

# MoneyTree™ Report

## Q 2 2013 results

IL Report

### **Persistent low investment levels in VC-backed companies**

Some \$ 174 million VC financing invested in hi-tech companies in Q2 2013 compared with \$ 196 million in previous quarter

*The PwC Israel  
MoneyTree™ Report for the  
second quarter of 2013*

Tel Aviv, Israel -- August 5, 2013 -- Venture capital-backed tech companies (in which at least one investor in a funding round is a venture capital fund) raised \$174 million in Israel during the second quarter of 2013, down with 11% from \$196 million in the previous quarter and a 32% decrease from \$255 million in the corresponding quarter last year, according the latest PwC Israel's MoneyTree™ Report.

The report also indicates that 43 Israeli high-tech companies raised VC funding in the second quarter of 2013, compared to 51 in the preceding quarter and 59 in the corresponding quarter of last year. The average investment per company in the quarter under review was \$4.0 million, up from \$3.8 million in the preceding quarter and down from \$4.3 million in the corresponding quarter of last year.

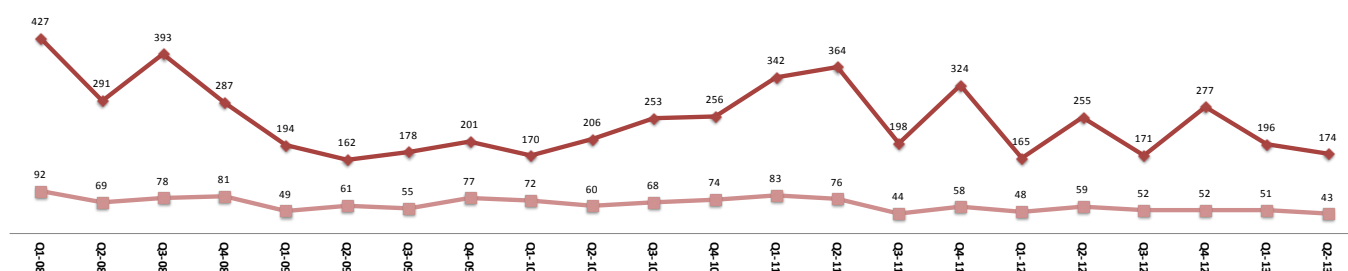
During the current quarter, \$95 million was invested in 6 deals of over \$10M, compared with \$128 million invested in 9 deals in the previous quarter and \$132 million in 9 deals in the second quarter of 2012.



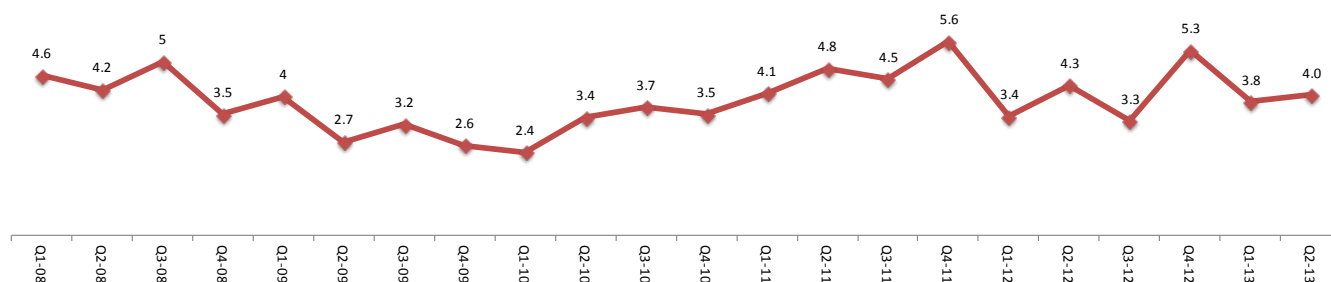
Rubi Suliman, PwC  
Israel's high-tech  
practice leader

