Capital Raising in Israeli High-Tech in the AI Era

Summary of the First Half of 2025

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November 2025

RISE | Resilient, Innovative & Sustainable Economy

VC DATA AND INSIGHTS

About RISE Israel

RISE Israel is an independent, non-political research and policy institute dedicated to promoting a competitive, sustainable & innovation-driven economy.

Led by Prof. Eugene Kandel, one of Israel's leading economists and former Head of the National Economic Council, the institute works to preserve Israel's technological leadership and leverage innovation to address major national challenges while strengthening the economy and society.

RISE Israel advances this mission through strategic and practical policy initiatives, rigorous research, and close collaboration with industry, academia, government, and civil society.

About IVC

Established in 1997, IVC is Israel's tech ecosystem's premier data source, quantitative research, and business information provider. Our commitment is to deliver the most comprehensive, accurate, and timely data, research, analytics, and insights on Israel's dynamic tech sector, startups, investors, and innovation.

IVC provides our clients with the latest news, trends, and developments, equipping them to formulate strategic decisions and secure a competitive position in the Israeli tech market. Our services enable clients to make valuable connections and identify opportunities in the dynamic landscape of technology and innovation.

Introduction

One of the most prominent global trends in private fundraising in 2025 is the growing share of artificial intelligence (AI) companies, particularly in terms of investment amounts. According to CB Insights, **AI companies accounted for 53% of all global investments in the first half of 2025 - up from 37% in 2024**. A PitchBook report shows that **during the first seven months of the year, 41% of all private investments in the U.S. went to ten companies, eight of which are AI firms.** By comparison, in 2024, the ten companies that raised the largest amounts accounted for only 23.6% of total investments. The sharp rise in concentration stems mainly from mega-rounds raised by leading AI companies such as OpenAI, Scale AI, and xAI.

Against the backdrop of the ongoing discussion about whether Israel's innovation ecosystem is managing to maintain its competitiveness in the AI era, we examined several aspects of capital raising during the first half of 2025. The report focuses on large-scale rounds ($50 million or more), since, as noted above, fundraising rounds by AI companies worldwide are often large. This reflects, on the one hand, the significant capital required to train AI models, and on the other, the growing focus of VCs on AI and their willingness to invest large sums at high company valuations.

It is also important to note that while many global reports refer to AI companies, there is no clear or universally accepted definition of such firms. **In this report, a company is considered an AI company if it meets at least one of the following conditions:**

- It develops technologies or products that serve as AI infrastructure, such as AI development tools, AI agents, or similar systems.
- AI constitutes the core technology on which the company's products are based.

A company that merely incorporates AI as a supporting feature, but whose products are not primarily based on AI, is not regarded as an AI company in this report.

Unless otherwise stated, the data presented in this report are sourced from IVC.

Capital Raising

In the first half of 2025, 315 Israeli companies raised a total of approximately $5.6 billion. As noted above, this report focuses on companies that raised $50 million or more. Among these, roughly two-thirds are AI companies, which together account for about 60% of the total capital invested in these funding rounds.

