

MoneyTree™ Q3 2012 IL Report

Report results

VC investments down 33% from second quarter, lowest investment level in 2012

Some \$171 million VC financing invested in hi-tech companies in Q3 2012 compared with \$255 million in the second quarter 2012

The PwC Israel MoneyTree™ Report for the third quarter of 2012

Tel Aviv, Israel, October 23, 2012, Venture capital-backed tech companies (in which at least one investor in a funding round is a venture capital fund) raised \$171 million in Israel during the third quarter of 2012, down 33% from \$255 million in the previous quarter and a 13% decrease from \$198 million in the corresponding quarter last year, according the latest PwC Israel's MoneyTree™ Report.

The report also indicates that 52 Israeli high-tech companies raised VC funding in the third quarter of 2012, compared to 59 in the preceding quarter and 44 in the corresponding quarter of last year. The average investment per company in the quarter under review was \$3.3 million, down from \$4.3 million in the preceding quarter and \$4.5 million in the corresponding quarter of last year.

During the current quarter, \$82 million were invested in 5 deals of over \$10M, compared with \$132 million invested in 9 deals in the previous quarter and \$75 million in 5 deals in Q3 of 2011.



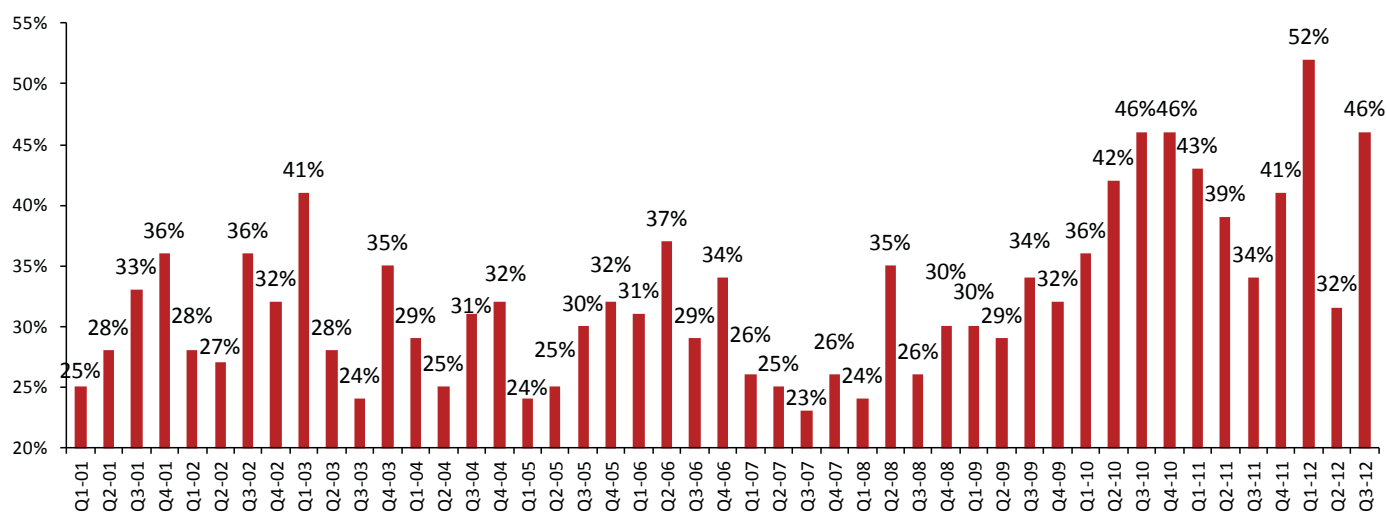
Mr. Rubi Suliman,
Partner,
High-Tech Leader

Rubi Suliman, Partner, High-Tech Leader commented on the findings:

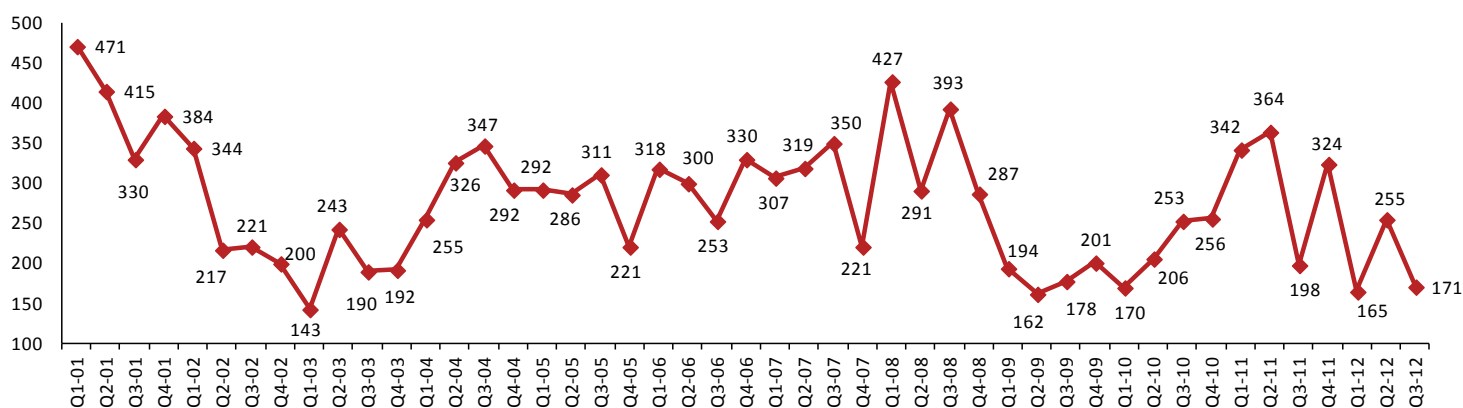
Rubi Suliman, Partner, High-Tech Leader, PwC Israel said "the high quarterly volatility in investment levels is in part a result of scarcer VC financial resources. Given this, it is difficult to come to any concrete conclusions by just looking at any given quarter separately. Yet, in the first nine months of 2012, investment was \$591M compared with \$904M in the corresponding period of 2011. Without a doubt, 2012 is going to end with much lower levels of investment overall than the previous year. The most disturbing piece of information is the miniscule investment in seed companies (less than 2%) and the decline in early stage investments. While Israeli hi-tech is proud of its numerous mature companies, the next generation of companies is finding it increasingly harder to raise the money it needs".

MoneyTree™ Q 3 Report 2012 results IL Report

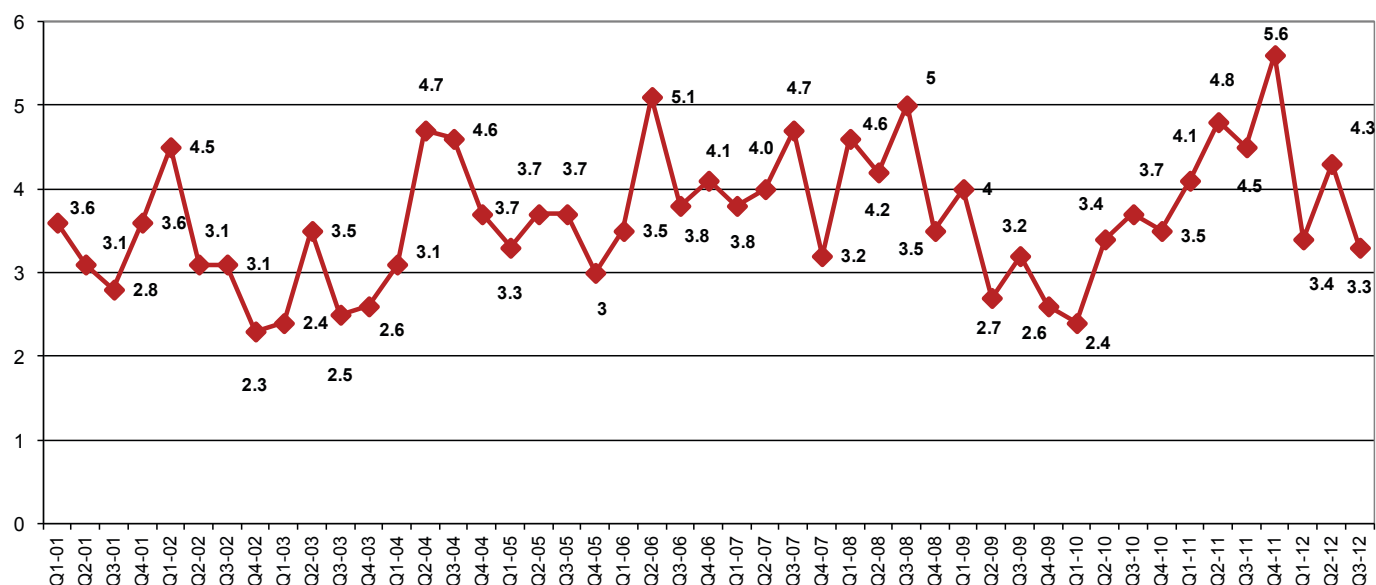
Percentage of funds making no investment



Annual investment levels of Venture Capital Funds (in millions of dollars)



Average investment per company (in millions of dollars)



Analysis by Geographic Location of Company Registration

A total of 50 companies, representing 96% of companies raising VC capital in the third quarter of 2012, are registered in Israel. These companies raised \$168 million or 98% of total investment.

