

# MoneyTree™ Q1 2012 IL Report

## Report results

### Venture Capital Investments Plunge

Some \$165 million VC financing invested in hi-tech companies in Q1 2012 compared with \$342 million in the first quarter 2011

Tel Aviv, Israel -- May 2012 -- Venture capital-backed tech companies (in which at least one investor in a funding round is a venture capital fund) raised \$165 million in Israel during the first quarter of 2012, down 49% from \$324 million in the previous quarter and a 52% decrease from \$342 million in the corresponding quarter last year, according to the latest PwC Israel's MoneyTree™ Report.

The report also indicates that 48 Israeli high-tech companies raised VC funding in the first quarter of 2012, compared to 58 in the preceding quarter and 83 in the corresponding quarter of last year. The average investment per company in the quarter under review was \$3.4 million, down from \$5.6 million in the preceding quarter and \$4.1 million in the corresponding quarter of last year.

During the current quarter, \$70.5 million were invested in 5 deals of over \$10M, compared with \$198 million invested in 9 deals in the previous quarter and \$178 million in 9 deals in Q1 of 2011.

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



Mr. Rubi Suliman,  
Partner,  
Co-Leader of  
Hi-Tech Practice

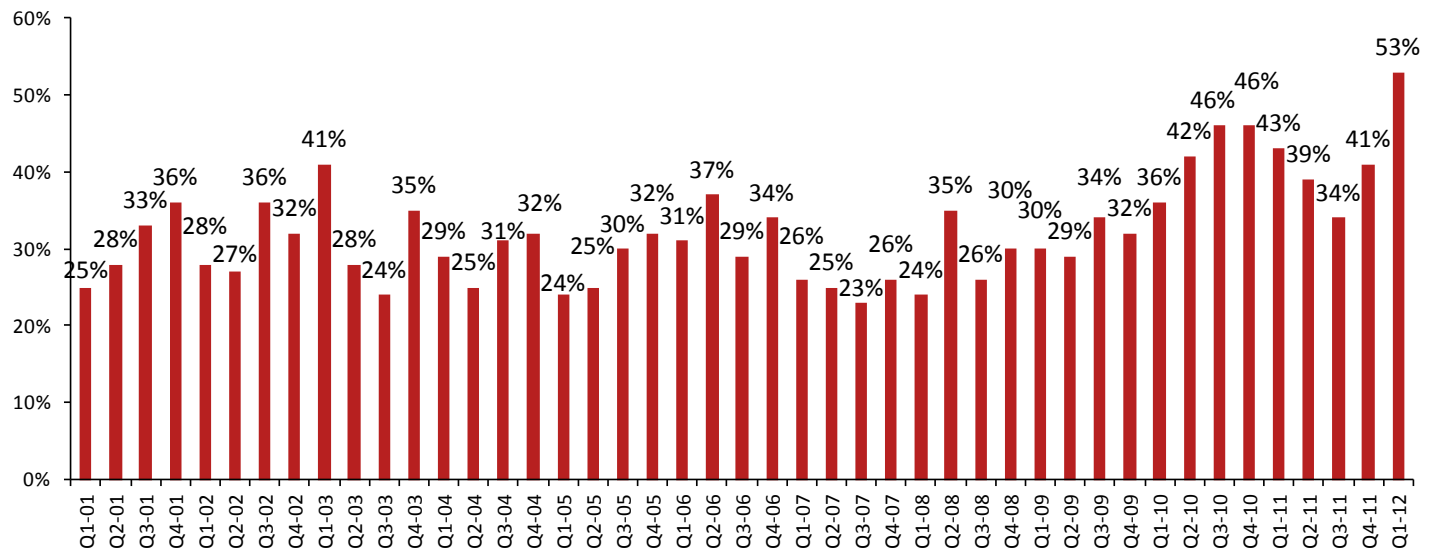
#### Rubi Suliman, Partner, co-leader of PwC Israel's high-tech practice commented on the findings:

The plunge in VC investments in the first quarter of 2012 takes us back to the uncertainty and investment levels just before the collapse of Lehman Bros. In the US too, we witness a substantial 20% drop in Q1, but it is nothing like the order of magnitude we experience in the Israeli VC industry. A record 52% of Israeli funds made no investment at all. The recurring reasons for the decline are the advanced age of the funds, the lack of available funds for investment and the struggle to raise money for new funds.

