

MoneyTree™

Report

Q1 2014 results

IL Report

Increased average investments in seed stage

Some \$232 million invested in VC-backed hi-tech companies in the first quarter of 2014 up from \$196 million in corresponding quarter last year

The PwC Israel MoneyTree™ Report for the first quarter of 2014

Tel Aviv, Israel -- May 7th, 2014 -- Venture capital-backed hi-tech companies (in which at least one investor in a funding round is a venture capital fund) raised \$232 million in Israel during the first quarter of 2014, down with 23% from \$300 million in the fourth quarter of 2013 and a 18% increase from \$196 million in the corresponding quarter last year, according the latest PwC Israel MoneyTree™ Report.

The report also indicates that 38 Israeli high-tech companies raised VC funding in the first quarter of 2014, compared to 44 in the preceding quarter and 51 in the corresponding quarter of last year. The average investment per company in the quarter under review was \$6.1 million, down from \$6.8 million in the preceding quarter and up from \$3.8 million in the corresponding quarter of last year.

During the current quarter, \$121 million, 52% of the total quarterly investment, was invested in 7 deals of over \$10M, compared with \$196 million (65%) invested in 10 deals in the previous quarter and \$128 million (65%) in 9 deals in the first quarter of 2013.



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

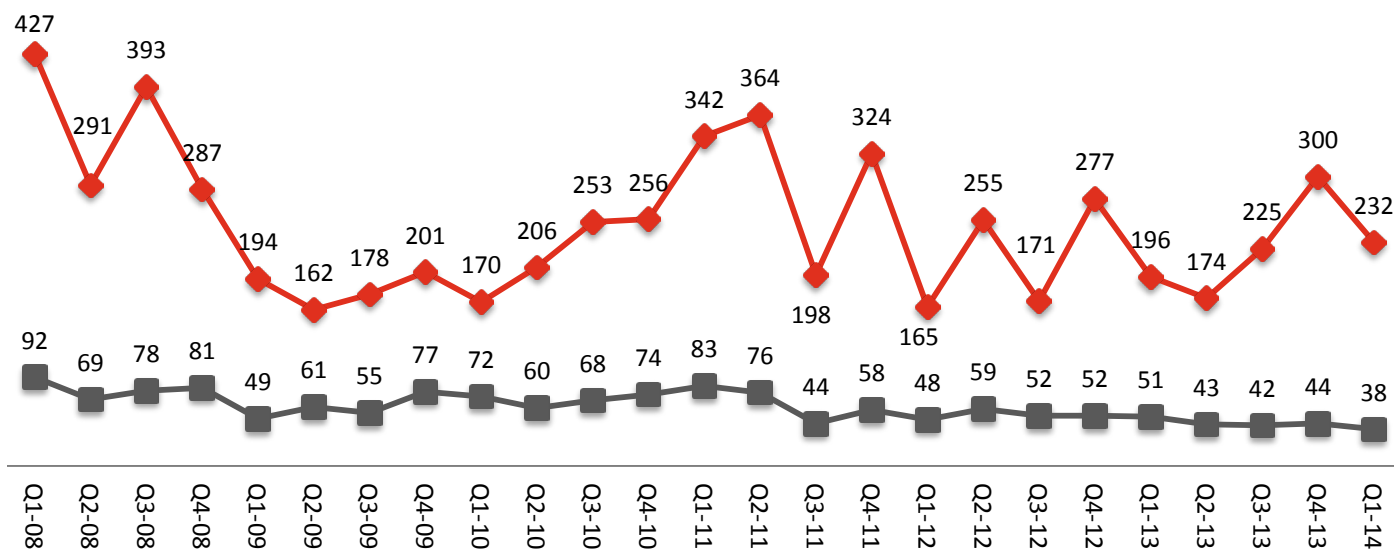
Rubi Suliman, Partner, co-leader of PwC Israel's high-tech practice,

Much has been said about the present period in the Israeli hi-tech industry, with its unprecedented exit and IPO success stories, and the resulting significant improvement in VC fund returns. Yet, as this report shows, we still don't see VC investment side picking up with full force. Some stability in investment flux is indeed evident, with a mild upward trend over the last few quarters. VCs and other hi-tech investors do have now significantly more capital in their disposal for making investments. For that, it is reasonable to expect, as hi-tech successes continue, that the amounts invested will follow suit.