**Rubi Suliman, Partner, co-leader of PwC Israel's high-tech practice,** while investment in VC-backed companies continues to be low, high variance among quarters jumps out of the data. To find any meaningful trend, one has to look over the long run. This is because of the small sample size in a market as ours, with not many active VC players, where even few deals can cause large swings in market fundamentals. For quite a while now, the number of follow-up transactions in existing VC-backed companies is declining (69 in early 2011, which has consistently slopped down to 33 this quarter). The number of initial investments (as well as the total amount of early-round investments) fluctuates considerably among quarters, but still seems stable and even growing over time. It can be gleaned from this that the activity of VCs in existing portfolio companies is sliding with less active funds and available money. At the same time, as a result of the maturing of the existing portfolio, more companies are now able to finance their own activities without the need for further capital raises. The stability in first-time investments is a reason for careful optimism, on the backdrop of a decline in the number of active funds, and it may indicate that those surviving funds (as well as new funds) tend to divert most of their resources to new investments. Therefore, despite the decrease in the amount of dollars invested, we are encouraged by the fact that the number of initial investments is maintained, for which they are the future of the Israeli hi-tech.

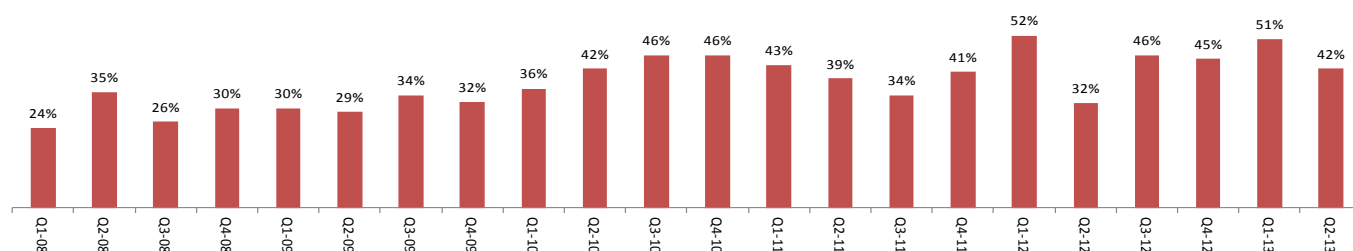
### Total quarterly investment 2008- Q2 2013 (in millions \$)



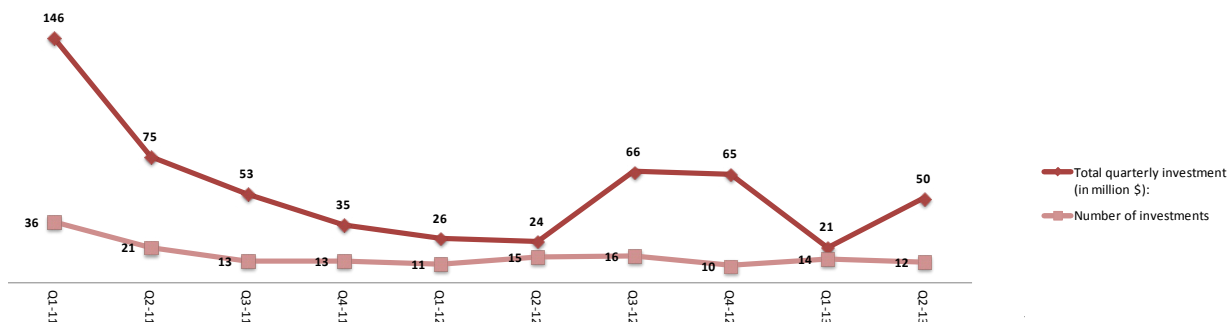
### Average investment per company (in millions \$)