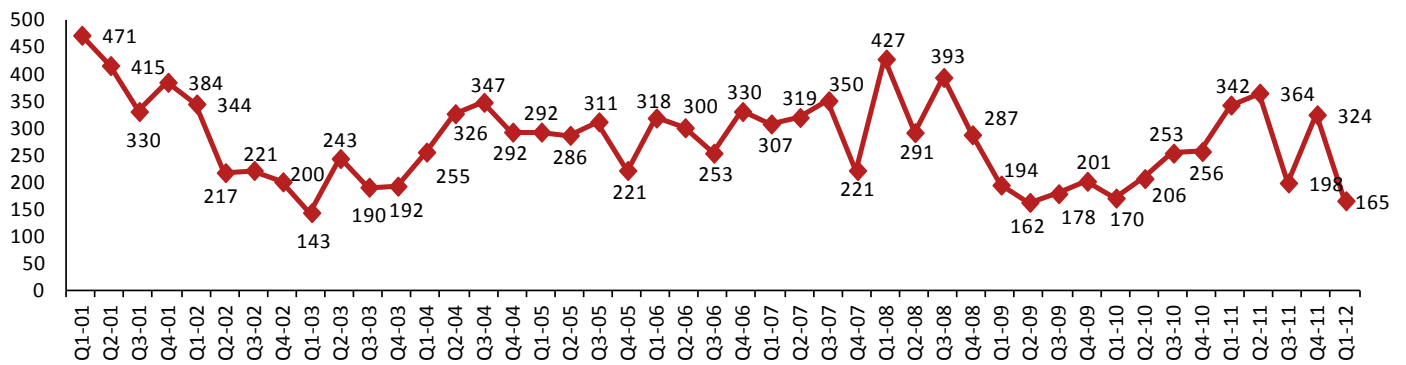
While we believe that the level of investment will be going up later this year, VC investments in 2012 are still projected to be significantly lower than in 2011.

We see that the capital resources for financing high-tech companies are being changed. The market seems to compensate for the shortage of VC money with increased funding by angels and micro-funds, along with more resources coming in from strategic investors and foreign funds. However, local VCs are still hugely important in developing and promoting the Israeli tech industry and the present level of investment will undoubtedly be harmful in the longer run. We must not overlook the fact that VC funds have played a central role in the latest wave of exits in the industry and are instrumental in ensuring future exits and IPOs.

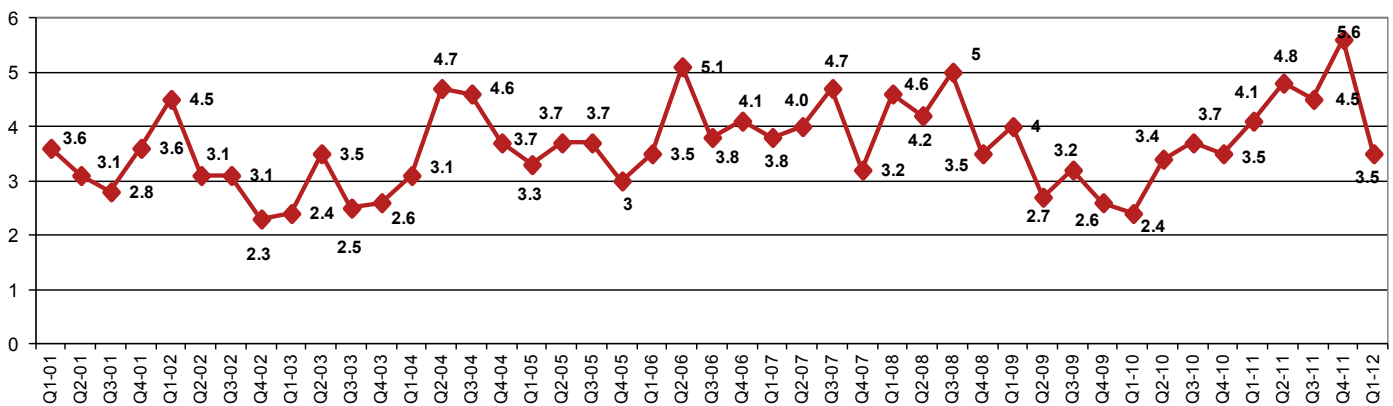
### Percentage of funds making no investment



### 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 43 companies, representing 90% of companies raising VC capital in the first quarter of 2012, are registered in Israel. These companies raised \$141 million or 86% of total investment. The remaining companies are mostly incorporated in the US.

