

MoneyTree™ Report

Q 3 2013 results IL Report

Signs of recovery in Venture Capital investments

Some \$ 225 million invested in VC-backed hi-tech companies in Q3 2013 up from \$ 174 million in previous quarter

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

Tel Aviv, Israel -- October 15, 2013 -- Venture capital-backed hi-tech companies (in which at least one investor in a funding round is a venture capital fund) raised \$225 million in Israel during the third quarter of 2013, up with 29% from \$174 million in the previous quarter and a 32% increase from \$171 million in the corresponding quarter last year, according the latest PwC Israel MoneyTree™ Report.

The report also indicates that 42 Israeli high-tech companies raised VC funding in the third quarter of 2013, compared to 43 in the preceding quarter and 52 in the corresponding quarter of last year. The average investment per company in the quarter under review was \$5.4 million, up from \$4 million in the preceding quarter and from \$3.3 million in the corresponding quarter of last year.

During the current quarter, \$137 million was invested in 5 deals of over \$10M, compared with \$95 million invested in 6 deals in the previous quarter and \$82 million in 5 deals in the third quarter of 2012.



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

Rubi Suliman, Partner, co-leader of PwC Israel's high-tech practice, pointed out that the title chosen, signs of recovery in venture capital investments, is due to the significant increase in VC investments over the last quarter, but by far not only because of that fact. Recently, a number of Israeli VC funds announced that they were successful in raising new funds, in combination with the impressive exits this year, the opening up of the US market to hi-tech IPO's and the interest in this shown by many Israeli hi-tech companies... and we can cautiously speak of a starting trend. The figures show us that 58% of the investments are directed at companies at the expansion stage, i.e. mostly companies growing out into the global sales market. This is the natural type of investments for VC funds: companies requiring significant financing for growth, acquisitions and worldwide marketing and sales. Also, 43% of the total dollar amount invested is initial investments (as oppose to follow-up investments). In a quarter with high level of investments, this is an indication that VCs are now coming out of a "defensive" mode to an "offensive" mode and replenish their portfolio. The internet sector is back on top with a total of \$84 million dollar invested. The Cleantech sector showed a surprisingly high figure with a total of \$62 million dollar invested, mostly due to one large-scale deal.

