

Jefferies

JEFFERIES ISRAEL GROUP

Israel in the New Middle East

Economic Resurgence and Tech Renaissance

APRIL 2025



Executive Summary

2025 Outlook

Israel has been embroiled in a prolonged conflict on multiple fronts since October 7, 2023. There are optimistic signs that hostilities are winding down and that Israel's geopolitical reality has been improving: The ceasefire in Lebanon being maintained, Assad's regime collapse in Syria weakening Iranian influence in the region, a de-escalation of hostilities in Gaza, and the return of global airlines flying to Israel.

Although some geopolitical risks remain, there is potential for the expansion of the Abraham Accords and the development of a relationship with Saudi Arabia.

Looking ahead to 2025, the outlook for Israel's economy, and specifically its high-tech sector, remains promising. Stabilizing interest rates, lower inflation and strong capital markets performance are expected to boost investor confidence. These trends position Israel's high-tech ecosystem for continued growth and innovation.

Source: Bank of Israel, IVC Data, StartUp Nation Central, Jefferies initiation report on the Israeli Economy, CapIQ.

(1) Aerospace, Defense and Government as defined by StartUp Nation Central which includes space-tech and HLS.

(2) Foreign Funds are defined as funds with headquarters outside of Israel.

Macroeconomic Environment

Israel entered the conflict with a low fiscal deficit and manageable Debt/GDP. The fiscal deficit will be reduced in 2025 by fiscal adjustments of nearly 2.5% of GDP.

Israel's risk premium declined significantly since the ceasefire with Lebanon and general geopolitical improvements. Although the 5-year Sovereign CDS is still high relative to the pre-conflict period, it has decreased by ~56bps from its peak, currently standing at 109.4bps.

Israel enjoys a steady trade account surplus. Israel's Net Export Account (\$17.1 billion) and Foreign Direct Investment (\$16.6 billion) remained strong during the conflict, helping support a stable shekel.

The high-tech products and services sector continued to thrive during the conflict, despite army reserves mobilization. High-tech exports, nearly 20% of GDP and about 60% of total exports which are expected to continue to expand by 2.5% in 2025 and 2026. This upward trend was already pronounced in 2024 and is expected to continue in 2025. A tight fiscal policy, shekel appreciation and a weakening of supply constraints will support lower inflation towards mid-year 2025.

The Bank of Israel expects the average interest rate in 4Q'25 to be between 4.0% and 4.25%. The interest rate forecast assumes that the direct economic impact of the conflict will persist until 2Q'25. Following this, GDP is expected to gradually align with its pre-conflict trend, growing by 3.5% in 2025 and 4.0% in 2026.

The Bank of Israel expects private consumption to continue to grow by 6.0% and 3.5% in 2025 and 2026, respectively.

High-tech Ecosystem Year in Review

Israel is the 3rd largest high-tech hub in the world by capital raised, second only to Silicon Valley and New York.

12% of the Israeli workforce is employed in the high-tech sector.

In 2024, Israeli high-tech companies raised around \$11 billion through more than 850 transactions, reflecting a 13% increase on a total dollar basis.

While cybersecurity led the Israeli high-tech industry in total capital raised with 39% of the overall amount, Aerospace & Defense experienced the most significant year-over-year growth in capital raised, achieving an increase of 143%⁽¹⁾.

Foreign funds⁽²⁾ account for 75% of all capital invested in Israeli high-tech companies and 54% of total deal count.

Despite the conflict, Israeli companies remain highly attractive targets for global acquirers, sustaining a robust M&A market. This can be partly attributed to Israel's culture of innovation and its highly skilled workforce. Notably, in 2024, the Israeli high-tech sector recorded 118 M&A transactions totaling approximately \$17 billion, representing a 20% increase in transaction volume and a 60% surge in deal value compared to 2023.

Since the vast majority of Israeli high-tech companies' revenues come from outside of Israel, they are less impacted by domestic volatility. Additionally, domestic Israeli high-tech companies are seeing increased acquisition interest, evidenced by Blackstone's majority acquisition of Priority Software at an \$800 million valuation, which was announced in May 2024. This deal is particularly notable as Priority generates most of its revenue domestically in shekels, unlike the vast majority of Israeli high-tech companies that rely on international revenue streams.

Table of contents

4 Israeli Macroeconomics

12 Israeli High-tech

20 High-tech Outlook Select Sectors in 2025

28 Appendix















Israeli Macroeconomics



The Israeli Economy at a Glance

KEY ECONOMIC INDICATORS

 <p>Young & Growing Population</p> <p>10.0M⁽¹⁾</p>	 <p>GDP Per Capita</p> <p>\$54.8K⁽¹⁾</p>	 <p>Bol Interest Rate</p> <p>4.5%⁽¹⁾</p>	 <p>Unemployment Rate</p> <p>2.6%⁽¹⁾</p>
 <p>2025E Inflation Rate</p> <p>2.6%⁽²⁾</p>	 <p>2025E GDP Growth</p> <p>3.5%⁽²⁾</p>	 <p>2025E Fiscal Deficit</p> <p>4.2%⁽²⁾</p>	 <p>2025E Public Debt to GDP</p> <p>69.0%⁽²⁾</p>
 <p>Current Account Surplus</p> <p>\$17.1B⁽³⁾</p>	 <p>Private Consumption</p> <p>\$61.4B⁽³⁾</p>	 <p>Total Tech Investment</p> <p>\$11.3B⁽³⁾</p>	 <p>Foreign Direct Investment</p> <p>\$16.8B⁽³⁾</p>

Key Economic Highlights

Israel is a developed economy that joined the OECD in 2010.

It has the highest mandatory pension savings rate of any country in the world at 18.5%, creating fast-growing institutional AUM which helps fuel the economy.

Israel has strong growth potential supported by positive demographics and a vibrant high-tech sector.

Israel entered the conflict with a low fiscal deficit and manageable Debt/GDP. The fiscal deficit will be reduced in 2025 by fiscal adjustments of nearly 2.5% of GDP.

Israel's strong external position including a Current Account Surplus and Foreign Direct Investment helps support a strong shekel.

A tight fiscal policy, shekel appreciation and a weakening of supply constraints will support lower inflation toward mid-year.

The local population has a healthy appetite as private consumption is expected to grow by 6.0% in 2025 and 3.5% in 2026, according to the Bank of Israel.

Source: Bank of Israel, IVC Data and Insights, CapIQ as of December 31, 2024.

(1) Bank of Israel as of April 21, 2025.

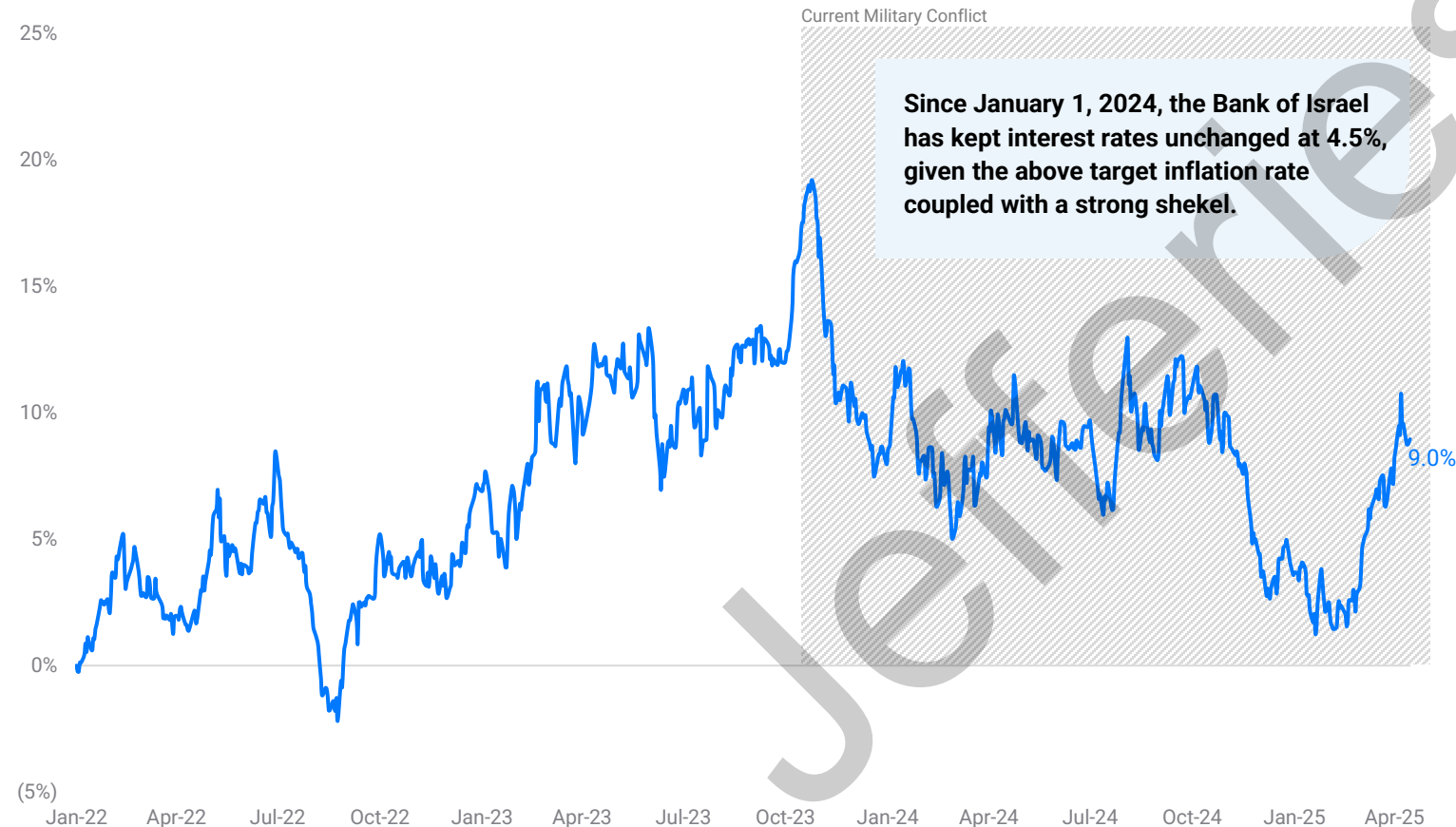
(2) Bank of Israel forecast as of April 10, 2025.

(3) Central Bureau of Statistics as of December 31, 2024.

The Shekel's Performance and the Bank of Israel's Economic Forecast

Shekel Nominal Effective Rate Index⁽¹⁾

(Cumulative rate of change since January 1, 2022, %)



Source: Bank of Israel Data and Processing as of April 17, 2025.

(1) Source: Bank of Israel's Research Department Staff Forecast Report (April 2025).

(2) The effective exchange rates reflect the weighted geometric average of the shekel against a basket of currencies, in which the weight of each currency reflects its importance in Israel's foreign trade; Currencies included: Canadian Dollar, Euro, Japanese Yen, Swiss Franc, UK Pound Sterling, and US Dollar.

(3) Fixed Capital Formation, also called "investment indicates how much of the new value added in an economy is invested rather than consumed excluding ships and aircrafts.

(4) Excluding diamonds and startups.

Bank of Israel's Forecast⁽²⁾

This forecast assumes that the conflict in Gaza will decrease after Q2 2025 and that the supply of jobs will continue to increase, while considering the potential impact of US tariffs and the global macroeconomic environment on Israel's exports and economic stability.

With the growth forecast for 2026 reflecting continued economic recovery from the effects of the conflict.

	2025E	2026E
GDP Growth	3.5%	4.0%
Private Consumption Growth	6.0%	3.5%
Total Investments Growth ⁽³⁾	10.0%	12.0%
Total Exports Growth ⁽⁴⁾	2.5%	2.5%
Unemployment Rate	3.1%	3.1%
Gov. Deficit / GDP	4.2%	2.9%
Public Debt / GDP	69.0%	68.0%
Inflation Rate	2.6%	2.2%

Sovereign Credit and Government Bond Yields

ISRAEL'S CREDIT RATING



Israel 5yr Credit Default Swaps

(CDS Price, bps)



Israel vs. US 10yr Bonds

(Yield, %)



Source: CapIQ as of April 18, 2025.

