2023-24 Innovation Trends & Forecasts

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About me

Innovation & Business Creation Manager
Passionate about startup support and corporate open innovation models.
Goals for today

1. Knowledge is power
   - Know the pressing trends and forecasts the industry is facing
   - Improve your product and offerings, to meet your stakeholder’s needs

2. Know your customer
   - Better idea of what my stakeholder wants

3. Position yourself/organization
   - Be a trend setter. Earn credibility and trust.
YC advises founders to ‘plan for the worst’
Y Combinator: Plan ahead and make sure your company survives

- The new normal
- Challenges in raising money
- Stretch your runway
- Focus on profitability
- We are all on the same boat = opportunities

Techcrunch, 2022
Geopolitical & economic timeline

December 2019
Covid-19 hits

February 2020
Brexit in the UK

December 2021
The era of cheap money is over
The era of cheap money is over

The Fed

Lower interest rates > Encourage consumers to get loans for big purchases like cars and homes > businesses borrow money to expand > **sky-high valuations across all startup sectors**

Covid hits > supply chains, factories and manpower is affected > bottlenecks in various systems > **costs increased significantly**

Worldwide inflation > Federal Reserve interest rates have risen quickly > forcing startups to find alternatives to easy funding > The era of cheap money is over

Financial Times, January 2023
Geopolitical & economic timeline

December 2019
Covid-19 hits

February 2020
Brexit in the UK

December 2021
The era of cheap money is over

February 2022
Russia-Ukraine war

May 2022
A surge in energy prices, natural gas demand in the European Union fell

June 2022-now
Worldwide inflation. The first sector to absorb the impact of the slowdown - high-tech
Global ecosystem timeline

**January 2022**
Historic US Congress act – IRA
Cuts the deficit to fight inflation

**January 2023**
Game changer European regulations emerge
- Horizon Europe 3rd year
- EU waste management laws
- InvestEU
- Healthcare data space

**November 2022**
Open AI & Chat GPT is taking over the world
- Google & Microsoft race to launch their answer to ChatGPT
- Google’s stock falling
- Elon Musk & more signing a letter to slow the development of AI

**March 2023**
SV Bank falldown, affecting startups around the world

**May 2023**
IIA published a serious warning regarding the increasing trend of startups being incorporated as foreign companies

**June 2023**
Apple launch their new VR/AR glasses
What we are going to talk about today:

1. Overview of global markets & sectors
2. Trends in VCs funding
3. The industry – corporate innovation and government regulations
4. Sources of information & knowledge
Overview of global markets & sectors
StartupBlink launch in May 2023 the world ecosystem ranking; no change for the US and Israel, Nordic countries on the rise
US is (still) the go-to-market for startups around the world

The United States will likely remain a top destination for startups, thanks to its:

• **Strong research and development capacity**
  A global leader in R&D, funding 69% of annual global R&D.

• **Friendly policies**
  Fewer taxes to pay, and regulation & legal protection are easy to understand and to accommodate.

• **Lots of funding opportunities**
  The US offers access to capital in the form of grants, investors, clients and suppliers.
According to Startup Genome Q1’23 report, Europe is leading as a home for top emerging ecosystems

Share of Emerging Ecosystems by Region

Source: Startup Genome, 2023
Up and coming ecosystems to view

The Nordic countries
+4,000 startups
78 Unicorns
$11.7B funding startup raised in 2022

Relatively small market
Thinking globally from the get-go

Southern Europe
+6,200 startups
44 Unicorns
$31.1B funding startup raised in 2022

Increasing digitization in the region opens new opportunities for startups

EU-Startups, March 2023
Dealroom, Pitchbook, 2022
## New up and coming ecosystems to view

