

A silhouette of a person in profile, facing left, with their hand resting on their chin in a thinking pose. The image is overlaid with a complex network of blue digital icons and circuitry. These icons include a globe, a house, a Wi-Fi symbol, a play button, a person inside a circle, a calendar, and various data charts and graphs. The overall theme is technology, innovation, and digital connectivity.

2023-24 Innovation Trends & Forecasts

Maayan Sharon, Innovation & Business Creation
Manager, EIT Hub Israel

14 September 2023

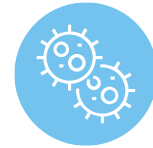
About me

Innovation & Business Creation
Manager

Passionate about startup support
and corporate open innovation
models.



Goals for today



May 2022

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

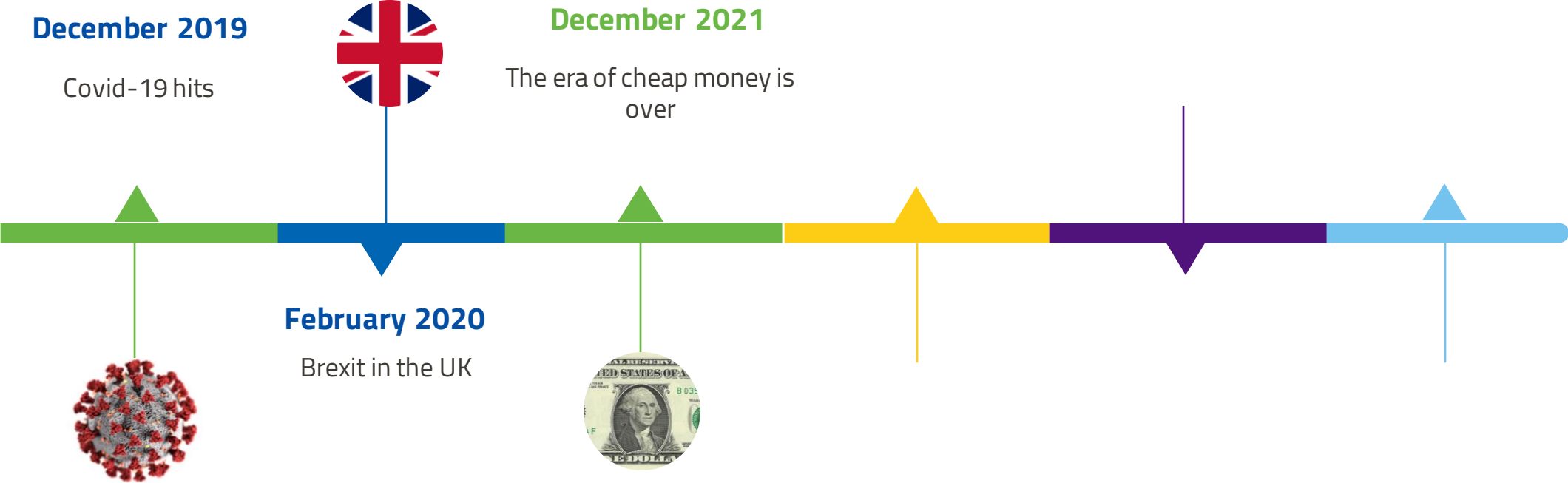


Focus on
profitability

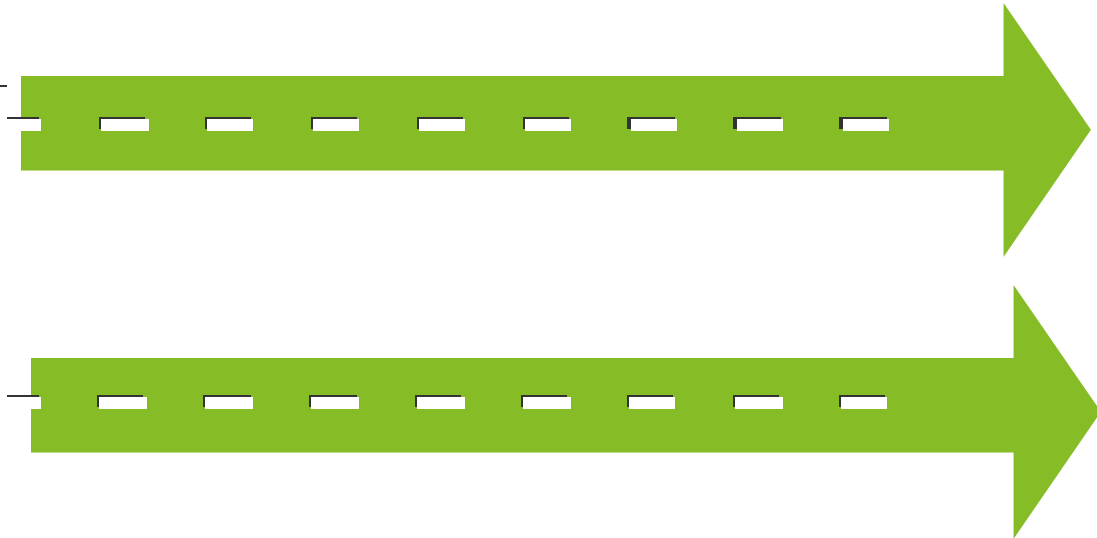


We are all on the same
boat = opportunities

Geopolitical & economic timeline



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**

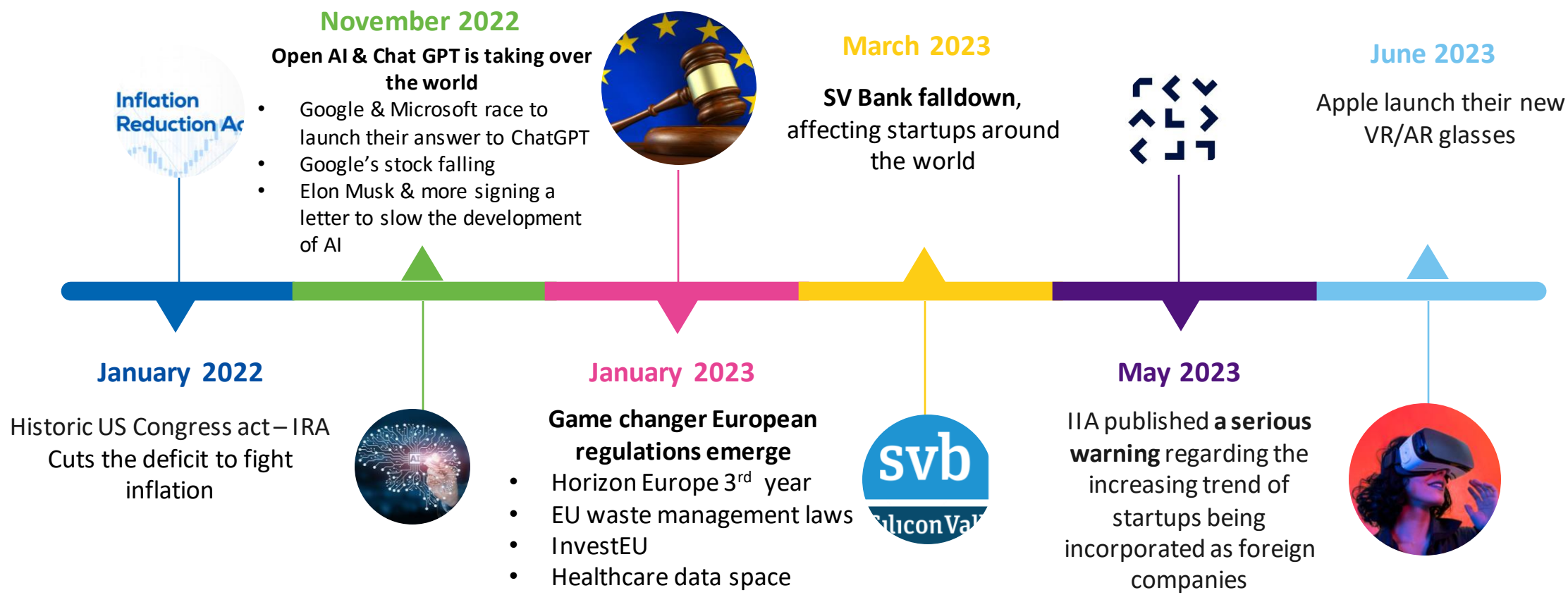
Covid hits > supply chains, factories and manpower is affected > bottlenecks in various systems > **costs increased significantly**

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

Geopolitical & economic timeline



Global ecosystem timeline



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

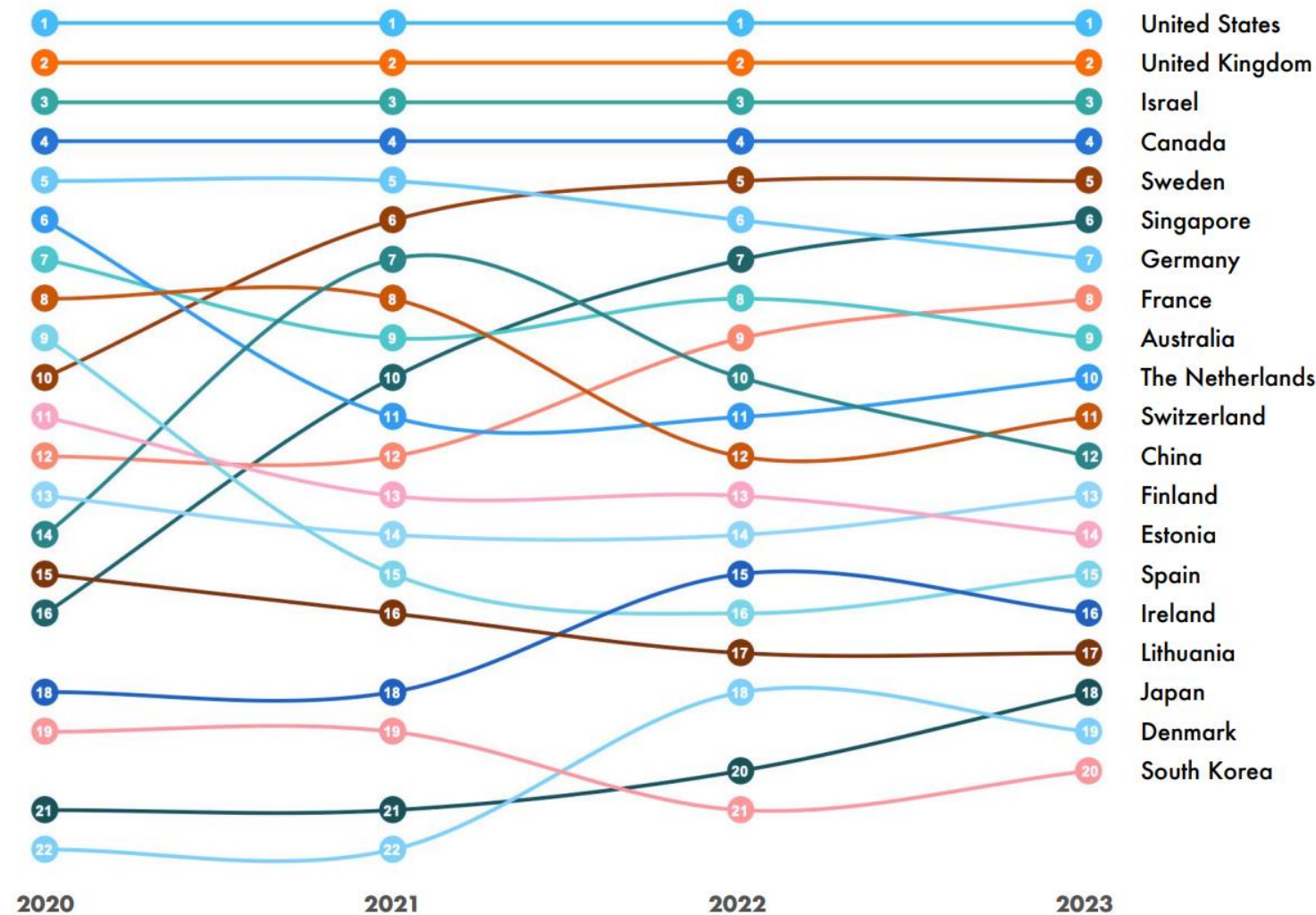
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Sources of information & knowledge

