

# MoneyTree™ Q 2 2012 IL Report

## Report results

### ***Venture Capital Investments increase slightly but still low***

**Some \$255 million VC financing invested in hi-tech companies in Q2 2012 compared with \$ 165 million in the first quarter 2012**

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

Tel Aviv, Israel – August 2012 -- Venture capital-backed tech companies (in which at least one investor in a funding round is a venture capital fund) raised \$255 million in Israel during the second quarter of 2012, up 55% from \$165 million in the previous quarter and a 30% decrease from \$363 million in the corresponding quarter last year, according the latest PwC Israel's MoneyTree™ Report.

The report also indicates that 59 Israeli high-tech companies raised VC funding in the second quarter of 2012, compared to 48 in the preceding quarter and 76 in the corresponding quarter of last year. The average investment per company in the quarter under review was \$4.3 million, up from \$3.4 million in the preceding quarter and \$4.8 million in the corresponding quarter of last year.

During the current quarter, \$132 million were invested in 9 deals of over \$10M, compared with \$71 million invested in 5 deals in the previous quarter and \$227 million in 13 deals in Q2 of 2011.



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

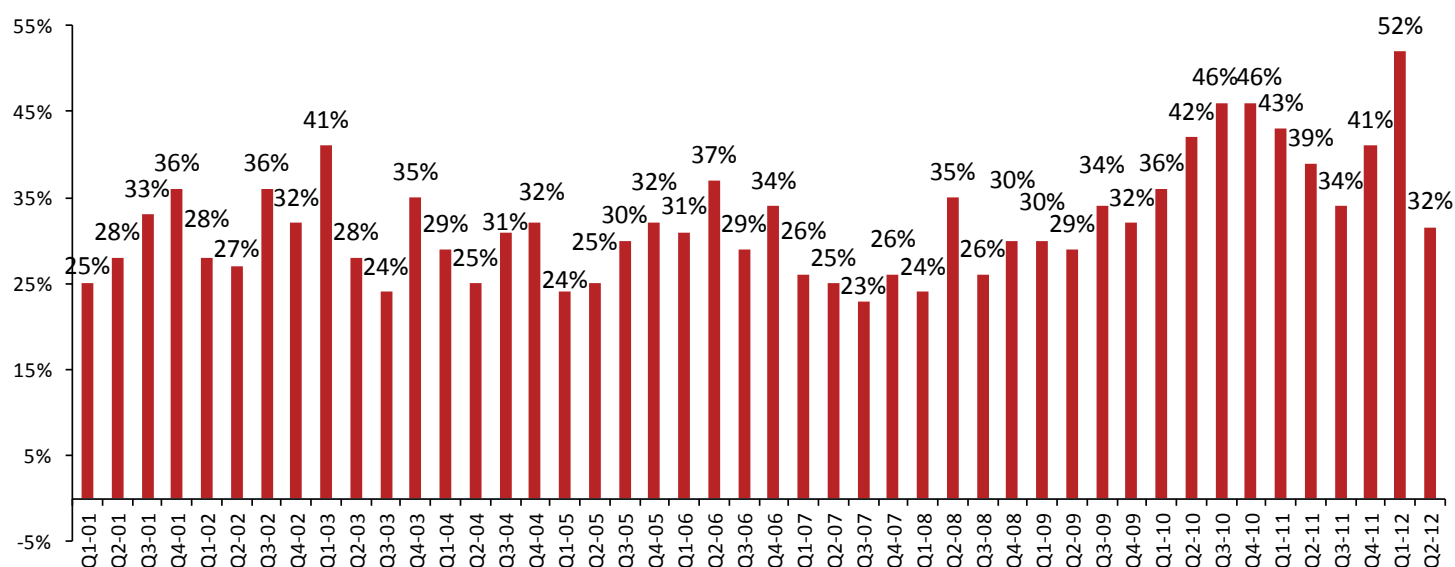
***Rubi Suliman, Partner, co-leader of PwC Israel's high-tech practice commented on the findings:***

"The smaller size of the Israeli Hi-Tech industry and dwindling number of funds lead to large swings in the amount of investment quarter-over-quarter. And so, despite the uptick in the second quarter from the record low in the first quarter, we are still well below 2011 levels. In fact, VC investments in H1 2012 dropped 40% relative to H1 2011. In the absence of new funds raising capital, we most likely won't see any significant recovery in H2 2012.