<table>
<thead>
<tr>
<th>The Nordic countries</th>
<th>Southern Europe</th>
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<tr>
<td><strong>Ecosystem characteristics</strong></td>
<td>Top-ranked business schools, large market and a robust geographical infrastructure &gt; <strong>attract skilled talent.</strong></td>
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<td><strong>Startup hubs</strong></td>
<td>Conferences in the region have been proven to <strong>boost the local ecosystems.</strong></td>
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<td><strong>Leading sectors</strong></td>
<td>Barcelona, Málaga, and Lisbon</td>
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**The Nordic countries**
- Tax incentives, research funding, and access to financing to **promote entrepreneurship.**
- Their **early adoption of digitalization** has fostered today's startup ecosystem.
- Stockholm, Helsinki, and Copenhagen
- Fintech, Cleantech, and Healthtech

**Klarna.**

**Southern Europe**
- Enterprise software, Fintech and Transportation
Leading Sectors to scale

- Artificial intelligence
- Quantum computing
- Healthcare
- Cybersecurity
- Robotics
- Agriculture
- Semiconductors
- Clean energy

Inc., January 2023
Leading sectors to scale

Healthcare  
Cybersecurity  
Robotics  
Agriculture  
Semiconductors  
Clean energy

Inc., January 2023
Climate tech represents 19.5% of global tech funding in Q1’23
Overview of leading ecosystems & sectors
Let’s recap

US remains the leading go-to market for startups
AI & Quantum will be utilized in almost every sector, such as cancer research, nuclear simulation and autonomous driving

Ecosystems to look out for are in the Nordic countries and in Southern Europe
Climate and Energy sectors will reach new picks

Let’s recap
VCs Investments
Trends in global investments

- $76 Billion Global funding in 2023 Q1
- $10 Billion Investment into OpenAI
- $6.5 Billion Investment into Stripe
- 53% Decline From 2022 Q1 - $162 Billion
- 44-54% Decline In every funding in 2023 Q1

Q1 funding would have been even lower without those two large deals.

Forbes, April 2023
The inflation affects the number of investments in Q1’23, except for the US
Amount of funding raised by startups, divided by geography

Source: CB Insights
Number of startup IPOs fall by 47%, the lowest level in a decade

Source: CB Insights
Only 13 unicorns emerge in Q1’23, the lowest level in 6 years

Source: CB Insights
Attitude shift

The lower number of deals and capital invested in 2022-23 was because of a reversal of behavior and increase cost of the money from the fast and furious pace of 2021.

Some of the reasons led to this VCs shift:

- Less virtual dealmaking
- Less risk-taking approach leading to longer due diligence processes
- Longer times between financings rounds

Forbes, March 2023
Dry powder
Available money that is pending to being invested

Dry powder is the amount of committed but unallocated capital a VC has available. The dry powder of VCs worldwide is estimated at $580 billion.

Investors use their dry powder strategically when:

1. They are looking to gain financial success
2. Ease financial stress – such in recession times
Investors declare that the dry powder will be deployed in big numbers in 2023-24

“Our dry powder model suggests that the VC industry will have only a modest slowdown this year in comparison to last year and will continue to see record levels of investment in 2023 and 2024.”

Jon Sakoda
Founder at Decibel Partners (in partnership with Cisco)

“There is a lot of dry powder waiting to be deployed, and investors continue to have an appetite and invest in technology as there are strong tech companies in the market and the secular tech trends prevail.”

Irit Kahan
Partner, Head of DTCP Israel, Growth Equity
Late-stage valuations (Series A to C) are down 23% from Q1’23

Late stage valuations of European startups well below the peak
Average pre-money valuation by quarter (€m)

Pitchbook
Early stage valuations remained stable in Q1’23, with even slight rise.
Early stage startups growing investment popularity

54% of investors plan to be mostly early-stage investors in 2023 (Tech.eu, 2023)

Efficiency is part of the early-stage DNA
Tier-I VCs look for startups with strong business model and a fast path to profitability

Times of crisis = successful ventures
Entrepreneurs need to be far more precise with their products and their market fit in the early stages.