Overview of global markets & sectors



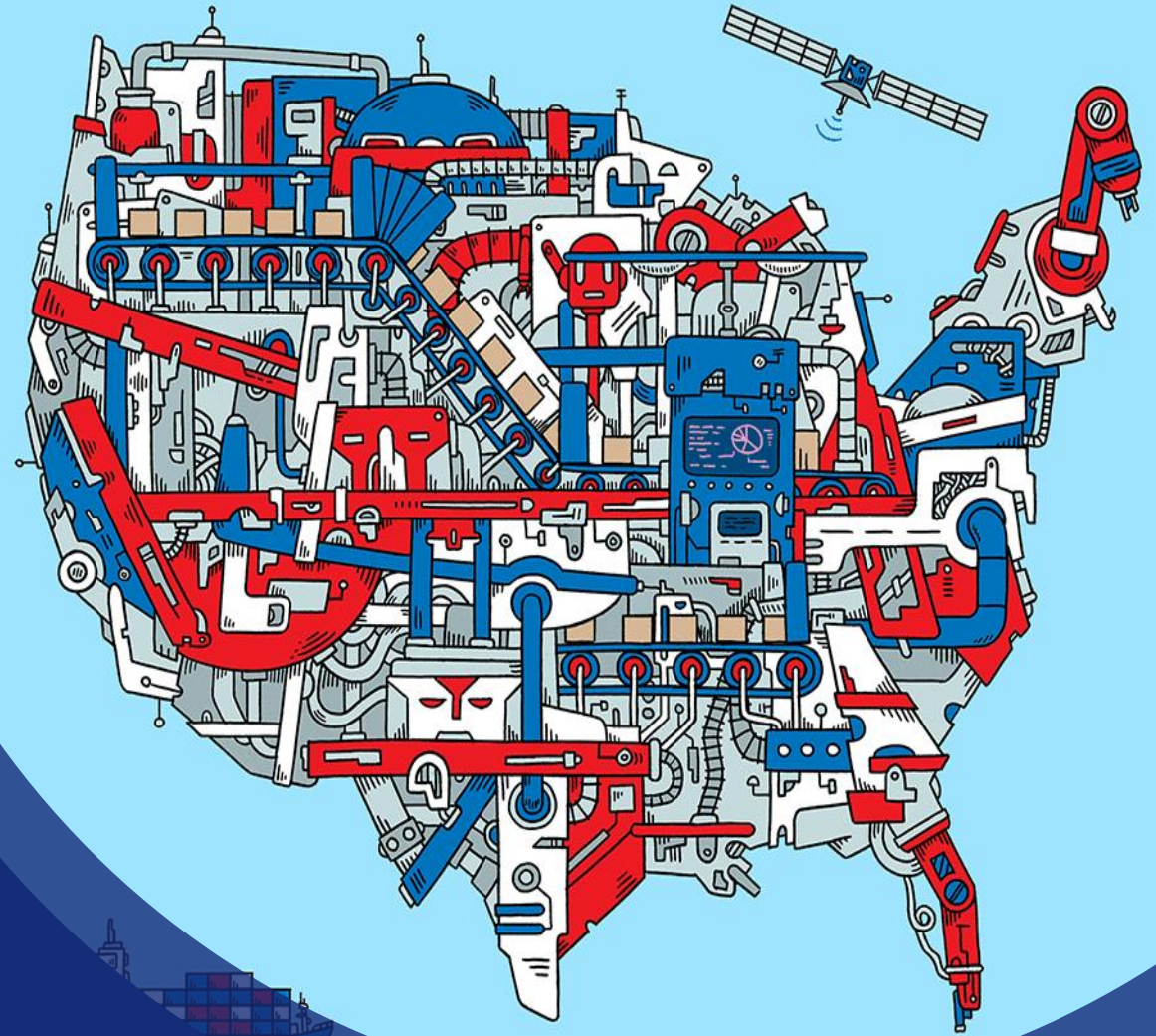
StartupBlink launch in May 2023 the world ecosystem ranking; no change for the US and Israel, Nordic countries on the rise



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:

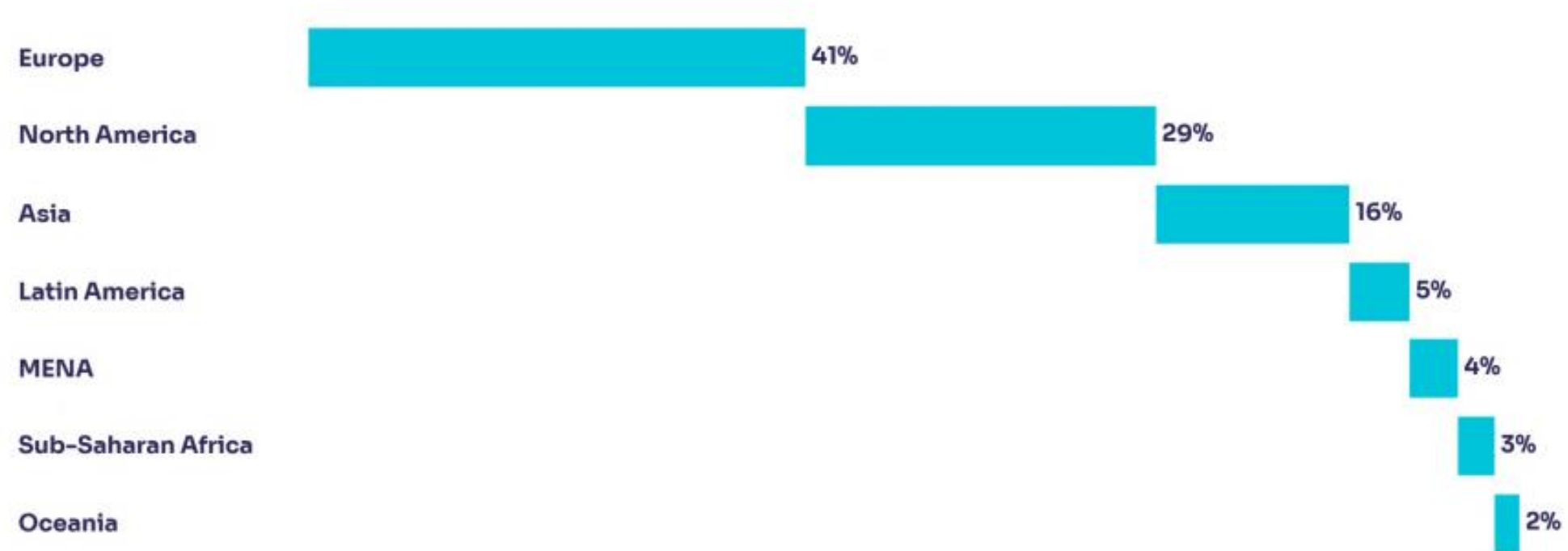
- **Strong research and development capacity**
A global leader in R&D, funding 69% of annual global R&D.
- **Friendly policies**
Fewer taxes to pay, and regulation & legal protection are easy to understand and to accommodate.
- **Lots of funding opportunities**
The US offers access to capital in the 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



New up and coming ecosystems to view

The Nordic countries



Ecosystem characteristics

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.



Startup hubs



Leading sectors

Southern Europe

Top-ranked business schools, large market and a robust geographical infrastructure > **attract skilled talent**.

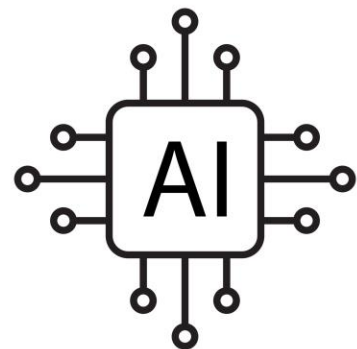
Conferences in the region have been proven to **boost the local ecosystems**.

Barcelona, Málaga, and Lisbon

Enterprise software, Fintech and Transportation

Glovo!

