



Israeli Institutional Investors' Tech Investments 2021



Methodology

- This report covers the period beginning January 1, 2020, and ending December 31, 2021
- The investments analyzed for this report are considered direct allocations in private companies only (Israeli start-ups) and include primary deals only (no secondary deals).
- The data for this report was collected from public sources, including:
 - Fund Periodical Reports
 - Media Outlets
 - Company/Investor Announcements and Publications

Methodology

- The report includes several Israeli entities whose activities were conducted under Israel Innovation Authority's **Institutional Investors Incentive Program** (see [slide 8](#), Innovation Authority's explanation and analysis).
- Amounts in this report relate to funding rounds in which institutional investors participated during the report period.
- Analyses relating to Institutional Investors' direct investment amounts are based partly on estimations.

Highlights

In 2021, Israeli institutional investors increased their allocation to the Israeli start-up scene, for the first time in decades. Astoundingly, the capital allocated to the Israeli tech start-up sector in 2021 increased 6.5-fold and is estimated at \$864m, compared with just \$134m in 2020.

Israeli institutional investors accounted for 26% – 36% of amounts invested by VCs in Q1/2021 – Q3/2021, far above their 7% – 11% share in 2020, signaling the intensity the institutional players relate to this investment landscape. However, in Q4/2021 this share reduced substantially to 12% only.

While the usual investment pattern for institutional investors in the private market is late-stage companies with relatively large amounts per company, the activity of the Israeli institutional investors during 2021 resembled that of PE funds, with investment deals in companies in various stages, subject to a wide range of investment amounts.

The technology verticals that attracted the local institutional money included mainly Fintech, Insurtech, and DeepTech. Cyber Security deals garnered much less attention than expected at the outset.



Adv. Yoav Sherman | Partner Head of Hi-Tech and Venture Capital Practice

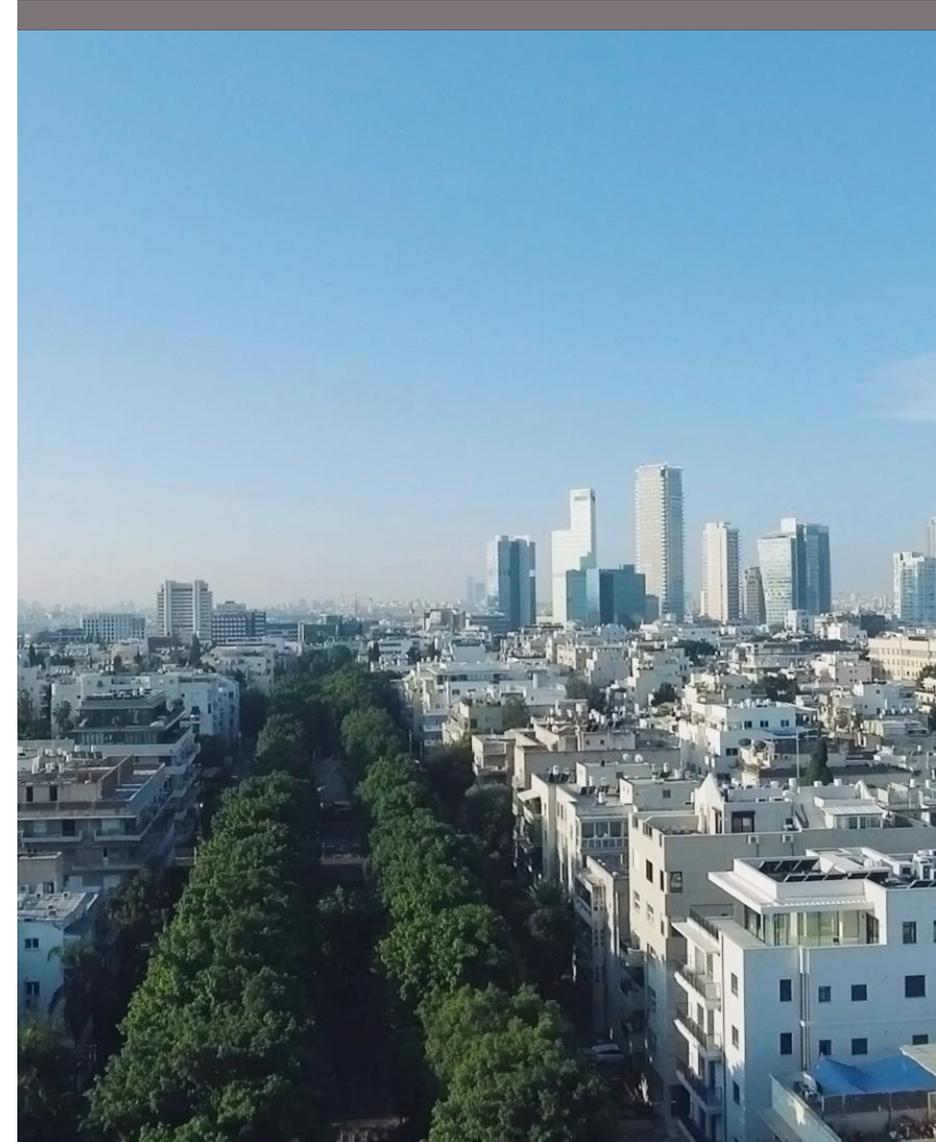
This past year marks the official entry of Israeli institutional investors into the startup investments arena. The overall institutional investments carried out in 2021 exceeded past years' numbers by a remarkable increase of 550%.

