



ISRAEL Inspired by innovation.

“ISRAEL: an Advanced Technology Powerhouse”

A country of very limited natural and financial resources and acute defense needs, its scientists and engineers have been constantly faced with the challenge of quickly producing innovative solutions. Technological breakthroughs such as Drip irrigation (Netafim) Firewalls (Check Point), voicemail solutions (Comverse), USB flash drives (M-Systems), VoIP (Vocaltec), and digital printing (Indigo) are just a few examples of technologies that Israeli companies either pioneered or commercialized, ahead of competitors.

Israeli companies carry out significant activities in areas of expertise in which they have established global leadership positions. These include, for example, Amdocs and Comverse in telecommunication applications, Mercury (acquired by HP) in IT management, Check Point in security, DSPG in semiconductors, Mellanox in Infiniband, and Verint and NICE in contact center applications.

As a result, many leading international high-tech companies chose to establish their first R&D centers outside the U.S. in Israel. These companies and many others continue to develop major product lines in their Israeli facilities.

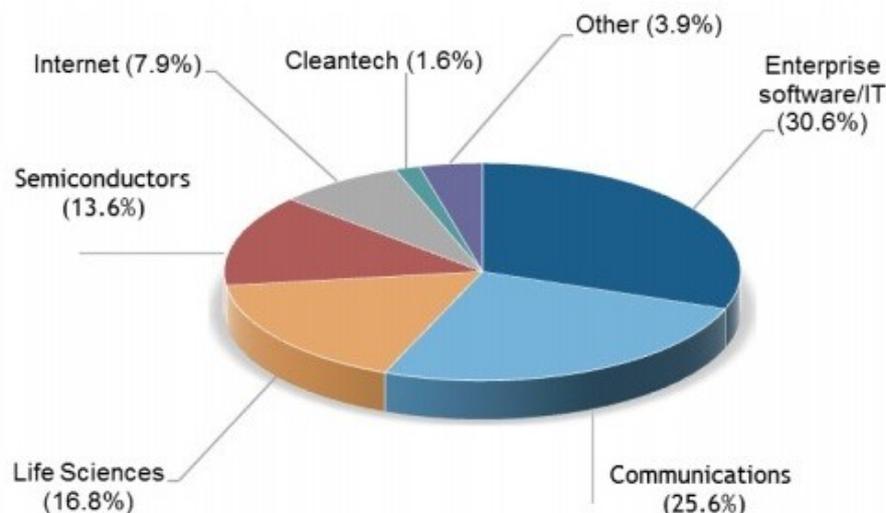
The attractiveness of the Israeli market as a favorable destination for global investors is also well evident in foreign direct investment levels: Israel’s venture capital funds raised \$1.02 billion last year for investment in startup companies.

The Israeli VC industry is second in the world, directly following the U.S., with over \$10 billion and investments made in more than 1000 Israeli start-ups. In VC volume per capita, Israel is by far outperforming any other country. The Country is also ranked 5th in VC & Private Equity investments in High Tech, bigger than any individual European country.

Fundraising for pure innovation does not stop at the start-up phase: Israel is No. 3 in the number of foreign companies traded in the US (after Canada & UK) with over 80 companies traded on NASDAQ.

The increase in investment levels in recent years can be attributed for the large part to the growing involvement of foreign investors in the local market. There were 104 "exits" completed by Israeli high-tech companies in 2015, and these generated \$9.02 billion in proceeds. VC-backed exit deals broke records in 2015, when 52 VC-backed deals brought in a total of \$4.98 billion – the highest in 10 years, surpassing 2013's \$4.04 billion.

Exits by Sector, 2004-2013 (US\$M)



Source: IVC Research Center, 2014



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Several leading industries in which Israeli companies have built a reputation as global leaders include:

▪ Defense Technologies

Local companies have been successful in the design of civil security systems as well as the commercialization of military products. Elbit, Israel Aerospace Industries, Rafael, Tadiran, Israel Military Industries, Elisra, Aeronautics Defense Systems, Plasan, and Magal are examples of well-established Israeli companies in the defense industry.

Israel is also considered as a global leader in the development of unmanned aerial vehicles and air defense system like Iron Dome, Arrow, and others.

▪ Cybersecurity

A global leader in the field, Israel saw cyber security companies raise a record \$540 million in 2015, up 20 percent from a year earlier. The leading vendor in this area is Check Point. A pioneer in the firewall market, the company is today focused on its 3D security concept which aims to combine security-related policies, people, and enforcement. Another Israeli security leader is Imperva, a provider of data security solutions, which offers an integrated approach for controlling the usage of enterprise data. In November 2011, Imperva has a NYSE market capitalization of more than \$1 billion. More recently, two other prominent Israeli security companies completed successful IPOs on the NASDAQ: Varonis Systems, a provider of unstructured data protection and management solutions, and identity and access management (IAM) vendor Cyber-Ark. Microsoft has acquired in 2015 two Israeli players: Adalom and Secure Islands (for \$320 M and \$120 M respectively).

Israel's proven success in developing innovative security solutions has also compelled practically every major global security vendor to establish a local R&D presence, frequently following the acquisitions of Israeli companies. This includes McAfee, CA, Cisco, Microsoft, Intel (McAfee), Websense, EMC (RSA), IBM, and others.



▪ Storage and Cloud Storage

Among the various IT infrastructure fields, storage stands out as a particular field of expertise for Israeli companies. Among Israeli storage leaders are XtremIO (acquired by EMC for \$430 million in 2012), Kaminario, DensBits Technologies, and others. Cloud computing is another major area of activity for Israeli storage companies. The main players in this space are CTERA Networks, Zadara, and Continuity Software.

▪ Life Sciences

This sector accounts for approximately 50% of Israeli civilian research activities, carried out in its 7 universities, 10 research institutes and 5 medical schools. Israel has one of the highest concentrations of scientists per capita in the world. One of every three Israeli scientists specialized in life sciences, which is the world's highest per capita ratio. The number of scientific publications in Life Sciences is one of the parameters for academic excellence which demonstrates a link between basic research, applied research and industrial development.

▪ Cleantech

Israel was ranked first among 40 countries for providing the best conditions for cleantech or “environmentally friendly” innovations.

Today, there are more than 500 cleantech companies in Israel operating in various fields such as sustainable water, energy, environmental technologies and solar technologies. Notable players here are NYSE traded Ormat, BrightSource, and more.

▪ IT Services

Major Israeli players in this category include Matrix, Malam-Team, Ness Technologies (now owned by Citi Venture Capital), Taldor, Tesnet and Tescom.



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▪ Printing

Israeli companies have introduced new technologies that have largely shaped the evolution of the industry. Such companies are digital printing pioneers Scitex and Indigo and wide-format inkjet printer manufacturer Nur (all three were acquired by HP). Today, Israeli Objet is a pioneer in the field of 3D printing.

