

MoneyTree™ Report

Q2 2014 results IL Report

VC investment up 34% compared to the corresponding quarter last year

Some \$233 million invested in VC-backed hi-tech companies in the second quarter of 2014 up from \$174 million in the corresponding quarter

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

Tel Aviv, Israel -- August 06, 2014 -- Venture capital-backed hi-tech companies (in which at least one investor in a funding round is a venture capital fund) raised \$233 million in Israel during the second quarter of 2014, no significant change from \$232 million in the first quarter of 2014 and a 34% increase from \$174 million in the corresponding quarter last year, according the latest PwC Israel MoneyTree™ Report.

During the first half year of the current year, 75 Israeli high-tech companies raised \$ 465 million, an 25% increase compared to the same period in last year were \$370 million was raised.

The report also indicates that 37 Israeli high-tech companies raised VC funding in the second quarter of 2014, compared to 38 in the preceding quarter and 43 in the corresponding quarter of last year. The average investment per company in the quarter under review was \$6.3 million, up from \$6.1 million in the preceding quarter and up from \$4.0 million in the corresponding quarter of last year.

During the current quarter, \$160 million, 69% of the total quarterly investment, was invested in 6 deals of over \$10M, compared with \$121 million (52%) invested in 7 deals in the previous quarter and \$95 million (55%) in 6 deals in the second quarter of 2013.



Rubi Suliman, Partner, High-Tech Leader, PwC Israel,

It seems that the recent bleak outlook for the Israeli VC industry has proved to be wrong. True, the local VC landscape has undergone a major transformation and many players bowed out, but they were quickly replaced by new ones. And this quarter, we report the highest quarterly investment since 2000 in the United States Of America!

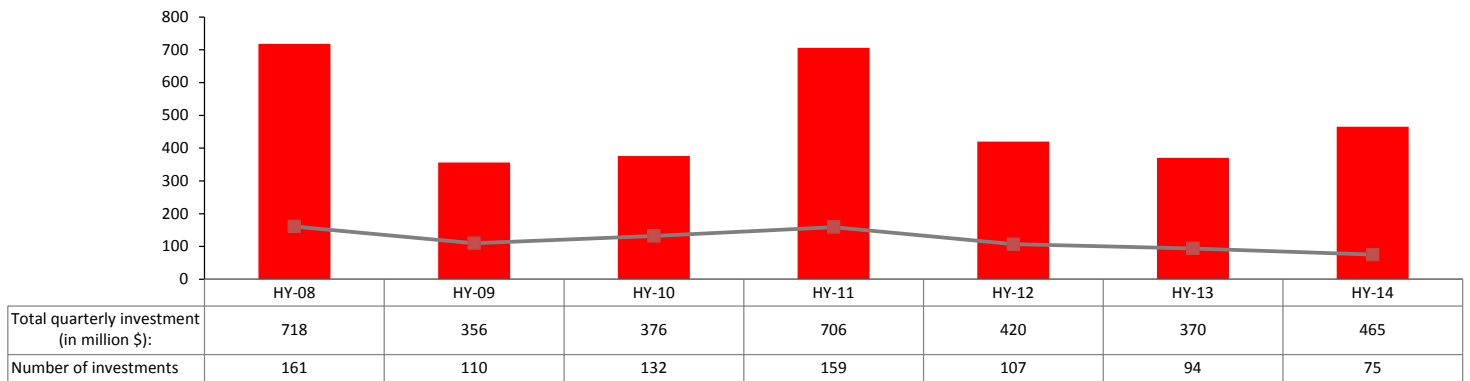
There is no doubt that this trend in the United States Of America and the overall global appetite for investing in hi-tech companies reached a new high, which can have a significant and positive effect on Israeli hi-tech. Although we still don't see here quite the same peaks as in the US, this can actually mean that there is room for expectation.

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

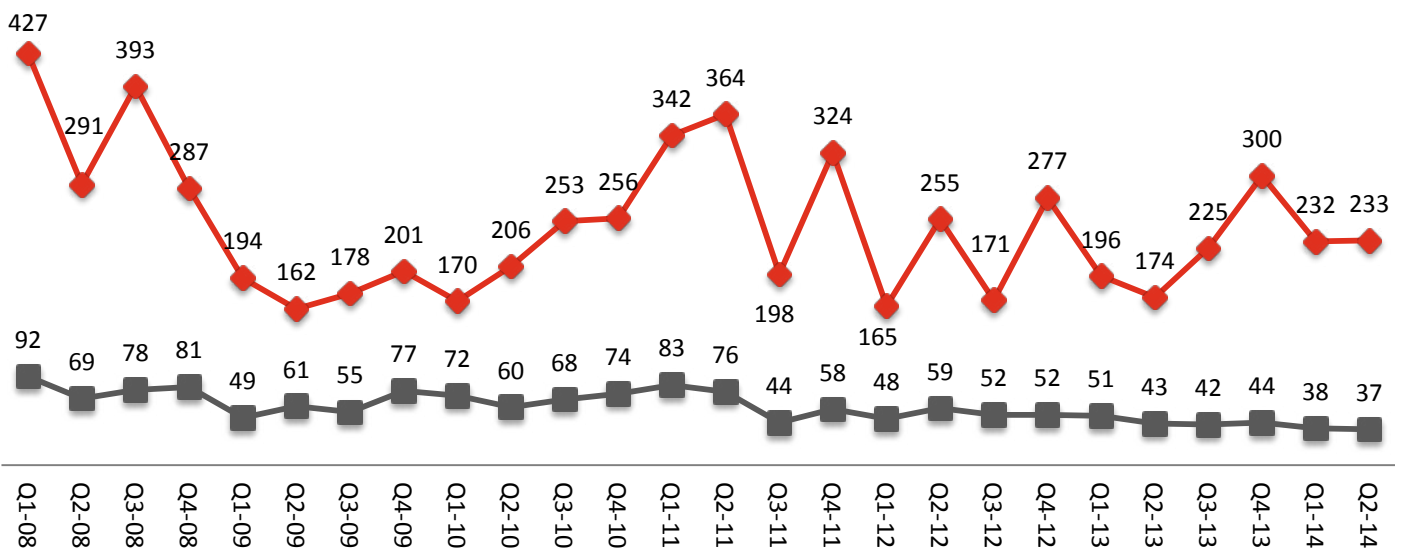
Now, more than ever before, technology is shaping every aspect of our lives. Vanture Capital funds know that and are now competing to invest in leading innovative tech companies and in tech solutions that aim to close the gap between providers and their customers. This leads to massive valuations in investment rounds. So, then, the question comes to mind: are we entering another bubble? My take is that unlike the bubble that burst in 2000 , there is no longer uncertainty whether new technology will be adopted (business model risk). Today, the key is to pick those companies that will turn into market leaders (competition risk).