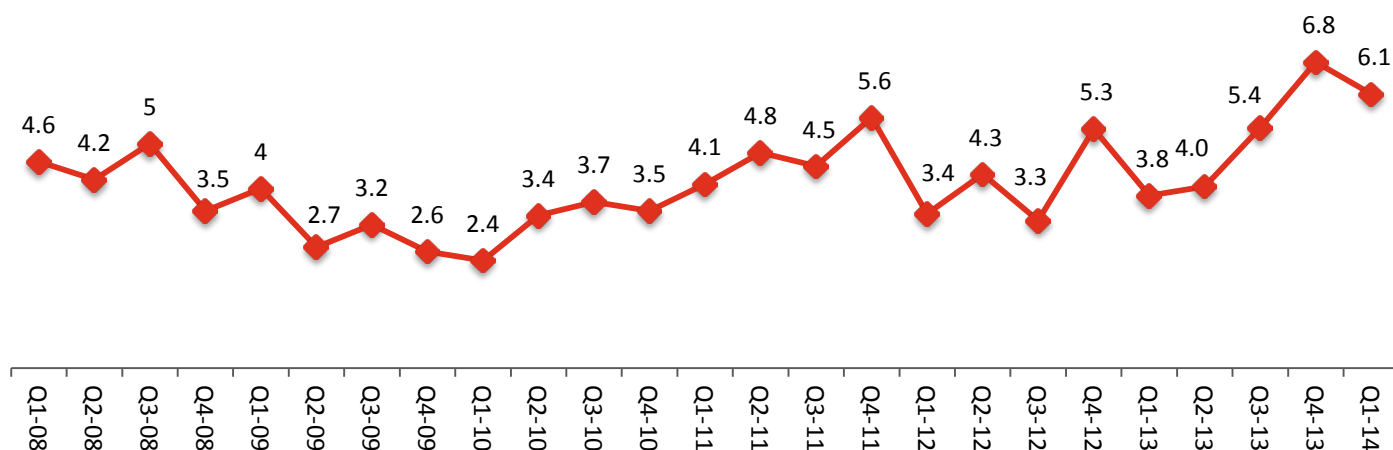
In the last two quarters, we have witness a new high in the average investment per company. This is another piece of evidence for the maturity of many Israeli hi-tech companies with need for larger investments, as well as the availability of money for making such investments.

In addition, we see yet another rise in investments channeled to seed-phase companies, mainly thanks to the abundance of companies in early stages, and, again, combined with the availability of financial resources from new or follow-up funds of long-standing VCs.

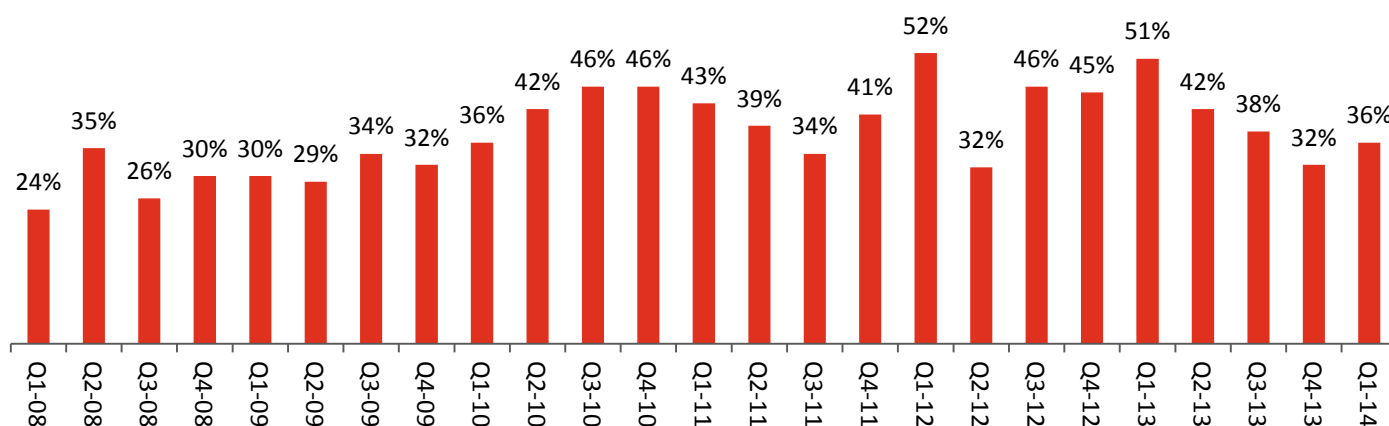
Total annual investment 2008 - 2014 (in millions \$)



Average investment per company (in millions \$)



% of funds making no investment



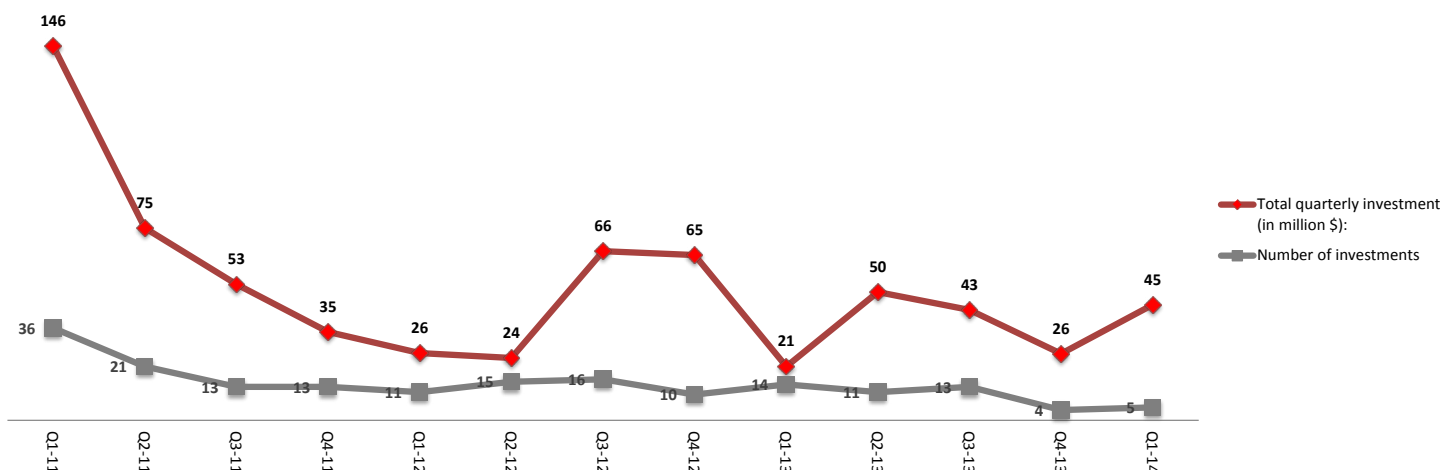
Analysis by Geographic Location of Company Registration

