

Why 2025 is the Best Time to Invest in Israeli Deep Tech



Seeing the Pattern Before the Headlines

The best investors follow signal, not hype. And if you've been in the game long enough, you know one pattern tends to repeat: **the most durable returns don't start when markets are surging. They start when systems are recalibrating. When founders are under pressure, valuations are right-sized, and smart capital starts moving quietly.**

That's where Israeli deep tech sits today. Even after two years of volatility — war, talent compression, limited fundraising — the ecosystem didn't fold. It filtered. Companies that weren't built for endurance stepped back. Those that were kept building. And what emerged in their place is a concentrated wave of technical founders, mission-aligned capital, and category-defining infrastructure, especially in AI, cybersecurity, and cloud.

You might not read about this in headlines yet. But the data is clear: capital deployment is steady, exits are returning, and Q1 2025 marked a promising uptick in early-stage formation. The broader environment is still tense both geopolitically and economically.

But that's what makes this moment so investable.

Consider this paper a briefing. It lays out why early 2025 isn't the aftermath of a crisis, but the inflection point that historically defines the best-performing venture vintages. And it argues that Israel is positioned not despite that context, but because of it.

Contents

2025: A Strategic Entry Point for Investors _____ **4**

To understand the window of opportunity, we start with timing.

- The post-2023 reset: collapse, compression, survival
- We show 2024 not as recovery but as realignment
- Q1 2025 data signal reacceleration

Israel: Silicon Valley of the Middle East _____ **10**

The operating DNA that makes Israel uniquely durable.

- Deep-tech density: cyber, AI, cloud, and dual-use tech
- Talent sources: military units, academic rigor, repeat founders
- Case studies: Wiz, Spot, and CyberArk

Success Stories: What Happens When It Works _____ **14**

Three examples that prove the model works.

- Wiz: The biggest exit in Israel's history
- Spot: Cutting cloud costs by 80% — and scaling fast
- CyberArk: Playing the long game and winning big

Israel's Role on the Global Stage _____ **19**

A macro look at Israel's role in the global stack.

- Israel exports infrastructure, not platforms
- Alignment with U.S. compliance needs, EU governance standards
- Increasing strategic value in regulated sectors (AI, health, defense)

Navigating Geopolitical and Economic Risks _____ **22**

The "no-BS" chapter that builds trust.

- Geopolitical volatility: addressed head-on, framed with data
- Talent compression: acknowledged, but contextualized
- Regulatory complexity: friction that selects for readiness

The Road Ahead: Why 2025 Is Just the Beginning _____ **26**

Forward-looking, confident, informed predictions.

- Agentic AI is defining the next deep-tech wave
- Capital is reactivating — with sharper focus
- A new wave of founders is already building

Final Note: Not the Obvious Move. The Right One _____ **29**

Key takeaways for pragmatic investors

- This cycle was brutal — but it cleaned the slate
- Signal is already here: capital, product, traction
- Best returns come before consensus forms

01

2025: A Strategic Entry Point for Investors

Every investment cycle has its turning point — the moment when markets stop reacting and start reallocating. 2025 is that moment for Israeli deep-tech. Not because sentiment has bounced back. It hasn't. And not because capital is pouring in. It isn't. What makes this moment powerful is its clarity: the noise is gone, and what remains is signal.



The chaos of 2023 exposed every weakness. Overinflated valuations collapsed. Marginal startups disappeared. Then the war forced an even more brutal filter — on hiring, capital, and continuity. It's the kind of shock that would have broken less mature ecosystems. In Israel, a country with long-term regional geopolitical instability, it focused them.

By the end of 2024, a new dynamic had emerged. VC fundraising reached its lowest level in nearly a decade, but actual capital deployment into startups stabilized — and even grew in some sectors. Startups that had built quietly through the storm returned to market leaner and more compelling. First-time

investments kept pace with the previous year, and exits began to reappear. Most notably, Wiz's \$32 billion acquisition by Google reminded everyone that **Israeli tech perseveres through thick and thin.**

Early signs from Q1 2025 reinforce this outlook: Israeli high-tech companies raised \$2.13 billion in the first quarter of 2025, almost a 24% increase from Q1 2024. On top of that, corporate venture capital (CVC) activity has seen a resurgence. Companies are recognizing Israel's deep-tech strength, with cybersecurity and AI leading the charge. As corporate investors get more involved, the **capital being deployed has become more focused and strategic.**

01

2025: A Strategic
Entry Point for
Investors



Funding for Israeli high-tech companies grew by 17% from Q1 2024 to Q1 2025*

*Allowing for undisclosed investment rounds.



“Israelis are the most resilient people on Earth. They have not missed a single commitment despite the conflict. That’s why we believe so deeply in them.”

Pat Gelsinger
Intel, CEO

That’s why 2025 is such a great opportunity. We are at the point where capital and clarity align — and that combination is rare. The foundations are set, and for investors who enter now, **the upcoming years promise highly focused growth** and high-reward opportunities.

The Israeli deep-tech ecosystem is aligning itself for sustainable growth, and **the window to invest at this inflection point is still open.**

2024 Wasn’t a Recovery. It Was a Reallocation.

On the surface, 2024 looked subdued. There were no headlines about record-breaking raises or massive IPOs. But look closer, and the dynamics become clear. While new VC fund formation slowed, the money that had already been raised started moving — selectively, and toward real traction.

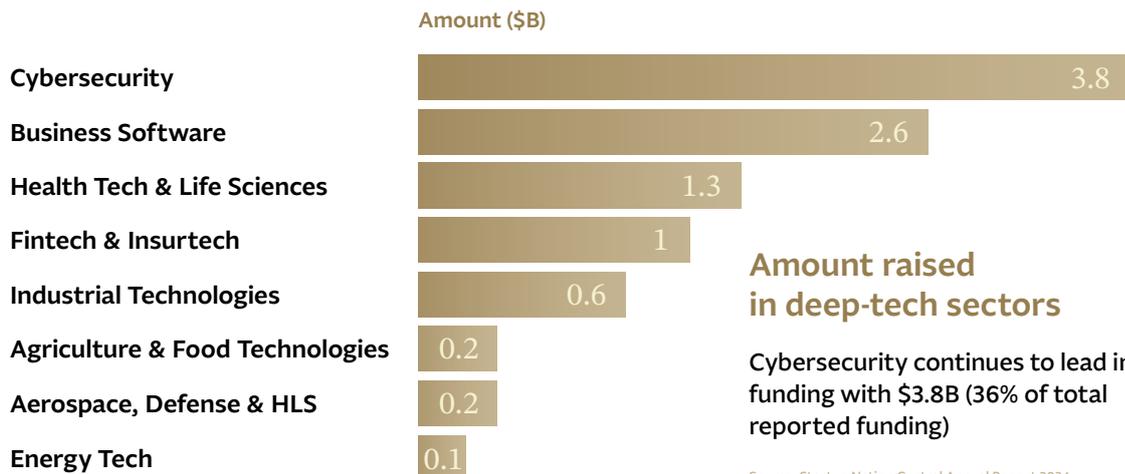
Investment activity shifted decisively into areas where Israel has structural strength: cybersecurity, AI, and defense-tech. These were high-confidence moves into companies that had proven they could operate under pressure, ship real products, and serve global demand.