In times like these, it is virtually impossible to overlook the impact that the conflict in Gaza can have on the Israeli hi-tech. There is no doubt that the duration and outcomes of the present hostilities will affect the appetite of many to invest in Israel. However, we believe that its innovation, entrepreneurship and creativity will empower Israeli hi-tech to overcome this challenge. And finally, Israeli hi-tech can experience some drag in the near term as a result of the current conflict, but, in the longer run, the industry will be more influenced by global economic and technology trends than any local events.

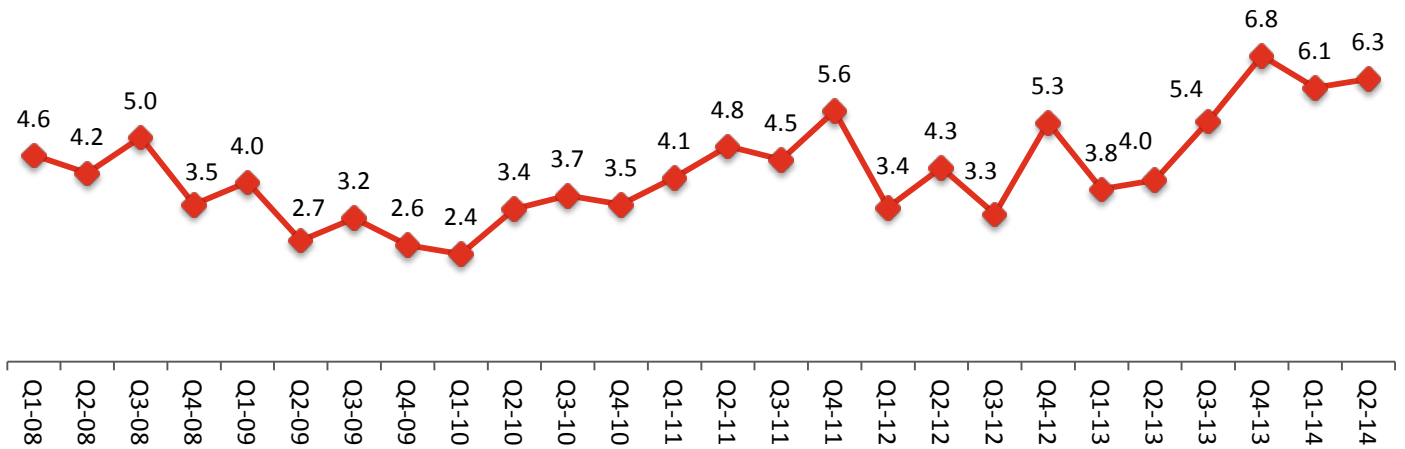
Investments made during corresponding half year



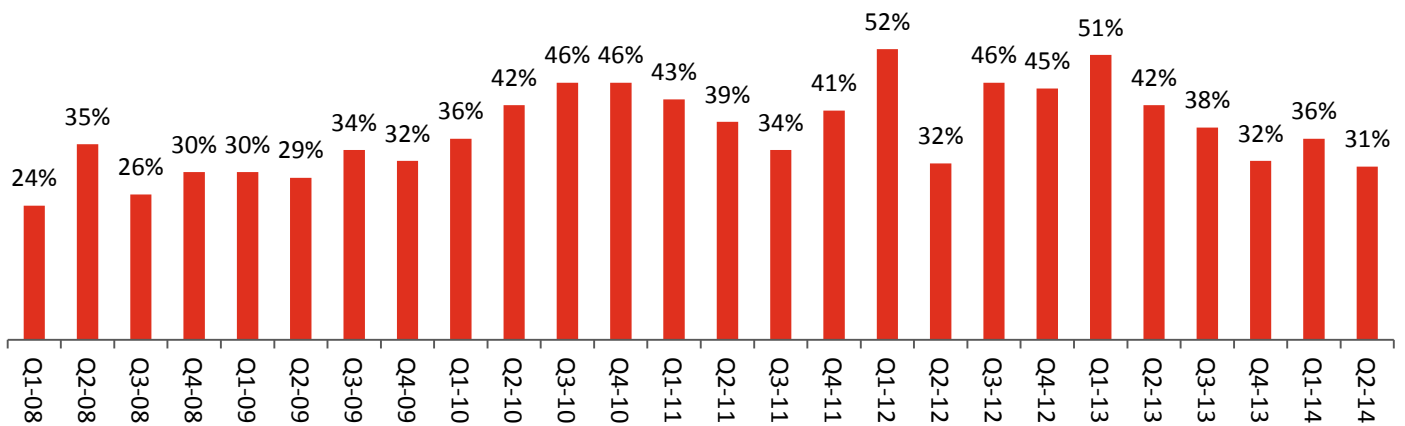
Total quarterly investment Q1 2008- Q2 2014 (in millions \$)