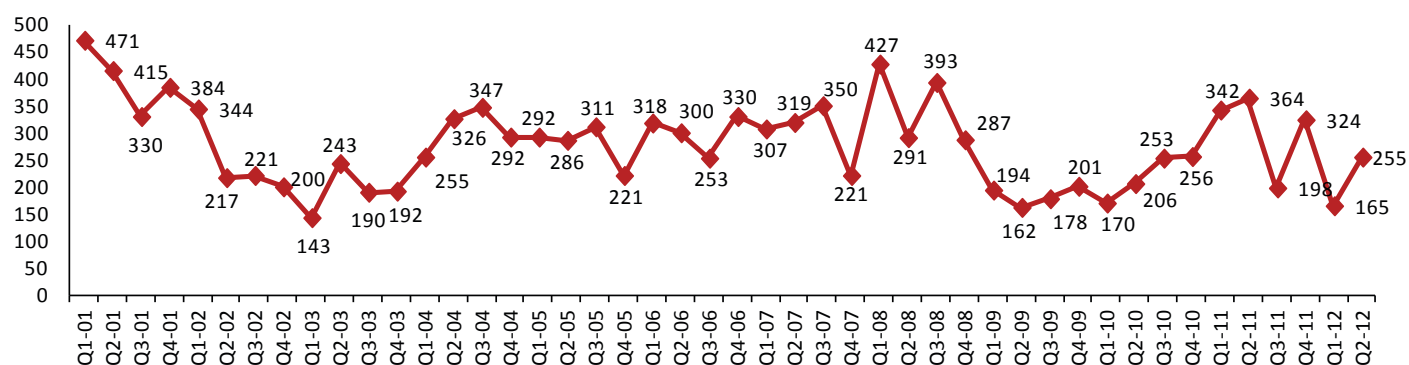
The big losers are the communications and network sector and the life science sector. Together with semiconductors, they require more investment for longer. The advanced age of most funds makes these sectors less appealing, and so they attract mostly follow-on investments and support for existing portfolios. The software

and web sectors, which are usually characterized by shorter time to market for lower investments, get more money, but they too have suffered a decline over the corresponding period of last year: a further evidence of resources drying up."

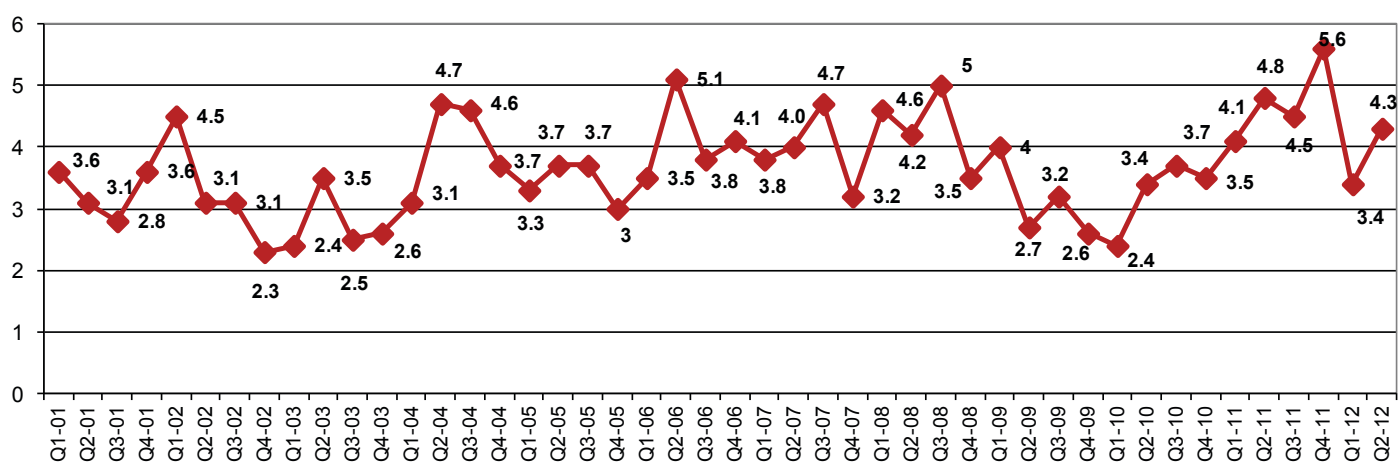
#### Percentage of funds making no investment



