

Webinar: Doing Business in Germany & Israel

Navigating Innovation: Israeli non-dilutive fundraising & unique due diligence insights

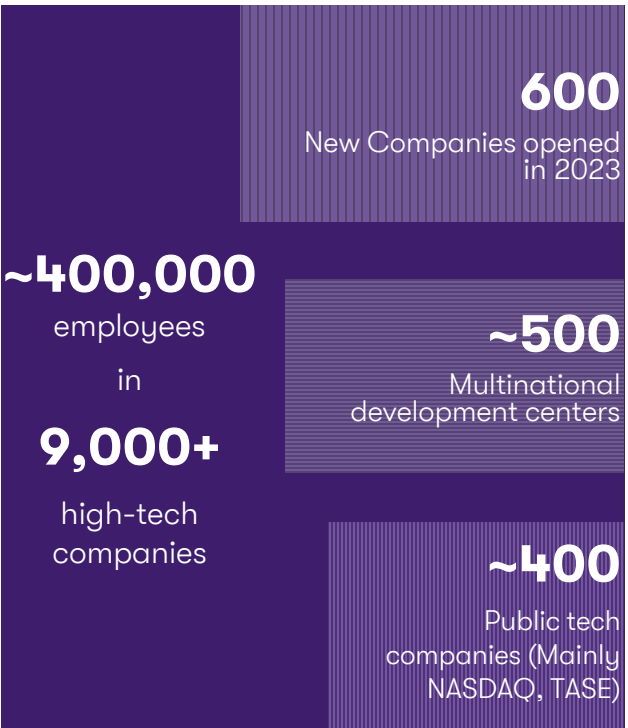
Michael Halin

April 2025

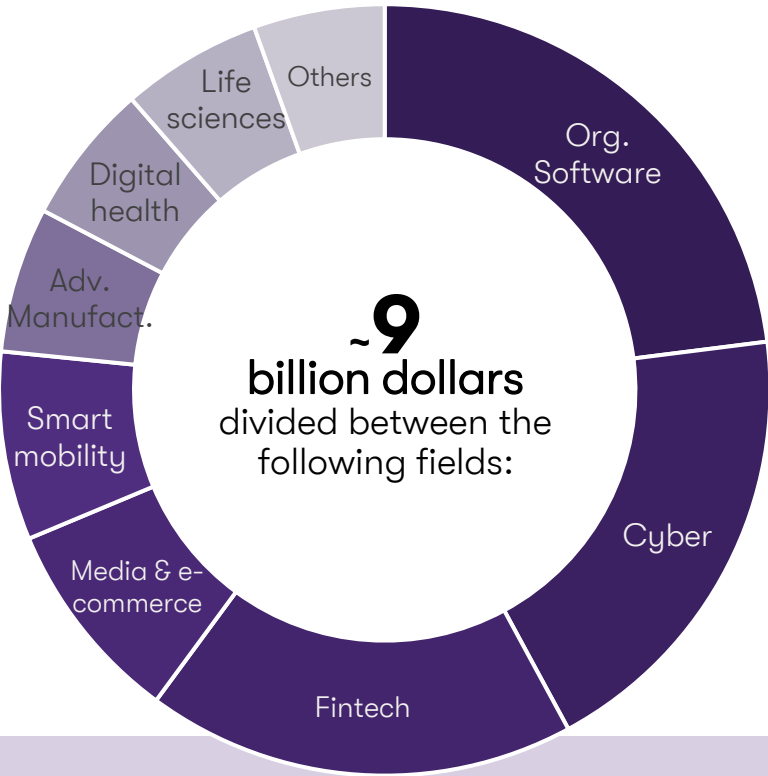


Snapshot of innovation in Israel

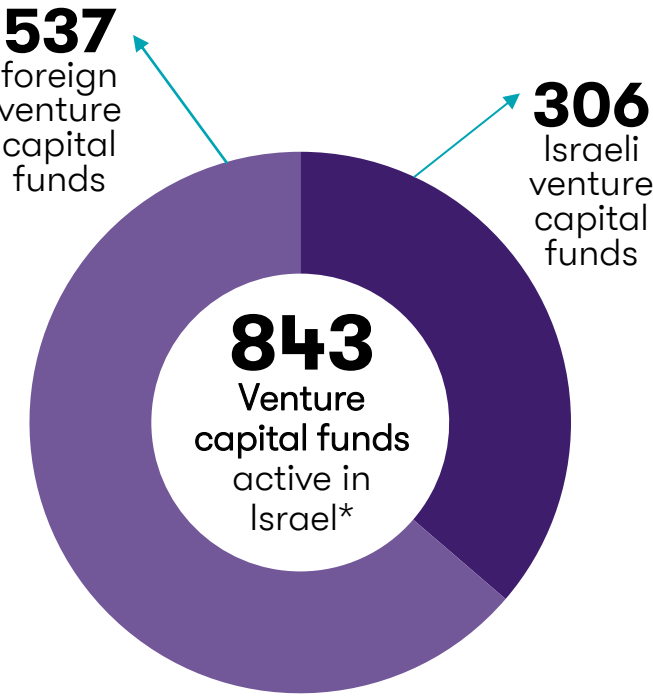
