



Israel Advanced Technology Industries (IATI) Publishes 2023 Israeli Life Sciences Report

- **Continued decrease in investments made in life science companies in Israel**
 - **Total investment of approximately 2.2 billion dollars, a decrease of 40% compared to last year**
- **Over 400 million dollars were raised by Israeli companies traded in the US, 66% more than last year**

The Israel Advanced Technology Industries (IATI), the umbrella organization of the hi-tech and life science industry in Israel, published today the annual report on the life science industry, in preparation for the Mixiii Health-Tech.il conference, which will be held at the international Convention Center –ICC Jerusalem on March 5-6.

IATI's report, in collaboration with PwC and the Israeli Innovation Authority, focuses on the four sub-sectors that make up the life sciences industry and presents various details and cross-sections relating to these sub-sectors. In addition, the report presents the government grants activity related to companies from the life sciences sector in 2023 and the programs relevant to these companies. The report also presents rising sectors that were identified as sectors with significant growth potential in the coming years. These sectors were identified by us together with the Israeli Innovation Authority and with leading investment funds, and together with the main sub-sectors constitute the growth engine of the life sciences industry in Israel. The spotlight is directed to these fields because their leading innovation and the multidisciplinary required in them, and they represent the capabilities and strength of the life sciences industry in Israel.

The report brings for the first time the results of a survey conducted by IATI among more than 20 leading venture capital funds. Despite the Iron Sword war and other factors that led to a decrease in the total fund raising in 2023, most funds do not believe that there will be a substantial change in their investment decisions in 2024 compared to the previous plan. Also, more than half of the funds replied that in 2024 they intend to have most of their investments in Israeli companies, while less than a quarter of them intend to invest less than 10% of their total investments in Israeli companies. Among the venture capital funds that participated in the survey: aMoon, Pontifax, Peregrine, Pitango, IBF, Vertex, NFX BIO, 10D, Entrée Capital, Sanara LionBird, eHealth, BRM, Tal, Amiti, Almeda, Biolight and more.



The report indicates that the life sciences industry in Israel experienced a significant slowdown in 2023, and more significantly in the last quarter of the year. This slowdown was also reflected in a significant decrease in the number of companies established in Israel during the year, which led to no significant change in the number of companies operating in Israel in the field of life sciences compared to prior year. The total number of funding transactions in public and private companies decreased by a similar rate to the total investments made in these companies, and as a result the average amount per deal decreased by only 2%, to an average of \$11.9 million per deal.

Approximately \$1.7 billion were raised from private equity by Israeli life sciences companies in 2023, of which over a billion dollars came from foreign investors, representing a decrease of almost 50% compared to 2022. This decrease is a reversal of the consistent increase in foreign investments that began in 2019, but nevertheless, this amount higher than the total foreign investments in 2019 and in each of the previous years. In addition, it is worth noting that 2023 is the fourth year in a row with a single investment exceeding half a billion dollars and originating from foreign investors. Investments made by Israeli investors in life science companies decreased by 45% compared to the previous year, and amounted to approximately \$540 million, while their share of the total investment remained at a rate of approximately 30%.

Despite the positive trend in private equity investments in the first half of 2023 compared to the second half of 2022, the second half of the year - and in particular the last quarter - had a significant decrease in the volumes of these investments. The decrease is reflected in both the investment amounts and the number of investments, with less than 30 transactions in the fourth quarter itself. In the first weeks of 2024, Israeli life science companies raised an amount close to \$100 million from private equity investors. About half of the amount comes from local investors, a similar rate to that of 2021. However, it is important to note that this is a very short period and only the beginning of the year, and this is not an indication of any trend.

The US stock markets are a significant source of funding for life sciences companies in Israel, and it sometimes tends to different trends than those that exist in private equity investments. Unlike the general trend, the total amount raised by Israel life science companies on the various stock exchanges in the United States, and especially on the Nasdaq, increased significantly in 2023 and reached approximately \$430 million. Despite the increase in the amount raised, this amount is less than half of the record amount raised in 2021, which was more than one billion dollars. Similarly, the number of funding transactions on these stock exchanges has also increased compared to the previous year, and the average amount per deal increased by about 20% to a total of \$24 million. Despite the positive trend, the funding volumes of Israeli life sciences companies traded in the United States are significantly lower than the funding volumes in recent years, and in the last decade only in three of the years there were lower amounts raised compared to 2023. From the beginning of 2024 until now, Israeli life science companies have raised about \$10 million on the various exchanges in the United States.