#### 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 56 companies, representing 95% of companies raising VC capital in the second quarter of 2012, are registered in Israel. These companies raised \$245 million or 96% of total investment.

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

15 companies, representing 25% of all companies raising VC capital in the second quarter of 2012, are supported by the Office of the Israel Chief Scientist. Some \$24.3 million of total investment funds went to these companies.

## Analysis by Leading Technology Sector

This quarter, 17 companies in the **internet sector** raised \$83 million, up from 9 companies raising \$25 million in the previous quarter and 13 companies raising \$109 million in the corresponding quarter last year. The average investment per company in this sector was \$4.9 million during the current quarter, compared to \$2.8 million in the previous quarter and \$8.3 million in the corresponding quarter last year. In monetary terms, this is a 236% rise compared with the preceding quarter and a 24% decrease compared with the corresponding quarter of last year.

6 companies operating in the **communications and networking sector** raised \$16 million compared with \$61 million invested in 12 companies in the previous quarter and \$35 million going to 12 companies in the corresponding quarter last year. The average investment per company this quarter is \$2.7 million, down from \$5.1 million last quarter and \$2.9 million in the second quarter of 2011. In monetary terms, this is a 74% decrease from last quarter and a 53% 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, 7 companies raised \$9 million, compared with \$27 million by 11 companies in the preceding quarter and \$64 million by 13 companies in the corresponding quarter of last year. The average investment per company this quarter was \$1.3 million, as compared with \$2.5 million in the preceding quarter and \$4.9 million in the corresponding quarter of last year. In monetary terms, this is a 67% decrease company with the last quarter and a 86% decrease compared with the corresponding quarter of last year.

During the second quarter of 2012, 11

companies operating in the **software sector** raised \$41 million, compared with an investment of \$31 million in 10 companies last quarter and \$46 million in 14 companies in the corresponding quarter of last year. In monetary terms, this is a 32% rise compared with the last quarter and a 11% decrease compared with the corresponding quarter of last year. The average investment per company during the current quarter was \$3.7 million, compared with \$3.1 million in the preceding quarter and \$3.3 million in the corresponding quarter of last year.

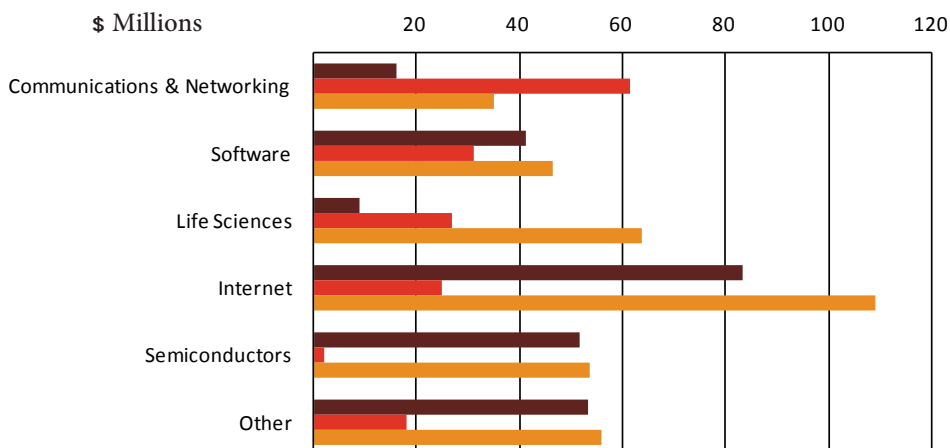
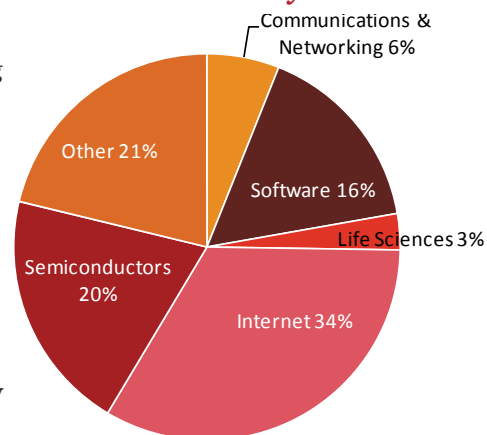
Five companies operating in the **semiconductors sector** raised \$52 million this quarter, compared with 2 companies raising \$2 million in the preceding quarter and 7 companies raising \$54 million in the corresponding quarter of last year. The average investment per company in this sector is \$10 million in the second quarter, up from \$1 million in the previous quarter and \$7.7 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. 13 companies classified under this category raised