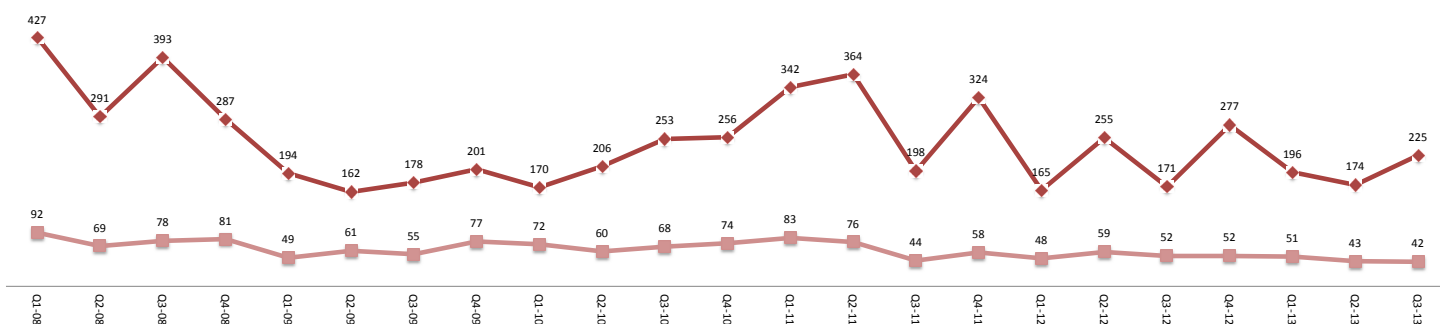
MoneyTree™

Report

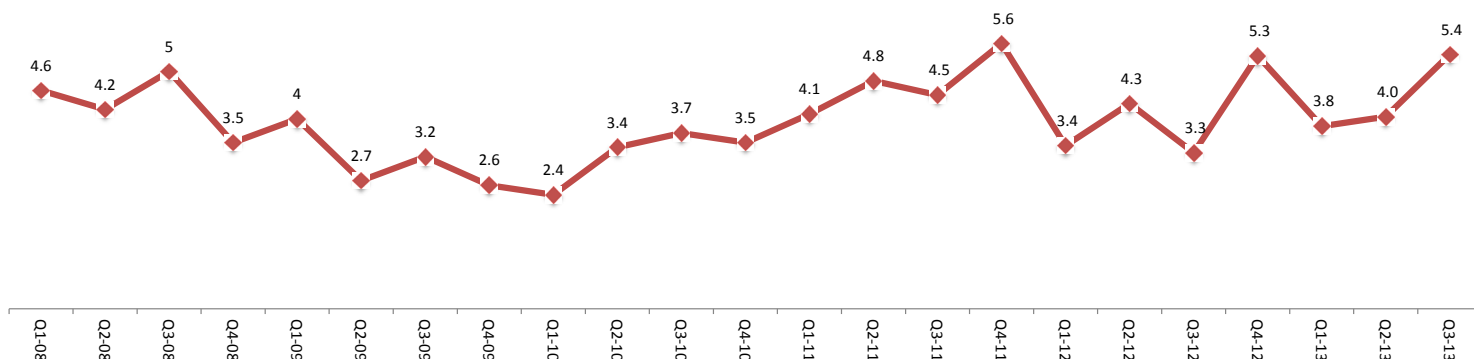
Q 3 2013 results

IL Report

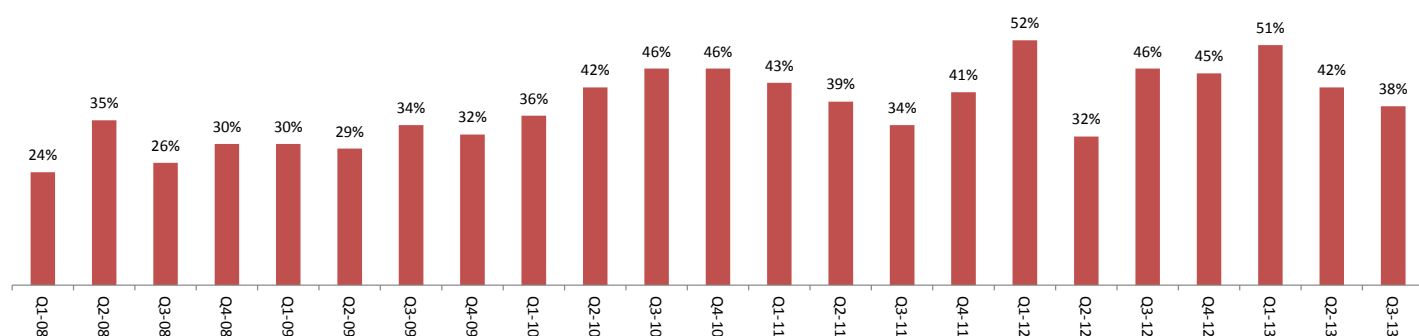
Total quarterly investment 2008- Q3 2013 (in millions \$)



Average investment per company (in millions \$)