Entities



Fundraising



Capital



Israel's ranking according to the **Global Innovation Index in 2023**

14 Up two places from 2022

Tel Aviv's ranking according to the **Startup Genome Index in 2023**

5 Up two places from 2022

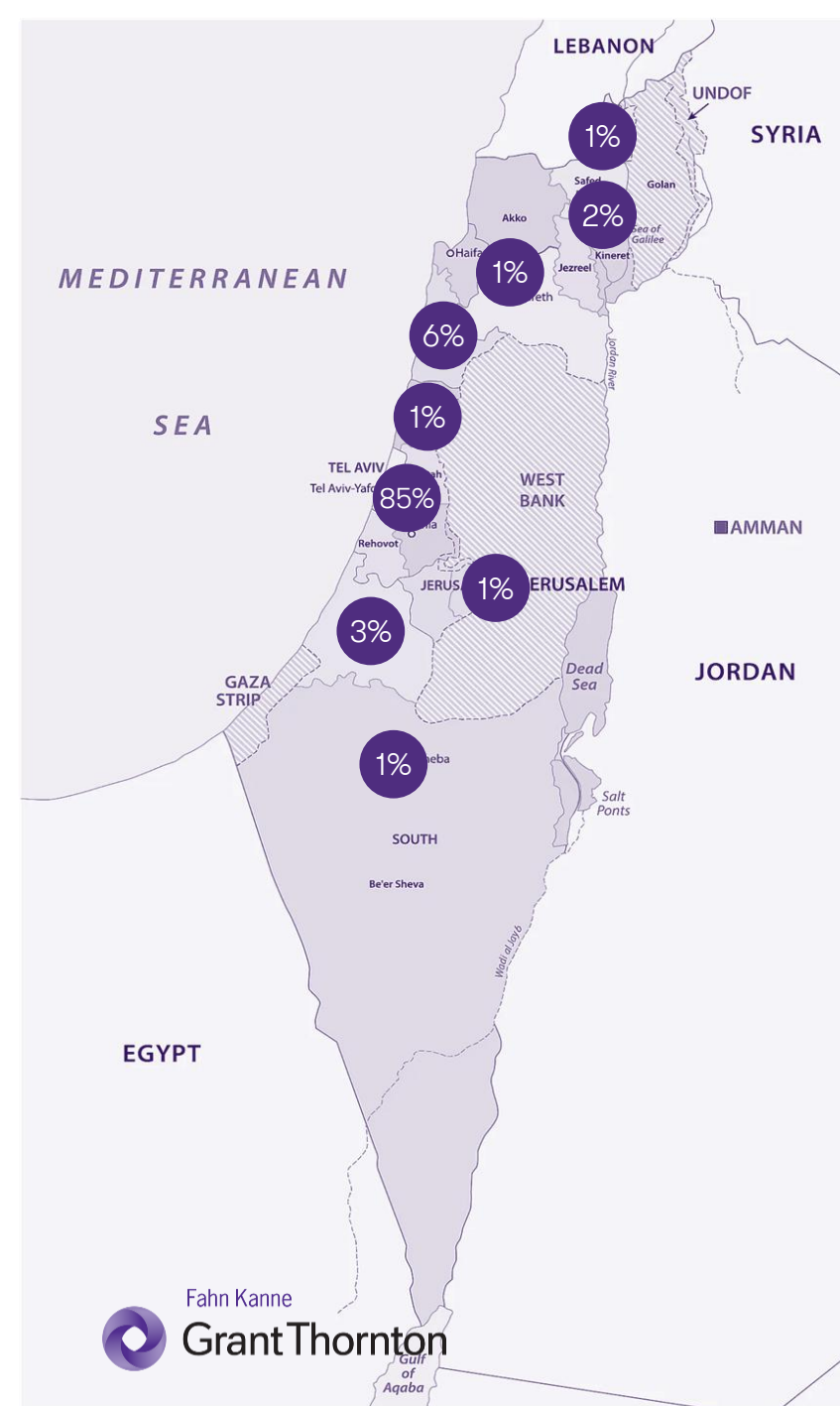
Multinational R&D and innovation centers in Israel