This selective deployment is what separates 2025 from other post-downturn phases. Instead of chasing rebounds, investors were allocating based on discipline. Foreign VCs, especially from the U.S., returned with larger checks per deal. Strategic acquirers resumed activity. And founders, particularly second- and third-time founders, started building again.

The result is an ecosystem that feels less like a recovery and more like **a restart towards something sharper.**

01

2025: A Strategic
Entry Point for
Investors



**Amount raised
in deep-tech sectors**

Cybersecurity continues to lead in funding with \$3.8B (36% of total reported funding)

Source: Startup Nation Central Annual Report 2024



“The security situation requires us to be at the cutting edge of defensive technology. It is the necessity, and it keeps delivering outsized returns.”

Yoav Chelouche
Aviv Venture Capital

Why This Phase Produces the Best Vintages

If you study venture capital returns, one pattern shows up over and over again: the best-performing vintages don't come during bull runs. They come just after corrections — when capital is cautious, founders are grounded, and pricing still reflects risk.

That's where we are now. The exuberance of 2021 is gone. But so is the fear of late 2022 and early 2023. In its place is a growing wave of companies built for this exact environment: capital-efficient, B2B-focused, and globally relevant from day one. And unlike previous cycles, the fundamentals are stronger this time around.

Israel has already gone through similar cycles. The startups that raised quietly in 2009 went on to lead in cybersecurity later on. The teams that formed in early 2020 were the ones who exited in 2021. And in 2024, the companies that secured funding had metrics, customers, and urgency. Those are the companies entering Series A and B now — and they're doing it before the next wave of global capital returns.

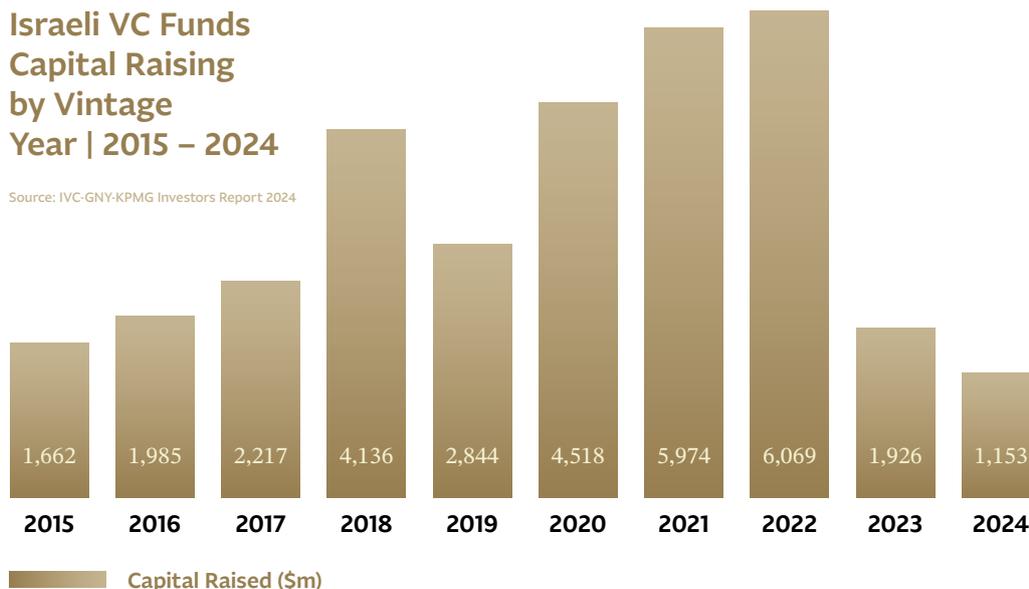
Smart investors know that **waiting for certainty is how you miss the moment.** The window opens when risk is still visible — and closes as soon as everyone else decides it's safe again.

01

2025: A Strategic
Entry Point for
Investors

Israeli VC Funds Capital Raising by Vintage Year | 2015 – 2024

Source: IVC-GNY-KPMG Investors Report 2024



“We’ve seen this cycle before. The best founders raise when capital is cautious — not when it’s comfortable.”

David Marek
Tachles VC

The Capital Is Already in Motion

Even in a year with limited new dry powder, real capital moved. U.S.-based investors made fewer deals, but larger ones. And corporate acquirers re-entered the ecosystem with clear intent.

Meanwhile, policy is starting to follow. The Israeli government launched YOZMA 2.0 and expanded the Startup Fund to strengthen early-stage liquidity and attract more institutional LP

participation. It’s a signal: the system is being rebuilt with longer-term conviction.

The result is a market that isn’t overheated, but isn’t frozen either. It’s moving. Quietly. Intentionally. And for those with access to the right deal flow, it’s full of signal.

01

2025: A Strategic
Entry Point for
Investors

Top Investments: Q1 2025



Top M&As: Q1 2025



Source: IVC-LeumiTech Israeli Tech Review Q1/2025



“The best investors didn’t sit out 2024. They leaned into the noise and found clarity.”

Karel Tušek
Tachles VC

The Growing Influence of Corporate VC

Corporate venture capital (CVC) has become an increasingly powerful player in the Israeli deep-tech ecosystem. While traditional VC funds have maintained activity, corporate investors are now accelerating their participation in key sectors such as AI, cybersecurity, and defense technologies. The rise of CVC funds from global tech giants underscores the growing realization that **Israel’s deep-tech infrastructure is integral to the future of technology across the globe.**

In 2025, corporate VC — particularly from the U.S. — are seeing increased activity. Google’s acquisition of Wiz, which set a new record for the company, is a great example, but not the only one. This growing involvement of CVCs is great news for early-stage startup investors, as corporations are getting a strong appetite for Israeli startups and their cutting-edge innovation, presenting interesting exit opportunities.