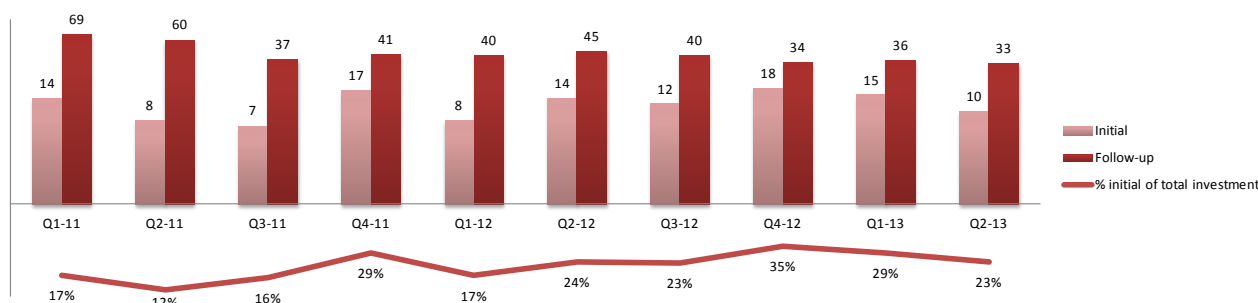
### % of funds making no investment



#### Companies Receiving Grants from the office of the Israel Chief Scientist 2011-Q2 2013 (in millions \$)



#### Comparison of Initial and Follow-on investment rates: (number of investments)



#### Analysis by Geographic Location of Company Registration

In addition to investment in high-tech companies with operations in Israel, local venture capital funds also invested approximately \$50 million in 10 overseas high-tech companies that are not engaged in operations in Israel.

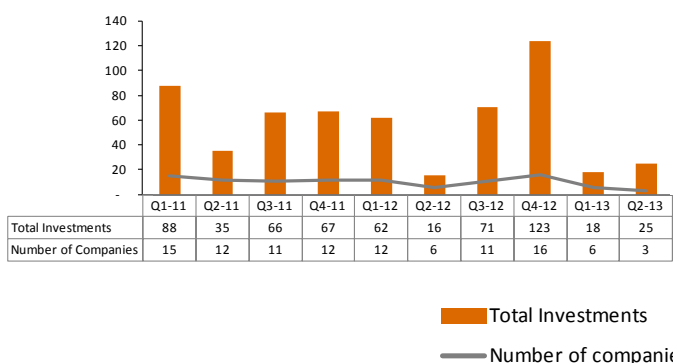
#### Companies Receiving Grants from the Office of the Israel Chief Scientist

11 companies, representing 26% of all companies raising VC capital in the second Quarter of 2013, are supported by the Office of the Israel Chief Scientist. Some \$50 million of total investment funds went to these companies.

## Analysis by Leading Technological Sector

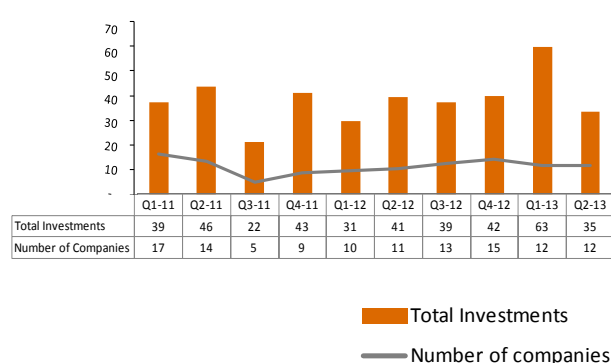
### Communications and Networking sector

Number of Companies and Total Quarterly investments  
2011- Q2 2013 (in millions \$)



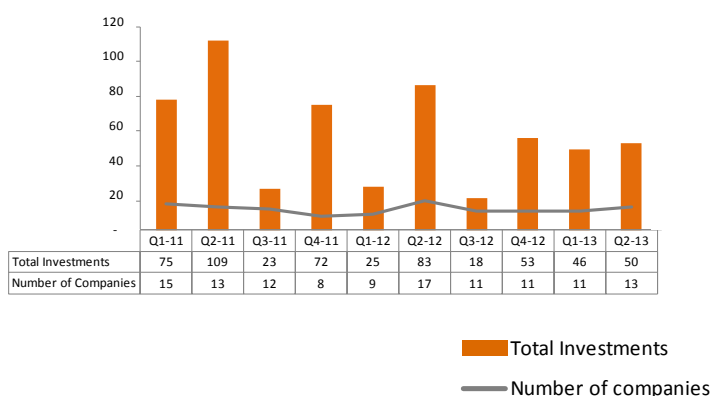
### Software sector

Number of Companies and Total Quarterly investments  
2011- Q2 2013 (in millions \$)