Average investment per company (in millions \$)



% of funds making no investment



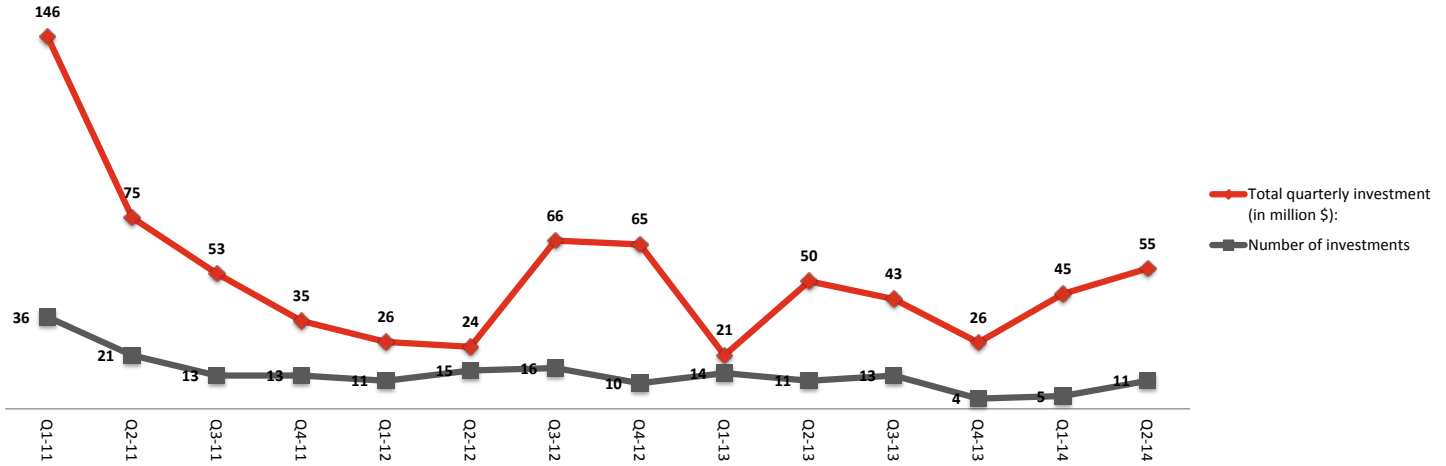
Analysis by Geographic Location of Company Registration

In addition to investment in high-tech companies with operations in Israel, local venture capital funds also invested approximately \$52 million in 5 overseas high-tech companies that are not engaged in operations in Israel.

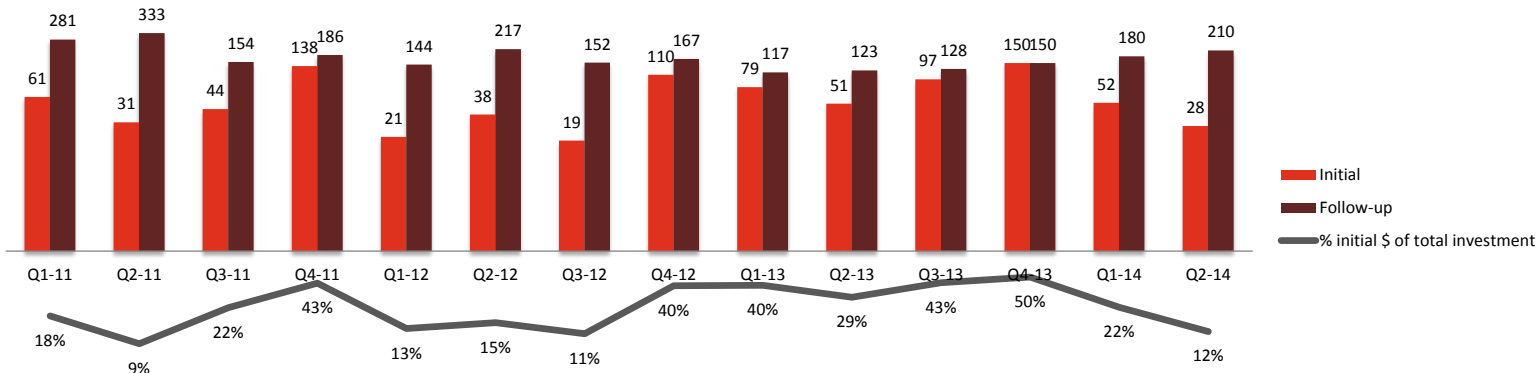
Companies Receiving Grants from the Office of the Israel Chief Scientist

11 companies, representing 30% of all companies raising VC capital in the second quarter of 2014, are supported by the Office of the Israel Chief Scientist. Some \$55 million (24%) of total investment funds went to these companies.

