



# **SEMI-ANNUAL LP CALL**

**OCTOBER 2023**

**CONFIDENTIAL**

# A STATEMENT

We at Joule Ventures are heartbroken over the attack on Israel and strongly condemn Hamas and their supporters. There is simply no excuse for terrorism. In the same breath, we are proud to stand with our peers in the venture capital community in support of Israel. As we like to say, bonds are forged in difficult times. For a startup ecosystem that has given so much to so many for so long, in these difficult times, it is our responsibility as human beings to stand shoulder to shoulder with our founders and their teams and family.



**Forbes**

FORBES > INNOVATION > VENTURE CAPITAL

EDITORS' PICK

**More Than 500 VC Firms Sign Public Statement In Support Of Israel**

In the letter, the firms, mostly based in the U.S., agreed to “stand united” in support of Israel, its people and tech community, which it noted had long been a partner to the global “innovation ecosystem.” It condemned “senseless and barbaric acts of terrorism,” saying the signatories “bear witness to the devastation they’ve wrought” and deplored the loss of innocent lives. The statement went on to call for the return of hostages and normalcy for Israel’s startup community.

# AGENDA

- I. Welcome from the General Partners
- II. Israel's Economic Resilience
- III. Underway: Conflict Impact + A Venture Market Reset
- IV. Performance Summary
- V. EOY 2023 Plan
- VI. An Updated View of Israel's Tech Ecosystem
- VII. Q&A
- VIII. Presentation by Joule Portfolio Company, Acsense
- IX. Appendix: Granular Fund by Fund Performance

# GENERAL PARTNERS



**BRIAN ROSENZWEIG**

Co-Founder & Partner / Atlanta



**DANIEL FRANKENSTEIN**

Co-Founder & Partner / New York



**DAFNA WINOCUR BIRAN**

Partner / Tel Aviv, Israel

# ISRAEL'S TECH SECTOR

## Military-Grade Resilience – A Long Term 'Buy'

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In just the last 23 years, Israel has been forced into seven armed conflicts with its enemies, which necessitates the country's disproportionate investment in its tech-centric Qualitative Military Edge

The byproduct are highly specialized [cyber warfare](#), [intelligence gathering](#), and [data analysis](#) units that feed Israel's high-tech ecosystem with innovation and unparalleled technical acumen

### Israel's Post-Conflict Economic Growth

6.0%: 2007 Growth Rate (2006: Second Lebanon War) – 2.0% U.S. GDP Growth

4.0%: 2016 Growth Rate (2014: Op. Protective Edge) - 1.7% U.S. GDP Growth

*A post-conflict Israel is going to supercharge innovation and economic output*

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Source: World Bank GDP Report 1961-2022

# THE CURRENT CONFLICT (1/2)

## Impact and Response

15% of the Israeli high-tech workforce has been called up to reserve duty.

60% of Joule's active portfolio (16 cos.) has at least one employee called up to reserve duty ranging from CEOs to R&D personnel. For the most part, 'reserve soldiers' work in the rear in intelligence, cyber, etc.

**Mitigation:** Each company's prepared contingency plans went operational with responsibilities transitioning to designated personnel or select vendors. Business continuity, DevOps, and Customer Service functions are receiving highest priority.

**NOTE:** Prior to the Ukraine War, Israeli startups employed 20K Ukrainian developers. The conflict forced Israeli companies to quickly shift personnel resources.

### Plan & Adjustments:

1. We have set half an hour every day with the team to boost morale. Some of our employees are in shock, and some have lost friends and commanders. We are having open discussions, allowing everyone to express themselves. I'm explaining that we cannot let terrorism defeat us. Part of our mission, especially now, is to fight terrorism and not let them pause Israeli companies and the market, and also hurt us financially.
2. Our team members who have been called up for reserve duty account for 25% of our workforce (me included). We have distributed their tasks and responsibilities accordingly, the team is working like a machine and executing.
3. In departments such as sales and lead generation, we are utilizing alternative tools to meet our targets. This includes heavy usage of LinkedIn, advertisements, and a virtual agent who assists with conversations.

\*I'm proud to share that one of our BDRs (Adin - paratrooper) has already managed to eliminate two of our enemies last night.

### Business continuity plan:

Ariel Tzadok, our VP R&D, who is currently not drafted nor will be, will be responsible for coordinating with Daniel (board representative) and Tomer (our company lawyer) in case me or Ronen become unavailable for an extended period of time. They will be able to approve salary payments in such a scenario.

