EY Israel’s Unique Market Position

VC Backed Market Share by Sector

VC Backed Market Share by Round Type

Companies traded in the US Stock Exchange – among the Big Five firms in Israel
The Israeli economy
The Israeli Economy – Highlights

- Israel entered the 2008 crisis after 4 years of high growth (20%)
- The Israeli banks are relatively in a good shape - the exposure to financial instrument was and is still relatively low, and their capital ratio is over 10%
- Israel didn’t have a real-estate bubble - prices did not go down
- The dollar exchange rate has a very strong influence on the economy
- Israel has no debt (on a net basis)
- Israel became a member of the OECD in September 2010
- The OECD praised Israel's scientific and technological progress and described it as having "produced outstanding outcomes on a world scale."
The Israeli Economy – Highlights

► More than 50% of Israel's export derive from the high-tech and life science industries
► The largest generic pharmaceutical company in the World is an Israeli company (“Teva Pharmaceutical Industries Ltd”)
► Levitan & Tamar – the largest discoveries of natural gas fields in the world in the last decade (16 TCF & 8 TCF)
► The recent gas exploration has the potential to enhance the Israeli Economy
## The Israeli Economy - Highlights

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (nominal)</th>
<th>Real GDP growth (local Currency)</th>
<th>Population</th>
<th>Export of goods and services</th>
<th>Rate of increase in exports (exc. Diamonds)</th>
<th>Import of goods and services</th>
<th>Unemployment rate</th>
<th>Foreign investments</th>
<th>Inflation rate (year-end)</th>
<th>USD-Exchange rate fluctuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$193 billion</td>
<td>4%</td>
<td>7.3 million</td>
<td>$72 billion</td>
<td>18%</td>
<td>$75.5 billion</td>
<td>6.0%</td>
<td>$10.7 billion</td>
<td>3.8%</td>
<td>(0.9%)</td>
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<tr>
<td>2009</td>
<td>$205 billion</td>
<td>1.1%</td>
<td>7.5 million</td>
<td>$63 billion</td>
<td>(9.9)%</td>
<td>$58 billion</td>
<td>9.5%</td>
<td>$10.8 billion</td>
<td>3.9%</td>
<td>(2.1%)</td>
</tr>
<tr>
<td>2010</td>
<td>$218 billion</td>
<td>5.0%</td>
<td>7.6 million</td>
<td>$72 billion</td>
<td>10.8%</td>
<td>$68 Billion</td>
<td>8.4%</td>
<td>$18 Billion</td>
<td>2.7%</td>
<td>(4.9%)</td>
</tr>
<tr>
<td>2011</td>
<td>$233 billion</td>
<td>4.6%</td>
<td>7.8 million</td>
<td>$80 billion</td>
<td>4.1%</td>
<td>$82 Billion</td>
<td>7.1%</td>
<td>$7.5 Billion</td>
<td>2.2%</td>
<td>4.7%</td>
</tr>
<tr>
<td>2012</td>
<td>$248 billion</td>
<td>3.1%</td>
<td>7.9 million</td>
<td>$82 billion</td>
<td>4.2%</td>
<td>$85 Billion</td>
<td>6.9%</td>
<td>$0.8 Billion</td>
<td>1.6%</td>
<td>0.1%</td>
</tr>
<tr>
<td>2013*</td>
<td>$250 billion</td>
<td>3.8%</td>
<td>8 million</td>
<td>$82 billion</td>
<td>6.8%</td>
<td>$85 Billion</td>
<td>6.8%</td>
<td>$0.8 Billion</td>
<td>1.6%</td>
<td>(6.54%)</td>
</tr>
<tr>
<td>2014*</td>
<td></td>
<td>3.3%</td>
<td></td>
<td>$82 billion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.1%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bank of Israel and central bureau of statistics

(*Per IMF)
The growth of the High-tech sector in Israel
The Jordan River
Sea of Galilee
The Dead Sea
Quality VS Quantity
Israel is ranked 1st of all OECD countries by expenditure on R&D (research & development) as a percentage of GDP (4.27 %), demonstrating innovation, development and creativity.
Examples of Israel High Tech environment

► More than 50% of Israel's exports are from high-tech and life science industries

► Israel is No. 3 in the number of foreign companies traded in the US (after Canada & UK)

► Israel is No. 5 in VC’s & PE investments in High Tech, bigger then any individual European country.

► The largest generic pharmaceutical company in the World is Israeli company (“Teva Pharmaceutical Industries Ltd”)

► The largest producer of Generic agriculture crop protection chemicals in the World is Israeli company (“Makhteshim Agan Industries Ltd.”)

► One of the worlds major chemical companies is an Israeli company (ICL - “Israel Chemicals Ltd.”)