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

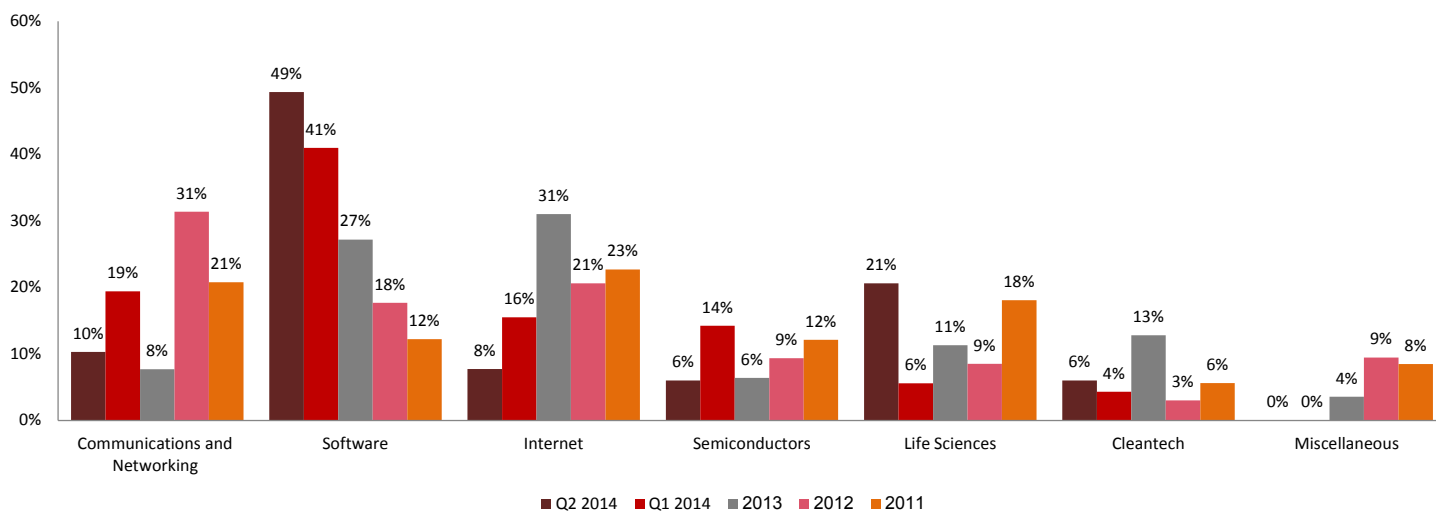


Comparison of Initial and Follow-on investment rates: (\$ investments)



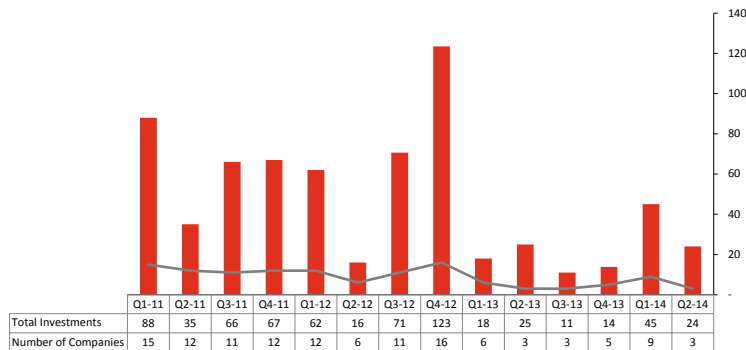
Analysis by Leading Technological Sector

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



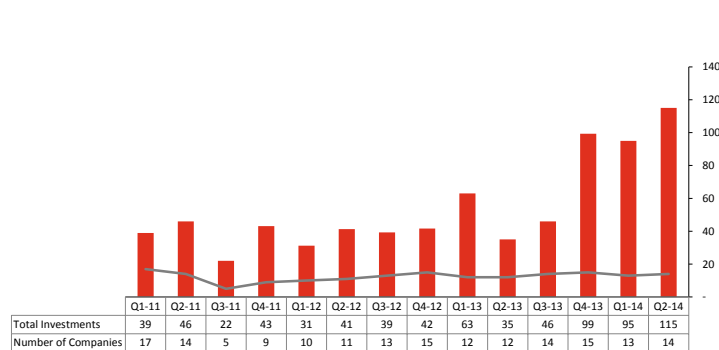
Communications and Networking sector

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



Software sector

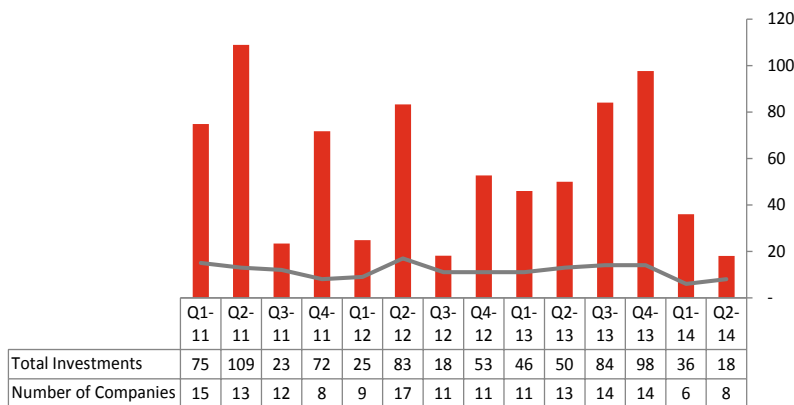
Number of Companies and Total Quarterly investments 2011- 2014 (in millions \$)



