



**-FOR IMMEDIATE RELEASE-**

## **2008 Summary of Israeli High-Tech Company Capital Raising**

### **Israeli high-tech capital raising in 2008 reaches \$2.08 billion - highest in eight years**

#### **First Investments by Israeli VCs declining**

**Tel Aviv, Israel, January 19,2009.** The following are the findings of the Quarterly Survey conducted by the [IVC Research Center](#), which for more than 10 years has been at the forefront of venture capital and private equity research in Israel. This Survey reviews capital raised by private Israeli high-tech companies from Israeli venture capital funds and from other investors. The Survey is based on reports from 82 venture investors of which 48 are Israeli management companies and 34 are other – mostly foreign – investment entities. The complete survey will be published in the [IVC 2009 Yearbook](#), due April 2009.

In 2008, 483 Israeli high-tech companies raised **\$2.08 billion** from local and foreign venture investors, 18 percent above the **\$1.76 billion** raised in 2007 and 28 percent above 2006 levels.

"While 2008 was an exceptional year for capital raising" said Zeev Holtzman, Chairman of IVC Research Center and Giza Venture Capital, "the global recession cannot be ignored. In the upcoming year investments in Israeli high-tech companies will undoubtedly be lower." Holtzman nevertheless remains optimistic regarding Israeli high technology as a whole: "2009 will be a tough year for all companies, maintains Holtzman, "yet Israeli high-tech industry will continue to be a highly abundant source of technology innovation."

In the fourth quarter, 109 Israeli high-tech companies raised **\$394 million** - 22 percent below the \$503 million raised in the fourth quarter of 2007, and 34 percent below the \$600 million raised in the previous quarter – the highest third quarter reported in the last eight years.

The average financing round was \$3.61 million, compared to \$4.37 million in the fourth quarter of 2007 and \$4.83 million in the previous quarter.

Seventy-six companies attracted more than \$1 million each. Of these, 18 companies raised \$5 million to \$10 million each, nine companies raised \$10 million to \$20 million, and one company raised over \$20 million.

### **Israeli VC Investment Activity**

In 2008, Israeli VCs invested \$780 million in Israeli high-tech companies, 38 percent of the total amount invested in Israeli high-tech companies. This compared to \$678 million or 39 percent in 2007 and \$651 million or 40 percent in 2006.

In the fourth quarter, Israeli VCs invested \$151 million, which accounted for a 38 percent share of the total invested in Israeli high-tech companies. The remainder came from foreign investors as well as non-VC Israeli investors.

According to Efrat Zakai, Director of Research at IVC, "As predicted, 2008 was a record year in terms of capital raising, in large part due to numerous companies that sought sufficient funding to sustain themselves in the approaching recession. Israeli VC funds, working to support their portfolio companies, focused on follow-on rounds with less capital directed to first-time investments."

In 2008, First investments made by Israeli VCs were 31 percent of the total amount invested by Israeli VCs, compared to 43 percent in 2007. The average First and Follow-on investments in 2008 were \$2.6 million and \$1.15 million, respectively.

### **Israeli VC Activity in Foreign Companies**

Israeli VCs invested \$57 million in companies outside Israel during 2008 (in addition to their investments in Israeli high-tech companies), compared to \$50 million in 2007 and \$60 million in 2006. Eleven of the 33 investments were First investments and the remainder were Follow-ons.

