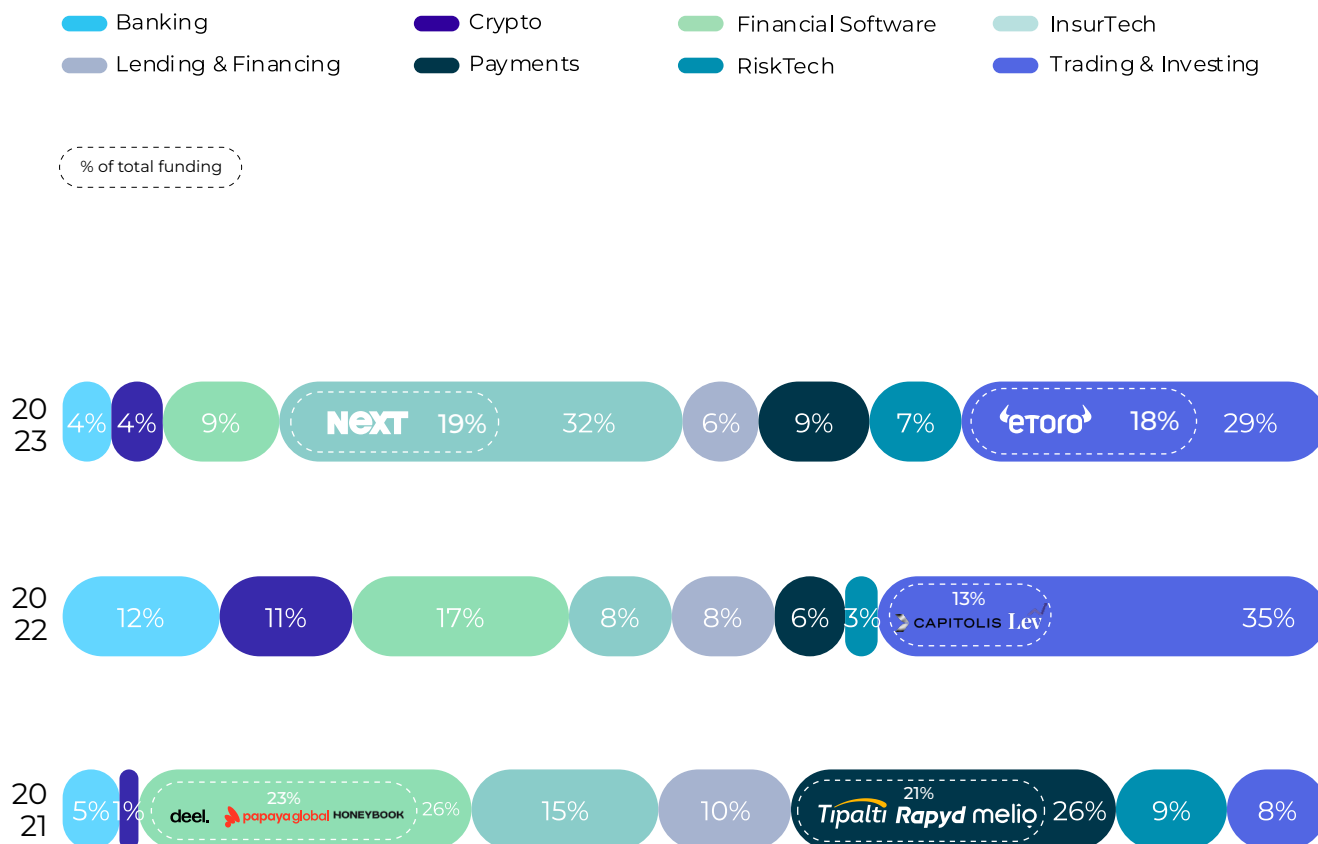
% of total capital raised in Israel, by year and category



Insurance Leads in Funding, Trading & Investing Remain a Major Player

InsurTech and Trading and Investing accounted for 61% of overall funding in 2023, with the other sectors accounting for less than 10% each.

In 2022, Trading and Investing led the pack with Financial Software, Banking, and Crypto accounting for 17%, 12%, and 11%, respectively.