Having represented over 35 direct institutional investments in Israeli startups in 2021, in which an accumulated sum of more than US\$300m was invested, we too noticed - institutional investors have taken the plunge and are investing more than ever in the high-tech space.

Equally important, we are noticing an unprecedented involvement of these investors in early investment stages, occasionally even investing in seed (!) rounds. Furthermore, some of the institutional investors have formed dedicated tech investment teams by hiring high-tech professionals with expertise in venture capital.

All of the above support the likelihood that the institutional investors are here to stay. Founders and startups should be made aware of the fact that, alongside the traditional tech investors (i.e., Israeli and foreign VC funds and angel investors) a new funding route may be open to them.

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Adv. Nimrod Vromen | CEO

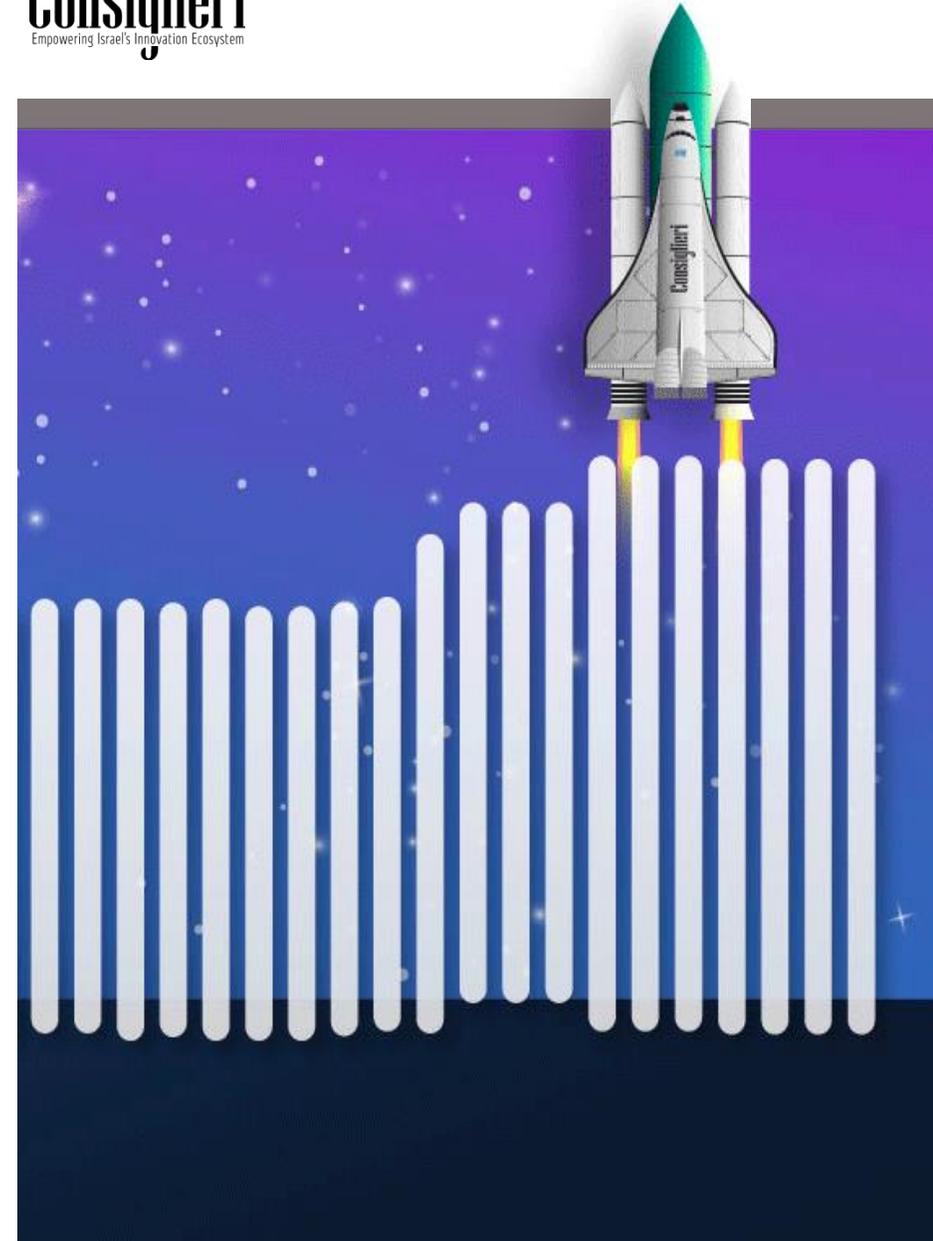
While at the outset, one might expect that institutional investors would have certain information gaps as to tech industry norms in earlier stage investments or assume that they would attempt to impose their own investment methods of operations and monitoring on their target companies, 2021 has shown how institutional investors are leaning into the tech market in an effort to lay the groundwork for future increased activity.

Institutional investors that were quick to engage the experienced consultants and venture partners have relatively seamlessly entered the tech market and managed to streamline investments at a high pace and intensity in early-stage companies.

Their ability to join a round is already unquestioned, and those supported by tech industry veterans are also impressively succeeding in earlier stage financings.

