

## Israeli Venture Capital Fund Raising - 2014

IVC and KPMG report:

**2014 VC fund raising reaches \$914m – most in 6 years**

Key facts:

- Four VC funds raised more than \$100 million each, accounting for 64% of total
- Average fund size of \$76 million is up 55% from previous year
- Only 3 micro-VCs established, compared with 7 in 2013

*Tel Aviv, January 14, 2015.* In 2014, 12 Israeli venture capital funds raised \$914 million, the most raised by Israeli venture capital funds in six years. The year's fund raising was up 68 percent from the \$544 million raised by 11 VC funds in 2013, and was 18 percent above the 10-year average of \$777 million.

Four veteran Israeli VC funds managed to raise more than \$100 million each and accounted for 64 percent of total capital raised in 2014. Carmel Ventures' fourth fund attracted the largest amount – \$194 million, while Magma raised \$150 million for its fourth fund, less than two years after closing its previous \$110 million fund. JVP made a first closing of \$160 million of a targeted \$180 million for its seventh fund. In addition, Vintage's seventh fund, a fund of funds, attracted \$144 million, 50 percent of which is being allocated to Israeli investments.

The average fund size in 2014 reached \$76 million, 55 percent above 2013's \$49 million average, and up 46 percent from the \$52 million of 2012. The increase reflects the raising of more medium sized funds and fewer micro VC funds than in each of the previous two years.

During the 2011-2014 period, micro venture capital funds –managing capital below \$50 million – accounted for 14 percent or \$439 million of the total amount raised by venture capital funds. However, the micro VC trend seems to have abated, as only three new funds were established in 2014, compared to an average of nine over the previous three years.

Koby Simana, IVC CEO, said, "A favorable window of opportunity for fund raising, has enabled a number of management companies to progress from a micro VC model to mid-size range, which offers more investment flexibility. Funds having scaled up include Amiti Ventures and Gilot Capital, but it remains to be seen if more of the existing micro-VC funds will follow suit or choose to maintain the micro VC fund model."

On the other side of the spectrum, there is an awakening of late and growth stage VC funds that focus on companies with proven product viability and expanding sales. Many such companies have the potential to develop into large global corporations and are stimulating the demand for more late stage funding. Qumra Capital, founded by former Evergreen partners Boaz Dinte and Erez Shachar, and Agate Korea are two examples of firms active in the growth market. In addition, at least five more funds are in various stages of capital raising and are focused at late stage companies and growth funding. Interestingly, funds in this group opt for a wide variety of investment mechanisms that include growth venture capital, venture lending, mezzanine financing and private equity.

Ofer Sela, partner in KPMG Somekh Chaikin’s Technology group, explains that " The record number of Israeli portfolio companies with valuations of hundreds millions of dollars, together with positive investor sentiment in NASDAQ, has made it easier for VC firms to show good returns and raise capital. In the past 24 months, global and Israeli VC returns have been among their highest ever. This has encouraged new limited partners from China and Israeli institutional investors to join the more traditional investors in Israeli VCs, such as university endowment and US public pension funds."

The growth of Israel’s venture capital industry is traced to six cycles of fundraising that peaked in 2000 when \$2.9 billion was raised, and declined until 2003 when only \$64 million was raised. The industry’s sixth cycle, which started in 2011, began a recovery and raised a total of \$3 billion over the four years through the conclusion of the cycle in December 2014. A seventh cycle, underway now in 2015, already looks promising.

Marianna Shapira, Research Manager at IVC, said, “Our data show that 19 funds, including six new VC players, are currently in the process of raising capital with an aggregate target of \$1.8 billion. We expect that the majority of these funds will raise capital in 2015, and believe as much as \$1.2 billion could be raised by the end of the year. We’ve already seen the first \$200 million, with the 83North closing announced last week.”

At the beginning of 2015, some \$1.8 billion was available for investment by Israeli venture capital funds. Of this amount, \$462 million (25 percent) is earmarked for first investments. The remainder is reserved for follow-on investments.

**Chart 1: Total Capital Raised by Israeli VC Funds by Vintage Year (\$b) 2005-2015(E)**



## Methodology

The above data are based on information collected by IVC Research Center and analyzed by IVC in cooperation with KPMG Somekh Chaikin Israel. The data include information on capital raised by Israeli venture capital funds, venture lending funds, secondary funds and funds of funds. Calculations are based on vintage year determined by the earliest: first capital call or first investment by the fund. Detailed statistical information on Israel's venture capital industry will be reported in the *IVC High-Tech Yearbook 2015* to be published in April 2015. The Israeli Fund Raising Scorecard, regularly updated, is available at [IVC-Online.com](http://IVC-Online.com).

## For additional information:

**Marianna Shapira, Research Manager, IVC** +972-73-212-2339 [marianna@ivc-online.com](mailto:marianna@ivc-online.com)

About the authors of this survey:

[IVC Research Center](http://www.ivc-online.com) is the leading online provider of data and analyses on Israel's high-tech, venture capital and private equity industries. Its information is used by all key decision-makers, strategic and financial investors, government agencies and academic and research institutions in Israel.

- IVC-Online Database ([www.ivc-online.com](http://www.ivc-online.com)) showcases over 11,000 Israeli technology startups, and includes information on private companies, investors, venture capital and private equity funds, angel groups, incubators, accelerators, investment firms, professional service providers, investments, financings, exits, acquisitions, founders, key executives and R&D centers.
- Publications include newsletters; *Daily Alerts*; the *IVC High-Tech Yearbook - the Israel High-Tech, Venture Capital, Startup and Private Equity Directory*; surveys; research papers and reports; and interactive dashboards.
- IVC Industry Analytics – analysis, research and insights into the status, main trends and opportunities related to exits, investments, investors, sectors and stages

[KPMG Somekh Chaikin](http://www.kpmg.com)'s technology professionals offer insights and experience accumulated from a long history of work 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 throughout the world.