% of funds making no investment



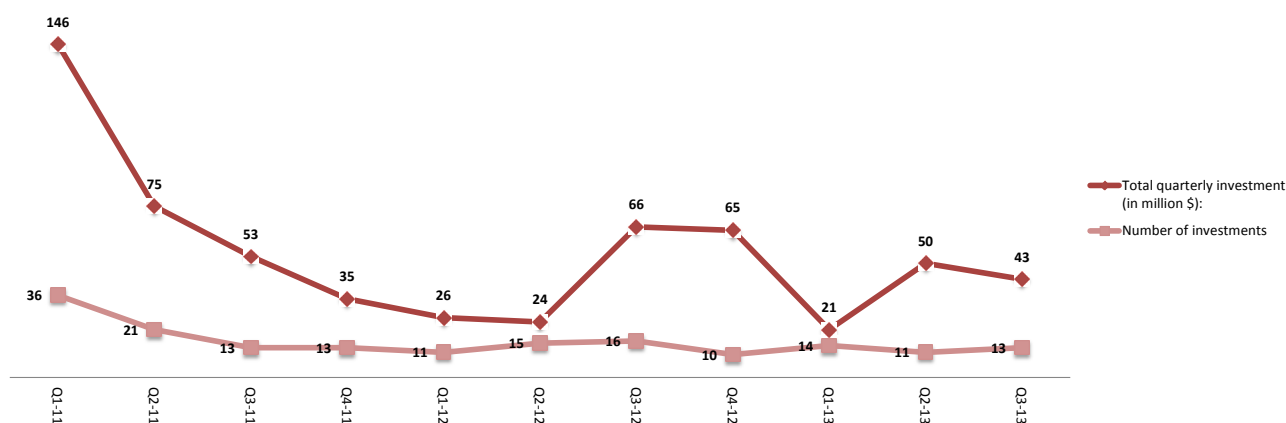
Analysis by Geographic Location of Company Registration

In addition to investment in high-tech companies with operations in Israel, local venture capital funds also invested approximately \$43 million in 7 overseas high-tech companies that are not engaged in operations in Israel.

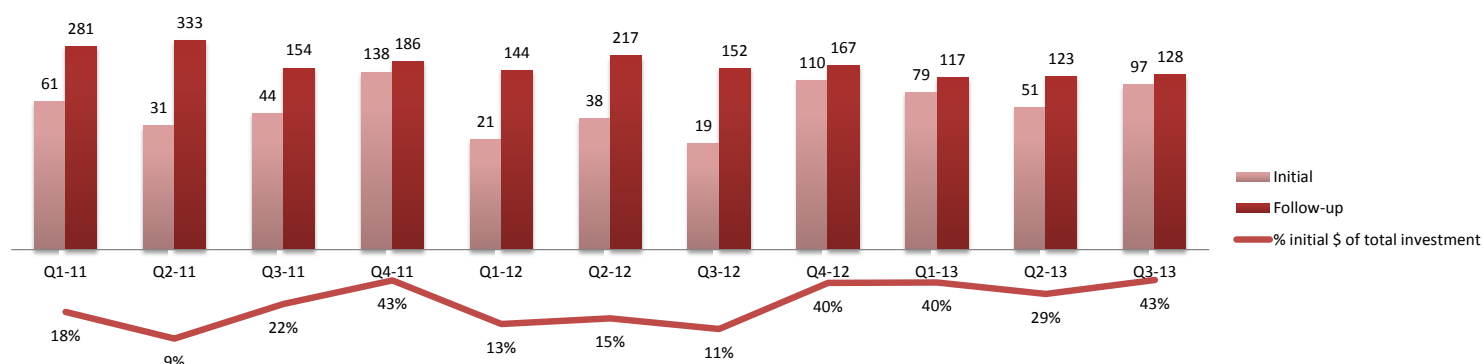
Companies Receiving Grants from the Office of the Israel Chief Scientist

13 companies, representing 31% of all companies raising VC capital in the third Quarter of 2013, are supported by the Office of the Israel Chief Scientist. Some \$43 million of total investment funds went to these companies.

Companies Receiving Grants from the office of the Israel Chief Scientist 2011-Q3 2013 (in millions \$)



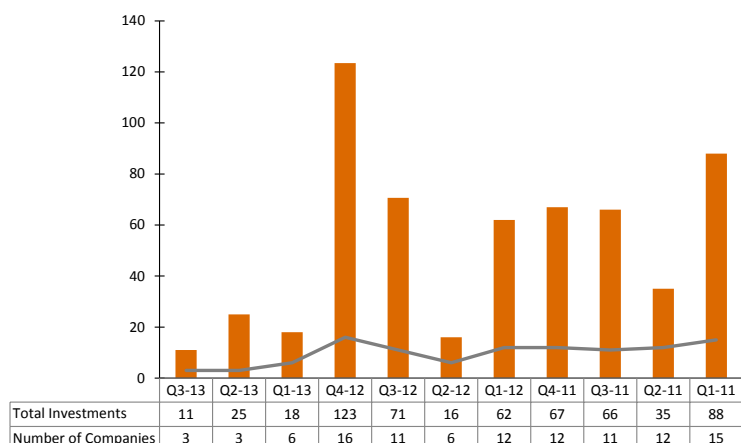
Comparison of Initial and Follow-on investment rates: (amount invested)