Clearly, institutional investors are making an effort to do more than just use the favorable regulations as a temporary opportunity to diversify, but also as an opportunity to break new ground for what might be a long-term investment activity.

Consiglieri
Empowering Israel's Innovation Ecosystem





Institutional Investors Incentive Program, Background and Outcomes

Sagi Dagan | Vice President, Head of Growth Division

In July 2020, the Israeli Innovation Authority, in collaboration with other government agencies, launched a first-of-its-kind initiative to stimulate institutional investments in the Israeli high-tech sector.

This program had two main goals: (1) Connecting Israeli institutional investors to the high-tech industry by injecting public funds into technology companies. All parties benefit from this model: the tech companies will receive funding from a new source, and the public, along with the investors, will diversify their portfolios and lower their overall risk, while benefitting from high returns that the Israeli high-tech sector generates. (2) Responding to the Covid-19 crisis, by supporting the high-tech industry (as a growth catalyst) and helping tech companies in early growth stages overcome economic difficulties brought on by the crisis.

The program offered a government-backed safety net for institutional investors' investments in high-tech companies. Nine institutional investors participate in the program, and they are entitled to downside protection on their investments in Israeli high-tech companies in their early growth and sales stages (A-C rounds). The program's total budget allocation is 2 billion ILS (~625 million USD).

An initial 18 month investment period is followed by another 7 years. Afterwards, the portfolio's yield is calculated: In the event of an overall negative yield, the Israeli Innovation Authority will compensate the investor up to 40% of their nominal investments in the portfolio. In the event of an overall positive yield, the investor will transfer 10% of any yield above 18.5% to the Israeli Innovation Authority.



Institutional Investors Incentive Program, Background and Outcomes

A year into the investment period we see the following:

- Three quarters of investments made as part of the program were in A-C rounds, and three quarters of the companies already had revenues.
- More than 60% of the companies that received investments under the Institutional Investors Incentive Program are companies that were or are recipients of support from the Israeli Innovation Authority.
- While the institutional investors diversified their portfolio in 2021 to various technology verticals, they tend to focus mainly on software and IT.
- Institutional investors develop various techniques to participate in high-tech investments: sub-investment committees, hiring new analysts,

creating new collaborations with experienced investors, and more. These new techniques create new capabilities that enable the institutional investors to acquire experience in high-tech investments, positioning them closer to venture capital funds and high-tech companies.

- In a field that is lacking local Israeli investors, there are less investments by the institutional investors. Furthermore, the institutional investors tend not to lead investment rounds.
- In the past year, the Israeli institutional investors became a vibrant part of the local tech Ecosystem. However, In Q4/2021 we saw program participants less interested in taking a part in investment deals, probably due to the changed sentiment in the global capital markets.



Institutional Investors Activity 2020 – 2021

Institutional Investors Numbers: Amounts & # of Deals

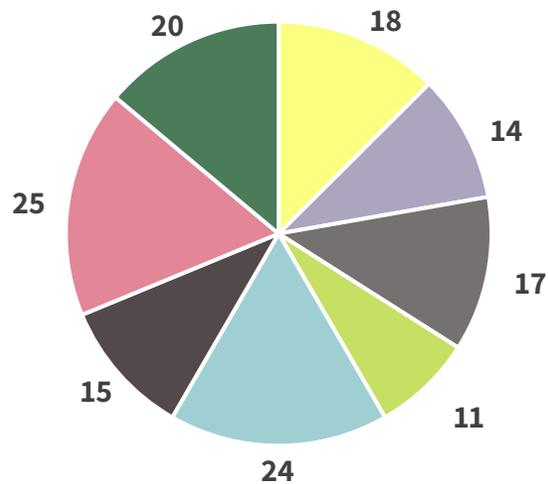


IVC-Arnon Segev-Consiglieri_Israeli Institutional Investors' Tech Investments 2021

Investment numbers & Amounts By Institutional Investors Name 2021

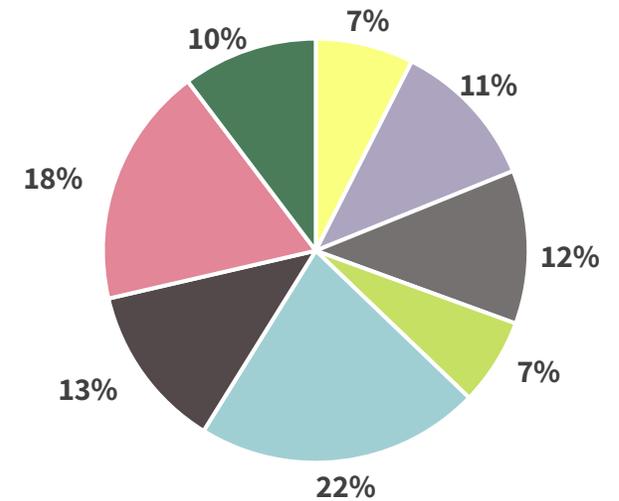
of Investments

- More
- Menora Mivtachim
- The Phoenix
- Clal
- Migdal Insurance
- Altshuler Shaham
- Harel Insurance
- Meitav Dash



