

MoneyTree™ Report

Q 4 2012 results IL Report

Decrease in Venture capital Investment

Some \$867 million VC financing invested in hi-tech companies in 2012 compared with \$1.2 billion in 2011

*The PwC Israel
MoneyTree™ Report for the
fourth quarter of 2012*

Tel Aviv, Israel – February, 2013 - Venture capital-backed tech companies (in which at least one investor in a funding round is an Israeli venture capital fund or a fund with an Israeli representative) raised \$867 billion in Israel during 2012, a decrease of 29% from \$1.2 billion in 2011 and a decrease of 2% from \$884 million raised in 2010. The average investment per company in 2012 amounted to 4.1 \$ million, compared with \$4.7 million in 2011 and \$3.3 million in 2010, according the latest PwC Israel's MoneyTree™ Report.

In the fourth quarter of 2012, venture capital-backed tech companies raised in Israel \$277 million – an increase of 62% compared with the previous quarter, during which companies raised \$171 million and a decrease of 14% compared with the corresponding quarter last year, during which companies raised \$324 million.

The report also indicates that 52 Israeli high-tech companies raised VC funding in the fourth quarter of 2012, the same number as the preceding quarter and 58 in the corresponding quarter of last year. The average investment per company in the quarter under review was \$5.3 million, up from \$3.3 million in the preceding quarter and \$5.6 million in the corresponding quarter of last year.

During the current quarter, \$191 million was invested in 12 transactions of over \$10M, compared with \$82 million invested in 5 transactions in the previous quarter and \$198 million in 9 transactions in Q4 of 2011. During 2012, \$476 million was invested in 31 transactions of over \$10M, compared with \$678 million invested in 36 transactions in 2011 and \$316 million in



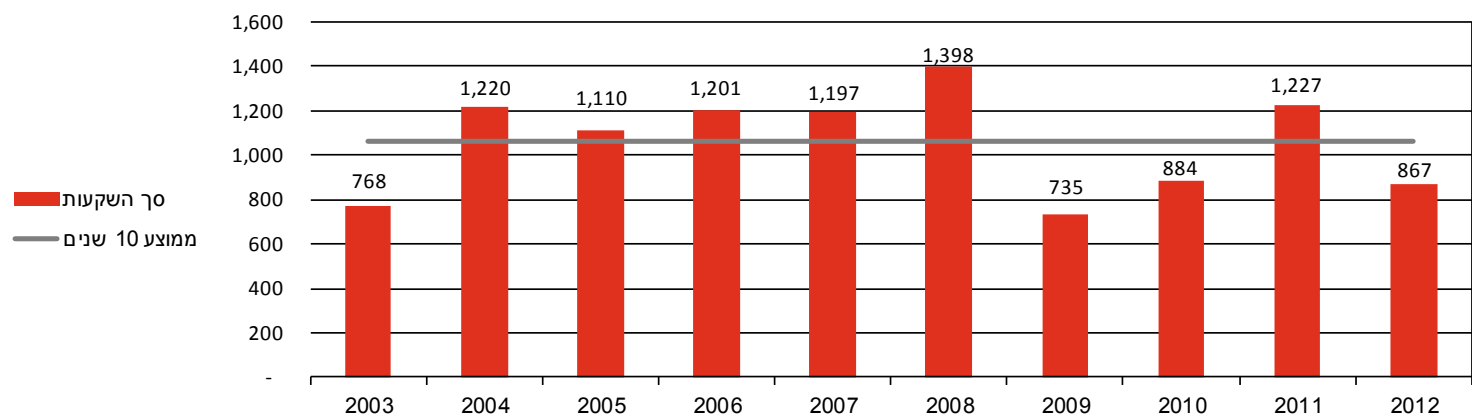
Mr. Rubi Suliman,
Partner,
High-Tech Leader

Rubi Suliman, Partner, High-Tech Leader, PwC Israel said "the Israeli high-tech industry has experienced a continued shift in the financing landscape over the last few years. Israeli VC funds, which used to dominate almost every significant transaction in Israel, have been recently losing ground to alternative investment entities such as private investment firms (mainly foreign), international VCs (with no representation in Israel), angels, micro-funds, etc. Yet, this is not to say that local VCs are out of the game. Israeli funds continue to have a pivotal role in the local industry. By cooperating with foreign investment entities, they provide the extra confidence that foreign investors need when making their first steps in this market. In fact, Israeli funds sometimes actively attract foreign investors to join them in their portfolio and by that help bring more investment to Israel in the longer run. The key change now, however, is that we see those foreign investment entities acting increasingly independently in the Israeli market, making investments in Israeli hi-tech without involvement of an Israeli fund, and those investments are naturally outside the scope of the MoneyTree report.

