

January 2025

Hi-tech Companies' Status Survey

Third round- November, 2024

Introduction

The attached survey is the third round of the Hi-tech Companies' Status Survey, conducted by the Innovation Authority, since 7.10 – The purpose of the survey is to examine the status of the hi-tech companies during the war: To examine the various influences on the companies and to estimate the expectations of the companies with regard to their business activity during the coming period, with regard to capital raising, employee recruitment, sales, etc.

The survey was conducted in November of 2024, after the U.S. elections, and before the ceasefire with Lebanon was announced. For the first time, hi-tech companies that are not startups participated in the survey. Consequently, in some of the questions, answers are displayed only of startups, until Round B of capital raising. This group of companies also participated in the previous rounds of the survey.

The survey included set questions; and questions are updated and change from round to round. Moreover, it includes closed and open-ended questions on the various issues.

According to the survey, **the main challenge that the Israeli hi-tech companies are facing is capital raising.**

This challenge is characteristic of startups and hi-tech companies; however, it is exacerbated by the challenges of the wartime period and a business environment that is functioning with high levels of uncertainty, and whose ability to manage a business routine in Israel and overseas was adversely effected.

About one third of companies report that the war has led to delays in development or in an inability to meet deadlines. The hi-tech companies also report the effects of continuous reserve duty since the war broke out, which has led to the absence of employees for long periods of time, an increase of pressure on the teams that were not called up, and the coping of the partners of those who were called up.

The main effect is seen in companies with a significant percentage of the team or the team members spouses who have been called up. As an export industry, hi-tech has also been affected by the flights hiatus of many airlines: **74% of the companies reported that the cancellation of flights made it difficult for them to do business overseas.**

In the midst of all this, hi-tech companies have displayed financial resilience; and their activity has been adapted to the business environment.

About one half of the companies reported making cutbacks, taking steps to streamline and reduce costs, made personnel accommodations (lay-offs, hiring subcontractors, etc.) and have searched for alternate sources of funding.



One in five companies reports that they were forced to move activity or personnel overseas as a result of these accommodations.

Accommodations made by the hi-tech companies in response to the situation in Israel may have long term implications on the growth trajectory of Israeli hi-tech, primarily with regard to employment in the industry, which provides the highest value in the Israeli economy.

Looking forward, 38% of the respondents are optimistic with regard to the success of Israeli hi-tech in the coming year. 70% of companies expect an increase in sales and half of them anticipate growth in the number of employees in Israel.

It seems that companies are gearing up to continue to adapt themselves to the challenges of the period and to operate conservatively. **Some 40% of the companies report that they decreased their burn rate. A high rate in comparison to earlier rounds of the survey.** Accordingly, there was a decrease in the rate of companies that reported that they increased their expenses. About one half of respondents expect the number of employees in Israeli companies to grow and 45% expect an increase overseas. At the same time, 18% of respondents expect the number of employees in Israel to decrease by 5%, expect a decrease in the number of employees overseas, a statistic that reflects the great uncertainty regarding activity overseas.

Note that in a significant number of indices presented in the survey, no change was indicated between the three dates of the survey, since the outbreak of the war, i.e., a certain level of stability can be identified in the situation, as it is reflected in the survey throughout the war.

The bottom line is that it is important to create a business environment characterized by higher levels of certainty, in terms of the world's perception of Israel and its ability to maintain business continuity. **Factors that are significant in the hi-tech industry are a reduction in the number of people called up for reserve duty, resumption of airline flights to and from Israel and an improvement in how Israel is perceived by the world during this period.**

Main Points and Insights

Impact of the War on Israeli Hi-tech



62% of hi-tech companies agree to a large extent or to a very large extent that the security situation has led to an inability to meet their development objectives and/or sales targets



74% of hi-tech companies agree to a large extent or very large extent that the flights hiatus to and from Israel has made it difficult for them to do business



38% of hi-tech companies are optimistic to a large extent or to a very large extent with regard to the success of Israeli hi-tech in the coming year



47% of the companies reported that they used efficiency and cost-reduction measures to deal with the challenges of the period

Employment Trends in Israeli Hi-tech



According to **30%** of the companies, the main change related to hi-tech employment due to the war is related to the impact of long reserve duty of the employees or their spouses



In comparison to April, more companies report that they are trying to recruit employees, and the time it takes to fill positions has lengthened somewhat



About **25%** of the companies report that long reserve service affected employees' well-being and emotional state



50% of the companies expect the number of their employees in Israel to increase and 44% expect an increase in employment abroad

Expectations of Hi-tech Companies for 2025



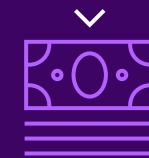
37% of companies raising capital believe that they will succeed in completing the round



38% estimate that the company's value decreased in the round (down round). These rates have practically not changed since the beginning of the war



69% of the companies expected an increase in sales, at a rate similar to April; however, it is somewhat lower than the survey conducted in November 2023, at the start of the war



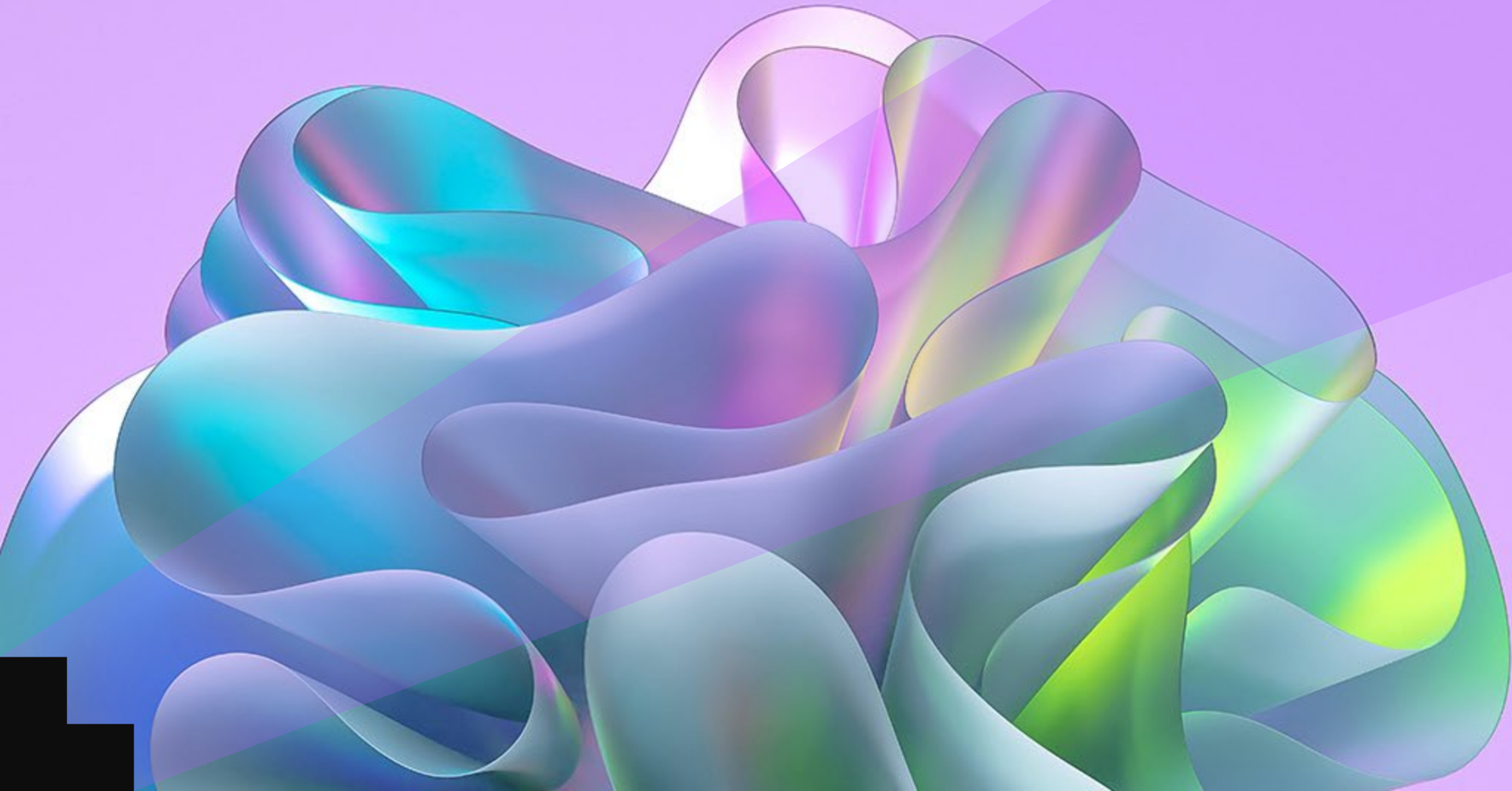
39% of the companies expected a decrease in the burn rate in November 2024, compared to 25% of companies in April 2024 and November 2023



