

Israel-Hamas war

Israeli venture capital deals slow sharply since start of Hamas war

Drop-off in dealmaking hits country's growing tech sector and threatens early-stage start-ups



The slowdown in venture capital activity in October was more severe than during Israel's 2014 war in Gaza, IVC data shows © Menahem Kahana/AFP/Getty Images

Ivan Levingston in London and **Mercedes Ruehl** in Singapore 7 HOURS AGO

Israel's venture capital sector has recorded a sharp slowdown in dealmaking since the outbreak of hostilities with Hamas, dealing a blow to the country's tech industry.

About \$325mn in total venture funding was invested in Israel during October in 120 deals, down from \$1bn in 232 deals in September, according to data compiled by local market researcher IVC.

While part of that may be due to seasonality or other factors, some foreign investors have slowed work on deals since the conflict erupted following the October 7 attack on Israel by the Palestinian militant group Hamas, according to people active in the market.

“Some start-up companies that were about to close an investment, they were about to close a deal, everything seemed fine. And then the war broke out,” said Chemi Peres, a managing partner of the Israeli VC fund Pitango. “The investors didn't walk away, they just said we want to hold back and see.”

Peres, the son of former Israeli prime minister and president Shimon Peres, is working to raise a \$20mn emergency fund to help start-ups in their early stages of development survive the latest disruption.

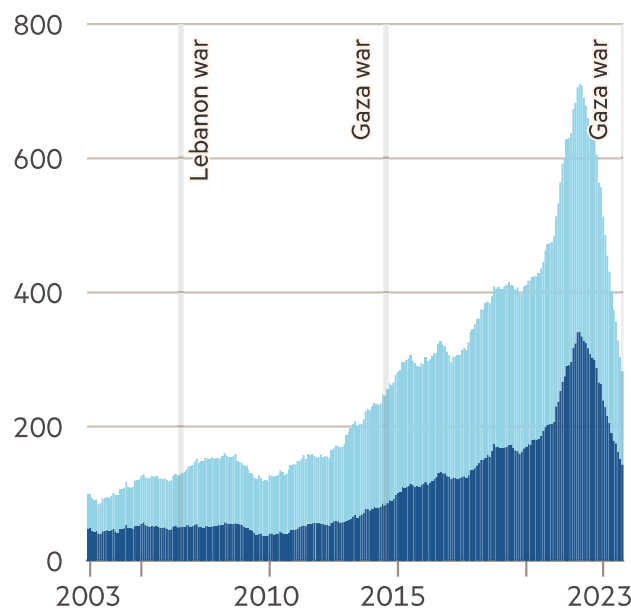
Before the outbreak of hostilities, Israeli start-ups had already been contending with a fall in [venture capital investment](#) that mirrored a global post-pandemic plunge in activity. Rising interest rates and falling public valuations have cooled investment in private technology companies across markets.

But the sudden lack of VC money will deal a disproportionate blow to [Israel](#)'s self-styled image as a "start-up nation". The tech sector is an important driver of the economy, accounting for roughly 15 per cent of all jobs spread across hundreds of fledgling companies and multinationals such as Intel and Microsoft.

Both [foreign](#) and [domestic](#) venture capital investments in Israel have dropped sharply since their peak in early 2022

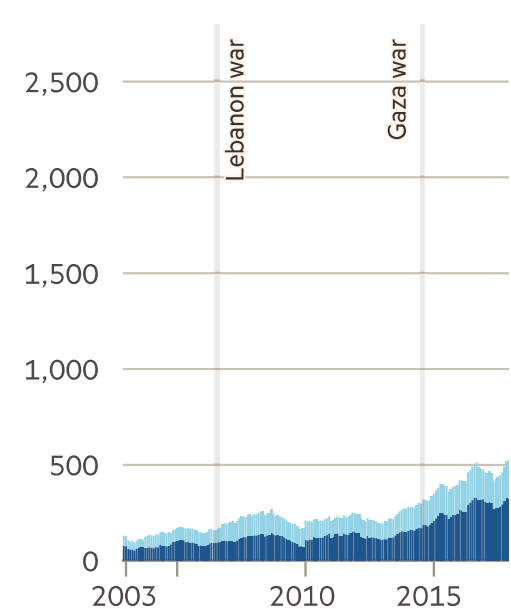
Monthly, 12-month rolling average

Number of investments



Source: IVC DATA

Value (\$mn)



FINANCIAL TIMES

In addition to this unfavourable environment, Israeli start-ups also face other challenges. The war has led to roughly 15 per cent of Israeli high-tech employees being [called up for reserve military duty](#), including senior executives at many start-ups.

Some leading foreign investors in Israel such as Singapore's state investment group Temasek, which has about 0.5 per cent of its S\$382bn (\$284bn) portfolio invested in

Israel, are monitoring the developments closely, according to a person close to Temasek. Its investment outlook for Israel had become “more cautious”, they added.

Some deals are still being completed. Palo Alto Networks, a US-listed cyber security company, has announced two acquisitions of start-ups in Israel in recent weeks. Financial technology investor Dovi Frances said his venture firm Group 11 was in the process of closing several deals.

“Clearly, there has been some slowdown in new investments being closed since the war. Some slowdown — but not a total slowdown by any stretch,” said Alan Feld, founder of Vintage Investment Partners. “Most people realise that Israeli companies, the Israeli venture market, is very resilient.”

Feld and other people familiar with the market said foreign investors with fewer investments in Israel were more likely to react cautiously in the current environment and delay new deals.

The latest drop-off in activity was more severe than that during Israel’s 2014 war in Gaza, IVC data shows.

However, in a sign that activity has not dried up completely, some Israeli investors maintained that they had yet to feel much impact from the war.

“We’ve not seen any kind of change in pace,” said Avi Eyal, managing partner at Israel-based Entrée Capital and an investor in Talon, one of the start-ups acquired by Palo Alto Networks. “The general feeling is that VCs themselves haven’t been affected.”

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