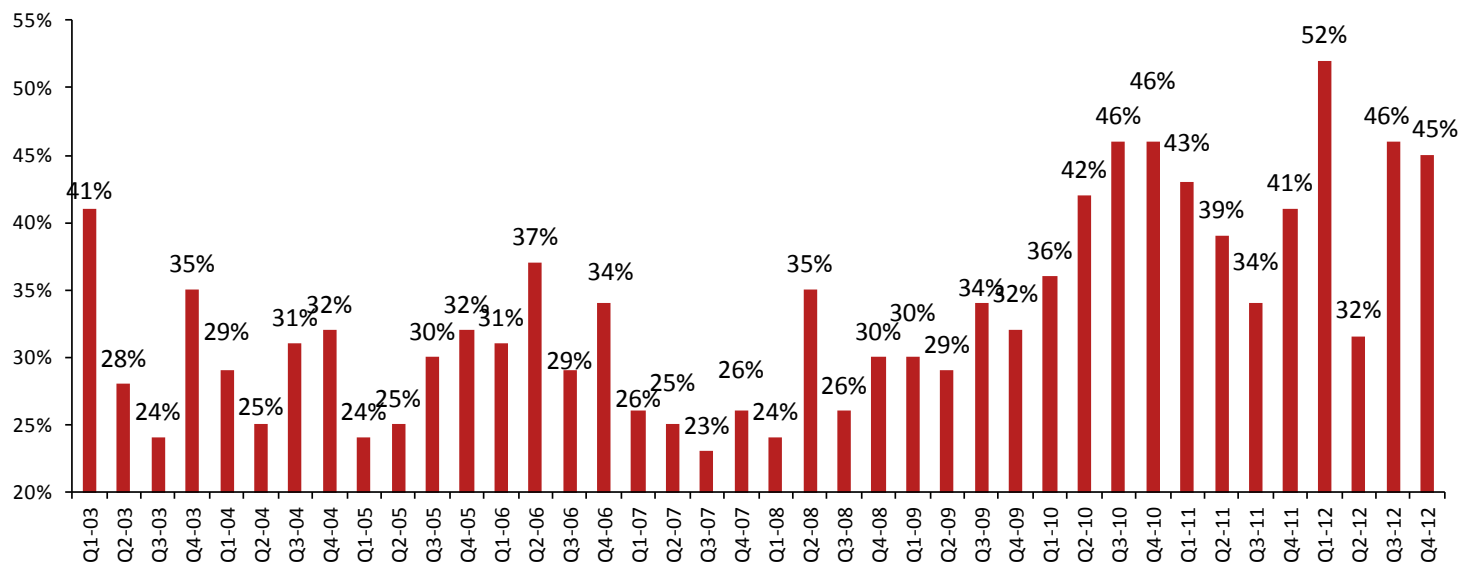
Given that this trend is poised to intensify, in conjunction with less money in local funds, it is small wonder then that VC-backed investments are in decline. The total investment in 2012 was 29% lower than 2011 and 28% lower than the average of \$1.06 billion in annual VC-backed investment over the last decade.

Recently we published the 2012 PwC Israel [Exit Report](#), presenting an impressive \$5.5 billion in exits in 2012. This figure will translate into better returns for funds, making it easier for some of them to raise additional capital in 2013. However, peering forward into 2013, it is fair to assume that we will not see an increase in VC-backed companies and that the trend towards alternative investment entities is set to continue".

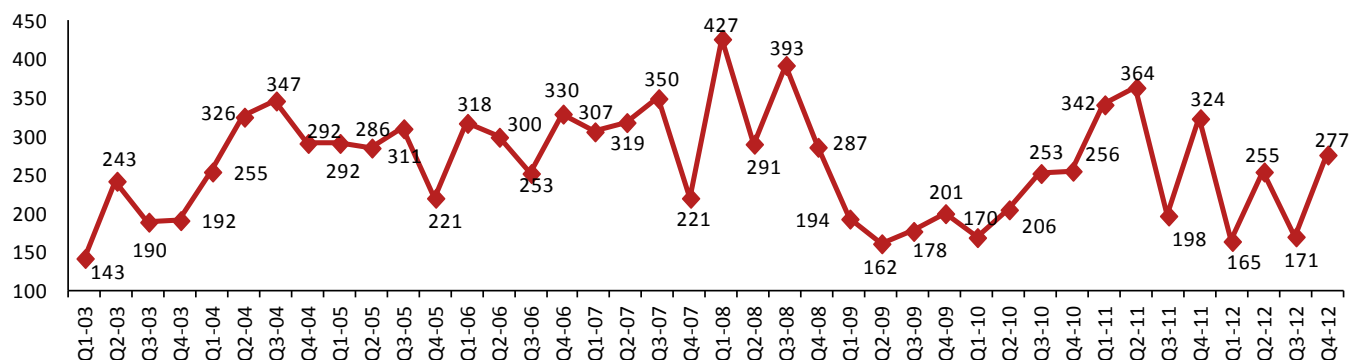
Total annual investment 2010-2012 (in million \$)



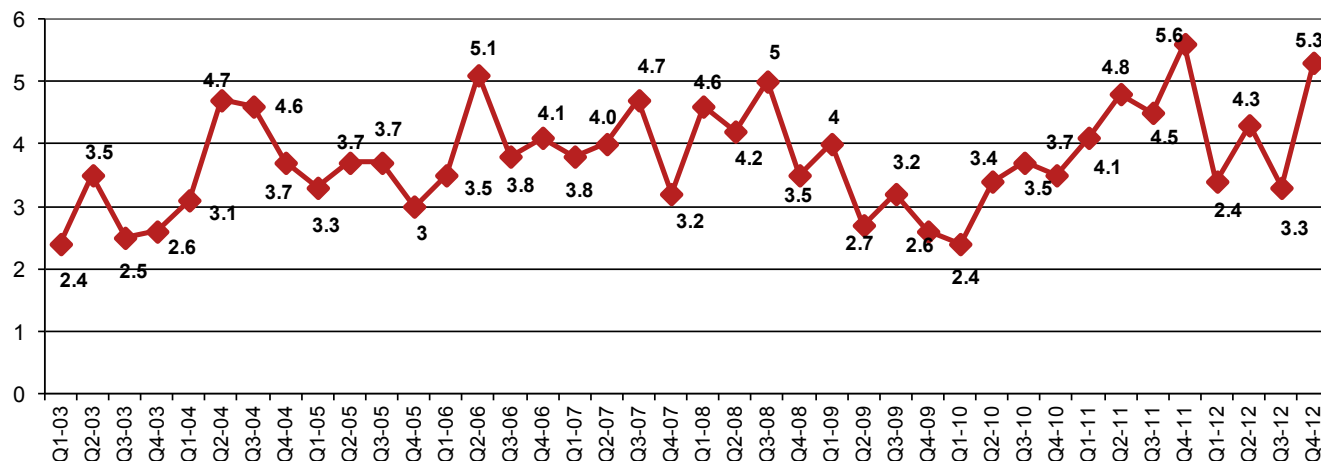
Percentage of funds making no investment



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 201 companies, representing 95% of companies raising VC capital during 2012, are registered in Israel. These companies raised \$831 million or 96% of total investment. The remaining companies are mostly incorporated in the US.