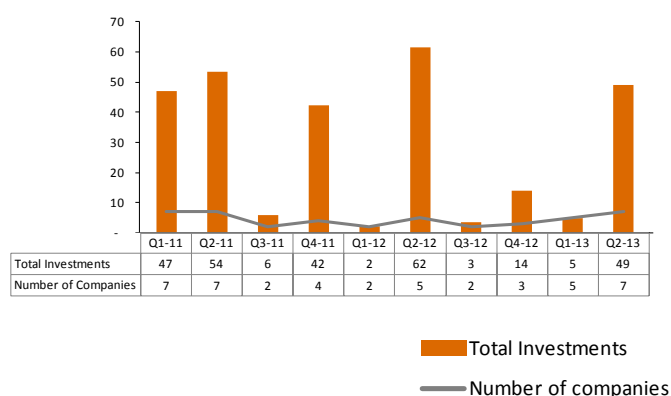
### Internet Sector

Number of Companies and Total Quarterly investments  
2011- Q2 2013 (in millions \$)



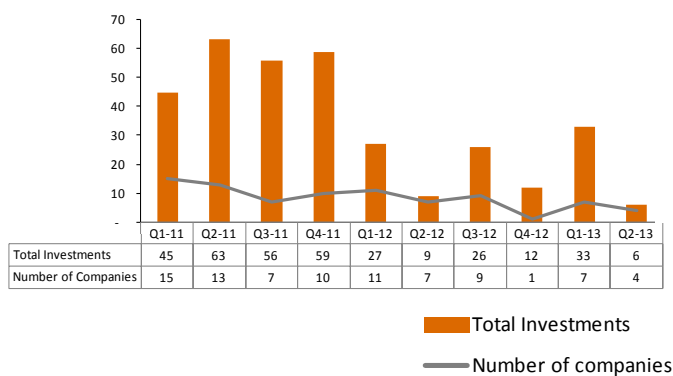
### Semiconductors Sector

Number of Companies and Total Quarterly investments  
2011- Q2 2013 (in millions \$)



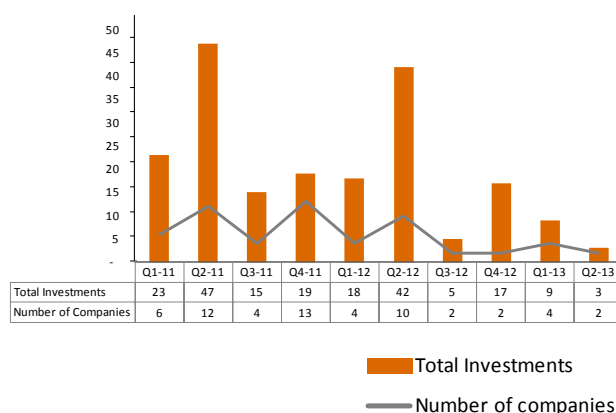
### Life Sciences Sector

Number of Companies and Total Quarterly investments  
2011- Q2 2013 (in millions \$)



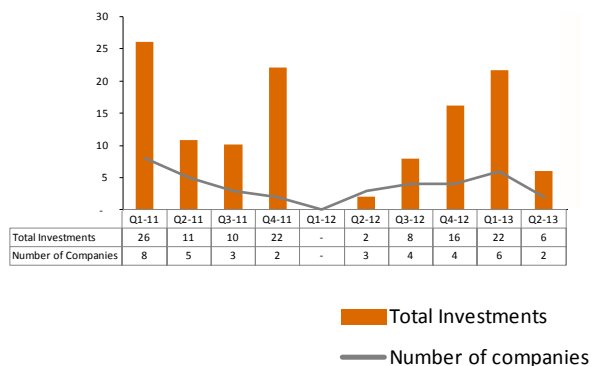
### Miscellaneous Sector

Number of Companies and Total Quarterly investments  
2011- Q2 2013 (in millions \$)