Analysis by Leading Technological Sector

Communications and Networking sector

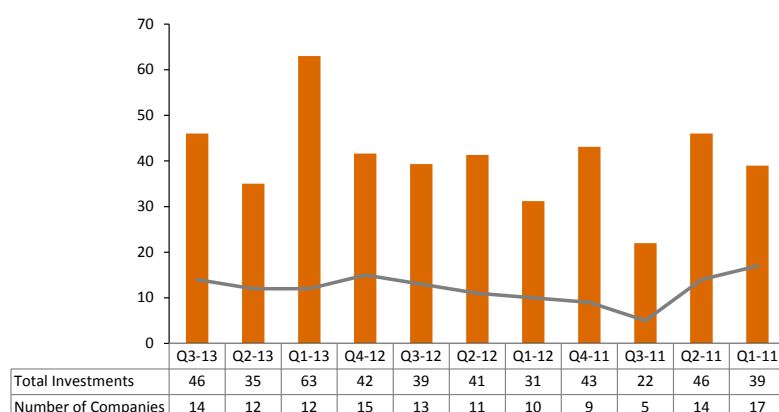
Number of Companies and Total Quarterly investments
2011- Q3 2013 (in millions \$)



■ Total Investments
— Number of companies

Software sector

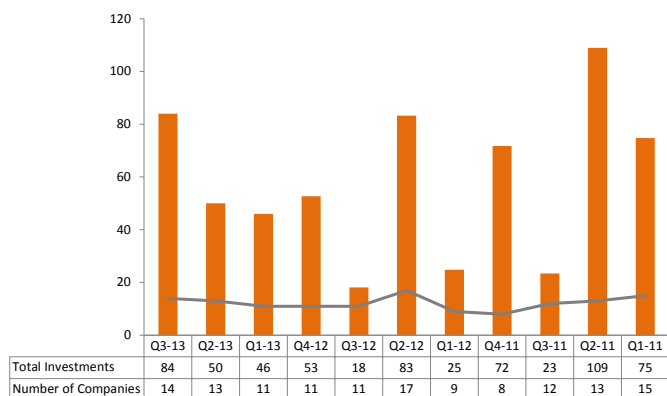
Number of Companies and Total Quarterly investments
2011- Q3 2013 (in millions \$)



■ Total Investments
— Number of companies

Internet Sector

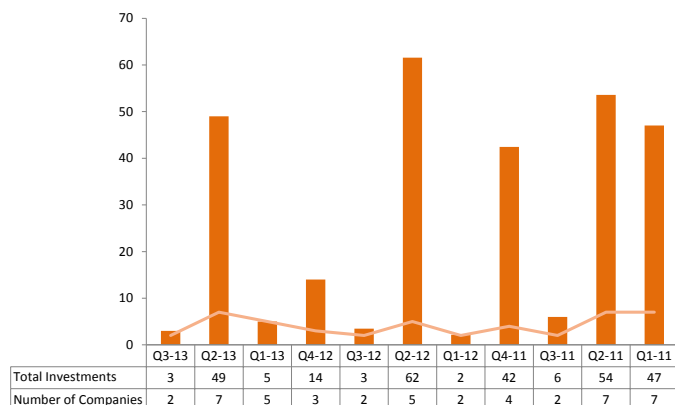
Number of Companies and Total Quarterly investments
2011- Q3 2013 (in millions \$)



