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Israel's Early Stage VC Landscape: Investors on 2024 Takeaways and Expectations for 2025

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Introduction

01

Israel's Early Stage VC Landscape:
Investors on 2024 Takeaways and Expectations for 2025

Introduction



Maor Fridman
F2 General Partner

In Israel, 2024 was defined by two transformative forces.

The first was the ongoing war, which challenged founders to navigate a difficult geopolitical backdrop. Despite these headwinds, Israeli tech companies demonstrated remarkable resilience, raising over \$12 billion—a 30% year-over-year increase. Notably, early rounds (pre-seed to Series A) accounted for 80% of deals.

At F2, this translated into a very active year, with 23 new investments spanning inception and growth rounds. These figures reflect not only the ecosystem's strength but also its ability to deliver under pressure, reinforcing Israel's reputation as a global innovation leader.

The second was the continued impact of the AI paradigm shift. AI is driving unprecedented opportunities across industries, but it has also raised expectations.

Investors are now demanding specificity. Clear use cases, differentiated applications, and defensible value propositions. It's no longer enough to leverage AI broadly. Founders must articulate how their solutions will navigate a competitive landscape dominated by major players like OpenAI, Anthropic, and others, while delivering lasting impact in underserved markets.

In this report, we share insights gathered by Israel's leading early-stage VCs and reflect on the key trends and perspectives from 2024, as well as where Israel's early-stage ecosystem is heading in 2025. Our goal is to provide founders, investors, and stakeholders with a market snapshot to navigate Israel's dynamic and evolving startup landscape.

This report brings together insights from Israel's leading early-stage VCs, highlighting the defining trends of 2024 and offering a forward-looking perspective on 2025. Investors shared candid views on evolving investment patterns, market dynamics, and shifting expectations, providing a clear snapshot of Israel's early-stage investment landscape. Whether you're a founder building the next big idea, an investor seeking opportunities, or a supporter of innovation, this report offers the context and insights you need to navigate Israel's dynamic and ever-evolving startup ecosystem as we head into 2025.



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Pre-Seed Trends

02

Israel's Early Stage VC Landscape:
Investors on 2024 Takeaways and Expectations for 2025

4.4

Average number of early stage
deals per fund

\$840,000

Average pre-seed check
size per fund

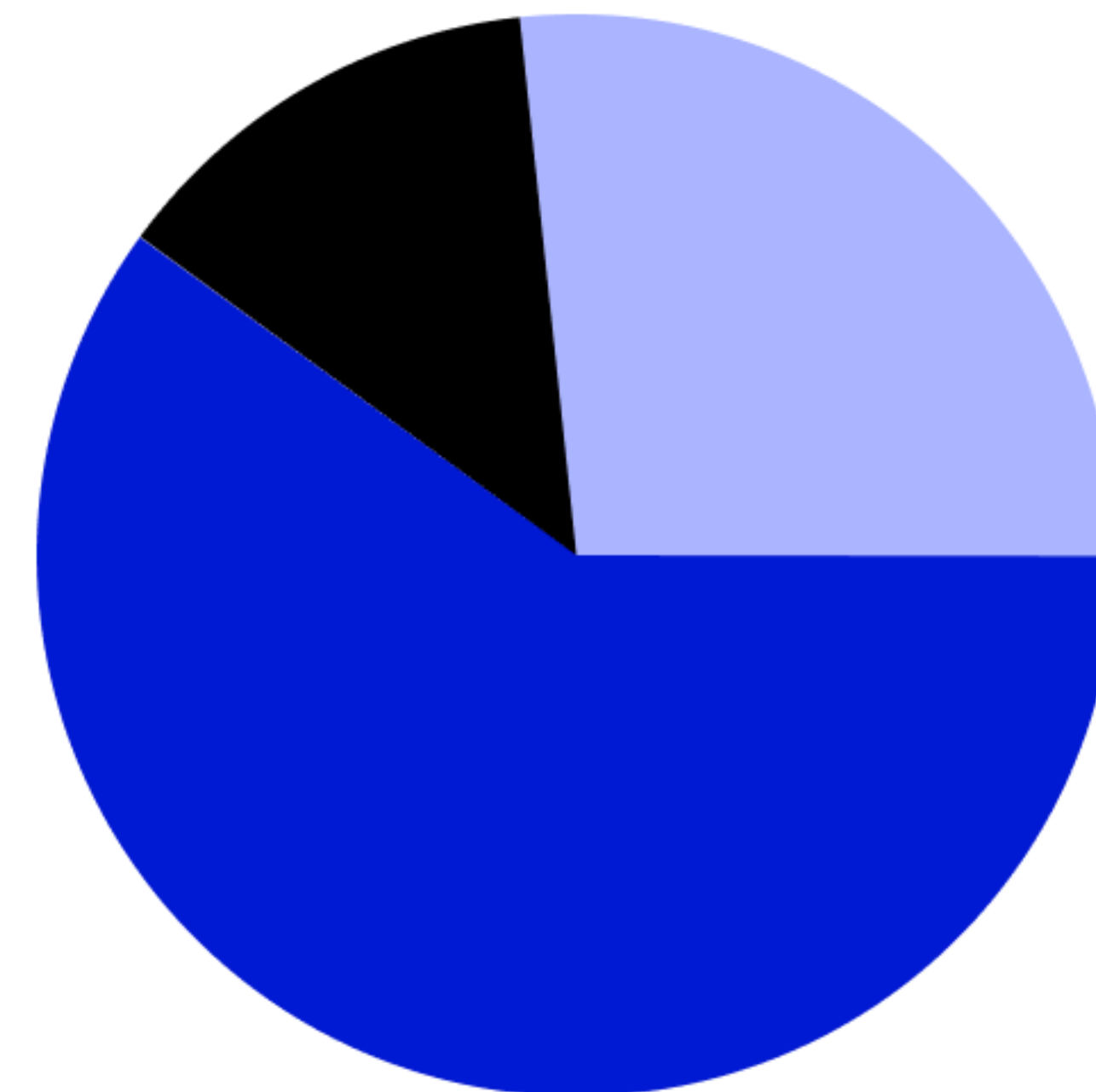
AI's Prevalence in Pre-Seed Deals

87% of investors reported that 75-100% of their pre-seed investments were in AI-driven startups.

