

Embargoed until May 31st, 2020

A Survey by the Israel Innovation Authority and IATI: Small Businesses during the Coronavirus Crisis



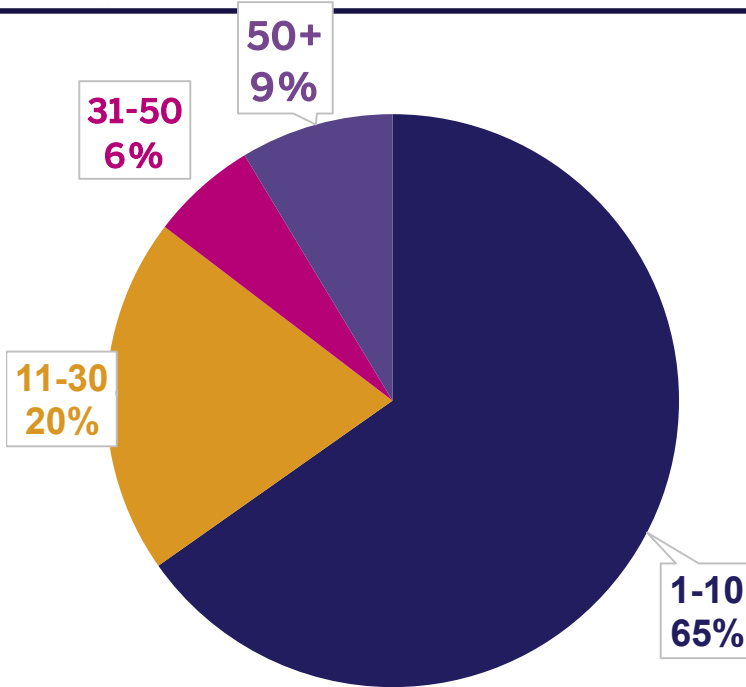
Main Findings

- **The survey found that half of companies have been significantly impacted by the crisis (as opposed to approximately half of companies reporting no effects or limited effects from the crisis):**
 - 45% of companies reported a Runway of more than six months (better than the 27% reported in the Central Bureau of Statistics' (CBS) survey published in May)
 - Among companies already generating sales – 63% are dealing with a decrease of over 25%
- **Software and communication companies appear to have been more severely affected, as well as small businesses (10 employees or fewer)**
 - Approximately 19% of software and communication businesses have announced wide-scale layoffs, compared to 3-8% in other sectors
 - Approximately 65% of companies with between 1-10 employees have a Runway of less than six months, compared to approximately 40% and less at larger companies
- **Comparison between April and May data indicates a moderate deterioration:**
 - The number of companies announcing layoffs has risen from 17% in the April survey to 25% in May
 - The number of companies cutting wages has increased from 33% in April to approximately 50% in May (this is higher than the 25% reported in the CBS' May survey)
 - The survey found high demand for the Authority's support tools – approximately 60% of companies intend to submit a request for support, 32% using the accelerated grant channel.
- **The survey found difficulties in securing funding and a freeze in the various financing channels:**
 - 90% of companies have reported a slowdown in funding processes; 40% a complete freeze of the process
 - 42% of companies have requested/are considering requesting bank loans. Half of loan requests have been rejected

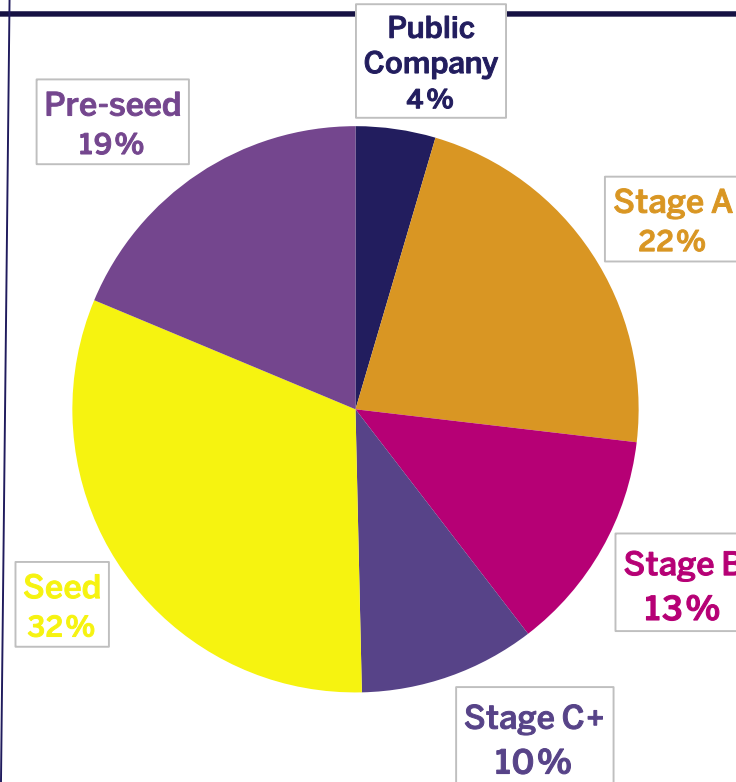
Survey Attributes

- 414 companies (the survey was distributed via the IATI and Israel Innovation Authority distribution channels at the beginning of May)
- 41% of respondents are in the software sector, 41% in health-care related industries and 18% in hardware and communications
- Most respondents were smaller companies (65%), with fewer than 10 employees
- Half of respondents are in Pre-seed and Seed financing stages (51%)