Analysis by Leading Technological Sector

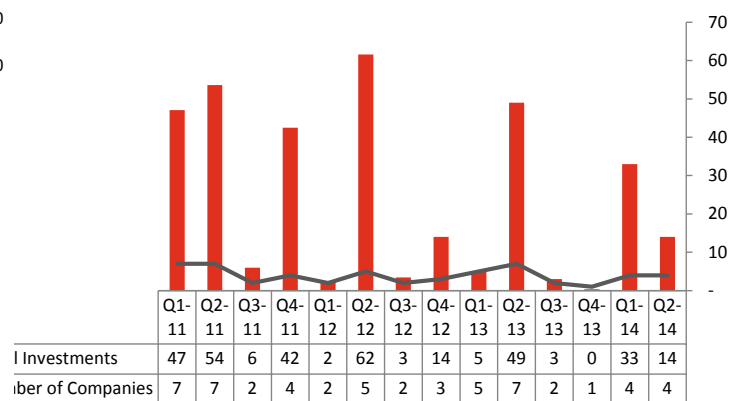
Internet Sector

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



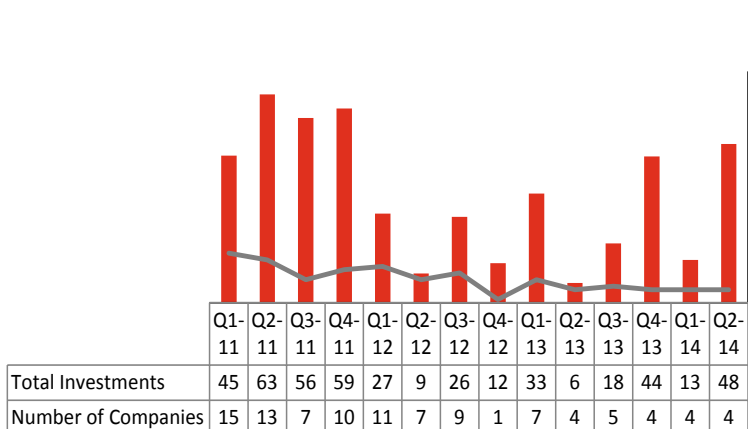
Semiconductors Sector

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



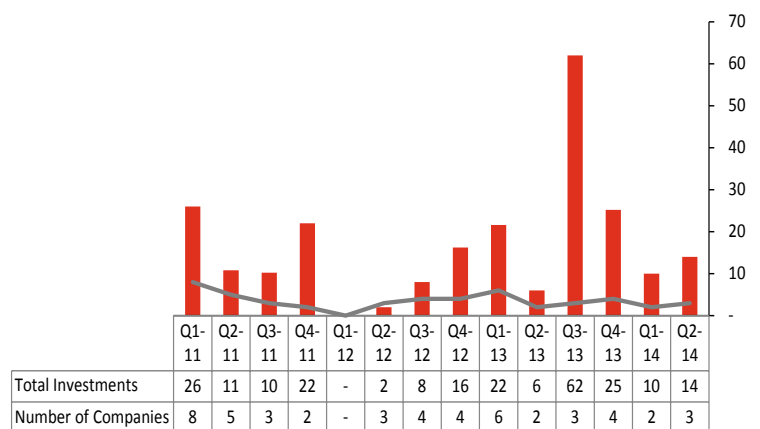
Life Sciences Sector

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



Cleantech sector

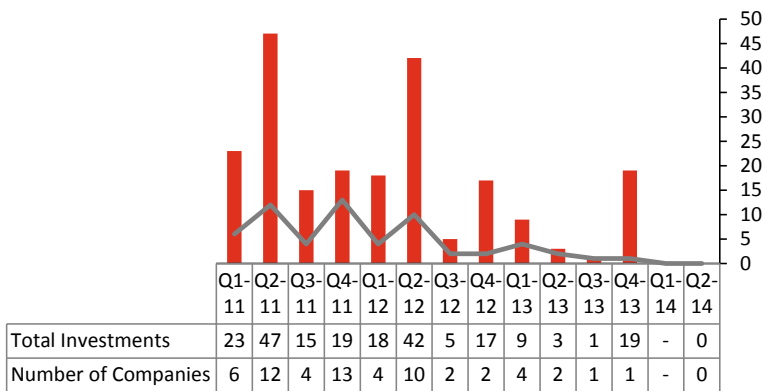
Number of Companies and Total Quarterly investments
2011- 2014 (in millions \$)



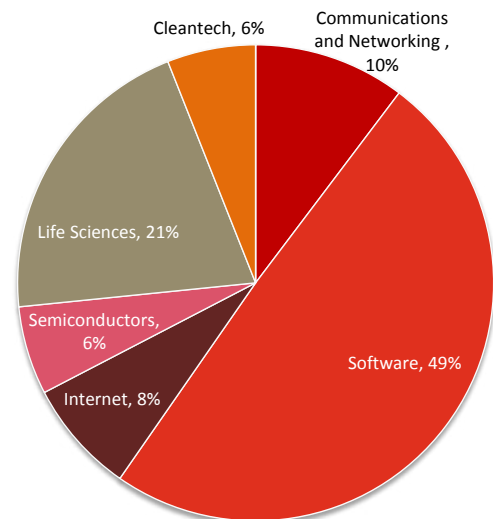
Analysis by Leading Technological Sector