100% of startups
incorporate AI 60.0%

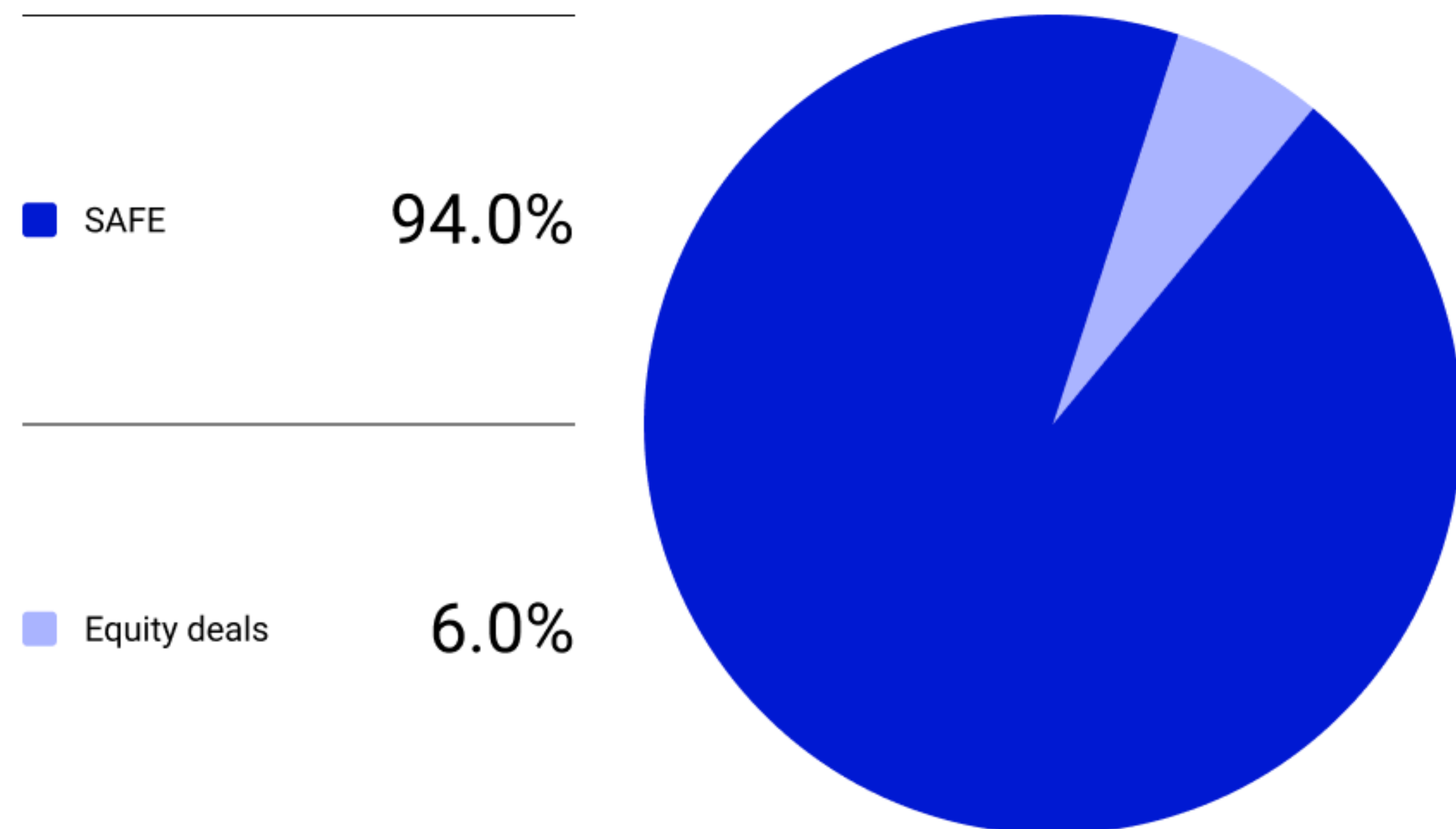
75% of startups
incorporate AI 26.7%

50% of startups
incorporate AI 13.3%



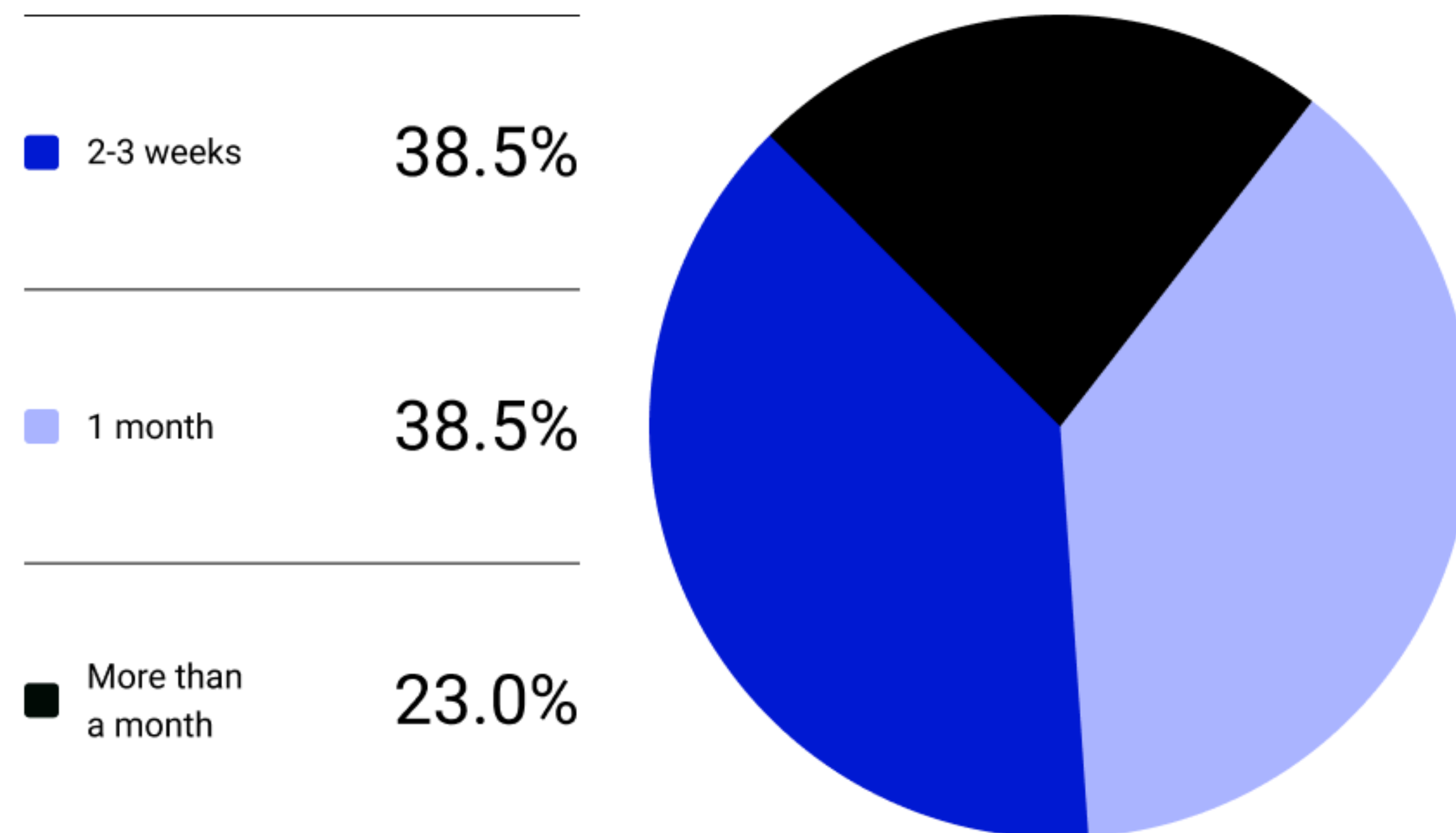
Pre-Seed Deal Structure

SAFE agreements accounted for 94% of pre-seed deals.



Pre-Seed Investment Timeline

77% of investors reported closing pre-seed deals within 2-3 weeks to a month.





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Seed Trends

03

Israel's Early Stage VC Landscape:
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3.5