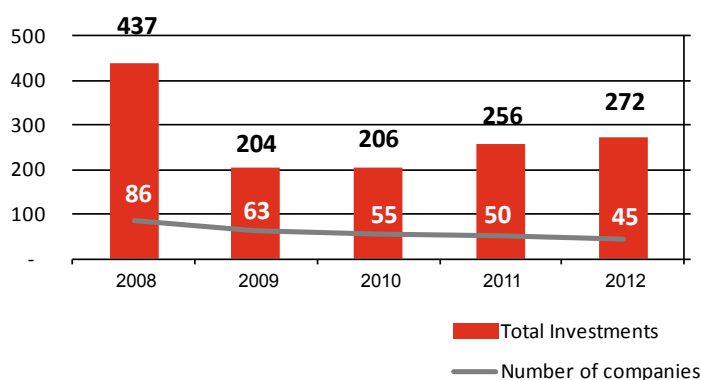
Companies Receiving Grants from the Office of the Israel Chief Scientist

52 companies, representing 25% of all companies raising VC capital in 2012, are supported by the Office of the Israel Chief Scientist. Some 181\$ million of total investment funds went to these companies.

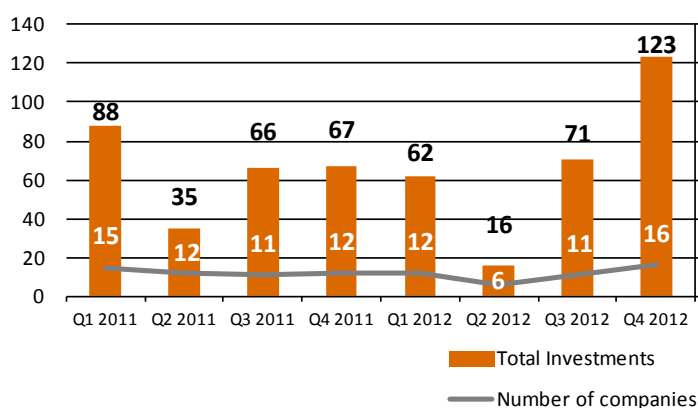
Analysis by Leading Technological Sector

Communications and Networking sector

Number of Companies and total annual investments
2008-2012 (in millions \$)

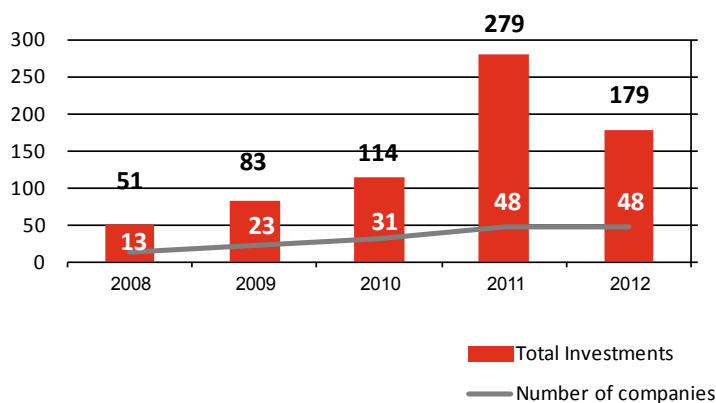


Number of Companies and total quarterly investments
2011-2012 (in millions \$)

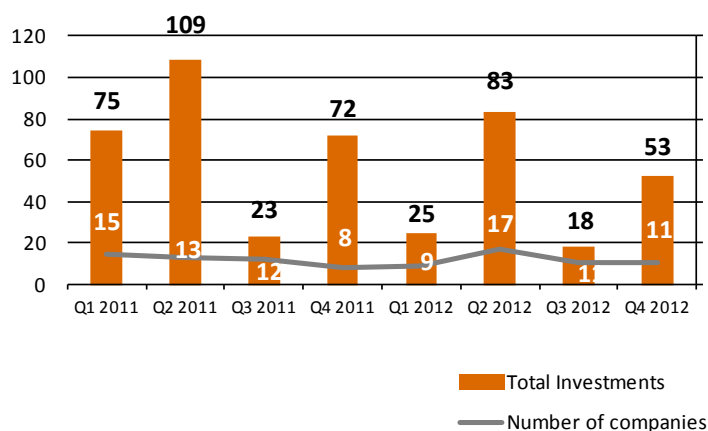


Internet sector

Number of Companies and total annual investments
2008-2012 (in millions \$)

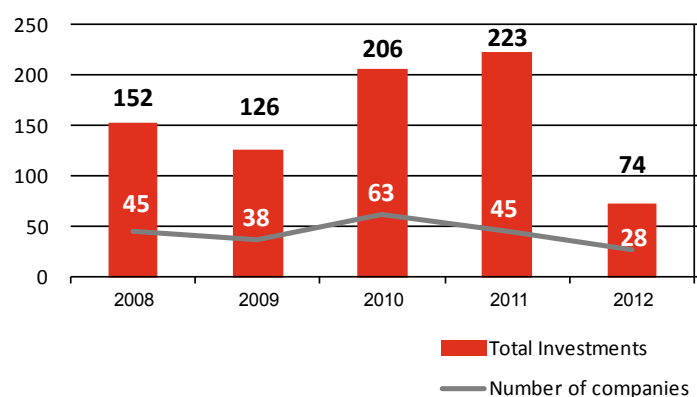


Number of Companies and total quarterly investments
2011-2012 (in millions \$)