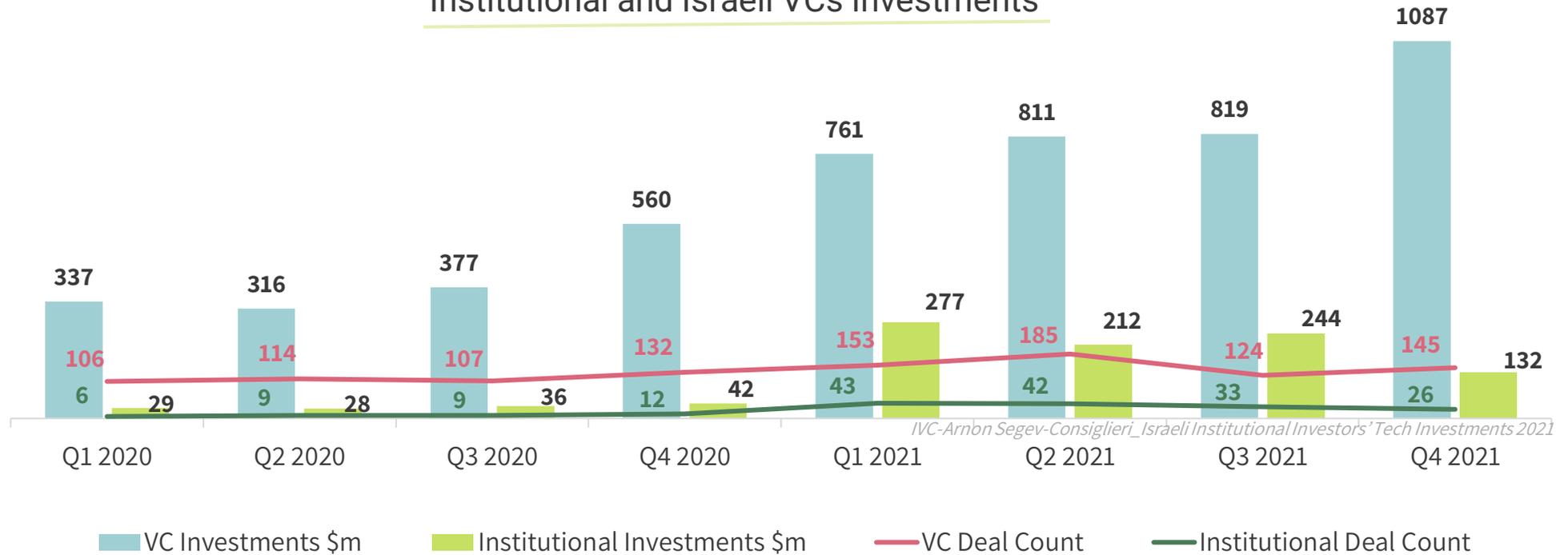
*IVC-Arnon Segev-Consigliari_
Israeli Institutional Investors' Tech Investments 2021*

Estimated Amounts Share (%)



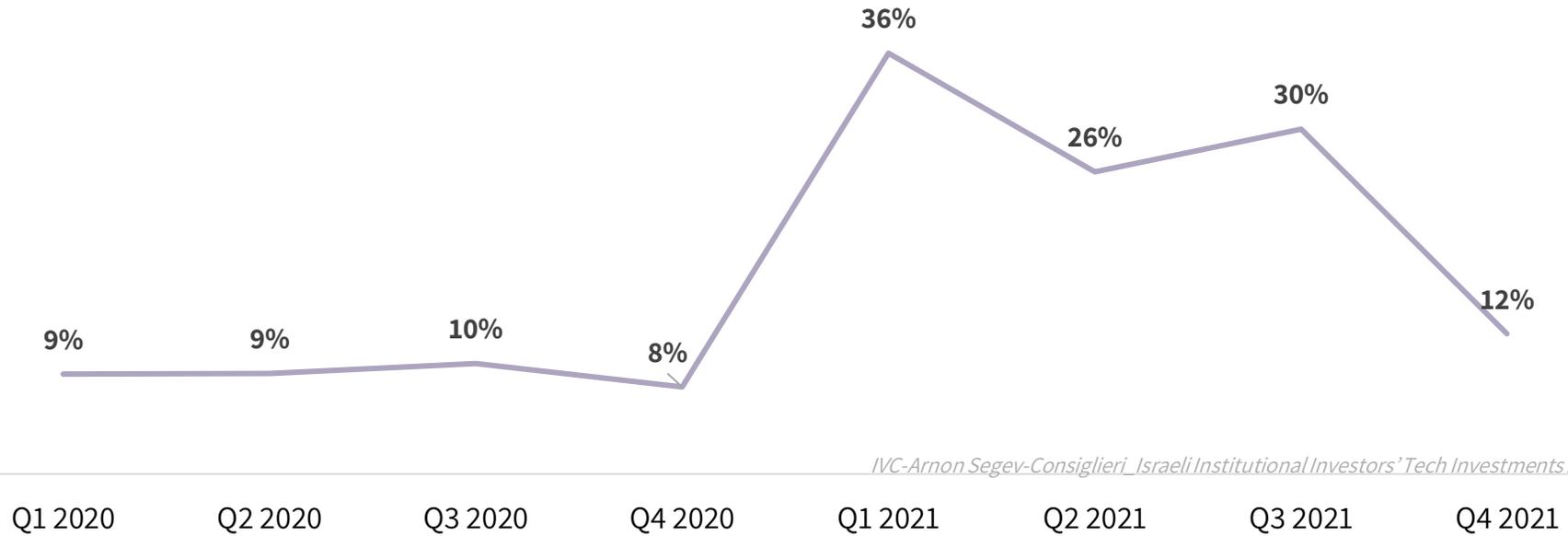
Institutional Investments VS. Israeli VCs: Amount (\$m) & Deals