Average number of seed
deals per fund

\$3M

Average seed check
size per fund

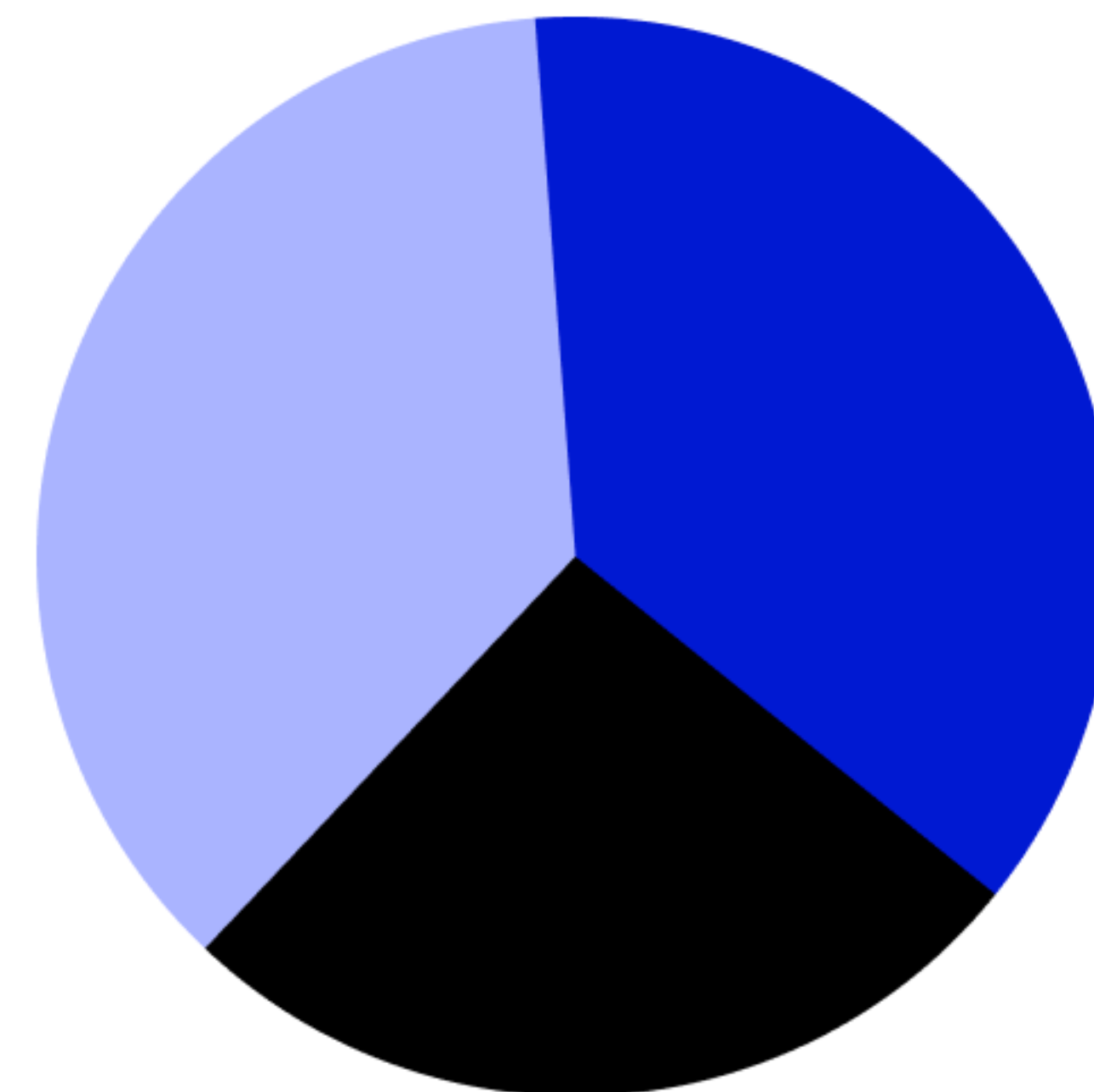
AI's Prevalence in Seed Deals

74% of investors reported that 75-100% of their seed investments were in AI-driven startups.