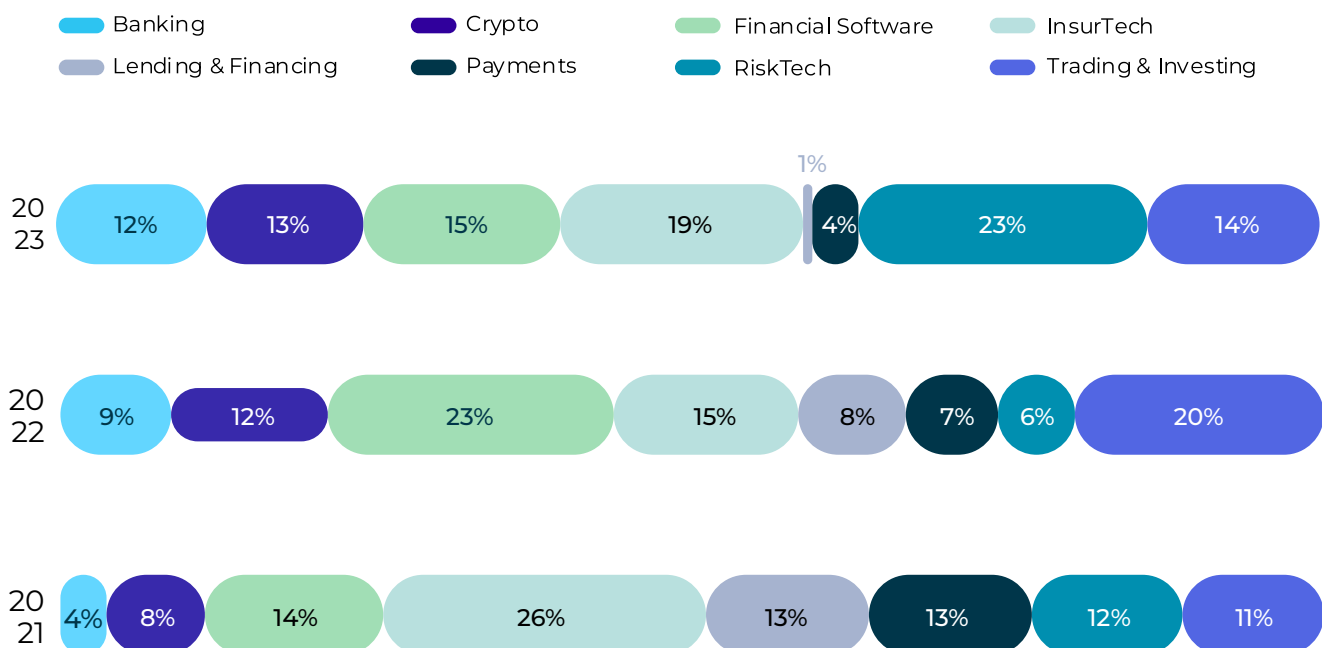
RiskTech Leads Early-Stage Funding, Reflecting Israel's Strong Cyber and Risk Ecosystem

In 2023, RiskTech represented a significant area of interest for early-stage investors, reflecting Israel's robust cyber and risk ecosystem and the evolving risk landscape as GenAI sees growing enterprise adoption.

RiskTech's share of funding rose significantly to 23% from only 6% in 2022.

This confidence from investors bodes well for the future, suggesting a fertile ground for continued growth and innovation.

The Financial Software, InsurTech, Trading and Investing, Crypto, and Banking sectors all performed well, each attracting more than 10% of funding, demonstrating strong overall performance and diverse areas of innovation.