I hope this update provides you with some clarity and reassurance about the steps we are taking during these challenging times. If you have any questions or concerns, please don't hesitate to reach out.

Eylon Etshtein  
CEO / Perfect

# THE CURRENT CONFLICT (2/2)

## Impact and Response

The Israeli Shekel has weakened dramatically since the start of the conflict

**Mitigation:** This is actually beneficial for Israeli startups as their rents, salaries, and many of their operational costs are done in US Dollars. Many of our companies have changed a percentage of their reserve capital (USD) into Shekels (NIS) to try and take advantage of the situation. We at Joule have also bought significant Shekel reserves.

Most startups teams have shifted back to working remotely to be close to family as they often have to take shelter when 'rocket' alarms are activated

**Mitigation:** The majority of enterprise tech, and especially that within the Joule portfolio, are developed and delivered via the Cloud hosted abroad – there is no hardware or physical elements that would be at risk from inbound projectiles.

Israeli startups are playing a strategic role in the defense of the country

**Mitigation:** Israeli government backstopping startups that have had their capital raising processes interrupted because of personnel committing to defense objectives (cyber, intelligence, etc.)

# A VENTURE MARKET RESET

## Round & Valuation Normalization with Metrics Prioritization

YTD global VC financing down more than 40% from 2022 – seed funding in Q3 alone dropped 27%

**Joule Impact:** Less competition for deals translates into better pricing and terms for those actively allocating. More mature, overpriced businesses looking for a ‘cap table reset’ present interesting opportunities for Joule. The GP is actively and aggressively allocating.

Series A rounds are harder to come by – early-stage financing dropped off by more than 40% along with retreat of foreign capital in Israel

**Joule Impact:** Time between rounds is extending forcing companies to do more with less – doubling down on strong business fundamentals and product excellence. Some portfolio cos. cutting ‘burn’ by up to 60% to preserve capital.

Tech companies braving the IPO market are offering big price discounts to last private valuation (Ex: Instacart, a 75% discount)

**Joule Impact:** Valuation gaps are the greatest cause of venture underperformance - more capital raised does not translate into better returns. This reinforces our valuation discipline and the advisory we offer to scaling portcos.

# A VENTURE MARKET RESET

## Portfolio Risk Summary – 16 Active Investments



### LOW RISK

- 10 have enough capital for 18+ months of operation



### MEDIUM RISK

- 5 will need to raise in the next 12 months



### HIGH RISK

- 1 will need to raise in the next 4 months



**All new investments executed are in rounds with at least 18 months of runway committed**

# PERFORMANCE SUMMARY

LP I-III  
2011-2015  
Status: Harvesting

**TOTAL INVESTED:** \$20,461,438

**TOTAL REALIZATIONS:** \$47,815,297

**REMAINING FAIR MARKET VALUE:** \$11,105,285

**CUMULATIVE PORTFOLIO VALUE:** \$58,920,582

**GROSS MOIC:** 2.88x

**NET TVPI:** 1.84x

**NET DPI:** 1.45x\*

**NET IRR:** 13.96%

SPV I-IV  
2014-2021  
Status: Upside Amplification

**TOTAL INVESTED:** \$13,529,381

**TOTAL REALIZATIONS:** \$5,911,376

**REMAINING FAIR MARKET VALUE:** \$34,467,443

**CUMULATIVE PORTFOLIO VALUE:** \$40,378,819

**GROSS MOIC:** 2.98x

**NET TVPI:** 2.98x

**NET DPI:** 0.48x\*

**NET IRR:** 33.74%

LP IV  
2020  
Status: Deploying (43%)

**TOTAL INVESTED:** \$26,682,885

**TOTAL REALIZATIONS:** \$1,154,332

**REMAINING FAIR MARKET VALUE:** \$22,474,866

**CUMULATIVE PORTFOLIO VALUE:** \$23,629,198

**GROSS MOIC:** 1.02x

**GROSS IRR:** 3.5%

**GROSS DPI:** 0.07x

*While still in deployment, the gross figures are better representation of the capital put to work to date*

**GROSS MOIC: 3.23x**   **NET IRR: 20.1%**   **NET DPI: 1.42x**

\* Top quartile or decile DPI performance (Pitchbook Benchmarks Q2 2022)

\*\*All performance data is based on fully funded equity rounds or capped SAFEs from the last closed round