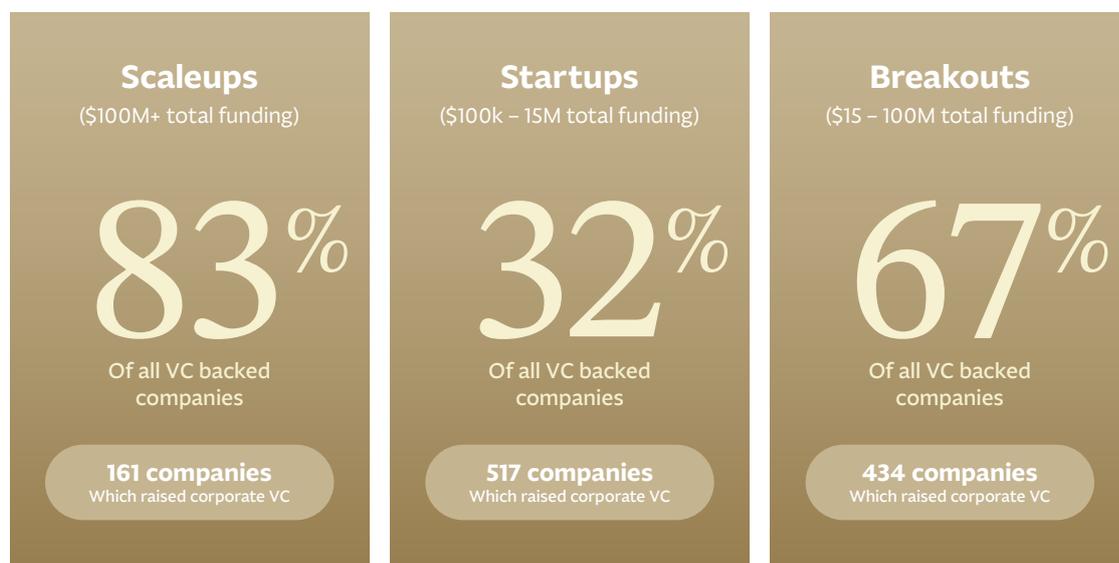
01

2025: A Strategic
Entry Point for
Investors

83% of Tel Aviv scaleups have raised capital from corporates and CVCs

Number of VC-backed companies with corporate investors and as a % of all in Tel Aviv

Source: Dealroom.co



In Summary: Why This is the Ideal Time to Invest

Here are 5 reasons to invest in Israeli deep-tech this year, with long-term growth potential driven by Israel's strong position in global infrastructure and innovation:

1. 2025 is a point for Israeli deep-tech, where **capital, talent, and clarity align.**
2. VC fundraising remains cautious, but **strategic investments are on the rise.**
3. **CVCs are re-engaging** with a focus on Israel's AI and cyber convergence.
4. The war in Gaza has emphasized **Israel's leadership in cyber and defense-tech.**
5. The ecosystem is shifting from recovery to **reacceleration.**

But timing is just one part of the equation. The other is geography. Because to understand why this moment matters, you have to understand where it's happening.

In the next section, we'll zoom out and look at why this small ecosystem continues to outperform markets ten times its size.

02

Israel: Silicon Valley of the Middle East

Israel's innovation story has been told before. Most readers will recognize the **“Startup Nation”** narrative: a small country with a record amount of unicorn companies per capita. But for those watching closely, something has shifted. Israel isn't just about startups anymore. It's about infrastructure. It's about building the systems and tech that will run the next decade of enterprise, security, and AI.



That shift came from economic, geopolitical, and existential pressure. The Israeli tech ecosystem had to learn how to scale through uncertainty. Scarcity, urgency, and a bias for action are the defaults here.



“Israeli tech doesn't wait for macro tailwinds — it creates its own momentum. In 2025, that resilience is more investable than ever.”

Boris Chovnik
Tachles VC

02

Israel: Silicon Valley
of the Middle East

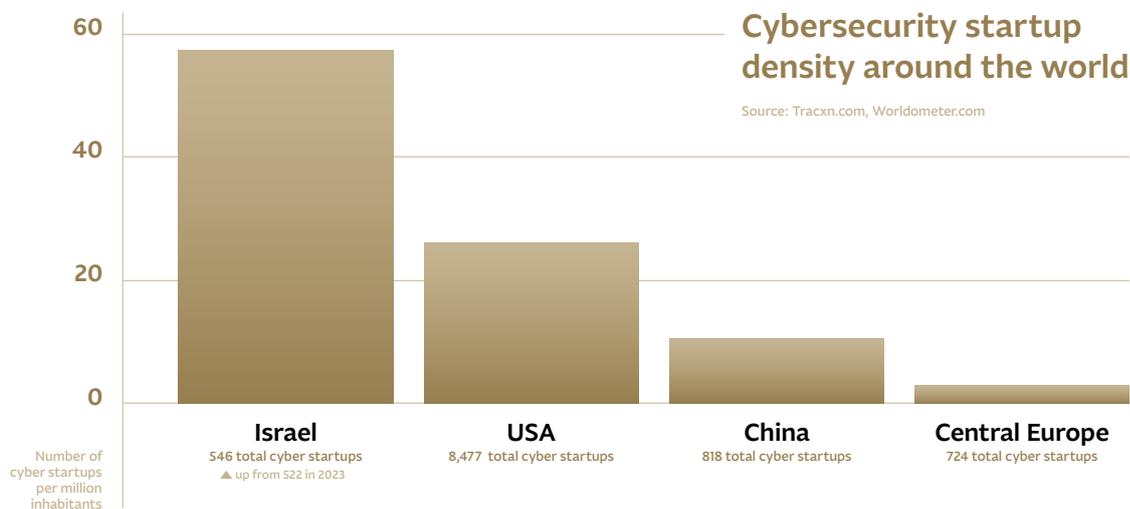
This culture shows up in how companies are built: short cycles, lean teams, early customer contact, and constant iteration. It also shows up in how talent is trained. From military units like 8200 to elite academic pipelines, Israeli

founders tend to arrive on the scene with technical expertise and discipline. Most importantly, they know how to work under pressure and resource constraints. When capital is tight — like now — that becomes an advantage.

Israel's Deep-Tech Landscape

In most ecosystems, deep-tech is a niche. In Israel, it's the standard. Cybersecurity is the most well-known pillar, and for good reason. Israel produces more cyber companies per capita than anywhere in the world. What's less understood is how many of those companies are infrastructure-first: building secure-by-design tooling, identity systems, detection engines, and network architecture for the global stack.

Then there's AI. Israeli startups lead in **applied AI**, with expertise in model compression, inference optimization, synthetic data, labeling, monitoring, and agent control. They build infrastructure around and underneath LLMs, and they do it with global enterprise needs in mind.



“Israel’s unique mix of elite military units, immigration-fueled talent, and a fearless, risk-embracing culture makes it the world’s most fertile ground for cybersecurity innovation.”