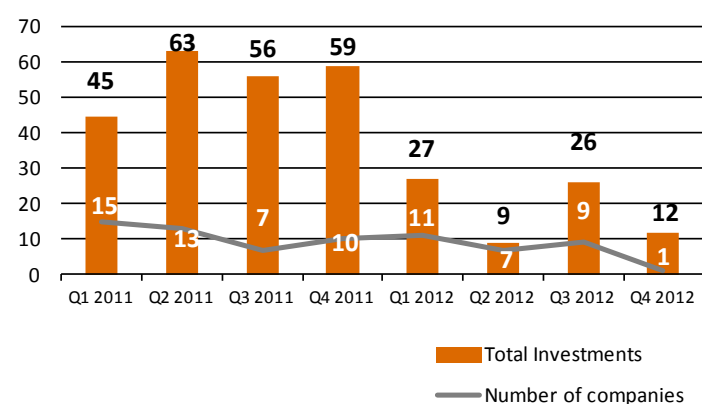


Life Sciences sector (combines medical devices and biotechnology)

Number of Companies and total annual investments
2008-2012 (in millions \$)

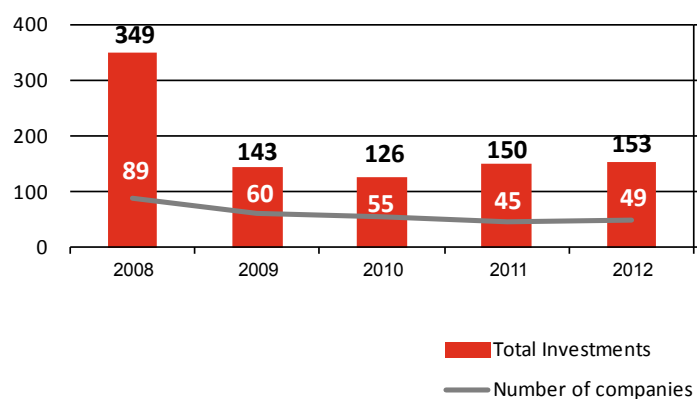


Number of Companies and total quarterly investments
2011-2012 (in millions \$)

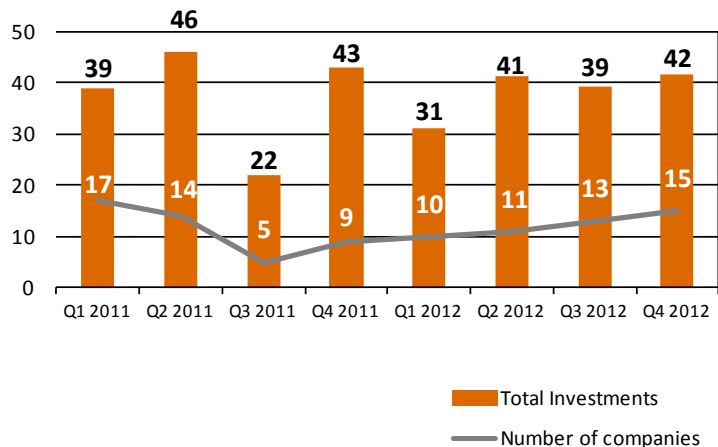


Software sector

Number of Companies and total annual investments
2008-2012 (in millions \$)



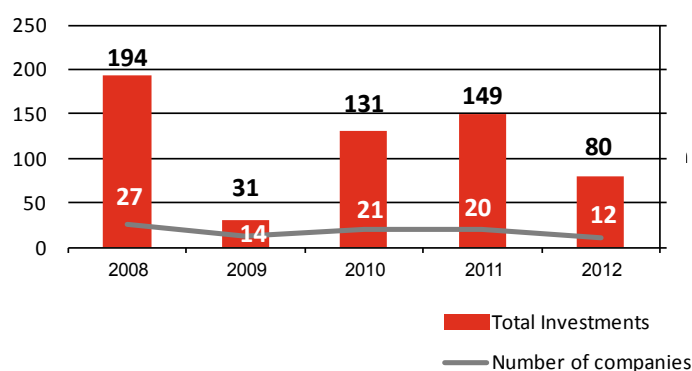
Number of Companies and total quarterly investments
2011-2012 (in millions \$)



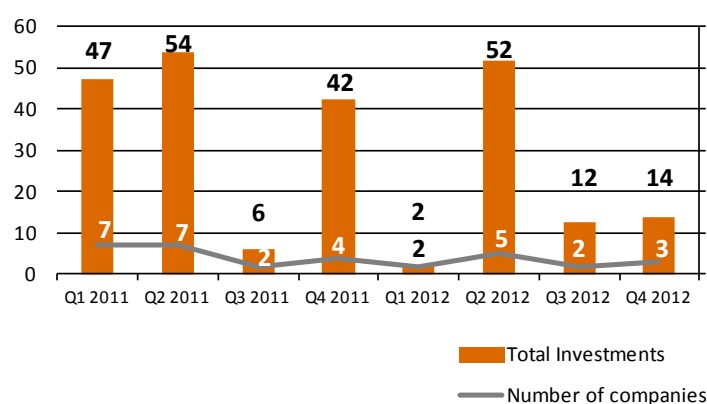
Analysis by Leading Technological Sector

Semiconductors sector

Number of Companies and total annual investments
2008-2012 (in millions \$)