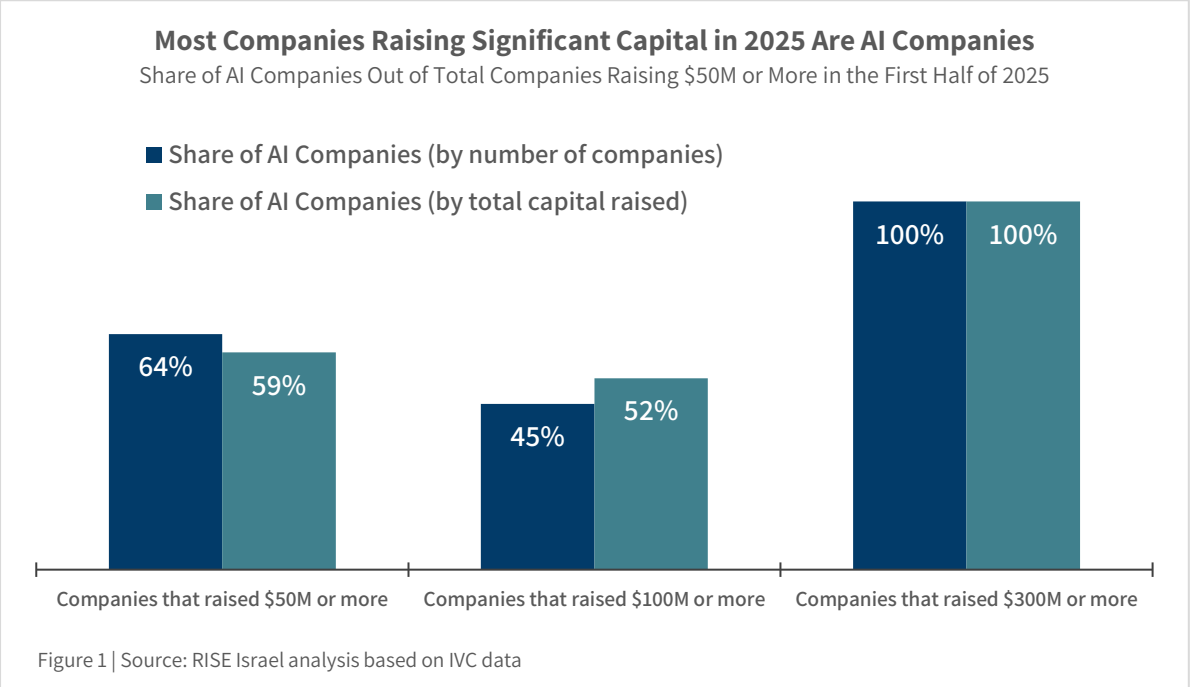

Figure 1 | Source: RISE Israel analysis based on IVC data

Table 1 presents the number of companies that raised at least $50 million, $100 million, and $300 million in the first half of 2025, along with their total capital raised and the share of AI companies within each category.

Note: In 2024, Ilya Sutskever, an Israeli-born entrepreneur, founded Safe Superintelligence Inc. (SSI). The company raised $1 billion in its first funding round in 2024 and $2 billion in a second round in 2025. As mentioned in our previous reports, we do not classify SSI as an Israeli company (the company itself states on its website: “We are an American company with offices in Palo Alto and Tel Aviv”). Accordingly, it is not included in this report.

	Total	AI Companies	Share of AI Companies
Number of companies that raised $50M or more	28	18	64%
Total capital raised ($B)	3.31	1.94	59%
Number of companies that raised $100M or more	11	5	45%
Total capital raised ($B)	2.3	1.19	52%
Number of companies that raised $300M or more	2	2	100%
Total capital raised ($B)	0.84	0.84	100%

Table 1

Several interesting insights emerge from the data:

- In Israel, as in the rest of the world, the largest funding rounds were raised by AI companies. Both companies that raised $300M or more belong to this category.
- 52% of the capital raised in rounds of $100M or more was invested in AI companies. This finding can be interpreted in two ways:
  - There are still highly attractive Israeli companies for investors in non-AI fields - mainly cybersecurity. Notably, among the 11 companies that raised at least $100M, there are two quantum technology companies and one medical equipment company.
  - At the same time, there are not yet enough Israeli AI companies reaching large-scale fundraising rounds. One possible indication is that in the first half of 2025, raising about $110M was sufficient to place a company among Israel's top ten fundraising rounds—a relatively modest amount by global AI standards, where even early-stage rounds often exceed that figure. For comparison, entering the top ten in the United States during the same period required raising approximately $1B.

High-Tech Sector Concentration

As noted above, the fact that leading AI companies worldwide raise exceptionally large funding rounds has led to high market concentration – a small number of companies receive a large share of total investments. As mentioned in the report's introduction, based on PitchBook data, in the first seven months of 2025, 41% of all private-company investments in the U.S. went to just ten companies, eight of which were AI firms. This concentration stems from massive rounds raised by companies such as OpenAI, Scale AI, and xAI.