Yoav Chelouche
Aviv Venture Capital

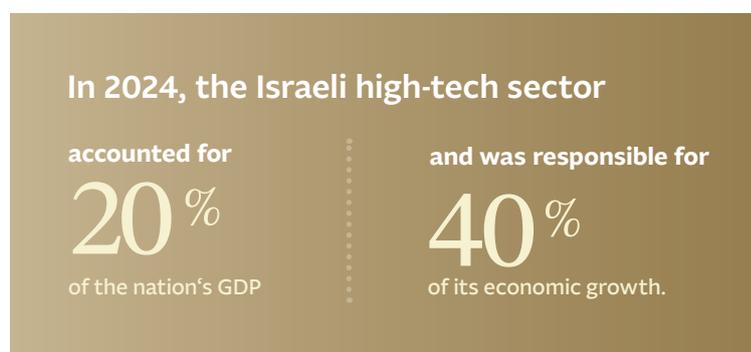
02

Israel: Silicon Valley
of the Middle East

Cloud and dev infrastructure is another zone of quiet dominance. From Kubernetes ops to observability and API security, Israeli engineers are exporting components that are being embedded inside Fortune 500 workflows — often without end users ever knowing.

Other sectors are maturing fast. In **digital health**, Israel has been early to remote diagnostics, mental health

tools, and personalized medicine — boosted by access to unique national health data sets. **Defense-tech**, long a government-dominated space, is now seeing private investment and startup formation, particularly in drones, edge AI, and dual-use systems. And **climate and agri-tech**, while still early-stage, are gaining momentum with a new wave of hardware-software hybrids and deep sensor tech.



Source: Startup Nation Central Annual Report 2024

Scarcity Has Always Been the Engine

A lot has been written about Israeli boldness, improvisation, and adaptability. But behind those traits is something more structural: a long history of **doing more with less**.

Israel has no local scale. It has no giant domestic enterprise buyers. It has mandatory military service, for both men and women, that routinely interrupts careers. And it has geopolitical risk baked into daily life. For most markets, these would be headwinds. In Israel, they've been translated into competitive edges.

When your domestic market can't sustain you, you **build for global from day one**. When your customers are abroad, your expansion roadmap gets clearer faster. And when funding dries up — like it did in 2023 — you cut burn, ship faster, and get on calls yourself.

This is not an ecosystem that grows because conditions are perfect. It grows because founders are conditioned to move without them



“In Israel, limited markets produce unlimited ambition. Every startup is born global and built to scale fast.”

Boris Chovnik
Tachles VC

02

Israel: Silicon Valley
of the Middle East

The Cycle of Success: Repeat Founders in Israeli Tech

Founders who exited in the last decade are starting again. And many of the startups currently raising were formed in a downturn. This positions startups built by these serial entrepreneurs for faster success.

This next wave of Israeli deep-tech isn't seeking Silicon Valley's validation. It's building in response to clear market signals: the world needs more secure infrastructure, faster inference, smarter automation, and leaner deployments. And Israel — again — is already delivering.

Wiz, Israel's current leading unicorn, exemplifies the trend of serial entrepreneurship in Israel — its four co-founders had earlier built Adallom, a cloud security startup acquired by Microsoft in 2015.

In Summary: 5 Key Reasons to Invest in Israel's Deep-Tech

1. In Israel, deep-tech isn't just a niche, **making 20% of the nation's GDP.**
2. Israeli startups **scale even in the face of economic and geopolitical challenges.**
3. Many of Israel's startups are led by **repeat founders who are poised for faster success.**
4. With a small domestic market, Israeli startups **focus on global scalability from day one.**
5. Israel's deep-tech ecosystem has repeatedly produced **global leaders in cybersecurity and AI.**

In the next section, we look at what success actually looks like — and why some of the most durable returns in global tech have come from this ecosystem.

03

Success Stories: What Happens When It Works

The previous chapter explored how Israel builds — fast, lean, and under pressure. But what happens when that formula lands? These success stories aren't just stories of outlier success. They're proof points — concrete examples of how Israeli deep-tech startups translate urgency, infrastructure focus, and executional clarity into long-term outcomes.



Each one starts small, moves fast, and scales globally. And whether they take the high-velocity route or the long road, they share one thing in common: they were built to solve hard problems that don't go away.

These are blueprints for what the next wave of founders — many of whom are building right now — are aiming to replicate.

**The following three stories offer a glimpse.
We will publish full versions later.**



Wiz: The Fastest Security Exit in Software History

In just 18 months of its existence, Wiz hit \$100M in annual recurring revenue and in 2025, it was acquired by Alphabet, the parent company of Google, for a record-breaking \$32 billion in cash, exceeding their second-largest deal by almost \$20 billion. Wiz’s acquisition was also the biggest exit in Israeli tech history.

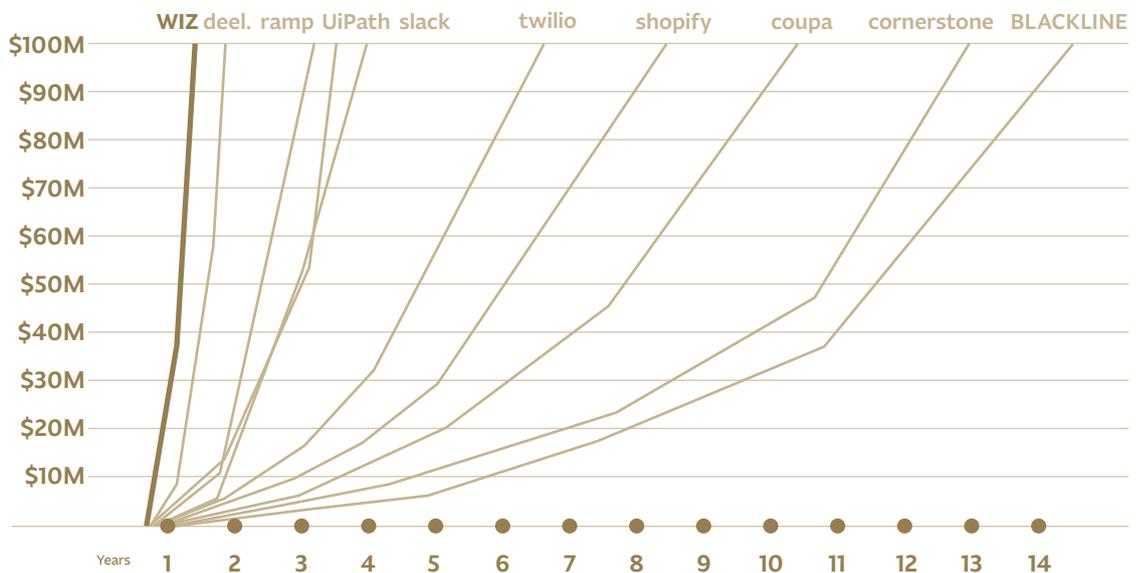
The reason? A breakthrough in cloud security that is as elegant as it is urgent. Wiz launched an agentless platform deployable in minutes, cutting through the chaos of fragmented tools with one unified view of risk. Its core innovation — the Wiz Security Graph — gave security and engineering teams a shared, real-time

understanding of threats across cloud environments.