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

11 companies, representing 23% of all companies raising VC capital in the first quarter of 2012, are supported by the Office of the Israel Chief Scientist. Some \$26.2 million of total investment funds went to these companies.

## Analysis by Leading Technology Sector

This quarter, 9 companies in the **internet sector** raised \$25 million, down from 8 companies raising \$72 million in the previous quarter and 15 companies raising \$75 million in the corresponding quarter last year. The average investment per company in this sector was \$2.8 million during the current quarter, compared to \$9 million in the previous quarter and \$5 million in the corresponding quarter last year. In monetary terms, this is a 65% decrease compared with the preceding quarter and a 67% decrease compared with the corresponding quarter of last year.

12 companies operating in the **communications and networking sector** raised \$61 million compared with \$67 million invested in 12 companies in the previous quarter and \$88 million going to 15 companies in the corresponding quarter last year. The average investment per company this quarter is \$5.1 million, down from \$5.5 million last quarter and \$5.8 million in the first quarter of 2011. In monetary terms, this is a 8% decrease from last quarter and a 30% decrease compared with the corresponding quarter of last year.

The **life sciences sector**, which combines medical devices and biotechnology, attracted fewer investments than it did in the preceding quarter. This quarter, 11 companies raised \$27 million, compared with \$59 million by 10 companies in the preceding quarter and \$45 million by 15 companies in the corresponding quarter of last year. The average investment per company this quarter was \$2.5 million, as compared with \$5.8 million in the preceding quarter and \$3 million in the corresponding quarter of last year. In monetary terms, this is a 54% decrease company with the last quarter and a 39% decrease compared with the corresponding quarter of last year.

During the first quarter of 2012, 10 companies operating in the **software sector** raised \$31 million, compared with an investment of \$43 million in 9 companies last quarter and \$39 million in 17 companies in the corresponding quarter of last year. In monetary terms, this is a 28% decrease compared with the last quarter and a 20% decrease compared with the corresponding quarter of last year. The average investment per company during the current quarter was \$3.1 million, compared with \$4.8 million in the preceding quarter and \$2.3 million in the corresponding quarter of last year.

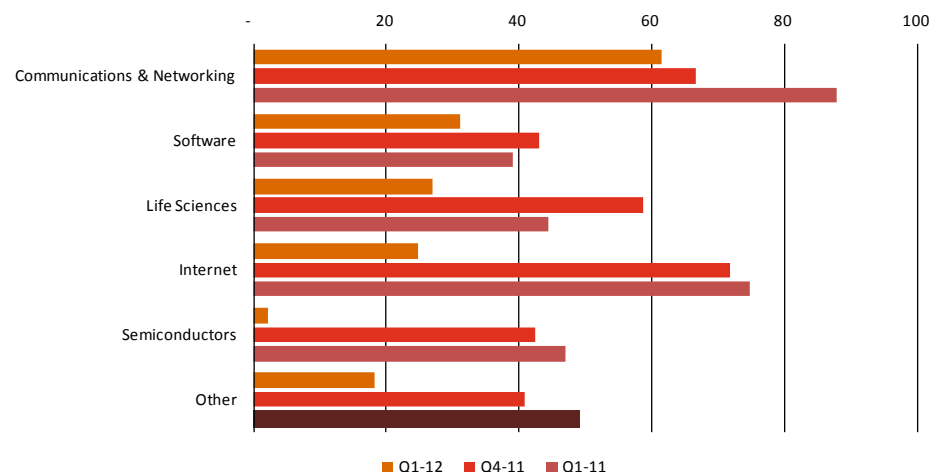
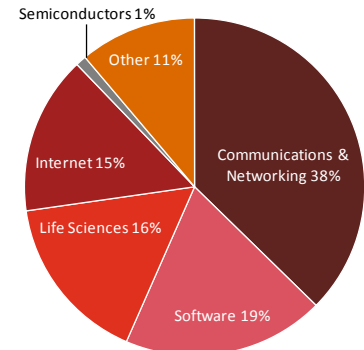
Two companies operating in the **Semiconductors sector** raised \$2 million this quarter, compared with 4 companies raising \$42.5 million in the preceding quarter and 7 companies raising \$47 million in the corresponding quarter of last year. The average investment per company in this sector is \$1 million in the first quarter, down from \$10.6 million in the previous quarter and \$6.7 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. 4 companies classified under this