In addition to investment in high-tech companies with operations in Israel, local venture capital funds also invested approximately \$114 million in 4 overseas high-tech companies that are not engaged in operations in Israel.

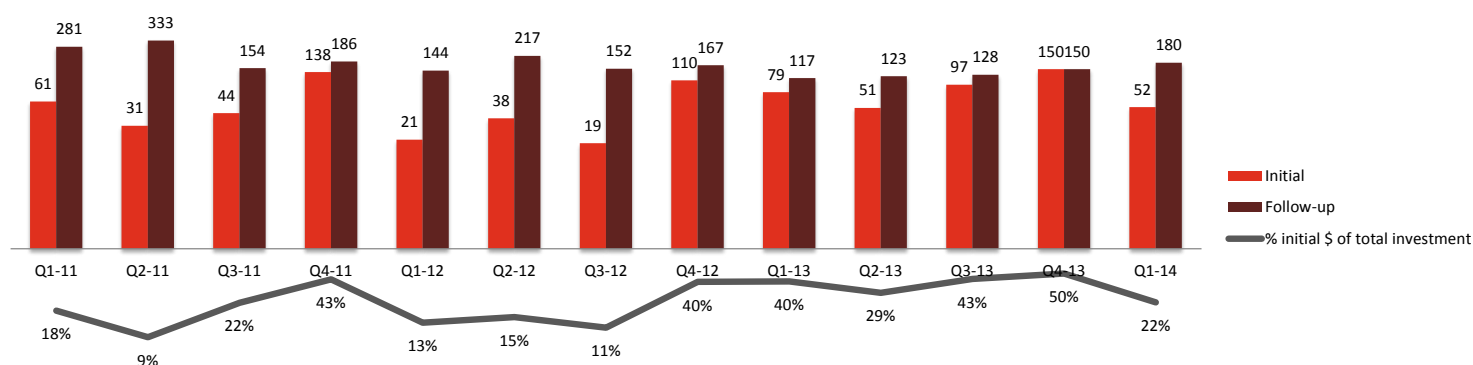
Companies Receiving Grants from the Office of the Israel Chief Scientist

5 companies, representing 13% of all companies raising VC capital in the first quarter of 2014, are supported by the Office of the Israel Chief Scientist. Some \$45 million (19%) of total investment funds went to these companies.

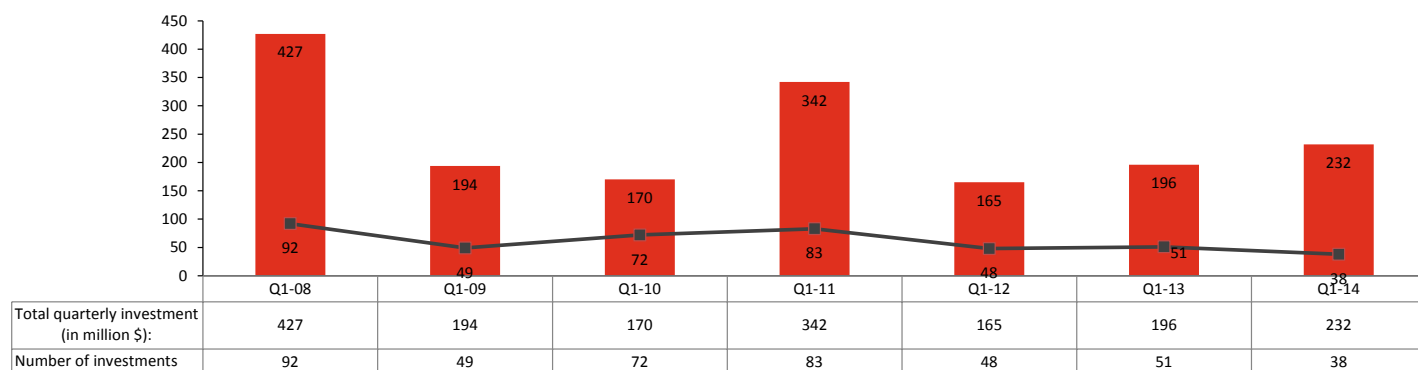
Companies Receiving Grants from the office of the Israel Chief Scientist 2011-2014 (in millions \$)



Comparison of Initial and Follow-on investment rates: (\$ investments)