Born from Israel’s elite Unit 8200, the founding team combined deep technical vision with go-to-market firepower, landing Fortune 500 clients within weeks and rewriting the rulebook on enterprise cybersecurity growth.

The \$32 billion acquisition didn’t just break records — it delivered some of the most impressive venture capital returns of the decade. This exit reaffirmed one of venture capital’s core truths: the biggest wins still come from backing bold founders early.

Fastest from \$1M to \$100M ARR



Sources: Bessemer Ventures State of the Cloud, company announcements



“Wiz didn’t come out of nowhere — it came out of a system that solves real problems and scales fast. That’s not luck. That’s deep-tech by design.”

Benny Schneider
Serial Entrepreneur & Investor

03

Success Stories:
What Happens
When It Works

	MOIC	Return	Total investment
Sequoia Capital	300x	\$3 billion	\$10 million
Cyberstarts	200x	\$1.3 billion	\$6.4 million
Index Ventures	17.5x	\$4.3 billion	\$245 million
Insight Partners	15.5x	\$2.7 billion	\$174 million*
Thrive Capital	12x	\$12 billion	\$1 billion

*Spread across multiple funds
Source: calcalistech.com



Spot: The Startup That Cut Cloud Bills by 80%

While enterprises struggled with runaway infrastructure costs, Spot offered a radical fix: an AI-powered engine that **predicted when low-cost spot instances would disappear**, and automatically rebalanced workloads to avoid disruption.

The result? Up to **80% cost savings with zero compromise on performance**. In just three years, Spot.io grew from a student side project to a \$450 million acquisition — solving one of the most expensive problems in cloud computing.

Designed by engineers, for engineers, Spot spread virally through DevOps teams thanks to seamless integration, real-time automation, and deep system-level thinking born in Israel's elite Mamram unit. With minimal marketing and maximum technical impact, Spot built a product so effective that NetApp made it the centerpiece of its cloud strategy — and later sold it to Flexera after revenues crossed \$100 million annually.



“Spot was founded with a vision to revolutionize the way companies consume cloud infrastructure services, using analytics and automation to deliver the most reliable, best performing and most cost-efficient infrastructure for every workload on every cloud.”

Amiram Shachar
Founder and CEO, Spot

03

Success Stories:
What Happens
When It Works



CyberArk: Taking the Long Road with Patient Capital

While the cybersecurity world chased rapid exits, CyberArk took the long road — and built a global category leader in the process. Founded in 1999, the company focused early on one of the most critical risks in enterprise IT: **privileged access**.

Backed by patient capital from JVP, which grew its stake to nearly 48%, CyberArk scaled deliberately, weathered two

financial crises, and went public in 2014 with \$100M+ in revenue and Fortune 100 clients.

A decade later, the company surpassed \$750M in annual revenue, returned over 700% since IPO, and remains led by founder Udi Mokady — proving that long-term strategy can deliver long-term outperformance.



“CyberArk chose to build, scale, and IPO rather than exit early. A decade after going public, it’s still proving that Israel isn’t just where innovation starts — it’s where it endures.”

Dan Dinnar
Tachles VC

03

Success Stories:
What Happens
When It Works



In Summary: What These Stories Tell Us

These stories are the result of patterns that are already re-emerging: deep infrastructure, repeat founders, fast time-to-value, and globally urgent problems. The next Wiz might not look like Wiz. But the ingredients and the mindset are already in motion. For investors paying attention, the signal is clear.

Israel's deep-tech strengths don't exist in a vacuum, though. In the next section, we explore how global dynamics are making them more relevant than ever.

04

Israel's Role on the Global Stage

The previous chapters explored what makes Israel's innovation engine tick — its DNA, its culture, its scarcity-forged edge. But to fully understand the investment opportunity in Israeli deep tech, we have to zoom out.

Israel's deep-tech sector is increasingly shaped by — and shaping — global dynamics. From American capital to European regulation, from cross-border AI stacks to shifting geopolitical alliances, the most interesting signals are happening at the intersection. This section explores those intersections — and why they matter to anyone investing at the frontier.



Strategic Relevance in a Multipolar Tech World

The fragmentation of the global tech stack is creating demand for modular, secure, and compliant infrastructure. Israel is stepping into this space as a leading exporter of foundational technologies. Instead of chasing consumer apps or platform dominance,

Israeli startups build agent orchestration layers, cybersecurity tooling, inference infrastructure, and compliance engines. In a world where the next generation of AI is expected to be messy and multi-modal, **Israel is building for integration, not isolation.**

04

Israel's Role
on the Global Stage

Enterprise buyers, especially in the U.S. and EU, are looking for reliable “infrastructure glue” — systems that can plug into different environments and make them work better, faster,

and more securely. That’s where Israeli tech thrives: building **under-the-hood systems that quietly power everything else.**



“The best Israeli startups are solving the hardest infrastructure gaps. At Acsense, we’re building the glue that keeps critical systems resilient, compliant, and ready for what’s next.”

Muli Motola
Co-founder & CEO, Acsense

The Transcontinental Triangle: US–EU–ISR

As the U.S. and EU drift apart on AI regulation, data privacy, and industrial priorities, Israel has emerged as a strategic bridge. Israeli startups are deeply embedded in U.S. enterprise ecosystems — often integrating directly with major cloud platforms and tooling. At the same time, many build from day one with GDPR and EU-compliance in mind.

This dual fluency is giving Israeli founders an edge. They’re not just fast — they’re **globally compatible.** For U.S. buyers, Israeli startups represent agility and innovation. For EU markets, they offer security and compliance.



“Israel is a rare ecosystem that speaks both American speed and European caution.”

Karel Tušek
Tachles VC

Corporate Giants Are Watching — and Moving

The growing role of international Corporate Venture Capital (CVC) in Israel can no longer be seen as peripheral. In Q1 of 2025 alone, **CVC-backed Israeli startups raised over \$1 billion** — a sign that strategic investors are actively shaping the ecosystem.