## GLOSSARY

**FMV:** Fair Market Value

**IRR:** Internal Rate of Return (Growth Rate)

**DPI:** Distributions to Paid-In Capital (Cash Returned)

**TVPI:** Total Value to Paid-In Capital (Fund Multiple)

**MOIC:** Multiple on Invested Capital

# EOY PLAN

- Work closely with founders and teams to further mitigate any risk or negative impact the conflict may have on their companies
- Continue allocating – between a recession of venture capital and a near disappearance of foreign investors in the wake of the conflict, there are even more opportunities out there on which to capitalize
- For portfolio companies in need of a 2024 raise, we will begin working with them on collateral, messaging, and introductions to relevant VCs for relationship building
- Ensure we are appropriately communicating with prospective Fund V institutional investors towards a 2024 final close

# FUND V STATUS

## Investing in an Upcoming Innovation Surge

- After Israel's previous conflicts, economic activity and output surges – this conflict will end, and Israelis will return to work with immense creativity and productivity.
- A large majority of Fund V commitments thus far have come from existing Limited Partners and we remain in active discussions with both current and prospective LPs
- We are already filling the deal pipe for Fund V and expect to make the partnership's first allocation in early 2024. Despite the ongoing conflict, we are regularly hearing pitches and assessing new deals. The macro conditions continue to be highly favorable for those deploying.
- We will keep everyone updated on subsequent closes and will likely adjust our timing based on the requirements of larger institutional allocators and their timelines.



# THE ISRAELI ECOSYSTEM IN 2023

## Responding to a Global Tech Correction

**Rapid growth requires more drastic corrections** - While global investments increased by 108% from H1 2018 to H1 2021, Israeli investments for the same period saw a 250% increase. The hypergrowth requires a major correction to get normalize Israeli tech pricing and round sizing

**Israeli companies raised larger rounds than their peers abroad** – During H1 2022, the median Seed to A round in Israel was \$5M (vs \$3M abroad) and the median B to D round in Israel was \$37.5M (vs. \$32M abroad). The companies that managed their cashflow well did not require an additional funding in 2023.

**Political unrest in Israel** – Throughout most of 2023 Israel has been debating internally around a series of judicial reforms, which made some foreign investors pause the volume and velocity of Israel-related deals.

The first generation of Israeli startups was born out of the volatile years following the dot com bust of 2000-2001. A second generation, which became the country's first real scaling 'unicorns' emerged in the years after the 2008 economic downturn. We believe a third generation is currently forming under both an AI boom and what will inevitably a high trajectory post-conflict recovery.

# THE ISRAELI ECOSYSTEM: Q1-Q3 2023

Fundraising

- Israeli tech cos. raised \$5.4b, a 60% decrease from Q1-Q3 2022 and the lowest amount for that period since 2019
- \$2.9b or 53% of capital raised was invested across 28 deals (\$50M avg.)
- Median and average round sizes at their lowest since 2020 with \$6M median and \$17M average
- Foreign investment shrank to 4-year low: \$4.1b vs. \$9.6b in 2022, \$12.2b in 2021, and \$5.1B in 2020
- Only 2 new unicorns were created in 2023, the lowest since 2018 indicating a much higher metrics bar for valuations
- We believe a high percentage of companies raised interim/extension rounds in 2023 that were not publicized, thus translating into a much higher amount invested than was reported

M&A

- Only 69 companies were acquired vs. 108 M&A transactions in Q1-Q3. Average M&A for 2015–2023: \$8.37B (43% coming from the Thales acquisition of Imperva for \$3.6b)
- We expect M&A to pick up considerably as overpriced, underperforming companies run out of capital. Startups have and will continue looking for exit options with strategic corporates and PEs seeking 'distressed' assets to acquire

# Q&A

# MULI MOTOLA

CEO



# Q&A

# APPENDIX

## Granular Fund Performance

# LP I SUMMARY

- 2011 Vintage
- \$5 Million Partnership
- 10 Portfolio Investments
- 2.40x Gross Realizations
- 1.85x Net TVPI
- 1.85x Net DPI
- 9.4% Net IRR

# ASSET STATUS – FULLY EXITED

COMPANY	AMOUNT INVESTED	% OF FUND ALLOCATION	FAIR MARKET VALUE	CASH REALIZATIONS	STATUS
BioCatch	\$780,000	15.60%	\$11,477,334	\$11,477,334	EXITED
Unomy (WeWork)	\$300,000	6.00%	\$110,271	\$110,271	EXITED
eVision Systems	\$325,450	6.50%	\$291,039	\$291,039	EXITED
CrowdX (Cellwize)	\$650,000	13%	\$129,079	\$129,079	EXITED
Hybrid Security	\$500,000	10%	\$0	\$0	SHUT DOWN
Booking Direction	\$500,000	10%	\$0	\$0	SHUT DOWN
Sensegon	\$500,000	10%	\$0	\$0	SHUT DOWN
SevenPop	\$400,000	8.00%	\$0	\$0	SHUT DOWN
TodaCell	\$400,000	8.00%	\$0	\$0	SHUT DOWN
TotalBoox	\$500,000	10%	\$0	\$0	SHUT DOWN
<b>TOTAL</b>	<b>\$4,855,450</b>	<b>97.1%</b>	<b>\$12,007,824</b>	<b>\$12,007,824</b>	