► Five of the 100 defense companies in the world are Israeli companies
This morning I got up and...

► My phone was bleeping telling me I had voicemail

► I returned the call using my Panasonic Cordless phone

► I had to send an urgent email so I used my Blackberry

► Arriving at the office I switched on my Notebook

► I went to my usual new sites and surfed the net

► I was presenting that day, but needed to bring an updated presentation

Israeli Technology is Everywhere
The ecosystem
Israel’s Eco-System & Business Environment

Social Atmosphere that Celebrates Entrepreneurship

- Government Support
- Incubators / Accelerators
- Micro VC’s
- Israeli Defense Forces
- Corporate R&D
- Research from Academic Institutions
- Start up’s Spin Offs

Availability of Technical People & Management Expertise

Global Hi-tech Companies

Existing Technology Infrastructure

Seasoned VC & PE Community (local & foreign)

- 2nd time Entrepreneurs
- University technology Students
- Foreign Technology Firms
- Immigration
- Entrepreneurial Culture
- Government Support
- Seasoned VC & PE Community (local & foreign)
The entrepreneurs’ investment flow

Current industry status

- Pre seed
  - Incubators, accelerators, F&F
- Seed
  - Angels
- A
  - Micro VCs
- B+C
  - VCs
- IPO
  - M&A

$1.6b invested in Israeli innovation each year

3500
600
50

IPO
M&A
Access to funding

Entrepreneur, friends, family

Business Angels

Seed/early stage VC funds

Bank loans and guarantees

Late stage venture capital funds + PE

Public stock markets

Micro loans by VC’s

Crowdfunding

R&D Grants

Accelerators

Higher risk

Indices - IP and finance

Financing

Level of R&D and sources of finance
2010

- Investment in R&D per capita: $1265
- Foreign investment %: 43%
- Venture capital vs GDP
- R&D financing by other institutes
- % of industry funding out of total funding: 40%
- % of gov. funding out of total funding: 15%

Finland, Ireland, Israel, Holland, UK, US

Intellectual property

Education and R&D
2010

- Publications vs GDP
- Trademarks vs GDP
- Patents vs GDP
- % educated out of population

Finland, Ireland, Israel, Holland, UK, US

GII, IMD, World Economic Forum, OECD
Israel Is the 3rd Biggest Investment Hotbed - 2011

- USA
  - 3209 deals
  - $32.5 B raised
- United Kingdom
  - 274 deals
  - $1.6 B raised
  - France
    - 217 deals
    - $1.0 B raised
  - Germany
    - 120 deals
    - $665 million raised
- Switzerland
  - 35 deals
  - $347 million raised
- Israel
  - 141 deals
  - $1.6 B raised
- India
  - 155 Deals
  - $1.5 B raised
- China
  - 323 deals
  - $5.9 B raised
VC Backed Exits

Source: Dow Jones VentureSource
Israeli Technology M&A Deals
Success Stories – Industry Breakthroughs

- USB Flash drive - Invented by M-Systems
- Firewall – Invented by Check Point
- Instant Messaging – ICQ
- Voice Mail - Developed by Comverse
- Pill Cam- Invented by Given Imaging
- Waze – Social navigation system
Foreign multinational corporations have some 108,000 employees.
They sell goods and services totaling $27 billion a year.
70% of exports by multinational corporations in Israel are for the parent companies abroad.
Countries of origin: U.S. (46%), Europe (46%) and the rest of the world (8%).
As of 2011 there are some 245 development centers by foreign companies.

AOL
Alcatel-Lucent
Athena SmartCard
Avaya
Agro Logic
Applied Materials
AT&T
AutoDesk
BMC Software
Boston Scientific
Broadcom
Computer Associates-CA
CEVA
Cisco
Convergys
Creo
eBay
EMC
Freescale Semiconductor
GE Medical Systems
Google
HP (including HP Labs)
IBM
Infineon
Intel
Interpharm
Kulicke & Soffa
Nokia Siemens
Marvell Semiconductor
Microsoft
Motorola
Medtronic
Oracle
Paypal
Perrigo
Phillips
PMC
Qualcomm
Red Hat
Samsung
SanDisk
SAP
Siemens
Sun Microsystems
Teledata Networks
Texas Instruments
Vishay
Yahoo
Government support

Maturity of the company

- Nofar
- Multinationals framework agreement
- Magnet
- Incubators
- Tnufa
- FP7/H2020
- Magneton
- OCS R&D Fund
- OCS “Generic” program
- OCS Traditional Industry
- Bi-National Funds
- Bi-National Agreements Eureka!
- Multi-National Cooperation

Maturity of the technology

Generic

Applied

Commercial

Early stage

Mature
Thank you

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