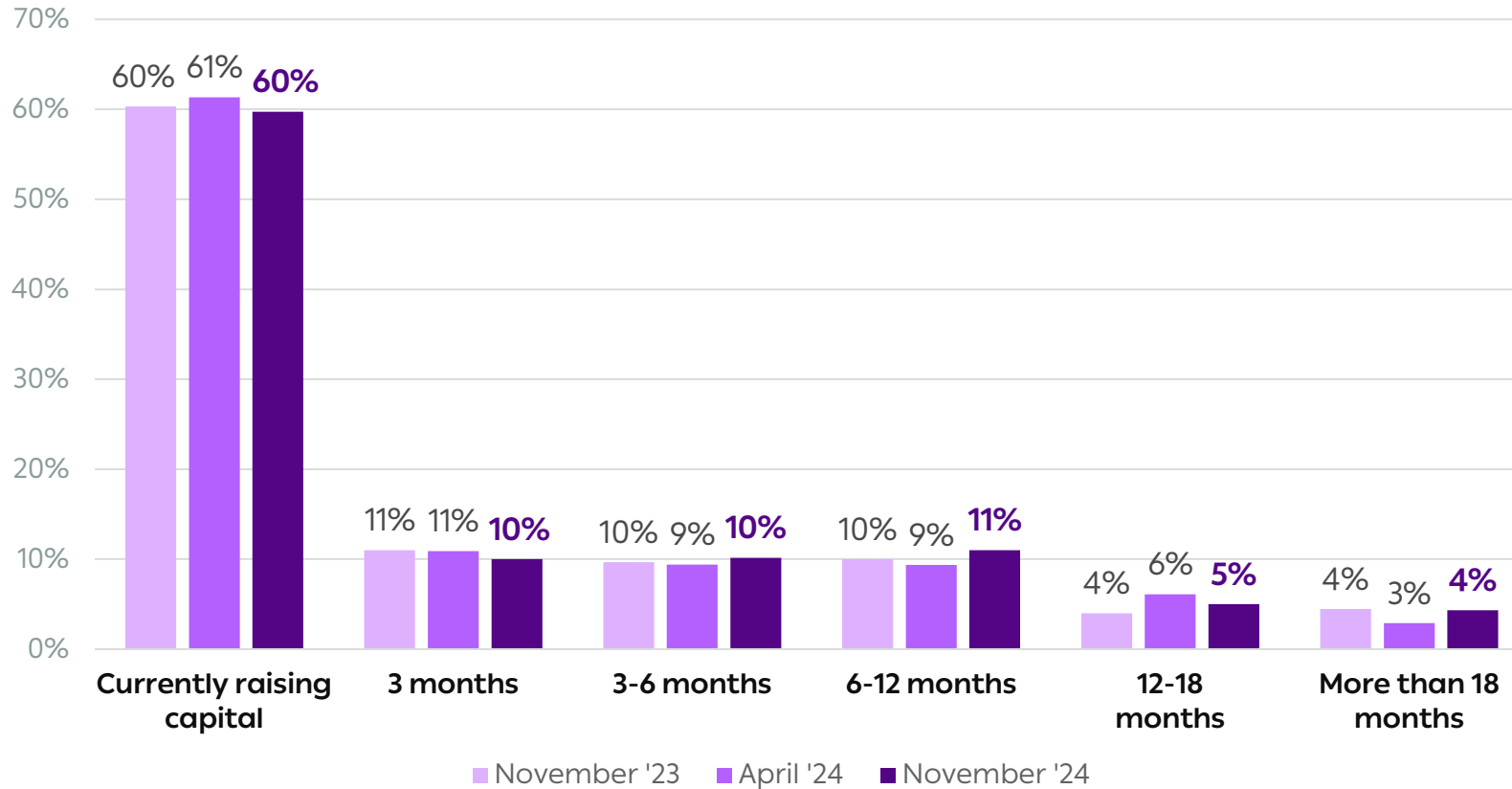
Methodology

- ▶ **The survey was conducted** November 6 to 27, 2024.
- ▶ **The survey platform:** Online distribution to senior officials in 8,800 hi-tech companies.
- ▶ **Number of respondents:** 664. Not all companies answered all the questions.
 - ▶ At least 73% of respondents were founders of the company.
- ▶ **The survey population** was divided into categories, based on funding round and technological field; such that each company was assigned to a category based on its last funding round and technological field, one or more, based on the IVC data, in order to ensure it represents Israel's technology companies. When analyzing the survey, answers were analyzed based on the rate of respondents per category.
- ▶ Description of the population of survey respondents appears in the [Survey Population Description Appendix](#).

Israeli Hi-tech Companies' Activity Indices



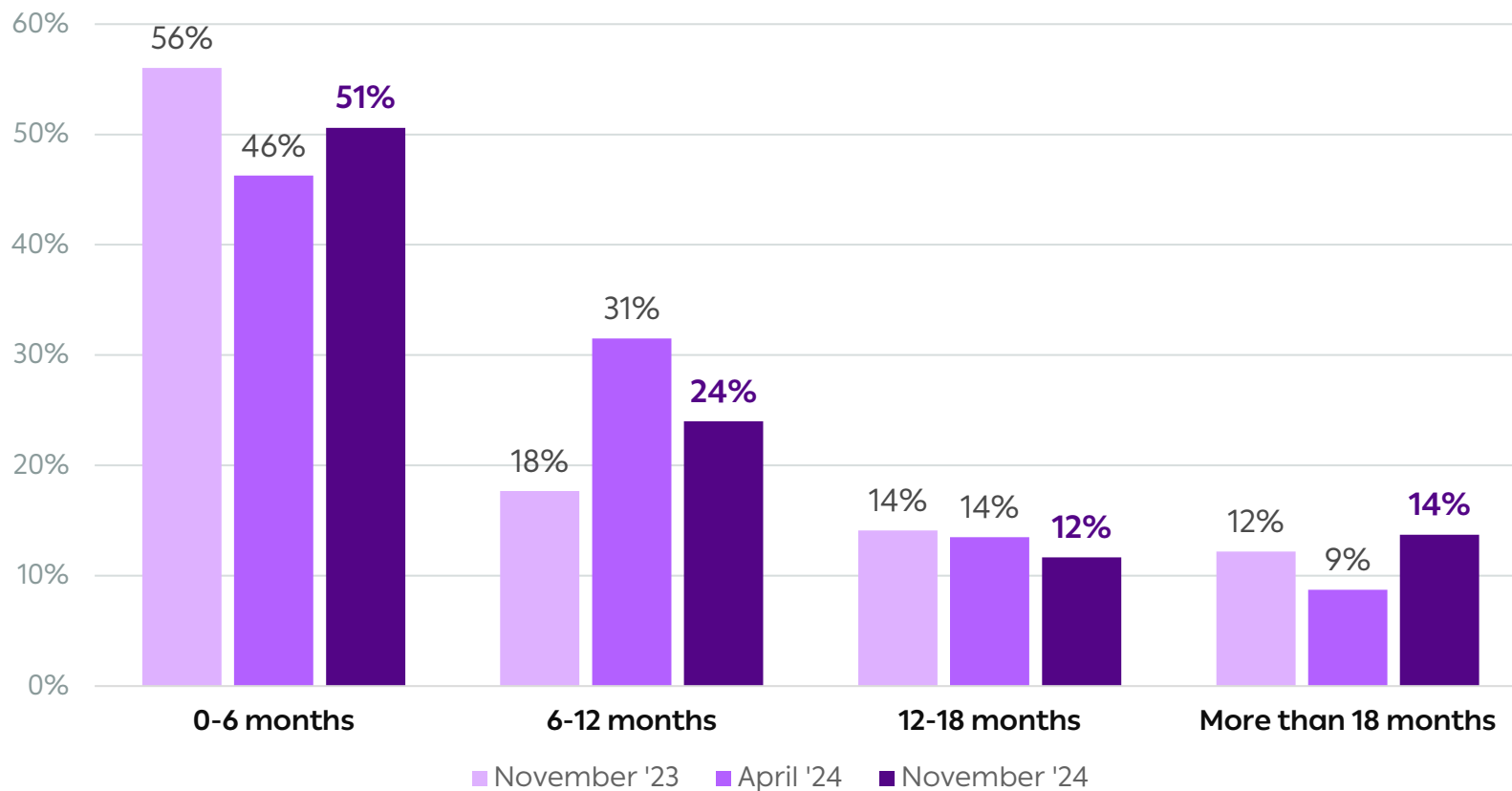
Do you expect that there will be a need to begin raising capital in the next few months?




In the three rounds of the survey, no significant changes were indicated in answers to this question.

Source: Innovation Authority's analysis of the data from the Hi-tech companies' status - November 2024. Answers relate to young companies (up to Round B, inclusive) for purpose of comparison to earlier surveys.

What is the company's remaining runway? When do you expect the company's money to run out, if you don't conduct a new funding round?

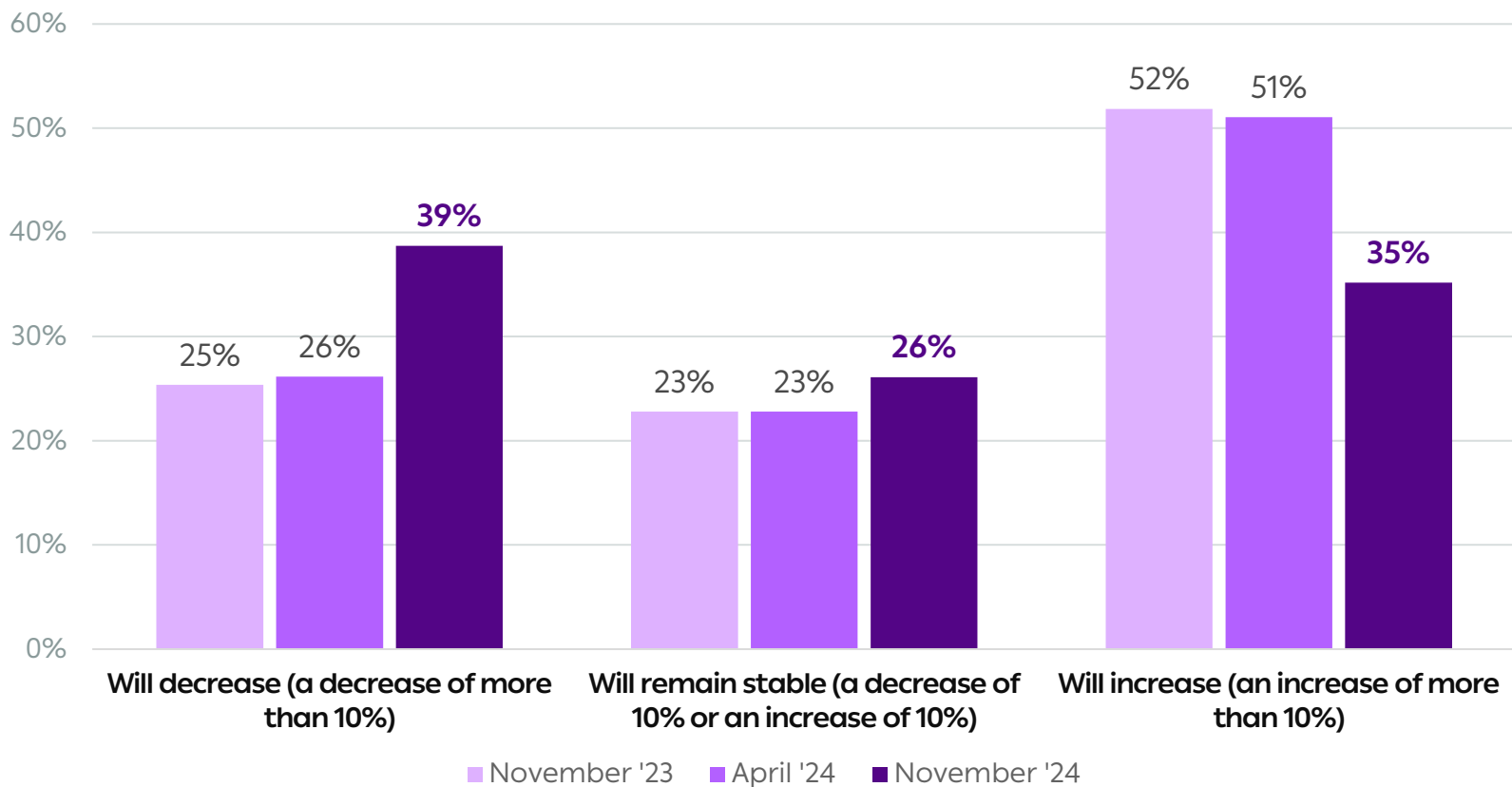




The companies' situation improved a bit in November and April of 2024, in comparison to the beginning of the war in November 2023.

Source: Innovation Authority's analysis of the data from the Hi-tech companies' status - November 2024. Answers relate to young companies (up to Round B, inclusive) for purpose of comparison to earlier surveys.

How do you foresee the company's burn rate to change in the coming year?



