



## Press Release

-FOR IMMEDIATE RELEASE-

### **IVC-KPMG Survey: Israeli Venture Capital Fund Raising - 2010 Summary**

**Capital available for investment now at \$1.4 billion**

**\$800 million projected to be raised by Israeli VC funds in 2011**

**Tel Aviv, March 8, 2011. The following data are based on information collected by IVC Research Center and analyzed by IVC in cooperation with KPMG Somekh Chaikin Israel. Additional details about venture capital fund raising will be available in the *IVC 2011 Yearbook*, due for release in April.**

For Israeli venture capital funds, 2010 was a most difficult year in terms of capital raising. No capital was raised, reminiscent of 2009 and 2003 - the decade's other essentially dry years.

The financial crisis at the end of 2008, which severely impacted institutional investors, was the major impediment to raising new funds. In 2009, only \$234 million was raised by Israeli VC funds and \$200 million of that amount was raised by just one fund - Sequoia Israel.

Despite improvement in macro economical factors in 2010, Israeli VC funds were not able to attract new capital during the year. Capital raising trends in Israel generally correlate with trends in the US, which experienced a 50 percent reduction from 2009 levels.

Going forward, IVC's outlook for capital raising is cautiously optimistic, based on a positive outlook for the local economy, and an important pro-active step by the government to stimulate investment. In early 2011, Israel's Ministry of Finance announced an incentive program for Israeli institutions to invest in Israeli VC funds. The program is expected to increase investment by \$220 million in 2011-2012.

According to IVC CEO Koby Simana, the situation is critical. "Without improvement, it threatens the survival of numerous Israeli high-tech companies that cannot raise needed capital. Moreover, VC funds will not be able to finance new companies or, in some cases, support their existing portfolio companies. The government's program for encouraging investment by Israeli institutional investors in local venture capital funds will likely result in an increase both in Israeli venture capital fund raising and in technology investments. However," cautions Simana, "most of the impact of the government plan will be felt in 2012, since local VC funds must first raise substantial amounts - 60 percent of the total capital of each fund - from *foreign* investors. It's a real challenge for Israeli VC funds."

Historically, the growth of Israel's venture capital industry is traced to five cycles based on vintage years of fund raising that started in 1992 and peaked in 2000, when more than \$2.8 billion was raised. In the three cycles since 2000, Israeli venture capital funds attracted \$9.5 billion, 71 percent of the \$13.3 billion that was exclusively allocated to investments in Israeli high technology by Israeli venture capital funds between 1992 and 2010.

The ability of Israeli VC companies to raise follow-on funds in 2011 and 2012 will have a strong impact on the overall performance and future of Israel's high-tech sector, especially start-ups. It is expected that at least one new biotechnology fund, part of the government's program to promote the biotech sector, will be able to close on a round of capital raising in the coming year. One or possibly two new follow-on VC funds and new seed or angel-focused funds will also be able to successfully raise capital.

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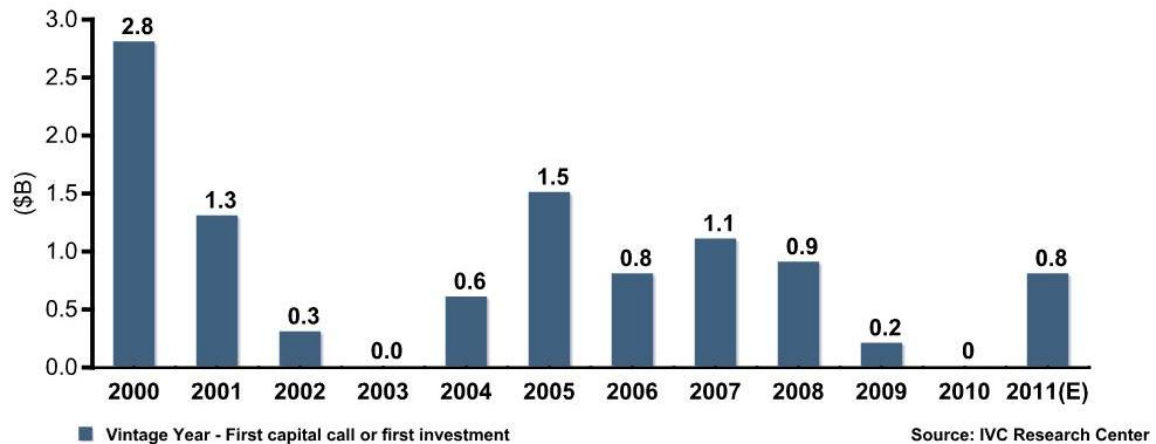
Ofer Sela, a partner in KPMG Somekh Chaikin's Technology group, said, "As in the global venture capital industry, Israel's VC industry is experiencing a dramatic change. The industry's 10-year negative average return was lower than that of major market indices, yet the VC industry total performance over the last 20 years remains unmatched. We believe that at the end of the current turmoil Israel's VC industry will emerge even stronger. The global VC current trend is to invest more in non-US investments. We believe that Israel will benefit from this trend as more funds will be diverted to Israel from VCs that were less focused on Israel in the past."

According to Ofer Sela, "Israel's VC industry currently lacks two major components at either end of a company's life cycle - VCs that specialize in the seed stage and VCs that operate as growth funds. Additionally, data demonstrate that Israeli VCs that specialize in a specific industry sector, such as software or medical devices, outperform multi-disciplinary VCs. In addition, a specialized VC in the semiconductor sector in Israel can yield a higher return than the general industry. We believe that as part of the transition underway in Israel's VC industry, smaller VCs will be formed that specialize in specific sectors and/or specific stages. They thereby will be differentiated from the rest of the industry and be complementary to the larger VC funds."

According to IVC estimates, at the beginning of 2011 capital available for investment by Israeli venture capital funds is around \$1.4 billion. Of this amount IVC estimates that \$230 million is earmarked for first investments. The remainder is reserved for follow-on investments. Overall, IVC projects that \$800 million will be raised in 2011 by Israeli VC funds for investment in Israeli high-tech industry.

More information about capital raised will be available in the *IVC 2011 Yearbook* - the Israel High-Tech, Venture Capital and Private Equity Directory to be published in April.

### Total Capital Raised by Israeli VC Funds by Vintage Year (\$b) 2000-2011(E)



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**IVC Research Center** is Israel's leading research center providing business leaders with an unmatched wealth of data on Israeli high-tech, venture capital and private equity industries. IVC products and services are used regularly by high-tech companies, venture capital funds, private investors, 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 owns and operates the **IVC Online Database** ([www.ivc-online.com](http://www.ivc-online.com)) containing over 8,000 Israeli high-tech companies, venture capital funds, investment companies, angels and technology incubators, as well as news updates and lots more. Among IVC products and publications are the **IVC-KPMG Quarterly Survey**, which for over 14 years has been examining capital raising trends by Israeli high-tech companies, and the most comprehensive guide to Israeli high technology and venture capital – the **IVC 2011 Yearbook**, to be published in **April 2011**.

**KPMG Somekh Chaikin's** technology professionals offer insights and experience gained from a long history of working with technology and life science companies. Through a global network of highly qualified professionals in Israel, the Americas, Europe, the Middle East, Africa and Asia-Pacific, KPMG helps clients address the opportunities and challenges driven by new business models. such as cloud computing, mobile services and others. KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates in 146 countries and has 140,000 people working in member firms around the world.