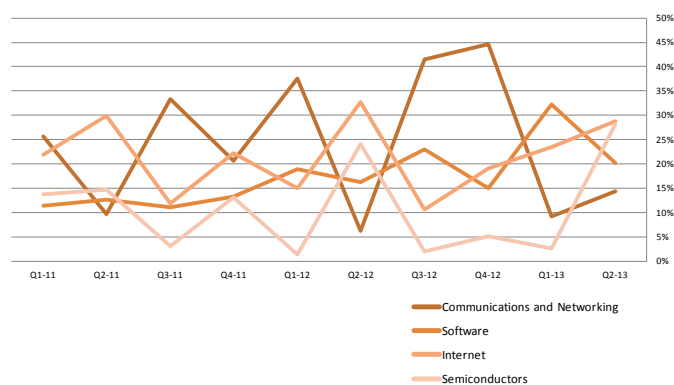


### Cleantech sector

Number of Companies and Total Quarterly investments  
2011- Q2 2013 (in millions \$)



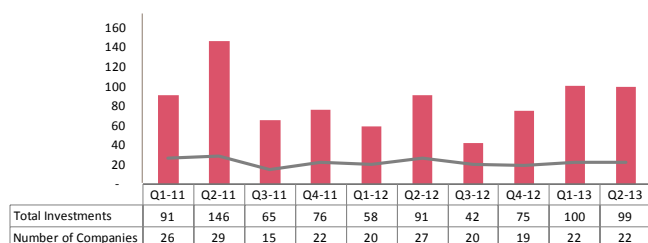
### Total Investment by sector



## Analysis by Investment Round

### Early round

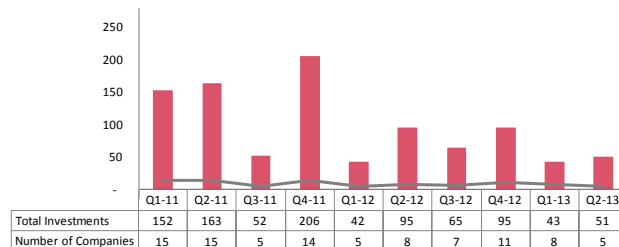
Number of Companies and total quarterly investments  
2011- Q2 2013 (in millions \$)



■ Total Investments  
— Number of Companies

### Later Round

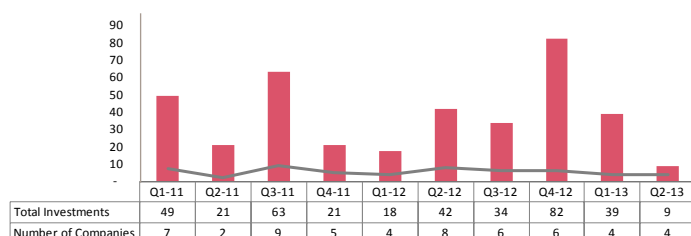
Number of Companies and total quarterly investments  
2011- Q2 2013 (in millions \$)



■ Total Investments  
— Number of Companies

### Third round

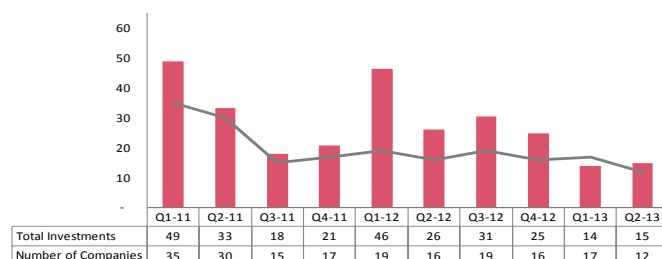
Number of Companies and total quarterly investments  
2011- Q2 2013 (in millions \$)