# LP II SUMMARY

- 2013 Vintage
- \$5 Million Partnership
- 10 Portfolio Investments
- 5.19x Gross Realizations
- 2.80x Net TVPI
- 2.67x Net DPI
- 24.5% Net IRR

# ASSET STATUS

COMPANY	AMOUNT INVESTED	% OF FUND ALLOCATION	FAIR MARKET VALUE	CASH REALIZATIONS	STATUS
Coralogix	\$900,000	18.00%	\$21,132,642	\$21,132,642	EXITED
Presenso	\$500,000	10.00%	\$2,116,644	\$2,116,644	EXITED
BioCatch	\$401,350	8.00%	\$2,700,531	\$2,700,531	EXITED
Cronus	\$500,000	10.00%	\$7,799	\$7,799	EXITED
Lingacom	\$500,000	10.00%	\$1,197,220	\$0	ACTIVE
Atomation	\$520,000	10.04%	\$110,200	\$0	ACTIVE
Dove	\$550,000	11.00%	\$0	\$0	SHUT DOWN
Sensegon	\$120,000	2.40%	\$0	\$0	SHUT DOWN
IsItYou	\$500,000	10.00%	\$0	\$0	SHUT DOWN
BackAnd	\$500,000	10.00%	\$0	\$0	SHUT DOWN
<b>TOTAL</b>	<b>\$4,991,350</b>	<b>99.44%</b>	<b>\$27,265,036</b>	<b>\$25,957,616</b>	

# LP III SUMMARY

- 2015 Vintage
- \$10 Million Partnership
- 13 Portfolio Investments
- .77x Gross Cash Return
- 1.39x Net TVPI
- 0.69x Net DPI
- 11.1% Net IRR

# ASSET STATUS

COMPANY	AMOUNT INVESTED	% OF FUND ALLOCATION	FAIR MARKET VALUE	CASH REALIZATIONS	STATUS
BioCatch	\$802,701	8.03%	\$5,401,142	\$5,401,142	EXITED
Presenso	\$350,000	3.50%	\$1,404,071	\$1,404,071	EXITED
Unomy (WeWork)	\$600,000	6.00%	\$186,086	\$186,086	EXITED
Cronus	\$250,000	2.50%	\$2,201	\$2,201	EXITED
Simpo	\$1,000,000	10.00%	\$750,000	\$750,000	EXITED
Atomation	\$1,130,000	11.30%	\$902,299	\$0	ACTIVE
Lingacom	\$675,000	6.75%	\$1,023,658	\$0	ACTIVE
Outgage	\$1,000,000	10.00%	\$1,000,250	\$0	ACTIVE
Reposify	\$1,657,000	16.57%	\$2,307,989	\$0	ACTIVE
ShieldIoT	\$850,000	8.50%	\$1,732,736	\$0	ACTIVE
Darillium	\$500,000	10.00%	\$0	\$0	SHUT DOWN
Altostra	\$1,000,000	10.00%	\$0	\$0	SHUT DOWN
Hybrid Security	\$520,000	10.04%	\$0	\$0	SHUT DOWN
<b>TOTAL</b>	<b>\$10,214,638</b>	<b>102.10%</b>	<b>\$14,710,434</b>	<b>\$7,743,500</b>	

# LP IV SUMMARY

- 2020 vintage
- \$56.7 million partnership
- 10 Portfolio Investments
- 1.37x Net TVPI
- 0.06x Net DPI
- 37.1% Net IRR