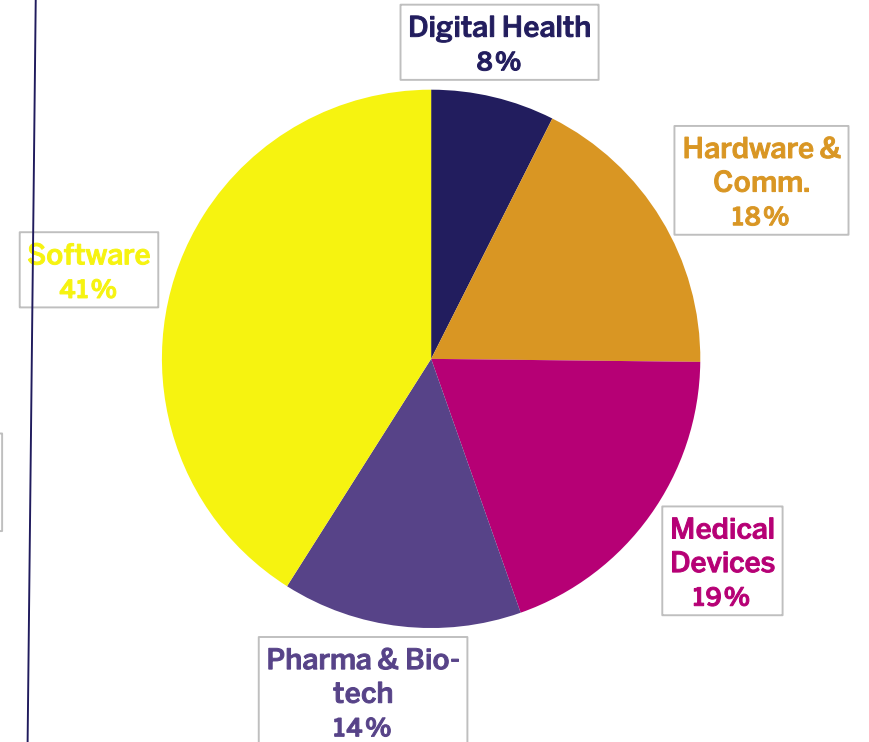
of Employees



Funding Stage



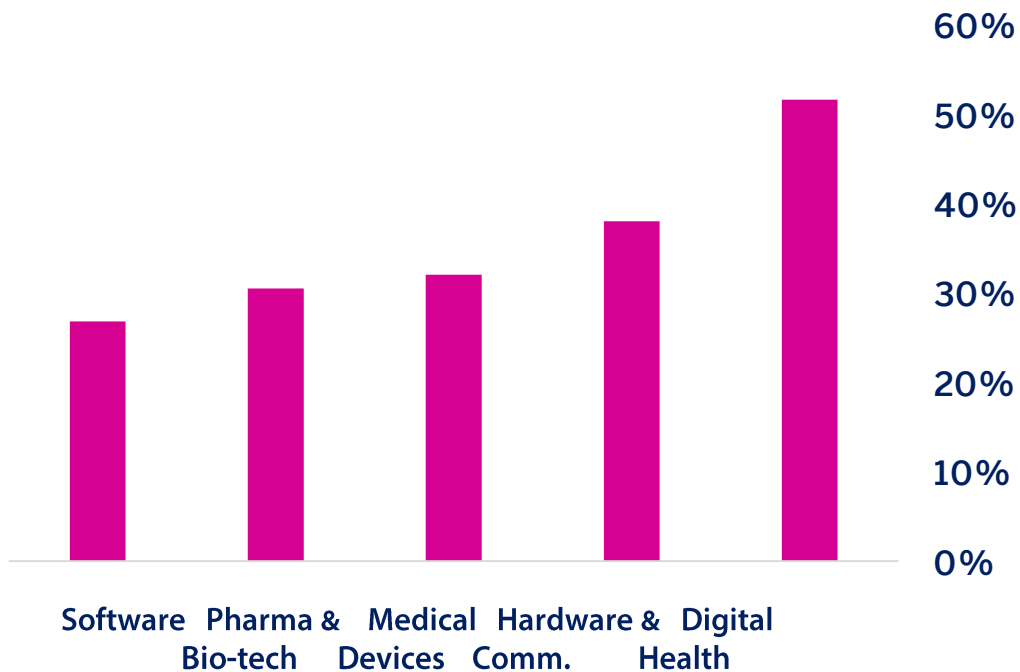
Sector



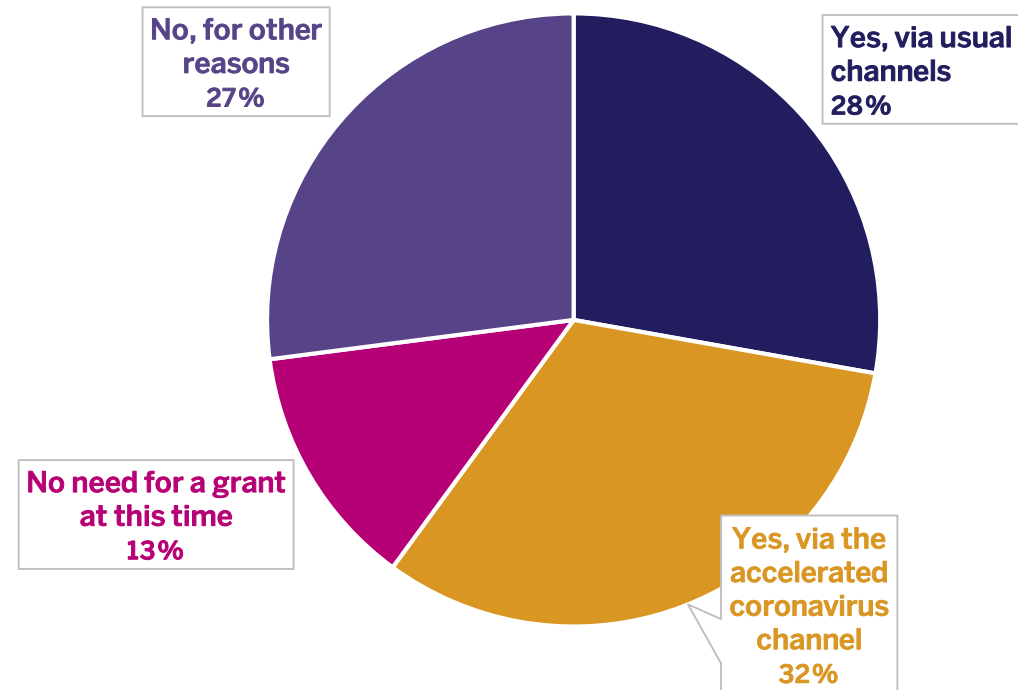
Grant Requests from the Israel Innovation Authority