Institutional and Israeli VCs Investments



Institutional Investments VS. Israeli VCs: Amount (\$m) & Deals

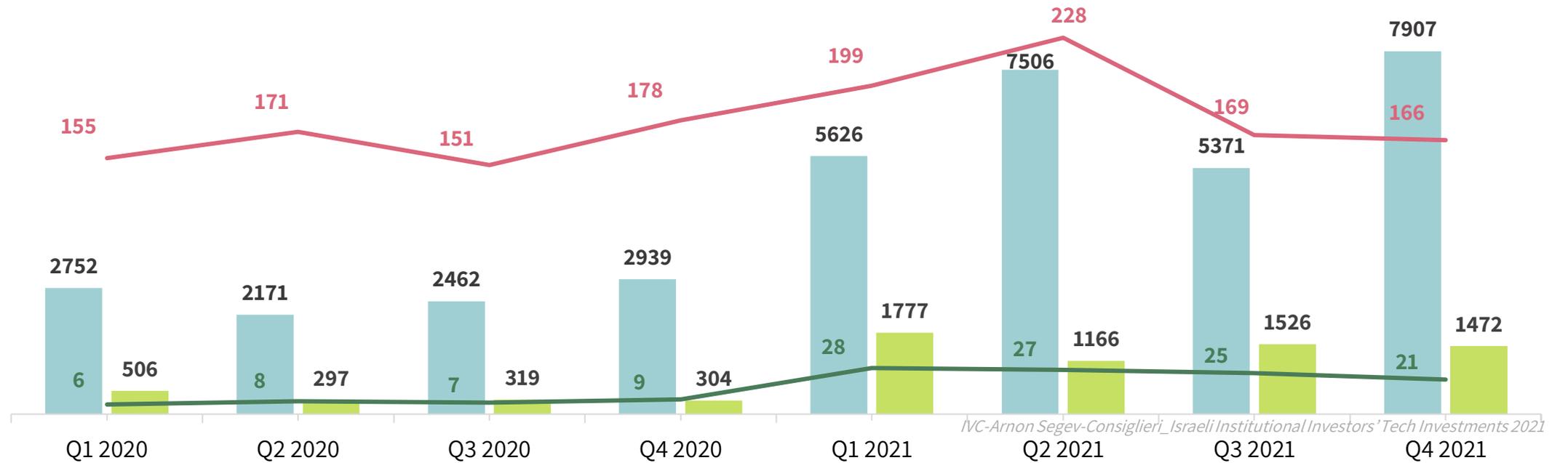
Institutional - Israeli VC Rate (\$m, Percentage)



IVC-Arnon Segev-Consiglieri Israeli Institutional Investors' Tech Investments 2021

Institutional Backed VS. VC-Backed: Amount (\$m) & Deals

Institutional Backed VS. VC-Backed (Israeli & Foreign)