Since 2021, which was a record year for funding by Israel life sciences companies on the Tel Aviv Stock Exchange, the funding activity of companies traded on TASE is almost non-existent. In the years 2022 and 2023, there were no IPOs of companies from the life sciences sector in the Tel Aviv Stock Exchange, and the total follow-on raisings of these companies amounted to less than \$5 million in each of the years.

According to **Karin Mayer Rubinstein, IATI CEO & President of the Association of Advanced Industries IATI**, "The past year has been extremely challenging for the high-tech industry as a whole, and specifically for Israeli life sciences and digital technologies companies operating in Israel and abroad. The reasons for that are well known, as well as the consequences on the Israeli economy and society. I believe that this great challenge can bring creative solutions and create growth, as well as strengthening the confidence of investors in Israeli developments. This will only come with significant actions and close work with the Ministry of Finance and the Israeli Innovation Authority in order to ensure the continuity and business certainty of the life sciences industry".

According to **Omer Gavish, Partner, Pharmaceuticals & Life Sciences Leader at PwC Israel partner**, who led the writing of the report, "Israeli life sciences companies entered the year 2023 following a global financial crisis, to which was added the legal reform crisis in Israel and, starting in October, the Iron Sword war. Therefore, in addition to a global trend of a decrease in investment activity made in life sciences companies, Israeli companies were significantly more affected than similar companies in other countries, especially when it comes to foreign investments made in private companies. However, the increase in activity on the stock exchanges in the United States did not go unnoticed by the Israeli companies, and these companies took advantage of the positive markets to carry out follow-on recruitments in larger volumes than the previous year. Despite limited activity at the beginning of 2024, companies are cautiously optimistic about the rest of the year and there is preparation for merger transactions and public funding transactions".





Israeli Life Sciences Companies in numbers



~1,800

**Active Israeli
Life Sciences Companies**

No significant change compared to prior year



~78,000

**Employees in Israeli Life
Sciences companies**



53

**Companies Established
in Israel 2023**

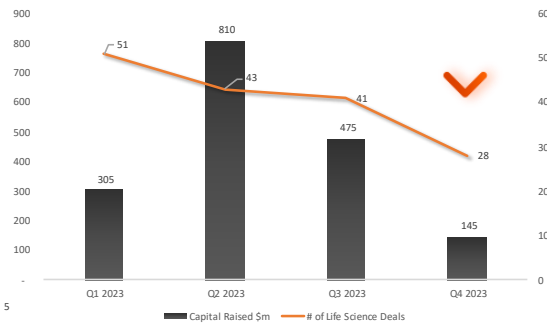
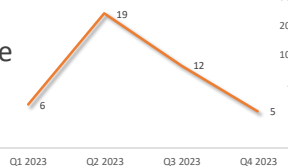
A drop of 51% compared to 2022

Source: IVC Online Database
IATI Database

Capital Raised by private Israeli Life Sciences Companies in 2023 - \$ million

In the fourth quarter of 2023, there is a significant decrease in the total amounts raised, presumably due to the Iron Swords war in Israel. The trend continued in 2024.

Average Deal size



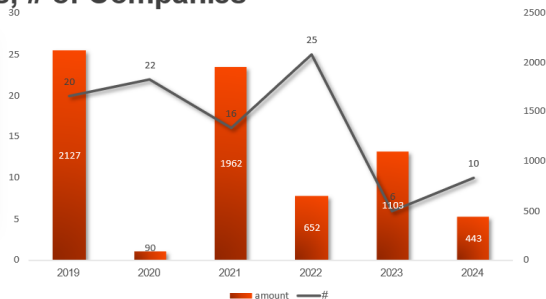
Source: IVC Online Database
IATI Database





Acquisitions of Israeli Life Sciences Companies – \$ millions, # of Companies

2023 is the fourth year in a row with a single acquisition exceeding \$0.5 billion



Source: IVC Online Database
IATI Database