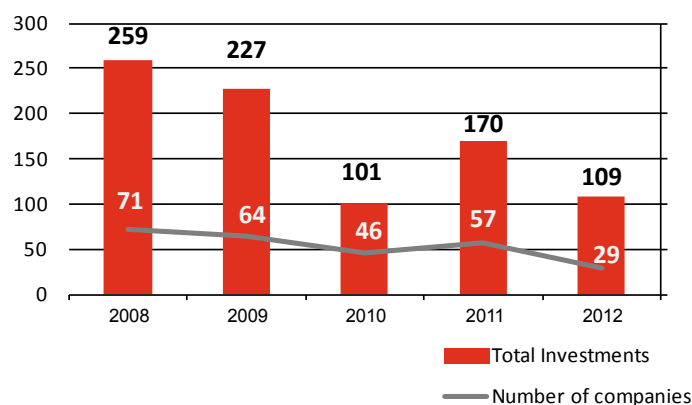


Number of Companies and total quarterly investments
2011-2012 (in millions \$)

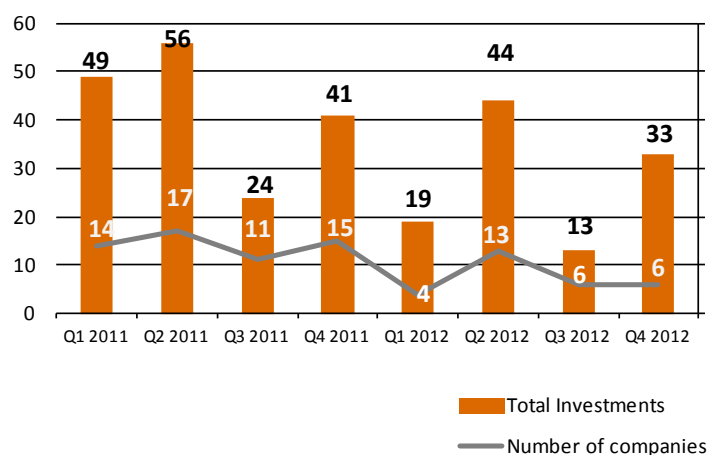


Miscellaneous sectors (companies operating in the Cleantech sectors)

Number of Companies and total annual investments
2008-2012 (in millions \$)

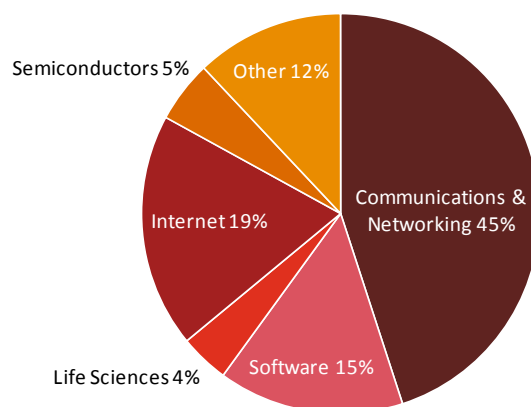


Number of Companies and total quarterly investments
2011-2012 (in millions \$)

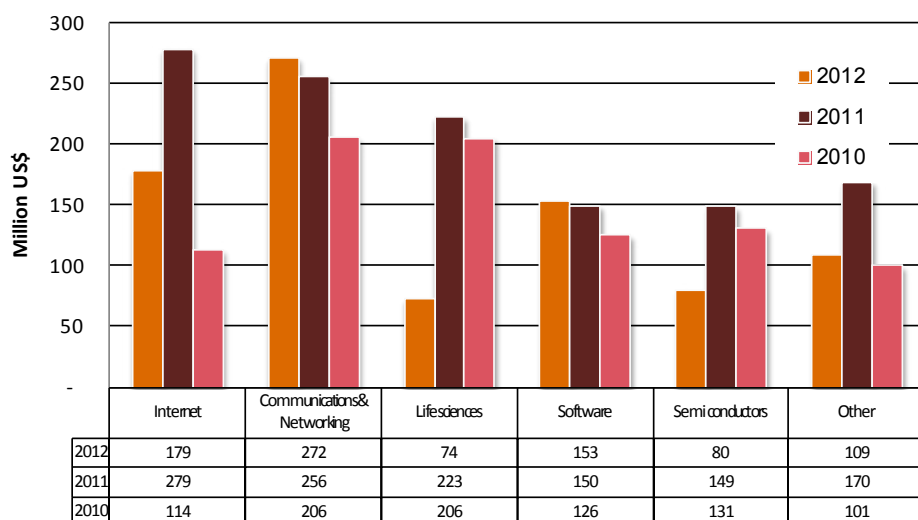




Total investment by sectors – fourth quarter 2012



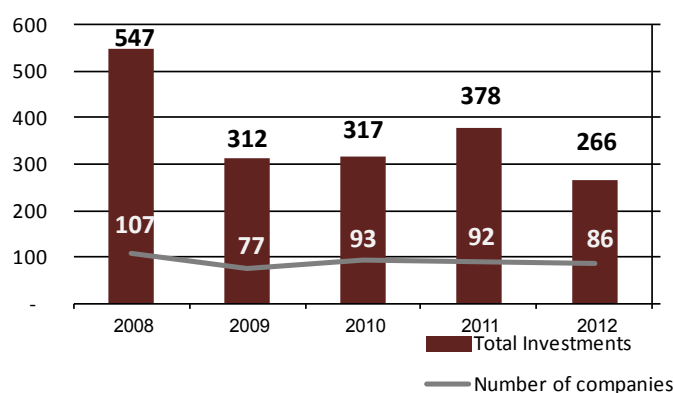
Total annual investment by sector 2010-2012



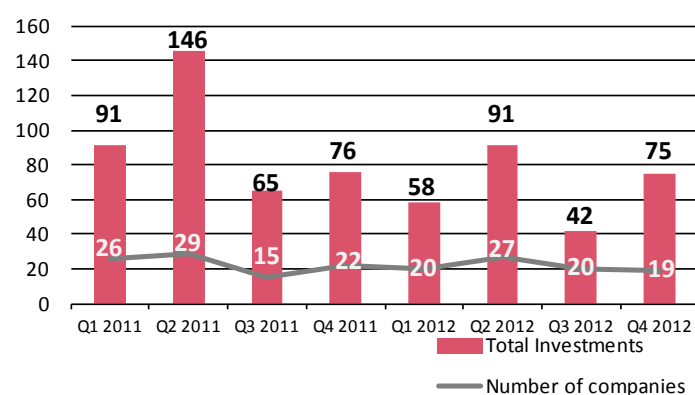
Analysis by Investment Round

Early round

Number of Companies and total annual investments
2008-2012 (in millions \$)