■ Total Investments
— Number of companies

Semiconductors Sector

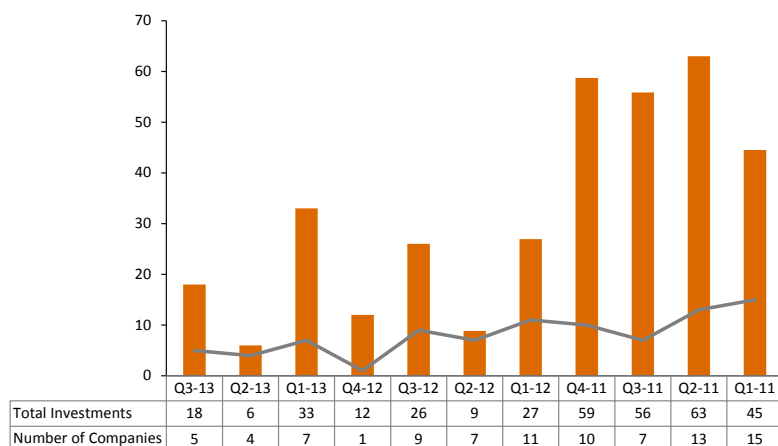
Number of Companies and Total Quarterly investments
2011- Q3 2013 (in millions \$)



■ Total Investments
— Number of companies

Life Sciences Sector

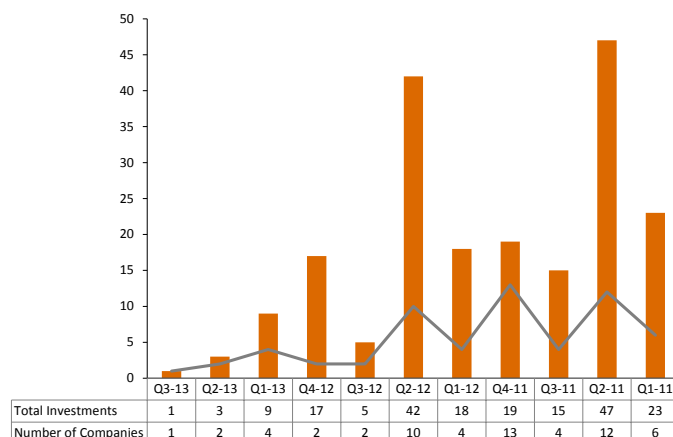
Number of Companies and Total Quarterly investments
2011- Q3 2013 (in millions \$)



■ Total Investments
— Number of companies

Miscellaneous Sector

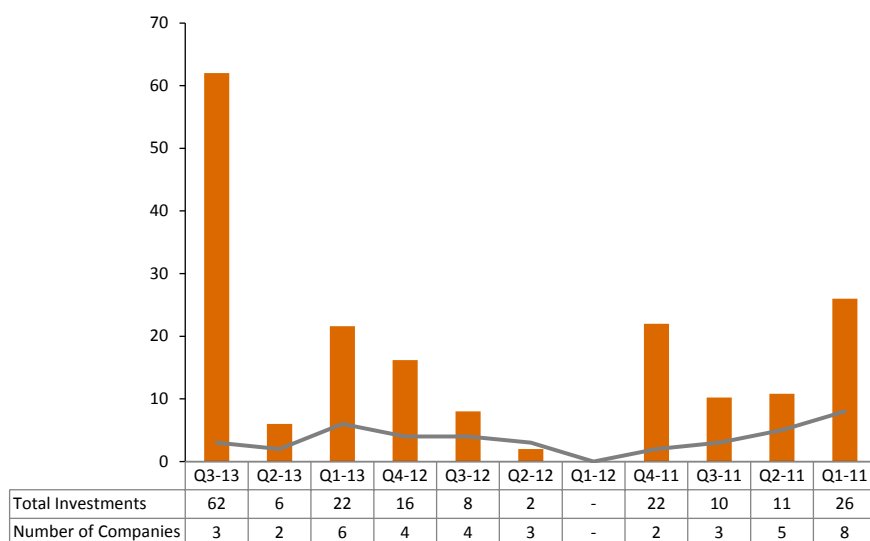
Number of Companies and Total Quarterly investments
2011- Q3 2013 (in millions \$)