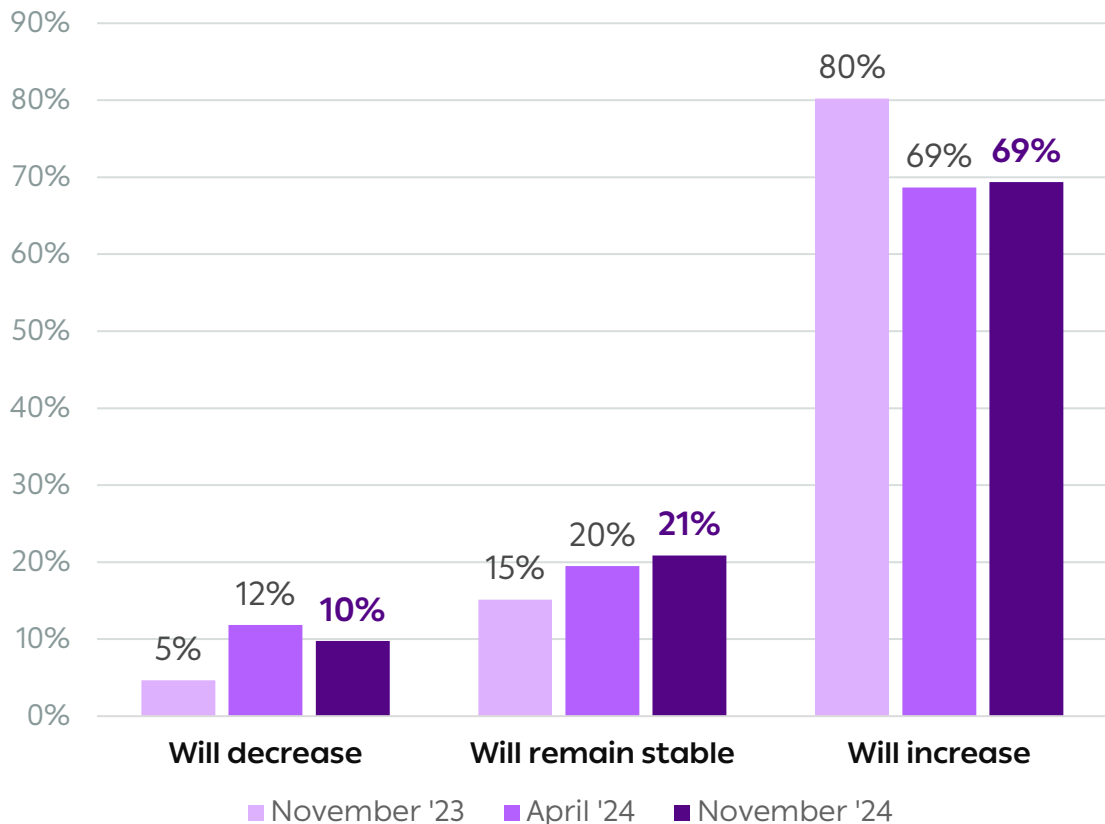



In November 2024, more companies expected a decrease in their burn rate as compared to the earlier surveys in April 2024 and November 2023.

More companies expected a decrease in burn rate rather than an increase.

Source: Innovation Authority's analysis of the data from the Hi-tech companies' status - November 2024.

How do you expect the company's sales cycle to change* in the coming year?





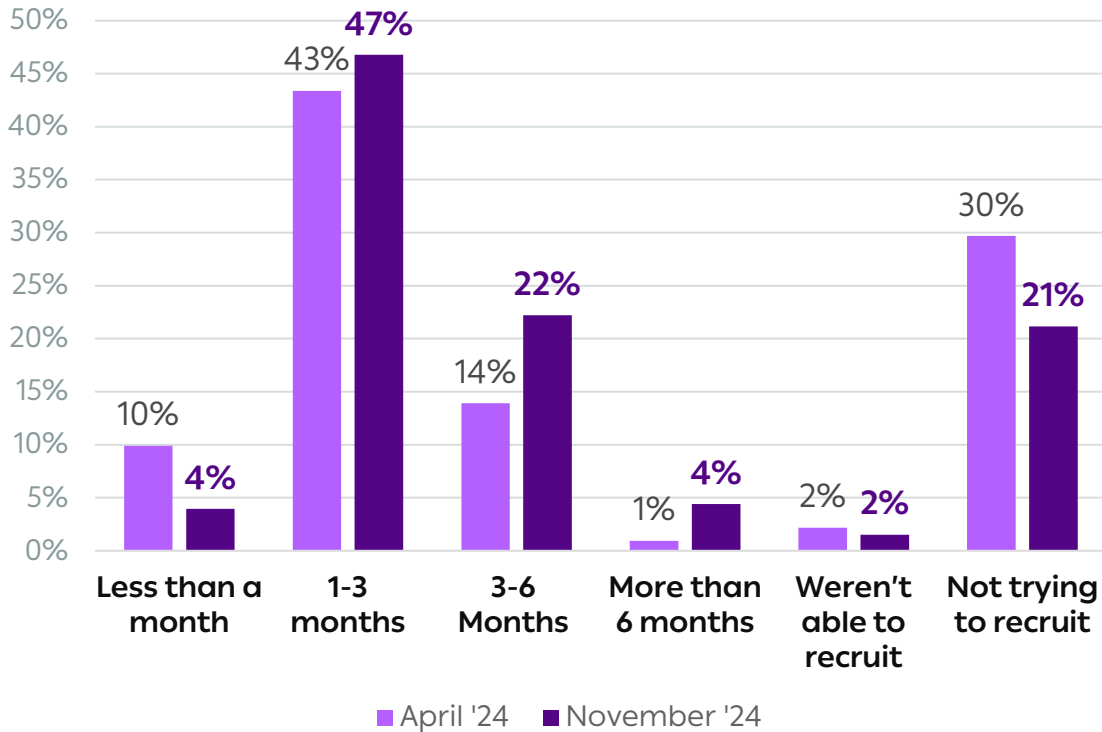
About 70% of startups predict an increase in revenues in the coming year.

There is almost no change in the company's evaluation in the last round of survey as compared to the previous round in April of 2024. At the beginning of the war, when the public did not foresee the war lasting for a long period, the rate of companies who predicted an increase was 80%.

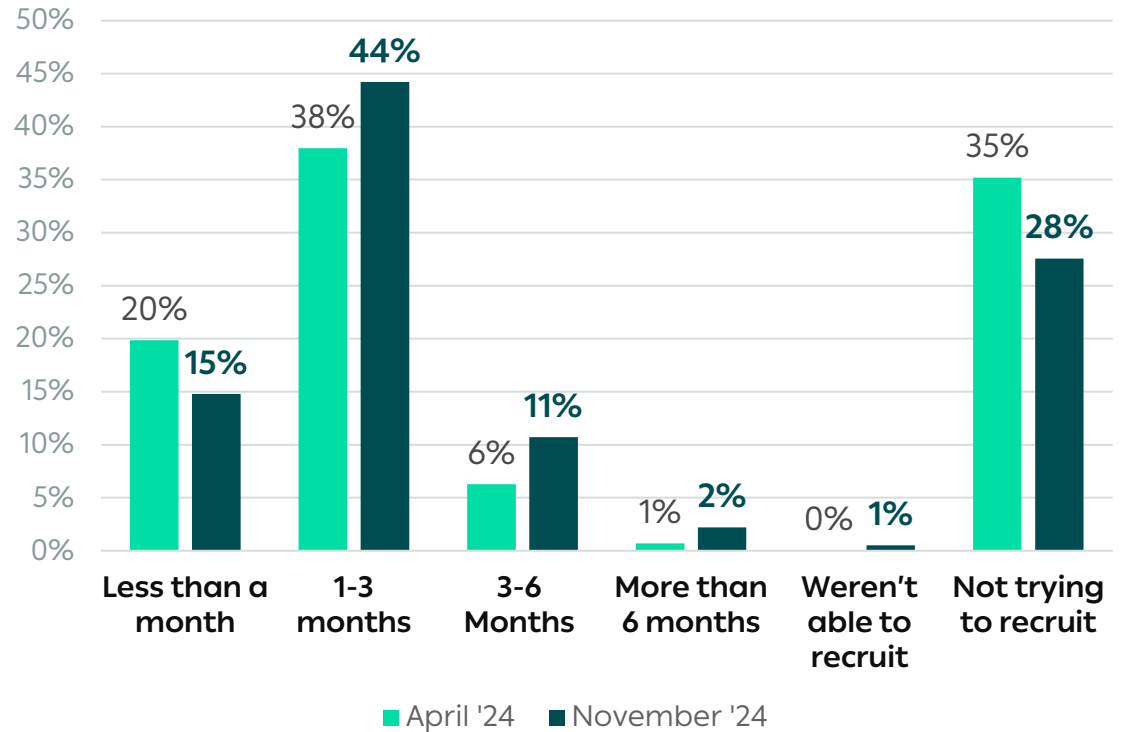
Source: Innovation Authority's analysis of the data from the Hi-tech companies' status – November 2024. Answers relate to young companies (up to Round B, inclusive) for purpose of comparison to earlier surveys.

* Estimates regarding an increase or reduction in sales cycle refer to changes of more than 10%. Also, companies with no sales, expecting the beginning of sales were referred to as those expecting an increase in sales and those who did not expect sales were referred to as 'remaining stable'.

In your estimation, how long did it take to fill a **technological position** in Israel in the past six months?



In your estimation, how long did it take to fill a **non-technological position** in Israel in the past six months?



Source: Innovation Authority's analysis of the data from the Hi-tech companies' status - November 2024.

Impact of the War on Hi-tech and Expectations for the Future

What is the main challenge your company faced in 2024?

*open ended question



The main challenges to which the survey respondents referred were related to **company funding and capital raising (43%)**.

Almost 30% of respondents referred to different challenges related to the war, including reserve duty of the company's founders and officials. **Companies in the areas of conflict in the north and the Gaza envelope also referred to operational difficulties and difficulties in getting to the workplace**. Another significant difficulty related to the war was damage to relationships and ability to manage overseas operations, especially due to suspension of flights and cancellations of flights or increased cost of flights.