Deals like Google’s \$32B acquisition of Wiz are examples of a deeper trend: startups in AI, cyber, and cloud infra are designing with corporate acquirers in mind from day one. Corporations now offer more than money — they offer exit roadmaps, go-to-market accelerators, and operational scale.



“Israeli innovation is built on VC backing for startups. This model has served us well, but it may be less relevant today. The biggest innovation efforts now require massive, long-term capital, coming increasingly from tech giants like Google, Microsoft, Meta, and Amazon.”

Uri Gabai
CEO of the RISE Institute

In Summary: Israel’s Global Relevance Is Only Growing

Israel is no longer just a local powerhouse — it’s a global node. Whether it’s U.S. buyers seeking secure infrastructure, European partners demanding regulatory alignment, or multinational corporates turning to Israeli startups for innovation at the edge, the flow of capital, talent, and technology increasingly runs through Tel Aviv.

But no ecosystem scales without friction. Behind Israel’s pace and resilience are real vulnerabilities — from brain drain and capital concentration to geopolitical risk and investor fatigue. The question is how these challenges are absorbed, adapted to, and — in many cases — turned into strategic advantages.

In the next section, we take a clear-eyed look at the pressures shaping the Israeli ecosystem today — and what smart capital should be watching as 2025 unfolds.

05

Navigating Geopolitical and Economic Risks

No serious investor should enter a market without understanding its vulnerabilities. Israel's deep-tech ecosystem has proven resilient, but it's not immune to pressure — and in some cases, it's shaped by it. That's part of what makes it investable: you're not backing perfection. You're backing systems that learn, adapt, and build through constraints.



This section outlines **three biggest investor concerns** and challenges shaping Israel's innovation economy in 2025. Not to cast doubt on the opportunity, but to give it the context it deserves. And we'll start with what everyone is thinking.

05

Navigating
Geopolitical and
Economic Risks

Geopolitical Volatility: The Elephant in the Room

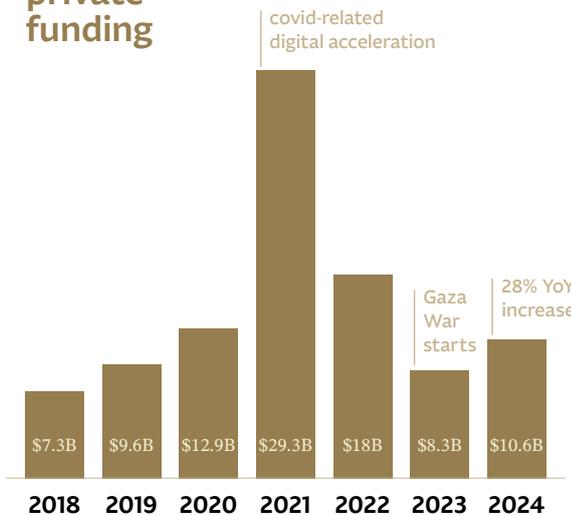
The war in Gaza, regional escalation risk, and Israel’s shifting political climate are impossible to ignore. From a Western LP standpoint, perception often outruns reality — and **2023/2024 did real reputational damage** to the “safe bet” status Israel once carried.

While startups continued operating, fundraising, and even exiting during this period, international investors slowed or paused commitments, either out of compliance concerns or internal risk frameworks.

However, despite the current geopolitical climate, Israel’s deep-tech ecosystem has demonstrated remarkable resilience. While external tensions have undoubtedly impacted investor sentiment, the fundamentals of Israeli deep-tech remain strong.

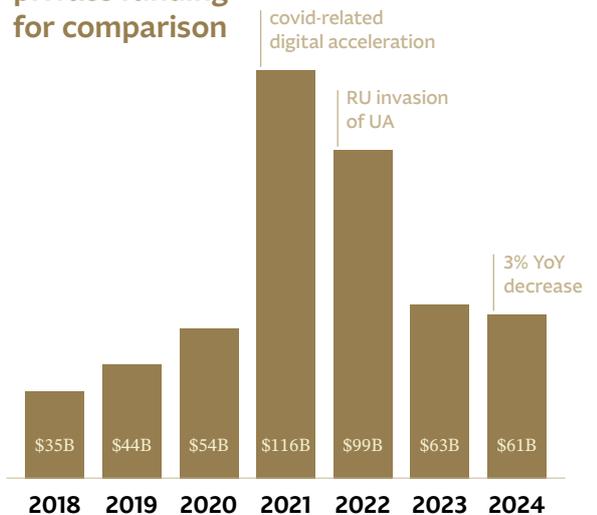
Israeli startups are continuing to thrive, showcasing a unique ability to build and scale under pressure. In fact, despite weak fundraising and the ongoing war, **Israeli tech companies raised over \$10 billion in 2024**, a 28% increase from 2023’s reported \$8.3 billion.

Israel’s private funding



Source: Startup Nation Central Annual Report 2024

Europe’s private funding for comparison



The war has made some Israeli companies more critical than ever. Israeli defense-tech, cybersecurity, and AI startups are seen as more valuable in a world that increasingly demands heightened security.

While some investors have become more cautious, others view this volatility as

a signal to double down on Israeli tech. In 2025, the risk-adjusted returns in Israel’s deep-tech ecosystem are not only sustainable but likely to outperform in the long run. This shift offers unique opportunities for those willing to enter now, while others remain on the sidelines.

05

Navigating
Geopolitical and
Economic Risks

Brain Drain and Talent Compression

One of Israel's greatest assets is its talent. But that asset is increasingly under pressure.

In 2023, tens of thousands of engineers and tech workers were pulled into reserve military duty. Many didn't return immediately — or at all. Meanwhile, global tech companies continued to recruit Israeli talent remotely or relocate them entirely. Combined with cost-of-living pressures and a lack of local corporate anchors, Israel faces a growing problem: **the supply of senior engineers isn't keeping pace with demand.**

However, the dynamic of Israeli deep-tech startups has evolved to address these challenges. While talent shortages are felt, **early-stage teams have**

become more capital-efficient than ever. Founders are building with leaner teams, relying heavily on AI-augmented workflows and offshore talent to fill gaps. These adaptable approaches ensure that growth continues despite the talent crunch.

Interestingly, the Israeli government has been proactive in addressing these challenges, launching programs such as the "Start-Up Visa" to attract global talent, while also pushing for talent repatriation through initiatives like the "Innovation Visa" aimed at encouraging entrepreneurs to return home. In addition, many **Israeli companies have embraced hybrid models**, sourcing engineering talent globally while maintaining core teams in Israel.



“Despite the pressure on talent supply, Israel’s tech ecosystem continues to show robust performance. The efficiency and agility of its startups continue to make them a highly attractive investment.”