Companies Receiving Grants from the Office of the Israel Chief Scientist

16 companies, representing 31% of all companies raising VC capital in the third quarter of 2012, are supported by the Office of the Israel Chief Scientist. Some \$66 million of total investment funds went to these companies.

Analysis by Leading Technology Sector

This quarter, 11 companies in the **internet sector** raised \$18 million, down from 17 companies raising \$83 million in the previous quarter and 12 companies raising \$23 million in the corresponding quarter last year. The average investment per company in this sector was \$1.6 million during the current quarter, compared to \$4.9 million in the previous quarter and \$2 million in the corresponding quarter last year. In monetary terms, this is a 78% decrease compared with the preceding quarter and a 23% decrease compared with the corresponding quarter of last year.

11 companies operating in the **communications and networking sector** raised \$71 million compared with \$16 million invested in 6 companies in the previous quarter and \$66.2 million going to 11 companies in the corresponding quarter last year. The average investment per company this quarter is \$6.4 million, up from \$2.7 million last quarter and \$6 million in the third quarter of 2011. In monetary terms, this is a 335% rise from last quarter and a 7% rise compared with the corresponding quarter of last year.

The life sciences sector, which combines medical devices and biotechnology, attracted more investments than it did in the preceding quarter. This quarter, 9 companies raised \$26 million, compared with \$9 million raised by 7 companies in the preceding quarter and \$56 million raised by 7 companies in the corresponding quarter of last year. The average investment per company this quarter was \$2.9 million, as compared with \$1.3 million in the preceding quarter and \$7.9 million in the corresponding quarter of last year. In monetary terms, this is a 194% rise from last quarter and a 53% decrease compared with the corresponding quarter of last year.

During the third quarter of 2012, 13 companies operating in the **software sector** raised \$39 million, compared with an investment of \$41 million in 11 companies last quarter and \$22 million in 5 companies in the corresponding quarter of last year. In monetary terms, this is a 5% decrease compared with the last quarter and a 79% rise compared with the corresponding quarter of last year. The average investment per company during the current quarter was \$3 million, compared with \$3.7 million in the preceding quarter and \$4.4 million in the corresponding quarter of last year.

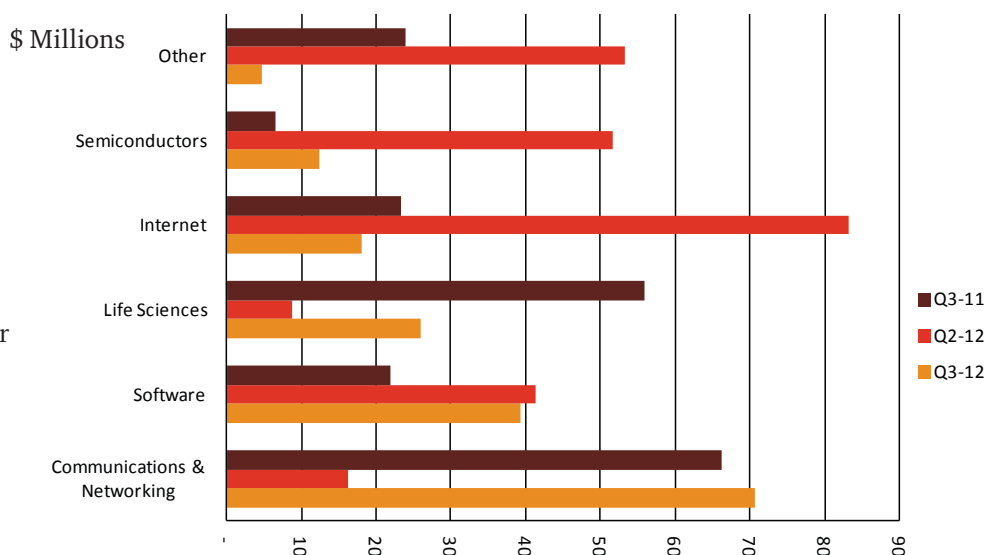
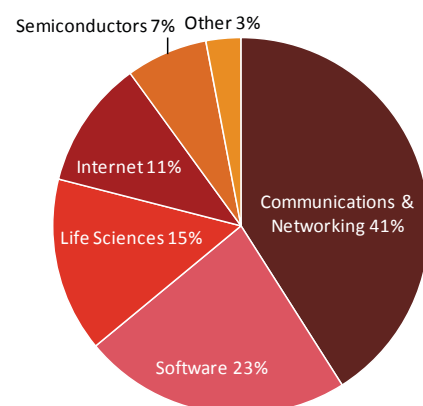
Two companies operating in the **Semiconductors sector** raised \$12 million this quarter, compared with 5 companies raising \$52 million in the preceding quarter and 2 companies raising \$6.5 million in the corresponding quarter of last year. The average investment per company in this sector is \$6.2 million in the third quarter, down from \$10 million in the previous quarter and \$3.25 million in the corresponding quarter of last year.