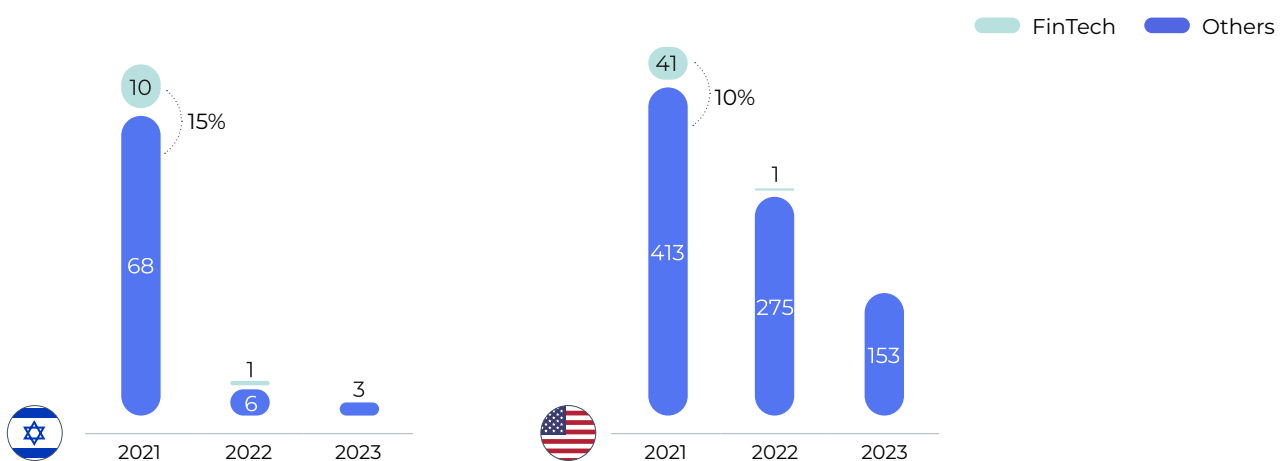


M&A and IPO Exits have **Sharply Decreased since 2022**

IPOs of Israeli companies decreased significantly from 78 in 2021 to just 3 in 2023, mirroring a similar trend in the U.S., where IPOs dropped from 454 to 153 during the same period.

This trend also affected the FinTech market, with only 1 IPO in 2022 and none in 2023 in both the U.S. and Israel. Additionally, Israeli FinTech M&A exits all but vanished in 2023, dropping from 10 deals worth \$1.1 billion in 2022 to only 2 deals worth \$4 million in 2023.

IPO markets have been frozen since 2022, FinTech included



Israeli FinTech M&A exits have been extinct since 2023



Mature FinTech companies, on the other hand, **Leverage Acquisition Opportunities**

In contrast to many global peers who might opt for mergers as an exit strategy during tough times, mature FinTech Israeli companies have made six notable acquisitions ranging from \$40 million to \$610 million in 2023.

This behavior indicates their financial stability and demonstrates their strategic foresight in identifying and seizing growth opportunities amidst market uncertainties.

The acquisitions made in 2023 highlight a critical aspect of the Israeli FinTech ecosystem – its readiness to innovate and expand even during challenging times. This readiness and capability to invest in growth reflect the sector's overall health and position for continued success.

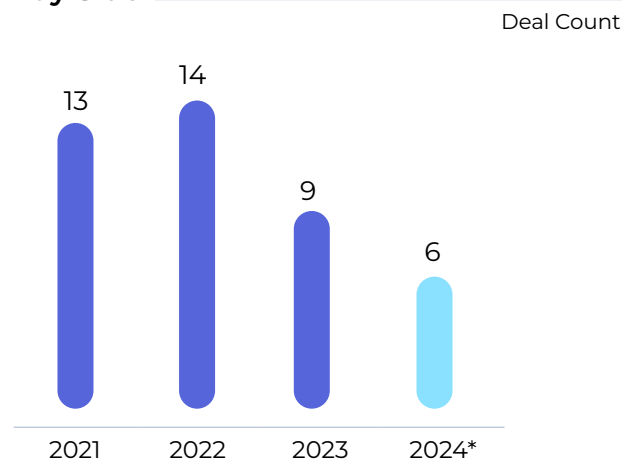
Prominent Acquisitions by Israeli FinTech Companies

Rapyd PayU ⁺	\$610M 	Rapyd VALITOR	\$100M 	deel. payspace	\$100M 
eToro Gatsby	\$50M 	CAPITOLIS LMRKTS	\$50M 	Tipalti approve.com	\$40M 