- (1) January 21, 2025 – Moody's stated: "If adhered to and further progress is made, the ceasefire agreement reduces a protracted conflict's near-term downside risks to Israel's economy and public finances."
- (2) Bloomberg Issuer Composite Based Ratings provides a blend of an issuer's ratings. The rating agencies are evenly weighted when calculating the composite. It is calculated by taking the average of the existing ratings, rounded down to the lower rating in case the composite is between two ratings.

Key Highlights

Although Israel's risk premium remains higher compared to the pre-conflict period, it has decreased significantly since the ceasefire with Lebanon and general geopolitical improvements, as indicated by the 5-year Sovereign CDS which has decreased by ~56bps from its peak.

The 10-year yield on Israeli government bonds in shekels has fallen to that of U.S. Treasury bonds. This gap reflects expectations that the shekel will strengthen over time or, at the very least, that major bond market participants are reluctant to bet against the shekel, despite the ongoing state of conflict.

The Bank of Israel expects the average interest rate in 4Q'25 to be 4.0/4.25%.

The interest rate forecast assumes that the direct economic impact of the conflict will persist until 2Q'25. Following this, GDP is expected to gradually align with its pre-conflict trend. It is anticipated that existing supply-side constraints will gradually ease, while domestic demand is projected to recover at a slightly faster pace.

The Israeli Consumer Appetite Continues to Grow

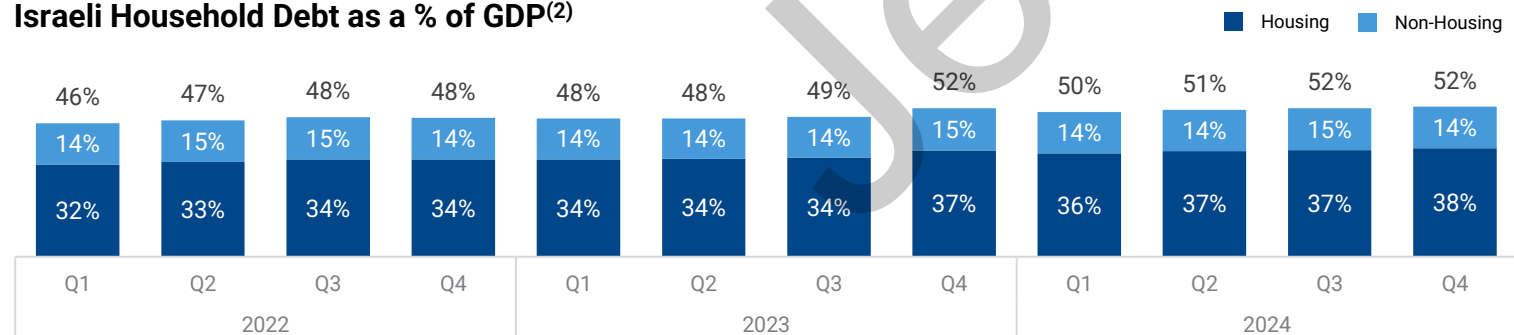
Private Consumption Expenditure – Significant Growth Engine in the Economy⁽¹⁾



Since October 7th There Has Been a Trend of Recovery in the Credit Card Transaction Volume⁽¹⁾



Israeli Household Debt as a % of GDP⁽²⁾



Source: Bank of Israel.

(1) The Bank of Israel reports data in NIS set to 2015 prices. Amounts have been converted to USD using a constant FX rate of 0.28 NIS/USD.

(2) The Bank of Israel classifies housing debt as loans for home purchases, whereas non-housing debt encompasses loans for other types of purchases.

Key Highlights

The Bank of Israel expects private consumption to continue to grow by 7.5% and 5.5% in 2025 and 2026, respectively.

In 2024, ~61% of private consumption expenditure was conducted via Israeli credit card transactions.

Israel's credit card transaction volume experienced a slight decrease at the beginning of the conflict but soon returned to previous levels. Although the latest data indicate a minor decline in nominal credit card expenditures, they remain consistent with long-term trends.

The lower number of soldiers serving in the reserves in 2025 will ease the supply limitations in the labor market and will support a recovery in the volume of employment.

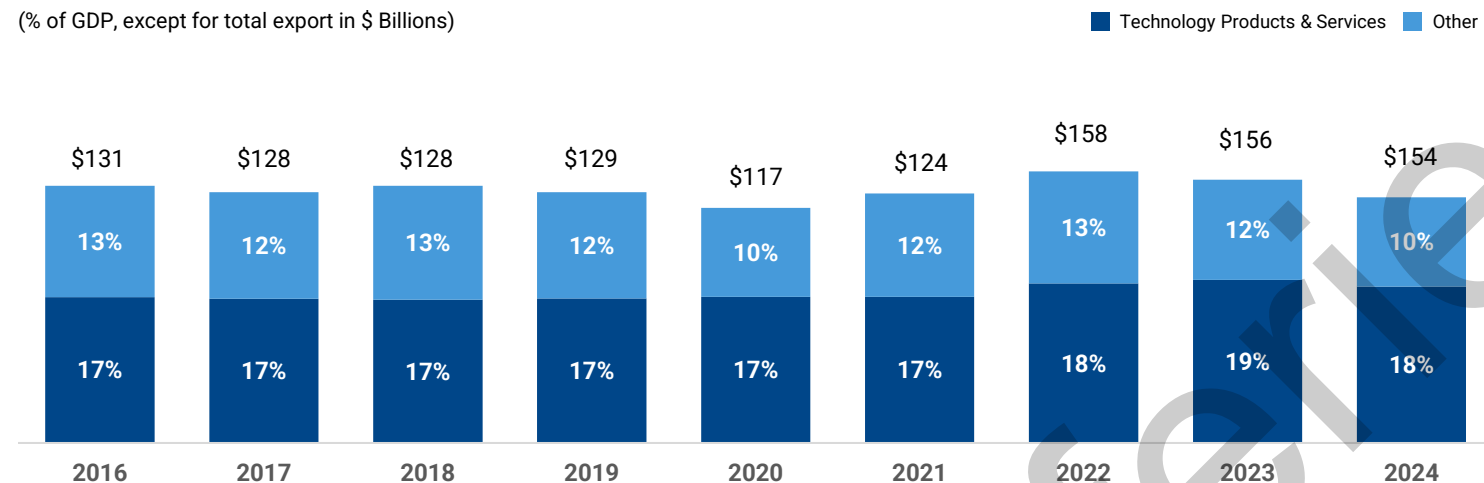
In the housing market, the annual rate of increase in housing prices continued to rise, to 6.7%. Activity in the construction industry remains lower than the pre-conflict period, mainly affected by manpower limitations that remain significant.

Total Israeli household debt remains relatively low compared to most developed economies at only 52% of GDP compared to 62% in the US.

Israeli Exports and Trade Balance

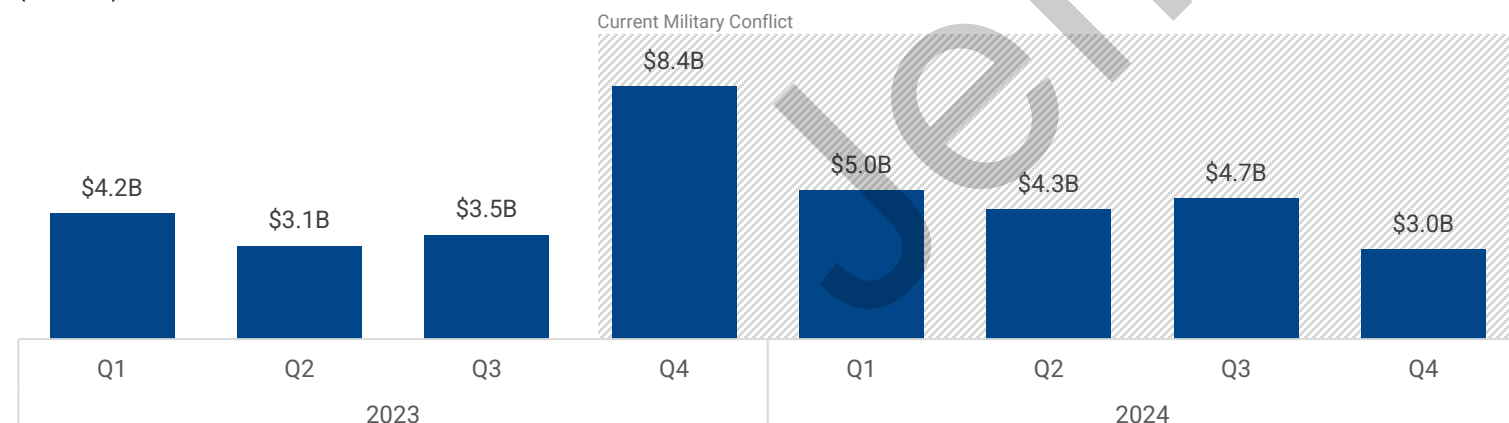
Total Exports by Category as a % of GDP

(% of GDP, except for total export in \$ Billions)



Current Account Surplus⁽¹⁾

(\$ Billions)



Source: Bank of Israel.

Note: All export and trade statistics exclude diamonds.

(1) Defined as Israeli exports minus imports.

Key Highlights

The high-tech products and services sector continues to thrive during the conflict, despite army reserves mobilization, and as an export are nearly a quarter of GDP and ~64% of total exports.

In 2024, the countries with the most substantial increases in exports from Israel included Hong Kong, Romania, Ukraine, Malta, and Lithuania. Conversely, Turkey, the UK, Slovenia, South Korea, Canada, and Russia experienced the largest decreases.

In 2024, imports of goods to Israel increased from Brazil, the UAE, Greece, Thailand, Romania, and Hong Kong. In contrast, Turkey, Sweden, Australia, and Venezuela experienced the largest decreases.

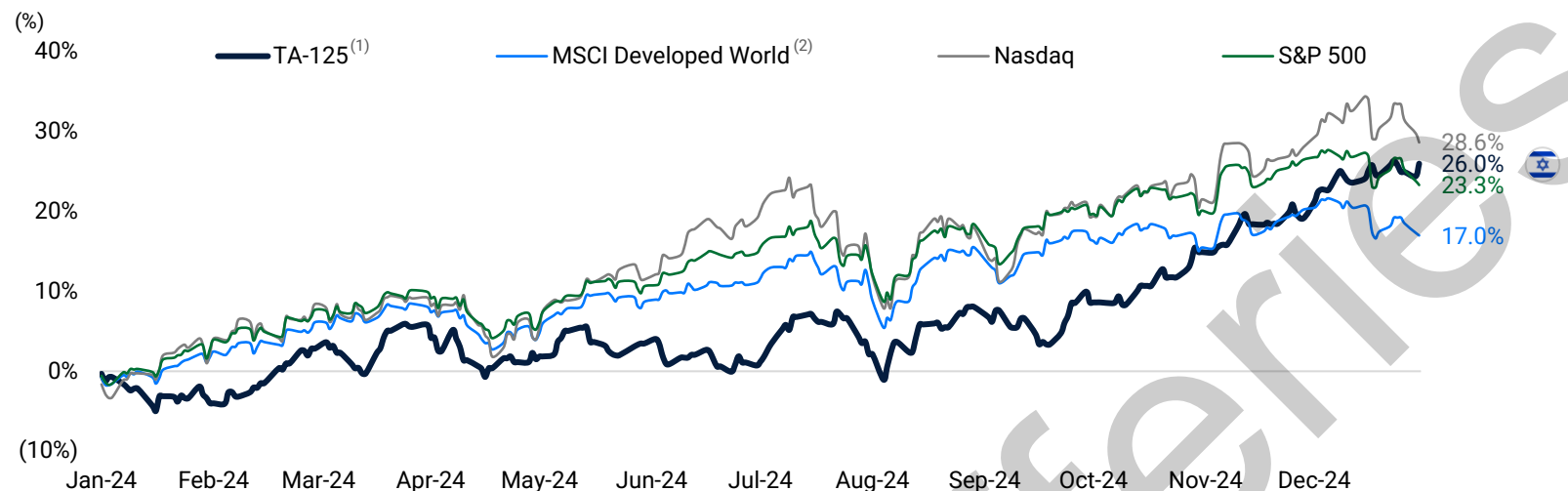
In 2024, Israel's largest trade surpluses are with the USA, Ireland, India, Brazil, and Cyprus. Meanwhile, the largest trade deficits are with China, Switzerland, Germany, Italy, and UAE.