category raised \$18 million in the present quarter, representing 11% of the total investment for the quarter. These figures are compared with 15 companies raising \$41 million in the previous quarter, and 14 companies raising \$49 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 \$18 million invested in 3 transactions, down from \$59 million invested in 4 transactions last quarter.

### Total investment by sector



## Analysis by Investment Round

### Early Round

In the first quarter, 20 companies raised \$58 million in the early round phase (the first and second rounds combined). This compared with 22 companies raising \$76 million in early-round financing last quarter and to 26 companies that raised \$91 million in the corresponding quarter of last year. The average early-round investment per company for the first quarter was \$2.9 million, compared with \$3.5 million for the preceding quarter and \$3.5 million in the corresponding quarter of last year.

### Third round

This quarter, 4 companies raised \$17.5 million in third-round funding. This compares to 5 companies raising \$21 million in third-round investment in the previous quarter and 7 companies that raised \$49 million in the corresponding quarter of last year. The average third-round investment per company for the first quarter was \$4.4 million, compared with \$4.2 million in the preceding quarter and \$7 million for the corresponding quarter of last year.

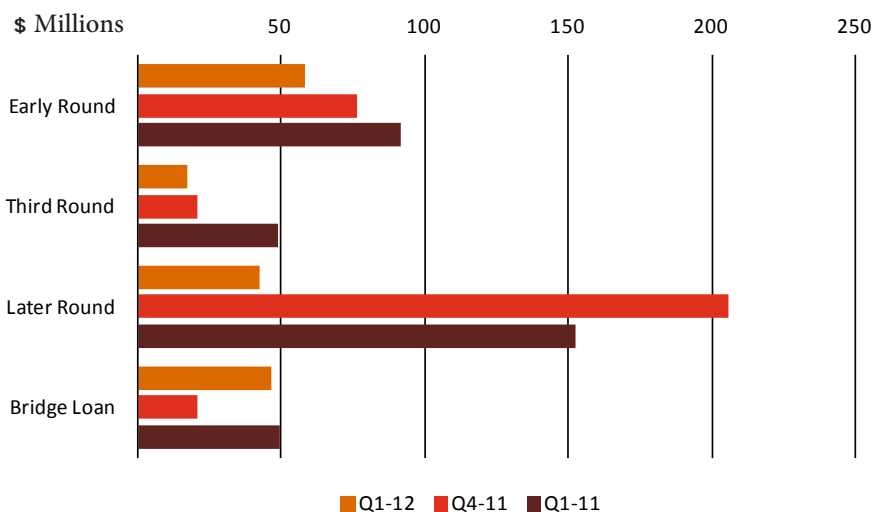
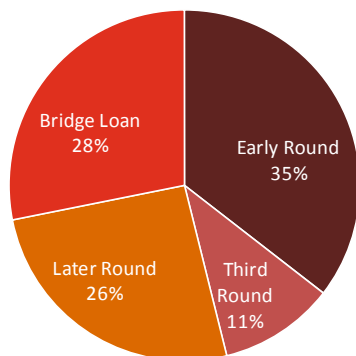
### Later round

5 companies raised \$42 million in the present quarter through later investment round transactions (i.e., fourth investment round and beyond). This compares to 14 companies that raised \$206 million in later-round investment in the preceding quarter and to 15 companies raising \$152 million in the corresponding quarter of last year. The average later-round investment for the third quarter was \$8.5 million, as compared with \$14.7 million in the preceding quarter and \$10.2 million in the corresponding quarter of last year.