100% of startups
incorporate AI 36.8%

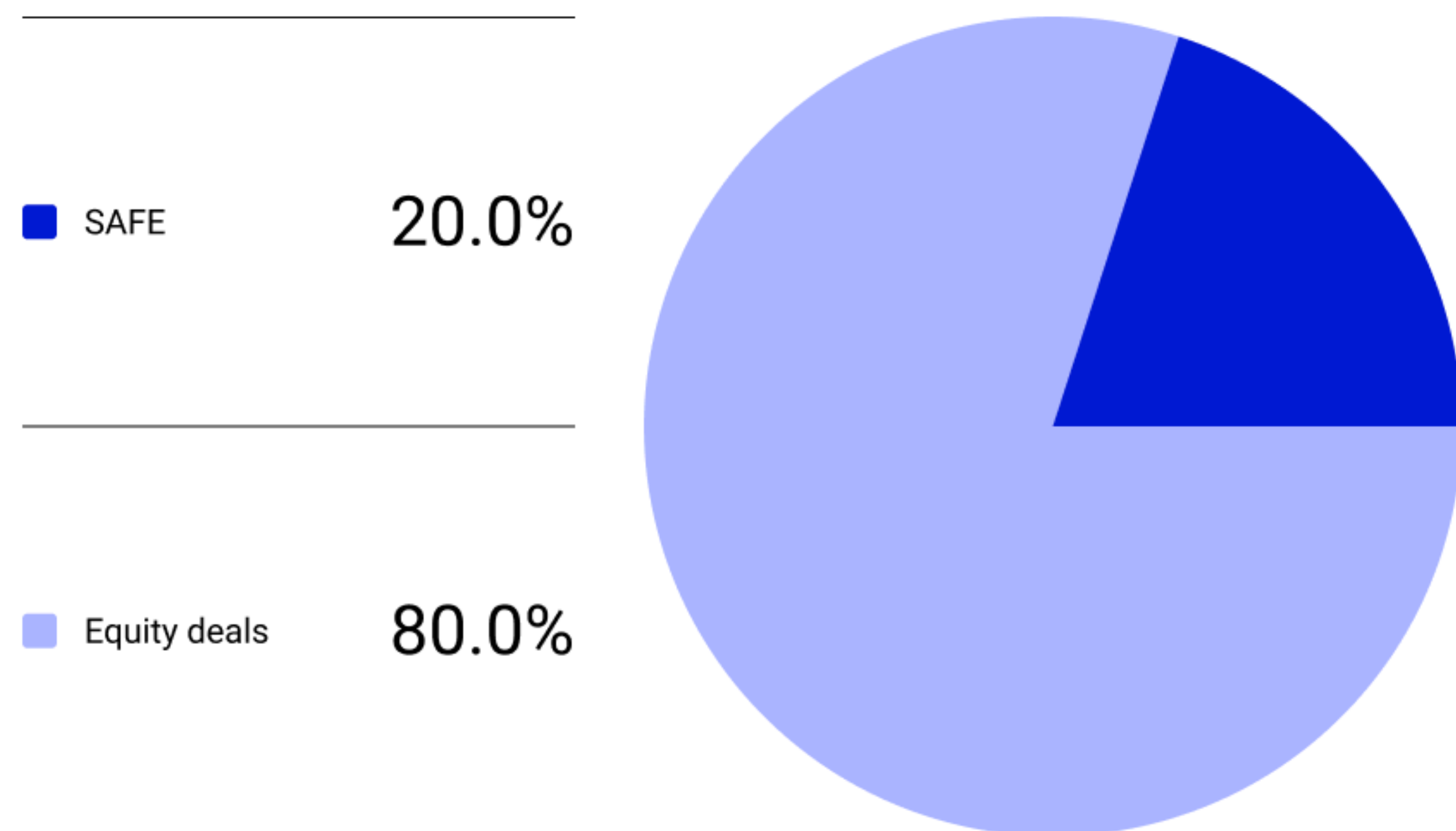
75% of startups
incorporate AI 36.8%

50% of startups
incorporate AI 26.4%



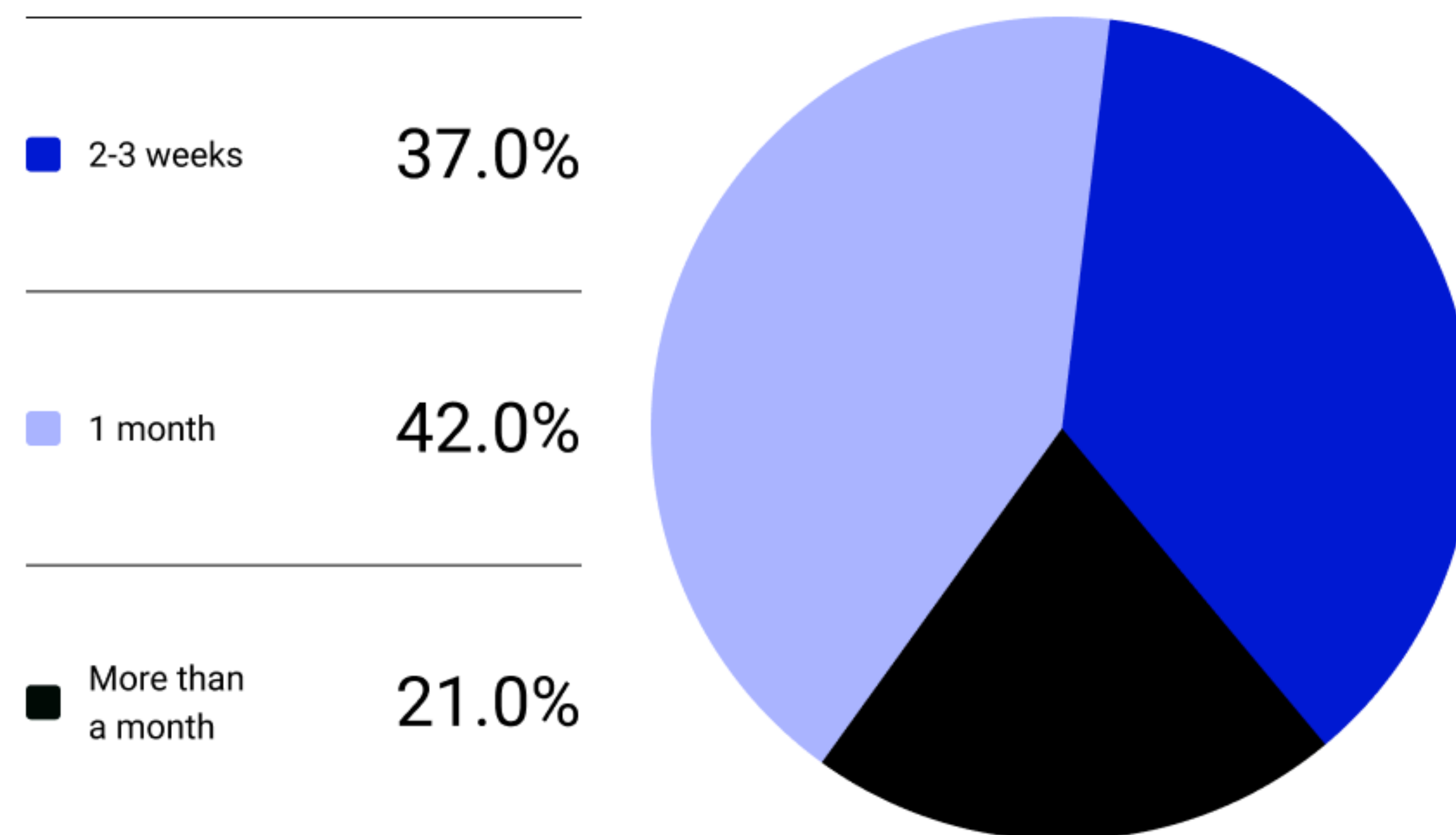
Seed Deal Structure

80% of investors reported equity-based deals at seed.



Seed Investment Timeline

The majority of seed investments closed within a month, with 2-3 weeks following closely behind.





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Investor Perspectives

04

Israel's Early Stage VC Landscape:
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Impact of AI on Investment Strategy

“

AI has raised the bar significantly - it's no longer enough to just integrate AI. Startups must demonstrate strong, defensible use cases that can stand out in an increasingly crowded market.

“

Since AI reduced the technological moats for most companies, we put more focus on GTM abilities and scaling potential.

“

AI has made us more cautious about evaluating a company's offerings. We focus on understanding how they differentiate in an increasingly saturated market.

“

As a deep tech VC, AI ventures have become a key focus. Our evaluation now prioritizes defensibility and the competitive landscape.

“

AI has shifted our lens toward companies using it as a backbone for scalable solutions, especially in vertical SaaS.

“

We're seeing AI as table stakes now - the key differentiator has shifted to unique data assets and domain expertise rather than AI capabilities alone.

Key Sector Trends

“

Traditional industries' automation solutions were underestimated, while AI agents for enterprise applications were overestimated in 2024.

“

We saw significant untapped potential in DevOps. Meanwhile, the market overestimated the immediate value of Consumer AI applications.

“

Sectors like Defense Tech and Vertical AI surprised many with their resilience. However, some areas of Cybersecurity reached a plateau.