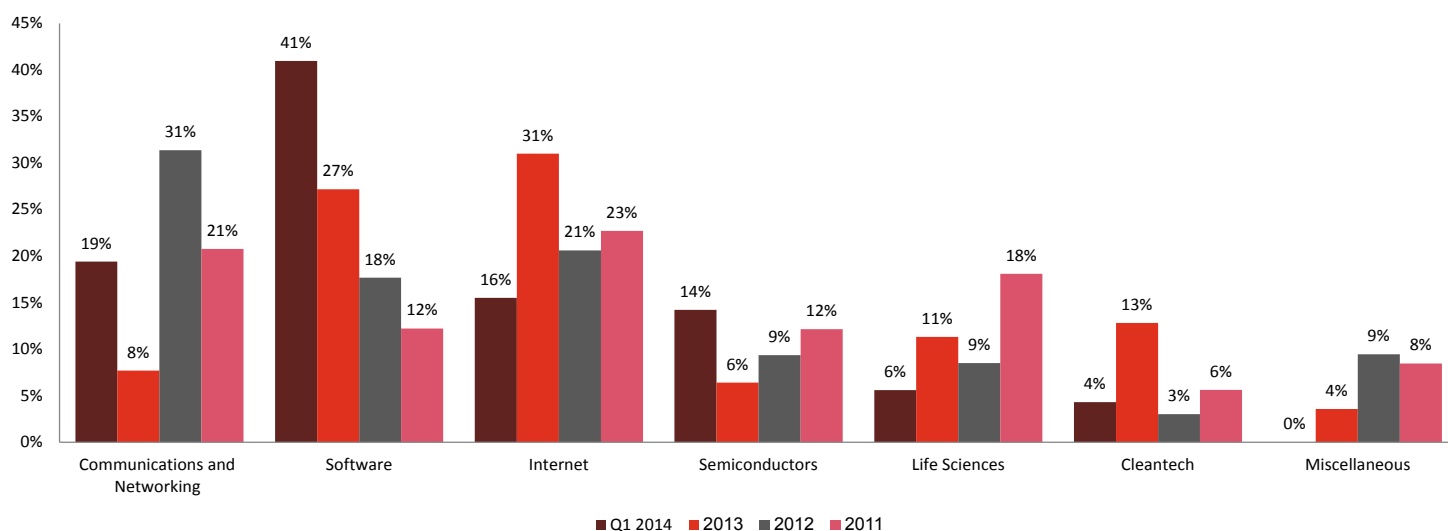


Investments made during corresponding quarters:



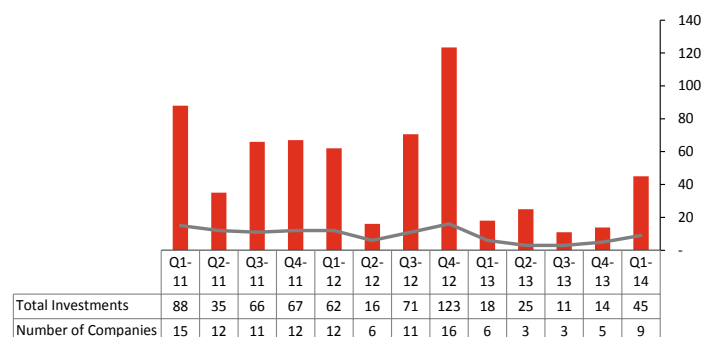
Analysis by Leading Technological Sector

Total annual Investment by sector 2011 - 2014 (% of total \$ invested)



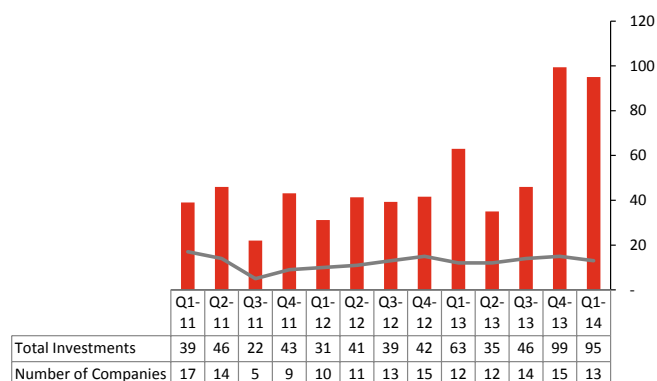
Communications and Networking sector

Number of Companies and Total Quarterly investments 2011- 2014 (in millions \$)



Software sector

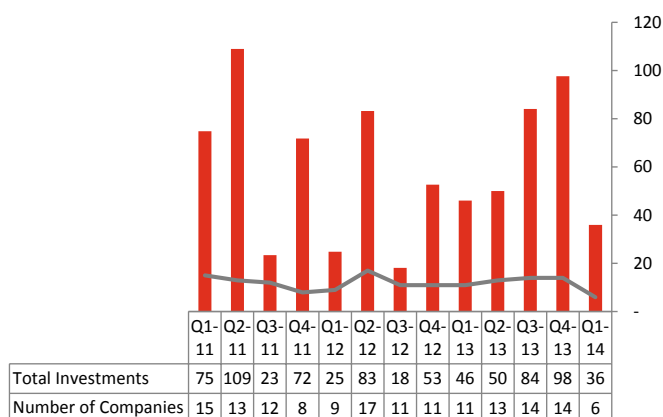
Number of Companies and Total Quarterly investments 2011- 2014 (in millions \$)