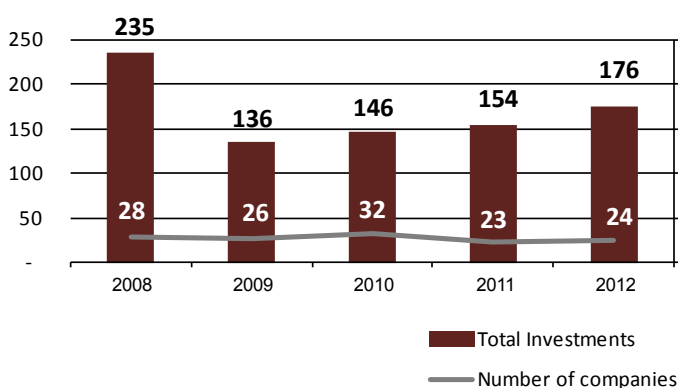


Number of Companies and total quarterly investments
2011-2012 (in millions \$)

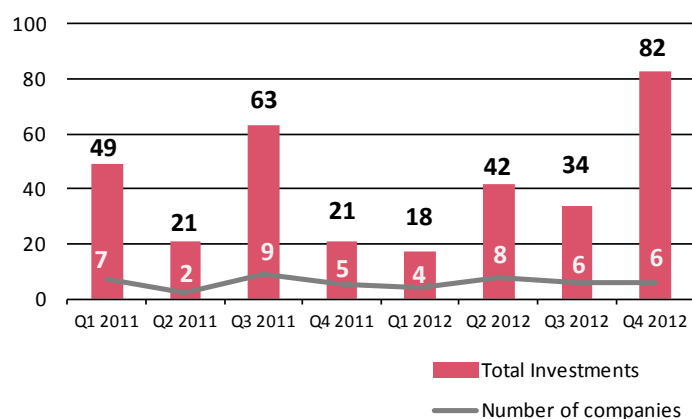


Third round

Number of Companies and total annual investments
2008-2012 (in millions \$)

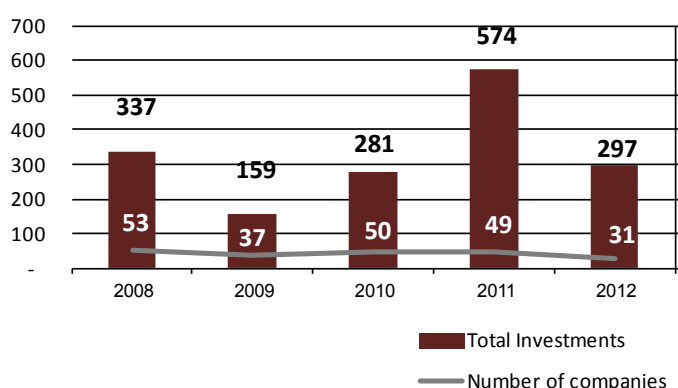


Number of Companies and total quarterly investments
2011-2012 (in millions \$)

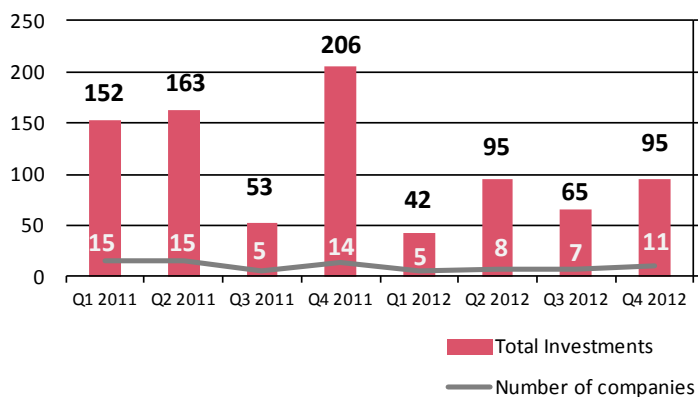


Later round

Number of Companies and total annual investments
2008-2012 (in millions \$)

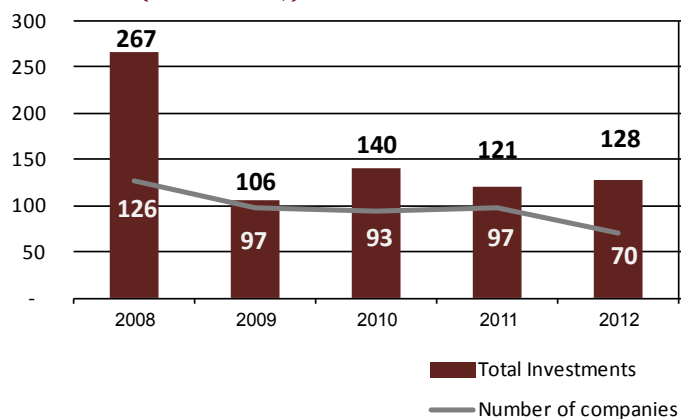


Number of Companies and total quarterly investments
2011-2012 (in millions \$)