David Marek
Tachles VC

Regulatory Complexity Is Becoming a Growth Constraint

As Israeli startups increasingly target global markets, they face the reality of navigating two distinct regulatory regimes: the EU and the US. While both regions present tremendous opportunities, their regulatory environments often don't align, creating complexity and added costs. The EU's GDPR, combined with new regulations like the EU AI Act, create strict compliance requirements that Israeli companies must meet in order to sell in Europe.

In the U.S., data privacy laws are still evolving, creating a patchwork of state and federal regulations that vary by industry and geography. This fragmented regulatory landscape means that **Israeli startups must adapt their products and business models for each region**, which can delay entry and disrupt the growth trajectory.



“While others see red tape, Israeli founders see runway. In cyber, regulation isn’t a hurdle — it’s a go-to-market strategy. The tighter the rules, the clearer the need for our solutions.”

Hadar Blutrach
Founder of Source Defense

In addition to the regulatory burden, Israeli startups must also contend with **the rising cost of compliance**. As regulations become more stringent, companies are forced to hire specialized legal and compliance teams. This adds overhead, which is particularly difficult for early-stage startups operating on tight budgets. Compliance costs, if not managed well, can eat into the resources needed for product development, marketing, and sales expansion.

But it’s not all bad news. Many Israeli startups are proactively addressing these regulatory challenges by integrating compliance into their design and development processes from the very start. This approach not only helps to avoid regulatory hurdles but also creates

a competitive advantage, as **companies that are built to comply can move faster once they’ve scaled**.

While regulatory fragmentation is a challenge, it’s one that many Israeli startups are learning to navigate successfully. The most mature companies in the ecosystem have recognized that global expansion requires more than just innovative products; it requires a deep understanding of the regulatory frameworks they must operate within. For investors, this is an opportunity to back startups that have already built with compliance in mind, ensuring that these companies will be able to scale more effectively in the future.

In Summary: A Market Shaped by Pressure

The three concerns above are real. But in Israel, they’re not signs of fragility. They’re part of the operating environment. And for investors who understand that, they become filters, not red flags. The startups that succeed here aren’t succeeding by accident — they’re succeeding because they’ve been forged in constraint. That’s what makes this market compelling: not its ease, but its signal strength.

In the next section, we’ll compare how Israel stacks up against other innovation ecosystems — including the U.S. and Central Europe — in speed, scale, and global return potential.

06

The Road Ahead: Why 2025 Is Just the Beginning

After two volatile years, the Israeli deep-tech ecosystem is stepping into realignment. What we're seeing in 2025 is a **recomposition**: sectors narrowing, talent concentrating, capital focusing, and timing aligning.



This isn't speculative optimism. It's pattern recognition — and the pattern suggests that the most durable returns tend to start in moments like this. If 2023 was the bottom, and 2024 was the filter, **2025 is the early ramp**. And what's coming next will reshape the playing field.

The Next Wave: Agentic AI, Cyber Convergence, and Infra as Product

Israel's startup output is shifting fast toward the infrastructure layer of AI, cybersecurity, and cloud orchestration. The rise of agentic AI, which we believe will see large-scale deployment in

2025/26, is opening up a new design space, where safety, observability, and tool integration become critical. That's exactly where Israel builds.

06

The Road Ahead:
Why 2025 Is Just
the Beginning

In the U.S., data privacy laws are still evolving, creating a patchwork of state and federal regulations that vary by industry and geography. This fragmented regulatory landscape means that **Israeli**

startups must adapt their products and business models for each region, which can delay entry and disrupt the growth trajectory.

Here are 4 reasons we believe Israel will lead in this sector:

1. **Robust AI Startup Ecosystem:** Israel is home to over 2,200 startups building with AI. These companies are turning specialized data and deep domain knowledge into deployable solutions across industries.
2. **National AI Initiatives:** The government has committed \$250 million to a national AI strategy, including Israel's first supercomputer built for training large models. It's a joint effort across academia, government, and industry.
3. **Solving the Talent Gap:** To address the shortage of AI experts, Israel has launched an initiative to bring in at least 200 foreign specialists over the next three years, backed by almost \$2 million in dedicated funding.
4. **Pioneering AI Security:** Israeli founders are leading the charge in securing agentic AI. A new wave of startups is focused on real-time monitoring, control, and safety for AI systems that operate autonomously.



“The next big thing won't be one AI model. It'll be a layer of agents that talk to each other. That's where Israel is already building.”

Karel Tušek
Tachles VC

Capital Will Return and It Will Move Smarter

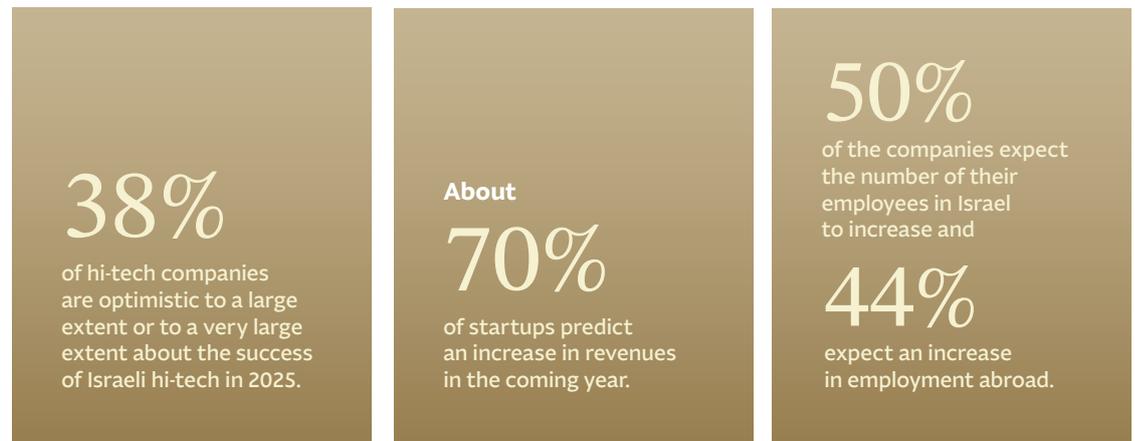
Fund formation dropped in 2024, but deployment didn't stall. Smart capital kept moving — just more selectively. And while LPs remained cautious, several indicators suggest a **controlled resurgence ahead**. According to the Innovation Authority's survey, 69% respondents expect a rise in sales in 2025, reflecting a confidence that hasn't wavered despite wartime disruptions.