A flow of talents to the markets
Talents from top tech companies will most likely establish innovative startups

Dealcloud, March 2023
“Some of the world’s largest tech companies were created during downturns as new problems and inefficiencies become more apparent; I see no reason why this wouldn’t be the case this time around. We’re keeping an eye out for these types of companies and are still willing to make big, bold, investments”.

Gigi Levy-Weiss
General Partner at NFX

“The future is coming from necessity”

“Investing in startups is all about valuations. Everyone is looking for the next unicorn, disrupter, to whoever is “building a better mousetrap,” and many investors are on the hunt to find these companies at their earliest stages. The later you invest, the more you’re going to end up paying for less of the company.”

Jason Seats
Techstars Chief Investment Officer
What will happen in the VCs Industry in the next two years?

An entirely new class of startups will emerge and will look for early-stage investment.

VC investments will be more reliable, data-driven, and profitable.

VCs remain especially selective in 2023, resulting in an increase in portfolio investments.

VCs and their LPs will demand technology that is tailored to their needs.
Drastic decline in investments, IPOs and Unicorns numbers

In times of crisis, opportunities rise. New wave of entrepreneurs and startups will emerge, and we’ll see the flow of capital. VCs are more cautious with their capital, pivoting into more early-stage investments.

A global attitude shift of VCs

Trends in investments

Let’s recap
The Industry – corporates & government regulations
Corporations are in a strategic freeze
• The fear of recession
• Layoffs
• The fear of losing income
• Higher cost of supply chain
  = less resources invested in innovation
Trends in corporate innovation in 2023

Freeze market
Budgets getting cut for innovation, while corporates are waiting to see AI development and results.

44% of corporates plan to strengthen collaborations with startups in the next 18 months, while 26% plan to decrease.

41% of finance corporate unit heads executives saying they’ll cut M&A first = less startups will be acquired.

Rising corporate innovation model
Corporate venture client

S&P, February 2023
Main holdbacks in corporate-startup collaboration

• **Legal constrains**
  Compliance demands can overwhelm startups comparing to large corporations with huge legal teams.

• **Low risk tolerance**
  Corporations don’t make drastic changes that could hurt their market position. Startups have everything to prove, they're ready to take risks and pivot.

• **Lack of strategic focus from top management**
  An innovation downturn results from a lack of strategic focus among corporations. There is a correlation between it and the recession crisis, which includes job cuts and fear of losing incomes.
Trends in corporate Innovation in 2023

ESGs as a standard

Corporate responsibility is growing in importance, as sustainable development goals (SDG) and environmental, social, and corporate Governance (ESG) become standard industry terms.

- Delivery robots and electric delivery vehicles
- Energy efficient laptops and hand phones
- Sustainable recycled materials, used in 71% of Nike footwear cloths
Adopting a global approach for scouting

Incorporate different markets in your scouting, can be a new UVP

A need for flexibility on open innovation offerings/programmes to allow liner or deeper model based on the resources available and needs

Sponsorship in a downturn

Retail, service providers, banks, legal firms sponsorship rather than other sectors, opportunity for new clients

Looking for direct ROI

Sponsorship comes from sales strategy rather innovation needs
The Industry – government regulations
Major US/EU acts to reduce inflation and boost innovation

**IRA (Inflation Reduction Act)**

The act will be reducing the deficit, provide federal funding for climate efforts and lower healthcare costs.

- **Some of IRA acts:**
  - **$300 billion** in Deficit Reduction
  - **$369 billion** in Energy and Climate Change programs
  - Lowering **drug prices**

**InvestEU**

Consists €372 billion to give a boost to sustainable investment, innovation, social inclusion and job creation in Europe.

**The European Health Data Space**

A health ecosystem consists of practices, infrastructures, and governance frameworks supporting free access to people’s health records.
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How can you stay updated and on trend?

Upcoming leading conferences & events:

Other sources:
Questions?
Thank you!

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