- Most companies stated that they plan to submit a request through the Authority's accelerated channel, established due to the coronavirus crisis/submitted a request through the usual channels – it can be assumed that the survey accurately reflects the state of Authority's target population
- 52% of companies in the digital health sector have stated that they are considering submitting a request through the accelerated channel
- Nearly a third of companies have not submitted a request grant for various reasons, such as failure to meet the threshold conditions, funded by another program, difficulty raising complementary funding, previous rejection, lack of innovative technology requirement

Considering submitting a request through the accelerated grant channel



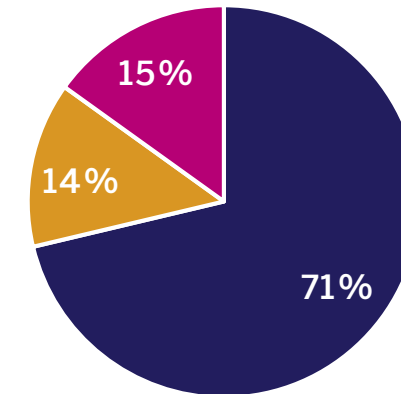
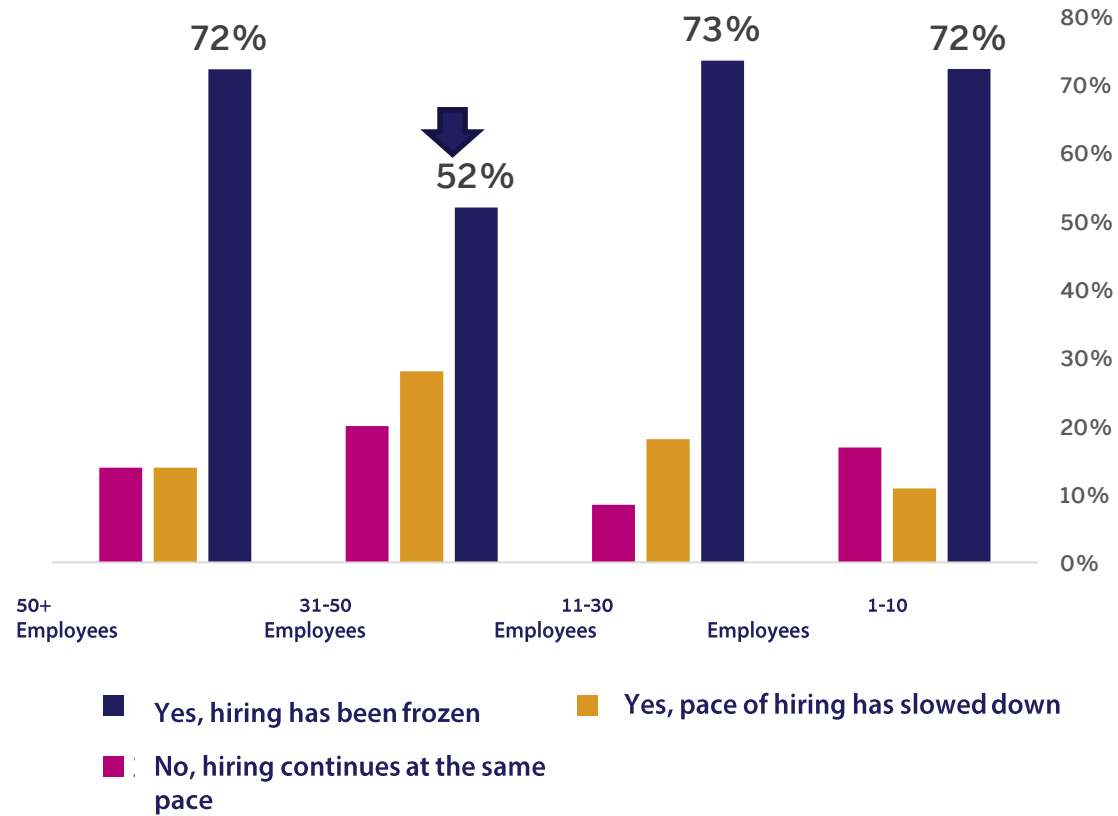
Have you considered applying for a grant with the IIA?



Hiring Policy following the Crisis

- 71% of companies have frozen hiring new employees, 14% have reported that hiring has slowed down and 15% are continuing at the same pace
- Smaller and medium-sized businesses have reported fewer hiring freezes (20% fewer are freezing hiring than companies of other sizes)

Has company changed its hiring policy?