Miscellaneous Sector

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

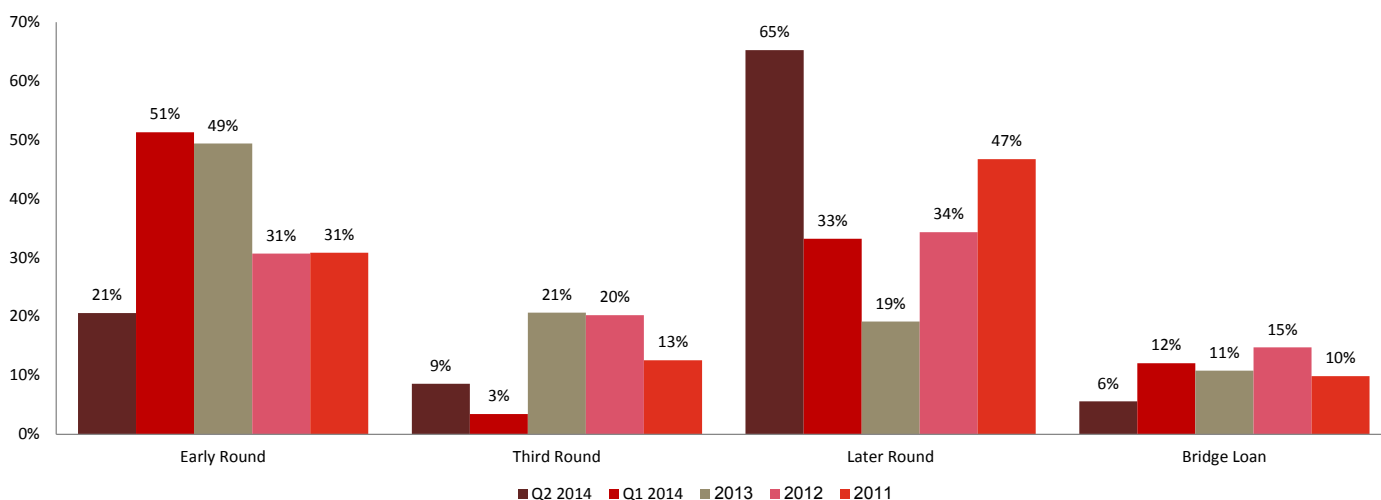


Total Investment by sector



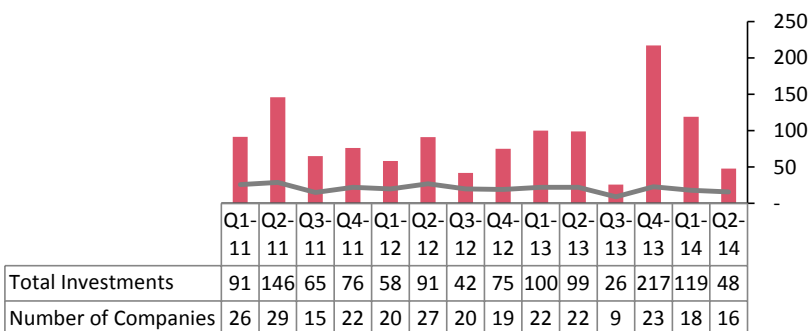
Analysis by Investment Round

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



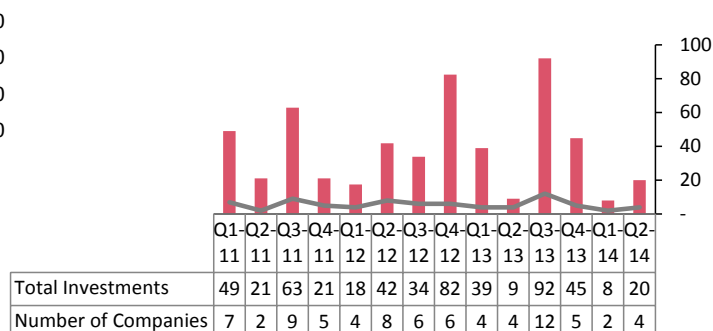
Early round

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



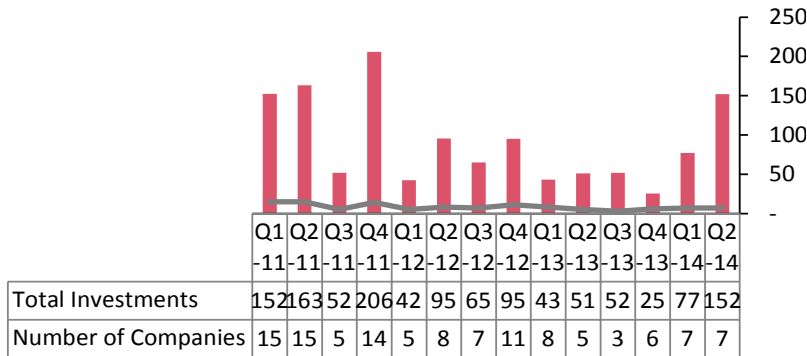
Third round

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



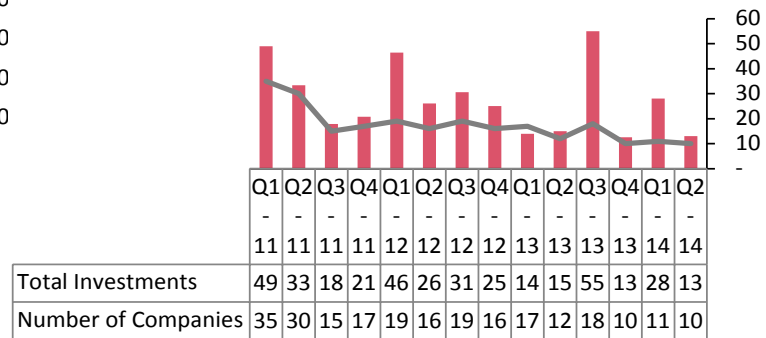
Later Round

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