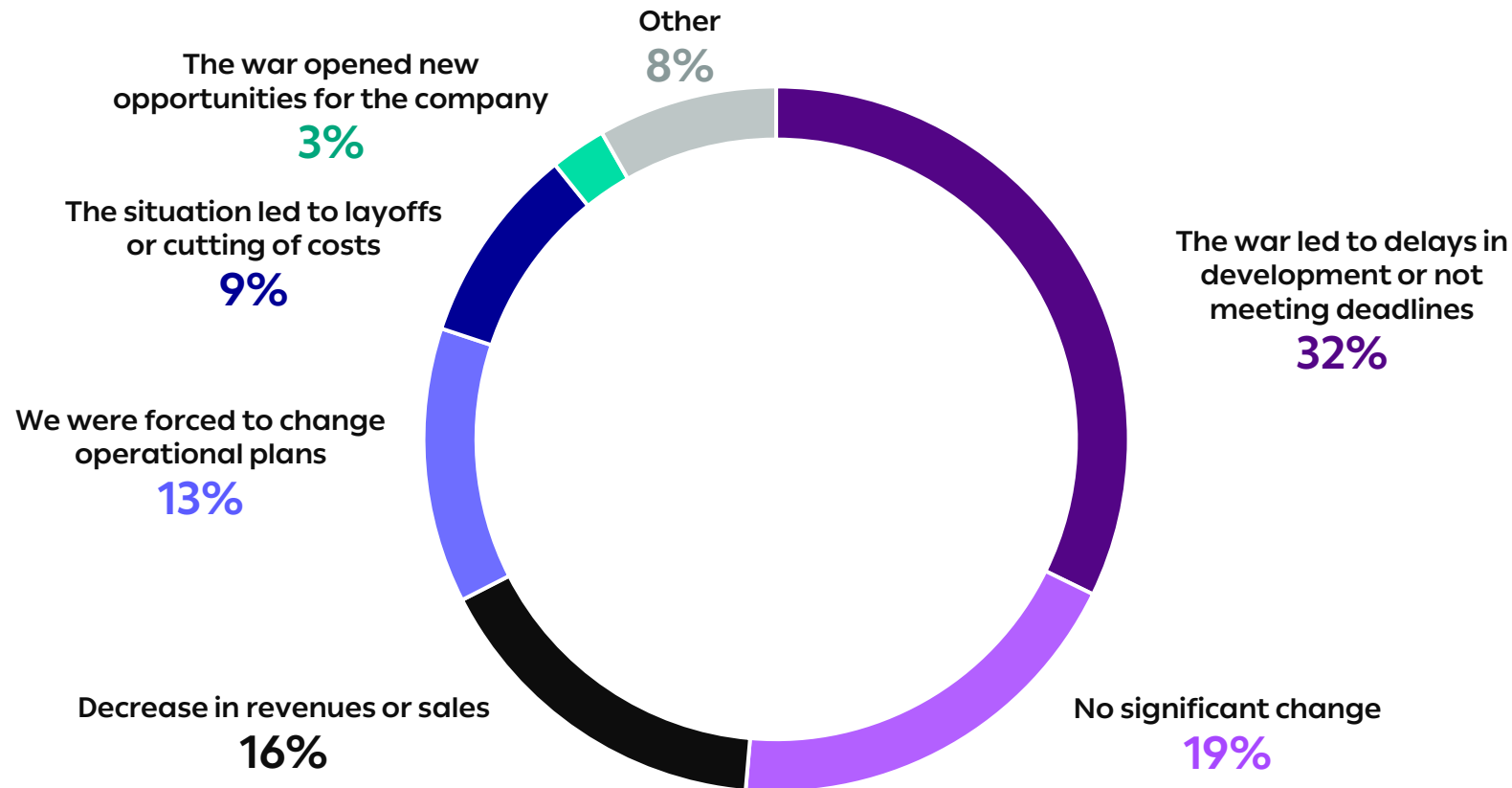
Respondents noted additional challenges related to setting up companies, including in sales and marketing, and challenges related to product development and delay in the development process, primarily based on reserve duty and effects of the war.

Source: Innovation Authority's analysis of the data from the Hi-tech companies' status – November 2024.

* The open-ended questions were assigned to main categories. The number of respondents is 530, some of the respondents mentioned more than one challenge



What is the main impact of the war on the development plans and meeting of your company's targets?

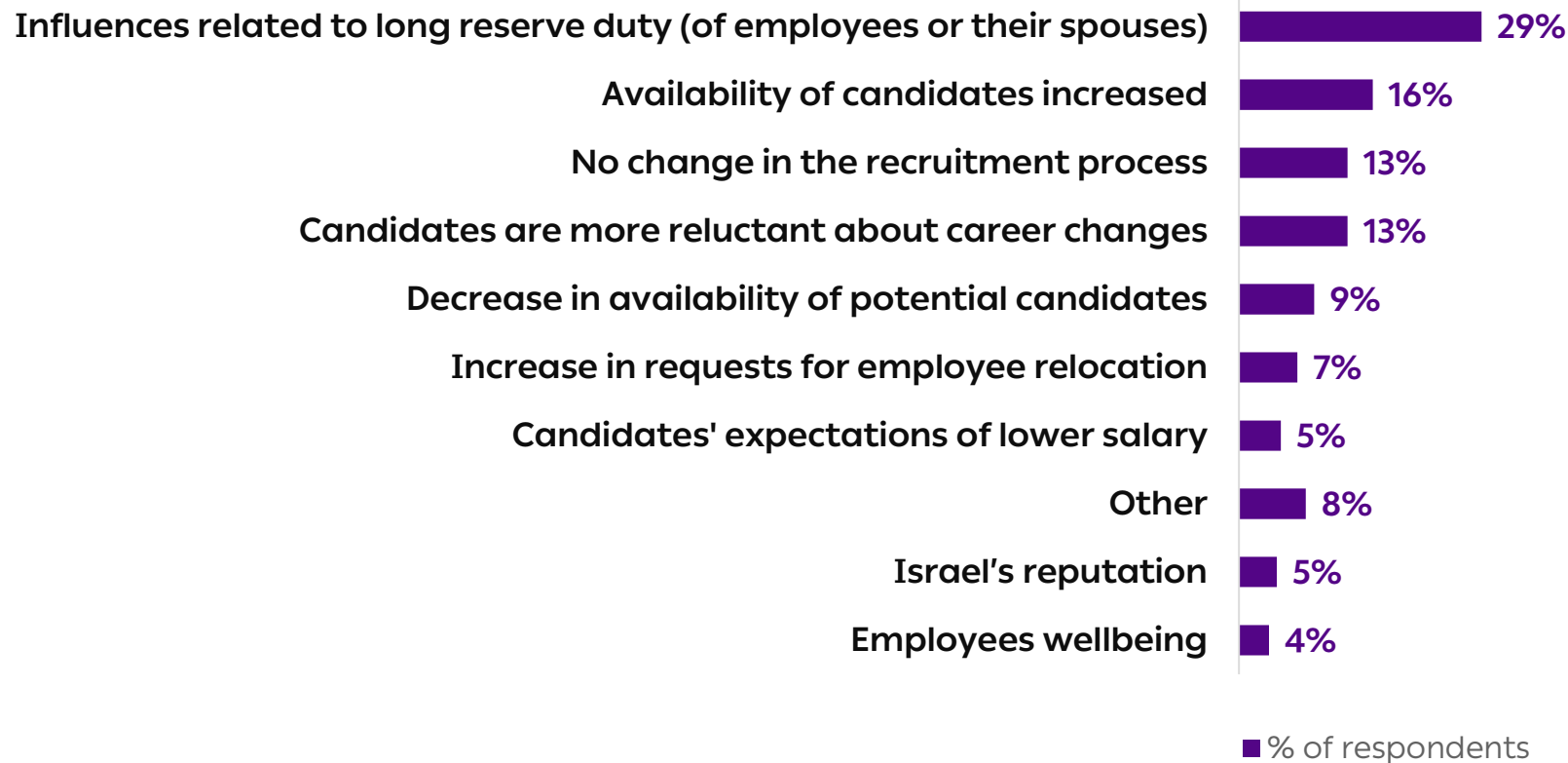


Answers that were segmented based on type of company indicated that software companies' ability to meet targets was hurt less than other companies

Source: Innovation Authority's analysis of the data from the Hi-tech companies' status - November 2024.



In your opinion, what was the main change related to employment in hi-tech due to the war?

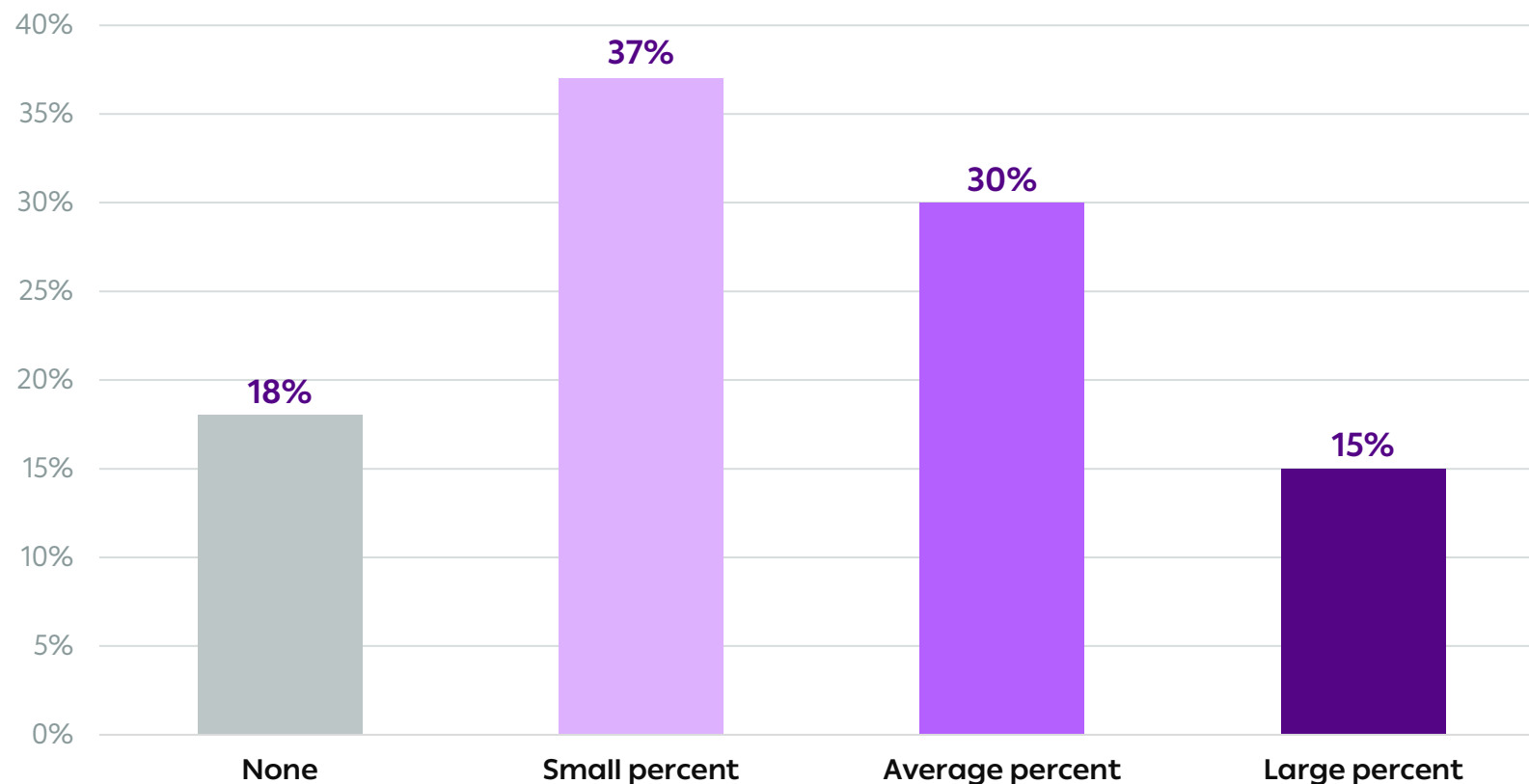


In comparison to the survey in April, there was an increase in the impact of reserve duty on employment in hi-tech.

This change probably can be explained by the ground invasion in Lebanon at the end of September 2024 and the intensifying of combat at the time of the survey.

Source: Innovation Authority's analysis of the data from the Hi-tech companies' status – November 2024.

In your estimation, what percentage of the company's employees or their spouses did reserve duty ?