Sell Side



Buy Side



Notable Rounds 2023 – Q1 '24

NEXT _____ **\$265M (\$4B)**

etoro _____ **\$250M (\$3.5B)**

FUND GUARD _____ **\$100M (\$350M)**

STAMPLI _____ **\$61M**

Pontera _____ **\$60M (\$550M)**

lo black ore _____ **\$60M (\$200M)**

Novidea _____ **\$50M**

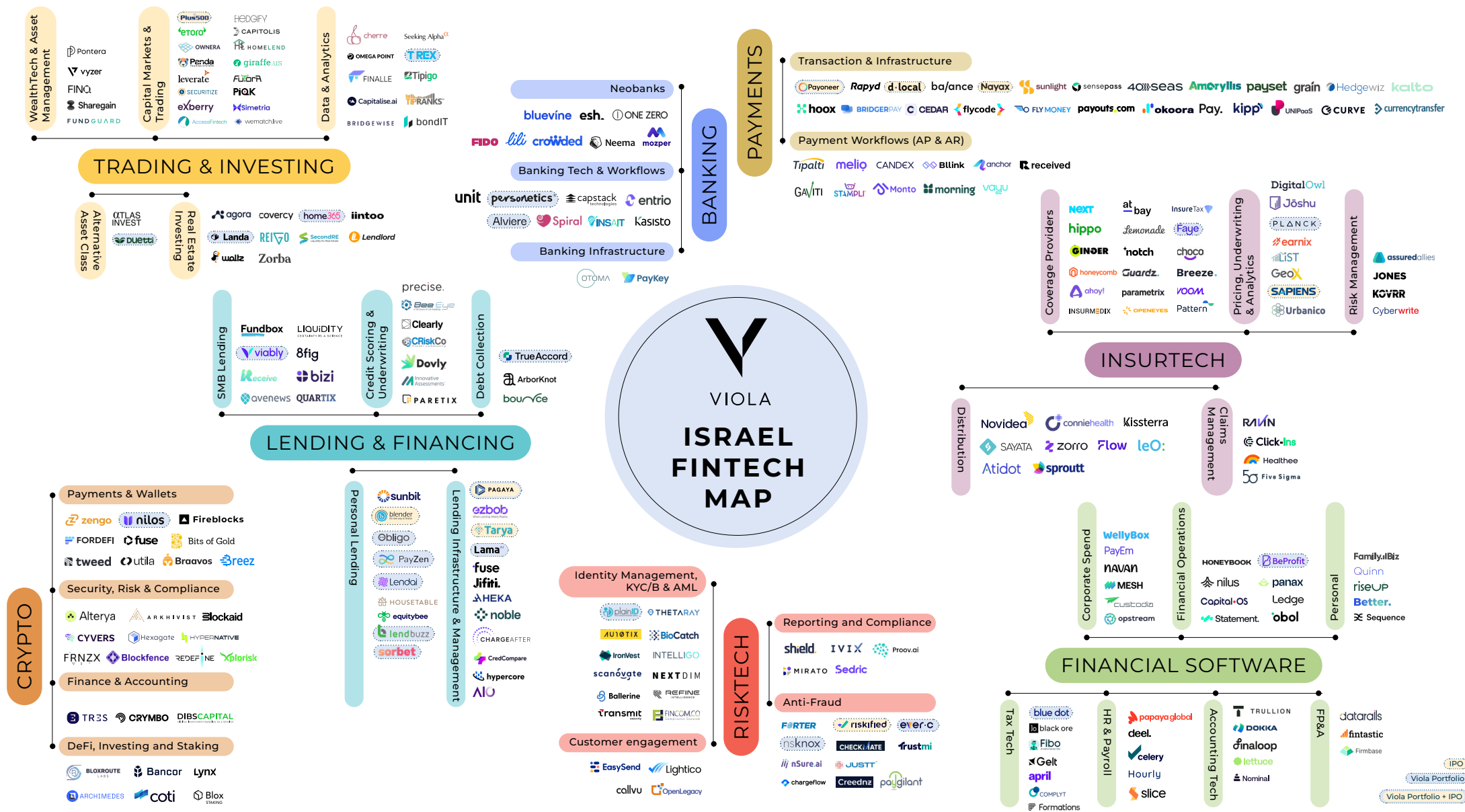
FAIRMATIC™ _____ **\$46M**

CANDEX _____ **\$45M**

LIQUiDITY _____ **\$40M (\$1.4B)**

8fig _____ **\$40M (\$260M)**





Viola is Israel's leading tech-investment group with over \$5B AUM. Founded in 2000, Viola has a rich history in the FinTech space and has backed some of Israel's top FinTech companies to date, including Pagaya (Nasdaq:PGY), Payoneer (NYSE: PAYO), and Personetics, alongside emerging FinTech companies such as Faye, PayZen and Duetti.

We back companies at all stages, from seed to growth and debt, and we partner with exceptional founders developing category-defining businesses looking to disrupt markets.

www.viola-group.com



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Omry Ben David is a General Partner at Viola Ventures. He joined the fund in 2017 bringing with him 15 years of technology-focused experience across investment banking, startup operations and both institutional and private venture investments. Prior to Viola, Omry was a senior VP at Goldman Sachs in the tech, media and telecom investment banking group. Omry's areas of investment at Viola Ventures include Fintech, Enterprise / SMB Software and Vertical AI.



Uri Lampert is a Principal at Viola Ventures. Uri is a Certified Public Accountant (CPA) and a lawyer, with more than seven years of experience in financial and legal advising across various industries. Uri holds an LL.B in Law & Accounting with honors (summa cum laude) from the Hebrew University of Jerusalem.