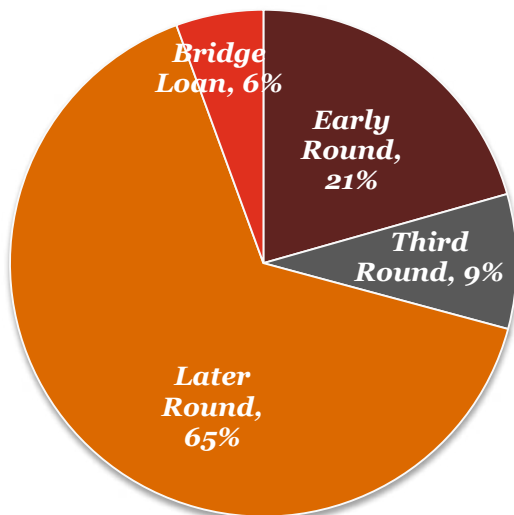


Bridge Loan

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

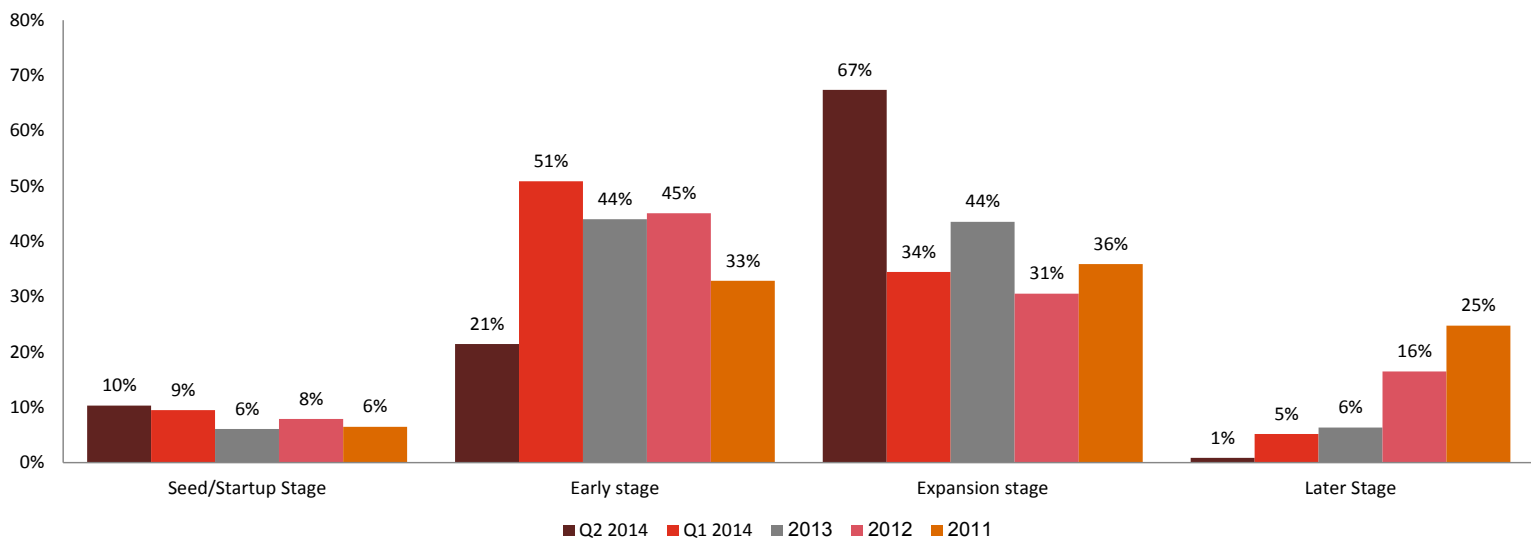


Total Investment by Investment Round



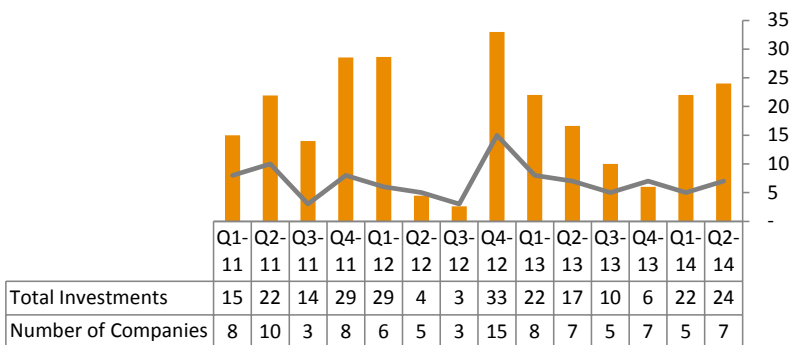
Analysis by Company Development Stage

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



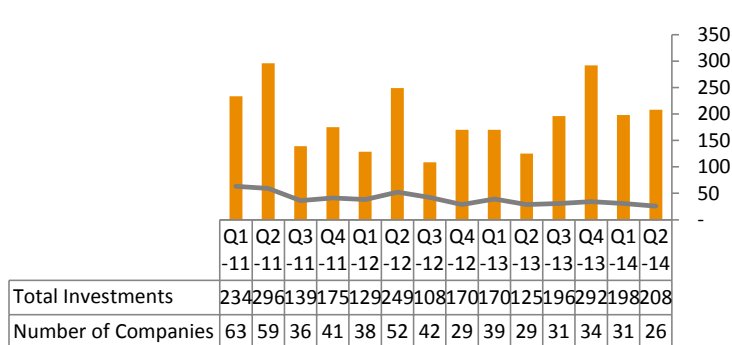
Seed Stage

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



Intermediate stage

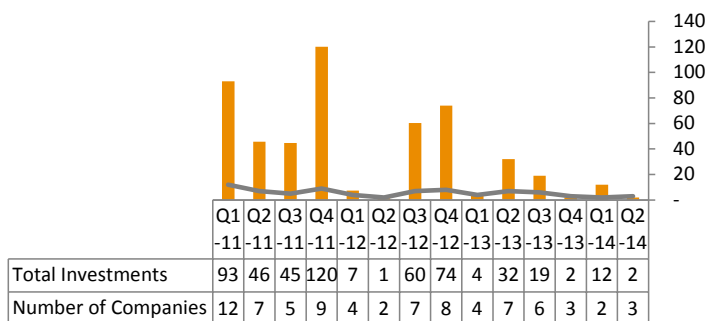
Number of Companies and total quarterly investments
2011 - 2014 (in millions \$)