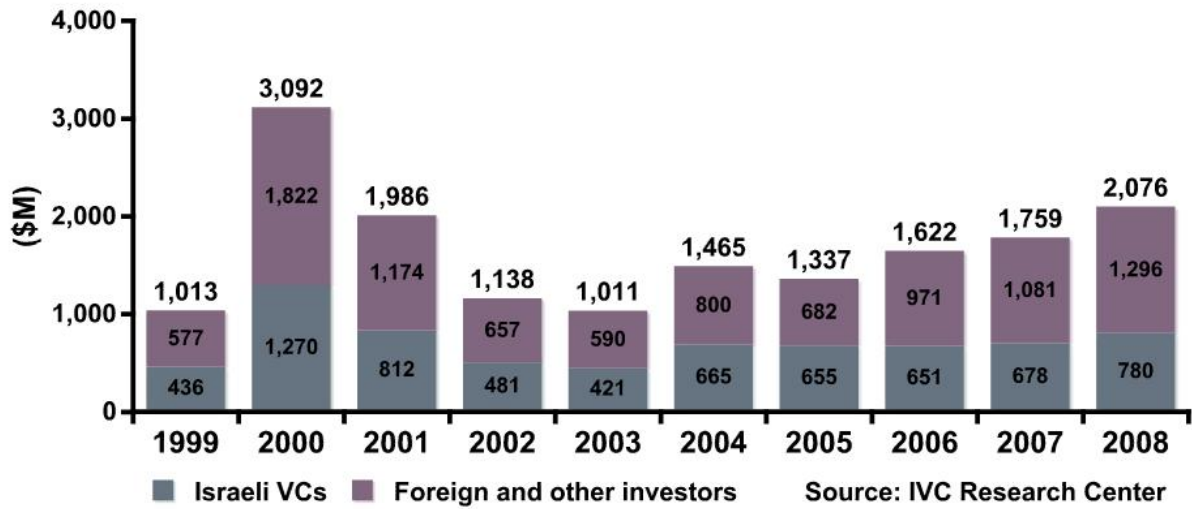
### **Capital Raised by Sector**

In 2008, the **Communications** sector led capital raising with \$516 million or 25 percent of total capital raised, followed by **Software** with \$407 million or 20 percent and the **Semiconductors** sector with \$323 million or 16 percent of total capital raised. **Internet** firms continued to attract investor attention with 14 percent of capital raised in 2008 and 15 percent in 2007. In the last two years, Internet investment has soared from the minute levels of the preceding few years.

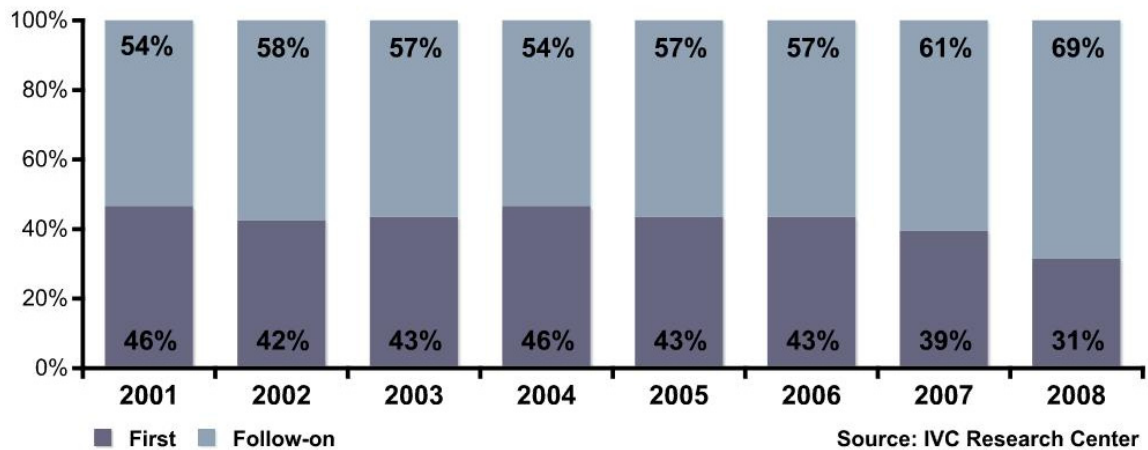
### **Capital Raised by Stage**

In 2008, 70 **Seed** companies attracted \$104 million or 5 percent of capital raised. The Seed company share of capital raised was well below the 8 percent average of the previous four years.

**Chart 1: Capital Raised by Israeli High-Tech Companies (\$m)**



**Chart 2: Distribution of First and Follow-on Investments by Israeli VCs**



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***IVC Research Center** is Israel's leading research center providing business leaders with an unmatched wealth of data on Israeli venture capital, private equity and high-tech industries. IVC products and services are used regularly by venture capital funds, private investors, high-tech companies, financial investors and institutions, as well as public entities such as the Office of the Prime Minister, the Central Bureau of Statistics, the Bank of Israel and the Office of the Chief Scientist. IVC publishes the most comprehensive guide to Israeli venture capital and high technology companies – the **IVC Yearbook**. Among IVC products and publications are the **Quarterly Survey**, which examines capital raising trends by Israeli high-tech companies and a comprehensive online **database (www.ivc-online.com)** containing over 8,000 Israeli high-tech companies, venture capital funds, investment companies and technology incubators, as well as news updates and lots more.*

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