■ Total Investments
— Number of companies

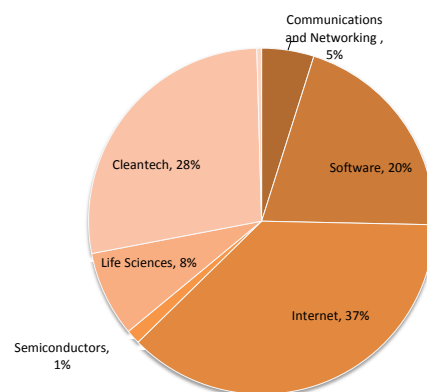
Cleantech sector

Number of Companies and Total Quarterly investments
2011- Q3 2013 (in millions \$)



■ Total Investments
— Number of companies

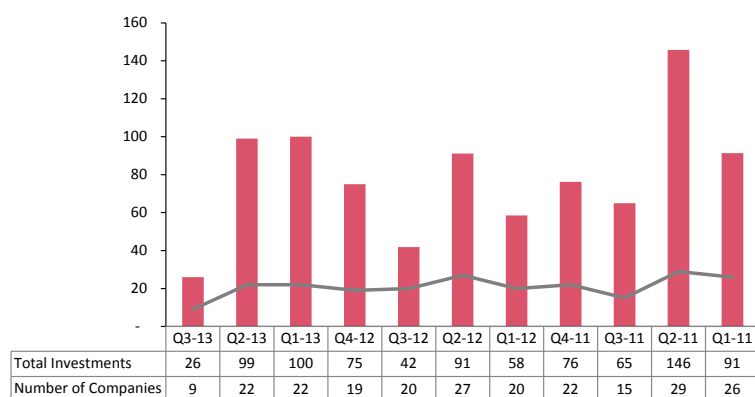
Total Investment by sector



Analysis by Investment Round

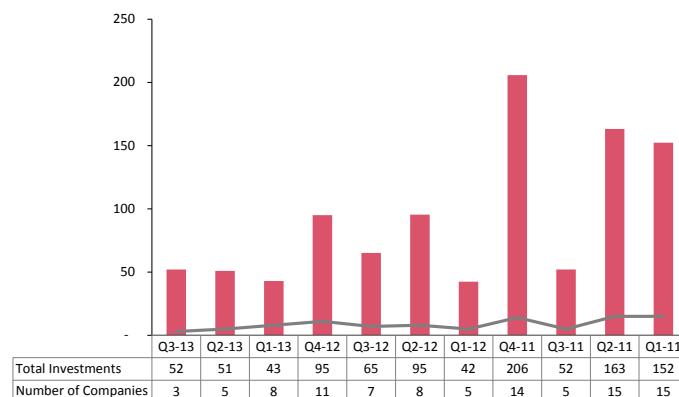
Early round

Number of Companies and total quarterly investments
2011- Q3 2013 (in millions \$)



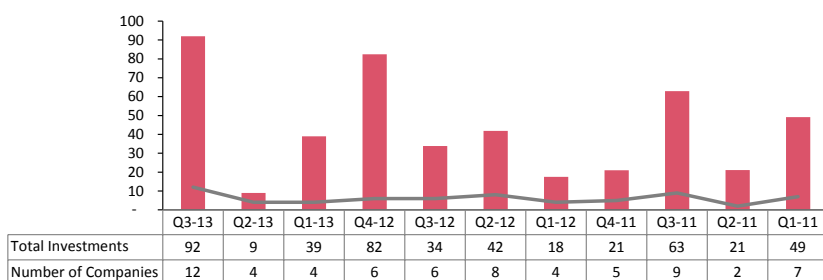
Later Round

Number of Companies and total quarterly investments
2011- Q3 2013 (in millions \$)