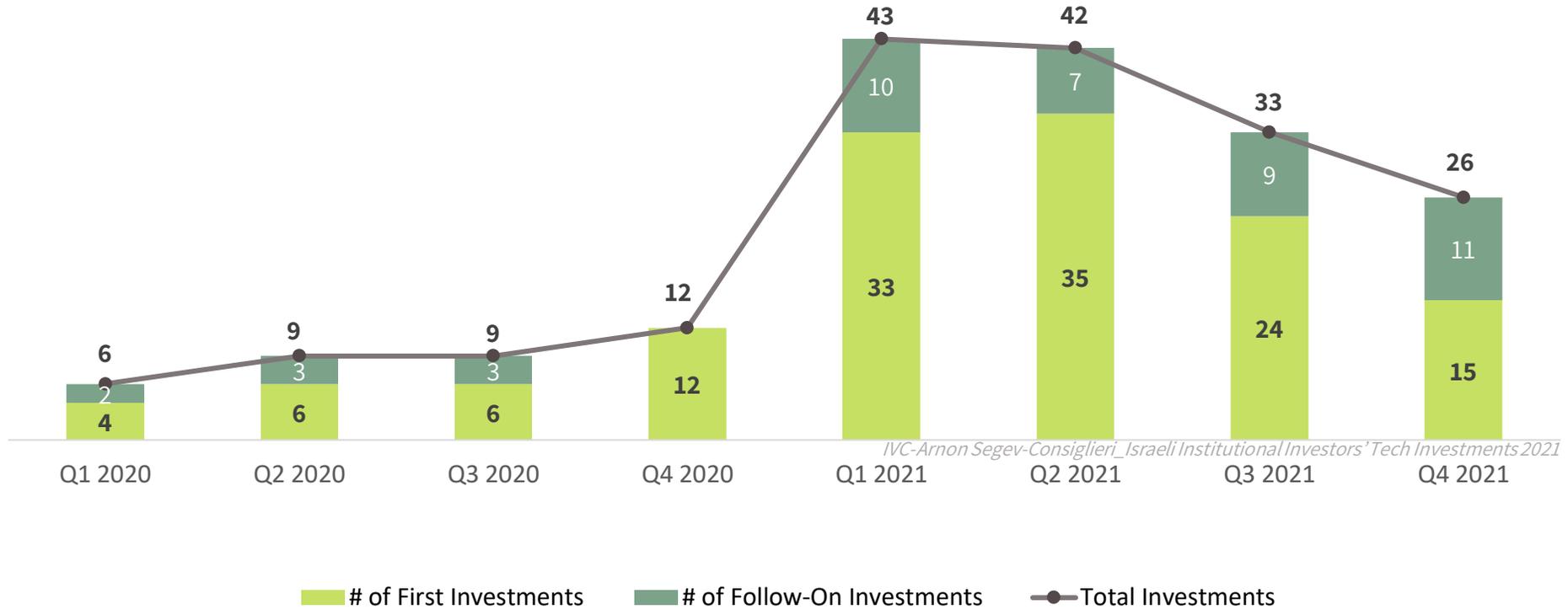


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■ VC Backed Investments \$m
 ■ Institutional Backed Investments \$m
 — # of VC Backed Deals
 — # of Institutional Backed Deals

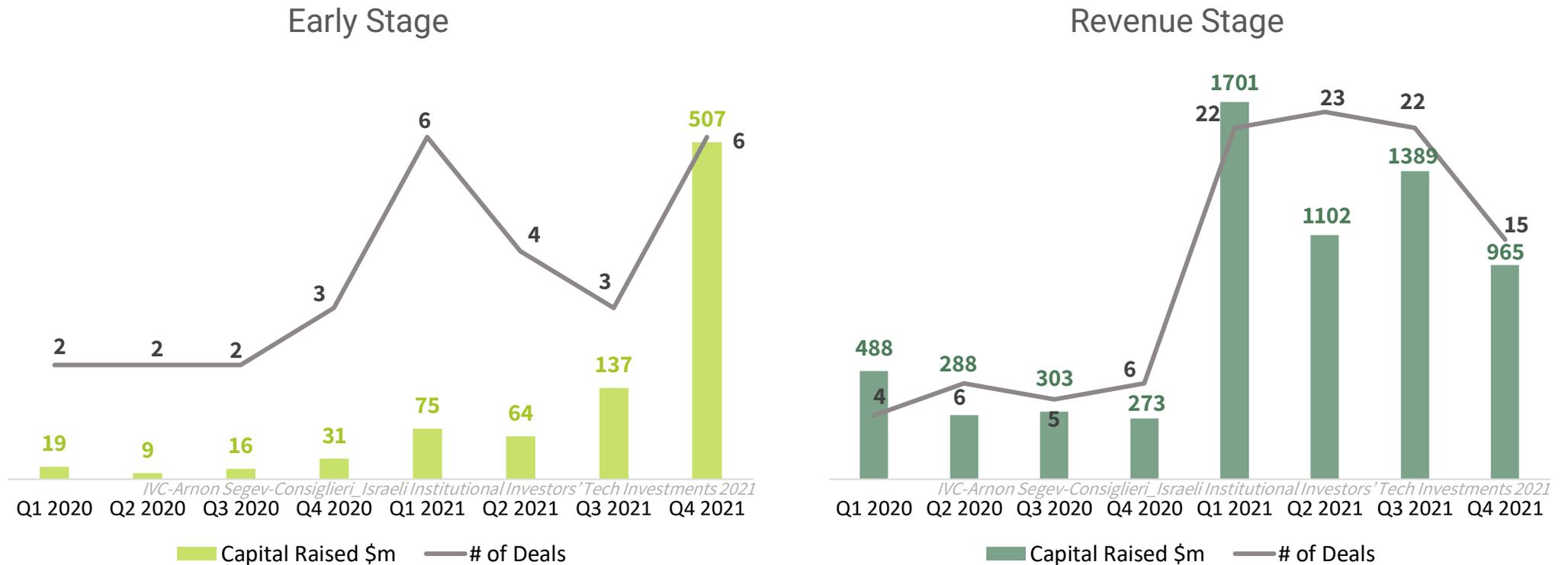
Deals with Institutional investors | By Investment Type

Institutional investors Deals – 1st VS. Follow-On Investments



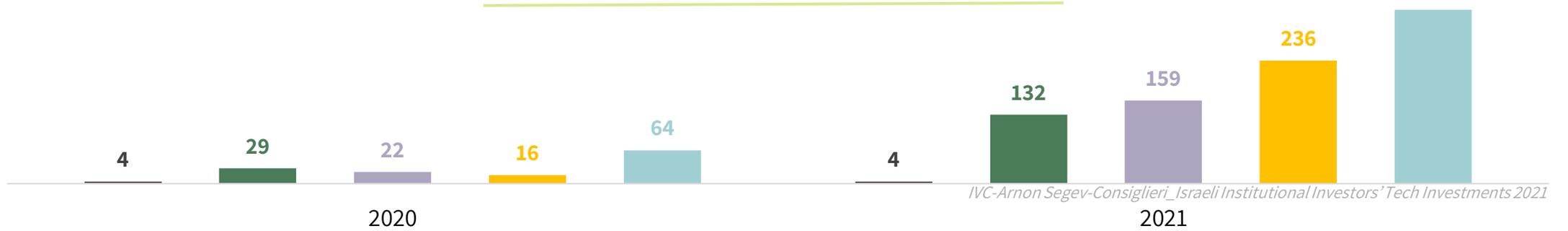
Capital Raised & # of Deals with Institutional investors By Companies Stage