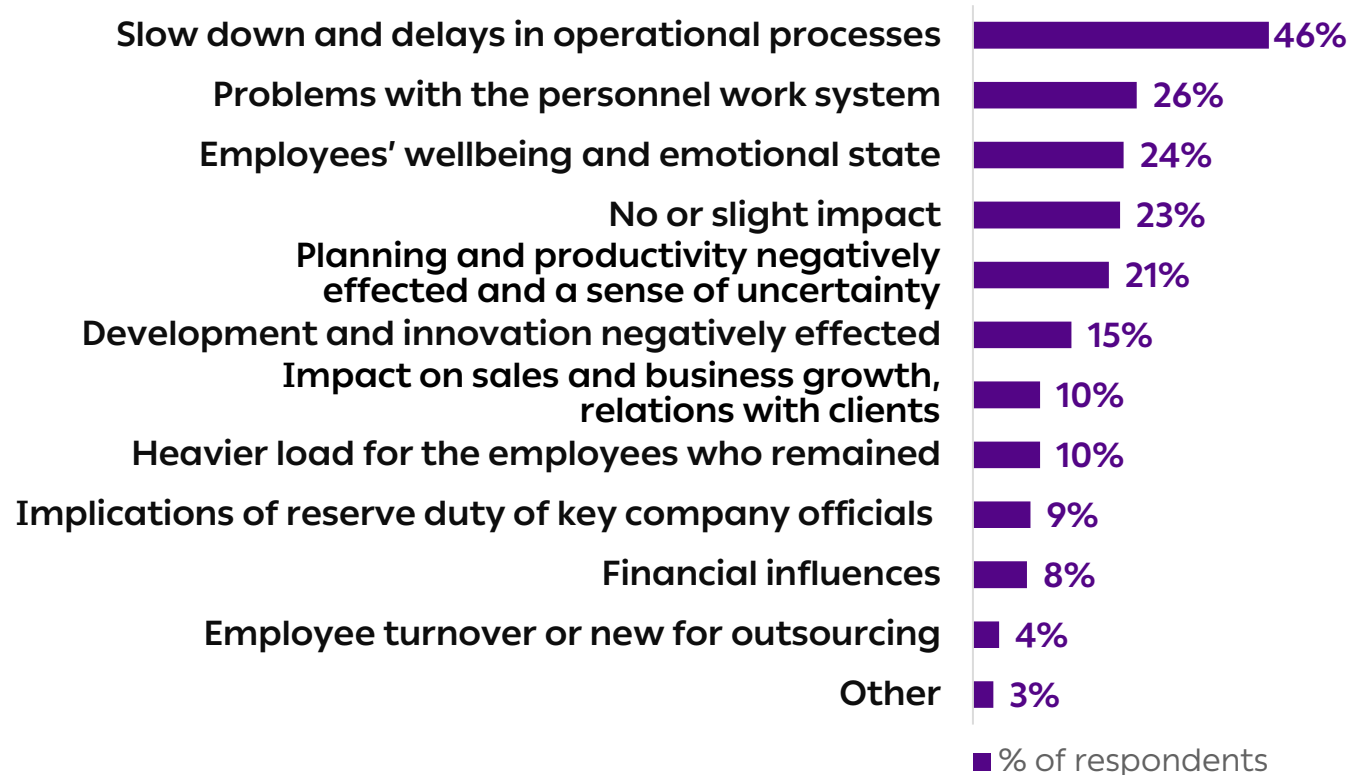


In the fields of food-tech, defense-tech, agrotech, online commerce, cyber and digital health, at least 50% of the companies reported high or average rates of recruitment.

Source: Innovation Authority's analysis of the data from the Hi-tech companies' status - November 2024.

How did the prolonged reserve duty of employees or their spouses impact the company's activity in the past year?

(Analysis of answers to open-ended questions from companies that reported that their employees or their spouses were called up for reserve duty based on rate of reservists)



Respondents noted the main negative effects to be slow-down and delays in the operational processes that resulted from the absence of the employees or the coping of spouses of reservists (46% of the respondents). In some cases, the negative effects resulted from the absence of central officials, including entrepreneurs and CEOs.

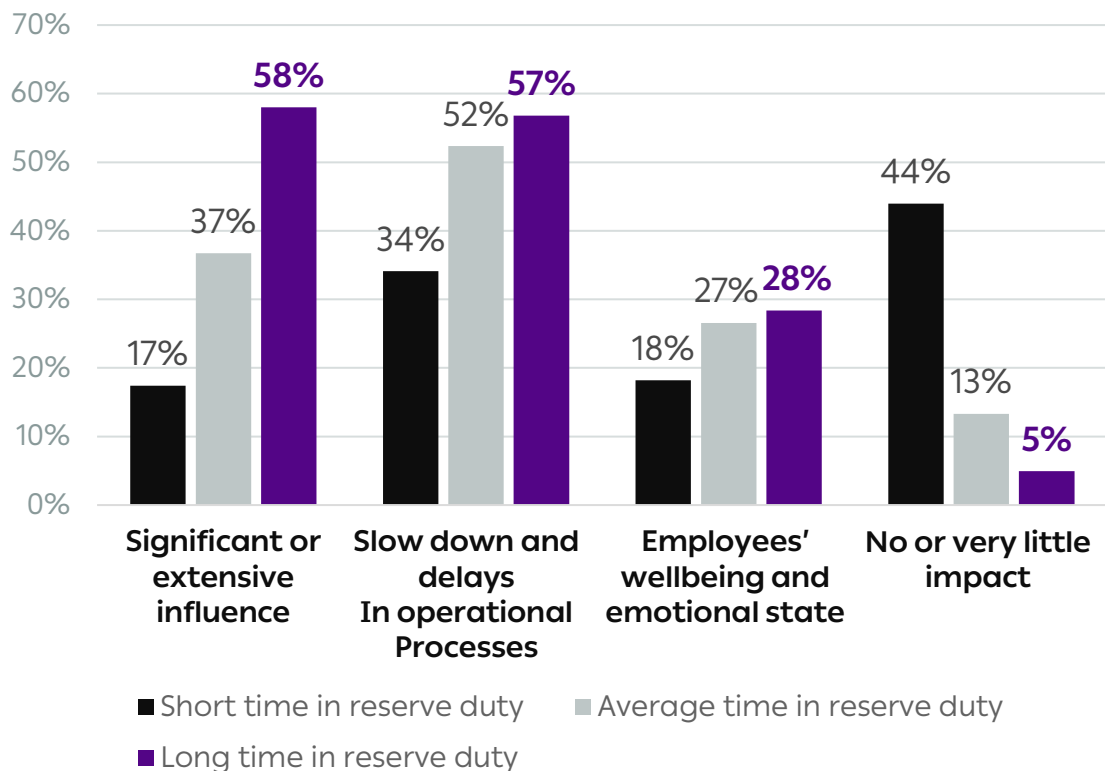
Additionally, The situation influenced the wellbeing and emotional state of the employees (24%), and planning and productivity were also negatively affected in fifth of the cases.

Source: Innovation Authority's analysis of the data from the Hi-tech companies' status – November 2024.

* The open-ended answers were assigned to main categories. The number of respondents was 343, where some of the respondents noted more than one influence.

How did the prolonged reserve duty of employees or their spouses impact the company's activity in the past year? – cont.

(Analysis of answers to open-ended questions from companies that reported that their employees or their spouses were called up for reserve duty based on rate of reservists)



Analysis of answers to the question about impact of prolonged reserve duty in the past year, based on the number of those reservists or their spouses in the company indicates that **the larger the number of the reservists or their spouses in the company, the more the companies reported more significant impact**, including slowing down of operations and an influence on the employees' wellbeing and emotional state.

58% of respondents that reported that a large percentage of the company's employees or their spouses were called up to reserve duty reported that this had a significant or extensive impact – in comparison to 17% in companies that reported a small percentage of reservists. In contrast, 44% of the companies that reported that a small percentage of the company's employees or their spouses were called up reported that there was no impact or only a slight impact.

Source: Innovation Authority's analysis of the data from the Hi-tech companies' status – November 2024.

Quotes on the impact of continuous reserve service on the high-tech companies

The prolonged reserve duty of the company's employees and spouses of reservists, posed a significant challenge and influenced the company's activity during the course of the past year. However, we succeeded in meeting the targets we set, thanks to many accommodations that we made throughout the year, operational flexibility and the extraordinary cooperation of the teams. This concerted effort enabled us to overcome the difficulties and to maintain business continuity.

Key people who spent six months in reserve duty, some returned with PTSD symptoms that required treatment and care. Even now, an employee (department manager) was called for reserve duty of two months, which is routine.

Significant influence of prolonged absences. Even after a long reserve duty, the employees need time off to relax, put their families in order and cannot immediately return to full activity.

Influenced a great deal, less availability to make it to work, fatigue, lack of concentration, fear.

Influenced a great deal. About one third of the company was called up at the same time, and since then, we regularly have employees in reserve duty or spouses of reservists. This caused delays and led to a need to enlist personnel.

Source: Innovation Authority's analysis of the data from the Hi-tech companies' status - November 2024.



To what extent do you agree with the following statements?

■ 1-agree to a very slight extent ■ 2-agree to little extent ■ 3-agree to some extent ■ 4-agree to a large extent ■ 5-agree to a very large extent

Israeli hi-tech continues to succeed despite the security situation



I am optimistic regarding the success of Israeli hi-tech in the coming year



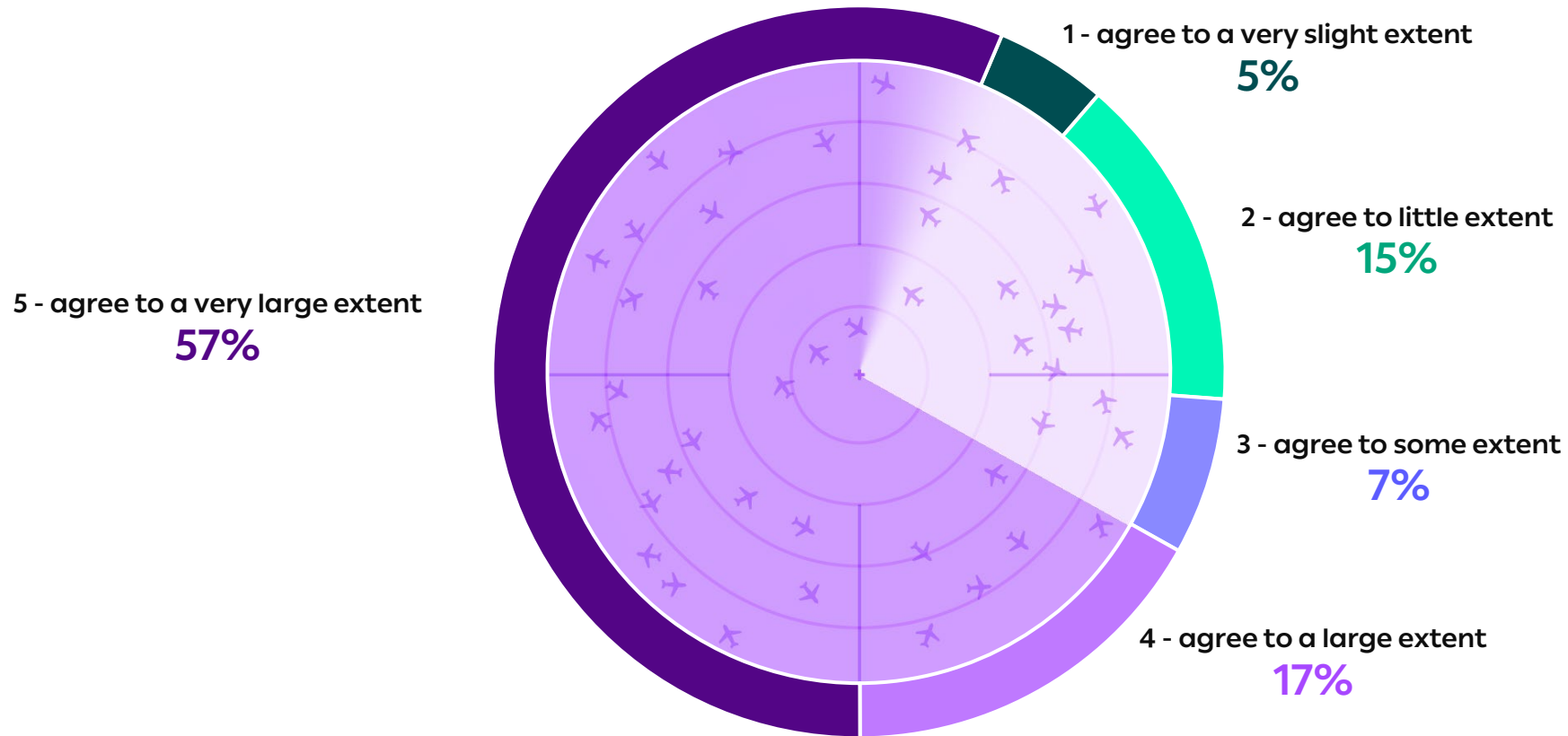
34% believe that Israeli hi-tech continues to succeed despite the security situation

38% are optimistic regarding the success of Israeli hi-tech in the coming year

Source: Innovation Authority's analysis of the data from the Hi-tech companies' status – November 2024.