■ Total Investments  
— Number of Companies

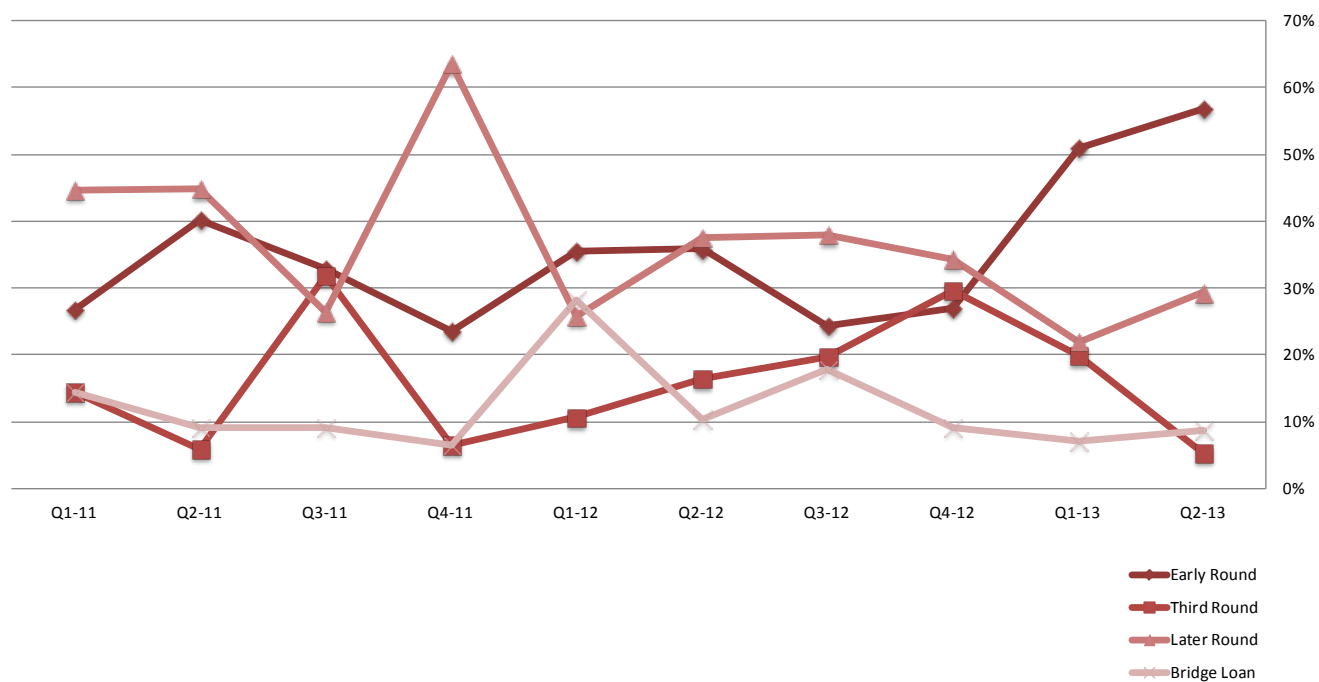
### Bridge Loan

Number of Companies and total quarterly investments  
2011- Q2 2013 (in millions \$)



■ Total Investments  
— Number of Companies

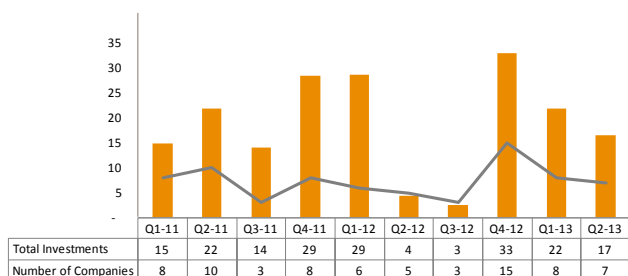
### Total Investment by Investment Round



## Analysis by Company Development Stage

### Seed/Start Up Stage

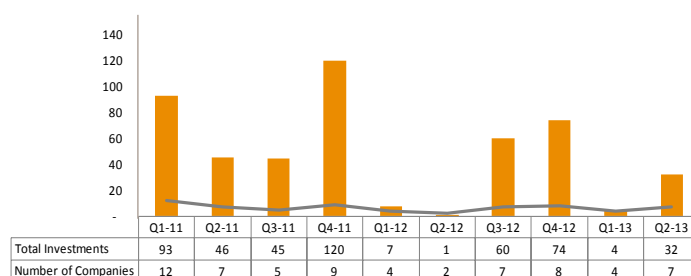
Number of Companies and total quarterly investments  
2011- Q2 2013 (in millions \$)