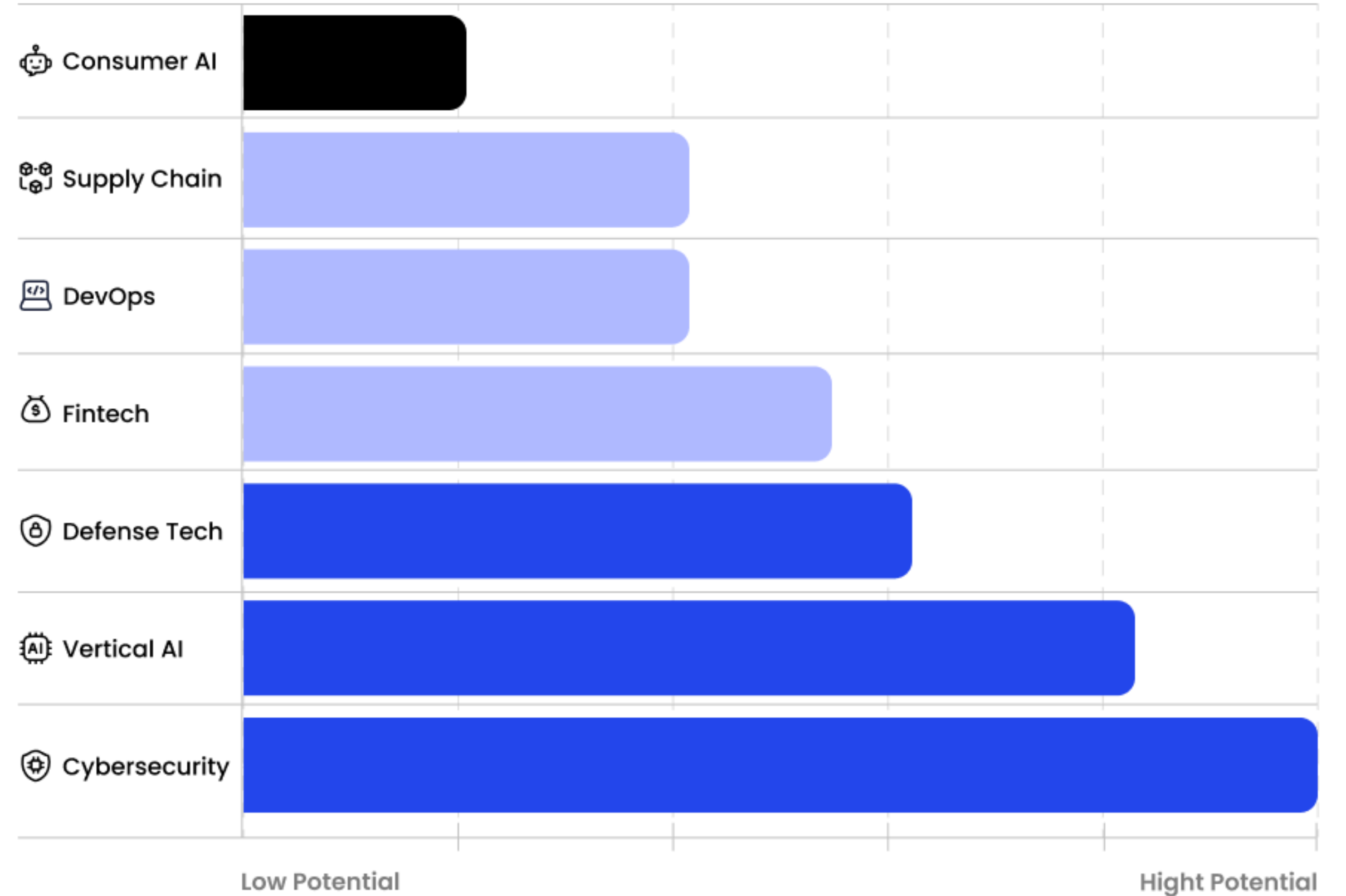
“

We see massive opportunities in sectors like Supply Chain, Construction, Healthcare, eEducation, and Gaming. The Israeli market remains overly skewed toward Cybersecurity investments.

“

Cybersecurity remains a sector with high-growth potential as AI advancements and rising digital threats drive continued innovation.

Meanwhile, consumer-facing generative AI apps with low technical barriers are often overestimated with high valuations outpacing defensibility.



Shifts in Founder Attitudes and Investor Expectations

“

Founders are looking to raise larger seed rounds compared to 2023 while investors are expecting startups to be more efficient and do more with less.

“

Securing a seed round without strong proof points has become more challenging, leading to the resurgence of pre-seed rounds.

“

Founders this year are more focused on efficiency, aiming to achieve more with less. They're prioritizing longer runways, sustainable growth, and clear paths to profitability.

“

Technology is not enough. The understanding of finding the specific need, the right market, ICP, and generating revenue from the very beginning have grown on both sides. It is not enough to raise and start running. Preparation is key.

“

"Investors' expectations have gone up for both seed and A rounds. Founders are required to bring more substantial evidence from the market - either customer validation or traction.

As companies can bring lean and effective products to the market with minimum effort with AI. In the long run, founders must show product depth and a significant competitive moat.

“

We're seeing a dual market emerge: in some domains, founders face tough fundraising conditions and are adjusting their expectations and valuations accordingly.

Meanwhile, areas like AI Infrastructure and Cybersecurity are attracting significant capital from both domestic and international investors, creating an almost bubble-like dynamic.

It's a unique scenario where there's both a bear and bull market.

“

Investors have become more cautious, demanding stronger evidence of PMF and tangible traction. Founders, in turn, are increasingly focused on capital efficiency and validating their product with real users before raising significant rounds.

There's a greater push to show real-world use cases and a clear go-to-market strategy rather than relying on hype alone.

2025 Outlook

“

AI-driven automation in enterprise software will remain a key theme, tackling operational pain points like logistics, supply chain, and workflow automation. Meanwhile, cybersecurity and data privacy will stay critical as AI reshapes both threats and defenses.

“

The Israeli ecosystem will continue to excel in cyber, AI, and defense tech, driven by our unique talent pool and experience from military and intelligence units.

“

We'd love to see more Vertical SaaS solutions in overlooked markets and big industries.

“

We expect to continue to see a lot of hype around Cyber. We hope to see more founders thinking outside of the box and coming to market with unique solutions for overlooked, traditional industries – that is personally where I would like to invest more next year.

“

Vertical AI will likely continue to dominate as the technology matures and drives innovation in new markets. Additionally, we anticipate growth in Robotics and Defense startups, driven by advancements in software and the commoditization of hardware.