Capital Raised & # of Deals with Institutional investors



Institutional Investments By Deal Type - \$m and # Of Deals

Capital Raised \$m



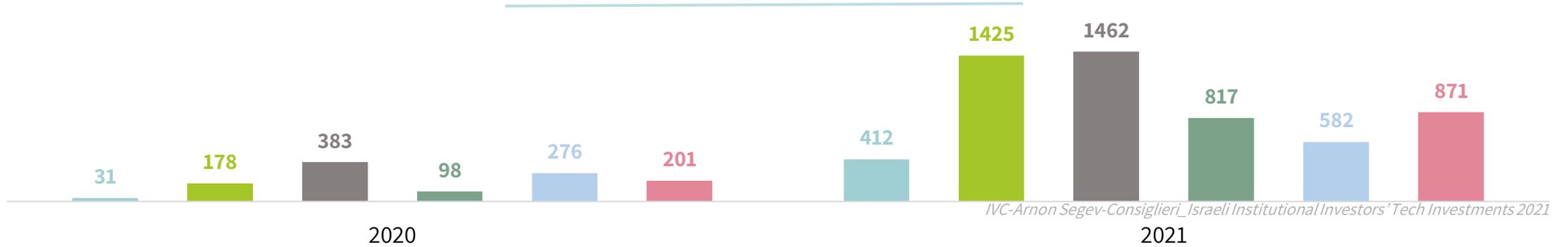
of Deals



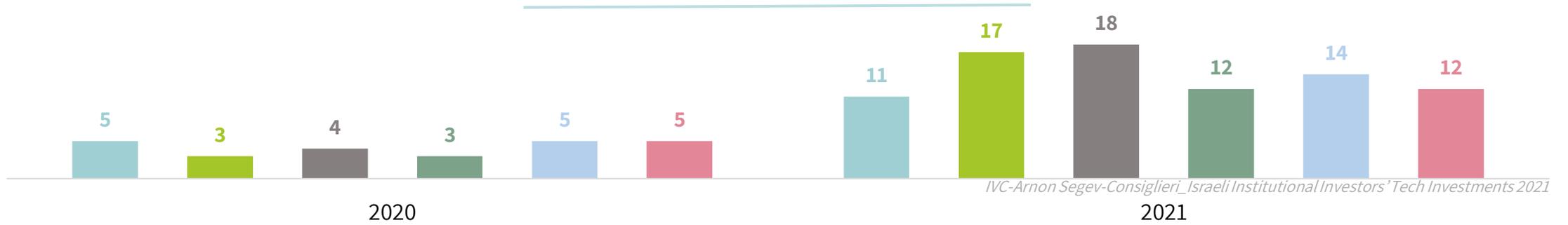
■ Seed ■ A Round ■ B Round ■ C Round ■ Later Round

Institutional Backed Deals By Tech Verticals*

Capital Raised \$m



Of Deals



Automotive Deep Tech FinTech FoodTech Insurtech RetailTech

* Some Tech Verticals might overlap

Largest Institutional Backed Funding Rounds - 2021

 B Round 347 \$m 12 Dec 2021	 Later Round 300 \$m 23 Sep 2021	 Later Round 300 \$m 3 Aug 2021	 Later Round 250 \$m 31 Mar 2021	 Later Round 215 \$m 10 Aug 2021	 B Round 208 \$m 27 Jan 2021
 C Round 204 \$m 4 Jul 2021	 C Round 200 \$m 26 Oct 2021	 Later Round 157 \$m 8 Jun 2021	 Later Round 150 \$m 23 Nov 2021	 Later Round 135 \$m 10 Mar 2021	 B Round 130 \$m 6 Jan 2021
 C Round 130 \$m 20 May 2021	 Later Round 130 \$m 9 Nov 2021	 Later Round 400 \$m 30 Nov 2021	 Later Round 120 \$m 28 Feb 2021	 B Round 120 \$m 10 Oct 2021	 B Round 105 \$m 7 Jul 2021

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Arnon Segev & Co. is one of Israel's most reputable law firms and is continually ranked as a 'tier-1' law firm in the fields of investment funds and capital markets.

The firm has unique expertise in supporting institutional investors with numerous legal needs, including regulatory, transactional, and all types of investments (equity, debt, real estate, venture capital funds, private equity funds, etc.). In addition, the firm's high-tech and venture capital practice advises entrepreneurs, start-ups, ventures capital funds and other investors.

By leveraging our vast legal knowledge and years of experience in advising both institutional investors and startups, we established the firm's key role in institutional investors' investments in the high-tech space.

The firm is founded on principles of professionalism, personal attention, and creative thinking, is based on commercial and legal knowledge of the sectors it specializes in and is dedicated to providing premier, customized and innovative legal solutions to clients requiring an experienced and accessible legal team.



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Founded in 1997, IVC Research Center is the leading data source and business information company in Israel's high-tech industry.