■ Total Investments  
— Number of Companies

### Later Stage

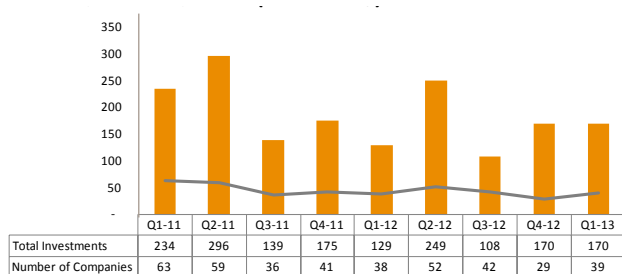
Number of Companies and total quarterly investments  
2011- Q2 2013 (in millions \$)



■ Total Investments  
— Number of Companies

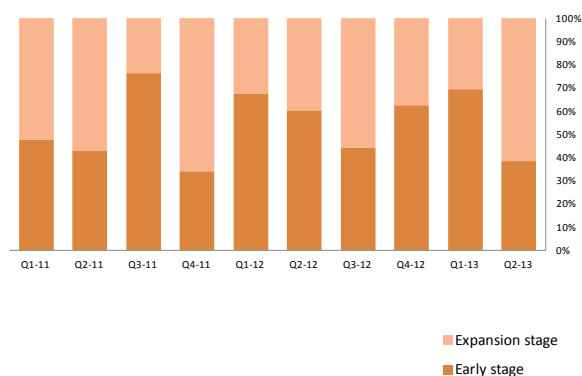
### Intermediate stage

Number of Companies and total quarterly investments  
2011- Q2 2013 (in millions \$)



■ Total Investments  
— Number of Companies

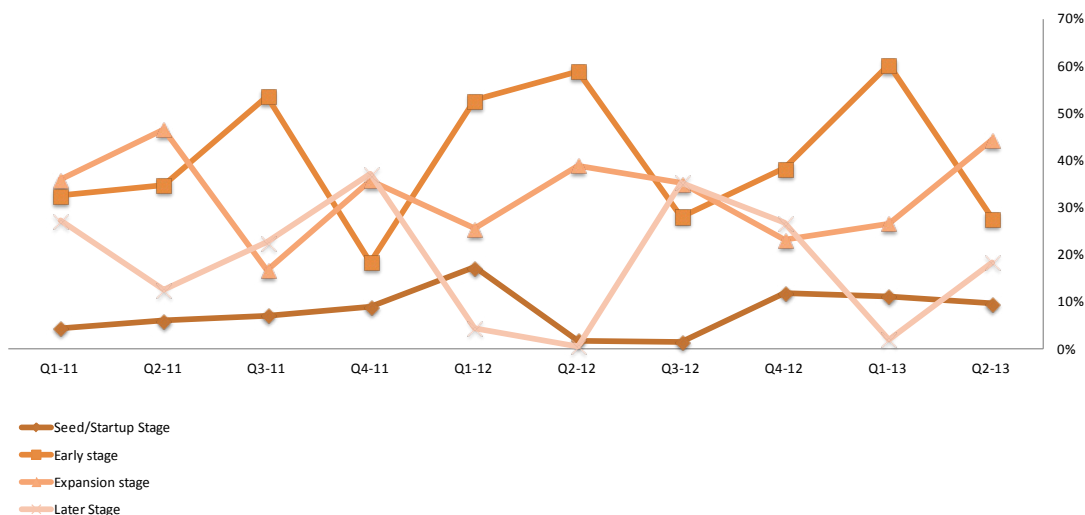
### Split of the Intermediate stage between early and expansion stage



■ Expansion stage  
■ Early stage



### Total Investment by company development stage



The MoneyTree<sup>TM</sup> 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, 36 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

Karin Gattegno, Business Development Manager  
Hi-Tech department, PwC Israel  
03-7955040  
karin.gattegno@il.pwc.com

Elazar Evers, Hi-Tech department  
03-7954549  
elazar.evers@il.pwc.com

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