Exports are expected to continue to expand by 2.5% in both 2025 and 2026, on the back of robust high-tech exports. This upward trend was already pronounced in 2024 and is expected to continue.

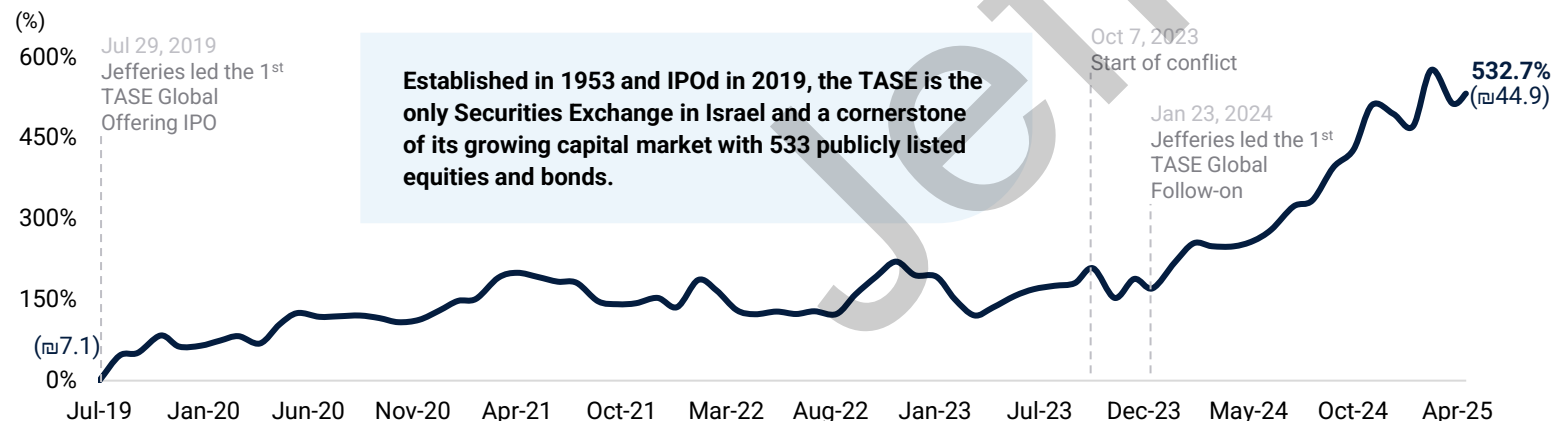
Israel enjoys a steady trade account surplus. Its Net Export Account and Foreign Direct Investment remained strong during the conflict.

Finance & Capital Markets Performance

Capital Markets – Indices Performance EoY 2024



Tel Aviv Stock Exchange (TASE) – Share Performance Since IPO



Source: CapIQ, Tel Aviv Stock Exchange as of April 21, 2024.

(1) The largest 125 companies listed on the Tel Aviv Stock Exchange by market cap.

(2) Developed markets from the following 24 countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The index constituents are weighted on the basis of free float market capitalization. MSCI World Index is reviewed on a quarterly basis.

Tel Aviv Stock Exchange (TASE) Trading Statistics

TOTAL MARKET CAP (YoY Growth)

Equities	Government Bonds
\$376B (+30%)	\$206B (+23%)
Corporate Bonds	Mutual Funds
\$147B (+13%)	\$118B (+30%)

AVERAGE DAILY TURNOVER (YoY Growth)

Equities	Government Bonds
\$605M (+10%)	\$907M (+15%)
Corporate Bonds	Mutual Funds
\$302M (+6%)	\$528M (+35%)

Since its IPO, the TASE has been at the forefront of innovation and adaptation to global investors needs:

- Changing the trading days to Monday – Friday, starting in 2026.
- The use of AI to translate immediate reports into English allowing foreign investors to receive reports in English in real time.
- Launched futures contracts on three leading indices: TA-35, TA-90 and TA-Banks 5.
- Appointed a market maker to ensure liquidity and trade volume in the market at a competitive price.
- In January 2025 TASE published for public comments on the allowance of digital asset ETFs, such as Bitcoin.

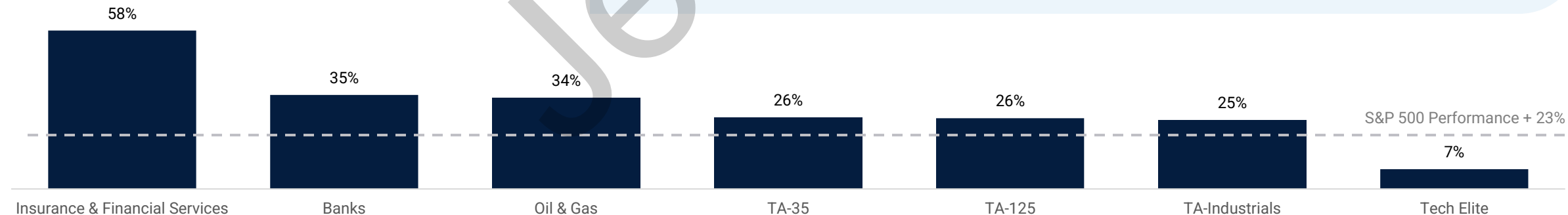
Leading Global Investors are Focusing on TASE-Listed Securities

Select Investors Who Have Purchased TASE-Listed Securities



TASE Sector & Indices Performance EoY 2024

(%)





In 2024, despite the conflict and challenging macroeconomic backdrop, Israeli securities performed well. Notably, this past year, Jefferies led 4 global equity follow-on offerings for TASE listed companies totaling ~\$950 million, diversifying their global shareholder base and improving the liquidity in the Israeli capital markets.

Israeli High-tech



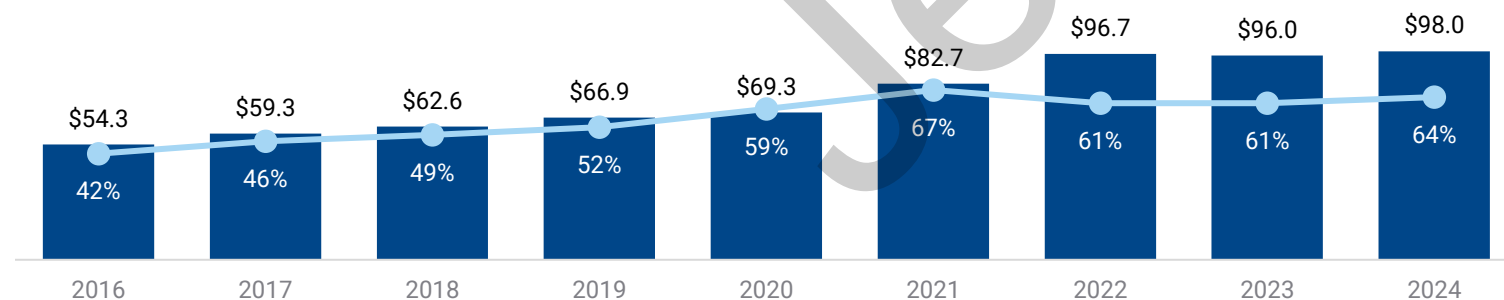
Strength of the Israeli Technology Sector

Israeli technology sector accounts for ~20% of the country's GDP, while its share of Israeli exports is 64%

 <p>12% of Israel's workforce is employed in the high-tech sector.</p>	 <p>Israeli companies account for 10% of global unicorns.</p>
 <p>Israeli high-tech services and products account for 64% of Israel's exports.</p>	 <p>Israel has the greatest density of startups per capita in the world.</p>
 <p>Israel has the highest R&D investment as a % of GDP worldwide.</p>	 <p>25% of income taxes paid in Israel come from high-tech employees.</p>
 <p>High-tech companies make up 30% of the market cap on the TASE.</p>	 <p>Israeli high-tech companies making up ~20% of total GDP.</p>

Israeli Technology Products / Services and its Share of Total Israeli Exports

(\$ Billions and as a % of total Israeli exports)



Source: Israel Innovation Authority; StartUp Nation Central, Pitchbook; IVC Data as of December 31, 2024.

(1) Early stage defined as Seed rounds by IVC Data.

2024 – Israeli High-tech Statistics

261 new Israeli high-tech startups were established compared to 591 in 2023, a decrease of 44%, while global new high-tech startups decreased by ~33%.

Israeli high-tech companies raised over \$11 billion through more than 850 transactions, reflecting a 13% increase on a total dollar basis.

The average investment round was \$15 million, up 50% from \$10 million in 2023.

49% of all investments were in early-stage companies compared to 58% in 2023.⁽¹⁾

118 Israeli tech M&A transactions were completed, totaling approximately \$17 billion—marking a 20% increase in transaction volume and a remarkable 60% rise in deal value compared to 2023.

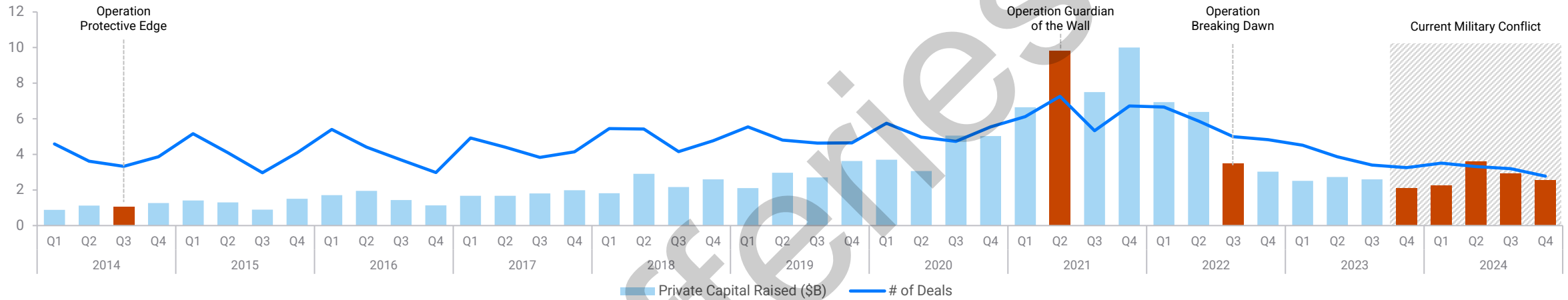
65% of all Israeli high-tech companies that exited in 2024 were VC backed.