Industry/ Origin	IT, Hardware, Software & Services	Internet & Retail	Semiconductors	Finance, Banking & Insurance	Communications	Automotive, Energy, utility & Industrial	Healthcare & Medical	Other Industries	Electronics
North America	                                                                                         	Europe	                              	Asia	                            				

Multinational R&D centers in Israel

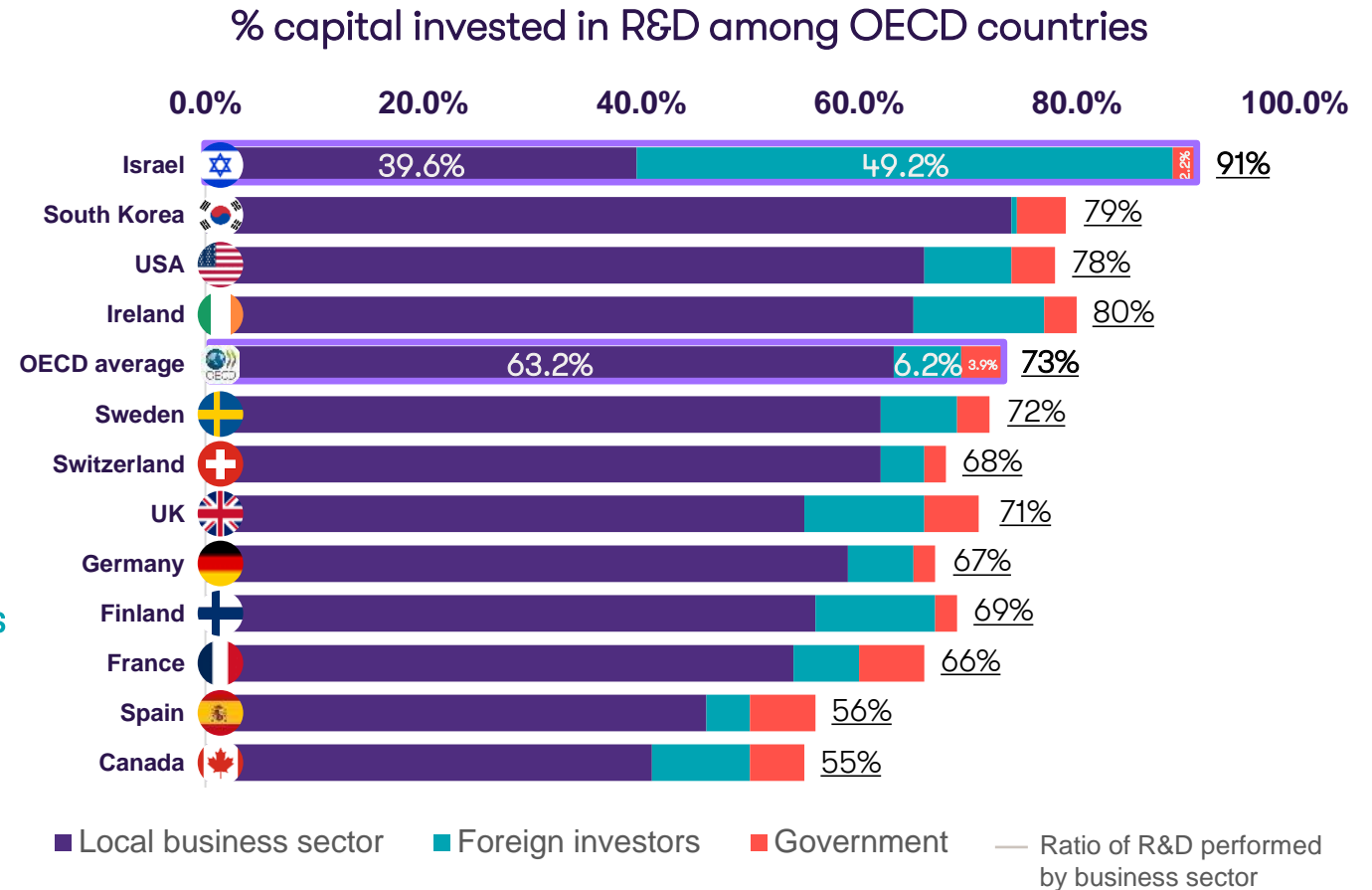
Starting from the far north with:

- 1% Metula, Tel Hai, Kiryat Shmona and the surrounding area
- 2% the Kinneret area
- 1% Emek Israel area
- 6% Haifa area
- 1% Hadera and Caesarea area
- 85% Center of Israel including Tel aviv, Ramat-Gan, Hertzelia, Netanya, Rishon Lezion etc.
- 1% Jerusalem area
- 3% Kiryat Gat area
- 1% Be'er Sheva area