To what extent do you agree with the following statement?

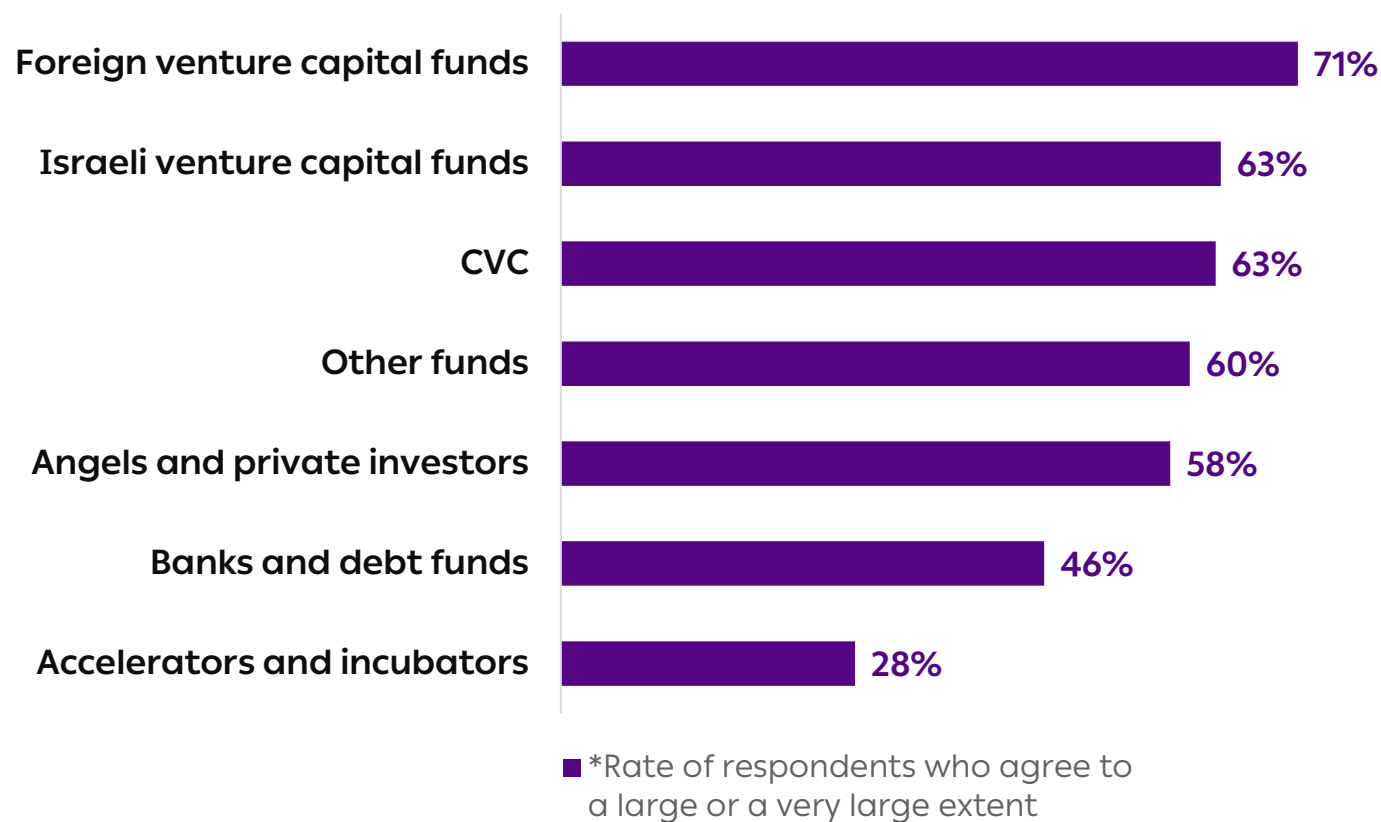
Cancellation of flights to Israel make it difficult to do business



Source: Innovation Authority's analysis of the data from the Hi-tech companies' status - November 2024.



Rate of the respondents that agree to a large or very large extent that the hi-tech investors are more conservative due to the war (according to type of investor)



71% of respondents think that the foreign venture capital funds are more conservative due to the war in Israel.

The behavior of other investors is also influenced. 63% agree that the Israeli funds and CVC are more conservative and 58% agree that angels and private investors are.

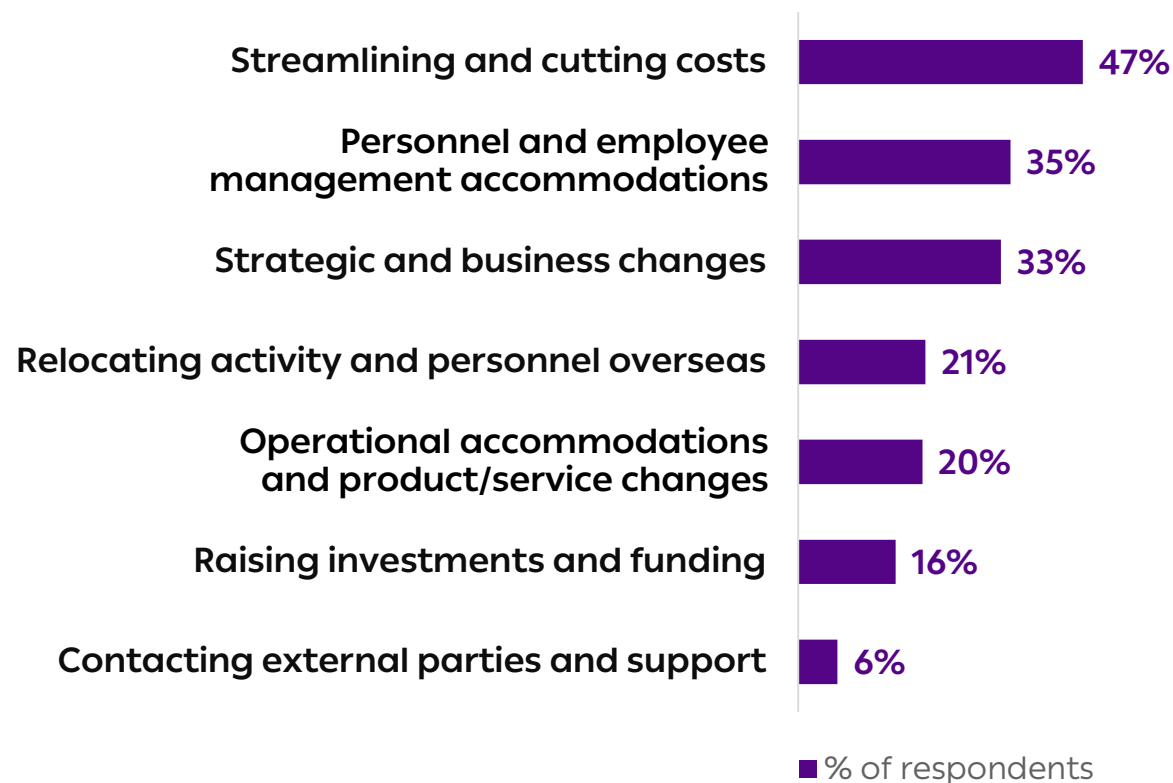
Source: Innovation Authority's analysis of the data from the Hi-tech companies' status – November 2024.

* The question is as worded in the survey: "There are entrepreneurs who are currently raising capital who claim that investors are more conservative due to the war in Israel.

To what extent do you agree with this claim regarding each of the following types of investors? The graph presents the answer categories – agree to a large or very large extent

What steps and accommodations were taken (or considered) at your company to cope with the challenges of the period?

(Analysis of the answers to the open-ended question)



Almost one half of respondents to the question regarding accommodations that were made or considered at the company to cope with the challenges of the period referred to cutbacks and streamlining plans, which sometimes included layoffs of employees or hiring subcontractors and other personnel accommodations.

About one third of the companies made strategic and business changes, including changes to the business development plans and halting projects.

One in five companies reported moving activity outside Israel – recruiting foreign employees or agents, corporate inversion, and setting up offices overseas.

Additionally, companies are looking for new funding channels during this period and contact external parties to receive grants and aid.

Source: Innovation Authority's analysis of the data from the Hi-tech companies' status – November 2024.

* The open-ended answers were grouped into main categories. Number of respondents is 386.

Some of the respondents mentioned more than one accommodation.

Quotes on the steps and adjustments hi-tech companies made during the war

The company suited / significantly reduce its business development plan. Investments in setting up sales and marketing departments were postponed to 2025. Investments in creating a production infrastructure was postponed by a year. Senior company directors invest many hours to personally replace personnel who were injured or called for reserve duty or missing for other reasons. Everyone is working very hard and trying to be as efficient as possible.

Dramatic reduction of expenses and burnrate, sending salespeople to relocation in order to cope with the problem of flights from Israel.

Attempts to physically raise funds in the U.S. Opening an American company was considered, this appears to be an essential condition of most of the U.S. investors.

Temporary relocation for those who feel too stressed.