Analysis by Leading Technological Sector

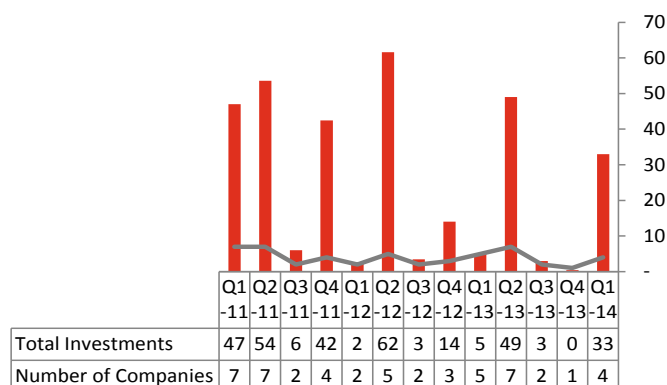
Internet Sector

Number of Companies and Total Quarterly investments 2011- 2014 (in millions \$)



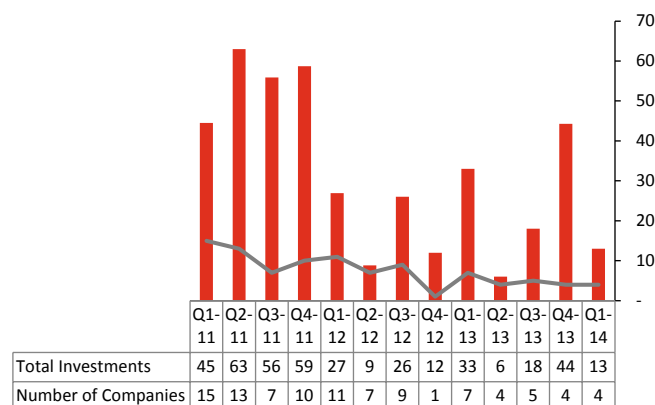
Semiconductors Sector

Number of Companies and Total Quarterly investments 2011- 2014 (in millions \$)



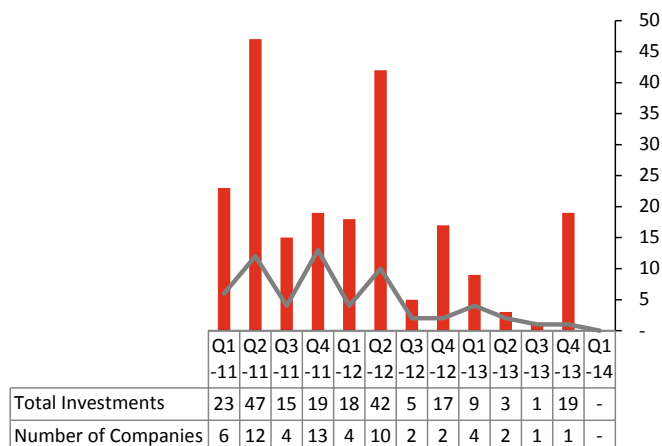
Life Sciences Sector

Number of Companies and Total Quarterly investments 2011- 2014 (in millions \$)



Miscellaneous Sector

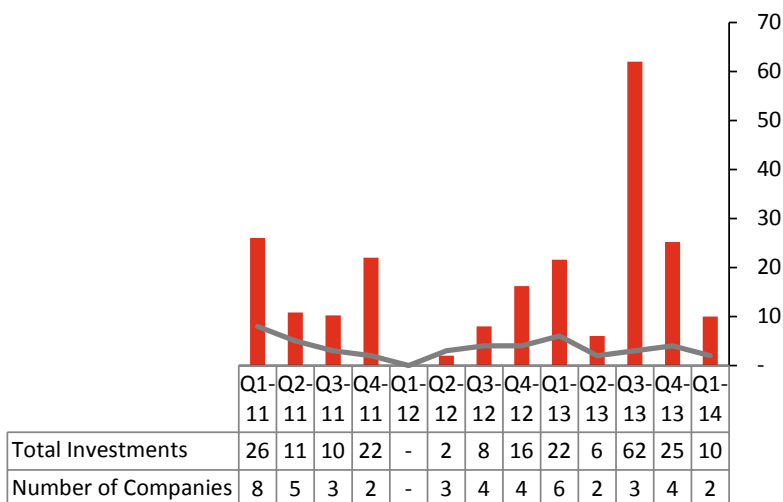
Number of Companies and Total Quarterly investments 2011- 2014 (in millions \$)



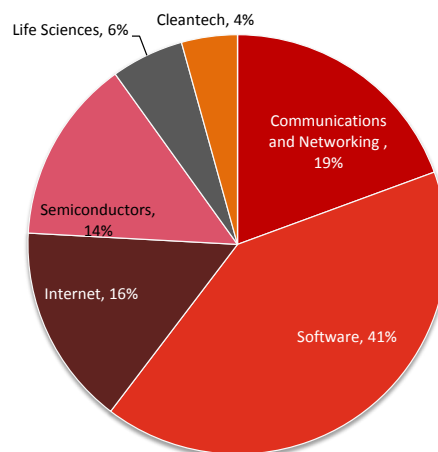
Analysis by Leading Technological Sector

Cleantech sector

Number of Companies and Total Quarterly investments
2011- 2014 (in millions \$)