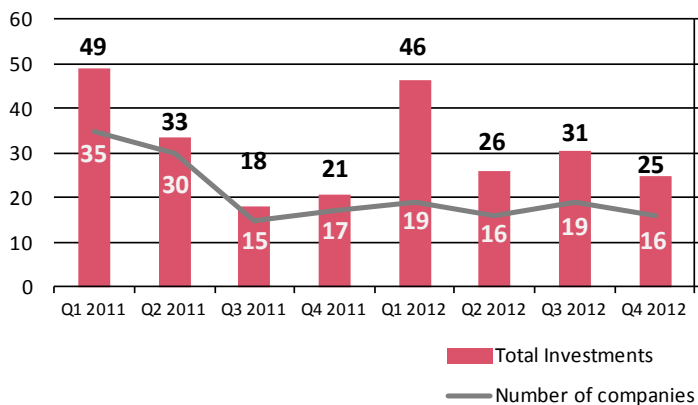


Bridge loans

Number of Companies and total annual investments
2008-2012 (in millions \$)

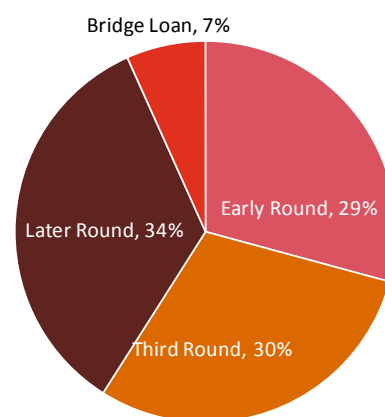


Number of Companies and total quarterly investments
2011-2012 (in millions \$)

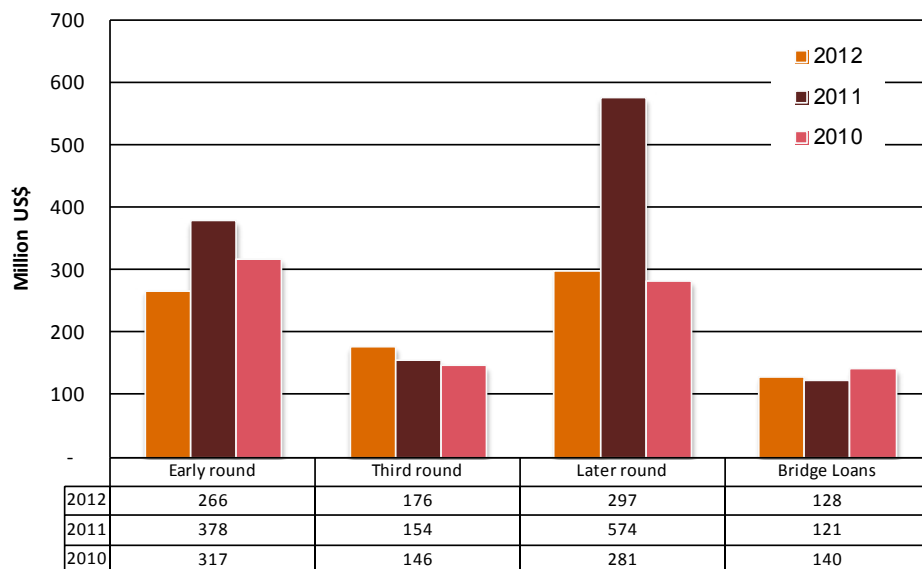


Analysis by Investment Round

Total investment by investment round



Total annual investment by investment round 2010 – 2012



MoneyTree™ Report

Q 4
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results

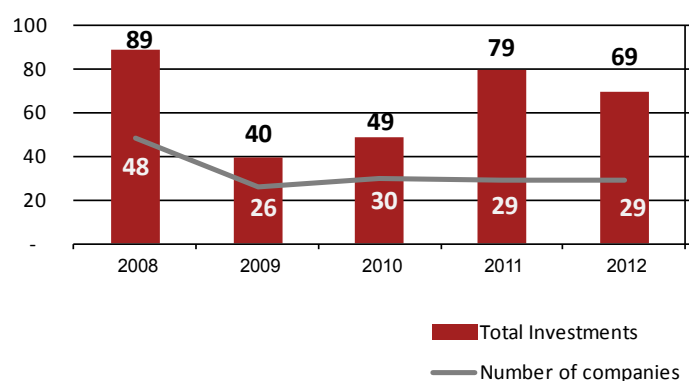
IL Report



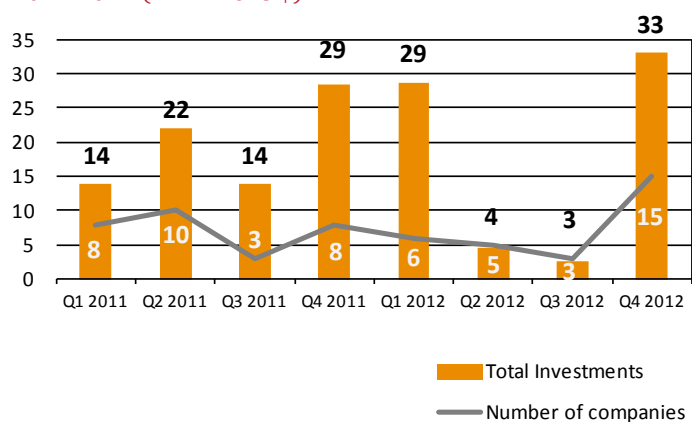
Analysis by Company Development Stage

Seed/start-up stage

Number of Companies and total annual investments
2008-2012 (in millions \$)