Israel's Private High-tech Capital Markets Mirror Global Trends

Israel's high-tech capital raising is more influenced by macro trends than local occurrences

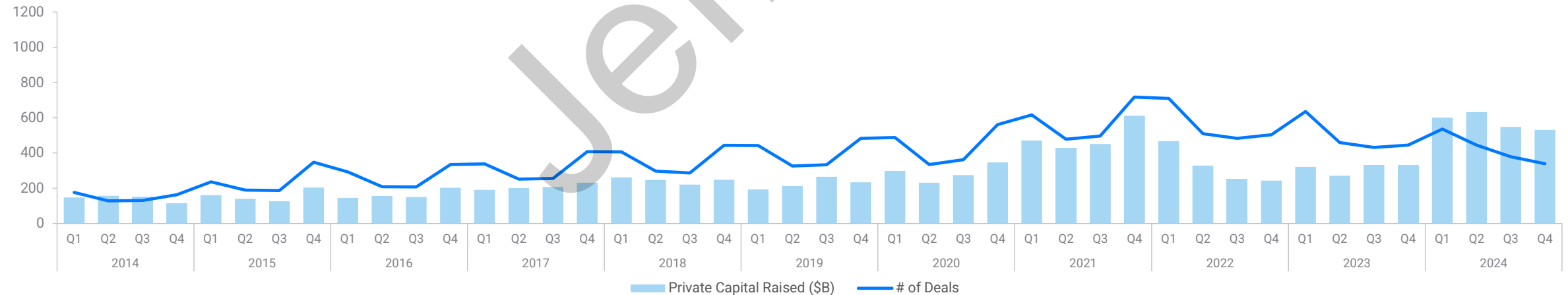
Private Capital Raised In Israel

(\$ Billions)



Private Capital Raised Globally

(\$ Billions)

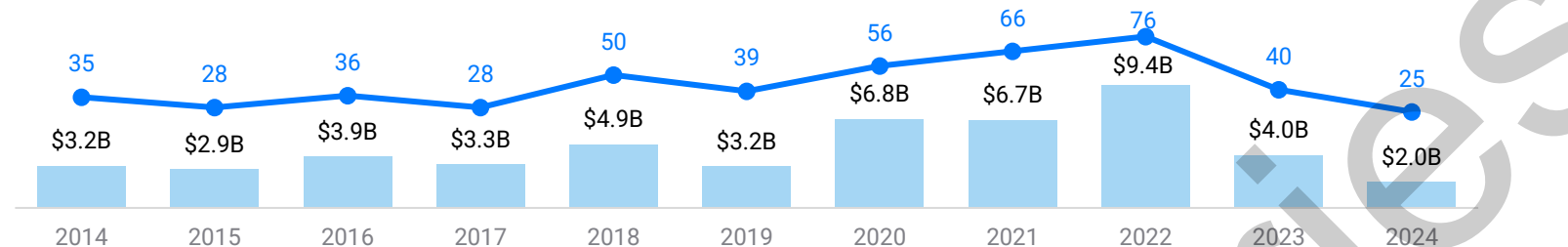


VC Fundraising and Investment Participation

Israeli VC Fundraising Activity

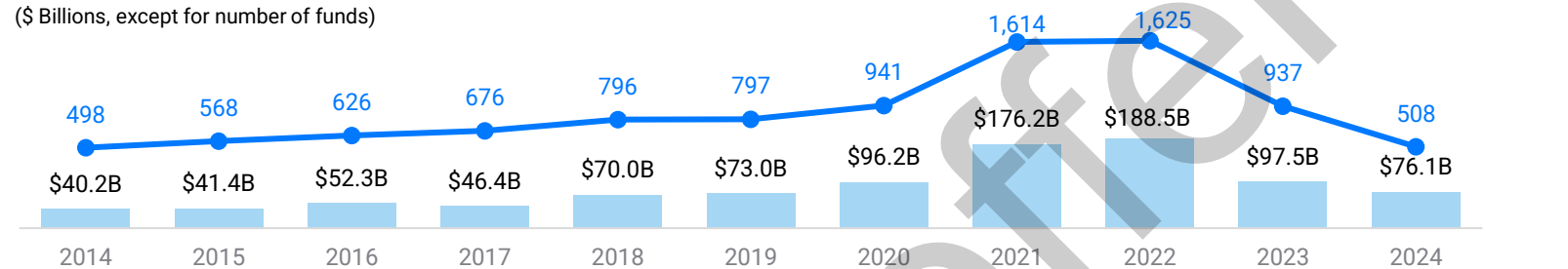
(\$ Billions, except for number of funds)

Although Israeli VC fundraising has decreased in recent years, this trend is consistent with the global decline in VC fundraising activities.



Global VC Fund Raising Activity

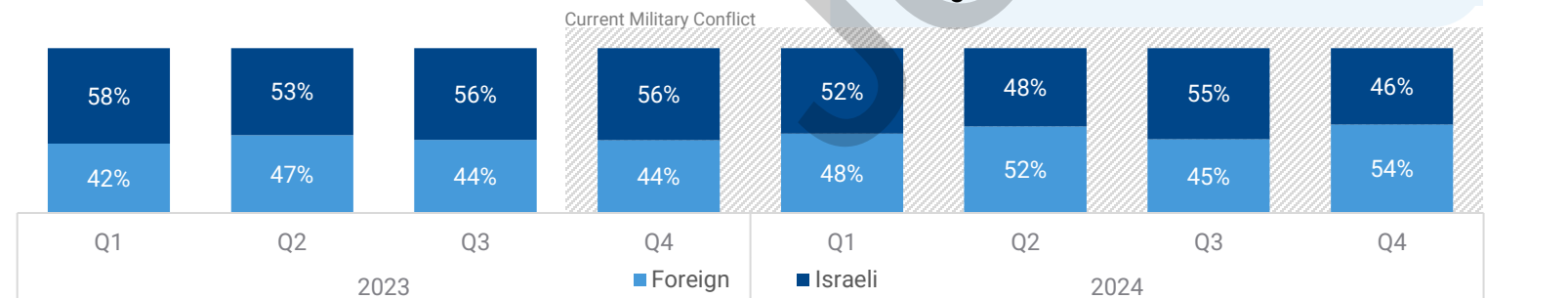
(\$ Billions, except for number of funds)



Foreign⁽¹⁾ vs Israeli Investors

(Deal Count, %)

Despite the conflict, the proportionate participation of foreign funds in Israeli deals has increased.



Source: Pitchbook, IVC Data as of December 31, 2024.

(1) Foreign Funds are defined as funds with headquarters outside of Israel.

2024 – VC Activity

In 2024, 25 Israeli funds raised a total of around \$2.0 billion, down from \$4.0 billion in 2023.

In 2024, global fundraising declined to ~\$76.1 billion raised across 508 VC funds. With limited exits and liquidity, LPs are hesitant to allocate more capital to venture. Fundraising will likely be similar in 2025 until LPs receive their returns.

Follow-on investments accounted for 33% of all VC investments in 2024.

In 2024, 54% of all first-time investments were Seed rounds, reflecting a decrease from 61% in 2023.

Foreign Funds accounted for 75% of all capital invested in Israeli high-tech and 54% of total deal count in 2024.

Corporate VCs made up less than 5% of total first-time investments in 2024.

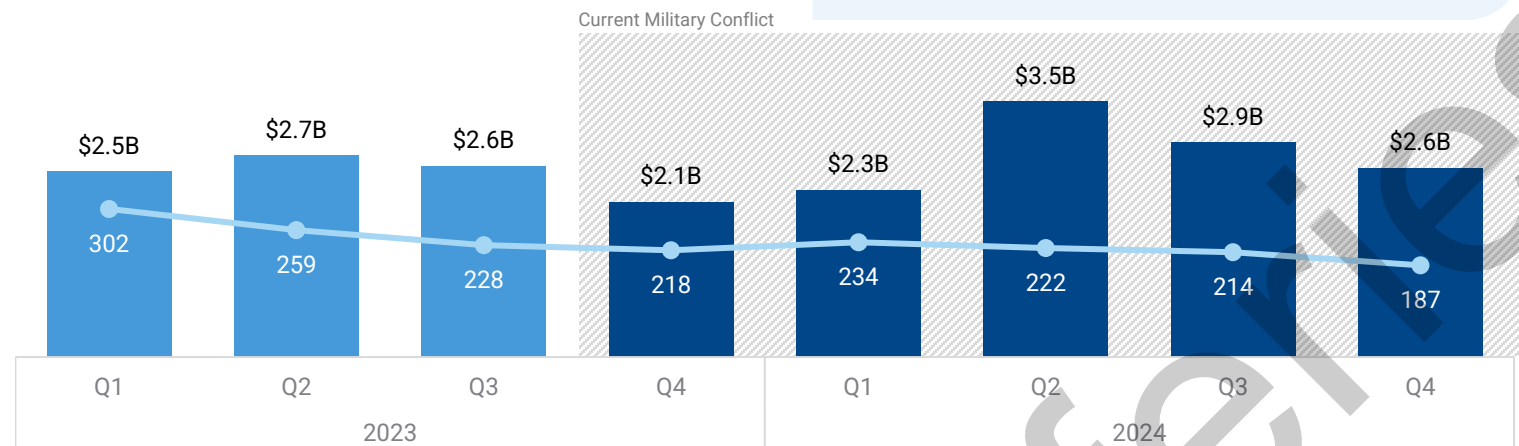
In 2024, the median number of investors per funding round was 4.

High-tech Company Capital Raising

Total Capital Raised and Number of Deals

(\$ Billions, except for number of deals)

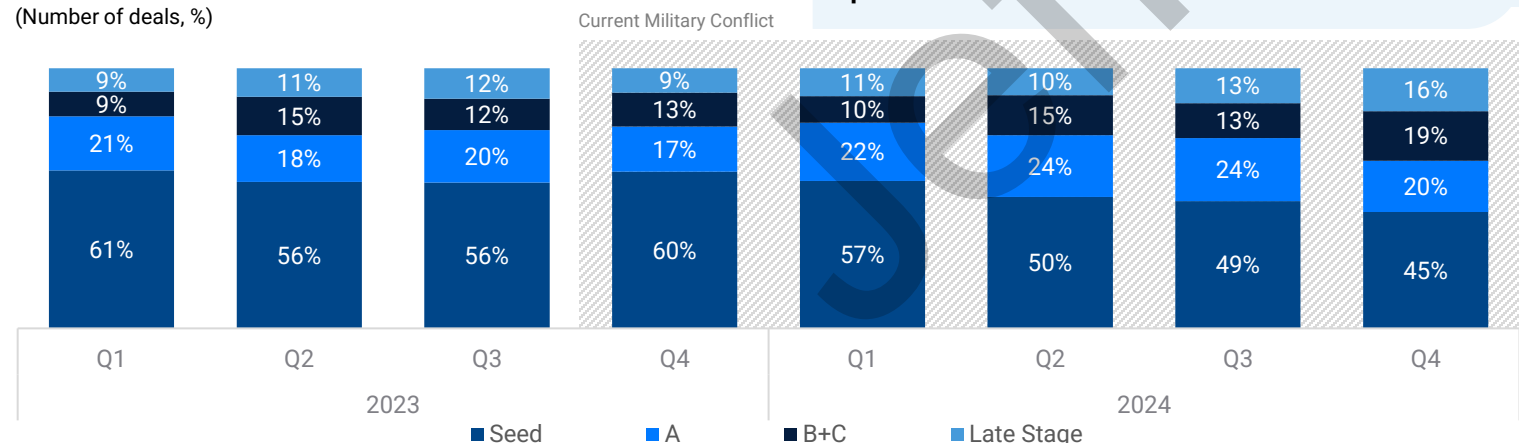
The total dollar amount of capital raised in 2024 was greater than 2023 despite the conflict...



Deals by Round Type

(Number of deals, %)

...with late-stage deals continuing to increase as a portion of the overall deal count.



Capital Raising by Key Sectors in 2024

Israeli high-tech companies raised over \$11 billion through more than 850 transactions, reflecting a 13% increase on a total dollar basis.

While cybersecurity led the Israeli high-tech industry in total capital raised with 39% of the overall amount. Aerospace, Defense and Government experienced the most significant year-over-year growth in capital raised, achieving an increase of 143%.

39% Cyber	27% Enterprise Software
13% Health / Med	10% Fintech / Insurtech
6% Industrial	2% Agtech / Food
1% Energy	1% ADG ⁽¹⁾

Source: IVC Data, StartUp Nation Central as of December 31, 2024.

(1) Aerospace, Defense and Government as defined by StartUp Nation Central which includes space-tech and HLS.