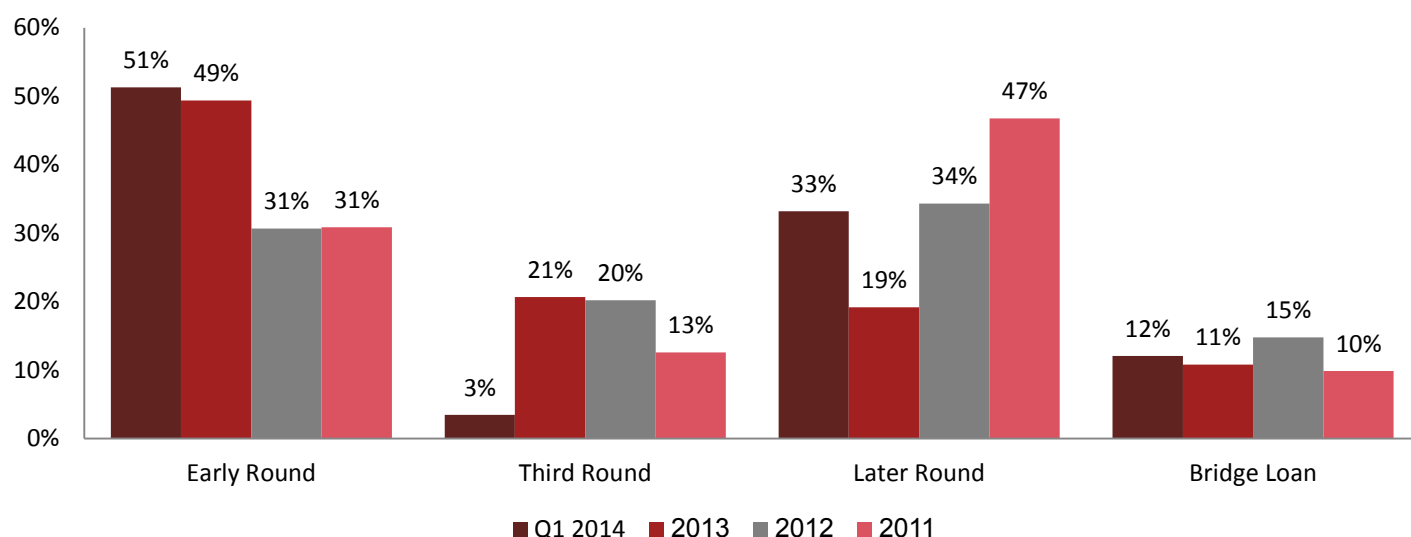


Total Investment by sector



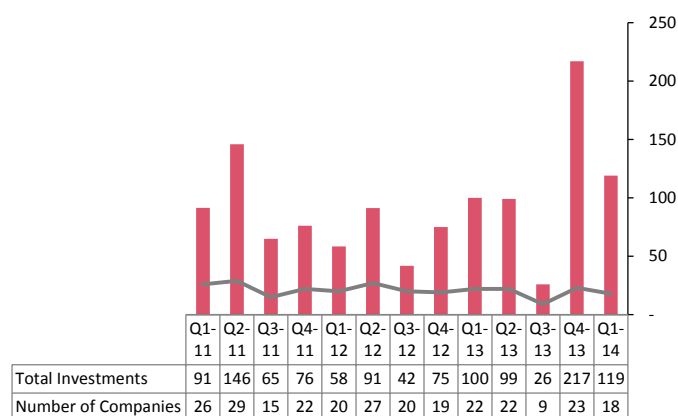
Analysis by Investment Round

Total annual Investment by Investment Round
2011 - 2014 (% of total \$ invested)



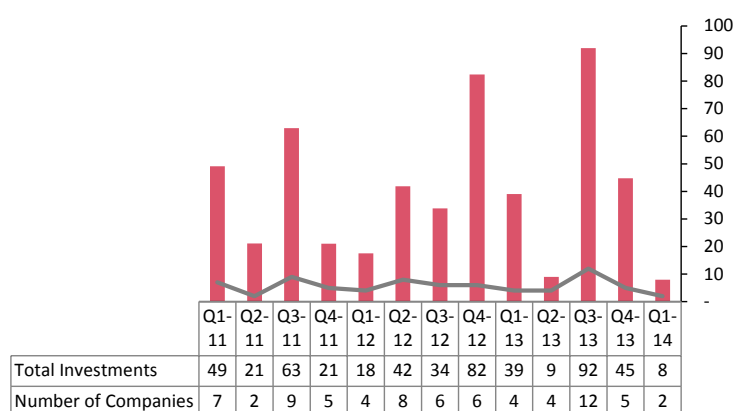
Early round

Number of Companies and total quarterly investments
2011 - 2014 (in millions \$)



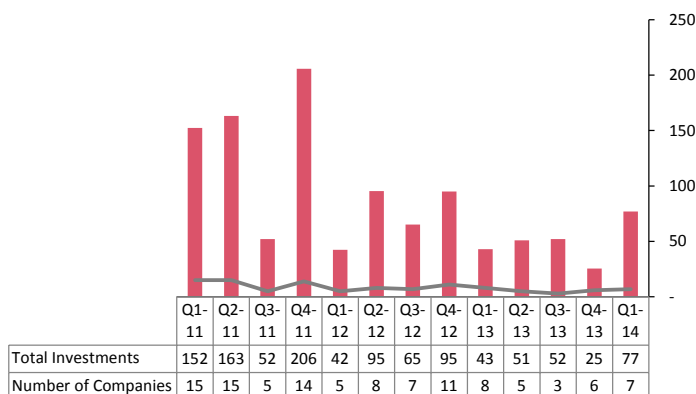
Third round

Number of Companies and total quarterly investments
2011 - 2014 (in millions \$)