Leading Sectors to scale



Artificial intelligence
Cross vertical



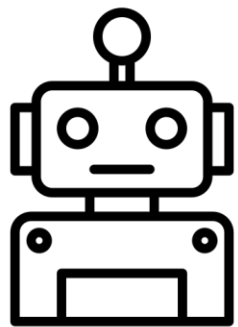
Quantum computing
Cross vertical



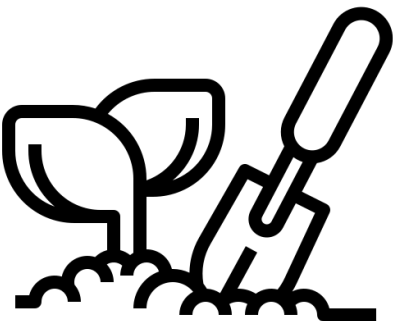
Healthcare



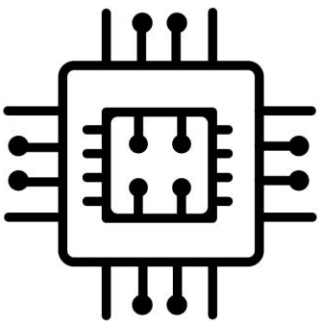
Cybersecurity



Robotics



Agriculture



Semiconductors



Clean energy

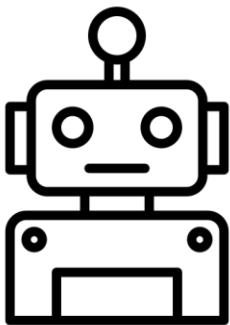
Leading sectors to scale



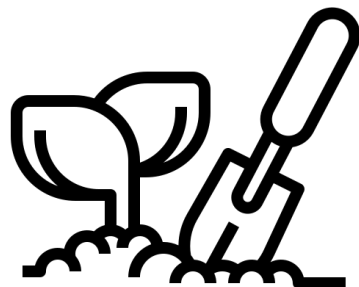
Healthcare



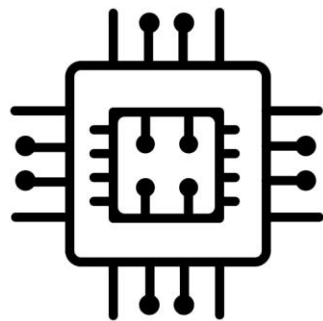
Cybersecurity



Robotics