In our report summarizing Israeli high-tech in 2024, we noted a growing level of concentration in Israeli high-tech, which at that time was only partially driven by AI-related fundraising. In that year, the ten largest investments accounted for 34% of total capital raised. **In the first half of 2025, however, the top ten investments in Israel represented 41% of total investments** – a significant increase compared to 2024.Interestingly, though, **only four out of the ten companies that raised the largest amounts were AI companies.**

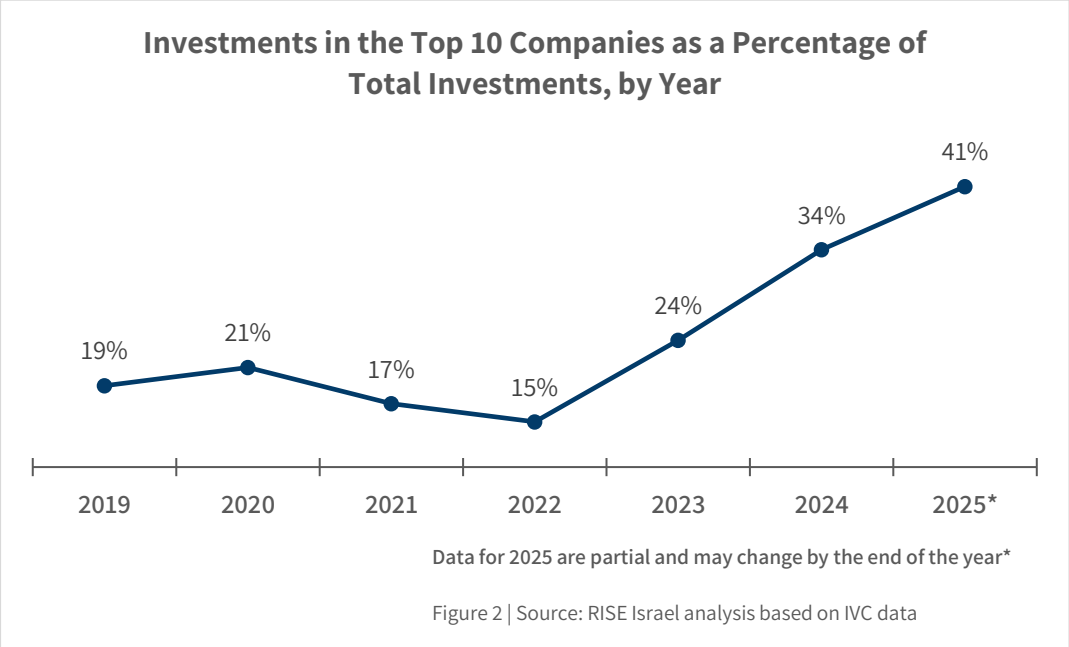

Figure 2 | Source: RISE Israel analysis based on IVC data

As mentioned above, the fact that only four of the ten top fundraisers are AI companies may suggest two possible interpretations: that Israel still has highly attractive companies in other sectors, or, conversely, that there are not yet enough large-scale AI companies in the Israeli ecosystem. We will continue to monitor these trends.

AI Companies by Sector

Figure 3 presents the 18 AI companies that raised $50M or more, categorized by sector. The **cybersecurity domain accounts for the largest share, representing almost half of all companies.** This may indicate that Israeli entrepreneurs are successfully combining new opportunities created by AI with the background and experience of Israel's cybersecurity ecosystem. The category "Other Software" includes a range of fields such as development tools, defense technology, analytics, and others, each represented by a small number of companies.

It is also noteworthy that the three companies in the "Other" category operate in robotics/medical devices, agritech, and biomed. Although this is a very small number, they illustrate the ability of Israeli entrepreneurs to apply AI technologies across diverse domains. As this trend expands, the Israeli high-tech sector could maintain its global standing even in the AI era – but achieving this will require access to infrastructure, high-quality human capital, and sufficient funding.