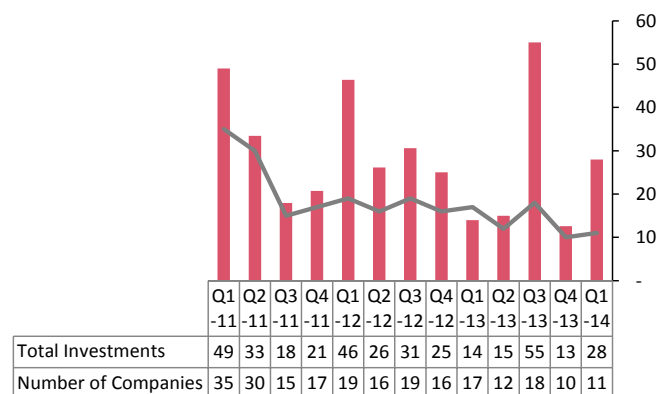
Later Round

Number of Companies and total quarterly investments
2011- 2014 (in millions \$)

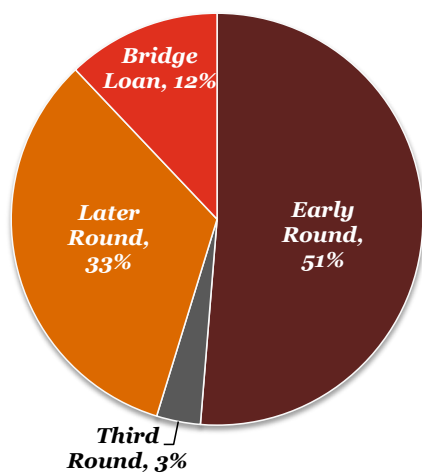


Bridge Loan

Number of Companies and total quarterly investments
2011- 2014 (in millions \$)

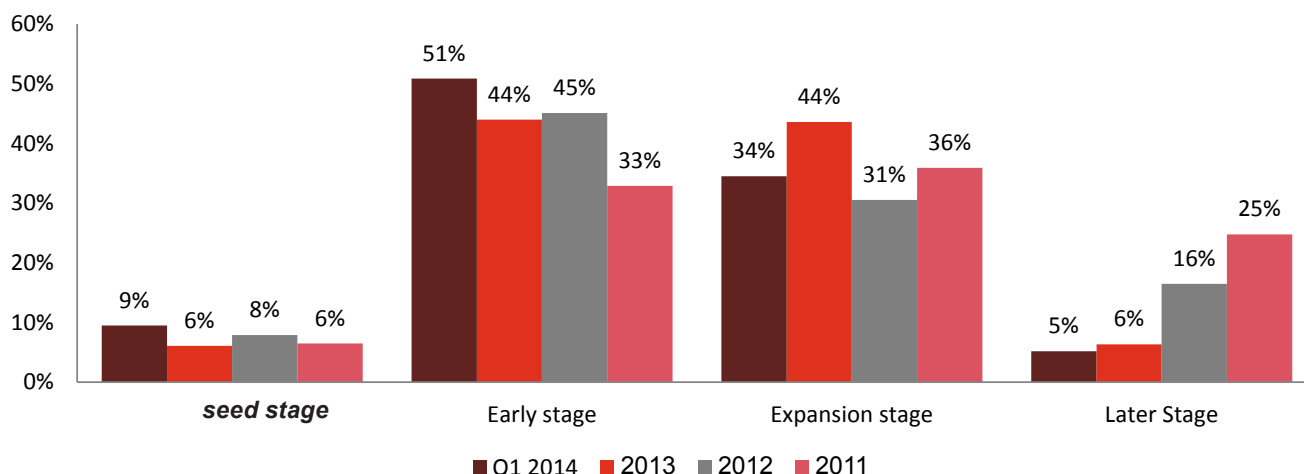


Total Investment by Investment Round



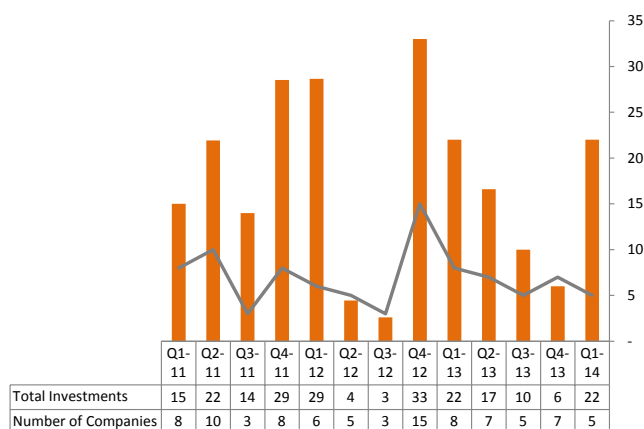
Analysis by Company Development Stage

Total annual Investment by Development Stage
2011 - 2014 (% of total \$ invested)