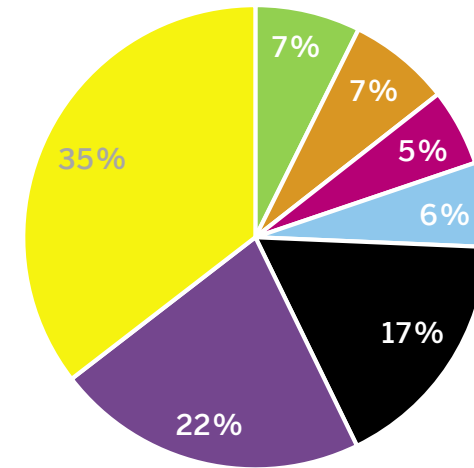


- Yes, hiring has been frozen
- Yes, pace of hiring has slowed down
- No, hiring continues at the same pace

Employees on Leaves of Absence

Over one third of companies have put employees on leaves – smaller companies have put more employees on leave

Extent of leaves of absence (by company size)

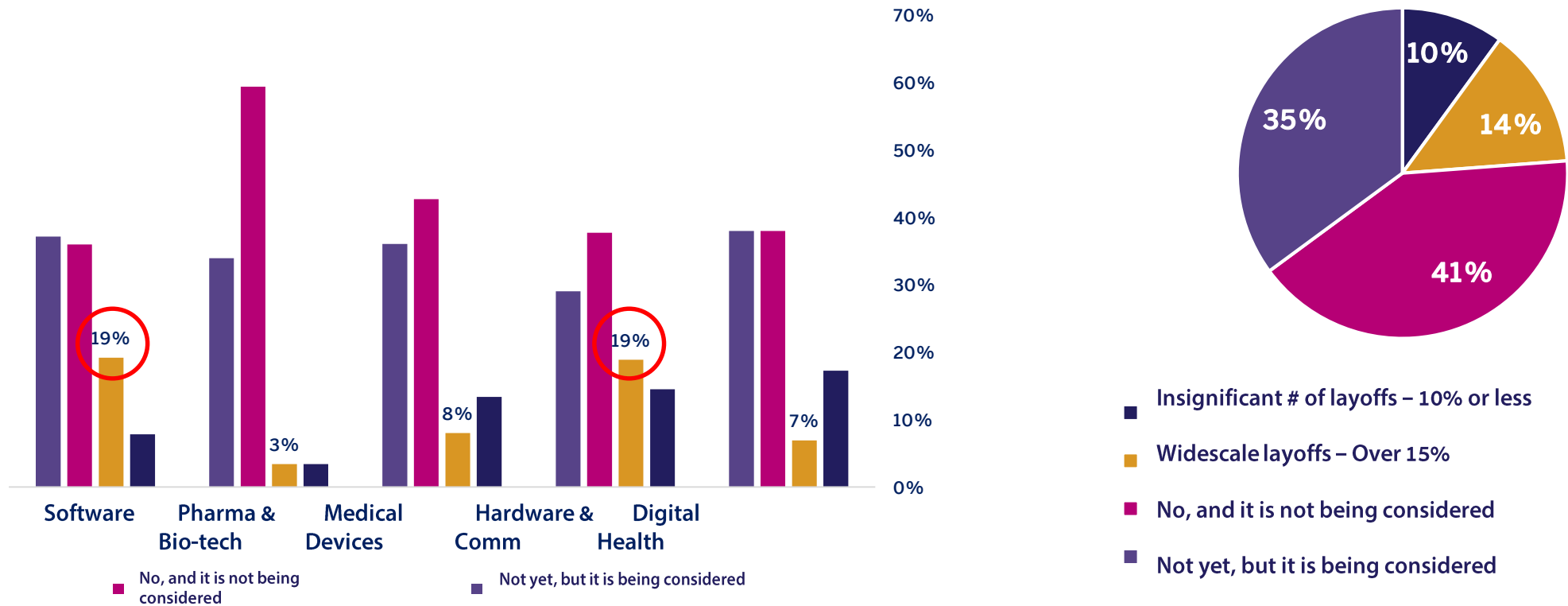


- Insignificant # of leaves – a few employees
- Approximately 10-25% of workforce is on leave
- Approximately 26-50% of workforce on leave
- Over 50% of workforce is on leave
- An absolute majority of employees is on leave
- Not yet, but it is being considered
- No, and it is not being considered

Employee Layoffs

One quarter of companies have already announced layoffs – more companies in the software and hardware sectors have reported widescale layoffs compared to healthcare sector companies