Agriculture

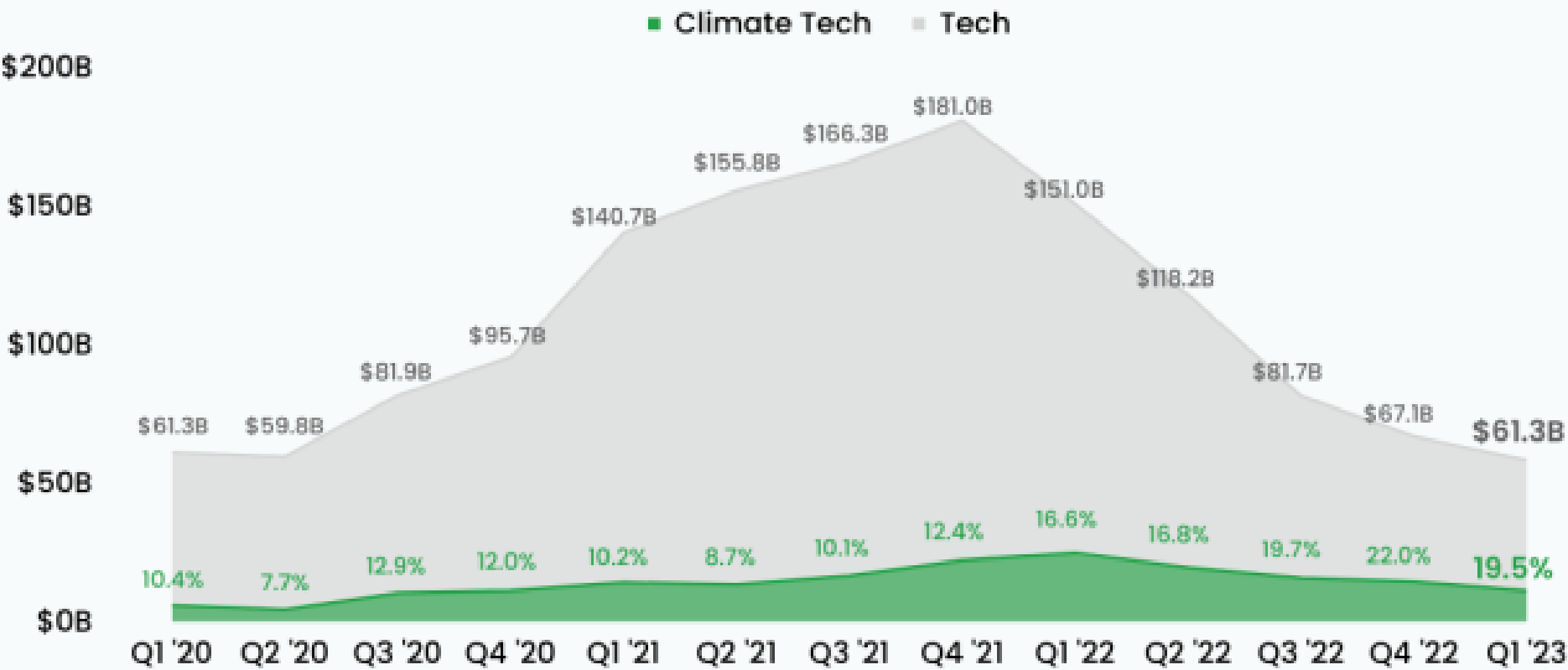


Semiconductors



Clean energy

Climate tech represents 19.5% of global tech funding in Q1'23



Overview of leading ecosystems & sectors

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



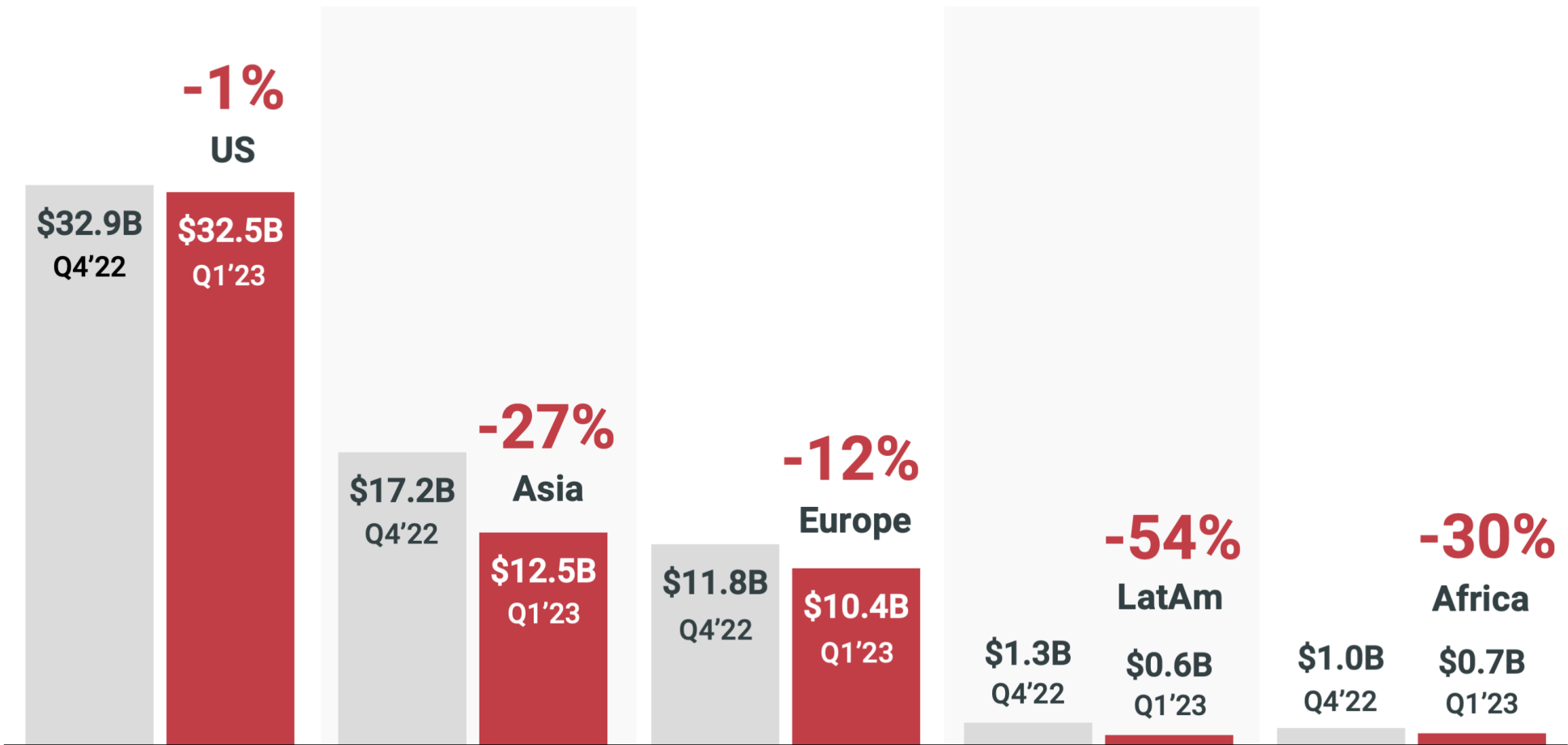
44-54% Decline

In every funding in
2023 Q1

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

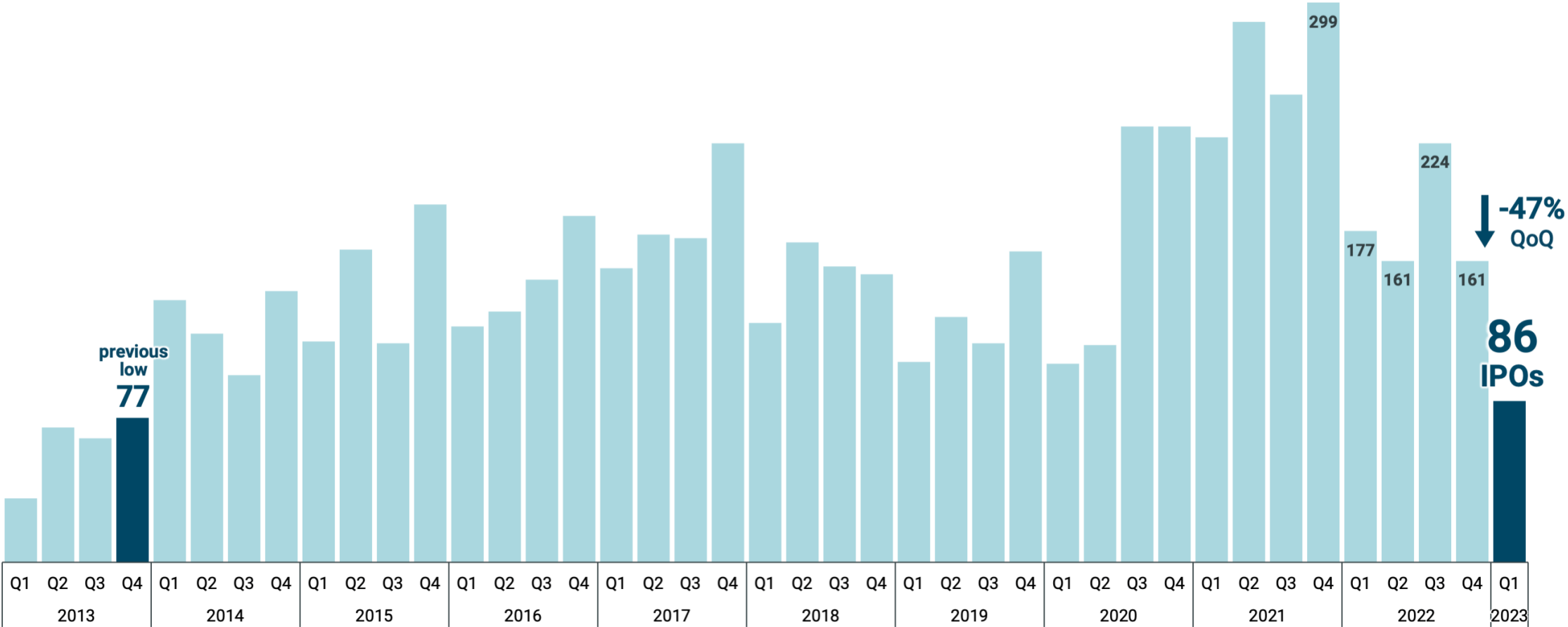
The inflation affects the number of investments in Q1'23, except for the US