# ASSET STATUS

COMPANY	AMOUNT INVESTED	% OF FUND ALLOCATION	FAIR MARKET VALUE	CASH REALIZATIONS	STATUS
Mirato	\$2,356,761	4.15%	\$3,337,624	\$0	ACTIVE
Qipt	\$1,000,000	1.76%	\$1,000,000	\$0	ACTIVE
Pynt	\$2,000,000	3.53%	\$1,999,858	\$0	ACTIVE
IronVest	\$3,654,329	6.45%	\$3,654,329	\$0	ACTIVE
Rupert	\$1,975,000	3.48%	\$2,353,523	\$0	ACTIVE
Perfect	\$3,196,709	5.63%	\$429,398	\$0	ACTIVE
AccSense	\$2,000,000	3.53%	\$1,999,998	\$0	ACTIVE
Reeco	\$2,700,000	4.76%	\$2,700,000	\$0	ACTIVE
Arnica	\$3,000,000	5.29%	\$2,999,998	\$0	ACTIVE
TRSTai	\$1,000,085	1.76%	\$1,000,085	\$0	ACTIVE
Obsecure	\$1,500,000	2.64%	\$1,154,332	\$1,154,332	EXITED*
Twang (Vox)	\$2,000,000	3.53%	\$700,000	\$700,000	SHUT DOWN
<b>TOTAL</b>	<b>\$26,682,885</b>	<b>47.06%</b>	<b>\$23,629,198</b>	<b>\$1,854,332</b>	

\*In Q1 2022 Obsecure was merged with Joule portfolio company IronVest – the \$1,154,332 realization was issued to Fund IV in IronVest stock as consideration

**NOTE:** Joule is using the current environment to 'buy up' in numerous portfolio companies at interim rounds. While that depresses near-term metrics and value, it amplifies ownership to drive the desired long-term realizations.

# SPV I SUMMARY

- 2014/2016 Vintage
- \$1.24 Million Partnership
- 1 Portfolio Investment
- 4.74x Gross Realizations
- 4.74x Net TVPI
- 4.74x Net DPI
- 34.1% Net IRR

# ASSET STATUS – FULLY EXITED

COMPANY	AMOUNT INVESTED	% OF FUND ALLOCATION	FAIR MARKET VALUE	CASH REALIZATIONS	STATUS
BioCatch	\$1,245,949	100%	\$5,911,376	\$5,911,376	EXITED
<b>TOTAL</b>	<b>\$1,245,949</b>		<b>\$5,911,376</b>	<b>\$5,911,376</b>	

# SPV II SUMMARY

- 2018 Vintage
- \$1.77 Million Partnership
- 1 Portfolio Investment
- 0.00x Gross Realizations
- 6.02x Net TVPI
- 0.00x Net DPI
- 37.2% Net IRR

# ASSET STATUS

COMPANY	AMOUNT INVESTED	% OF FUND ALLOCATION	FAIR MARKET VALUE	CASH REALIZATIONS	STATUS
BioCatch	\$1,799,946	100%	\$10,828,624	\$0	ACTIVE
<b>TOTAL</b>	<b>\$1,799,946</b>		<b>\$10,828,624</b>	<b>\$0</b>	

# SPV III SUMMARY

- 2019 Vintage
- \$5 million partnership
- 3 portfolio investments
- 0.0x Gross Cash Return
- 0.12x Net DPI
- 3.09x Net TVPI
- 66.5% Net IRR

# ASSET STATUS

COMPANY	AMOUNT INVESTED	% OF FUND ALLOCATION	FAIR MARKET VALUE	CASH REALIZATIONS	STATUS
Coralogix	\$3,430,788	68.6%	\$14,142,306	\$0	ACTIVE
Altostra	\$500,000	10.0%	\$0	\$0	SHUT DOWN
Simpo	\$1,003,042	20.0%	\$600,000	\$600,000	EXITED
<b>TOTAL</b>	<b>\$4,951,007</b>	<b>99.0%</b>	<b>\$14,742,306</b>	<b>\$600,000</b>	

**NOTE:** The current marks are highly conservative and based entirely around Coralogix's last priced funding round in June 2022. Since then, the company has nearly tripled its revenue.

# SPV IV SUMMARY

- 2021 Vintage
- \$6.0 Million Partnership
- 1 Portfolio Investment
- 0.0x Gross Realizations
- 0.0x Net DPI
- 1.60x Net TVPI
- 26.3% Net IRR

# ASSET STATUS

COMPANY	AMOUNT INVESTED	% OF FUND ALLOCATION	FAIR MARKET VALUE	CASH REALIZATIONS	STATUS
Coralogix	\$5,549,656	92.5%	\$8,896,513	\$0	ACTIVE
<b>TOTAL</b>	<b>\$5,549,656</b>	<b>92.5%</b>	<b>\$8,896,513</b>	<b>\$0</b>	

**NOTE:** The current marks are highly conservative and based entirely around Coralogix's last priced funding round in June 2022. Since then, the company has nearly tripled its revenue.