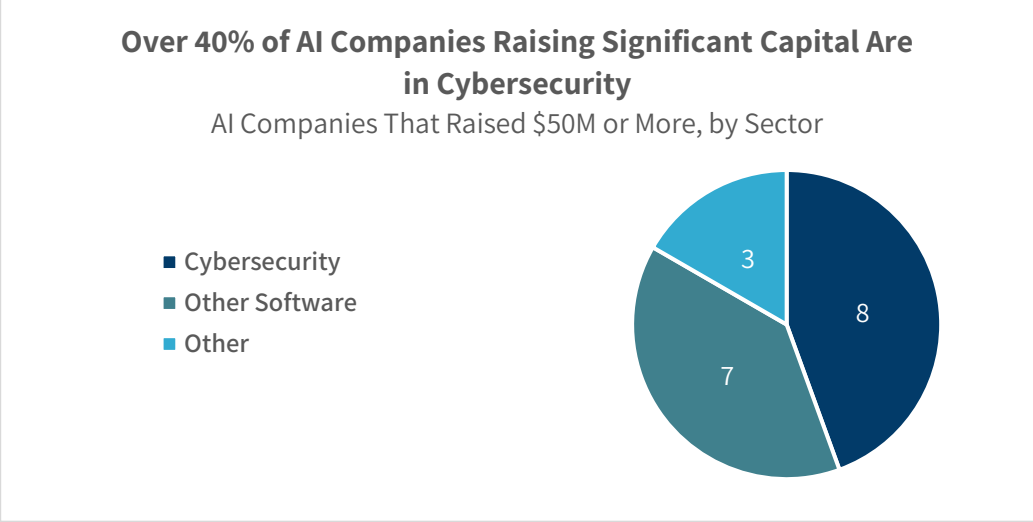

Figure 3 | Source: RISE Israel analysis based on IVC data

Unicorns

The large funding rounds raised by AI companies worldwide, along with their rising market valuations, have led to a significant increase in the number of new unicorns worldwide. Table 2 presents the number of new unicorns in 2023, 2024, and the first half of 2025, based on data from PitchBook. **In Israel, two new unicorns emerged during the first half of 2025: Coralogix and Dream Security. Of these, only Dream Security is an AI company.**

	2023	2024	H1 2025
Number of New Unicorns Worldwide	125	129	83

Table 2

Approximately 60% of the new unicorns created globally in the first half of 2025 are based in the United States. China (9) and the United Kingdom (4) also rank ahead of Israel in terms of the number of new unicorns. Similar to Israel, Canada, Germany, India, and Ireland each produced two new unicorns during this period. Among the 12 Israeli companies that raised $100M or more, 6 were already unicorns before their latest funding round, while four have not yet reached that status.

Founders with Advanced Technological Degrees

AI companies, which train models and develop advanced algorithms, typically employ AI researchers or AI scientists, many of whom hold advanced academic degrees in technological fields. Among founders as well, there is often a need for individuals with advanced degrees. Figure 4 shows the share of companies in which at least one of the founders holds such a degree, among all companies that raised $50M or more in the first half of 2025.