Amount of funding raised by startups, divided by geography



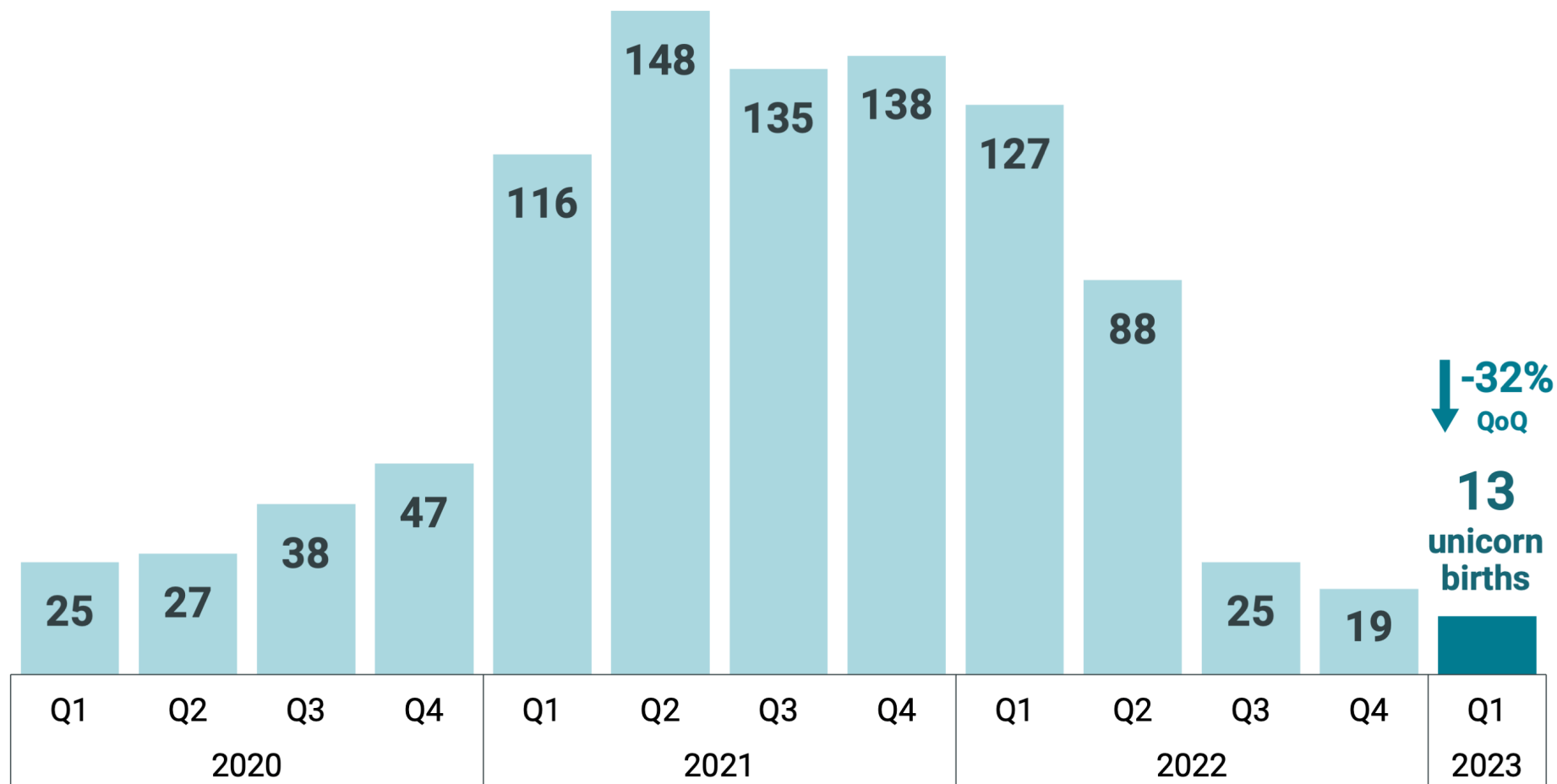
Source: CB Insights

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:



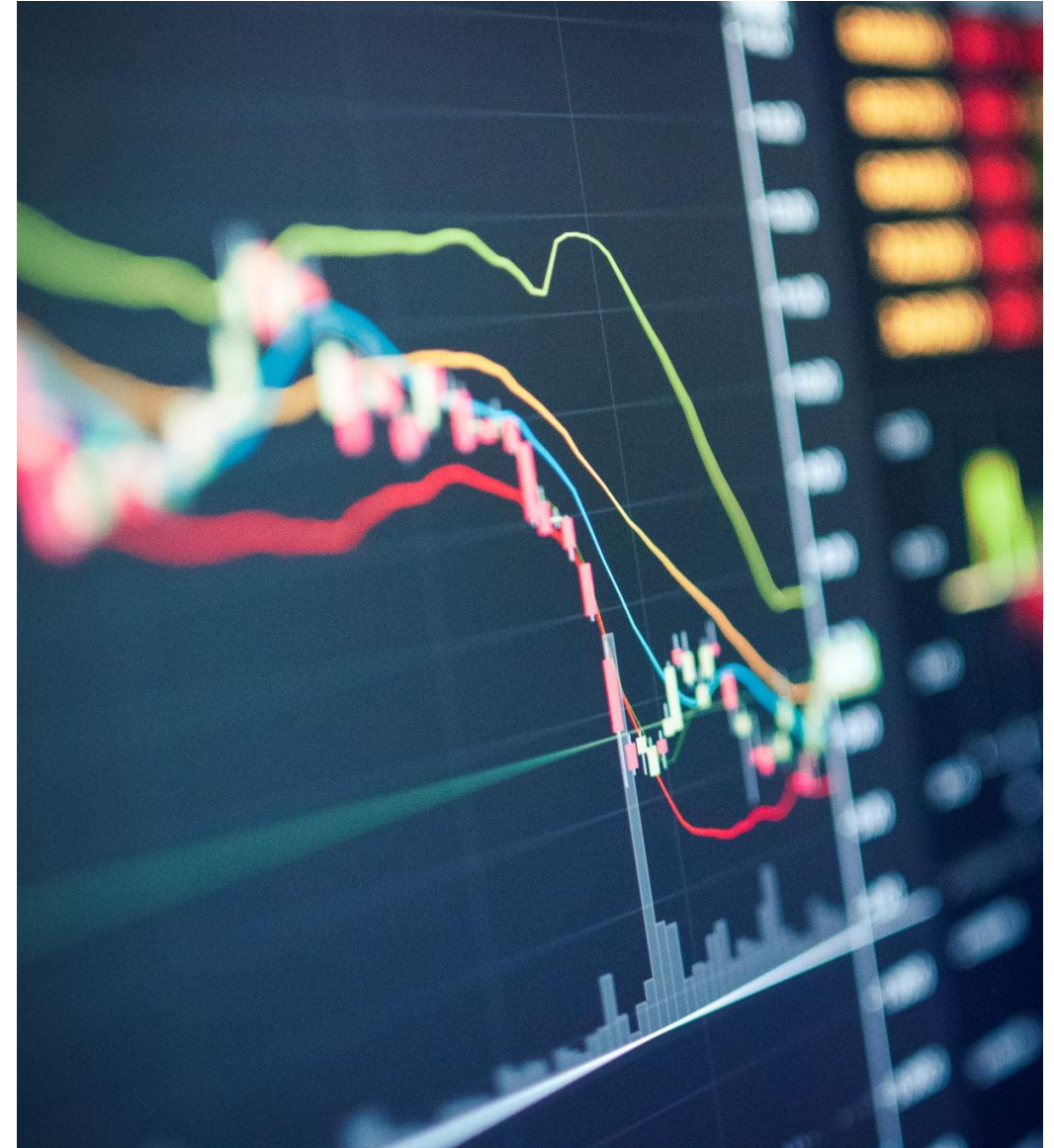
Less virtual dealmaking



Less risk-taking approach leading to longer due diligence processes



Longer times between financings rounds



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.”