Select Notable Capital Raises in 2024 and 1Q 2025

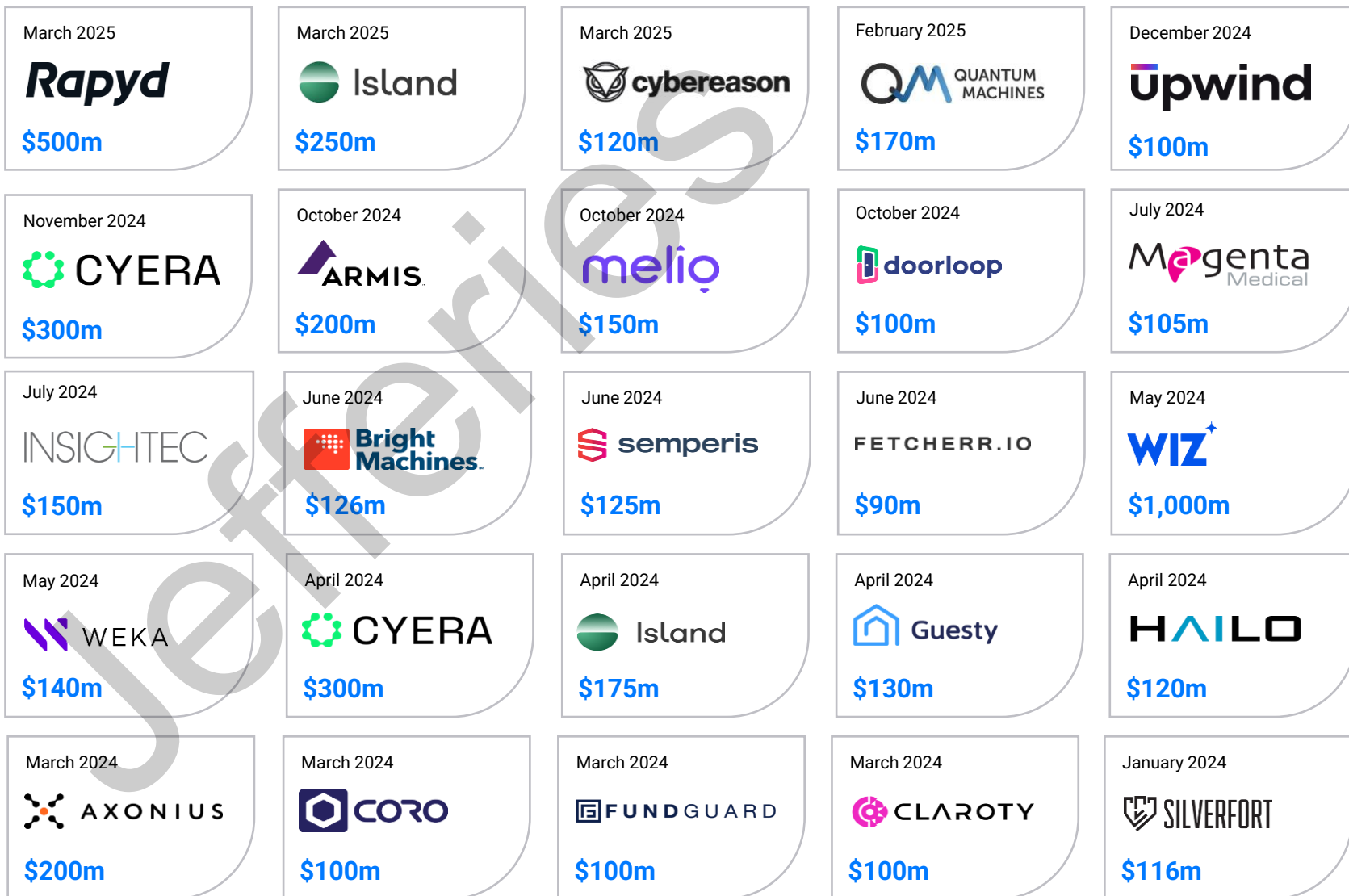
KEY HIGHLIGHTS

Israel is the 3rd largest high-tech hub in the world by capital raised, second only to Silicon Valley and New York.

In 2024, a total of 37 companies secured funding rounds exceeding \$50 million, with 20 of these rounds surpassing the \$100 million mark.

In 2024, 25% of all funding rounds were Series B and above, accounting for 64% of the total capital raised.

In 2024, companies in the revenue growth stage accounted for 51% of the total dollar amount raised.



High-tech Company Exits

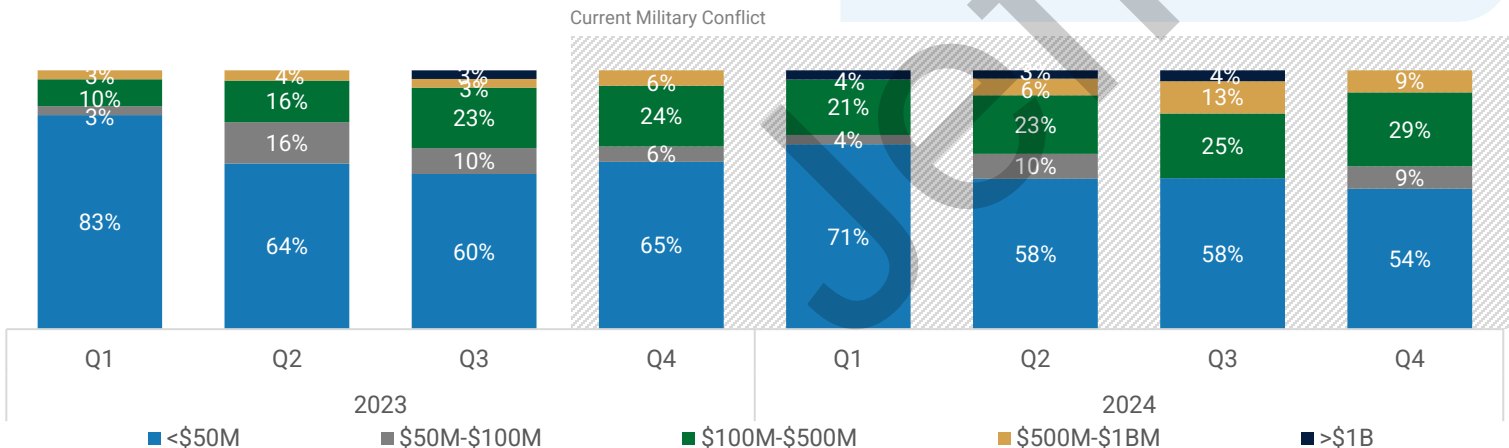
Exits

(\$ Billions, except for number of deals)



Deal Breakdown by Size

(Number of Deals, %)



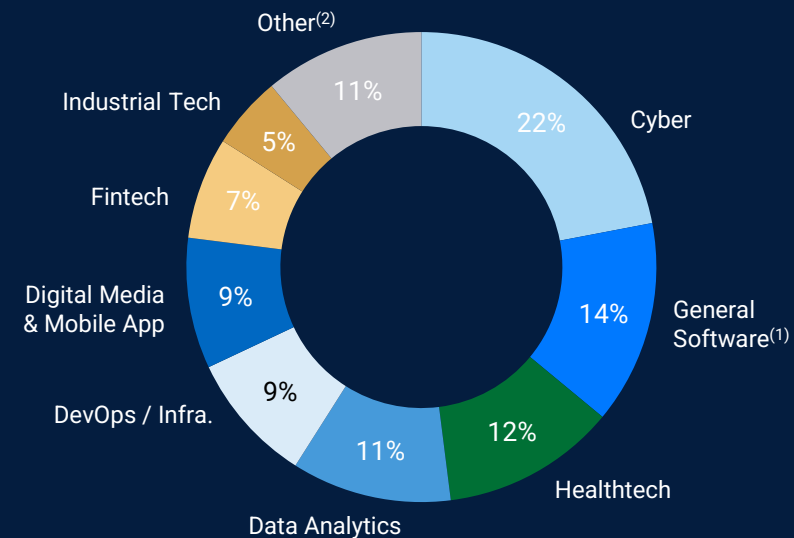
Source: IVC Data as of December 31, 2024.

(1) Software companies that help businesses manage their daily operations across various sectors and products.

(2) Includes: ADG, e-Commerce, Semis, TravelTech, CleanTech, AgTech.

Exits by Key Sectors in 2024

Despite geopolitical challenges over the past 18 months, Israel has remained a vibrant M&A market thanks to its culture of innovation and highly skilled workforce. In 2024, the Israeli high-tech sector recorded 118 M&A transactions totaling approximately \$17 billion – representing a 20% increase in transaction volume and a 60% surge in total deal value compared to 2023.



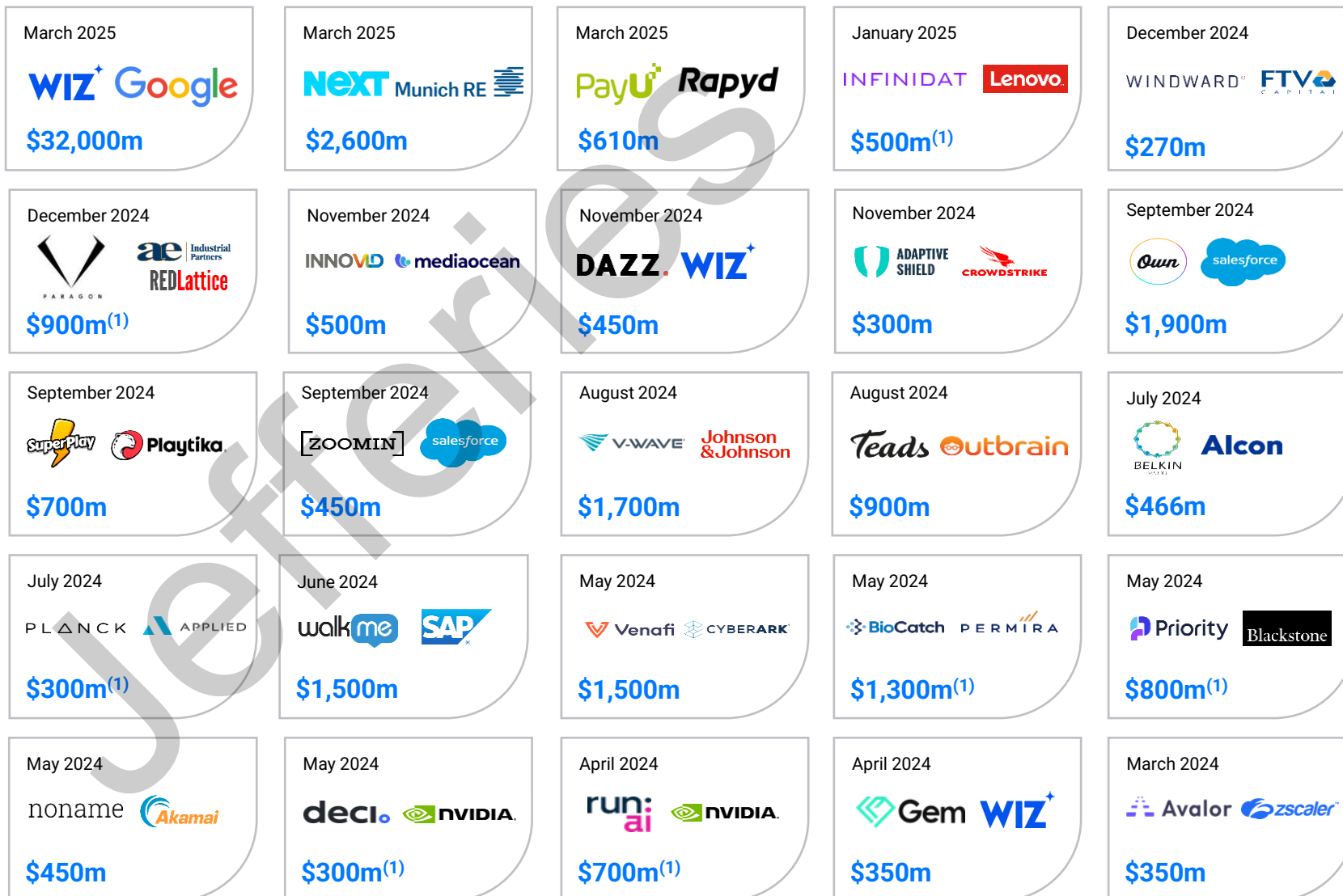
Select Notable M&A Transactions in 2024 and 1Q 2025

KEY HIGHLIGHTS

Despite the conflict, Israeli companies continue to be highly attractive targets for global acquirers, mainlining strong appeal on the international stage.

Since almost all Israeli high-tech companies have the vast majority of their revenues from outside of Israel, they are impacted significantly less by domestic volatility.

Additionally, domestic Israeli high-tech companies are seeing increased acquisition interest, evidenced by Blackstone's majority acquisition of Priority Software at an \$800 million valuation. This deal is particularly notable as Priority generates most of its revenue domestically in shekels, unlike the vast majority of Israeli high-tech companies which rely on international revenue streams.



Source: Company filings, Pitchbook, IVC Data, Calcalist, and Globes as of April 21, 2025.

(1) Valuation according to news outlets. Companies did not disclose transaction value.