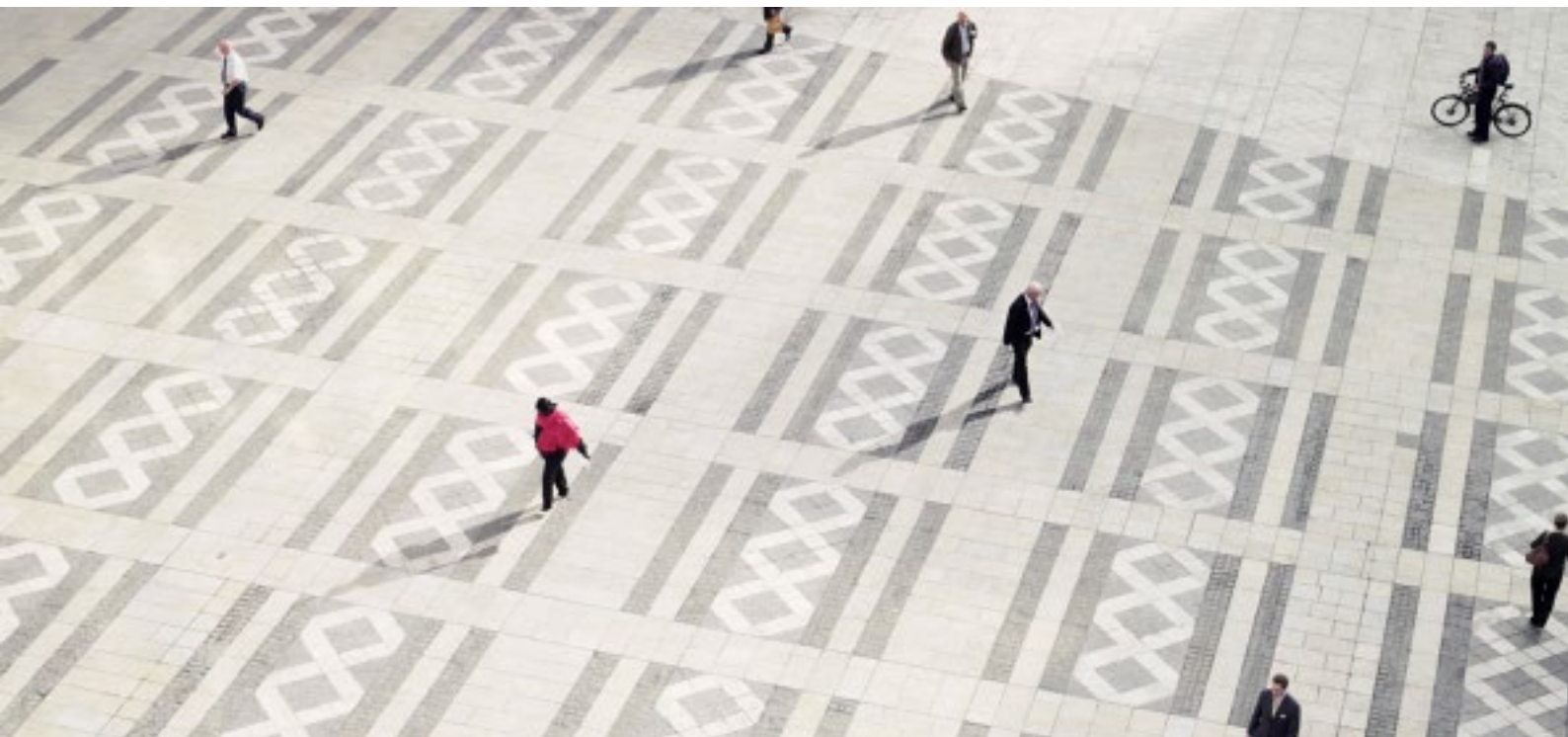
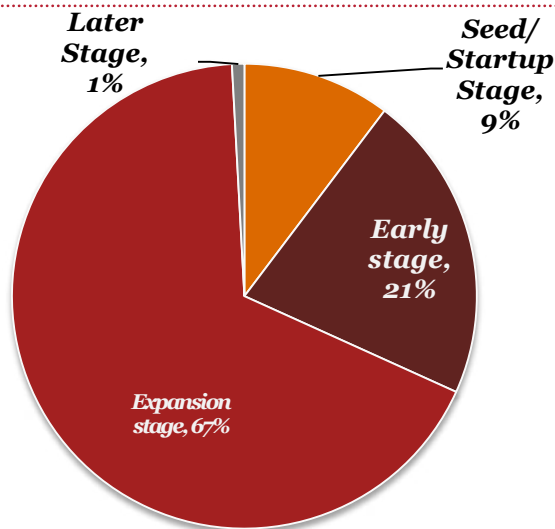
Analysis by Company Development Stage

Later Stage

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



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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