\$53 million in the present quarter, representing 21% of the total investment for the quarter. These figures are compared with 4 companies raising \$18 million in the previous quarter, and 17 companies raising \$56 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 \$2 million invested in 3 transactions, down from \$18 million invested in 3 transactions last quarter.

Total investment by sector



## Analysis by Investment Round

### Early Round

In the second quarter, 27 companies raised \$91 million in the early round phase (the first and second rounds combined). This compared with 20 companies raising \$58 million in early-round financing last quarter and to 29 companies that raised \$146 million in the corresponding quarter of last year. The average early-round investment per company for the second quarter was \$3.3 million, compared with \$2.9 million for the preceding quarter and \$5 million in the corresponding quarter of last year.

### Third round

This quarter, 8 companies raised \$42 million in third-round funding. This compares to 4 companies raising \$17.5 million in third-round investment in the previous quarter and 2 companies that raised \$21 million in the corresponding quarter of last year. The average third-round investment per company for the second quarter was \$5.2 million, compared with \$4.4 million in the preceding quarter and \$10.5 million for the corresponding quarter of last year.

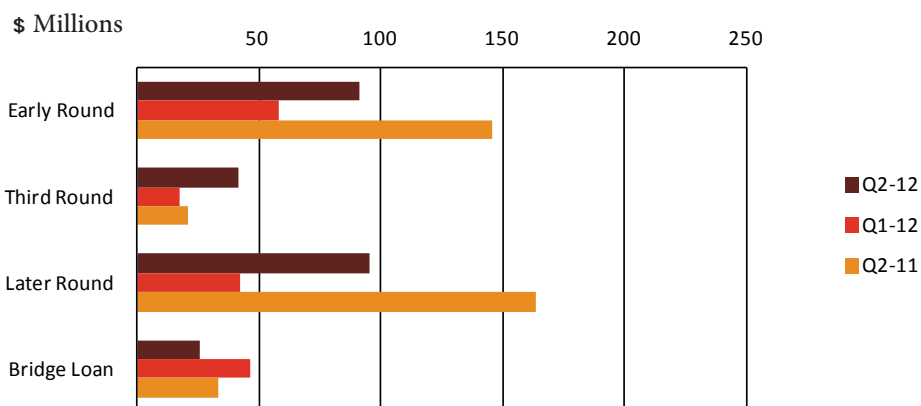
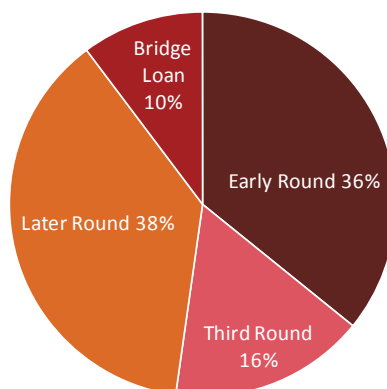
### Later round

8 companies raised \$95 million in the present quarter through later investment round transactions (i.e., fourth investment round and beyond). This compares to 5 companies that raised \$42 million in later-round investment in the preceding quarter and to 15 companies raising \$163 million in the corresponding quarter of last year. The average later-round investment for the third quarter was \$11.9 million, as compared with \$8.4 million in the preceding quarter and \$10.9 million in the corresponding quarter of last year.