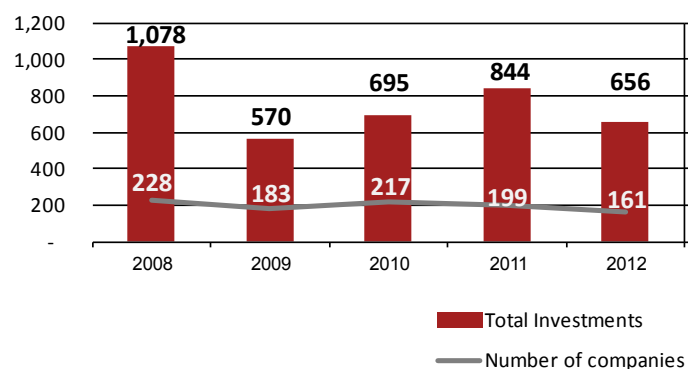


Number of Companies and total quarterly investments
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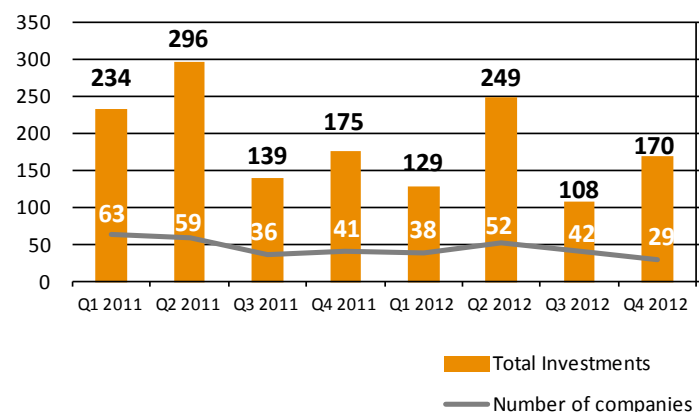


Intermediate stage (early/expansion stage)

Number of Companies and total annual investments
2008-2012 (in millions \$)

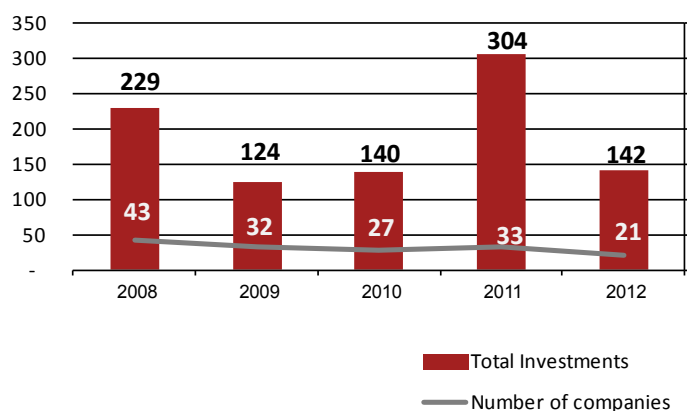


Number of Companies and total quarterly investments
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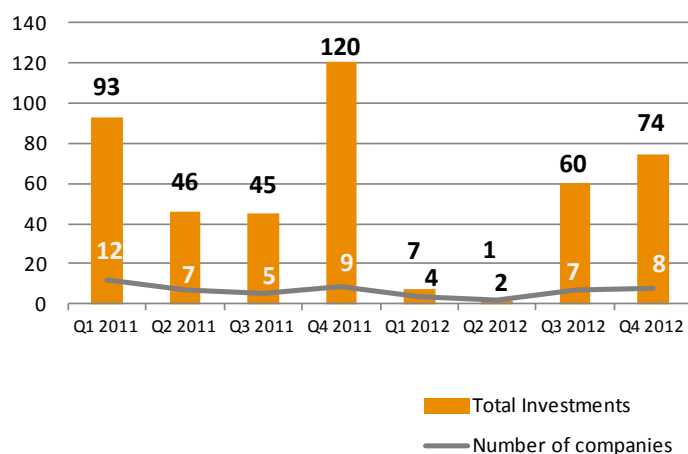


Later stage

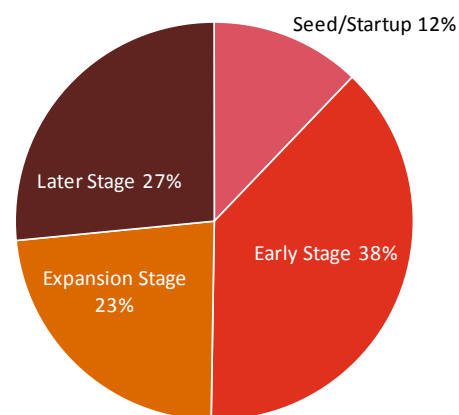
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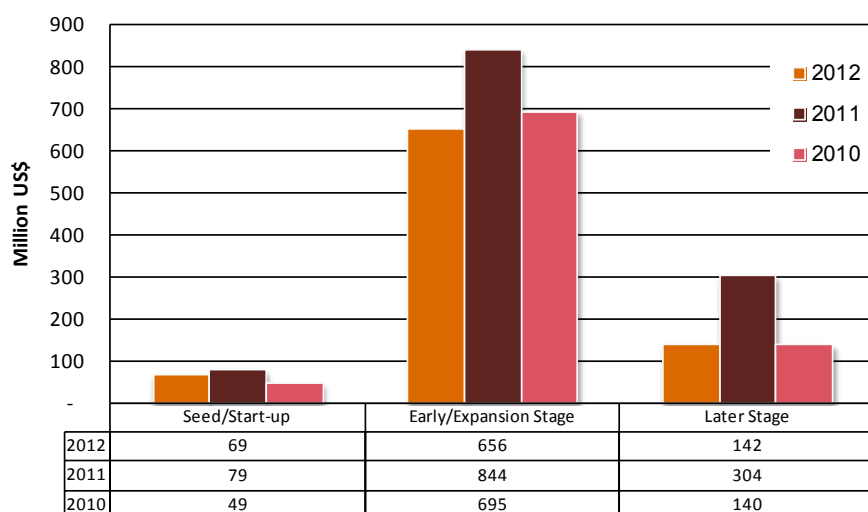
Number of Companies and total quarterly investments
2011-2012 (in millions \$)



Total investment by company development stage



Total annual investment by company development stage 2010 – 2012



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, 42 Israeli venture capital fund or funds with an Israeli representative 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.

For further information

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