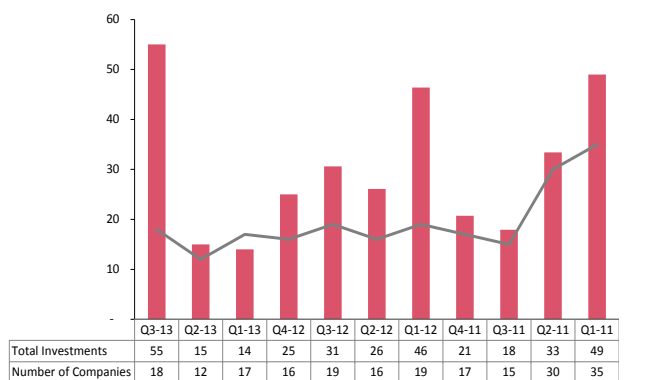
Third round

Number of Companies and total quarterly investments
2011- Q3 2013 (in millions \$)

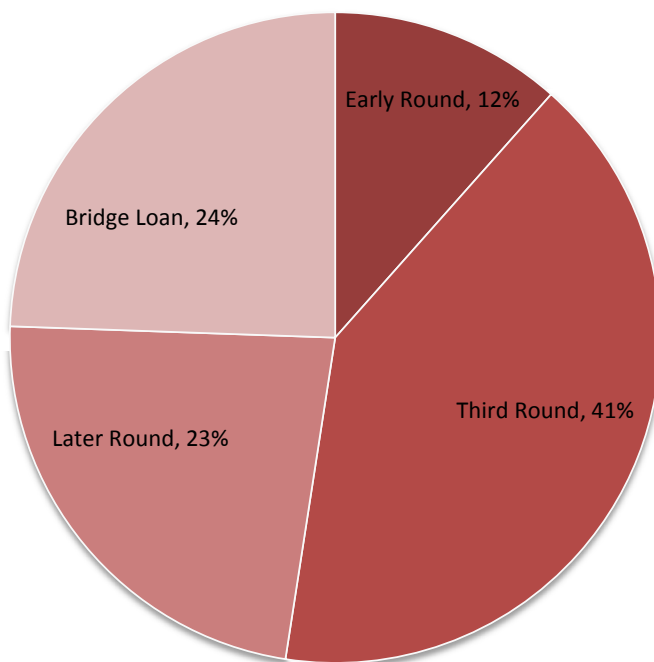


Bridge Loan

Number of Companies and total quarterly investments
2011- Q3 2013 (in millions \$)



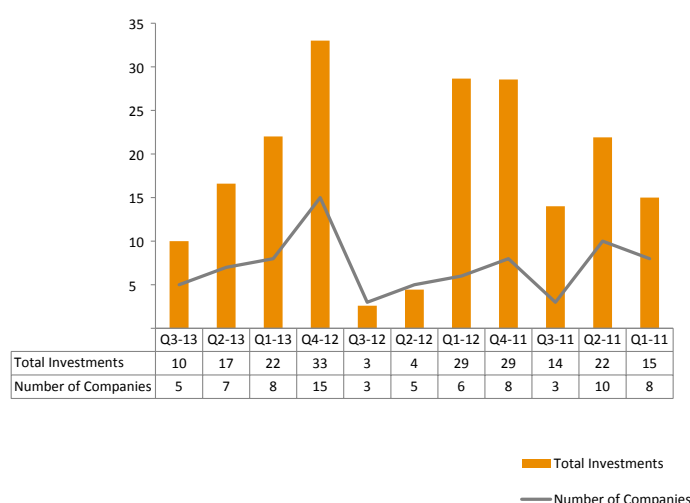
Total Investment by Investment Round



Analysis by Company Development Stage

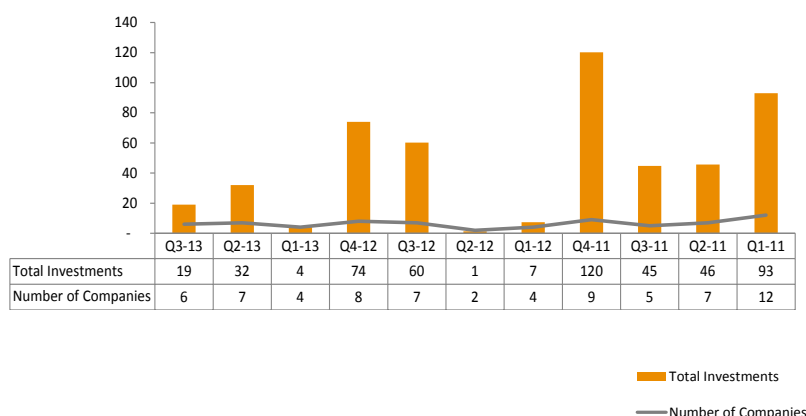
Seed/Start Up Stage

Number of Companies and total quarterly investments
2011- Q3 2013 (in millions \$)