### Bridge loans

A total of 16 companies raised \$26 million through bridge loans this quarter compared to 19 companies raising \$46 million last quarter and 30 companies raising \$33 million in the corresponding quarter of last year. In the present quarter, the average amount of bridge loans per company was \$1.6 million, compared with \$2.4 million last quarter and \$1.1 million in the corresponding quarter of last year.

### Total investment by investment round



## Analysis by Company Development Stage

### Seed/Start-Up Stage

5 companies at the start-up stage raised \$4.5 million during the second quarter of 2012, representing 2% of total investments this quarter. This compares to 6 companies raising \$29 million last quarter and 10 companies raising \$22 million in the corresponding quarter of last year. In the second quarter, the average investment per company at this stage of development was \$900 thousand, compared with \$4.7 million last quarter and \$2.2 million in the corresponding quarter of last year.

### Intermediate stage (early/expansion stage)

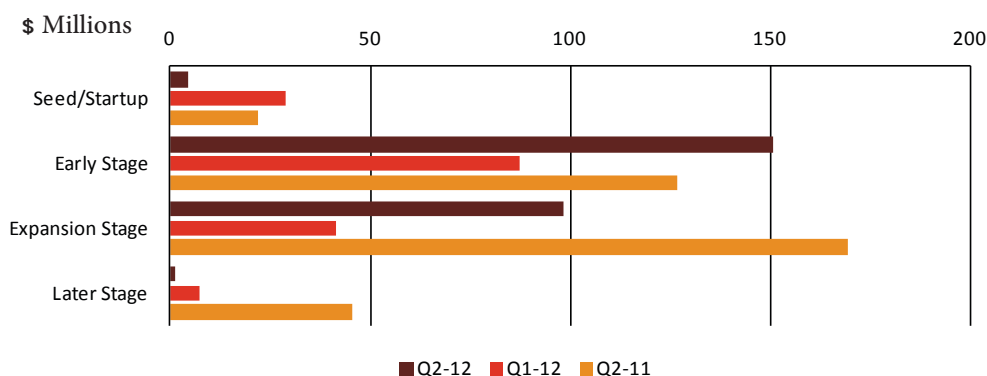
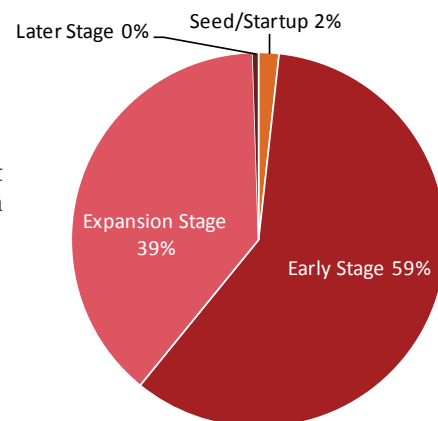
This quarter, 52 companies at the intermediate stage of development raised \$249 million, compared with 38 companies that raised \$129 million last quarter and 59 companies that raised \$296 million in the corresponding quarter of last year. The average investment for this quarter was \$4.7 million, as compared with \$3.4 million in the previous quarter and \$5 million in the corresponding quarter of last year.

An internal analysis of intermediate stage investment reveals that 36 companies at the early stage of development raised \$150 million during the quarter under review, with 16 companies at the expansion stage of development raising \$99 million.

### Later stage

2 companies at the later stage of development raised \$1.3 million this quarter compared with 4 companies that raised \$7.4 million in the previous quarter and 7 such companies that raised \$46 million in the corresponding quarter of last year. The average investment for the current quarter was \$645 thousand down from \$1.8 million in the preceding quarter and \$6.5 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, 38 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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