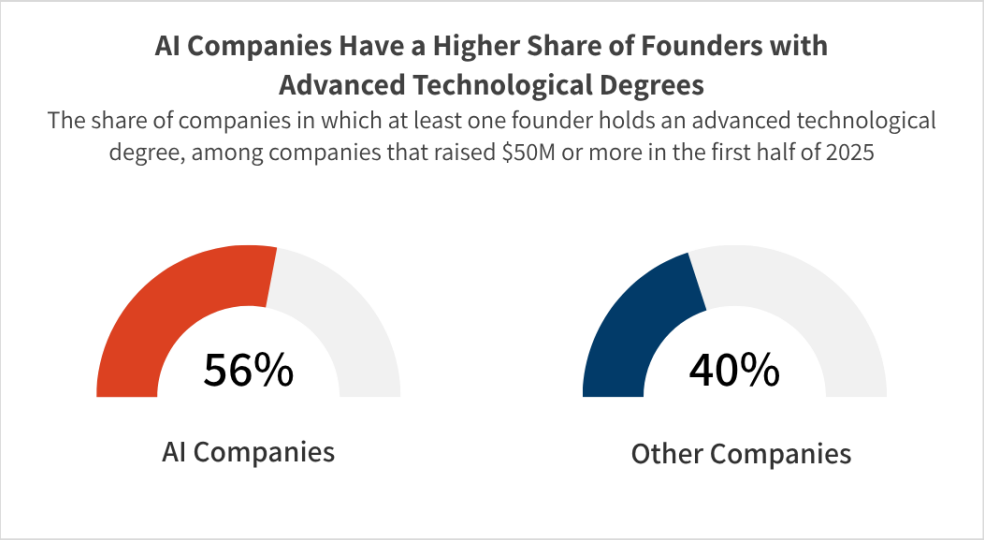

Figure 4 | Source: RISE Israel analysis to LinkedIn data

As shown, the share of AI companies with at least one founder holding an advanced technological degree is significantly higher than that of non-AI companies. The gap is likely even larger than the figure suggests, since during the period reviewed in this report, the group of non-AI companies unusually includes two quantum technology firms - a deep-tech domain in which both have founders with advanced degrees - thereby raising the share of non-AI companies with such founders.

This finding highlights **the crucial role of academia in AI**. Unlike other technological domains - where a bachelor's degree or even military technological training may suffice for entrepreneurship - AI companies tend to require a higher level of formal academic education.

Additional data regarding AI company founders with advanced technological degrees:

- 53% hold a PhD.
- 88% of PhD holders earned this degree from an Israeli academic institution.
- Among all founders with a master's degree or higher (including PhD holders), 93% received their master degree from an Israeli university.

The high share of founders with advanced degrees, and the fact that most of them studied at Israeli universities, demonstrate that AI development requires a higher level of academic training in fields of knowledge that Israel's universities are well positioned to provide.

Headquarters Location

Table 3 shows the headquarters location of all companies that raised at least $50M and at least $100M, as well as of AI companies that raised similar amounts .One might expect that the large sums raised by American AI companies would encourage Israeli companies to register their headquarters in the United States. However, the data show that there are no significant differences between AI and non-AI companies in this regard.

	U.S.	Israel	Other
Total companies that raised $50M or more	46%	46%	8%
AI companies that raised $50M or more	50%	44%	6%
Total companies that raised $100M or more	36%	55%	9%
AI companies that raised $100M or more	40%	60%	

Table 3

Summary

Most global investments are directed toward AI companies, and some of these firms raise very large funding rounds. As a result, there is high concentration in key metrics, such as the share of total investments held by the top ten fundraisers, most of which are AI companies. In the first half of 2025, the ten leading Israeli companies by fundraising volume accounted for 41% of total investments. However, **unlike in the US, less than half of these companies are AI-based.**

This phenomenon can be interpreted in two ways:

- Israel still has highly attractive companies in other sectors, such as cybersecurity, quantum technology, and others.
- Israel does not yet have enough leading AI companies. A possible indication is that in the first half of 2025, raising about $110M was enough to enter the top ten fundraising rounds in Israel – a relatively low threshold compared to the AI world, where even early-stage rounds often exceed this amount.

Among Israeli AI companies that raised $50M or more, **cybersecurity represents the largest sector,** demonstrating that Israeli entrepreneurs are effectively combining AI-driven opportunities with the country's established expertise in cybersecurity.

The share of AI companies with at least one founder holding an advanced technological degree is significantly higher than that of non-AI companies. This highlights the critical role of academia in preparing the next generation of AI entrepreneurs.

Issues such as the ability of Israeli academia to attract top human capital while preventing brain drain, the need to remove barriers and promote collaboration between academia and industry, and the importance of knowledge transfer from universities to the private sector - which have always been important - are becoming crucial in the AI era.