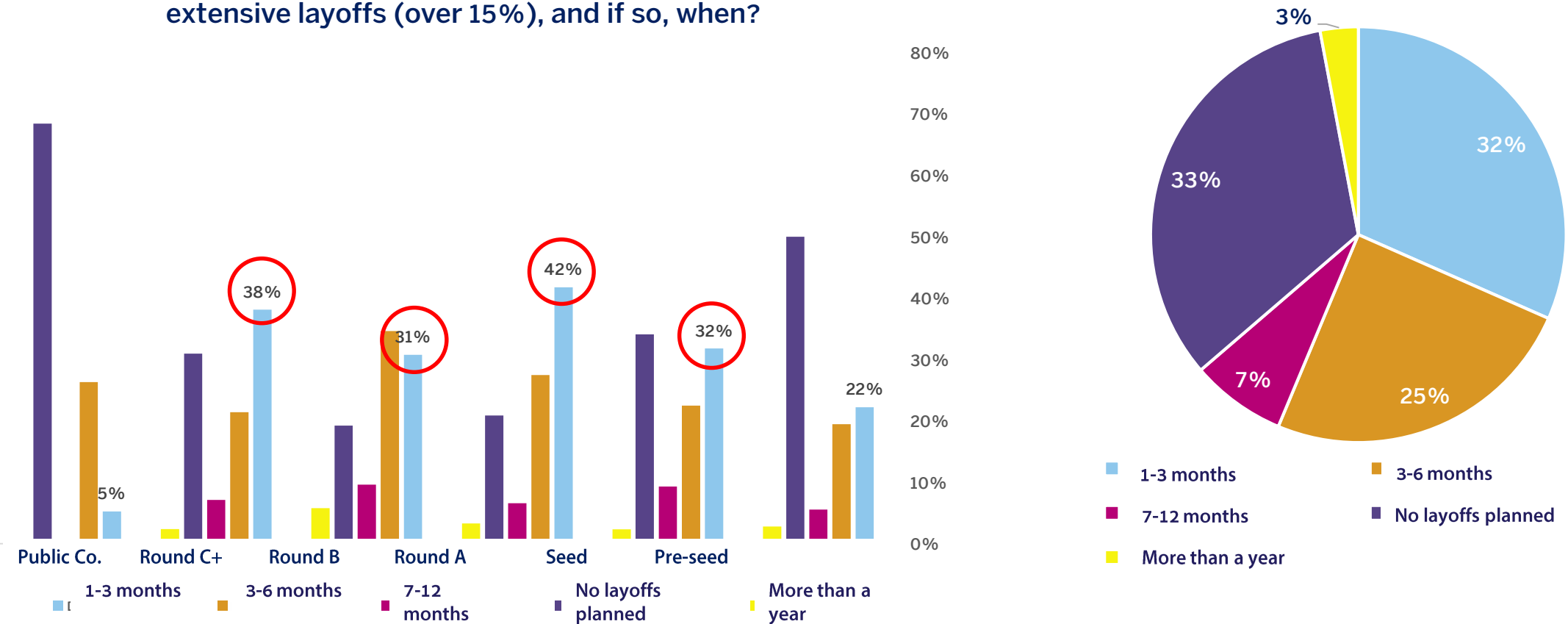
Extent of layoffs, by sector



Should the current situation continue, when will extensive layoffs (over 15%) be conducted

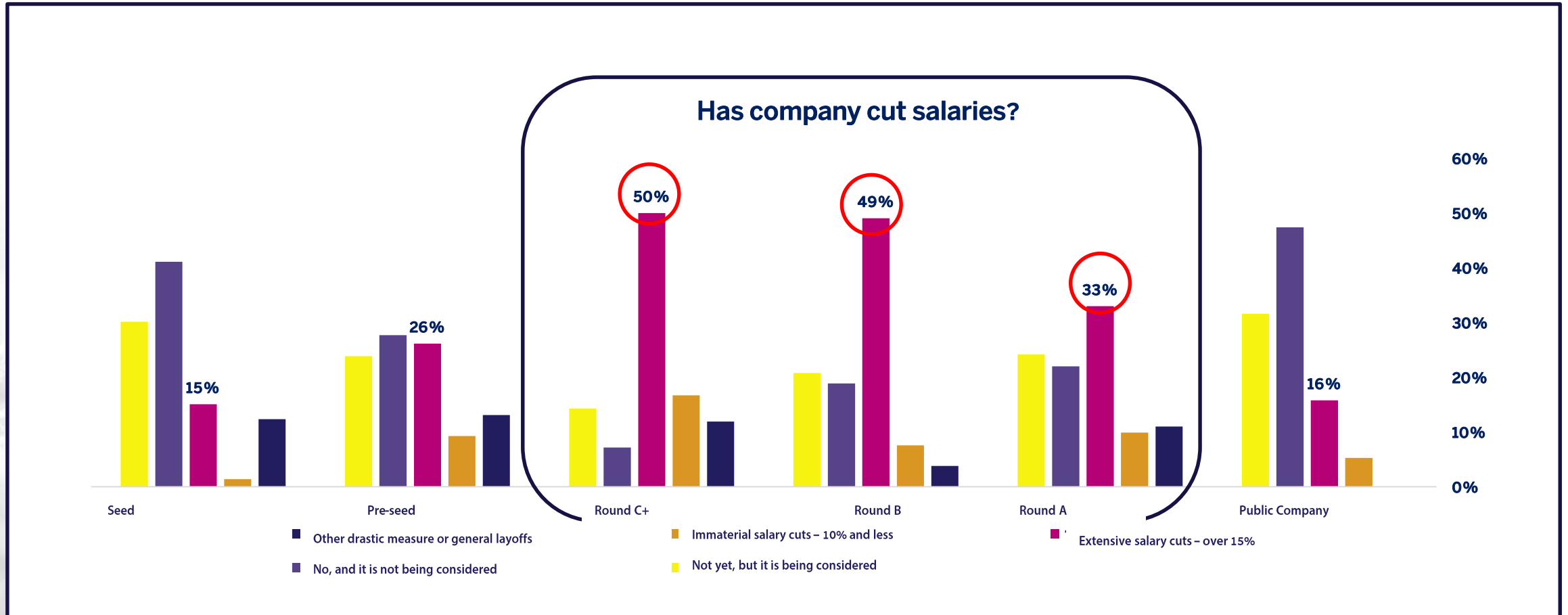
If the situation persists, more than half of companies have reported plans for extensive layoffs (over 15%) in the next six months; Among Seed-C+ companies, extensive layoffs are planned in the next three months

If the current situation persists, is the company planning extensive layoffs (over 15%), and if so, when?



Wage Cuts Initiated by Companies

One third of companies have cut wages significantly (over 15%) and a quarter are considering doing so – these rates are significantly higher than among growth companies