We help our clients understand the market, make connections and identify opportunities with access to the latest news, trends and developments.

From venture capital and private equity funds to industry leading companies and emerging startups across Israel's varied high-tech sectors, we cater to the varied business information needs that make up the Israeli high-tech ecosystem. We bring more than 20 years of experience of gathering and analyzing data, serving the IVC community. Our dedicated team of industry researchers and analysts

has deep knowledge and hands-on experience working with Israel's high-tech sector.

Our management, professional sales and marketing teams drive IVC's commitment to excellence and client service. We enable a wide range of local and global clients, including entrepreneurs, local and foreign investors of all types and service providers such as lawyers and accountants, to get to know the Israeli high-tech ecosystem better.

(Registered Database #366723)

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Consiglieri

Empowering Israel's Innovation Ecosystem

Consiglieri (www.consiglieri.io) is a next generation advisory firm for startup companies and for the entities that engage with startups (such as investors and large companies looking to adopt innovation through investments or internally). We service startups in Israel and abroad as project managers and quasi-executives for their strategic transactions and in their most significant life-cycle junctures: ideation-to-seed-funding, founder separations, Series A-C financings, growth rounds with complex secondaries, turnkey acqui-hires by mid-stage companies of early-stage companies and sell-side project management.

We also help investors with no presence in Israel or no prior active tech investments build their presence in the Startup Nation on a project basis. We help large companies build CVCs, accelerators and adopt M.O.s for open innovation.

If we succeed in our mission, Consiglieri to startups will be what McKinsey is to large multi-nationals.

Consiglieri also owns an important digital asset: www.founderrunway.com. This is our digital platform for first-time entrepreneurs, where they can find a plethora of materials, content, documents and tools for their early going.

Fueled by a vibrant entrepreneurial culture, robust technological infrastructure and highly skilled human workforce that produces the most substantial number of startups per capita in the world, innovation is one of Israel's most valuable natural resources. At the same time, Israel is today home to over 350 R&D centers of multinational corporations, many of them Fortune 500 companies, illustrating Israel's profound and disproportionate impact on the advancement of global innovation as well.

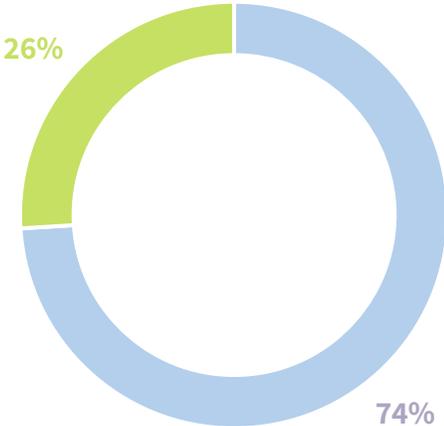
The Israel Innovation Authority, an independent publicly funded agency, was thus created to provide a variety of practical tools and funding platforms aimed at effectively addressing the dynamic and changing needs of the local and international innovation ecosystems. This includes early-stage entrepreneurs, mature companies developing new products or manufacturing processes, academic

groups seeking to transfer their ideas to the market, global corporations interested in collaborating with Israeli technology, Israeli companies seeking new markets abroad and traditional factories and plants seeking to incorporate innovative and advanced manufacturing into their businesses.

In order to meet the various needs of its wide range of clients, the Israel Innovation Authority has developed a new internal structure focused on six primary innovation divisions. Each division offers a unique "toolbox" of customized and comprehensive incentive programs. These divisions thus serve as a launch pad for successful innovative projects, providing entrepreneurs and companies with the most relevant plan for them to realize and implement their ideas, develop their products, and mobilize private investment.

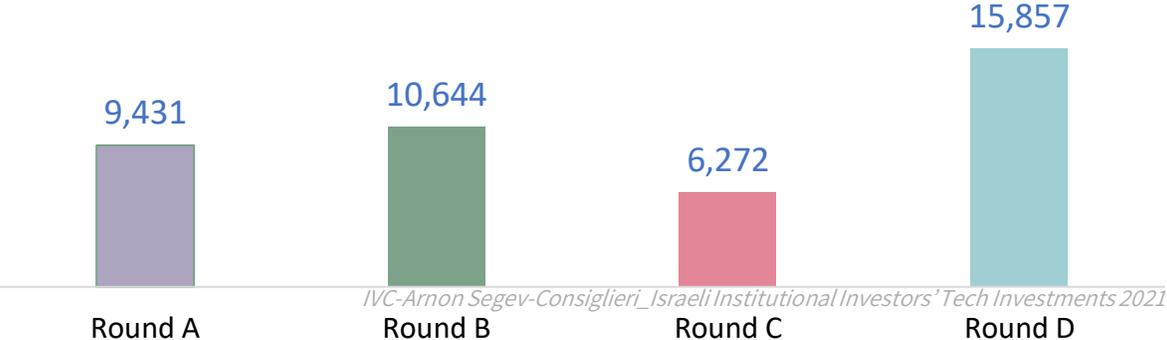
Institutional Investors Incentive Program, Background and Outcomes - Continue

Investment Type



- Share Purchase Agreement (SPA)
- Convertible Loan Agreement (CLA) & Simple Agreement for Future Equity (SAFE)

Average investment by Round (NIS)



of Investments by Rounds