### Bridge loans

A total of 19 companies raised \$46 million through bridge loans this quarter compared to 17 companies raising \$21 million last quarter and 35 companies raising \$50 million in the corresponding quarter of last year. In the present quarter, the average amount of bridge loans per company was \$2.4 million, compared with \$1.3 million last quarter and \$1.4 million in the corresponding quarter of last year.

### Total investment by investment round



## Analysis by Company Development Stage

### Seed/Start-Up Stage

6 companies at the start-up stage raised \$29 million during the first quarter of 2012, representing 17% of total investments this quarter. This compares to 8 companies raising \$29 million last quarter and 8 companies raising \$15 million in the corresponding quarter of last year. In the first quarter, the average investment per company at this stage of development was \$4.8 million, compared with \$3.6 million last quarter and \$1.9 million in the corresponding quarter of last year.

### Intermediate stage (early/expansion stage)

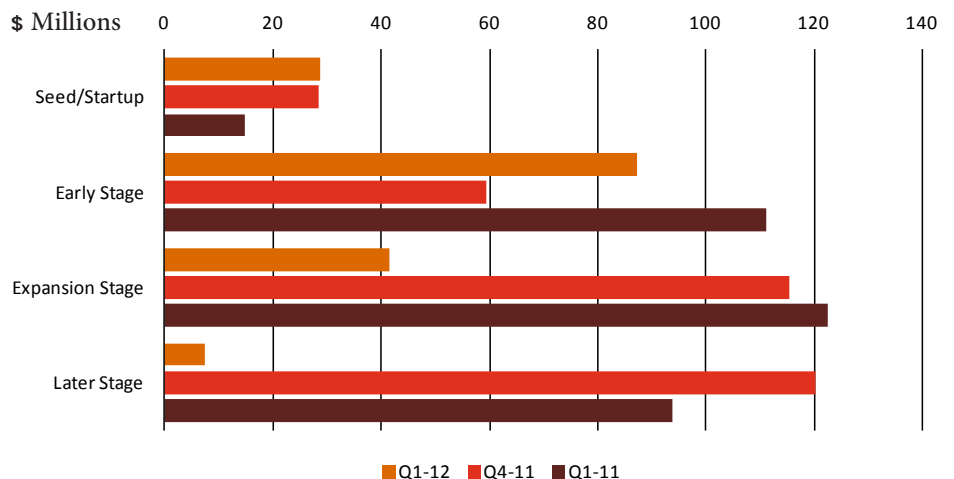
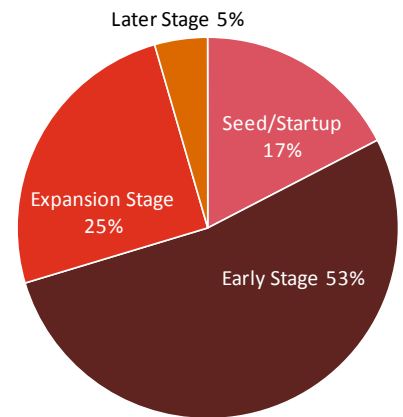
This quarter, 38 companies at the intermediate stage of development raised \$129 million, compared with 41 companies that raised \$175 million last quarter and 63 companies that raised \$234 million in the corresponding quarter of last year. The average investment for this quarter was \$3.4 million, as compared with \$4.3 million in the previous quarter and \$3.7 million in the corresponding quarter of last year.

An internal analysis of intermediate stage investment reveals that 30 companies at the early stage of development raised \$87 million during the quarter under review, with 8 companies at the expansion stage of development raising \$42 million.

### Later stage

4 companies at the later stage of development raised \$7 million this quarter compared with 9 companies that raised \$120 million in the previous quarter and 12 such companies that raised \$94 million in the corresponding quarter of last year. The average investment for the current quarter was \$1.8 million from \$13.4 million in the preceding quarter and \$7.8 million in the corresponding quarter of last year.

### 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, 42 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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