High-tech Outlook Select Sectors in 2025



SELECT SECTOR SPOTLIGHT

2025 Investor Focus

ADG (Aerospace, Defense & Government)

The number of Israeli defense-related startups have significantly increased, doubling in the past year. Funding has also risen in 2024 totaling \$165 million⁽⁴⁾, with more foreign and private investment in early-stage technologies.

Israeli defense technology is internationally recognized as IDF veterans are known for establishing world-class defense-tech startups, combining battle-tested military proficiency with wide-ranging applicability. As governments globally encounter increasing defense challenges, Israel’s technology offers scalable and high-performance solutions to address contemporary threats.

Cybersecurity

As in previous years, cybersecurity continued to dominate the capital raising landscape, attracting around \$4 billion. This trend shows no signs of slowing down, given that global cybersecurity threats are continually increasing.

Most Israeli cyber startup founders are alumni of military cyber defense programs such as 8200, top academic institutions, and mature cybersecurity firms. This network, developed over 30+ years, has created a talent flywheel effect in establishing new cyber startups.

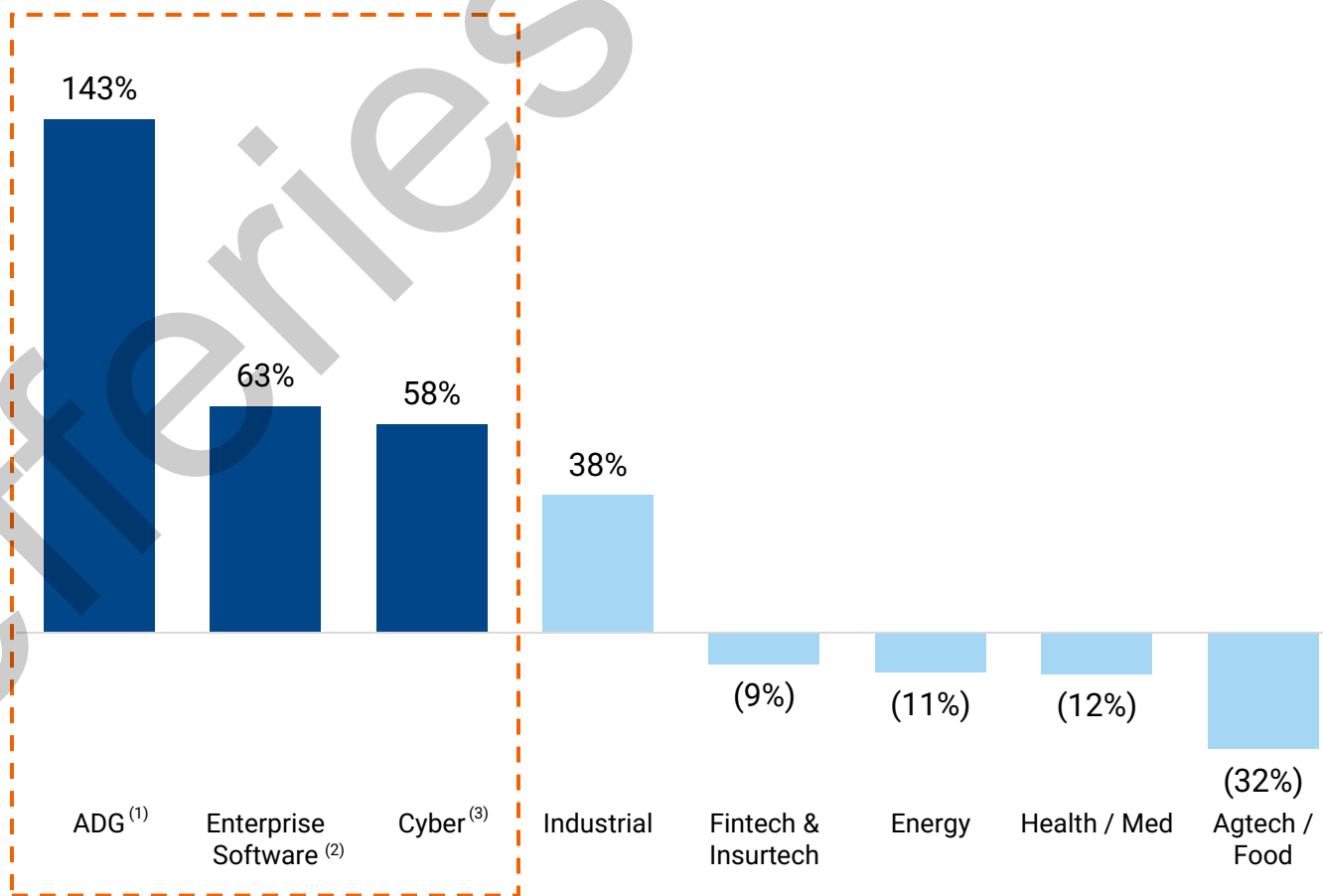
Enterprise Software (being driven by AI)

Enterprise software surged in total capital raised driven by companies developing AI tools for businesses across multiple industries with vast applications.

There is a Global Technology Arms Race, Creating a Generational Opportunity to Invest in Israeli Breakthrough Technologies

Year Over Year Growth in Israeli High-tech Capital Raise by Select Sectors

(%, Growth in Amount of Capital by USD)



Source: StartUp Nation Central as of December 31, 2024.

- (1) Aerospace, Defense and Government as defined by StartUp Nation Central which includes space-tech and HLS.
- (2) Includes a wide range of solutions designed to support various business operations, including IT management, data solutions, project management, financial operations, sales, and marketing.
- (3) As defined by IVC Data which may use a broader categorization than StartUp Nation Central.
- (4) According to StartUp Nation Central's definition excluding Space-tech.

Defense-tech: Global Trends

The ADG sector is currently undergoing significant changes, driven by the understanding that future warfare will be influenced more by advanced technology than by the quantity of traditional military equipment.

The geopolitical environment is evolving, military budgets are increasing, and innovation in modern warfare has become increasingly important.

NATO and European allies defense spending is being spearheaded by a necessary rearmament.

AI & MACHINE LEARNING

37%+ CAGR

Global AI / ML Market Expected to Grow to \$1+ Trillion by FY '30

AI-enabled, real-time intel for warfighters is a major priority of the JADC2 framework.

DoD remains focused on integrating machine learning into existing analysis methodologies, including warfighting decision-making, down to backend office functions.

C4ISR

4%+ CAGR

C4ISR Spending is Expected to Reach \$145+ Billion by FY '27

Surveillance and reconnaissance and tactical communications are expected to remain the largest segments.

Processing power is moving to the "edge" as a strategic enabler.

CYBER & CLOUD

13%+ CAGR

Global Cyber & Cloud Market Expected to Grow to \$78+ Billion by FY '26

Effective cybersecurity requires agile, proactive and reactive defenses that involve a combination of software, hardware and systems.

Fundamental levels of security are expected to be incorporated into every technology deployment.

SPACE SUPERIORITY AND HYPERSONICS

14%+ CAGR

Directed Energy Weapons and Hypersonics Market Expected to Grow to \$20+ Billion by FY '27

US DoD is prioritizing increasingly sophisticated space programs to counter symmetric threats from foes.

The US SDA and MDA are creating both offensive and defensive responses to emerging threats, with hypersonics and direct energy being two priority focus areas.

TRUSTED MICROELECTRONICS

6%+ CAGR

Global Defense Electronics Market Expected to Grow to \$250+ Billion by FY '28

The DoD has a stated priority to ensure the US defense supply chain is free of tampering from outside near-peer threats (China, Russia).

Most recent defense budget has dedicated an investment of \$375M towards state-of-the-art microelectronics production and testing.

UNMANNED AUTONOMOUS SYSTEMS

15%+ CAGR

Autonomy / Unmanned Systems Market Expected to Grow to \$15+ Billion by FY '30

Recent conflicts have led to a systemic shift in warfare and need for attritable aircraft.

Primary funding has been allocated towards air, but marine and ground have begun receiving significant traction.

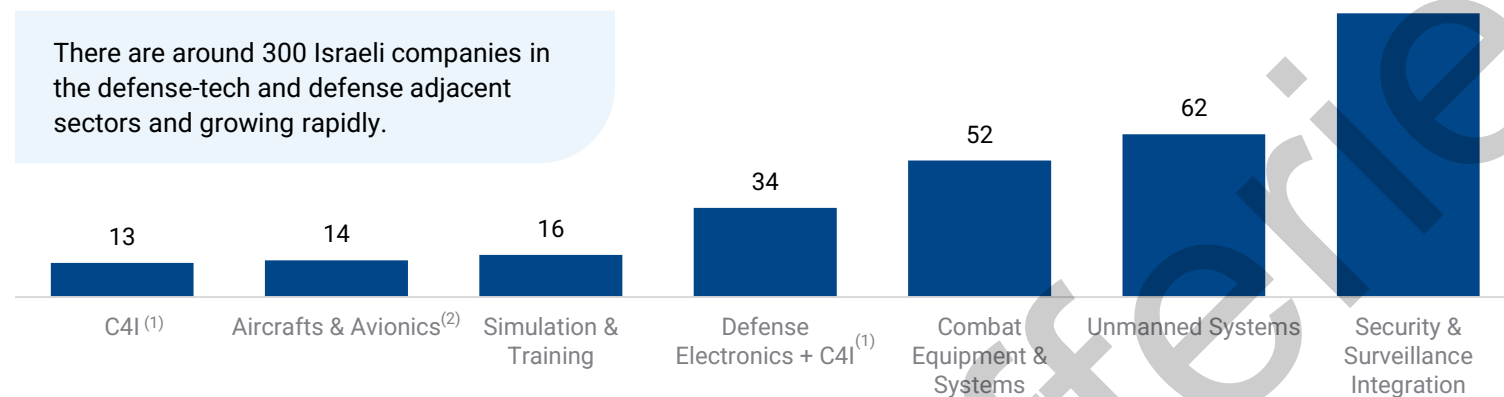
GPS-denied operations remains a key investment focus.

Israeli Defense-tech

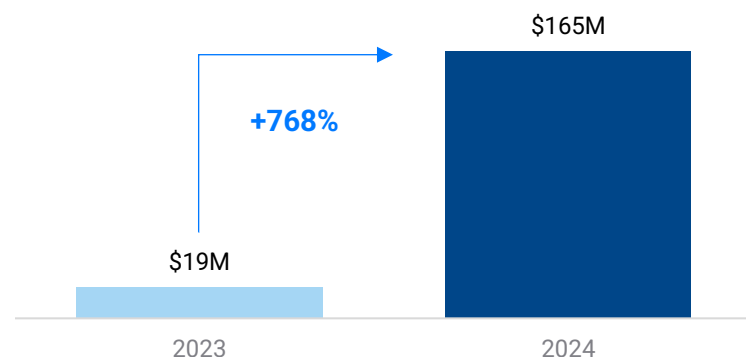
Driven by necessity and supported by a strong military background, Israel's defense-tech sector is evolving into a robust ecosystem

Total Number of Companies by Sector

(Includes companies with dual use applications expanding beyond its sector)



Total Private Capital Raised⁽³⁾



“

THE WALL STREET JOURNAL.

Israel's Defense Industry Booms on Foreign Demand and War at Home – January 9, 2025

Israel will still need to recruit at least 6,000 more employees in the defense industry to meet the future demands.

— Dr. Ron Tomer, President of the Manufacturers Association of Israel

Source: StartUp Nation Central, Pitchbook, The Wall Street Journal, Breakingdefensetech.com.

(1) Command, Control, Communications, Computers, and Intelligence.

(2) Electronic systems that control and operate aircraft. The term is a combination of the two words "aviation" and "electronics".

(3) According to StartUp Nation Central's definition excluding Space-tech.

Recent Israeli Defense-tech Events

October 2023 – The attacks brought attention to the use of advanced military technologies, including precision-guided munitions, drone warfare, and cyber operations. The conflict underscores the need for continuous innovation in defense technologies to maintain superiority and effectiveness in modern warfare.

October 2023 – Israel intercepts a ballistic missile launched by the Houthi rebels. This event represents the first recorded instance of space combat.

April 2024 – Iran conducts retaliatory strikes against Israel. This event highlights the use of advanced missile and drone technologies in modern conflicts.