“

Defense tech is still on the rise and we will surely see more investments in the coming year.

Agentic AI is another hot sector that will be even stronger in 2025 with the proliferation of models and customers' better understanding of the potential of these tools.

The Trump administration will likely shake up several long standing regulatory frameworks that will present opportunities in Fintech, Regtech, Energy and many other compliance heavy sectors.

“

We are already seeing a rise in Data Infrastructure and AI Ops companies, we think this trend will continue and strengthen in 2025.

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F2's 5 Key Takeaways Going into 2025

05

Israel's Early Stage VC Landscape:
Investors on 2024 Takeaways and Expectations for 2025

#1

AI is Now the Baseline



Barak Rabinowitz
Managing Partner, F2 VC

As we enter 2025, AI is no longer a differentiator, it's the baseline. For startups, integrating AI into their offering is now a minimum expectation, not a unique advantage. This shift marks a pivotal inflection point, where AI is fundamentally reshaping industries, creating new opportunities, and exposing gaps that incumbents can no longer ignore. But if history is any guide—from the PC revolution to the rise of mobile—success isn't determined by who gets there first. It's determined by who builds enduring value through scalable solutions and defensible advantages like intellectual property or network effects.

In this environment, differentiation will come from what startups do with AI, not just the fact that they use it. The companies that thrive will be those that use AI to solve deeply rooted, high-impact problems, problems that are either unaddressed or poorly handled by existing solutions. They will also execute better: moving faster, delivering frictionless user experiences, and creating products that feel indispensable to the teams using them.

Israel's track record in moments of technological upheaval is a case study in what it takes to succeed. Mellanox laid the foundation for High Performance Computing networking, enabling scalable systems at a time when latency and throughput was a bottleneck. Waze transformed navigation by combining cutting-edge technology with community-driven data, building a defensible moat through network effects.

These companies didn't just leverage trends—they redefined them by addressing critical gaps in the market with innovative, scalable solutions.

"Ultimately, the fundamentals of building great companies haven't changed. Scalability, defensibility, and a relentless focus on solving meaningful problems remain the bedrock of success."

The current AI wave presents a similar opportunity. Israeli startups are already making strides in fields like cybersecurity, where AI has become both a tool for innovation and a driver of increasing complexity in threat landscapes. While this space is crowded, significant opportunities remain in emerging areas where traditional approaches fall short. The question for founders isn't whether to adopt AI, it's how to apply it in ways that create sustainable value and defensible market positions.

Ultimately, the fundamentals of building great companies haven't changed. Scalability, defensibility, and a relentless focus on solving meaningful problems remain the bedrock of success. AI may now be table stakes, but the startups that truly understand how to turn this capability into a competitive advantage will define the next era of leadership.

#2

Israel's Strength in Vertical AI Will Continue to Grow in 2025



Jonathan Saacks
Managing Partner, F2 VC

While cybersecurity and defense have long defined Israel's tech ecosystem, vertical AI is rapidly becoming a key growth sector. Vertical AI focuses on deeply integrating intelligence into specialized industries, where domain expertise, proprietary data, and workflow-specific models create a defensible edge. Our recent report with Google Cloud and Deloitte found that ~50% of AI investments in Israel between 2022 and mid-2024—totaling ~\$7 billion—were directed toward vertical applications.

At F2, we recognized early that the strongest companies wouldn't just integrate models, they would architect them around industry pain points, workflows and operational bottlenecks. Our portfolio companies reflect this approach. For example:

Darrow – Applying AI to surface regulatory violations at scale, unlocking new opportunities for lawyers.

Justt – Leveraging AI and proprietary data to automate chargeback disputes, replacing a costly and manual process with data-driven decision-making.

Astrix Security – Securing the expanding attack surface on Non-Human Identities - machine-to-machine integrations, APIs, and service accounts - an area largely overlooked in traditional cybersecurity models.

"We expect to see a new wave of vertical AI startups emerging from Israel, unlocking significant value across industries."

Israel's deep technical talent pool and industry-specific expertise give its startups a unique edge in designing Vertical AI solutions tailored to real-world constraints. Israeli founders bring firsthand knowledge of highly regulated environments where AI adoption is not just an advantage but a necessity.

Additionally, Israel has developed a strong data infrastructure, particularly in cybersecurity, finance, and healthcare—sectors where proprietary datasets are the key to defensibility. This combination of technical expertise, domain-specific data access, and problem-driven innovation positions Israel as a global leader in vertical AI. We expect to see a new wave of vertical AI startups emerging from Israel, unlocking significant value across industries.

#3

Foundation Models: The Fastest- Depreciating Product in Tech History



Maor Fridman
General Partner, F2 VC

The rise of DeepSeek has reinforced a fundamental reality: the LLM layer is rapidly commoditizing, and no single model is likely to maintain dominance for long. Open-source advancements, API-based accessibility, and the declining cost of model training have turned foundation models into a highly competitive, rapidly evolving landscape where providers are locked in a race on price, scale, and specialization. Each new model release accelerates the obsolescence of its predecessors, further compressing the value cycle of foundation models.

"Founders should build their products agnostic to the underlying model, ensuring flexibility as the landscape evolves."

For startups, success will depend on strategic model orchestration, the ability to dynamically select, fine-tune, and optimize models based on specific use cases, cost structures, and data sensitivities.

Founders should build their products agnostic to the underlying model, ensuring flexibility as the landscape evolves. This means designing adaptive AI stacks that seamlessly integrate multiple models, leverage proprietary tuning strategies, and maintain a resilient, model-agnostic infrastructure to stay ahead.

Winning AI startups will look less like static model adopters and more like dynamic intelligence orchestrators, engineering architectures that embed AI seamlessly into workflows, mitigate model limitations, and defensibly extract long-term value. Those who master this approach will control how AI is applied, adapted, and optimized for their domain.