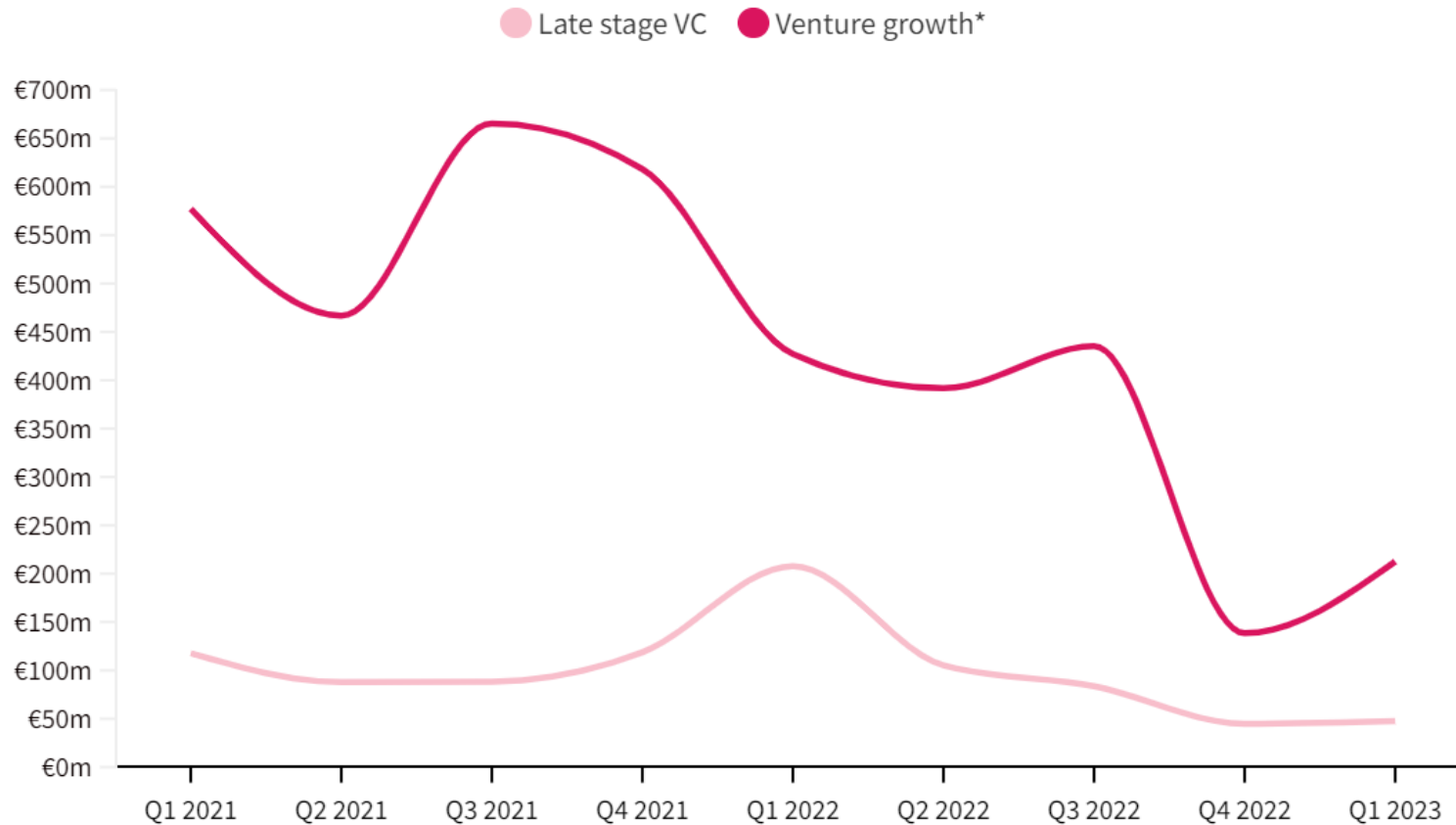
Irit Kahan

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

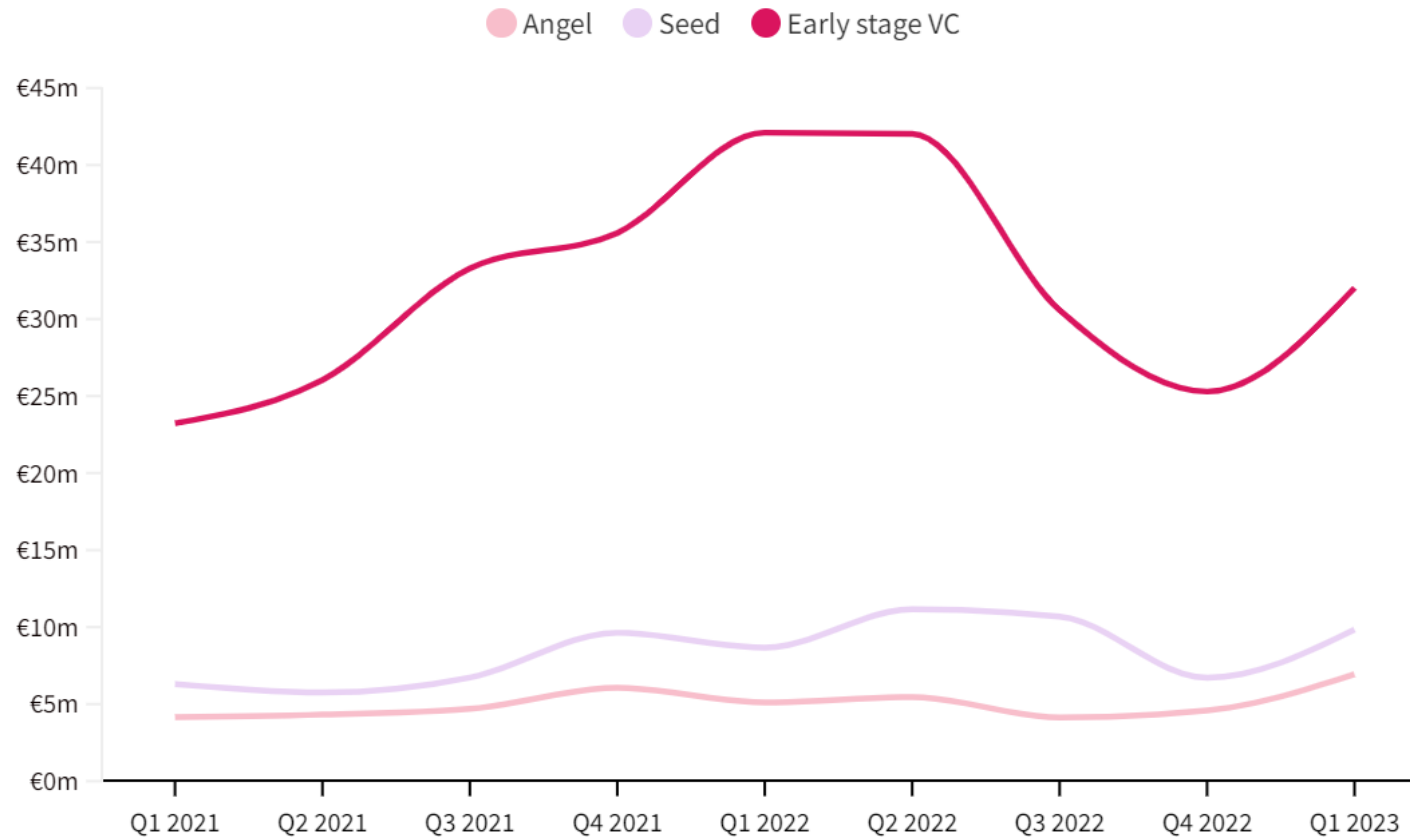
Average pre-money valuation by quarter (€m)