Impact of the Coronavirus Crisis on Company Sales in April

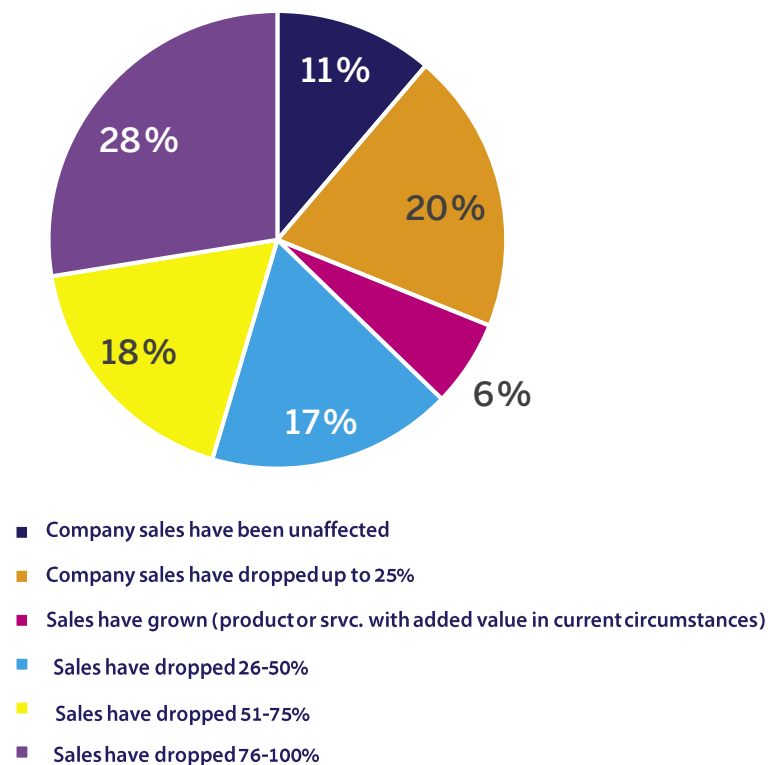
Sales by startup companies have been significantly impacted*

- Small businesses (1-30 employees) are reporting the most significant impact
- 6% have reported sales growth, of which 8% are pharmaceutical and biotech companies and 11% are medical devices companies

Impact of the Coronavirus Crisis on Company Sales in April



What is the impact of the coronavirus crisis on your April sales?

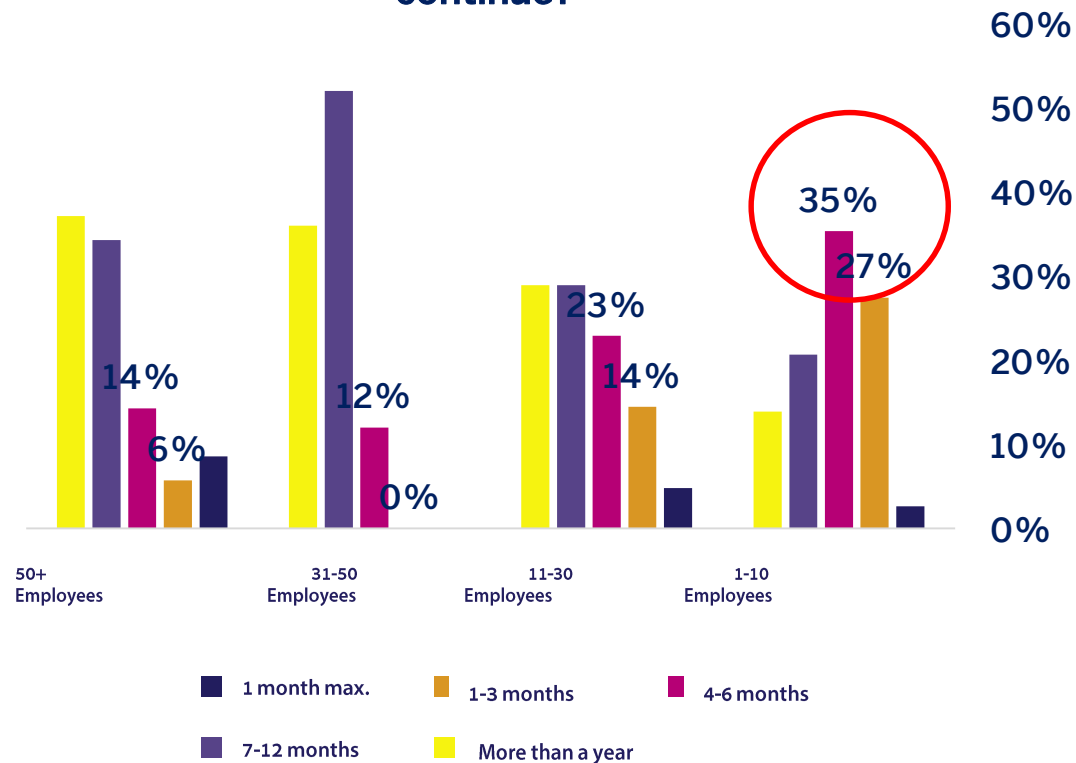


* 50% of respondents reported no sales and are not included in this slide

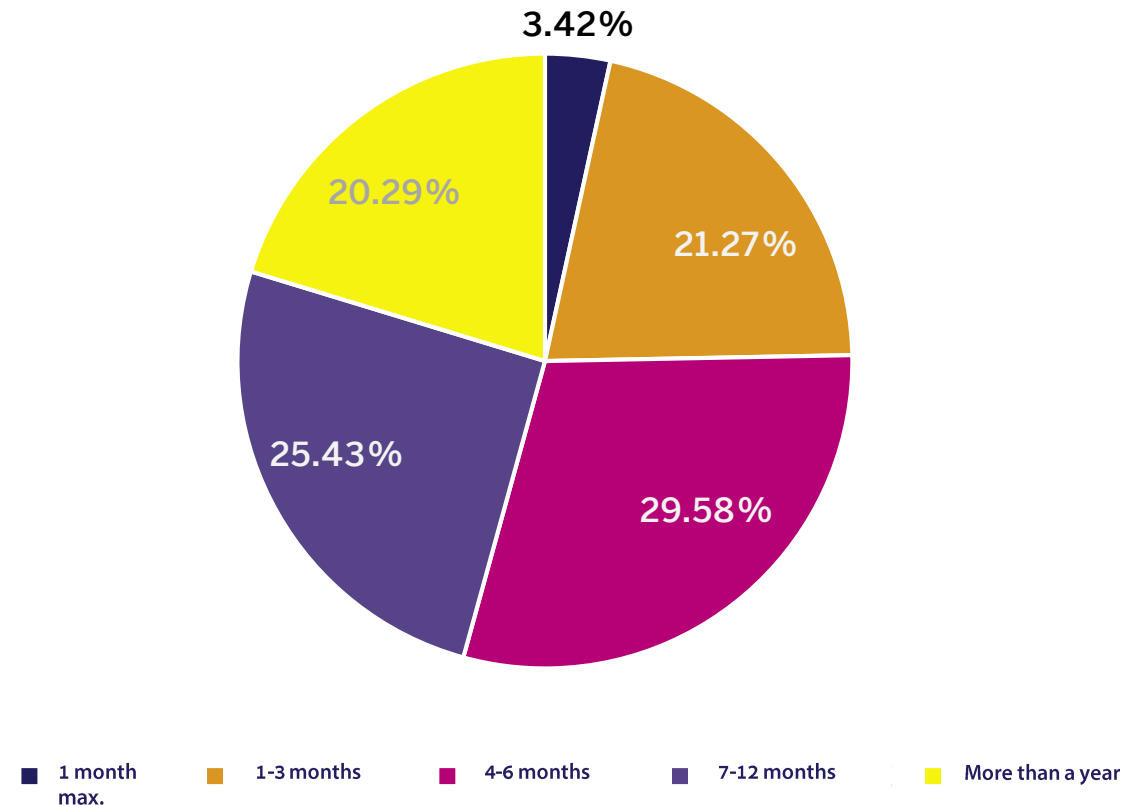
How long can company operations be sustained if current conditions continue?