Israel's dependence on the local business sector (40%) and foreign capital (49%) for R&D is the highest in the OECD

- **91% of R&D capital** in Israel comes from the business sector – the highest among OECD countries
- **49% of R&D investments** come from foreign investors, showing strong reliance on external funding
- Combination of **foreign investment** and **business sector funding** places Israel at the top of the OECD in external R&D funding



Source: Innovation Authority

Different ways of raising funds by startups



Bootstrapping
(Self-Funding)



Friends & Family



Crowdfunding



Angel Investors



Startup
Accelerators &
Incubators



Government
Grants & Subsidies



Venture Capital
(VC)



Corporate
Funding (Strategic
Investors)



Loans & Venture
Debt



Initial Public
Offerings (IPO's)

Typical Ranges of Fundraising for Tech Startups

1

Pre-Seed (Idea Stage, MVP Development)

\$100K - \$1M

2

Seed (Early Traction, Market Validation)

\$1M - \$5M/\$10M

3

Series A (Scaling Growth & Operations)

\$5M/\$10M - \$30M

4

Series B & Beyond (Aggressive Growth, Market Expansion)

B - \$30M - \$100M

C - \$100M - \$500M+

5

Late Stage & IPO

\$500M - \$1B+

Israel Innovation Authority (IIA) overview



1

Mission

Invest in innovation to promote sustainable and inclusive growth in Israel's economy.

2

Function

Provides conditional grants and infrastructure support for disruptive technologies.

3

Goal

Strengthen the innovation ecosystem and maintain technological leadership.

Key Divisions of Israel Innovation Authority



Startup Division

Supports early-stage technological initiatives and helps transform ideas into reality.



Growth Division

Assists hi-tech companies in sales growth and mature companies with innovative R&D.



Technological Infrastructure

Funds applied R&D infrastructure and promotes research in academia and industry.



International Collaboration

Coordinates international R&D partnerships and offers global market advantages.

Industry 4.0 and Smart Factory Initiatives

Ministry of Economy and Industry

Advanced Manufacturing Institute

- 1 Track for implementing advanced manufacturing technologies
- 2 Support for energy efficiency in factories
- 3 Assistance in upgrading and adapting production lines to Industry 4.0
- 4 Guidance and training in implementing new technologies
- 5 Partial funding for implementation and adaptation projects

Industrial Revolution in Israel (Industry 5.0) – new budget of NIS 60 millions

Joining Forces for a Green and Competitive Industry

The new institute was established based on a shared vision to propel the Israeli industry forward toward the "Industry 5.0" model – a holistic approach focusing on combining advanced technological innovation and growth, alongside environmental efficiency. The institute will provide dedicated services to all productive sectors of the economy, including industry, agriculture, and farms. Additionally, the institute will provide unique assistance for rehabilitating industries and farms in the Gaza strip, which were severely damaged following the events of October 7, through innovation and resource optimization.

Previous Successes and Encouraging Data

- In recent years, the two institutes operated by the Ministry of Economy and Industry and the Ministry of Environmental Protection – the Institute for Advanced Manufacturing and the Resource Efficiency Center – have helped more than 800 companies in the local industry improve labor productivity and reduce environmental impact, recording impressive achievements:
- Average improvement of about 17% in labor productivity
- Savings of hundreds of millions of kWh of electricity and hundreds of thousands of tons of raw materials
- Reduction of greenhouse gas emissions by more than half a million tons
- Prevention of hundreds of thousands of tons of waste from landfills

Post war – Revival regions

National mission: to rebuild and rejuvenate both regions

The TKUMA Region



19 billion
NIS
budget for 5 years



47
communities



63,000
people

The North Region



15 billion
NIS
budget for 5 years



43
communities



61,800
people

Analysis of an established company as opposed to tech start up company

Main differences



Revenue Model &
Financial Performance



Profitability & Cash Flow



Financial Statements &
Accounting Practices



Valuation & Growth
Assumptions



Customer & Market Risk



Legal & Compliance
Risks



Capital Structure &
Funding

While financial due diligence for established companies emphasizes stability, profitability, and operational efficiency, due diligence for tech startups focuses on growth potential, scalability, and risk mitigation.

Investors in startups must navigate higher uncertainties and often rely on non-traditional financial metrics, whereas established businesses provide a clearer financial picture rooted in historical performance.

Practical Experience from transactions involving Israeli tech companies

Unique local issues usually found in start ups



Employee payments,
conditions and obligations



Not registered
obligations



Financial statements



COVID\War grants

Unique analysis of local start ups



Revenues – proof of
cash



Monthly cash burn &
Budget



ARR analysis



Cap Table



Thank You!