Among companies operating in the **miscellaneous sector** are companies operating in the media, energy, industry and other sectors. 6 companies classified under this category raised \$5 million in

the present quarter, representing 3% of the total investment for the quarter. These figures are compared with 13 companies raising \$53 million in the previous quarter, and 11 companies raising \$24 million in the corresponding quarter last year.

The cleantech sector, grouping together companies from across sectors, including alternative energy, pollution prevention and recycling, power production and conservation, saw \$8 million invested in 4 transactions, up from \$2 million invested in 3 transactions last quarter.

Total investment by sector



Analysis by Investment Round

Early Round

In the third quarter, 20 companies raised \$42 million in the early round phase (the first and second rounds combined). This compared with 27 companies raising \$91 million in early-round financing last quarter and to 15 companies that raised \$64.4 million in the corresponding quarter of last year. The average early-round investment per company for the third quarter was \$2 million, compared with \$3.3 million for the preceding quarter and \$4.3 million in the corresponding quarter of last year.

Third round

This quarter, 6 companies raised \$34 million in third-round funding. This compares to 8 companies raising \$42 million in third-round investment in the previous quarter and 9 companies that raised \$62.9 million in the corresponding quarter of last year. The average third-round investment per company for the third quarter was \$5.6 million, compared with \$5.2 million in the preceding quarter and \$7 million for the corresponding quarter of last year.

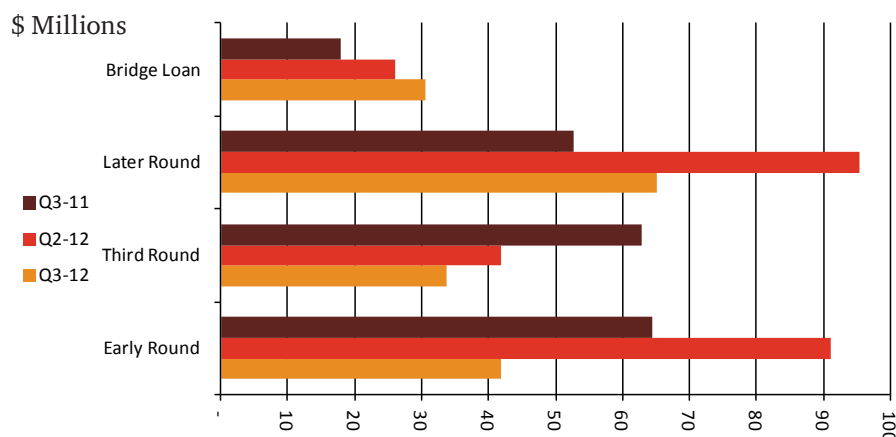
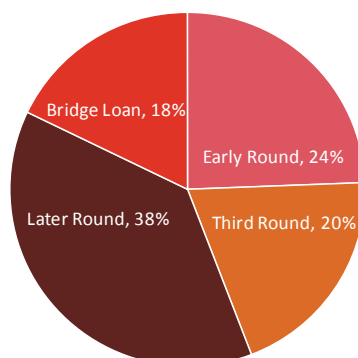
Later round

7 companies raised \$65 million in the present quarter through later investment round transactions (i.e., fourth investment round and beyond). This compares to 8 companies that raised \$95 million in later-round investment in the preceding quarter and to 5 companies raising \$52.7 million in the corresponding quarter of last year. The average later-round investment for the third quarter was \$9.3 million, as compared with \$11.9 million in the preceding quarter and \$10.5 million in the corresponding quarter of last year.