#4

The Rising Importance of Pre-Seed Funding

Pre-seed funding is becoming an increasingly strategic tool for founders in 2025. In a selective market, pre-seed rounds offer founders the opportunity to validate ideas, build early traction, and refine go-to-market strategies.

This early-stage funding equips startups with the runway to enter seed rounds with compelling narratives, proven milestones, and a stronger position to secure larger investments.

As more founders turned to pre-seed funding, the number of rounds grew by 25% in 2024, giving early-stage startups a critical lifeline in an increasingly competitive market.

"In a selective market, pre-seed rounds offer founders the opportunity to validate ideas."

#5

Continued Growth in Seed Round Size and Volume

Seed funding in Israel has grown significantly, with the average round size increasing from \$1.7 million in 2015 to \$7 million in 2024. This upward trend, driven by strong global investor interest and robust VC capital reserves, is set to continue in 2025. But with larger rounds come greater scrutiny.

"Securing a big round isn't enough, founders must ensure every dollar drives meaningful progress toward key milestones."

Investors now expect startups to demonstrate capital efficiency and strategic focus. Securing a big round isn't enough, founders must ensure every dollar drives meaningful progress toward key milestones, product-market fit, or scalable infrastructure.

In an increasingly competitive landscape, startups that can balance ambitious vision with disciplined execution will stand out. Capital efficiency is no longer optional; it's a requirement for sustainable growth and long-term success.



Roi Elad,
Associate, F2 VC



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Meitar: Israel's High-Tech Sector in 2024 and Beyond

06

Israel's Early Stage VC Landscape:
Investors on 2024 Takeaways and Expectations for 2025

Israel's High-Tech Sector in 2024 and Beyond



Tomer Shani,
Managing Director, Meitar NY

In 2024, Israel's high-tech sector demonstrated remarkable resilience, often outperforming global trends and solidifying its position as a leader in innovation and technology despite a complex geopolitical landscape. While global economic uncertainty and geopolitical tensions created challenges, Israel's tech industry not only withstood these pressures but thrived.

Cybersecurity was one of the year's standout sectors, attracting record investment. Cyber firms raised \$4 billion in 2024, more than doubling the \$1.85 billion invested in 2023. Growth-stage cybersecurity companies secured \$2.9 billion, a 300% year-over-year increase, underscoring sustained demand for cutting-edge security solutions. Cyber accounted for 36% of total tech funding, reinforcing its role as a key pillar of Israel's innovation economy. As global reliance on digital infrastructure deepens, Israel's cybersecurity expertise is expected to remain a critical driver of growth.

The reputation of Israel's elite intelligence units, which faced scrutiny following October 7, 2023, saw a significant recovery in 2024. A series of high-profile operations, marked by advanced technological capabilities and precision execution, reaffirmed their effectiveness and strategic importance. These developments reinforced Israel's leadership in intelligence, cybersecurity, and defense technology, demonstrating the country's ability to rapidly innovate in high-stakes environments.

"While some foreign investors took a wait-and-see approach, those with deep knowledge of the Israeli market saw an opportunity. Many doubled down, confident in the sector's track record of resilience and its long-term growth potential."

Beyond their immediate security impact, these advancements have also strengthened Israel's position as a global hub for AI, autonomous systems, and military-tech innovation—key areas driving continued investment and international collaboration.

Israel's broader tech sector also demonstrated adaptability and strength. The ongoing conflict had a limited impact on overall investment activity, with private tech funding exceeding \$12 billion in 2024, a 31% increase from the previous year's adjusted figure. The sector's GDP grew 2.2%, even as Israel's overall economy contracted by 1.5%.

Israel's High-Tech Sector in 2024 and Beyond

(Continued)



Tomer Shani,
Managing Director, Meitar NY

While some foreign investors took a wait-and-see approach, those with deep knowledge of the Israeli market saw an opportunity. Many doubled down, confident in the sector's track record of resilience and its long-term growth potential. Their conviction was rewarded, as Israeli startups continued to attract capital and talent at a strong pace.

Looking ahead, 2025 has the potential to be a breakout year for Israeli startups—but its trajectory will depend on macroeconomic conditions. The continued strength of the U.S. economy and moderating inflation create a more favorable investment climate, yet persistent high interest rates could weigh on venture capital flows. The ability of the new U.S. administration to maintain fiscal stability will be a key factor in sustaining momentum.

For Israeli startups, the coming year will require a strategic approach to growth. Investors are expected to prioritize sectors with clear commercialization potential, including Cyber, AI, and Enterprise Software, while remaining selective in more capital-intensive or uncertain markets. Startups that demonstrate strong fundamentals, operational efficiency, and market traction will be best positioned to secure funding and scale.

Israel's tech sector has repeatedly proven its ability to thrive in uncertainty, and 2024 was no exception. The momentum built over the past year has set the stage for continued growth, but success in 2025 will depend on disciplined execution. With a focus on innovation, capital efficiency, and strategic expansion, Israeli startups can turn today's challenges into long-term opportunities.

"Investors are expected to prioritize sectors with clear commercialization potential, including Cyber, AI, and Enterprise Software, while remaining selective in more capital-intensive or uncertain markets."

Methodology & Acknowledgments

How We Gathered These Insights

This report is based on insights collected from a survey sent to 25 of Israel's leading early-stage VCs, spanning pre-seed and seed investors. The survey responses were anonymous and included both quantitative and qualitative components.

Investors were asked about their investment trends, sector preferences, and evolving expectations for early-stage startups. Their candid input shaped the findings presented in this report, providing a comprehensive view of the market as we head into 2025.

Acknowledgments

This report was compiled by:

Karen Avidar,
Marketing Director, F2 VC

Roi Elad,
Associate, F2 VC