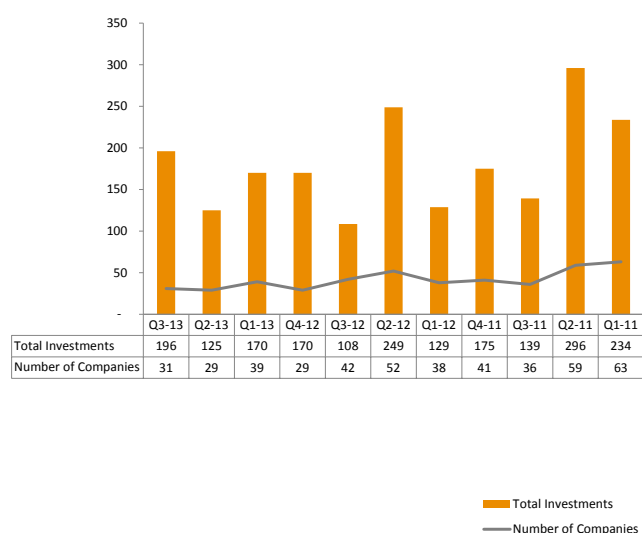
Later Stage

Number of Companies and total quarterly investments
2011- Q3 2013 (in millions \$)

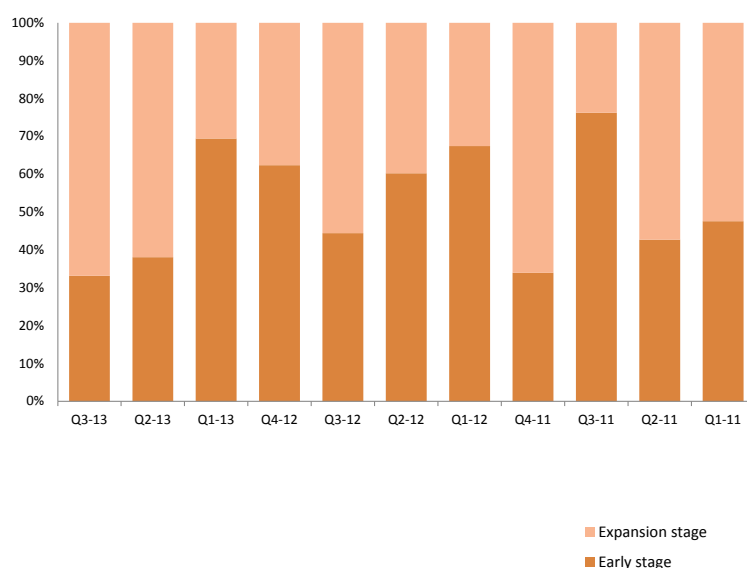


Intermediate stage

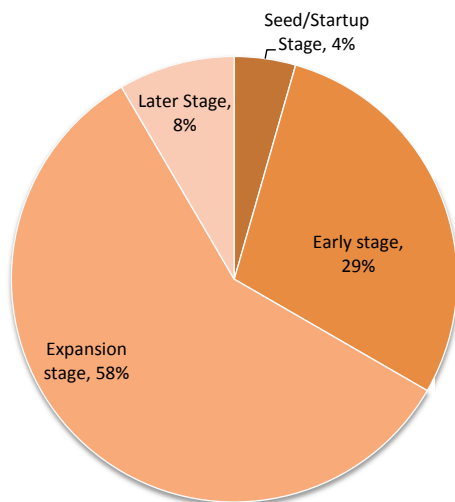
Number of Companies and total quarterly investments
2011- Q3 2013 (in millions \$)



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, 29 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 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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