Bridge loans

A total of 19 companies raised \$31 million through bridge loans this quarter compared to 16 companies raising \$26 million last quarter and 15 companies raising \$17.9 million in the corresponding quarter of last year. In the present quarter, the average amount of bridge loans per company was \$1.6 million, in line with last quarter and \$1.2 million in the corresponding quarter of last year.

Total investment by investment round



Analysis by Company Development Stage

Seed/Start-Up Stage

3 companies at the start-up stage raised \$2.6 million during the third quarter of 2012, representing 2% of total investments this quarter. This compares to 5 companies raising \$4.5 million last quarter and 3 companies raising \$14 million in the corresponding quarter of last year. In the third quarter, the average investment per company at this stage of development was \$900 thousand in line with last quarter and \$4.7 million in the corresponding quarter of last year.

Intermediate stage (early/expansion stage)

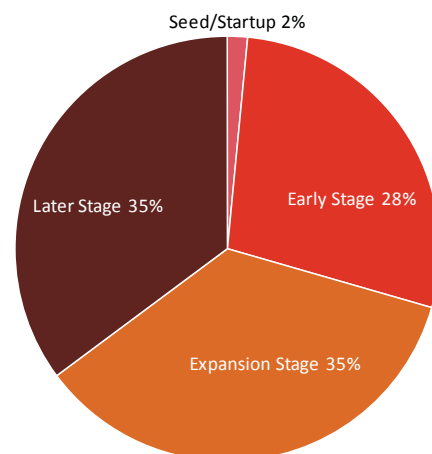
This quarter, 42 companies at the intermediate stage of development raised \$108 million, compared with 52 companies that raised \$249 million last quarter and 36 companies that raised \$139 million in the corresponding quarter of last year. The average investment for this quarter was \$2.6 million, as compared with \$4.7 million in the previous quarter and \$3.9 million in the corresponding quarter of last year.

An internal analysis of intermediate stage investment reveals that 24 companies at the early stage of development raised \$48 million during the quarter under review, with 18 companies at the expansion stage of development raising \$60.5 million.

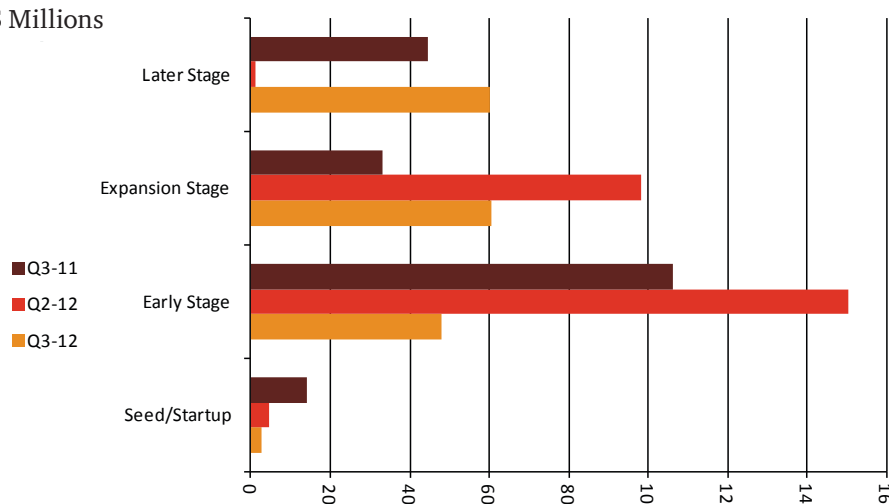
Later stage

7 companies at the later stage of development raised \$60 million this quarter compared with 2 companies that raised \$1.3 million in the previous quarter and 5 such companies that raised \$44.7 million in the corresponding quarter of last year. The average investment for the current quarter was \$8.6 million up from \$645 thousand in the preceding quarter and \$8.9 million in the corresponding quarter of last year.

Total investment by company development stage



\$ Millions



The MoneyTreeTM Report is published quarterly by PwC Israel, in conjunction with the reports published in the United States and Europe by the global financial services network, PwC. This quarter, 37 venture capital firms participated in the production of the Report. The findings of the Report are widely used each quarter by Israeli and foreign venture capital funds, commercial banks, investment banks and other financial institutions both in Israel and abroad, high-tech companies, government departments, the Office of the Chief Scientist and others.

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