Investor behavior is also showing early signs of shift. Burn rates are decreasing — 39% of companies expect to spend less in 2025, compared to just 25% earlier in the year. That signals discipline, not distress. And with leaner operations, **startups are becoming more attractive to conviction-driven investors**.

06

The Road Ahead:
Why 2025 Is Just
the Beginning

Results from the January 2025 Hi-tech Companies' Status Survey



For investors entering now, this means less noise, better pricing, and access to founders who have already proven they can build through pressure.

In summary: Why Timing Still Matters

What started as a rebound in 2024 is now becoming a reacceleration — shaped by talent, filtered by capital, and pulled forward by infrastructure demand.

If you've read this far, the story should be clear: this ecosystem builds forward no matter what. **The smartest capital enters now**, not when everyone's ready, but when the signal first emerges.

Because when the dust settles, it won't be the loudest markets that outperform — it will be the ones that stayed focused, shipped under pressure, and understood where the world was heading next.

Final Note: Not the Obvious Move. The Right One

The opportunity here is increasingly visible to those paying attention. Israel's deep-tech ecosystem is moving, quietly but decisively: founders are building real infrastructure, capital is reactivating, and global demand signals are already flashing.

This isn't about perfect timing. It's about recognizing the setup before it becomes consensus. The next wave of market leaders is forming now — quietly and deliberately. And for those who've seen this cycle before, the signal is clear: Israel is building through pressure again.

2025 may be the sharpest entry point we'll see for a while. And the window is still open.

We'd love to keep the conversation going. If anything in this paper sparked a thought, a question, or a gut-check moment, we would love to connect.

Thank you for reading.

Tachles VC



This whitepaper was brought to you by **Tachles VC**

We are an early-stage venture capital firm backing deep-tech founders primarily in Israel. Our firm was established by long-time Czech partners Karel Tušek and David Marek, Israeli insiders Sivan Kanev and Boris Chovnik, and U.S.-based operator Robin Bienfait. Since 2014, our team has developed a decade-long track record in Israeli deep-tech — including early bets in cloud, cybersecurity, and AI infrastructure.

Our job is more than just providing capital. We help founders move faster — with sector-specific guidance, support for early traction, and access to international customers. Our team draws on deep local presence, decades of technical know-how, and a tight network across Israel, USA, and Europe. Our edge comes from pattern recognition, not spray-and-pray.

We focus on startups building the infrastructure layer of tomorrow's digital economy: secure-by-design systems, applied AI models, and scalable cloud. These aren't niche categories — they're global markets in transformation. And we specialize in identifying the right founders at the right time before everyone else.

“

We are first to the opportunity because we see it clearly. We win early because we understand it deeply.

Karel Tušek
Managing Partner, Tachles VC

”

“

Sector-focused VC funds outperform generalists, giving us a higher chance of delivering top-quartile results.

David Marek
Managing Partner, Tachles VC

”

Contact us



Scan for
more info

info@tachlesvc.com
www.tachlesvc.com

List of sources

1. Annual Report 2024: The Year of the Scale-Up Powerhouse | Startup Nation Finder
2. IVC-GNY-KPMG INVESTORS REPORT 2024
3. Hi-tech Companies' Status Survey
4. IVC-LeumiTech Israeli Tech Review Q1/2025
5. Tel Aviv's Ecosystem: Global Giants, Local Impact
6. Israeli high-tech defies odds, raising \$9.58 billion in 2024 | Ctech
7. Unreported rounds push Israeli tech funding past \$12 billion in 2024 | Ctech
8. "More in line with the US than the war": Israel's tech ecosystem 'thrives' against the odds | CTech
9. Here's how Israel can "carve its own distinct path" in the AI revolution | Ctech
10. Beyond cybersecurity: Securing Israel's future as the Startup Nation | Ctech
11. "The Israeli cybersecurity industry demonstrated exceptional resilience," says YL Ventures | CTech
12. "Israel's high-tech sector will continue to thrive" in 2025, says Elron Ventures | Ctech
13. The Wiz effect: How a \$32 billion exit could reshape Israel's fiscal plans | Ctech
14. "More in line with the US than the war": Israel's tech ecosystem 'thrives' against the odds | CTech
15. From cybernation to AI-nation - Israel must become an AI powerhouse | Ctech
16. From Unit 8200 to Wiz's \$32B exit: The blueprint for Israeli cyber success | Ctech
17. Why Israel remains the epicenter of global cybersecurity innovation | Ctech
18. Israel's cyber sector defies turmoil, raising \$3.79 billion in 2024, a 56% surge | Ctech
19. Wiz CEO: "Cybersecurity is becoming Israel's equivalent of Wall Street" | Ctech
20. 2025: Israeli High-Tech's Challenges and Dreams
21. 5 Trends to Watch in 2025: AI and the Israeli Market | Insights | Greenberg Traurig LLP
22. The tech sector remains robust in the fast of a turbulent year | Conrad Egusa | The Times of Israel
23. The Emerging Israeli AI Landscape in 2024 – VC Cafe
24. 'Like a baby boom after wars, there will be a change for the better in the hi-tech in
25. Why Israel Is Back On Investors' Minds Today
26. Revealed: Microsoft deepened ties with Israeli military to provide tech support during Gaza war | Israel | The Guardian
27. Israeli Cyber Annual Insights and 2025 Trends - Startup Nation Central
28. Google's \$32B Wiz deal is just the beginning: Tel Aviv's startup ecosystem is evolving | Ctech
29. Israel's tech ecosystem defies uncertainty with \$2.13 billion raised in Q1 | Ctech
30. Revealed: Microsoft deepened ties with Israeli military to provide tech support during Gaza war | Israel | The Guardian
31. 'Like a baby boom after wars, there will be a change for the better in the hi-tech in
32. Israel has shown "gravity-defying" resilience during war-time, says Square Peg | Ctech
33. Israeli startups raise over USD 12 billion in 2024 despite war
34. 'Israeli tech is a long-term asset, not a short-term risk': Avi Hasson on Israel's tech future
35. Despite war and tension, Israeli high-tech had a great year - ISRAEL21c
36. War-tested Israeli tech sector shows resilience but a quarter of startups relocate departments abroad | CTech
37. One in five Israeli tech firms moved some operations and staff abroad during war | The Times of Israel
38. High-Tech Survey Reveals Israeli High-Tech Sector's Resilience & Adaptation Amid Wartime Challenges - English Innovation Site
39. The government approved: a "boost" package for Israeli high-tech
40. Resilience & Innovation: Exploring Israel's Tech Landscape | YouTube
41. Venture Insights - Decoding Israel's Start-Up Success | YouTube
42. Top startups in Deep Tech in Israel (Apr, 2025) - Tracxn

TACHLES
VC