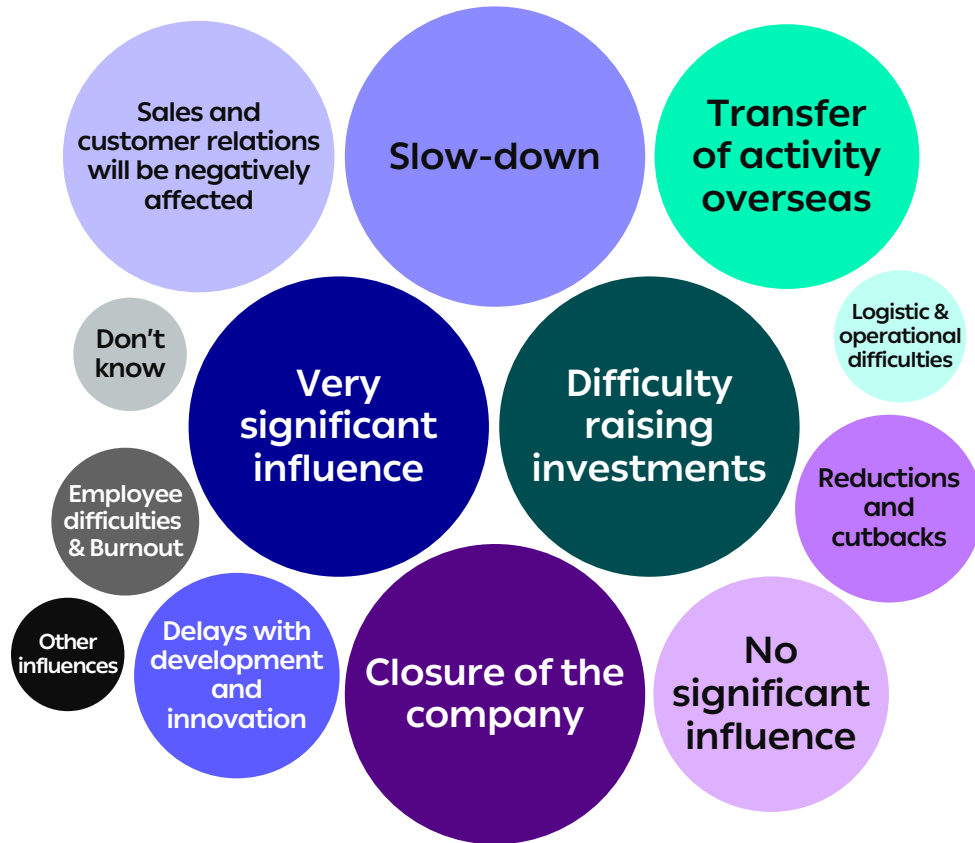
Reduction of personnel and moving activity overseas, including corporate inversion.

Source: Innovation Authority's analysis of the data from the Hi-tech companies' status – November 2024.



If the war lasts another year, what will be its effects on the company?

(Analysis of the answers to the open-ended question)



The respondents foresee a number of main influences if the war lasts for another year. One fifth of the respondents mentioned that if the war lasts longer, it will have a significant impact on the company, a slow-down of its activity and perhaps its closure. The same number of respondents also indicated the difficulty in raising investments caused by the prolonging of the war.

Other main effects are related to the transfer of the company's activity overseas or the hiring of employees overseas and difficulty selling to foreign customers and to maintain continuous work relations with them, due to the difficulty with international flights during war time.

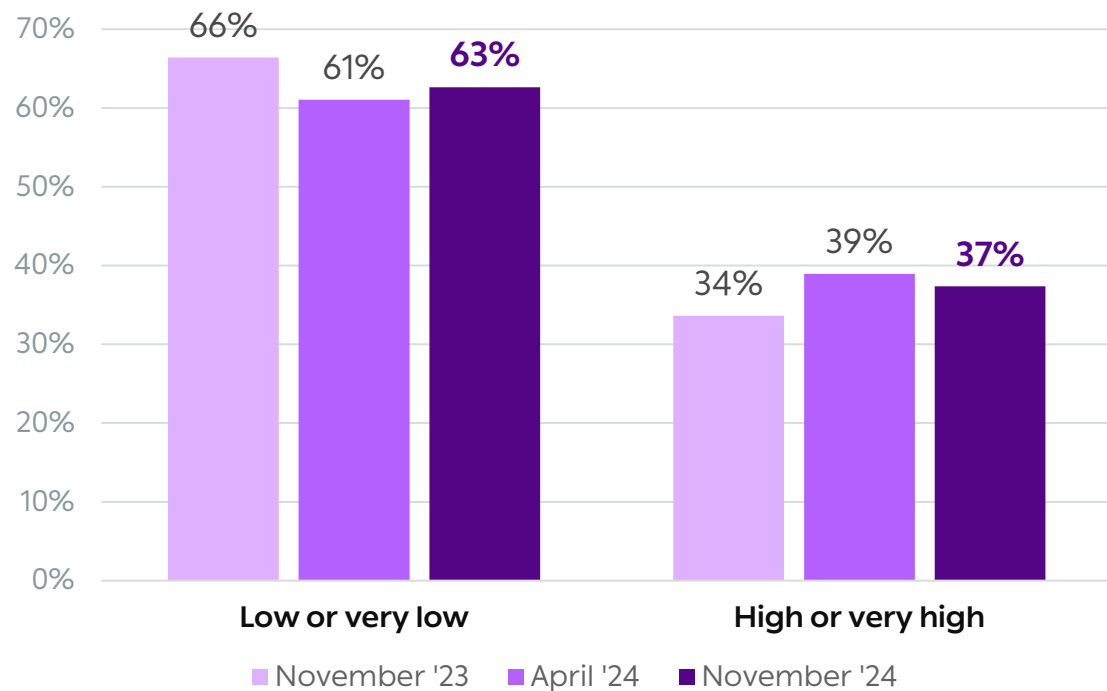
Source: Innovation Authority's analysis of the data from the Hi-tech companies' status – November 2024.

* The open-ended answers were grouped into main categories. Number of respondents is 403.

Some of the respondents mentioned more than one accommodation

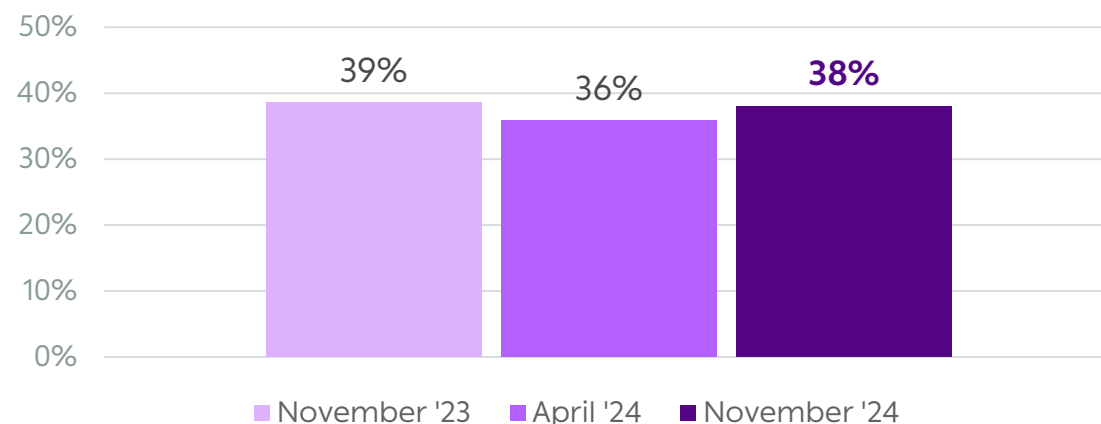



In your estimation, how probable is it that the company will succeed in raising the sum it needs in the next financing round ?



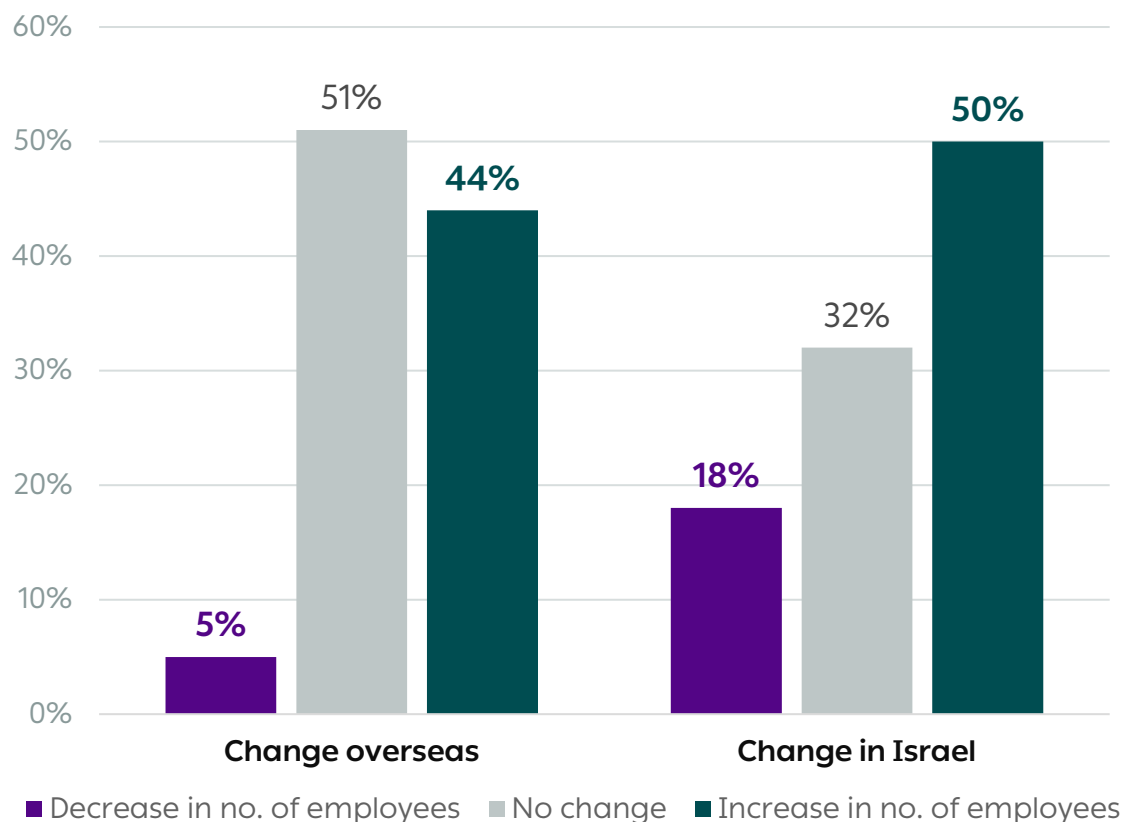
Source: Innovation Authority's analysis of the data from the Hi-tech companies' status - November 2024.

Rate of hi-tech companies in the process of a financing round that estimate with high or very high probability that the next round will have a lower value than the present one (Down-Round)



 In the three rounds of the survey since the beginning of the war, no change was indicated in these indices. The rates are also similar to the indices prior to the war.

How do you expect the number of employees at the company to change in the coming year? (in Israel and overseas)



About one half of the respondents predicted that the number of employees at the companies in Israel would increase and 44% expected an increase overseas.

Moreover, 18% of the respondents predicted that the number of employees in Israel would decrease and 5% predicted a decrease overseas – a statistic that reflects greater certainty regarding activity overseas.

Also indicated in the survey is in hi-tech companies in growth stages*, 23% agree to a great or very great extent that in the past year, there was an increase in the number of positions that were transferred overseas.

Source: Innovation Authority's analysis of the data from the Hi-tech companies' status – November 2024.