- Most companies do not have sufficient Runway beyond six months
- 65% of companies with 1-10 employees will not be able to maintain operations beyond six months

How long can company operations be maintained should current conditions continue?



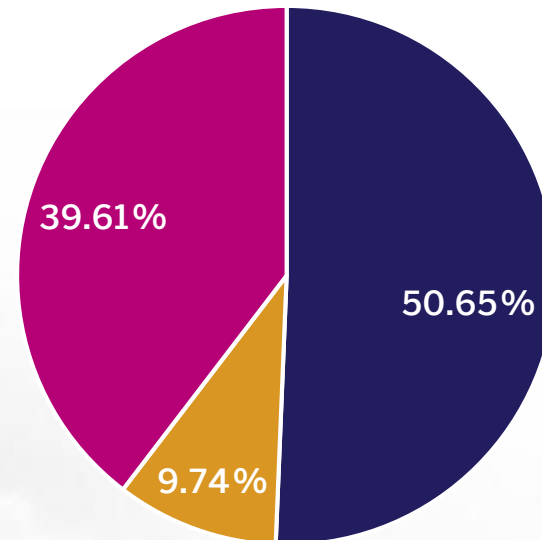
How long can company operations be maintained should current conditions continue?



Progress of Fund-raising Processes

40% of companies in the process of raising funds have been notified by investors of a freeze on the process

Is the company able to advance fund-raising processes in light of the coronavirus crisis?

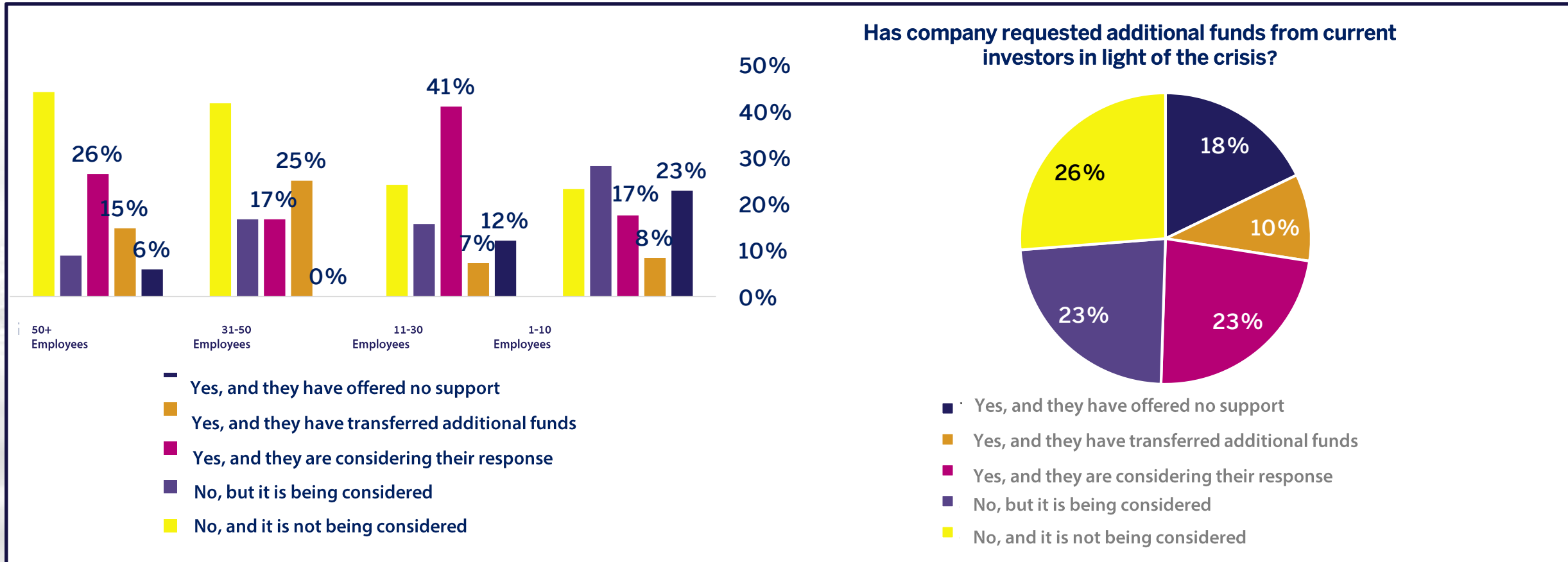


- Yes, but slowly
- Yes, as expected
- No, investors have notified us of a freeze on the process