December 2024 – The Israeli Ministry of Defense in 2024 significantly increased its investments in start-ups, with ~\$170M over the past year, 5X more than the year before.

Jan 2025 – Slovakia's Ministry of Defense signed a \$580M contract, to acquire Israel Aerospace Industries' Barak MX Integrated Air Defense System. The ministry said it "is very important that the selling country is experienced in using the capability they offer us, There is no doubt about Israel's rich experience in the field of air defense."

Cybersecurity: Global Trends



Artificial Intelligence

AI-based cybersecurity products spend was ~\$15 billion in 2021 and is projected to reach nearly \$135 billion by 2030, a nearly 10x increase



Enterprise Vendor Consolidation

In 2020, only 29% of organizations pursued a vendor consolidation strategy, but 75% are on the path of active consolidation as of 2025



Cyber As An Enterprise Priority

Enterprise security spending is expected to continue to grow at twice the pace of broader IT in 2024 / 2025



Increasing Regulations

Each year the number mandated compliance audits only increases as evidenced by the recent DoD approved CMMC regulations and ISO 42001 which is setting the monumental compliance standards for AI systems and security



White Flag M&A Opportunities

Several recent “unicorns” in need of strategic homes as it is becoming increasingly challenging for <\$150-200M ARR platforms to build sustainable profit margins



IPO Backlog

Highly likely for 10+ IPO candidates preparing for a public listing, with an average ARR of >\$200M and growth >20%

CLASSIC AI SERVICES FORECAST BY SEGMENT, GLOBALLY (CONSTANT U.S. DOLLARS)

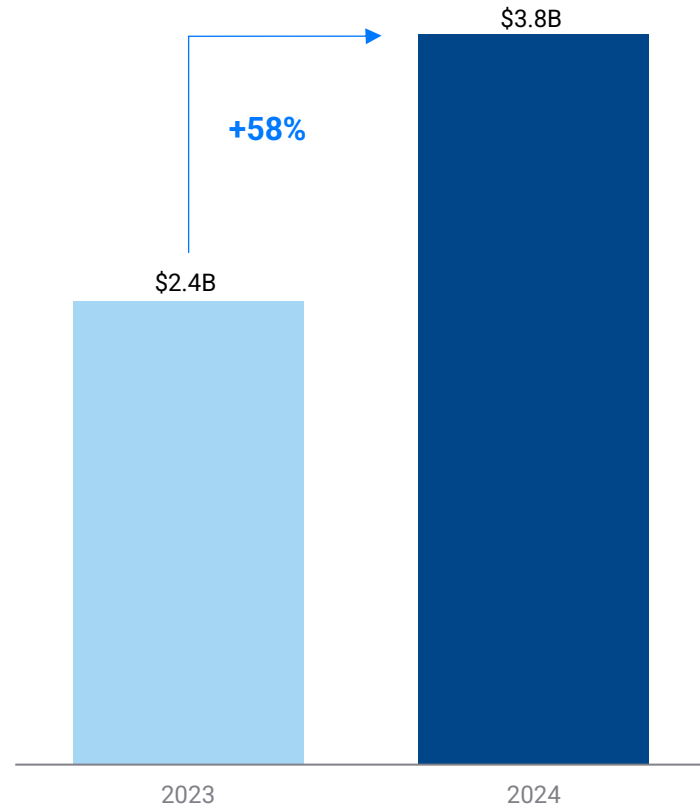
	2023	2026E	2023-2026E CAGR
Identity	\$19.0B	\$27.2B	12.7%
Endpoint	\$19.3B	\$27.4B	12.4%
SOAR / Automation	\$7.2B	\$10.0B	11.6%
Data & Encryption	\$4.4B	\$6.1B	11.5%
Vulnerability Management	\$7.6B	\$10.1B	9.9%
Network & Cloud	\$26.6B	\$35.2B	9.8%
Integrated Risk Management	\$7.1B	\$8.6B	6.6%
Email & Messaging	\$4.5B	\$5.4B	6.3%

Israeli Cybersecurity

With the global cybersecurity threats not slowing down, Israel will continue to be a major player in cybersecurity in 2025 and beyond

Cybersecurity Capital Raisings

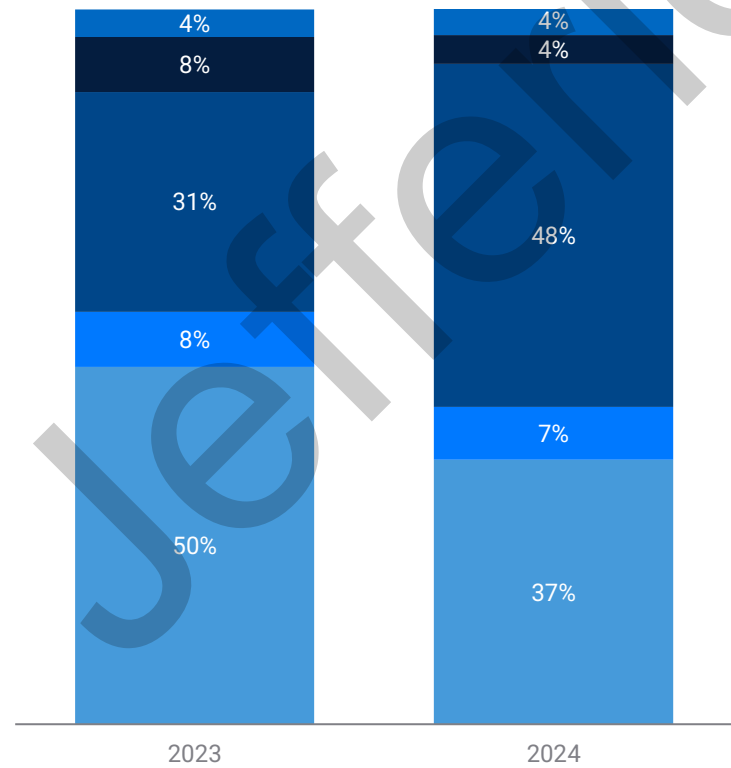
(\$ Billions)



Cybersecurity Exits by Size

(Number of Deals, %)

■ <\$50M ■ \$50-\$100M ■ \$100-\$500M ■ \$500M-\$1B ■ \$1B+



Key Highlights in 2024

Cybersecurity was the most significant vertical by capital raising in 2024, reaching 39% of the total funding. Notably Wiz raised \$1 billion, and Cyera raised \$600 million across two separate \$300 million capital raises in both April and November 2024.

Cybersecurity as with previous years continued to dominate the Israeli M&A landscape, with ~\$5 billion in total transaction value. Notable deals include CyberArk's \$1.5 billion acquisition of Venafi, Permira's \$1.3 billion acquisition of BioCatch, Wiz's acquisitions of Dazz (\$450 million) and Gem (\$350 million), Akamai's \$450 million acquisition of Noname, and Zscaler's \$350 million acquisition of Avalor.

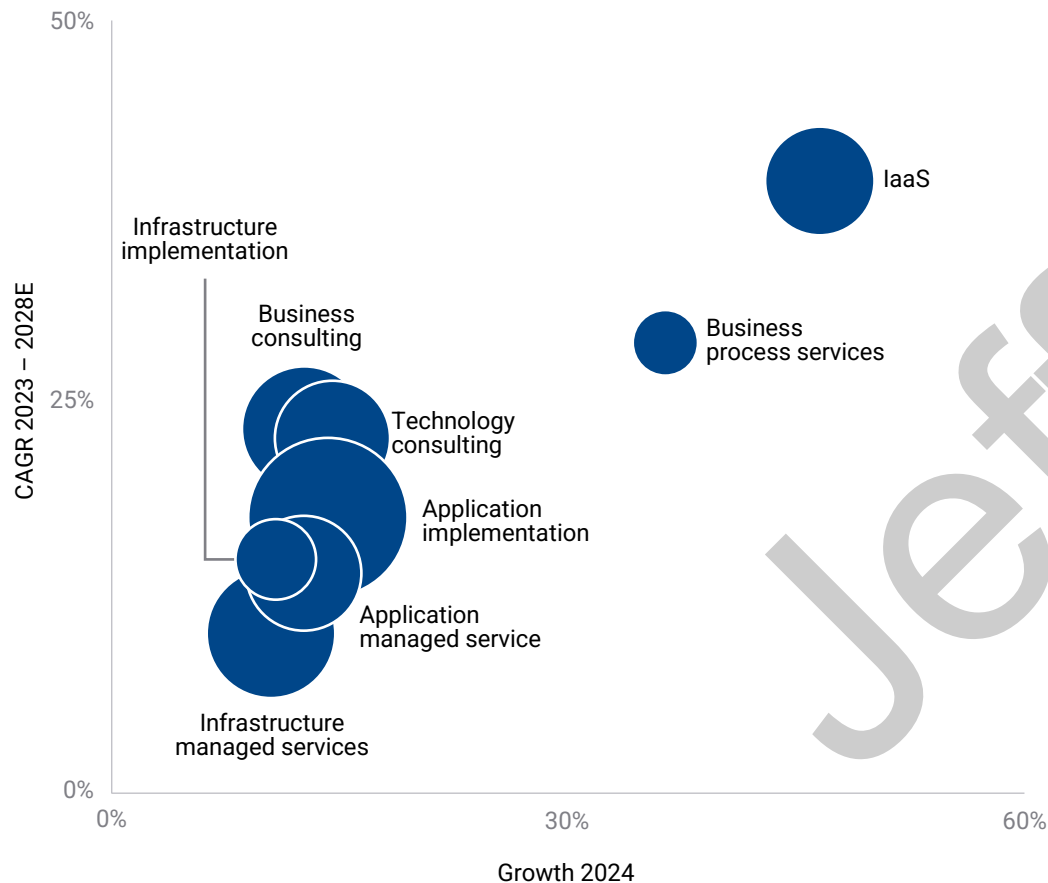
In 2024, the number of Israeli cyber deals remained nearly constant compared to 2023, while the capital invested increased by 58%, rising from \$2.4 billion to \$3.8 billion.

The average deal size increased by ~60% from \$21 million to \$33 million.

AI: Global Trends

By 2028, the AI services market will hit \$609 billion, growing at a five-year CAGR of 21.4%. This growth will be fueled by both generative AI capabilities and traditional AI technologies in predictive analytics and decision making

CLASSIC AI SERVICES SPENDING BY SEGMENT, GLOBALLY



CLASSIC AI SERVICES FORECAST BY SEGMENT, GLOBALLY (CONSTANT U.S. DOLLARS)

	2023	2028E	2023-2028E CAGR
IaaS (Infrastructure as a Service)	\$24.3B	\$70.6B	23.8%
Business Process Services	\$8.5B	\$17.7B	15.7%
Application Managed Services	\$31.5B	\$51.1B	10.2%
Technology Consulting	\$25.4B	\$41.3B	10.2%
Business Consulting	\$33.7B	\$53.7B	9.7%
Infrastructure Managed Services	\$38.6B	\$58.9B	8.8%
Application Implementation	\$51.3B	\$77.0B	8.5%
Infrastructure Implementation	\$12.7B	\$16.6B	5.5%

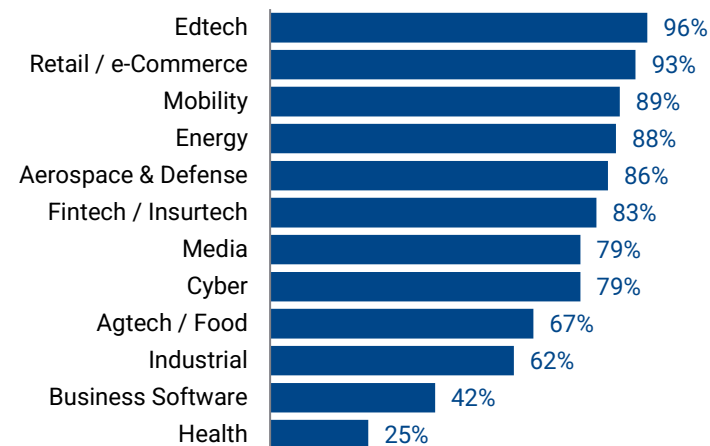
Israeli AI

Israel ranks 3rd globally for Generative AI development and is continuing to invest to grow its position in the industry

AI Companies Across Key Sectors

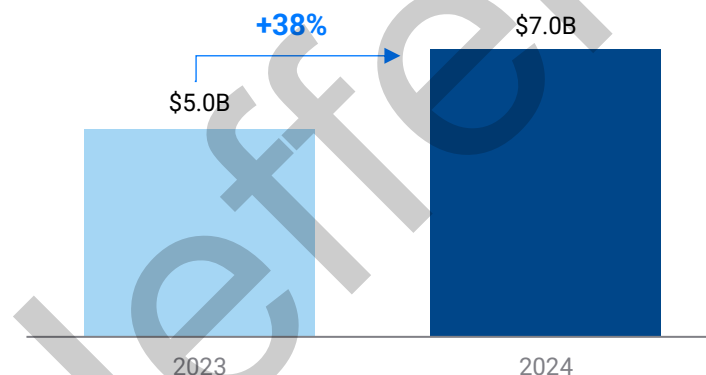
(%, Active companies developing AI products for a specific industry use)

There are over 2,000 Israeli AI-related companies offering various AI products across a vast array of sectors.