Early stage valuations remained stable in Q1'23, with even slight rise

Early stage valuations of European startups a little more robust

Average pre-money valuation by quarter (€m)



Data: [Pitchbook](#)

Early stage startups growing investment popularity



54%

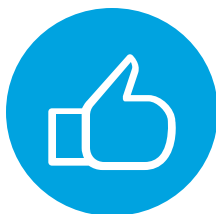
of investors plan to be mostly early-stage investors in 2023

(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

The future is coming from necessity



“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



“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?



Trends in investments

Let's recap



The industry – corporates & government regulations



A large, jagged iceberg floats in a calm, dark blue sea under a cloudy sky. The iceberg's reflection is visible in the water. The text "Corporations are in a strategic freeze" is overlaid in white, bold font at the bottom.

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

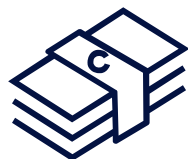


Trends in corporate innovation in 2023



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

Main holdbacks in corporate-startup collaboration

- **Legal constrains**

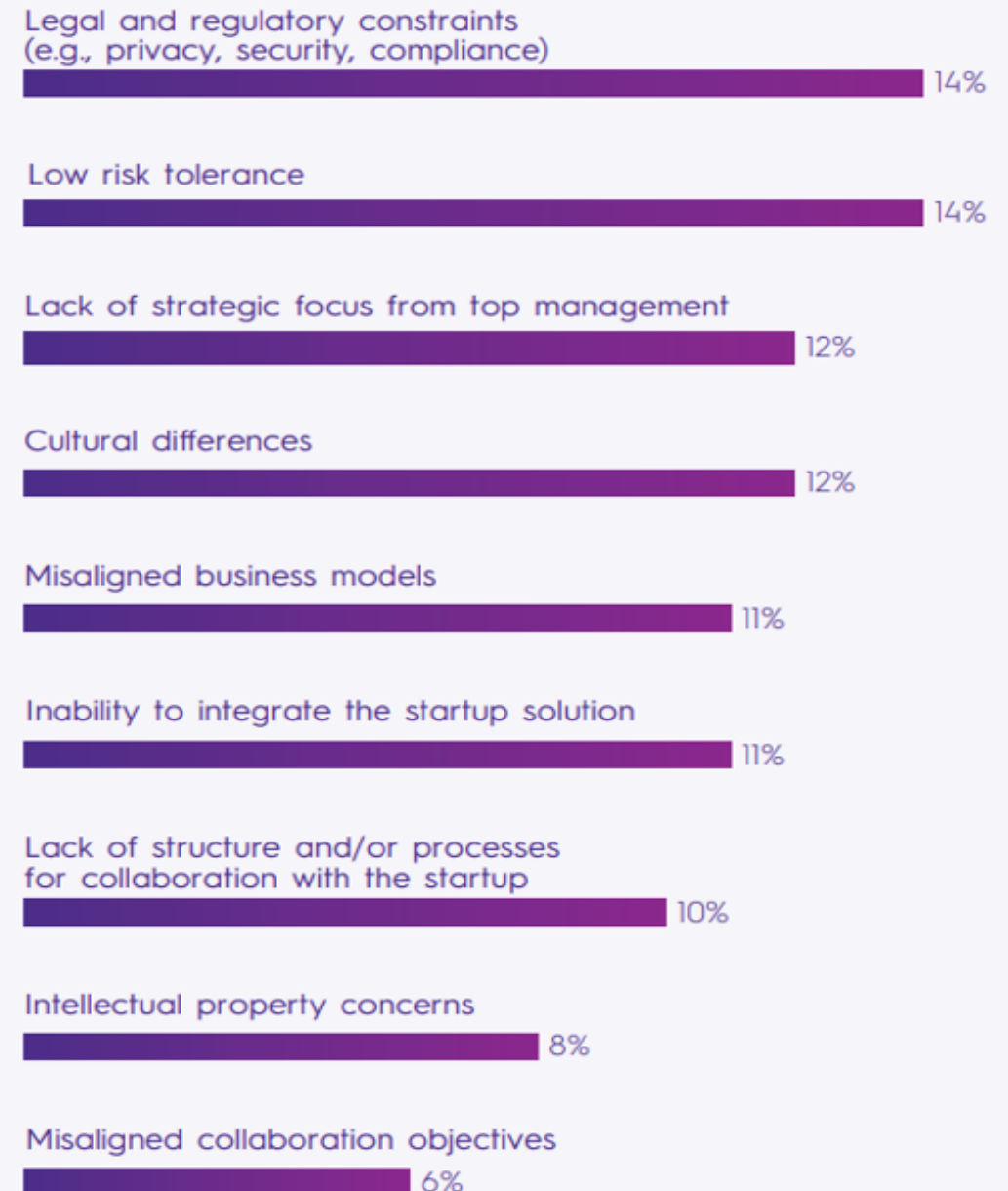
Compliance demands **can overwhelm** startups comparing to large corporations with huge legal teams.

- **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



Trends in corporate innovation

Recap & forecasts



The industry – government regulations



Major US/EU acts to reduce inflation and boost innovation

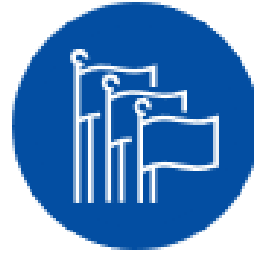


IRA (Inflation Reduction Act)

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

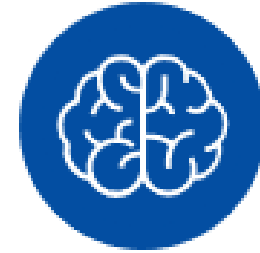
Some of IRA acts:

- **\$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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Sources of information & knowledge

How can you stay updated and on trend?

Upcoming leading conferences & events:

Other sources:

Questions?

Thank you!

Maayan Sharon, Innovation & Business Creation Manager

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