Requests by Companies for Additional Financial Support from Investors

Most existing investors are on the fence or not supporting companies

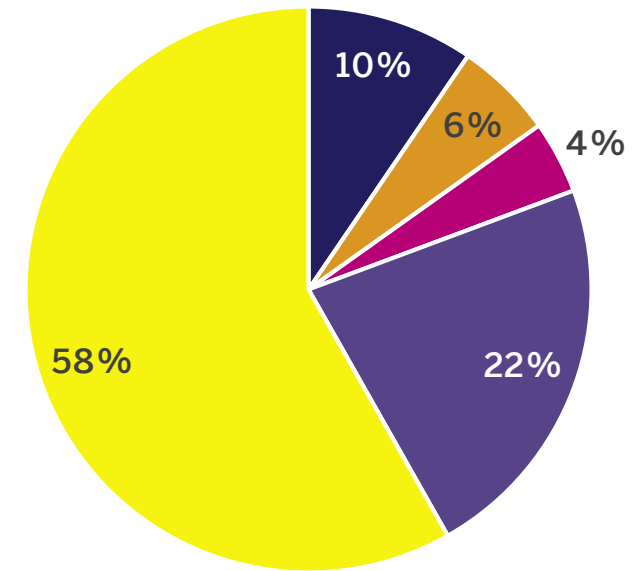
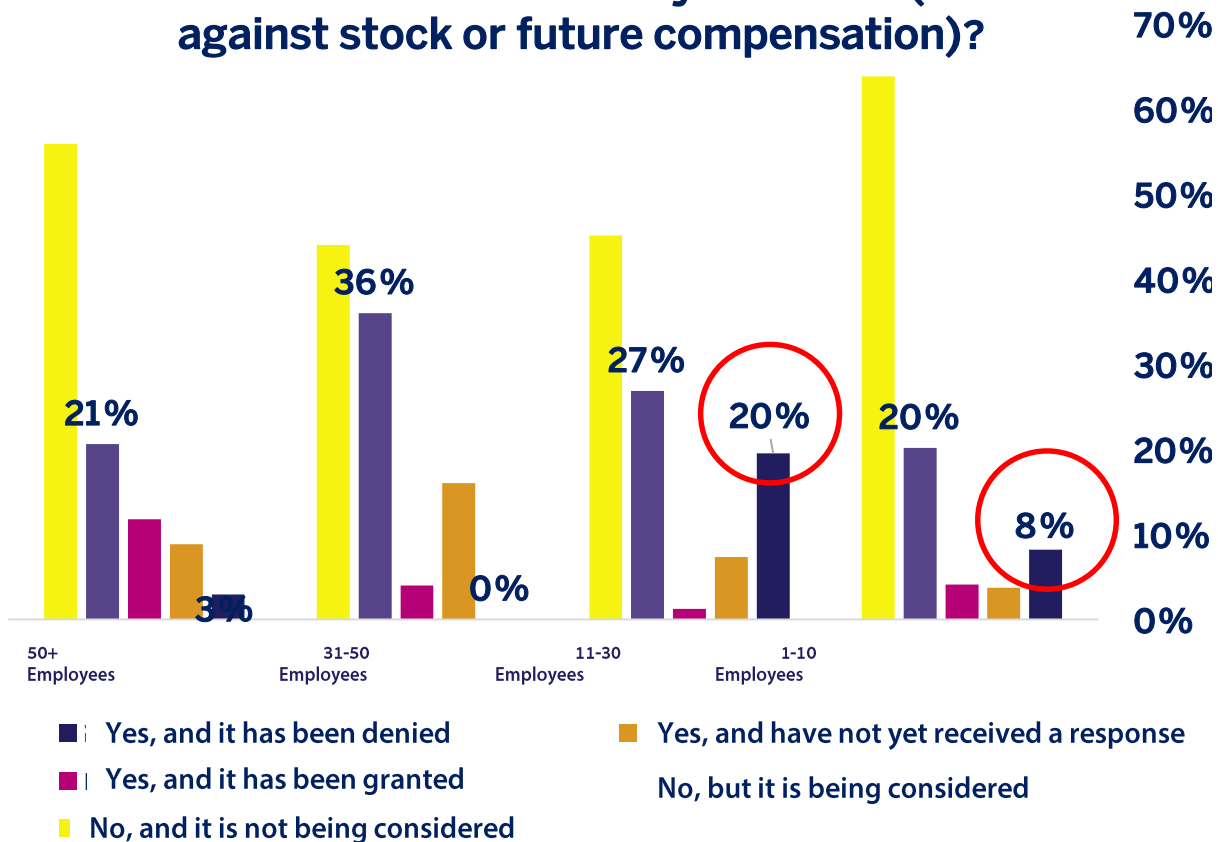
- 51% of companies have requested additional support from current investors: of these, 46% have reported that investors are still considering their next steps, 19% have received additional funding and 35% have been notified by investors that they cannot provide additional funds
- 49% have not contacted their investors: of these, 47% are considering such a request and 53% are not



Requesting a Loan from a Financial Entity due to the Crisis

- Half of companies submitting a request for a bank loan have been denied, and a large portion (30%) have yet to receive a reply
- 58% of companies reported that they have not submitted a request and that it is not being considered

Has company submitted a request to a bank or another financial entity for a loan (not against stock or future compensation)?



- Yes, and it has been denied
- Yes, and have not yet received a response
- Yes, and it has been granted
- No, but it is being considered
- No, and it is not being considered

Impact of the Various Restrictions on Companies' Operations

- Halting of international flights followed by the closing of schools and kindergartens have significantly impacted companies' operations
- Non-essential hospital work and the closing of stores, malls and entertainment and leisure centers hardly impacted companies' operations