AI – Total Private Capital Raised

Israel's AI ecosystem excels in Applied AI with expertise across industries. Supported by government initiatives, multinational R&D centers, local VCs, and strong incubator programs, Israel's AI startups are poised for continued growth in 2025.



Israeli AI Ecosystem

In January 2025, Nvidia announced a \$500+ million investment in a new Israeli AI research data lab.

StartUp Nation Central – “Since 2014, Israeli AI startups have demonstrated remarkable growth, experiencing over 170% increase in active companies compared to a 12% rise in non-AI startups. This surge has created a quantitative advantage, resulting in over 2,000 AI-driven companies and more than 400 leading multinational research centers operating within Israel.”

Israel Innovation Authority – “With the highest number of AI startups per-capita and third in the world for leading companies in the field of Gen AI, Israel is the home of world-leading AI startups, researchers and developers in the industry and in academia, creating the applications and technologies for the next wave of AI.”

CONTEXTUAL DEFINITIONS

- AI encompasses a range of technologies including machine learning, natural language processing, computer vision, and robotics. Its applications span numerous domains, from virtual assistants and recommendation systems to self-driving cars and advanced medical diagnostics.
- Applied AI focuses on solving specific problems with enhanced efficiency and accuracy, while Generative AI is known for creativity, producing original content across various applications.

Appendix



- **#1 Investment Bank in Israel in 2024**, leading the market in total fees, market share, and number of transactions⁽¹⁾. Successfully advised on 22 Israeli transactions in 2024, mostly cross border, representing a total value of \$12B across Capital Markets and M&A.
- **Team members strategically located in both Tel Aviv and New York**, embodying the global identity that Israeli companies hold by nature.
- **Remote member of the Tel Aviv Stock Exchange** and an approved foreign underwriter by the Israel Securities Authority, enabling the globalization of TASE-listed companies and optimizing valuation through increased liquidity.
- **Jefferies Equity Research covers more Israeli public companies than any other global investment bank**: 45+ Israeli and Israeli-related public stocks, 10 of which are listed only on the Tel Aviv Stock Exchange.
- **Jefferies Tech Trek — the largest annual institutional investor tech conference in Israel**, which in 2023 featured 100 leading Israeli companies and hundreds of investors representing \$19T in AUM.

Global Listings (NASDAQ, NYSE, LSE)	Sales & Trading	Global M&A (Sell-side / Buy-side)
TASE Listings (Equity / Debt)	Jefferies Israel Group	Equity Research on Israeli Listed Security
Advise Companies on Growth Strategies	Private Placements	Events, Conferences, Non-Deal Roadshows

Jefferies Israel Group

Dedicated Israel coverage team offers a differentiated approach to Israeli investment banking with local connectivity, coupled with senior institutional support and global sector expert partners

Jefferies Israel Group enjoys senior support and commitment from the top of the house



Rich Handler
Chairman & CEO



Brian Friedman
President



Raphael Bejarano
Global Head of Investment Banking and Capital Markets

Dedicated Team Based in Tel Aviv, New York and London



Natti Ginor
Head of Israel Coverage Group



Omer Geller
Israel Investment Banking



Yosef Angster
Israel Investment Banking



Shoshana Oster
Israel Investment Banking



Nadav Raziel
Israel Investment Banking



Shani Amram
Israel Investment Banking



Guy Zinder
Israel Investment Banking



Ido Petel
Israel Investment Banking



Noy Shidlovsky-Schorr
Israel Investment Banking Business Manager



Yoash Zabary
Head of Israel Fixed Income



Lior Shimonovich
Head of Israel Equity Sales



Nimrod Tevet
Israel Equity Sales

(1) Dealogic Data for Israel-based Fee Payer.

Our Expertise And Commitment Has Established Jefferies As The Advisor Of Choice In Israel

<p>March 2025</p> <p>Bezeq</p> <p>\$250,000,000</p> <p>Common Stock Offering on behalf of B Communication Ltd. (Searchlight Capital) Sole Global Coordinator and Joint Bookrunner</p>	<p>March 2025 Pending</p> <p>matrix</p> <p>\$2,132,000,000</p> <p>MOU for Merger with Magic Software Enterprises Ltd. Sole Financial Advisor</p>	<p>February 2025</p> <p>Outbrain</p> <p>\$900,000,000</p> <p>Acquisition of Teads Joint Financial Advisor \$638,000,000 Financing for Acquisition Joint Bookrunner</p>	<p>March – December 2024</p> <p>PAGAYA</p> <p>\$4,000,000,000</p> <p>Capital Raised Across Convertible, Notes, Equity Follow On, Credit Facility, ABS Left / Sole Bookrunner</p>	<p>November 2024</p> <p>SHARON PERSONAL CARE</p> <p>A portfolio company of Tene Investment Funds Undisclosed</p> <p>Sale to Eteris Fine Chemicals Sole Financial Advisor</p>	<p>July – November 2024</p> <p>Phoenix</p> <p>\$850,000,000</p> <p>Placing of shares on behalf of Centerbridge & Galatin Point Common Stock Offering Sole Global Coordinator</p>	<p>November 2024</p> <p>IDB BANK ISRAEL DISCOUNT BANK</p> <p>\$150,000,000</p> <p>Minority Sale Sole Financial Advisor</p>
<p>September 2024 Pending</p> <p>playtech</p> <p>€2,300,000,000</p> <p>Sale of Snaitech S.p.A. to Flutter Entertainment Joint Financial Advisor</p>	<p>June 2024</p> <p>Pershing Square Capital Management</p> <p>\$1,050,000,000</p> <p>Sale of 10% Common Equity Interest to Strategic Investors Joint Placement Agent</p>	<p>May 2024 Pending</p> <p>Gett.</p> <p>\$175,000,000</p> <p>Sale to Pango Sole Financial Advisor</p>	<p>April 2024</p> <p>ITHACA ENERGY</p> <p>A subsidiary of Delek Group £754,000,000</p> <p>Business Combination with Enti S.p.A. Sole Financial Advisor</p>	<p>January 2024</p> <p>הבורסה לניירות ערך מאגן תל אביב TEL AVIV STOCK EXCHANGE</p> <p>\$94,200,000</p> <p>Common Stock Offering Sole Global Coordinator</p>	<p>December 2023</p> <p>Perion</p> <p>\$125,000,000</p> <p>Acquisition of Hivestock Inc. Sole Financial Advisor</p>	<p>March 2023</p> <p>Weebitnano The Future Memory</p> <p>\$45,000,000</p> <p>Underwritten Offering Joint Lead Manager and Underwriter</p>
<p>January 2023</p> <p>Cloudify</p> <p>Undisclosed</p> <p>Sale to Dell Technologies Sole Financial Advisor</p>	<p>January 2023</p> <p>ISRAEL DISCOUNT BANK</p> <p>\$800,000,000</p> <p>Senior Notes Offering Joint Bookrunner</p>	<p>January 2023</p> <p>leumi</p> <p>\$500,000,000</p> <p>Subordinated Notes Offering Joint Bookrunner</p>	<p>November 2022</p> <p>ITHACA ENERGY</p> <p>\$304,000,000</p> <p>Initial Public Offering Joint Bookrunner</p>	<p>November 2022</p> <p>ironSource</p> <p>\$17,580,000,000</p> <p>Merger with Unity Software Sole Financial Advisor</p>	<p>July 2022 June 2022</p> <p>leumi</p> <p>\$500,000,000 Senior Notes Offering Joint Bookrunner \$800,000,000 Ordinary Stock Offering Joint Bookrunner</p>	<p>July 2022</p> <p>Berkshire Partners</p> <p>Undisclosed</p> <p>Minority Acquisition of MedOne Sole Financial Advisor</p>
<p>July 2022</p> <p>SUN DAY SKY</p> <p>\$100,000,000</p> <p>Sale of Controlling Interest to Clearhaven Partners Sole Financial Advisor</p>	<p>January 2022</p> <p>vertex VENTURES ISRAEL</p> <p>\$160,000,000</p> <p>Multi-Asset Strip Sale Sole Financial Advisor</p>	<p>October 2021</p> <p>bank hapoalim</p> <p>\$1,000,000,000</p> <p>3.25% Green Subordinated Notes due 2032 Fixed Income Offering Co-Manager</p>	<p>September 2021 May 2021</p> <p>Global</p> <p>\$431,250,000 Initial Public Offering Joint Bookrunner \$883,000,000 Common Stock Offering Joint Bookrunner</p>	<p>August 2021</p> <p>GLOBAL DATA CENTER</p> <p>Undisclosed</p> <p>Sale to EdgeComeX Sole Financial Advisor</p>	<p>July 2021 July 2021</p> <p>Outbrain</p> <p>\$200,000,000 Senior Secured Notes Offering Joint Placement Agent \$160,000,000 Initial Public Offering Joint Bookrunner</p>	<p>June 2021</p> <p>SentinelOne</p> <p>\$1,408,750,000</p> <p>Initial Public Offering Joint Bookrunner</p>
<p>June 2021</p> <p>monday.com</p> <p>\$631,000,000</p> <p>Initial Public Offering Joint Bookrunner</p>	<p>June 2021 January 2021</p> <p>ZIM</p> <p>\$225,000,000 Initial Public Offering Joint Bookrunner \$321,000,000 Common Stock Offering Joint Bookrunner</p>	<p>May 2021</p> <p>RAPIDMEDICAL</p> <p>\$50,000,000</p> <p>Private Placement of Equity Sole Placement Agent</p>	<p>May 2021</p> <p>similarweb</p> <p>\$176,000,000</p> <p>Initial Public Offering Joint Bookrunner</p>	<p>May 2021</p> <p>Nayax</p> <p>\$206,000,000</p> <p>Initial Public Offering Sole Global Coordinator</p>	<p>March 2021</p> <p>ironSource</p> <p>\$11,100,000,000 Merger with Thoma Bravo Advantage Joint Financial Advisor \$1,300,000,000 Private Placement of Equity Joint Placement Agent</p>	<p>March 2021</p> <p>Fyber</p> <p>\$600,000,000</p> <p>Sale to Digital Turbine Sole Financial Advisor</p>

- Since January 2021, Jefferies Israel Group has advised on 57 transactions with a total value over \$56B across Capital Markets and M&A
- In 2024, despite the conflict and challenging environment, Jefferies led 4 global follow-on offerings for TASE-listed companies totaling ~\$950M, providing the companies with an enhanced global investor shareholder base while improving overall liquidity in the market



(1) 2024 ranking based on total fees, market share, and number of transactions (Dealogic Data for Israel-based Fee Payer).

Helpful Links and Reference Materials

Jefferies

Tech Trek

Israel's Largest Institutional Investor Technology Conference

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STARTUP
NATION
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Annual Report 2024:

The Year of the Scale-Up Powerhouse

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Israeli Innovation

Defense Tech Map 2024

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STARTUP
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AI 2024 Israeli Tech Report:

Israel's World-Class AI Powerhouse: Leading Through Applied Innovation

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IVC Research Center

Tap into the Digital Ecosystem of the Israeli High-Tech

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Israel Innovation Authority

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Bank of Israel

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Viola Fintech 2024 Report

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