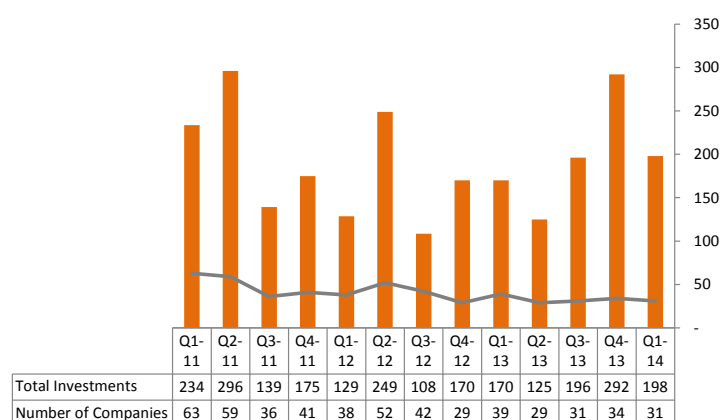
Seed Stage

Number of Companies and total quarterly investments
2011- 2014 (in millions \$)



Intermediate stage

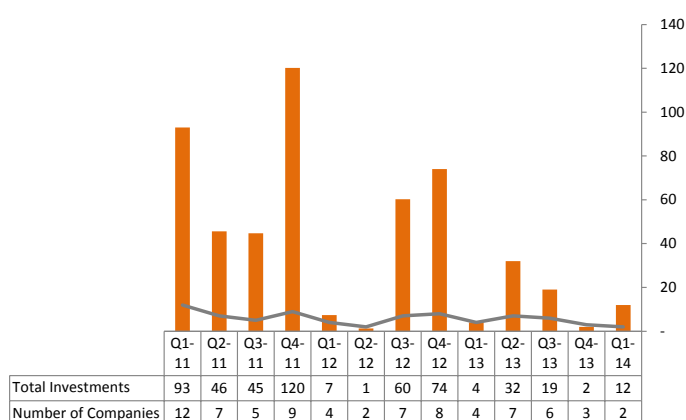
Number of Companies and total quarterly investments
2011- 2014 (in millions \$)



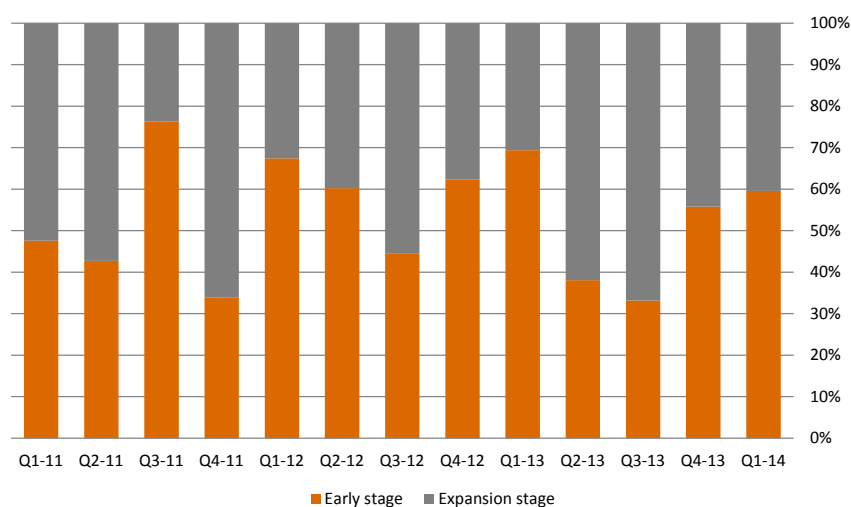
Analysis by Company Development Stage

Later Stage

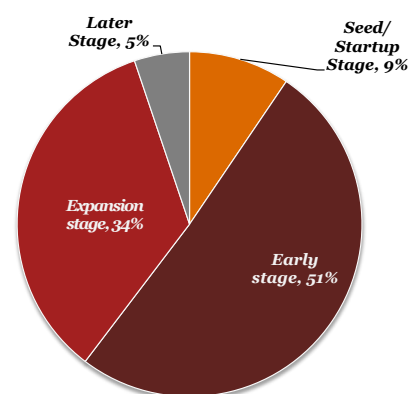
Number of Companies and total quarterly investments
2011- 2014 (in millions \$)



Split of the Intermediate stage between early and expansion stage



Total Investment by company development stage



The MoneyTreeTM Report is published quarterly by Kesselman & Kesselman PwC Israel, in conjunction with the reports published in the United States and Europe by the global accounting, tax and consulting firm, PricewaterhouseCoopers. This quarter, 33 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.

The MoneyTreeTM Report measures investments by the professional venture capital community in private emerging hi-tech companies in Israel. The information presented in the MoneyTree report includes investment rounds in Israeli hi-tech companies or Israeli related (companies that are incorporated outside of Israel, but were founded by Israeli founders with R&D subsidiary in Israel), with at least one VC participating in the financing round. The VC's that are included are all Israeli VC's or foreign VC's that have at least one partner in Israel. The information is mostly reported to us by the VC's and other reliable sources and is verified prior to its inclusion in the report.

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