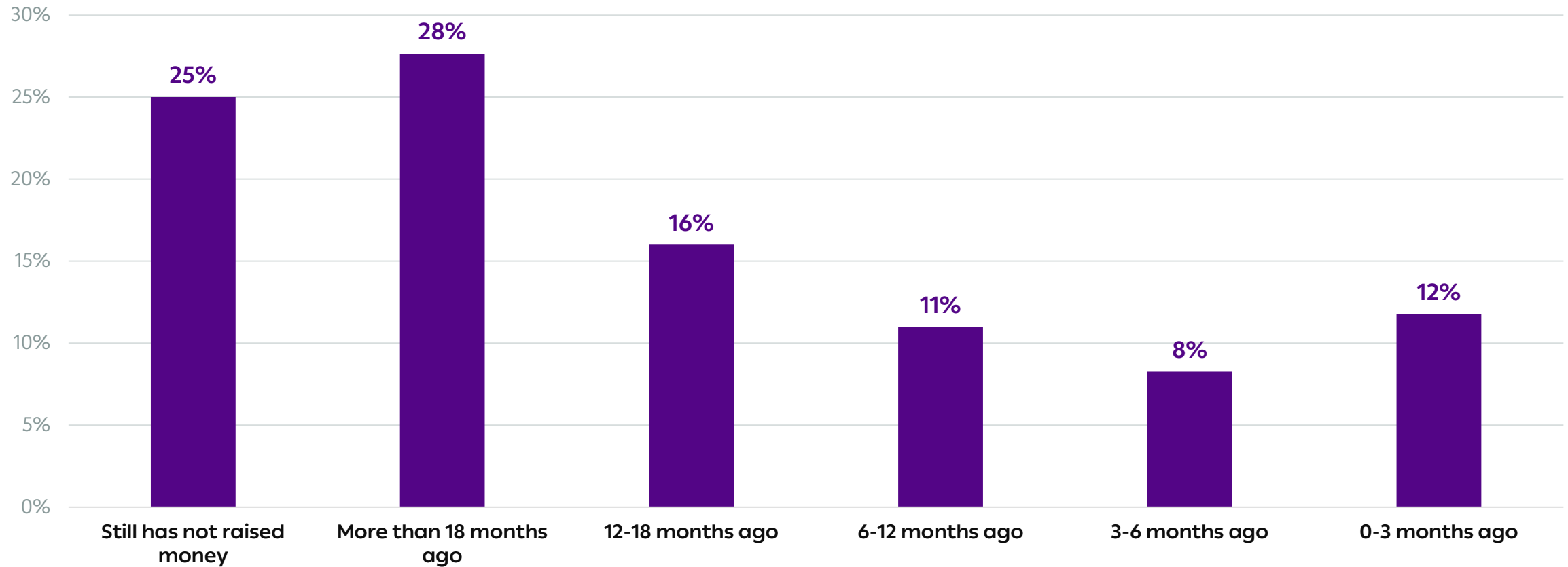
* Companies that raised capital in Round B or more



Appendix: Description of the Survey Population

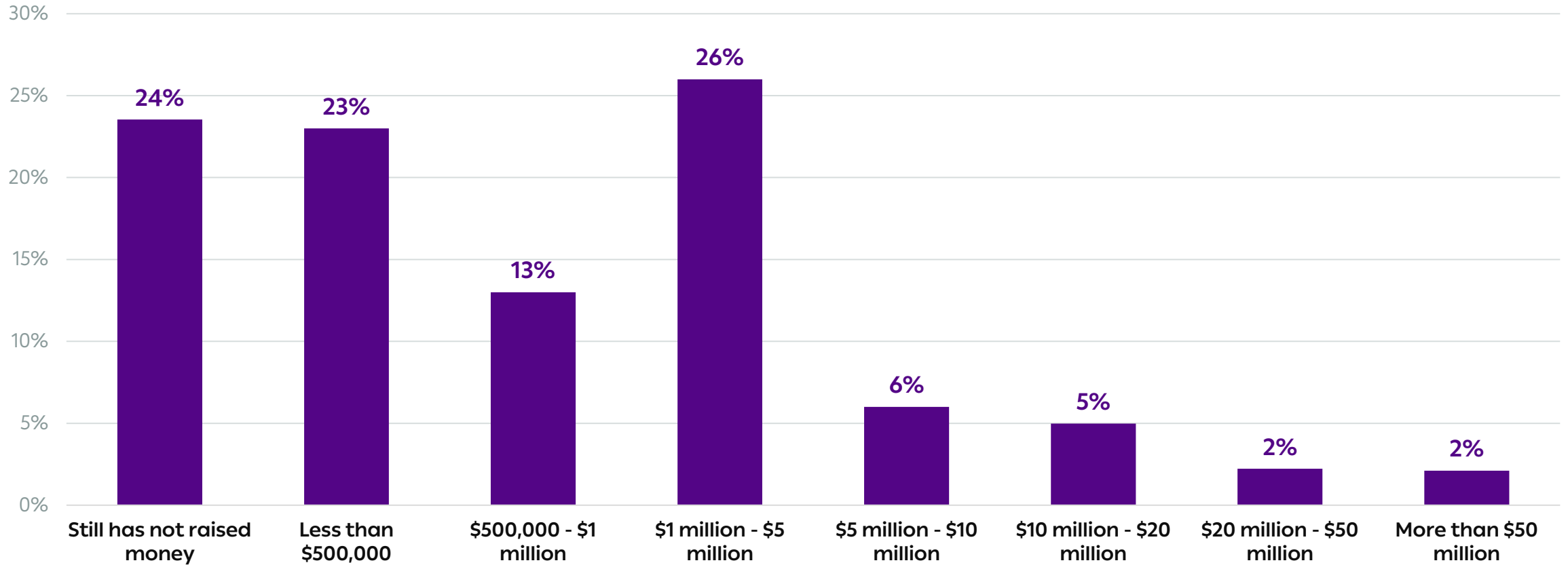


When did the company conduct its last financing round from investors?



Source: Innovation Authority's analysis of the data from the Hi-tech companies' status - November 2024.

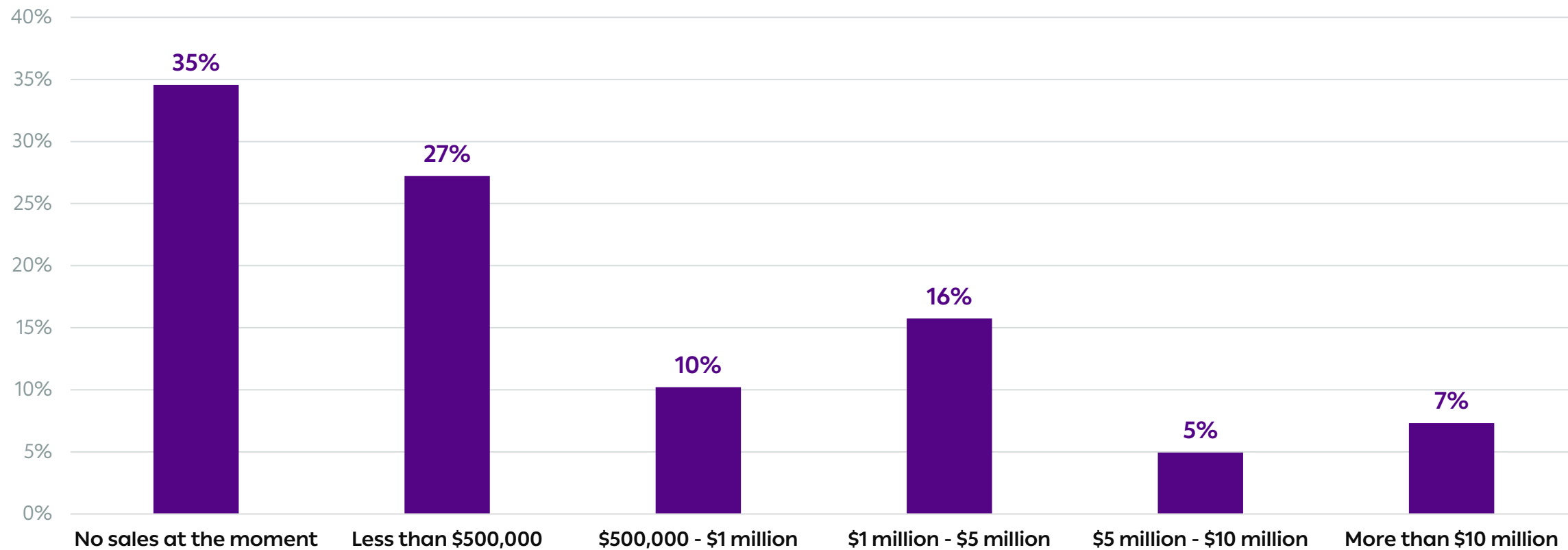
How much money did the company raise from investors in the last round?



Source: Innovation Authority's analysis of the data from the Hi-tech companies' status - November 2024.



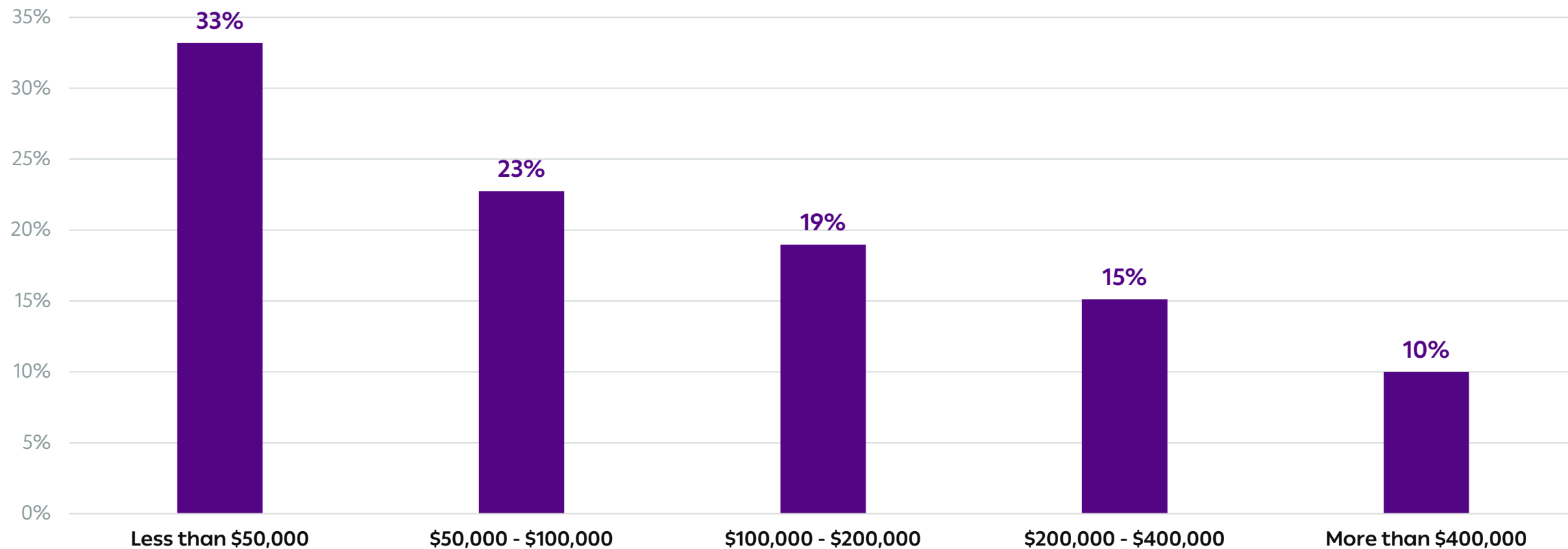
What is the company's annual sales cycle?



Source: Innovation Authority's analysis of the data from the Hi-tech companies' status - November 2024.



What was the company's average monthly burn rate during the first half of 2024?



Source: Innovation Authority's analysis of the data from the Hi-tech companies' status – November 2024.



Acknowledgements:

The Innovation Authority thanks the companies that participated in the survey and shared their information and insights. Your contribution is particularly significant during this period and allows us to present a deep and accurate picture of the state of the Israeli high-tech industry.

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